

Now, No Extra Charges For Payments Through Credit, Debit Cards

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At present, customers bear the transaction cost on payments made to the government.

HIGHLIGHTS

Government to bear transaction cost for online payments made to it

Currently, customers bear transaction cost on payments made to government

This move is aimed at promoting cashless economy

New Delhi: In order to promote cashless economy, the government has said it will bear the transaction cost for all payments made to it through debit or credit cards and net banking.

At present, customers bear the transaction cost commonly known as merchant discount rate (MDR) on payments made to the government.

"Government departments shall take appropriate steps to bear MDR cost like other merchants. The public shall not

bear any MDR cost for making payment to government through debit cards or credit cards or digital means," said the office memorandum issued by the Finance Ministry.

It further said the methodology for reimbursement of such payment to intermediaries on transactions involving debt/credit cards or digital means is being worked out and the detailed guidelines and operational modalities would be issued in due course.

The Finance Ministry has issued the circular in pursuance of the decision of the government to promote credit/digital transactions in government payments and collections.

Earlier the government had set up a task force under Department of Investment and Public Asset Management (DIPAM) Secretary Neeraj Gupta.

The Task Force on promotion of payments through cards and digital means has flagged issues with respective government departments.

The Reserve Bank in 2012 had capped the MDR for debit card transaction at 0.75 per cent for transaction values up to Rs 2,000 and at 1 per cent for transaction values above Rs 2,000. However, there is no RBI cap on MDR on credit card payments.

In order to move towards 'less-cash' society by developing a card acceptance infrastructure, the RBI had in March came out with a concept paper to encourage card transactions and sought public opinion.

As of October 2015, there were 61.5 crore debit card users and 2.3 crore credit card holders in the country.