

Financial Sector Wants tax changes; agri body seeks schemes' review

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- **NBFCs have sought more flexibility in the treatment of small loans as compared to corporate loans**

NEW DELHI: Leaders from the financial and capital market on Tuesday pressed for tax changes and sectoral reforms that would iron out market distortions and improve the ease of doing business at a pre-budget meeting with union finance minister Nirmala Sitharaman.

While non-bank lenders sought exemption from tax deducted at source (TDS) on certain transactions as is available to banks and life insurers, the venture capital industry sought tax parity of securities held by different classes of investors and measures to encourage fund management within India, people who took part in the meeting told Mint.

Representatives from the agriculture sector suggested that the government should review various schemes in the farm sector and tweak schemes based on feedback from stakeholders.

Non-bank financial companies (NBFCs) have sought more flexibility in the treatment of small loans as compared to corporate loans under NPA recognition norms. According to the 12 November circular from RBI, all loans, irrespective of size, require daily stamping as non-performing, and it also prevents all loans that are classified as NPA from being upgraded unless the overdue amount is repaid in full. According to Raman Aggarwal, director of the Finance Industry Development Council (FIDC), small borrowers are getting the NPA tag strictly at the end of the 90th day of delay, and the tag remains till he repays the entire overdue amount. "Upgradation of these loans from NPA to the standard category may be allowed to continue through a partial repayment of arrears," he said.

NBFCs have also sought the government's intervention to permit arbitration as a valid legal remedy for the resolution/recovery of delinquent accounts while processing claims under the Emergency Credit Line Guarantee scheme (ECLGS).

Experts highlighted at the meeting that the same security is taxed differently under different circumstances in the hands of different investors and such artificial distortions needed to go. Parity between corporate tax rate applicable on domestic and foreign companies was also one of the suggestions.

"Ensuring parity among securities, ensuring a stable regime for alternative investment funds (AIFs) that is unique to them similar to other regimes in the world and allowing Indian managers to manage a larger share of the capital that actually comes to the Indian market are the broad themes on which we have presented suggestions," said Siddarth Pai, founding partner, 3one4 Capital and co-chair, Regulatory Affairs Committee, Indian Venture & Alternate Capital Association.

At the pre-budget consultation, the finance ministry said that there were 18 representatives from the finance and capital market industry, including S. S. Mundra, chairman of BSE; Narinder Wadhwa,

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president of Commodity Participants Association of India; George Jacob Muthoot, chairman of the Muthoot Group; and Kaushik Shaparia, CEO, Deutsche Bank India.

The Finance Industry Development Council (FIDC), a representative body of assets and loan financing non-bank lenders, recommended to the finance ministry to give relief in terms of tax deducted at source (TDS) that applies to certain transactions.

FIDC pointed out that harmonization of regulation of NBFCs with banks is imprudent without harmonization of provisions relating to taxation and recovery. RBI has been working towards harmonizing NBFC regulations with that of banks and financial institutions, it said.