

Important Regulatory Guidelines on International Transactions on Debit Cards

- Customers performing International transactions are governed by the Reserve Bank of India (RBI) vide Master Direction on Liberalized Remittance Scheme (LRS) updated as on August 24, 2022 (RBI/FED/2017-18/3 FED Master Direction No.7/2015-16).
- As per the Master Direction, it is mandatory for a resident individual to provide his/her Permanent Account Number (PAN) to make remittance under the LRS Scheme.
- All International transactions or Cross Border payments (payments to merchants outside India) initiated using Debit Cards qualify as transactions under the provisions of LRS.
- To comply with the regulatory requirement, the Bank would be declining such Cross Border Debit Card transactions, if PAN is not updated against the Customer ID linked to the Debit Card.
- As per LRS guidelines, customers are allowed to perform transactions up to USD 2,50,000 (limit at Income Tax PAN level checked across all payment instruments and issued by Banks and Authorized Dealers) during a financial year. If the customer breaches this limit, then it would be classified as contravention of FEMA guidelines and penalties as specified in RBI circular ***RBI/FED/2015-16/1 FED Master Direction No.4/2015-16 updated as on May 24, 2022*** would be applicable to the customer.
- Only customers eligible for undertaking LRS transactions, as per the eligibility criteria defined by the Bank, will be permitted to initiate LRS transactions with the Bank.
- Bank may apply an internal transaction limit on the international transactions done on debit cards. Please click here for details <Link FAQs>.
- Tax Collected at source (TCS) will be applicable to all the International transactions performed by customers which are identified under LRS under ***section 206C of the Income Tax act 1961***.
- The applicable rate of TCS will be determined basis the classification provided by Ministry of Finance and Income Tax authorities as per the purpose of transaction.
- Bank will not collect TCS at the time of International transaction done by the customer on her debit card. Lien to recover the applicable TCS to be collected from the customer's account will be marked on the customer's account within 2 working days, and Customers are expected to keep their liabilities accounts sufficiently funded before performing International transactions so that all the charges/taxes with respect to the transaction can be debited from the account to avoid any penal action by the Bank.
- Customer's account linked to her debit card should have sufficient balance (including applicable charges and taxes) otherwise Bank may reject the transaction and will not be liable for any liability/claim/dispute arising out of this.
- Bank will ascertain the applicable TCS on these transactions, and lien for collection of the applicable TCS will be marked on the customer's account within 2 working days for recovery of the same.
- The applicable TCS rates for determining TCS collection amount from customers will be applied as per the rates below.

Nature of payment	New rate w.e.f. 1st October 2023	
	Normal rates	Rates if PAN not linked to Aadhaar or Pan not available or Income Tax return not filed for last year

LRS for education financed by loan from financial institution*	<ul style="list-style-type: none"> • Nil up to Rs 7 lakh • 0.5% above Rs 7 Lakh 	<ul style="list-style-type: none"> • Nil up to Rs 7 lakh • 10% above Rs 7 Lakh
LRS for Medical treatment/ education (other than financed by loan)	<ul style="list-style-type: none"> • Nil up to Rs 7 lakh • 5% above Rs 7 Lakh 	<ul style="list-style-type: none"> • Nil up to Rs 7 lakh • 10% above Rs 7 Lakh
LRS for other purposes	<ul style="list-style-type: none"> • Nil up to Rs 7 lakh • 20% above Rs 7 Lakh 	<ul style="list-style-type: none"> • Nil up to Rs 7 lakh • 20% above Rs 7 Lakh
Purchase of Overseas tour program package	<ul style="list-style-type: none"> • 5% till Rs 7 Lakh • 20% above Rs 7 Lakh 	<ul style="list-style-type: none"> • 5% till Rs 7 Lakh • 20% above Rs 7 Lakh

Note:

- a) TCS rate computation is applicable on overall remittance value done by the customer in the Financial Year (FY) across all banking channels and products under LRS.
- b) *Education loan purpose cannot be ascertained for Debit Cards the additional TCS levied over 0.5% can be reversed to the customer on the following conditions:
 - i. Customers submit valid proofs to the Bank and establish that the transaction performed was out of loan obtained for Education purpose as specified under section 80E of Income Tax.
 - ii. TCS has not been paid by the Bank to Government of India.

