VARIOUS SUPPORT MEASURES ANNOUNCED BY GOVERNMENT OF INDIA

IN THE WAKE OF COVID 19 SPREAD

1 Union Commerce and Industry Ministry extends Foreign Trade Policy 2015-2020 for one year - Other immediate relief measures also announced

(Source : Ministry of Commerce and Industry Press Release dated March 31,2020, DGFT Notification No. 57/2020 dated 31.3.20 and DGFT Public Notice No. 67/2020 dated 31.3.20)

The Union Commerce and Industry Ministry has announced changes in the Foreign Trade Policy (FTP) of Government of India on March 31, 2020. The Foreign Trade Policy (2015-20) which came into force on 1st April, 2015, was for 5 years and had validity upto 31st March, 2020. In view of the unprecedented current situation arising out of the pandemic Novel COVID-19, the Govt. has announced following measures.

- **Validity of FTP :** To provide continuity in the policy regime, the current FTP and Procedures which were valid till 31.03.2020 has been extended till 31.03.2021.

- **MEIS :** Benefit under various Export Promotion Schemes (including Merchandise Export from India Scheme – MEIS and EPCG), will continue to be available for another 12 months.

- **Application for filing MEIS :** For Shipping Bills where Let Export Order falls during the period 1.2.2019 and 31.5.2019, the MEIS applications can be filed within a period of 15 months instead of 12 months

- **Validity of Status Certificates :** Status Certificates *(One Star, Two Star, Three Star Four Star and Five Star Export Houses)* shall be valid for a period of 5 years from the date on which application for recognition was filed or 31.3.2021 whichever is later.

- **SION :** Standard Input Output Norms (SION) ratified by any Norms Committee (NC) in the O/o DGFT on or after 01.04.2015 in respect of any Advance authorization obtained under paragraph 4.07 shall be valid for the entire period of the Foreign Trade Policy i.e. **up to 31.03.2021** or for a period of three years from the date of ratification, whichever is later.

• Exemption from payment of IGST and Compensation Cess on the imports made under Advance/EPCG Authorisations and by EOUs etc. has been extended up to 31.03.2021.

• Validity period for making imports under various duty free import authorizations (AA/DFIA/EPCG) expiring between 01.02.2020 and 31.07.2020,has been allowed automatic extension for another six months from the date of expiry, without requirement of obtaining such endorsement on these authorizations.

• Wherever the period to make export is expiring between 01.02.2020 and 31.07.2020 under various authorizations (Advance Authorisation, EPCG etc.,), automatic extension in the export obligation period is allowed for another six months from the date of expiry, without payment of any composition fee.

• As per para 5.04 (a) of Handbook of Procedures, EPCG Authorization holder shall produce, within six months from date of completion of import, to the concerned RA, a certificate from the jurisdictional Customs authority or an independent Chartered Engineer, at the option of the authorisation holder, confirming installation of capital goods at factory/premises of authorization holder or his supporting manufacturer(s).

Now, an amendment is made stating that in case the period of six months expires during 1st February 2020 to 31st July 2020, the period of submission of Installation Certificate is extended by further 6 months from the original due date.

• As per para 5.14 (a) of Handbook of Procedures, the Authorisation holder under the EPCG scheme shall, while maintaining the average export obligation, fulfill the specific export obligation over the prescribed block period in the following proportions:

Period from the date of issue of Authorisation Minimum export obligation to be fulfilled

Period from the date of issue of authorisation	Minimum export obligation to be fulfilled
Block of 1st to 4th year	50%
Block of 5th and 6th year	Balance EO

Now, an amendment is made starting that if block-wise export obligation period expires during 1st February 2020 and 31st July 2020, such period is deemed to be automatically extended by further 6 months from the date of such expiry

• Validity period of Letter of Permission/ Letter of Intent as granted to EOUs is further extended up to 31st December, 2020.

• As per para 7.05 (a) of Handbook of Procedures, Terminal Excise Duty (TED) refund / drawback (whichever applicable) may be filed within 12 months from the date of realisation of 100% payment against such supplies. In cases where payment is received in advance and supply is made subsequently, in such cases application can be filed within 12 months from the last date of such supplies

Now, an amendment is made stating that if the last date for application for TED/Drawback refund falls on or after 1st March 2020, the date is deemed to be extended upto September 30, 2020.

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2 Union Finance Ministry issues Taxation and other Laws (Relaxation of Certain Provisions) Ordinance, 2020

(Source : Ministry of Finance Press Release dated March 24, 2020 and March 31, 2020)

In order to give effect to the announcements made by the Union Finance Minister *vide* Press Release dated 24.03.2020, regarding several relief measures relating to statutory and regulatory compliance matters across sectors in view of COVID-19 outbreak, the govt has brought in an Ordinance on 31.03.2020 which provides for extension of various time limits under the Taxation and Benami Acts. It also provides for extension of time limits contained in the Rules or Notification which are prescribed/ issued under these Acts.

