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Dear Comrades,

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News of Interest 19th JUNE

MOTIVATIONAL QUOTES

“STAY POSITIVE AND HAPPY. WORK HARD AND DON'T GIVE UP HOPE. BE OPEN TO CRITICISM AND KEEP LEARNING. SURROUND YOURSELF WITH HAPPY, WARM AND GENUINE PEOPLE.” TENA DESAE

HIGHLIGHTS

- 1. RETURN TIMELINES EXTENDED: INDIA INC GETS GST FILING BREATHER FOR 2 MONTHS**
- 2. AFTER SBI, 4 OTHER GOVT BANKS ASKED TO WEIGH ACQUISITION OF SMALLER PEERS**
- 3. BANKERS TO MEET FROM MONDAY TO DECIDE ON LARGE DEFAULTERS**
- 4. BANDHAN BANK LOOKS TO CROSS-SELL INSURANCE PRODUCTS, MUTUAL FUNDS**
- 5. FIRE INSURANCE PREMIUM MAY GO UP FROM JULY 1**

Business Standard

1. Return timelines extended: India Inc gets GST filing breather for 2 months

Dilasha Seth & Indivjal Dhasmana

Amid doubts in some quarters over the tech preparedness for the goods and services tax (GST), the high-powered GST Council on Sunday decided to introduce the new indirect tax system from the midnight of June 30-July 1, but gave a relaxed timetable and exemption from penalties and late fees to industry while filing returns in the first two months.

However, some states expressed fears that the relaxation given on filing returns would lead to a revenue loss for them.

"We don't have the luxury of time to defer the implementation of the GST... The official launch of the GST would take place on the midnight of June 30 and July 1," Union Finance Minister Arun Jaitley told reporters after a five-and-a-half-hour meeting of the Council, whose chairman he is.

Revenue Secretary Hasmukh Adhia said the Centre was ready, but it was companies that wanted time to plug in. "GST Suvidha Providers and other software providers wanted 10-15 days' time to test the system. Besides, banks, civil aviation, and telecom wanted more time to get their system in place."

The Council also approved the anti-profiteering rules. A five-member anti-profiteering authority will be set up to decide on levying penalty if businesses do not pass on the benefit of price reduction to consumers under the GST regime. The authority, to be headed by a retired secretary-level officer, can take *suo motu* action, besides acting on complaints of profiteering.

Where the consumer cannot be identified, the amount would be credited to the consumer welfare fund, according to an official.

The Council decided to have two GST rates for lotteries, depending on whether these are run by states or private players, tweaked the criteria for tax rates for the hotel industry, and came up with a negative list for the composition scheme.

It also lowered the threshold of turnover for availing of the composition scheme to Rs 50 lakh a year in the case of Northeastern states and Himachal Pradesh.

It decided to defer implementing the e-way Bill and have an existing system of states in its place for the time being.

According to the relaxed timetable for filing returns, the assessee could file their detailed invoice-based returns by September 5 for July, Adhia said. Had this relaxation not been given, the assessee would have to file returns by August 10.

Similarly, for August, these returns could be filed by September 20, a relaxation of 10 days, Adhia said.

However, the businesses will have to file Form 3B by August 20 in the case of July transactions, and by September 20 in the case of August transactions. These would be based on their own assessments of their tax liability and input credit. Under normal circumstances, these returns are auto-generated under the GST system.

Later self-assessed returns would be matched with auto returns and the difference, if any, would have to be paid by the assessee, the revenue secretary said.

"This would help assesseees get the practice of filing returns and the system will also not get unnecessary load," Jaitley said.

The finance minister, however, said that this was being done because a number of traders and companies were not sure of their preparedness.

However, some states, including Assam, feared that they would lose revenues due to the relaxed timeline for filing returns. But, Adhia said Form 3B and filing taxes based on them would ensure that the government did not lose revenues.

No late fees and penalty would be levied for the filing of returns for these two months.

"This is intended to provide a sense of comfort to the taxpayers and give them elbow room to attune themselves with the requirements of the changed system," an official statement said.

Jaitley, however, said that from September, there would be strict adherence to the timeline.

So far as tech preparedness is concerned, Jaitley said 6.56 million registrations had been made in the GST Network (GSTN). The 6.56 million is 81 per cent of the 8.01 million registrations under the state-value added tax, central excise duty and service tax.

These 8.01 million registrations had some common registrations as well, Jaitley pointed out, indicating that registrations under the GSTN were progressing well.

Registration under the GSTN will re-open from June 25. Adhia appealed to businesses not to panic and rush for registrations if they had provisional identity numbers.

The Council also decided to defer the implementation of the e-way bill, which is an electronic permit required for moving goods worth over Rs 50,000 - both intra-state or inter-state. Jaitley said there were different views on the issue and hence it was decided that states which had their own system might continue till the bill was put into effect.

"The decision to leave e-way bills to the states for now would increase complications for businesses, which were expecting to operate in a simpler environment for inter-state trade. Hopefully e-way bills will be used only for select goods and on a highly restricted basis and will not become a mandatory transit document," M S Mani of Deloitte said.