FAQs for TCS on International Transactions on debit card

1. What is Liberalised Remittance Scheme (LRS)?

Under this Scheme, all resident individuals, including minors, are allowed to freely remit / avail foreign exchange facility up to USD 2,50,000 per financial year (April – March) for any permissible current or capital account transaction or a combination of both.

All International transactions or Cross Border payments (payments to merchants outside India) initiated using Debit Cards qualify as transactions under the provisions of LRS.

2. What is the tax implication on all forex transactions under LRS?

TCS as per prevailing rate will be applied on all transactions falling under LRS. The applicable rate of TCS will be determined basis the classification provided by Ministry of Finance and Income Tax authorities as per the purpose of transaction.

Customers are expected to keep their liabilities accounts sufficiently funded before performing International transactions so that all the charges/taxes with respect to the transaction can be debited from the account.

All International transactions or Cross Border payments (payments to merchants outside India) initiated using Debit Cards qualify as transactions under the provisions of LRS. Customer's account linked to her debit card should have sufficient balance (including applicable charges and taxes) otherwise Bank will reject the transaction and will not be liable for any liability/claim/dispute arising out of this.

3. What is TCS?

TCS stands for Tax Collected at Source as per provisions of 'The Finance Act, 2020', which introduced new Income tax provisions on Foreign Exchange transactions under Liberalised Remittance Scheme (LRS), effective October 1, 2020.

The applicable rate of TCS will be determined basis the classification provided by Ministry of Finance and Income Tax authorities as per the purpose of transaction.

The said TCS rates were revised as per the Finance Act, 2023 on Forex drawls/ remittances by Resident Individuals under Liberalised Remittance Scheme (LRS) effective from 1 October 2023.

4. What is the current rate of TCS?

We would like to inform you of the revised TCS rates (as per the Finance Act, 2023) on Forex withdrawals/ remittances by Resident Individuals under Liberalised Remittance Scheme (LRS) effective from 1 October 2023, which is as under.

S. No.	Type of Remittance Abroad	New TCS rate (w.e.f. 1 October 2023)
1	For education purpose, if the amount being remitted is from a loan obtained from any specified institution	Threshold limit - NIL upto Rs. 7 lakh. 0.5% of the amount or the aggregate amount over Rs. 7 lakh per financial year
2	For education purpose, other than (1) above (or) for the purpose of medical treatment.	Threshold limit - NIL upto Rs. 7 lakh 5% of the amount or the aggregate amount over Rs. 7 lakh per financial year
3	Any other purpose under LRS	Threshold limit - NIL upto Rs. 7 lakh 20% of the amount or the aggregate amount over Rs. 7 lakh per financial year
4	Overseas tour packages	5% upto Rs. 7 lakh* 20% of the amount or the aggregate amount over Rs. 7 lakh* per financial year
5	Resident Individual falling under "Specified Person" category/non-PAN case/ inoperative PAN case	Double the normal rate of TCS or 5%, whichever is higher. However, TCS rate shall not exceed 20%

Note:

1. Threshold limit of Rs. 7 lakh per FY for LRS as mentioned in point no. (1), (2) & (3) is a combined limit on all categories of LRS payments, through all modes of payments, regardless of the purpose.

2. Threshold limits as mentioned in point no. (1), (2) & (3) are remittances/forex drawls availed under LRS across all Authorised Dealers (ADs).

3. LRS remittance processed by the Bank as an Authorised Dealer towards air travel ticket booking or hotel booking by a resident individual customer would be subject to TCS as per the rate provided as mentioned in point no. (3) of the above table.

4. (*) Threshold limit for Rs. 7 lakh per FY for purchase of Overseas tour program package is independent of the threshold limit mentioned in point no. (1).

