



Applicability of TCS on Outward Remittance

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What is TCS on LRS and Overseas Tour Package?

- The Finance Act, 2020 expanded the scope of provisions under section 206C by introducing a sub-section (1G) w.e.f. October 1, 2020.
- Section 206C(1G) deals with collection of tax at source by an Authorised Dealer when under certain circumstances, funds are remitted outside India by way of the Liberalised Remittance Scheme (LRS) of RBI.
- The rate at which tax is to be collected depends on the reason for which the funds are being remitted.

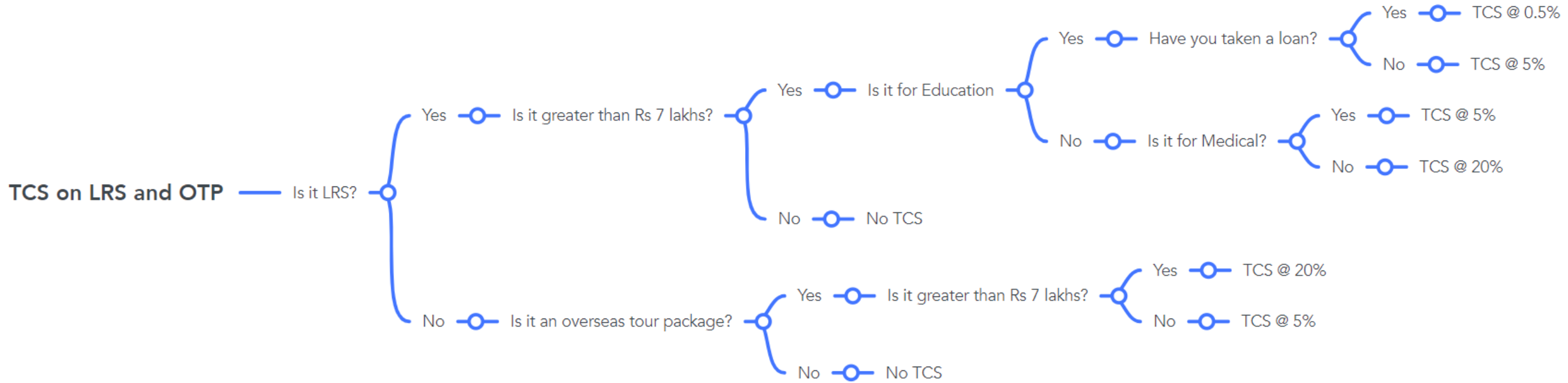
What is TCS on LRS and Overseas Tour Package?

- Apart from LRS, payment made to an overseas tour operator for an overseas tour package would also be covered under this new subsection.
- Definition of Overseas Tour Programme Package –
 - *"overseas tour programme package" means any tour package which offers visit to a country or countries or territory or territories outside India and includes expenses for travel or hotel stay or boarding or lodging or any other expenditure of similar nature or in relation thereto.*
- However, if any tax is already deducted at source at the time of payment or collected at source under any other sub-section, then provisions of subsection (1G) shall not apply

Circular No. 10 of 2023

- The Finance Act 2023 aimed to
 - Increase the TCS on purchase of overseas tour package from 5% to 20%
 - remove the threshold of Rs. 7 lakhs
 - Above changes not applicable for education and medical purposes
- Section 206C(1G) was amended accordingly + FEMA Notification
- However, on receipt of comments regarding the difficulties – MoF Press Release – CBDT Circular No. 10 of 2023 which *inter alia* provides that –
 - Rs. 7 lakh threshold will be restored for all expenses under LRS
 - For overseas tour packages – 5% up to Rs. 7 lakhs and 20% above Rs. 7 lakhs
- Beneficial Circular

Mind Map for TCS



TCS Rates

Purpose	TCS Rate
For all remittances under LRS below Rs. 7 Lakhs	0%
<u>For remittances above Rs 7 Lakhs for:</u>	
Education with loan from financial institution defined in Section 80EE	0.5%
Education without loan/ Medical	5%
Other Expenses	20%
<u>For Purchase of Overseas Tour Package:</u>	
Below Rs. 7 Lakhs	5%
Above Rs. 7 Lakhs	20%

FAQs

- Credit card spends – used to spend overseas – No TCS
- TCS below and above threshold – consider Rs. 7 lakhs as an aggregate threshold
- Threshold for FY 2023-24 – combined before and after 1st October 2023
 - Undertaking
 - LRS v Overseas Tour Package – threshold mutually exclusive – independent of each other
- Expenses ancillary to main object – TCS at main object rate
- Elements of Overseas Tour Package
 - Flight ticket
 - Boarding
 - Other expenses

Thank You

