

PARTIAL CREDIT ENHANCEMENT TO BONDS ISSUED BY NON-BANKING FINANCIAL COMPANIES AND HOUSING FINANCE COMPANIES¹

Please refer to circular DBR.BP.BC.No.40/21.04.142/2015-16 dated September 24, 2015 (Available at <https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=10035&Mode=0>) on Partial Credit Enhancement to Corporate Bonds and other associated circulars issued subsequently on the subject.

2. It has now been decided to allow banks to provide partial credit enhancement (PCE) to bonds issued by the systemically important non-deposit taking non-banking financial companies (NBFC-ND-SIs) registered with the Reserve Bank of India and Housing Finance Companies (HFCs) registered with National Housing Bank, subject to the following conditions:

- i. The tenor of the bonds issued by NBFC-ND-SIs/HFCs for which PCEs are provided shall not be less than three years;
- ii. With reference to paragraph 27 of circular *ibid*, the proceeds from the bonds backed by PCE from banks shall only be utilized for refinancing the existing debt of the NBFC-ND-SIs/HFCs. Banks shall introduce appropriate mechanisms to monitor and ensure that the end-use condition is met;
- iii. The exposure of a bank by way of PCEs to bonds issued by each such NBFC-ND-SI/HFC shall be restricted to one percent of capital funds of the bank within the extant single/group borrower exposure limits; and
- iv. The exposure of banks to NBFC-ND-SIs/HFCs by way of PCEs shall be within the aggregate PCE exposure limit of 20 percent as provided in paragraph 24(b) of the circular *ibid*.

3. All other conditions stipulated in the above mentioned circular as well as circulars DBR.BP.BC.No. 5/21.04.142/2016-17 dated August 25, 2016 (<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=10571&Mode=0>) and DBR.No.B P.BC.70/21.04.142/2016-17 dated May 18, 2017 (<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=10971&Mode=0>) on Partial Credit Enhancement to Corporate Bonds shall apply mutatis mutandis to PCEs to bonds issued by NBFC-ND-SIs/HFCs.

ADVISORY TO UIN ENTITIES CLAIMING GST REFUNDS²

The GST Act provides for allotting a Unique Identification Number (UIN) to Consulates, Embassies and other UN Organizations to enable such entities to claim refund of GST paid. One of the conditions for claiming this refund is to file Invoice Level Data in their FORM GSTR-11 on the common portal. There are common discrepancies which have been noticed by GST Authorities while processing refund applications.

FORM GSTR-11 under Rule 82 of the CGST Rules, 2017 mandates reporting "Place of Supply" for every invoice on which refund is applied for. Many UIN entities while filling invoice data have been reporting their place of supply as the State where they are registered instead of the place of supply as reflected in the invoice.

¹ Available at: <https://rbi.org.in/Scripts/NotificationUser.aspx?Id=11407&Mode=0>

² Available at: <http://www.pib.gov.in/PressReleaseDetail.aspx?PRID=1552302>

For example, it was observed that Embassies registered in Delhi have been consistently declaring their place of supply as “New Delhi” even on hotel service consumed in the State of Maharashtra for which the place of supply is Maharashtra.

It may be noted that under the GST law, place of supply determines the chargeability of CGST / SGST or IGST tax on an invoice. Generally, except few exceptions, if the location of the supplier and the place of supply are in the same State then CGST + SGST is charged on an invoice and if the location of the supplier and the place of supply are in separate States then IGST is charged.

Therefore, it is advised that while reporting the “place of supply” and charging of CGST / SGST or IGST on an invoice, the details shall be exactly as per the details mentioned in the invoice issued by the supplier of goods or services. Wrong reporting of invoice level data in FORM GSTR-11 or in the statement of invoice submitted may lead to delay in processing / rejection of refund claims.

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