

# Info Capsule

## **LAST DATE FOR PAYMENT OF GST AND FILING OF RETURN FOR JULY 2017 EXTENDED BY 5 DAYS<sup>1</sup>**

The GST Implementation Committee, consisting of State and Central Government officers, has taken a decision to extend the last date for payment of the GST for the month of July 2017 to August 25, 2017.

Earlier the last date for payment of taxes and filing of GST Return in Form 3B for the month of July was kept as August 20, 2017. Since it is the first Return to be filed under GST, the tax payers and the tax practitioners have requested for few more days to file their Return. Also there have been requests from States which are hit with floods to extend the last date for filing of GST Returns. The State of Jammu & Kashmir has also requested for extension of time because of late passing of their GST Ordinance. Some technical glitches are also experienced by last minute return filers.

It has been specified that for those tax payers, who do not want to avail of transitional credit in TRANS1 this month, the date for return filing will be August 25, 2017. And for those who want to fill up TRANS1 this month, the last date for filing of returns will be August 28, 2017, as announced earlier. In order not to face any last moment technological difficulty in submission of return, all tax payers are requested to kindly file their return well before August 25 or 28, 2017 (as the case may be), and not wait for the last date.

## **STATEMENT ON DEVELOPMENTAL AND REGULATORY POLICIES, RESERVE BANK OF INDIA<sup>2</sup>**

### **1. Measures to Improve Monetary Policy Transmission**

The experience with the Marginal Cost of Funds Based Lending Rate (MCLR) system introduced in April 2016 for improving the monetary transmission has not been entirely satisfactory, even though it has been an advance over the Base Rate system. An internal Study Group has been constituted by the Reserve Bank of India (RBI) to study the various aspects of the MCLR system from the perspective of improving the monetary transmission and exploring linking of the bank lending rates directly to market determined benchmarks. The Group will submit the report by September 24, 2017.

Further, a quick scrutiny of the Base Rate of some banks post the introduction of MCLR suggests that it has moved significantly less than MCLR. While the extent of change in Base Rate may not necessarily mirror the revision in MCLR, the rigidity of Base Rate is a matter of concern for an efficient transmission of monetary policy to the real economy. Given a large part of the floating rate loan portfolio of banks is still anchored on the Base Rate, the RBI will be exploring various options in the near future to make the Base Rate more responsive to changes in cost of funds of banks.

<sup>1</sup> Available at: <http://pib.nic.in/newsite/erelease.aspx>

<sup>2</sup> Available at: [https://rbi.org.in/Scripts/BS\\_PressReleaseDisplay.aspx?prid=41257](https://rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=41257)

## **2. Amendment to LCR Guidelines**

As per the extant guidelines on Liquidity Coverage Ratio (LCR), cash including cash reserves in excess of the required minimum CRR are recognised as Level 1 High Quality Liquid Asset (HQLA). However the excess reserves held with other central banks are not recognized as Level 1 HQLA.

On a review of the instructions, it has been decided that reserves held by banks incorporated in India with a foreign central bank, in excess of the reserve requirement in the host country, should be treated as HQLAs, subject to certain conditions.

## **3. High Level Task Force on Public Credit Registry for India**

To address the information asymmetry between borrowers and lenders as well as to make the credit market more efficient, private Credit Bureaus and Public Credit Registry (PCR), generally operated by the central bank or a supervisory authority, work in tandem in most of the countries. In India, as of date, four credit bureaus or Credit Information Companies (viz. CIBIL, Equifax, Experian and CRIF Highmark) are running, which are regulated by RBI under Credit Information Companies (Regulation) Act, 2005 (CICRA 2005). Within RBI, Central Repository of Information on Large Credits (CRILC) has been created to cater to the supervisory needs by tracking large exposures. RBI also has a comprehensive Basic Statistical Return (BSR-1) database with granular account level information on credit.

A PCR can potentially help banks in credit assessment and pricing of credit as well as in making risk-based, dynamic and countercyclical provisioning. The PCR can also help the RBI in understanding if transmission of monetary policy is working, and if not, where are the bottlenecks. Further, it can help supervisors, regulators and banks in early intervention and effective restructuring of stressed bank credits.

In view of the above, it has been decided to constitute a High-level Task Force comprising experts as well as major stake-holders to (i) review the current availability of information on credit in India; (ii) assess the gaps that could be filled by a comprehensive PCR; (iii) study international practices; and, (iv) suggest a roadmap, including the priority areas, for developing a transparent, comprehensive and near-real-time PCR for India.

## **4. Issue of comprehensive Credit Information Reports (CIRs) by Credit Information Companies (CICs)**

It has been observed that Credit Information Companies (CICs) are following the practice of offering limited versions of Credit Information Reports (CIRs) to Credit Institutions (CIs) based on credit information available in specific modules such as commercial data, consumer data or MFI data.

