



**ALL INDIA UNION BANK PENSIONERS AND RETIREES FEDERATION**  
(Affiliated to All India Bank Pensioners & Retirees Confederation – AIBPARC)

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Dear Comrades,

27th July , 2018

### News of Interest 27<sup>th</sup> JUL

#### QUOTE OF THE DAY

YOU HAVE SUCCEEDED IN LIFE WHEN ALL YOU REALLY WANT IS ONLY WHAT YOU REALLY NEED.

VERNON HOWARD

#### HIGHLIGHTS

- 1. SBI, PNB, BoB may introduce performance-linked pay for senior management**
- 2. Higher interest income propels Yes Bank to Q1 net profit of Rs 12.6 bn**
- 3. Bankers seek interest subvention on investment loans to farmers**
- 4. No penalty on late filing of ITR if your income doesn't cross this limit**
- 5. Lakshmi Vilas Bank posts ₹124-cr loss in Q1**

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#### Business Standard

- 1. SBI, PNB, BoB may introduce performance-linked pay for senior management**

The banks would need approval from the government for such a move

Somesh Jha

State Bank of India (SBI), Punjab National Bank (PNB) and Bank of Baroda (BoB) are planning to introduce performance-linked salary structure for the senior management – a first-of-its-kind move among public sector banks (PSBs).

PNB Managing Director and Chief Executive Officer Sunil Mehta told *Business Standard*: "The bank is seriously thinking of introducing a system of performance-based incentives for officers above the general manager grade. There will be a component of fixed and variable pay. But it will evolve slowly."

SBI and BoB may also follow a similar model and are working on a compensation framework, sources said. However, the banks would need approval from the government for such a move.

Many private banks already have a component of variable pay in their salary structure. Based on the individual's and bank's performance, employees are offered variable pay in the form of cash- or stock-linked instruments along with employee stock option plans.

For PSBs, the pay and allowances of different levels of employees are normally decided through bipartite settlements between the Indian Banks' Association (IBA), the bank's management and trade union body United Forum of Bank Unions (UFBU).

Bank unions are up in arms against six PSBs — SBI, PNB, BoB, Indian Bank, United Bank of India and Oriental Bank of Commerce — for restricting the latest wage negotiations up to scale-III officers or up to the senior manager level. They have also opposed a 2 per cent hike for bank employees recommended by the IBA. The unions are demanding a wage hike for officers up to scale-VII, which will include general managers, deputy general managers, assistant general manager and divisional managers — as has been the practice in all the previous wage negotiations.

"There is a misconception that we are not in favour of salary negotiation for such officers. We may rather give such officers more hike under the new framework. You have to compete with the private banks, and, for that, you have to adopt some of their remuneration models for higher level officials," Mehta said. "They may not be getting adequate rewards under the existing bilateral settlements with the kind of risks the senior management takes."

However, the banks will take a decision after the bipartite settlement between the bank management and worker unions take place. After a long stalemate, the IBA is set to hold wage settlement talks with the UFBU on July 30. "The IBA will take a final call on the wage settlement and then the banks will decide whether they want to adopt a common framework or do it separately," said a public-sector banker.

Bank union leaders are not in favour of a performance-linked incentive system. "The demand of the trade unions has been one rank, one pay. We are not in the corporate sector, where people are hired for performing a particular job. It will be difficult to evaluate performance in all positions in PSBs," said Ravinder Gupta, joint general secretary, All India Bank Officers' Confederation.

Last year, the Banks Board Bureau had sent a set of recommendations to the department of financial services (DFS) in the finance ministry on a compensation system for the senior management across all PSBs to ensure consistency. It had proposed that the compensation should be made up of a fixed component and a variable component — both short and long-term. The short-term variable component may be in the form of performance-linked incentives — restricted to 50 per cent of the

fixed component and the long-term component through employee stock options, as per its recommendations.

## **2. Higher interest income propels Yes Bank to Q1 net profit of Rs 12.6 bn**

The company took a mark-to-market loss of Rs 926.7 million in the first-quarter

Reuters

Helped by higher interest income and growth in its corporate banking division, Yes Bank Ltd beat analysts' estimates for quarterly profit on Thursday.

Net profit rose to Rs 12.60 billion (\$183.43 million) in the first quarter ended June 30, from Rs 9.66 billion.