Definition of Specified Person:

“Specified Person” means a person who satisfies both the following conditions.

1. He/She has not furnished the return of income for the assessment year relevant to the previous year immediately preceding the financial year in which tax is required to be deducted/collected. The previous year to be counted is required to be the one whose return filing date under sub-section (1) of section 139 has expired.

2. The aggregate tax deducted at source and tax collected at source is Rupees Fifty thousand or more in that previous year.

For any further assistance, please contact your Relationship Manager or nearest Branch.

5. What rate will be applied on international transactions done on my Debit card?

Bank will not collect TCS upfront for the International transaction done by the customer on her debit card. Customers are expected to keep their liabilities accounts sufficiently funded before performing International transactions so that all the charges/taxes with respect to the transaction can be debited from the account. Bank will ascertain the applicable TCS on these transactions and will mark a line in your account to recover the applicable TCS within 2 working days.

The applicable TCS rates for determining TCS collection amount from customers will be applied as per the rates below.

Nature of payment	New rate w.e.f. 1st October 2023	
	Normal rates	Rates if PAN not linked to Aadhaar or Pan not available or Income Tax return not filed for last year
LRS for education financed by loan from financial institution	<ul style="list-style-type: none"> Nil up to Rs 7 lakh 0.5% above Rs 7 Lakh 	<ul style="list-style-type: none"> Nil up to Rs 7 lakh 10% above Rs 7 Lakh
LRS for Medical treatment/ education (other than financed by loan)	<ul style="list-style-type: none"> Nil up to Rs 7 lakh 5% above Rs 7 Lakh 	<ul style="list-style-type: none"> Nil up to Rs 7 lakh 10% above Rs 7 Lakh
LRS for other purposes	<ul style="list-style-type: none"> Nil up to Rs 7 lakh 20% above Rs 7 Lakh 	<ul style="list-style-type: none"> Nil up to Rs 7 lakh 20% above Rs 7 Lakh

Purchase of Overseas tour program package	<ul style="list-style-type: none"> · 5% till Rs 7 Lakh · 20% above Rs 7 Lakh 	<ul style="list-style-type: none"> · 5% till Rs 7 Lakh · 20% above Rs 7 Lakh
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Note:

- c) TCS rate computation is applicable on overall remittance value done by the customer in the Financial Year (FY) across all banking channels and products under LRS.
- d) Education loan purpose cannot be ascertained for Debit Cards the additional TCS levied over 0.5% can be reversed to the customer on the following conditions:
 - iii. Customers submit valid proofs to the Bank and establish that the transaction performed was out of loan obtained for Education purpose as specified under section 80E of Income Tax.
 - iv. TCS has not been paid by the Bank to Government of India.

6. Is there any limit on the transaction value for international transactions on my debit card?

Bank has placed below limits on international transactions on debit cards:

- An annual limit of INR 5,00,000/- for International Transactions per card per FY for Niyo SBM debit cards (subject to customer's total remittances not exceeding INR 7 lakhs across all products under LRS across all Banks / Authorized Dealers (ADs) as per RBI LRS utilization data).
- An annual limit of INR 25,00,000/- for International Transactions per card per FY for Bank's Wealth and Private customers.

7. I don't have PAN updated in Bank's records? Will I be permitted international transactions on my debit card?

As per the Master Direction, it is mandatory for a resident individual to provide his/her Permanent Account Number (PAN) to make remittance under the LRS Scheme. All International transactions or Cross Border payments (payments to merchants outside India) initiated using Debit Cards qualify as transactions under the provisions of LRS. To comply with the regulatory requirement, the Bank would be declining such Cross Border Debit Card transactions, if PAN is not updated against the Customer ID linked to the Debit Card.

8. Am I eligible for undertaking LRS transactions or international transactions on my debit card?

Bank has defined an eligibility criteria basis which you will be allowed to undertake LRS transactions including international transactions on your debit card which encompasses your full KYC compliance, active account, existing LRS utilization, PAN check etc. You will be notified via email communication of your eligibility. For more information, you may contact our customer service team.