2.1 Direct Taxes & Benami

• Extension of last date of filing of original as well as revised income-tax returns for the FY 2018-19 (AY2019-20) to 30th June, 2020.

• Extension of Aadhaar-PAN linking date to 30th June, 2020.

• The date for making various investment/payment for claiming deduction under Chapter-VIA-B of IT Act which includes Section 80C (LIC, PPF, NSC etc.), 80D (Mediclaim), 80G (Donations), etc. has been extended to 30th June, 2020.

Hence the investment/payment can be made up to 30.06.2020 for claiming the deduction under these sections for FY 2019-20.

• The date for making investment/construction/purchase for claiming roll over benefit/deduction in respect of capital gains under sections 54 to 54GB of the IT Act has also been extended to 30th June 2020. Therefore, the investment/ construction/ purchase made up to 30.06.2020 shall be eligible for claiming deduction from capital gains arising during FY 2019-20.

• The date for commencement of operation for the SEZ units for claiming deduction under deduction 10AA of the IT Act has also extended to 30.06.2020 for the units which received necessary approval by 31.03.2020.

• The date for passing of order or issuance of notice by the authorities under various direct taxes & Benami Law has also been extended to 30.06.2020.

• Reduced rate of interest of 9% shall be charged for non-payment of Income- tax (e.g. advance tax, TDS, TCS) Equalization Levy, Securities Transaction Tax (STT), Commodities Transaction

Tax (CTT) which are due for payment from 20.03.2020 to 29.06.2020 if they are paid by 30.06.2020. Further, no penalty/ prosecution shall be initiated for these non-payments.

• Under Vivad se Vishwas Scheme, the date has also been extended up to 30.06.2020. Hence, declaration and payment under the Scheme can be made up to 30.06.2020 without additional payment.

2.2 Indirect Taxes

• Last date of furnishing of the Central Excise returns due in March, April and May 2020 has been extended to 30th June,2020.

• Wherever the last date for filing of appeal, refund applications etc., under the Central Excise Act, 1944 and rules made thereunder is from 20th March 2020 to 29th June 2020, the same has been extended to30th June 2020.

• Wherever the last date for filing of appeal, refund applications etc., under the Customs Act, 1962 and rules made thereunder is from 20th March 2020 to 29th June 2020, the same has been extended to30th June 2020.

• Wherever the last date for filing of appeal etc., relating to Service Tax is from 20th March 2020 to 29th June 2020, the same has been extended to30th June 2020

• The date for making payment to avail of the benefit under Sabka Vishwas Legal Dispute Resolution Scheme 2019 has been extended to 30th June 2020 thus giving more time to taxpayers to get their disputes resolved.

• In addition to the extension of time limits under the Taxation and Benami Acts as above, an enabling section has got inserted in the CGST Act, 2017 empowering the Government to extend due dates for various compliances inter-alia including statement of outward supplies, filing refund claims, filing appeals, etc. specified, prescribed or notified under the Act, on recommendations of the GST Council.

2.3 GST

(Source : Ministry of Finance Press Release dated March 24, 2020)

• Those having aggregate annual turnover less than Rs. 5 Crore Last date can file GSTR-3B due in March, April and May 2020 by the last week of June, 2020. No interest, late fee, and penalty to be charged.

• Others can file returns due in March, April and May 2020 by last week of June 2020 but the same would attract reduced rate of interest @9 % per annum from 15 days after due date (current interest rate is 18 % per annum). No late fee and penalty to be charged, if complied before till 30th June 2020.

• Date for opting for composition scheme is extended till the last week of June, 2020. Further, the last date for making payments for the quarter ending 31st March, 2020 and filing of return for 2019-20 by the composition dealers will be extended till the last week of June, 2020.

• Date for filing GST annual returns of FY 18-19, which is due on 31st March, 2020 is extended till the last week of June 2020.

• Due date for issue of notice, notification, approval order, sanction order, filing of appeal, furnishing of return, statements, applications, reports, any other documents, time limit for any compliance under the GST laws where the time limit is expiring between 20th March 2020 to 29th June 2020 shall be extended to 30th June 2020.

• Necessary legal circulars and legislative amendments to give effect to the aforesaid GST relief shall follow with the approval of GST Council.

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3 ECGC Relaxations

(Source ECGC Twitter)

The Export Credit Guarantee Corporation of India Ltd., (ECGC) has hosted the following messages in its twitter handle.

• ECGC took additional measures like a) Waiver of Credit Limit Application fee till 30th June, 2020. B) 50% reduction in policy proposal fee for policies due for renewal / issue from 1st March to till 30th June, 2020.

• ECGC has extended time limit up to 31.05.2020 for all returns, extension requests, default notification, etc to Policyholders. Further, the time for filing claim, reply to claim queries, representations is extended up to June 2020.