There were also differences between states over the issue of tax on lotteries. Kerala wanted it to be at 28 per cent and other states at lower rates. Finally, it was decided that state-run lotteries will have 12 per cent, while state-authorized lotteries, run by private players, will attract 28 per cent.

In a relief for air-conditioned hotels, the Council decided to raise the threshold of tariff for the 28 per cent tax to Rs 7,500 from Rs 5,000 proposed earlier. Those in the range of Rs 2,500-7,500 would attract 18 per cent.

The Council came up with a negative list for the composition scheme which have three items only - ice cream, pan masala, and tobacco.

The composition scheme is a facility for medium and small enterprises to pay a lower tax under the GST regime, without availing of input tax credit.

2. After SBI, 4 other govt banks asked to weigh acquisition of smaller peers

Niti Aayog sets tone, tenure of roadmap for second round of consolidation in banking sector

Press Trust of India

The finance ministry has asked four large PSU lenders to explore opportunities for acquisition of small and mid-sized banks with a goal to create global sized lenders, sources said.

One of the possibilities is that large public sector banks (PSBs) like Punjab National Bank, Bank of Baroda, Canara Bank and Bank of India could try looking for potential candidates for acquisition, they said.

So, informally, the finance ministry has sounded them that they should study the possibility for mergers and acquisitions so as to acquire scale and size of State Bank of India (SBI), the sources added.

There are factors like regional balance, geographical reach, financial burden and smooth human resource transition that have to be looked into while taking

a merger decision, they said, adding there should not be merger of a very weak bank with a strong one "as it could pull the latter down".

However, the clear picture would emerge only after the Niti Aayog report sets the tone and tenure of the roadmap for the second round of consolidation in the banking sector.

In the last consolidation drive, five associates and Bharatiya Mahila Bank (BMB) became part of SBI on April 1, 2017, catapulting the country's largest lender to among the top 50 banks in the world.

State Bank of Bikaner and Jaipur (SBBJ), State Bank of Hyderabad (SBH), State Bank of Mysore (SBM), State Bank of Patiala (SBP) and State Bank of Travancore (SBT), besides BMB, were merged with SBI.

With the merger, the total customer base of the SBI reached around 37 crore with a branch network of around 24,000 and nearly 59,000 ATMs across the country. The merged entity began operation with deposit base of more than Rs 26 lakh crore and advances level of Rs 18.50 lakh crore.

The government in February had approved the merger of these five associate banks with SBI. Later in March, the cabinet approved merger of BMB as well. SBI first merged State Bank of Saurashtra with itself in 2008. Two years later, State Bank of Indore was merged with it.

Enthused by the success of SBI merger, the finance ministry is considering clearing another such proposal in the public sector banking space by this fiscal-end.

Another round of merger should kick off once the non-performing assets (NPAs) situation improves. Toxic loans of public sector banks rose by over Rs 1 lakh crore to Rs 6.06 lakh crore during April-December of 2016-17, the bulk of which came from power, steel, road infrastructure and textile sectors.

Financial Express

3. Bankers to meet from Monday to decide on large defaulters

Bankers are meeting from Monday to finalise their next course of action on six of the 12 bad loan accounts for immediate referral to NCLT after the RBI named the largest defaulters to face bankruptcy proceedings

By: [PTI](#) | Mumbai

Bankers are meeting from Monday to finalise their next course of action on six of the 12 bad loan accounts for immediate referral to NCLT after the [RBI](#) named the largest defaulters to face bankruptcy proceedings. The first set of six troubled accounts are Bhushan Steel (Rs 44,478 crore), Essar Steel (Rs 37,284 crore), Bhushan Power and Steel (Rs 37,248 crore), Alok Industries (Rs 22,075 crore), Amtek Auto (Rs 14,074 crore) and Monnet Ispat (Rs 12,115 crore), a banker said. According to RBI, these 12 accounts owe Rs 2.5 trillion to the system, which constitute around 25 per cent of gross bad loans.

The other accounts named for bankruptcy action, according to bankers, include Lanco Infra (Rs 44,364.6 crore), Electro steel Steels (Rs 10,273.6 crore), Era Infra (Rs 10,065.4 crore) Jypae Infratech (Rs 9,635 crore) ABG Shipyard (Rs 6,953 crore) and Jyoti Structures with a defaulted loan of Rs 5,165 crore. Last week, the RBI's internal advisory committee (IAC) had sent the list of 12 accounts to bankers for immediate reference under the Insolvency and Bankruptcy Code (IBC). These 12

accounts are led by SBI (six of them), PNB, ICICI Bank, Union Bank, IDBI Bank and Corporation Bank, according to bankers.

"Beginning Monday, banks are meeting to discuss six of the 12 accounts named by the RBI before referring accounts to the National Company Law Tribunal (NCLT) by the end of this month," a banker told PTI. Since these are large accounts and involve multiple banks, the lenders will try to take a common view on all administrative requirements before referring these accounts to the NCLT.