Analysts were expecting Rs 12.15 billion, according to Thomson Reuters I/B/E/S data which compiled data from 22 analysts.

Interest earned rose 41.3 per cent to Rs 65.78 billion.

The company took a mark-to-market loss of Rs 926.7 million in the quarter, it said, relating to bond-trading losses incurred in December 2017 and March 2018 quarters as a result of a spike in bond yields in the recent months.

It said it will spread Rs 2.78 billion over the subsequent quarters.

## **Financial Express**

### **3. Bankers seek interest subvention on investment loans to farmers**

Banks have sought from the government an interest subvention on loans given to farmers for investments, such as buying a piece of land or a tractor, in addition to the existing subvention on crop loans of up to Rs 3 lakh. According to sources, bankers recently made a presentation to the parliamentary standing committee on Finance.

By: Shritama Bose |

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According to sources, bankers recently made a presentation to the parliamentary standing committee on agriculture, reiterating the long-held demand. Bankers say a subvention on loans for making investments in agriculture may help bring down the incidence of defaults in the space.

Crop loans are extended for the duration of the relevant cropping cycle. For example, a loan for planting paddy would typically have a tenure of 24 months. In contrast, an investment in land or machinery is likely to yield returns only over a period of five to seven years. Bankers say that in order to avail the benefit of the subvention, farmers sometimes do not disclose the purpose of the borrowing.

"They often mis-state the purpose of the loan when they actually intend to use it for an investment. Since a crop loan has a shorter tenure than an investment loan, they end up defaulting," said an executive with a large public-sector bank.

To ensure availability of agriculture credit at a reduced interest rate of 7% per annum to farmers, the department of agriculture cooperation and farmers' welfare implements an interest subvention scheme for short-term crop loans of up to Rs 3 lakh. The scheme provides an interest subvention of 2% per annum to banks on use of their own resources. Besides, an additional 3% incentive is given to the farmers for prompt repayment of the loan, thereby reducing the effective rate of interest to 4%.

The demand from banks gains relevance in the light of increased delinquencies in their Agri-loan portfolios. In the last two years, demonetisation and a string of farm-loan waivers by some states have put pressure on repayments in this segment. In the June quarters of both FY18 and FY19, banks have reported a decline in the asset quality of their Agri books.

In Q1FY19, HDFC Bank's Agri NPAs rose 40% y-o-y to `2,100 crore, or 0.29% of its total advances. In the same quarter a year ago, State Bank of India had attributed slower repayments of Agri loans as one of the contributors to higher slippages.

## **Economic Times**

### **4. No penalty on late filing of ITR if your income doesn't cross this limit**

*By Preeti Motiani*

You have less than a week left to file your income tax return (ITR). This year it becomes all the more important to file your return on time as you will be liable to pay a late fee for filing your ITR after the deadline of July 31, 2018 (unless the government extends it).

#### **The penalty you will have to pay**

From this year, a taxpayer is liable to pay late ITR filing fees of:  
a) Rs 5,000 if tax return is filed after the deadline but on or before December 31 of the relevant assessment year (in this case December 31, 2018).

b) Rs 10,000 if tax return is filed after December 31 but before the end the relevant assessment year, i.e., before March 31 (in this case between 1 January 2019 and March 31, 2019).

If you are a small taxpayer whose gross total income does not exceed Rs 5 lakh then the maximum fees you are liable to pay is Rs 1,000. This law of levying late filing fees under section 234F was introduced in the Budget 2017 and became effective for financial year 2017-18 or assessment year 2018-19 onward. Assessment year is the year immediately following the financial year for which the ITR is filed. The assessment year for the financial year 2017-18 is 2018-19.

#### **Who will not have to pay?**

However, chartered accountants are of a view that if a person whose gross total income does not exceed the basic exemption limit files a belated return, he/she will not be liable to pay penalty.

"There will be no late filing fees to be levied as mentioned under section 234F of the income tax return filed after the deadline if the gross total income does not exceed the basic exemption limit," says Abhishek Soni, CEO, tax2win.in, a tax return filing company.

Clarifying further, Shalini Jain, Tax Partner, People Advisory Services, EY India says, "Section 234F draws reference of persons liable to pay late filing fees for filing belated income tax return from Section 139 of the Income-tax Act. Section 139(1) of the Act states that the following persons have to mandatorily file ITR: (a) a company or a firm/LLP irrespective of quantum of income and (b) any other person only if his total income exceeds the maximum amount not chargeable to tax, i.e., basic exemption limit."

