Sunday 21st May 2023 : Times of India, Delhi

No TCS on overseas credit card spendings up to ₹7 lakh

MONIKA YADAV @ New Delhi

AFTER coming under criticism for levying 20% tax on overseas credit card payments, the government on Friday announced that any payments by an individual using their international debit or credit cards up to ₹7 lakh per annum would be excluded from the liberalised remittance scheme or LRS limits and will not attract any tax collection at source (TCS).

"Concerns have been raised about the applicability of TCS to small transactions under LRS limits from July 1, 2023. To avoid any procedural ambiguity, it has been decided that any payments by an individual using their international debit or credit cards up to ₹7 lakh per financial year will be excluded from the LRS limits and hence, will not attract any TCS," Finance ministry said in a statement.

Existing beneficial TCS treatment for education and health payments will also continue, it reiterated. Recently, the Reserve Bank of India (RBI) had introduced a new provision to bring overseas credit card spends under the LRS scheme as per which the individuals can do remittances of up to $2.5 lakh per annum.

Following this, the Ministry of Finance also issued a notification saying that such payments would attract 20% TCS which can be adjusted against advance tax payments or refunded at the time of return filing.

Tax experts had raised concerns about the above changes saying that would create complexities, especially for the middle class individuals. This would also freeze their cash for nearly a year.

In addition, tour operators also criticised the centre's move. Rajiv Mehra, Vice President of Indian Association of Tour Operators (IATO) had written to the Prime Minister that the increase in TCS from 5% to 20% from 01 July 2023, will cause loss to the outbound tour operators based in India. "The travellers would simply bypass the Indian operator and book outside. It would be a lose-lose situation for both the Government and the tour operators. This needs to be brought back to 5% as was before or even lower," Mehra said.

Under the LRS, there is a limit of $250,000 that one can take out of the country for expenses overseas.

The government also levies TCS at varying rates for different categories of expenditures under LRS. The rate varies from 0.5% to 20%.

Monday 22nd May 2023: Times of India, Live Mint

TCS hike in tour packages sparks concern among cos

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The imminent fourfold increase in the Tax Collected at Source (TCS) on tour packages has triggered widespread apprehension among Indian travel agencies and industry groups. The TCS rate, set to rise from 5% to 20% in July, will significantly burden customers, despite its refundability at the end of the fiscal year.

Many domestic online tour operators express concern that this steep hike will place them at a competitive disadvantage. Their international competitors, who are exempt from charging TCS to Indian customers, could lure away their business. This potential shift could lead to Indian travellers bypassing local companies entirely and turning to international operators for their holiday bookings.

With the recent clarification issued by the government exempting forex purchases using debit or credit cards up to ₹7 lakh from TCS, if a traveller was to buy a tour package from an international operator for under ₹7 lakh, then they will be exempt from paying the TCS. Though Indian tour operators accepting payments for tours in rupee is not subject to TCS, when they pay to their international vendors abroad for providing that service, it happens in a foreign currency. And this, tour operator bodies say will put Indian companies at a major disadvantage.

This potential shift could lead to Indian travellers bypassing local companies entirely and turning to international operators.

"This move is likely to kill our own travel and tour industry. This could lead to unemployment and the government will lose out on GST collection. Nothing stops a traveller now from buying a tour package under ₹7 lakh from an international operator who is not charging that same TCS," said Rajiv Mehra, president of the Indian Association of Tour Operators. Indian travel agents feel they should not be tasked with collection of TCS as it make pricing expensive on them compared to global travel platforms as a result of which they may lose even more business as they had been since the TCS of 5% was first introduced a few years ago.

Mohit Kabra, Group chief financial officer of Nasdaq-listed MakeMyTrip said while the government's intent seems to be of collecting TCS only on large forex spends towards overseas travel paid via international debit and credit cards, there is lot of ambiguity which should be addressed as the due notifications are issued in coming days.

Tuesday 23rd May 2023 : Economics Times

Travel Industry Seeks Removal of 20% TCS on Overseas Packages

Experts say move to collect tax could impact hundreds of jobs, call for a level playing field for domestic travel agents

TROUBLE FOR TRAVEL

The government has proposed to increase tax collected at source on overseas tour packages to 20% from 5%, from July 1

Saturday 27th May 2023: Times of India - Chennai

Using prepaid forex cards? Still no clarity on 20% TCS

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Chennai: At a time when tour operators are flagging the move to levy 20% tax collected source (TCS) on overseas tour packages, ambiguity prevails over whether foreign currency and prepaid forex cards purchased in authorised full fledged money changers (FFMC) and forex dealers will also attract the tax.

At present, foreign currency and prepaid forex cards up to Rs 7 lakh accessed through these RBI-authorised facilities for international travel is out of the purview of TCS.

Foreign exchange dealers have raised concern over the lack of clarity on whether TCS of 20% would be applied under the liberalized remittance scheme (LRS) effective from July 1. Bhaskar Rao P, managing director of Orient Exchange and general secretary of All India Money Changers and Money Transfer Agents Association, said, no specific clarification has been provided for small value transactions involving foreign currency cash and prepaid forex cards.

TAX DILEMMA

- Foreign currency and prepaid forex cards are widely used by individuals travelling abroad for leisure trips & employment
- There's lack of clarity on whether TCS of 20% would be applied under the Liberalized Remittance Scheme (LRS) effective from July 1, 2023
- If levied, travellers will end up paying more on availing international currencies and tourist travel cards

"Foreign currency and prepaid forex cards are widely used by individuals travelling abroad for leisure trips and employment. If this is brought under the ambit of TCS, then travellers will end up paying more on availing international currencies and tourist travel cards, particularly affecting the lower middle classes and those travelling for overseas employment," he said.

A tax expert told **TOI** that TCS would apply to foreign exchange cards as well, and the banking regulator is likely to issue a notification clarifying this.

An estimated 5,000 to 7,000 FFMCs operate in India, facilitating money exchange of over $10 billion every year.

Rajiv Mehra, president of Indian Association of Tour Operators (IATO) said, levying 20% TCS effective from July 1 will adversely affect Indian companies. "Higher TCS will trigger people to book overseas tour packages through international agencies online to keep the tax at bay. This will not only hit the Indian tour operators but also revenue to the government because the latter will not get 5% GST and existing 5% TCS on overseas tour packages since all the transactions will happen in the foreign destinations," he said. This will have a bearing on employment in the tourism sector, he added.

MakeMyTrip group CFO Mohit Kabra said the Rs 7-lakh exemption should be extended for tour packages also. "This is the need of the hour since it would benefit the first-time travellers, who generally prefer a destination in southeast Asia and the overall value of the tour package will be less," he said. During the pre-Covid year of 2019, nearly 2.7 crore Indians travelled overseas for outbound tourism, Union tourism ministry's data showed.

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