



Ministry of Finance



Important changes w.r.t Liberalised Remittance Scheme (LRS) and Tax Collected at Source (TCS)

No change in rate of TCS for all purposes under LRS and for overseas travel tour packages, regardless of mode of payment, for amounts up to Rs. 7 lakh per individual per annum

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

Increased TCS rates to apply from 1st October, 2023






Posted On: 28 JUN 2023 9:09PM by PIB Delhi

In the Budget this year, certain changes were announced to the system of Tax Collection at Source (TCS) on payments under the Liberalised Remittance Scheme (LRS) and on overseas tour program packages. These were to take effect from 1st July 2023. It was also announced in March that credit card payments would be brought under the LRS. Numerous comments and suggestions were received which have been carefully considered.

In response to the comments and suggestions it has been decided to make suitable changes. Firstly, it has been decided that **there will be no change in the rate of TCS for all purposes under LRS and for overseas travel tour packages, regardless of mode of payment, for amounts up to Rs. 7 lakh per individual per annum.** It has also been decided to give more time for the implementation of the revised TCS rates and for inclusion of credit card payments in LRS. The changes are detailed below.

Sub-section (1G) of section 206C of the Income-tax Act, 1961 (“the Act”) provides for Tax Collection at Source (TCS) on (i) foreign remittance through the Liberalised Remittance Scheme (LRS) and (ii) sale of overseas tour program package.

Through the Finance Act 2023, amendments were carried out in sub-section (1G) of section 206C of the Act. These amendments, *inter alia*, increased the rate of TCS from 5% to 20% for remittance under LRS as well as for purchase of overseas tour program package and removed the threshold of Rs 7 lakh for

 	LRS for education financed by loan	Nil upto Rs 7 lakh	Nil upto Rs 7 lakh
		0.5% above Rs 7 Lakh	0.5% above Rs 7 Lakh
 	LRS for Medical treatment/ education (other than financed by loan)	Nil upto Rs 7 lakh	Nil upto Rs 7 lakh
		5% above Rs 7 Lakh	5% above Rs 7 Lakh
	LRS for other purposes	Nil upto Rs 7 lakh	Nil upto Rs 7 lakh
		5% above Rs 7 Lakh	20% above Rs 7 Lakh
	Purchase of Overseas tour program package	5% (without threshold)	5% till Rs 7 Lakh, 20% thereafter

Note: (i) TCS rate in column two shall continue to apply till 30th September, 2023.

(ii) There shall be no TCS on expenditures under LRS under clause (i) of Sub-section (1G) for the first Rs. 7 lakh, irrespective of purpose.

The necessary changes to the Rules (Foreign Exchange Management (Current Account Transactions Rules), 2000) are being issued separately.

Legislative amendment in this regard shall be proposed in due course. Circular and Frequently Asked Questions (FAQs) shall be issued to clarify various practical issues in implementing this provision.

PPG/KMN

(Release ID: 1936105) Visitor Counter : 16782

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