

FIDC

Finance Industry Development Council

(A body incorporated as a Self Regulatory Organisation for Registered NBFCs)

29th May 2009

Shri. Pranab Mukherjee
Finance Minister
Government of India
North Block
New Delhi - 110 001.

Hon'ble Finance Minister Sir,

SUB: PRE-BUDGET MEMORANDUM 2009-10 - ISSUES RELATING TO ASSET FINANCING NON-BANKING FINANCE COMPANIES (NBFC-AFCs)

Sir, the Asset Financing NBFCs, (NBFC-AFCs) registered with Reserve Bank of India have joined hands and formed a **Self Regulatory Organization (SRO)** under the name of **Finance Industry Development Council (FIDC)**. FIDC is an All India body and is registered as a Company U/s. 25 of Companies Act, 1956. Our main objective is to work towards bringing discipline amongst our members by enforcing a model code of conduct, represent the views of the industry to the appropriate authorities where necessary and present a unified face of this sector. Recognizing the role played by FIDC, RBI, our regulator, has been engaging FIDC informally in matters relating to the NBFC sector.

Considering the role played by the NBFCs engaged in asset financing, RBI has given a separate classification for Asset financing NBFCs. Please permit us to refer to our industry as NBFC-AFC for the purpose of this paper.

Sir, we appreciate the initiatives taken by the government by way of the much needed stimulus packages to the economy. Officials of your ministry have been inviting us for discussions from time to time as a result of which the second stimulus package announced on January 02, 2009 provided a special line of credit from public sector banks to NBFCs for financing of commercial vehicles.

...2..



FIDC

Finance Industry Development Council

(A body incorporated as a Self Regulatory Organisation for Registered NBFCs)

: 2 :

Please permit us to submit herewith the issues and concerns of the NBFC-AFCs for your consideration in the forthcoming Union Budget 2009-10. We have classified them into 4 categories:

- **Direct Tax Issues** (Annexure – I)
 - Benefits under Sec.36 (1) (vii-a) and Sec.43D of the IT Act to be extended to NBFC-AFCs in line with Banks, FIs and HFCs.
 - Exemption should be granted from TDS on interest payment to NBFC-AFCs on loans u/s 194A (3) (iii) of the I.T.Act.
 - Lease and sub-lease should not be included in Section 194-I of Income Tax Act.
 - Increase in exemption limit for TDS on interest paid on fixed deposits for NBFC-AFCs to Rs. 10,000/- as done for banks last year.
- **Indirect Tax Issues** (Annexure – II)
 - Further removal of service tax on Hire Purchase and Leasing transactions.
 - Removal of multiple taxations like VAT etc on HP and Leasing transactions.
- **Access to Funding** (Annexure – III)
 - Refinancing Mechanism
- **Recovery Mechanisms** (Annexure – IV)
 - SARFAESI Act and Debt Recovery Tribunals to be extended to NBFC-AFCs

In recognition of the role played by NBFC-AFCs, we request the Government to declare NBFC-AFCs as part of the mainstream financial sector of the economy.



...3..

FIDC

Finance Industry Development Council

(A body incorporated as a Self Regulatory Organisation for Registered NBFCs)

: 3 :

We request you to favourably consider the submissions made in this memorandum, some of which are now pending for several years. We shall be glad to supplement this representation with any additional information that may be required.

We do hope that you would give us an opportunity to present our views and concerns to you in person, at a Pre-Budget Meeting, to enable you to consider them in depth and provide suitable redress in your forthcoming presentation of the Union Budget.

We thank you in anticipation of a positive response and look forward to communicating our views to you personally.

Thanking you,

Yours Faithfully,

For **FINANCE INDUSTRY DEVELOPMENT COUNCIL**



T.T.SRINIVASARAGHAVAN
CHAIRMAN

Encl. As above