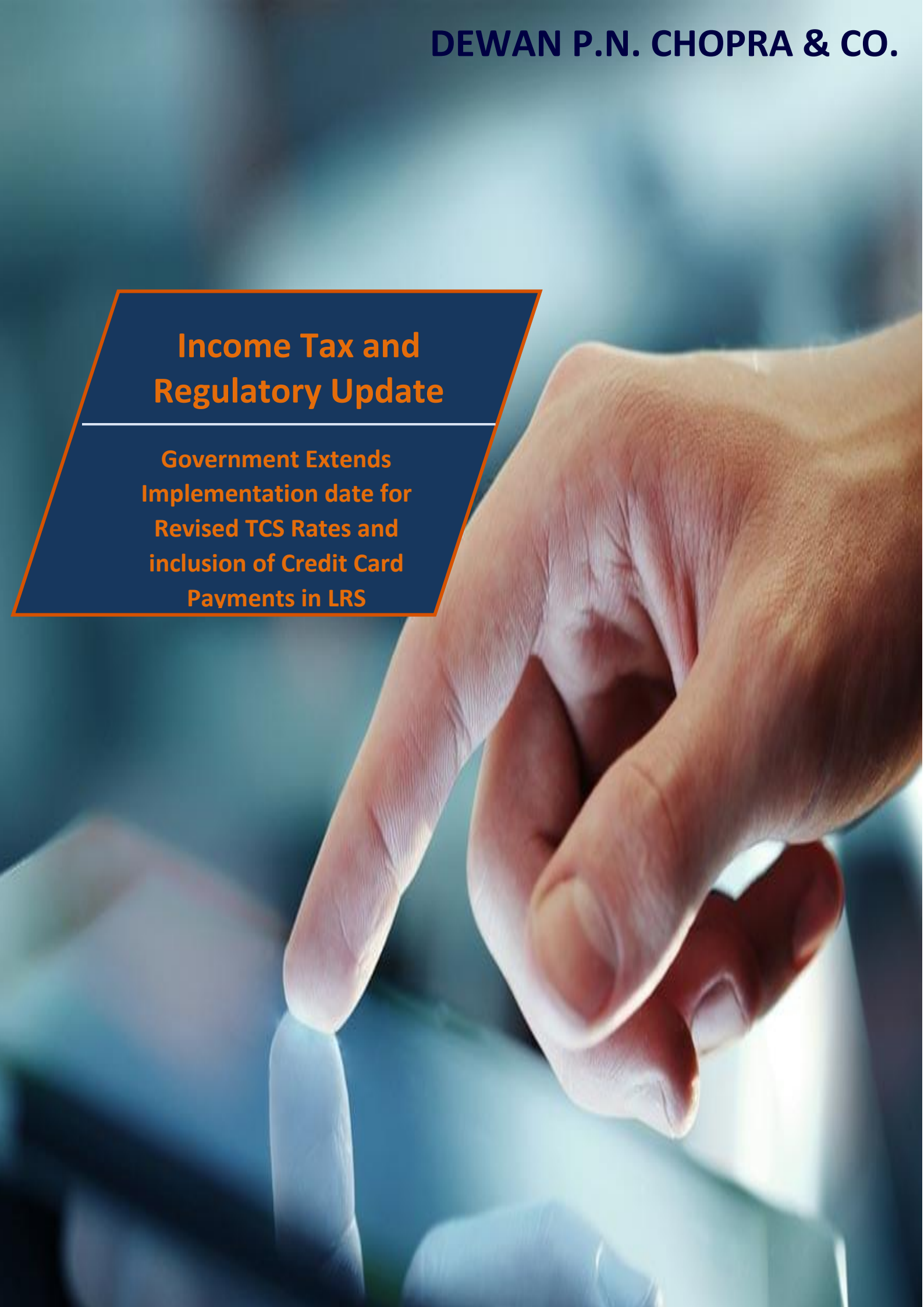


Income Tax and Regulatory Update

**Government Extends
Implementation date for
Revised TCS Rates and
inclusion of Credit Card
Payments in LRS**



**Government gives more time for
implementation of revised TCS rates and for
inclusion of credit card payments in LRS**

Certain changes were announced to the system of TCS on payments under the LRS and on overseas tour program packages. These were to take effect from 1 July 2023.

The government had also notified Foreign Exchange Management (Current Account Transactions) (Amendment) Rules, 2023 vide an e-gazette notification dated 16th May 2023 to remove the differential treatment for credit cards vis à vis other modes of drawal of foreign exchange under LRS.

With regard to the above, Ministry of Finance vide Press Release dated 28.06.2023 has decided to make following suitable changes in response to the comments and suggestions received:

- (i) Postpone the implementation of its 16th May 2023 e-gazette notification to give adequate time to Banks and Card networks to put in place requisite IT based solutions. **This would mean that transactions through International Credit Cards while being overseas would not count as LRS and hence would not be subject to TCS.**
- (ii) Threshold of Rs.7 Lakh per financial year per individual in clause (a) of sub-section (1G) of section 206C shall be restored for TCS on all categories of LRS payments, through all modes of payment, regardless of the purpose. For purchase of overseas tour program package under Clause (b) of Sub-section (1G), the TCS shall continue to apply at the rate of 5% for the first Rs 7 lakhs per individual per annum; the

20% rate will only apply for expenditure above this limit.

- (iii) The increase in TCS rates which were to come into effect from 1st July, 2023 shall now come into effect from 1st October, 2023 with the modification as in (ii) above. Till 30 September, 2023, earlier rates (prior to amendment by the Finance Act 2023) shall continue to apply

Earlier & New TCS Rates are summarised:

Nature of payment (1)	Earlier Rates (2)	New Rates w.e.f. 01.10.23 (3)
LRS for education financed by loan	Nil up to Rs.7 lakh; 0.5% above Rs.7 lakh	Nil up to Rs.7 lakh; 0.5% above Rs.7 lakh
LRS for Medical treatment/	Nil up to Rs.7 lakh;	Nil up to Rs.7 lakh;

education (other than financed by loan)	5% above Rs.7 lakh	5% above Rs.7 lakh
LRS for other purposes	Nil up to Rs.7 lakh, 5% above Rs.7 Lakh	Nil up to Rs.7 lakh, 20% above Rs.7 Lakhs
Purchase of Overseas tour program package	5% (without threshold)	5% till Rs.7 Lakh, 20% thereafter

For details, please refer Ministry of Finance press release dated 28.06.2023:

<https://pib.gov.in/PressReleasePage.aspx?PRID=1936105>

DISCLAIMER: - The summary information herein is based on the Ministry of Finance press release dated 28.06.2023. While the information is believed to be accurate, we make no representations or warranties, express or implied, as to the accuracy or completeness of it. Readers should conduct and rely upon their own examination and analysis and are advised to seek their own professional advice. This note is not an offer, advice or solicitation. We accept no responsibility for any errors it may contain, whether caused by negligence or otherwise or for any loss, howsoever caused or sustained, by the person who relies upon it.