

STRATAGE UPDATES

Reinstatement of exception to transactions carried out through international credit cards.

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The Ministry of Finance (“**MoF**”) vide a notification dated May 16, 2023, had amended the Foreign Exchange Management (Current Account Transaction) Rules, 2000 (“**Rules**”), and omitted rule 7 of the Rules. The omission removed the exception created for transactions through international credit cards outside India and brought these transactions under the purview of the Limited Remittance Scheme (“**LRS**”) limits specified in Schedule III of the Rules.

The abovementioned amendment was made consequent to the changes announced to the system of Tax Collection at Source (“**TCS**”) under the Income-tax Act, 1961 on payments under LRS, and to subject the transactions carried out by individuals through international credit cards outside India to TCS.

Subsequently, basis *numerous comments and suggestions* received from various stakeholders, it was decided to *postpone the implementation of the notification*. Vide a notification dated June 30, 2023, the MoF has amended the Rules and added rule 7 *with effect from May 16, 2023*, superseding the earlier amendment and reinstating the position pertaining to international credit card transactions as it was prior to May 16, 2023.

The aforementioned was notified vide a notification dated June 30, 2023 ([available here](#)) and shall come into force with effect from May 16, 2023.