



Varaiya and Shah LLP

Chartered Accountants

FEMA/RBI Alert

Sub: Highlights and Clarifications on Tax collection @source (TCS):

1. Section 206 (c) (1G) of the Income tax Act, 1961 provides for TCS inter alia on foreign remittance under the Liberalised Remittance Scheme (LRS) and on sale of overseas tour packages.

2. What is LRS? :

As per law, resident individuals can avail of foreign exchange facility for outward remittance up to USD 2,50,000/- during a financial year for following purposes:

- i. Private visits to any country (except Nepal and Bhutan)
- ii. Gift or donation
- iii. Going abroad for employment
- iv. Emigration
- v. Maintenance of close relatives abroad
- vi. Travel for business, attending a conference or specialised training or for meeting expenses for meeting medical expenses, or check-up abroad, or for accompanying as an attendant to a patient going abroad for medical treatment / check – up
- vii. Expenses in connection with medical treatment abroad
- viii. Studies abroad
- ix. Any other current account transaction

3. Current account transactions include:

- i. Payments due in connection with foreign trade, other current business, services, and short – term banking and credit facilities in the ordinary course of business,
- ii. Payments due as interest on loans and as net income from investments,
- iii. Remittances for living expenses of parents, spouse and children residing abroad, and
- iv. Expenses in connection with foreign travel, education and medical care of parents, spouse and children.

4. Rates of TCS:

The TCS rates with the changes brought about in Finance Act 2023 are tabulated as under,

i. Remittance for the purpose of any education [NO CHANGE]

Old Position (up to 30.06.2023)			After finance Act 2023 (from 01.07.2023)	
Nature	Threshold	Rate	Threshold	Rate
If the amount being remitted out is a loan obtained from any financial institution as defined in section 80E	7 lacs	0.5%	7 lacs	0.5%
Remittance is not out of loan from a financial institution	7 lacs	5%	7 lacs	5%

ii. Remittance for the purpose of any medical treatment [NO CHANGE]

Old Position (up to 30.06.2023)			After finance Act 2023 (from 01.07.2023)	
Nature	Threshold	Rate	Threshold	Rate
Remittance is for Medical Treatment	7 lacs	5%	7 lacs	5%

iii. Sale of Overseas tour package

Old Position (up to 30.06.2023)			After finance Act 2023 (from 01.07.2023)	
Nature	Threshold	Rate	Threshold	Rate
Remittance is for the purchase of a tour package	Nil	5%	Nil	20%

iv. **Any other Remittance** (for Bonds, shares, real estate gifts etc)

Old Position (up to 30.06.2023)			After finance Act 2023 (from 01.07.2023)	
Nature	Threshold	Rate	Threshold	Rate
Remittance is for any other purpose	7 lacs	5%	Nil	20%

5. A taxpayer can claim credit of TCS paid by him along with TDS, advance tax etc while filing tax return.
6. Use of International credit cards by a person when he/she is in abroad:
Use of International debit cards is covered under LRS and hence subject to TCS.

Vide Notification dated 16th May, 2023, use of international credit cards is also covered under LRS and hence subject to TCS with effect from 01st July, 2023.

However, vide clarification dated 19th May, 2023, it has been stated that any payments by an individual using his/her international debit or credit card abroad up to INR 7 lakh per financial year will be excluded from LRS limits and hence will not attract any TCS.

Thanking You,

We, at Varaiya & Shah LLP

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