

## **20% TCS brought in for Credit Card transactions abroad**

From July 1st onwards, any or every payout using credit cards made by Indian citizens abroad would be taxed under the LRS and FEMA guidelines at 20% TCS which is a revision from the earlier 5% TCS since 2020. Indian nationals can transact up to \$250,000 (~ Rs 2.10 crores) per annum abroad without requiring any sanction from the RBI. Under the current arrangements, a 5% TCS will be collected for all expenditures except for tuition and pharmaceutical grounds. It also means that personal tours overseas, seeking employment opportunities, and endowments will be taxable. The Government has arrived at this decision after witnessing mismatches in data between inordinate payments and their divulged incomes.

Analysing the data from 2022, Indians spent around \$13 billion, of which around \$7 billion were spent by domestic residents for overseas travel purposes alone. The volume of credit card transactions jumped by 32.6% touching Rs 268 crores while additional spending using credit cards grew by 50% making Rs 13 lakh crores. The banking fraternity did not take this decision positively citing that it leads to increased technical adjustments required on existing software for incorporating the changes along with the creation of separate financial statements. POS machines are not equipped to distinguish between medical bills and other expenses. The taxpayers were already at their pressure points during the 5% levy as they had to shell out Rs 505 for a product that costs Rs 500 abroad. Post July 1st, this changes to Rs 520 instead of Rs 500 with the onset of 20%.

### **Terms enlarged**

TCS – Tax Collected at Source

LRS – Liberalized Remittance Scheme

FEMA – Foreign Exchange Management Act, 1999

POS – Point of Sale