"Gross total income as mentioned in section 139(1) refers to the total income before taking into account the tax exemptions available on the incomes specified under section 10(38) and deductions under section 80C to 80U of the I-T Act," explains Chetan Chandak, Head of Tax Research, H&R Block, India.

This can be explained with the example of a resident individual aged less than 60 years. Suppose in a particular financial year you earned interest income of Rs 1.5 lakh and long-term capital gains (LTCG) from equity shares of Rs 1.5 lakh. Remember gains made on sale of equity shares and equity oriented mutual fund after holding them for more than 12 months are tax exempt for FY 2017-18. Here, the total income will be taken as Rs 3 lakh and you will be liable to pay penalty as mentioned under section 234F if you file a belated return.

### **The catch**

However, there is a catch. If you are an ordinarily resident individual with income from foreign assets and your taxable income is below the threshold, then you will have to pay the penalty if you don't file ITR before the deadline. "As per fourth proviso to Section 139(1), if you are a resident individual (other than not ordinarily resident within the meaning of Section 6(6) of the Act), holding any asset (including any financial interest) outside India as a beneficial owner or a beneficiary or have signing authority in any account located outside India, then you are mandatorily required to file income tax return before the due date even if the total income is below the taxable limit. In such cases, if you file your ITR after the deadline, late filing fees would be levied as per provisions of the law," says Jain.

Let us say in a financial year you earned a total income of Rs 1.5 lakh from dividend of shares you hold in a foreign company. In that case, even though your income is below the minimum exemption level of Rs 2.5 lakh, you are still mandatorily required to file ITR.

Taxpayers with gross total income less than the basic exemption limit, filing ITR after the due date will be able to claim deductions as available under section 80C to 80U of the I-T Act and/or tax refund, if due, without paying any late fees, adds Soni.

### **What you should do**

Yes, there are some of you who will not be penalised for late filing your ITR, however, it is in your best interest to file ITR before the deadline if any tax refund is due. "This is because if the ITR is filed before the due date, then interest payable on tax refund will be calculated from April 1 of the relevant assessment year to the date on which refund is granted. In case a belated ITR is filed, even though no penalty will be levied as income is less than the tax-exemption limit, the taxpayer would lose out on some of such interest. In such event, interest will be calculated from the date of filing ITR to the date on which refund is granted," explains Chandak.

Also, you will not be able to carry forward losses if you file a belated return.

As per the income tax slabs applicable for FY 2017-18, for resident individuals below 60 years, total income up to Rs 2.5 lakh is exempted from tax. For senior citizens aged 60 years and above but less than 80 years, total income up to Rs 3 lakh is exempted from tax. For super senior citizens aged 80 years and above, total income of Rs 5 lakh is tax exempt.

## **Business Line**

### **5. Lakshmi Vilas Bank posts ₹124-cr loss in Q1**

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OUR BUREAU

Lakshmi Vilas Bank (LVB) has reported a net loss of ₹124 crore for the quarter ended June 30, 2018, against a net profit of ₹66 crore in the year-ago quarter.

The loss in the first quarter of this year was lower, compared to a net loss of ₹622 crore in Q4 of 2017-18. The bank's asset quality remained weak during the first quarter of this fiscal as gross NPA, as a percentage of gross advances, increased to 10.73 per cent from 3.78 per cent in the year-ago quarter and 9.98 per cent from the preceding quarter.

Net NPAs rose to 5.96 per cent from 2.84 per cent in the year-ago quarter and 5.66 per cent in the preceding quarter. Its operating profit stood at ₹7 crore against ₹199 crore earlier.

Its total income was lower at ₹788 crore, compared to ₹927 crore. Net interest income dropped to ₹130 crore from ₹218 crore in the year-ago quarter.

Provisions and contingencies were higher at ₹162 crore (₹112 crore). Gross advances grew 12 per cent to ₹26,127 crore from ₹23,236 crore. The Bank's total capital adequacy ratio as per Basel III guidelines was at 9.45 per cent as on June 30, 2018, against 11.67 per cent a year ago.

With kind regards,

Yours Comradely,



**(N. GOVINDRAJULU)**  
**GENERAL SECRETARY**