

**“What’s
New?”**



July 7, 2023

“Changes in Tax Collection at Source (TCS) provisions for foreign remittances and foreign tour program packages”

In the Budget 2023, Government increased rate of TCS on purchase of overseas tour program packages and foreign remittances. Further, the threshold for levy of TCS was reduced. These changes were to take effect from July 1, 2023. Considering the requests of stakeholders, Government has decided to rollback increased TCS rates and deferred implementation to October 1, 2023. Please refer next slide for more details.

Source: CBDT Circular No. 10/2023 dated June 30, 2023 and Press Release dated June 28, 2023

Changes in TCS provisions for foreign remittances, etc.

Nature of payment	TCS rates before Finance Act, 2023 (till June 30, 2023)	TCS rates proposed by Finance Act, 2023 (w.e.f July 1, 2023)	New TCS rates proposed now (w.e.f October 1, 2023)
For the purpose of education, if the amount being remitted is out of a loan obtained from a financial institution	Nil upto INR 7 Lakh 0.5% above INR 7 Lakh	No change, same as earlier	No change, same as earlier
For the purpose of education, other than above or for the purpose of medical treatment	Nil upto INR 7 Lakh 5% above INR 7 Lakh	No change, same as earlier	No change, same as earlier
Any other foreign remittances	Nil upto INR 7 Lakh 5% above INR 7 Lakh	20% without any threshold limit	Nil upto INR 7 Lakh 20% thereafter
Purchase of overseas tour program package	5% without any threshold limit	20% without any threshold limit	5% till INR 7 Lakh 20% thereafter

CBDT issued further guidelines regarding TCS provisions

- No TCS shall be applicable on expenditure through international credit card while being overseas till further order.
- It is clarified that the threshold of INR 7 Lakh is combined threshold for a year for all sorts of foreign remittances.
- The threshold of INR 7 Lakh for TCS applicability is linked to remitter, not to bank. So, a remitter cannot increase it to INR 14 Lakh if making remittance from two banks.
- For purchase of overseas tour program package, the threshold of INR 7 Lakh applies to determine the applicable TCS rate as 5% or 20%.
- In case of purchase of overseas tour program package which is classified under Liberalised Remittance Scheme ("LRS") of RBI, TCS provisions for purchase of overseas tour program package shall apply and not TCS provisions for remittance under LRS.
- Only purchase of international travel tickets or only purchase of hotel accommodation does not amount to overseas tour program package. The package should include expenses for at least two of the following:
 - international travel ticket,
 - hotel accommodation, boarding, lodging,
 - any other expenditure of similar nature or in relation thereto.

Contact us



H-59AB, Lower Ground Floor
Kalkaji, New Delhi 110019
India



info@gsapadvisors.com



+91 (11) 4056 0819
+91 (11) 4154 4443

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