In order to facilitate efficient credit appraisals by Credit Institutions and reduce information asymmetries between lenders and borrowers, it has been decided to direct CICs to incorporate all the credit information available in all modules of the CIC database in the CIRs furnished to CIs.

## **5. RBI's Surveys of Households**

The RBI regularly conducts a number of surveys for monetary policy. A Technical Advisory Committee on Surveys (TACS) drawing members from reputed institutions in the field provides guidance to the RBI in conducting these surveys. While the Inflation Expectation Survey of Households (IESH) is conducted in 18 cities covering around 5,500 households, the Consumer Confidence Survey (CCS) is conducted in 6 cities covering around 5,400 households. In order to improve their representativeness, as per the recommendations of the TACS, efforts are being undertaken to expand the coverage of IESH to rural and semi-urban areas; and, in case of the CCS, the coverage will be increased from 6 cities to 13 cities.

## 6. **Tri-party repo**

Introduction of tri-party repos will likely contribute to better liquidity in the corporate bond repo market, thereby providing markets an alternate repo instrument to Government securities repo. The draft directions on introduction of tri-party repo were placed on RBI website on April 11, 2017 for public feedback. The feedback has been examined and the final circular on this will be issued around mid-August 2017.

## 7. **Simplified hedging facility**

The scheme of simplified hedging facility was first announced by the RBI in August 2016 and the draft scheme was released on April 12, 2017. The scheme aims to simplify the process for hedging exchange rate risk by reducing documentation requirements and avoiding prescriptive stipulations regarding products, purpose and hedging flexibility. It is also expected to encourage a more dynamic and efficient hedging culture. The circular to operationalize the scheme has been finalized and will be released after the issue of FEMA notification by the Government.

## 8. **Separate limit of Interest Rate Futures (IRFs) for Foreign Portfolio Investors (FPIs)**

Currently, the FPI limit for Government securities is fungible between investments in securities and investment in bond futures. To facilitate further market development and to ensure FPIs' access to futures remains uninterrupted during the phase when FPI limits on Government securities are under auction, it is proposed to allocate FPIs a separate limit of ₹ 5,000 crore for long position in IRFs. The limits prescribed for investment by FPIs in Government securities will then be exclusively available for acquiring such securities. FPI's access to interest rate futures for hedging purposes will continue as before. The circular in this regard would be issued by the RBI after consultation with the Government.

## **FM INAUGURATES THE NATIONAL CONFERENCE ON INSOLVENCY AND BANKRUPTCY: CHANGING PARADIGM IN MUMBAI CREDITORS AND DEBTORS PERSPECTIVE –STRIKING THE BALANCE<sup>3</sup>**

“The Union Minister of Finance, Defence and Corporate Affairs, Shri Arun Jaitley said that since the Insolvency and Bankruptcy code has been implemented a few months back, this has changed the debtor and creditor relationship. Shri Jaitley was delivering the Inaugural Address at the National Conference on Insolvency and Bankruptcy: Changing Paradigm in Mumbai on August 19, 2017.

He said “A legislation is a skeletal structure ,the flesh and blood is provided by judicial Interpretation .The new legislation should see that effective functioning of a company does not come to a standstill .Debtors will have to make sure that debts are serviced. For endless years, we lived in a system that protected debtors and allowed assets to rust.” The Finance Minister further said that the banking, finance and corporate sectors have given major support for this branch of the law.

This National Conference was jointly organised by the Ministry of Corporate Affairs, Government of India; Insolvency and Bankruptcy Board of India (IBBI) and the National Foundation for Corporate Governance (NFCG).

At the National Conference, the Finance Minister Shri Arun Jaitley also inaugurated the website of the National Foundation for Corporate Governance (NGCG) .The NFCG is bestowed with the responsibility of shaping the insolvency regime as the adjudicating forum under the code. Cases admitted till now, which include some larger cases of default, have helped in evolving certain jurisprudence and present a unique learning experience for insolvency professionals and certain stakeholders.

<sup>3</sup> Available at: <http://pib.nic.in/newsite/erelease.aspx>

Earlier in his address, the Chairman, Securities and Exchange Board of India (SEBI), Shri Ajay Tyagi said that the Insolvency and Bankruptcy Code is an important piece of legislation in recent times with clearly defined roles for professionals and quasi-judicial bodies. He emphasised that SEBI is fully committed to act with other regulators in implementation of this code.

In his address, Governor, Reserve Bank of India (RBI), Dr. Urjit Patel said that the enactment of the Insolvency and Bankruptcy Code in 2016 is a watershed towards improving the credit culture in the country. He elaborated that the Insolvency and Bankruptcy code in essence provides for a single window time bound process for resolution of an asset with emphasis on promotion of entrepreneurship, maximization of assets and balances the interest of all stakeholders.

### ***Team ICSI***

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