Another banker said "they will also decide on appointment of insolvency professional (IP) who will later decide on the resolution plan and submit it to the lenders for their consideration". While ABG Shipyard, Amtek Auto, Alok Industries, Bhushan Steel, Bhushan Power and Steel, Electro steel Steels, Jaypee Infratech, Jyoti Structures and Monnet Ispat and Energy did not respond to e-mails sent to them, Era Infra and Lanco Infra could not be contacted. When reached out for comment, Essar Steel spokesperson said, "We are not aware of any such development."

These 12 accounts referred by the RBI have an exposure of more than Rs 5,000 crore each, with 60 per cent or more classified as bad loans by banks as of March 2016. Once a case is referred to the NCLT, there is a time line of 180 days to decide on a resolution plan. An additional 90 days can also be given. If a plan is not decided, then the company will go into liquidation.

Total NPAs of the banking system stand at over Rs 8 trillion of which Rs 6 trillion are with public sector banks. Last month, the government had cleared an ordinance to amend the Banking Regulation Act, giving the RBI more powers to direct banks to resolve bad loans. Bankers, however, are worried about the haircut they may have to take if the accounts go into liquidation. "It needs to be seen that what kind of haircut we will have to take. In case of liquidation, there will be a large haircut we will have to suffer," said an executive director of a state-owned bank.

The internal advisory committee of the RBI had identified these 12 accounts after studying top 500 ones of the banking system.

Business Line

4. Bandhan Bank looks to cross-sell insurance products, mutual funds

ABHISHEK LAW

Bandhan Bank is planning to start cross-selling of insurance products and mutual funds through its branches by September.

According to Chandra Shekhar Ghosh, Managing Director and CEO, talks have already begun. He, however, did not specify whether it was general insurance or life insurance offerings or both that the bank was exploring, but maintained that "all possible options are being looked into".

"We are in talks with some insurance companies and mutual fund players. By the end of the second quarter, you should see these offerings," he told *Business Line* on the sidelines of 17 years of 'Bandhan Konnagar' – a not-for-profit organisation that Ghosh founded and is currently mentoring.

As the MD and CEO points out, the idea of cross-selling is not to shore up revenues, but to be a one-stop-shop for Bandhan's customers.

Phase-wise launch

In fact, Bandhan will initially start with such third party offerings across its metro and urban branches. It will then be followed by roll-outs across semi-urban markets with rural areas coming in at later stages.

“Obviously, the target audience in the initial days will be our metro and urban customers. Depending on the response, we will take it to other markets,” Ghosh said.

The bank already has 840 branches across the country and is planning to take the number up to 1,000 by end of FY18. Its customer base stands at 1.07 crore.

Business growth

This year, Ghosh says, the plan is to increase business (both advances and deposits) by “at least 30 per cent” with a focus on the retail loans such as affordable housing and loans to small enterprises and so on.

Of the ₹23,500 crore-odd advances, nearly 91 per cent are micro-finance loans. The remaining 9 per cent are mostly retail offerings such as loans against property, housing loans, personal loans, two-wheeler and small vehicle finance options, gold loans.

While the focus on its retail portfolio will increase, the percentage break-up is not set for much of a change. In FY-18, it will be around 90:10 (micro-finance to retail).

“Advances in totality will grow. Hence, there may not be much of a change percentage-wise between micro-credit and retail loans,” he explained.

As a conscious strategy, the bank will still stay away from large corporate lending and farm loans as of now. (It however, does provide small agriculture loans for vegetable farming, fisheries, and so on.)

GST awareness

Meanwhile, Bandhan Konnagar, the NGO, will be holding GST sensitisation programs for small enterprises. It will also look to have an awareness drive on the need of Aadhaar cards.

The NGO already is working on financial literacy programs and on issues such as women empowerment, child education and so on.

5. Fire insurance premium may go up from July 1

PTI

Come July 1, fire insurance premium may go up since the insurance regulator is trying to check the insurance players from deep discounting in premium to gain market share.

A new set of burning cost ‘referral’ rates from the Insurance Information Bureau is going to be applicable from July 1 and that could see premium going up substantially in several ‘occupancies’.

“With the new IIB reference data on burning cost for fire insurance from July 1, several occupancies could see a substantial rise in premium and leaving many untouched. But the changes being introduced could impact differently on each

occupancies on insurance companies," Assocham's insurance council chairman and GM of National Insurance KB Vijay Srinivas told PTI.

"Our new set of reference rates for fire will be applicable from July 1 but these are not compulsory on insurance companies," Insurance Information Bureau's CEO Kunnel Prem said.

As the industry loss ratios increased from around 30 per cent before de-tariff regime to 60-75 per cent for fire due to deep discounting on premium to gain market share, the insurance regulator was trying to curb unsustainable premium rate war.

The idea is that burning cost should be proportion to premium so that a company does not make losses.

Kunnel Prem said number of occupancies has been increased from 85-90 to 101 as new industries have come up. The list of risk occupancies have been revised from 90 to 101, he said.

In simple terms, occupancies in insurance are referred as products, a sector or class of asset and different occupancies carry different risk of loss, officials said.

With kind regards,

Yours Comradely,



(N. GOVINDRAJULU)
GENERAL SECRETARY