• Discretion to exporters (a) to extend due date for payment by buyers for shipments accepted earlier (b) to decide about resale/reimport/or abandonment for the shipments that reached destination but not cleared by overseas buyers due to lockdown in the destination countries

• Reduced Claim eligibility period (waiting period) from the present 4 months to 1 month.

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4 Measures announced by Reserve Bank of India

(Source : RBI Notification No. 186 dated March 27,2020)

Shri Shaktikanta Das, Governor, Reserve Bank of India announced series of measures on March 27, 2020, in view of adverse impact of Corona Virus spread on the industry. Accordingly, the RBI has issued a Notification No. 186 dated March 27, 2020 which contains details of relaxations on lending including the following.

4.1 Rescheduling of Payments – Term Loans and Working Capital Facilities

In respect of all term loans (including agricultural term loans, retail and crop loans), all commercial banks (including regional rural banks, small finance banks and local area banks), co-operative banks, all-India Financial Institutions, and NBFCs (including housing finance companies) ("lending institutions") are permitted to grant a moratorium of three months on payment of all instalments falling due between March 1, 2020 and May 31, 2020.

Instalments will include the following payments falling due from March 1, 2020 to May 31, 2020: (i) principal and/or interest components; (ii) bullet repayments; (iii) Equated Monthly instalments; (iv) credit card dues.

The repayment schedule for such loans as also the residual tenor, will be shifted across the board by three months after the moratorium period. Interest shall continue to accrue on the outstanding portion of the term loans during the moratorium period.

In respect of working capital facilities sanctioned in the form of cash credit/overdraft ("CC/OD"), lending institutions are permitted to defer the recovery of interest applied in respect of all such facilities during the period from March 1, 2020 upto May 31, 2020 ("deferment"). The accumulated accrued interest shall be recovered immediately after the completion of this period.

4.2 Easing of Working Capital Financing

In respect of working capital facilities sanctioned in the form of CC/OD to borrowers facing stress on account of the economic fallout of the pandemic, lending institutions may recalculate the 'drawing power' by reducing the margins and/or by reassessing the working capital cycle. This relief shall be available in respect of all such changes effected up to May 31, 2020 and shall be contingent on the lending institutions satisfying themselves that the same is necessitated on account of the economic fallout from COVID-19. Further, accounts provided relief under these instructions shall be subject to subsequent supervisory review with regard to their justifiability on account of the economic fallout from COVID-19.

The Indian Banks Association has released a Frequently Asked Questions (FAQ) regarding moratorium on Term Loans, which is given at Annexure 1 below.

4.3 Extension of time for realization and repatriation of export proceeds from 9 months to 15 months

The Reserve Bank of India has issued a Press Release dated April 1, 2020 stating the following.

Presently value of the goods or software exports made by the exporters is required to be realized fully and repatriated to the country within a period of 9 months from the date of exports. In view of the disruption caused by the COVID-19 pandemic, the time period for realization and repatriation of export proceeds for exports made up to or on July 31, 2020, has been extended to 15 months from the date of export

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5 Measures relating to Employees Provident Fund

5.1 24% EPF contribution by Government

(Source : News Report dated 26.3.20)

- Honble Union Finance Minister Smt. Nirmala Sitharaman announced on March 26, 2020 that the Government will make 24 per cent contribution to the Employees' Provident Fund (EPF) (12 per cent each for employer and employee) for the next three months in case of establishments with up to 100 employees, 90 per cent of whom draw less than Rs 15,000 per month

5.2 Withdrawal from EPF

(Source : Ministry of Labour and Employment Press Release dated 26.3.20)

- Union Ministry of Labour and Employment has issued notification GSR 225(E) amending EPF Scheme 1952 to allow withdrawal of non-refundable advance by EPF members/subscribers upto the amount of basic wages and dearness allowance for three months or upto 75% of the amount standing to member's credit in the EPF account, whichever is less.

5.3 Extension of time period for ESI contribution

(Source : News Report)

- ESI contribution for the month of Feb'20 & Mar'20 can be filed and paid up to 15.04.2020 & 15.05.2020.

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6 Measures relating to Customs

(Source : Ministry of Finance Press Release dated March 24, 2020)

• 24X7 Custom clearance till end of 30th June, 2020

• Due date for issue of notice, notification, approval order, sanction order, filing of appeal, furnishing applications, reports, any other documents etc., time limit for any compliance under the Customs Act and other allied Laws where the time limit is expiring between 20th March 2020 to 29th June 2020 shall be extended to 30th June 2020.

Relaxation in submission of Bond

(Source : Customs Circular No. 17 dated 3.4.2020)

Customs Circular No. 17 dated 3.4.2020 states Customs field formations may accept a request from importer/exporter for submission of an undertaking in lieu of a bond prescribed under Customs regulations, for the following categories .

- Government/ Public Sector Undertaking (including Central/State/UT Governments or Administrations and their Undertaking)

- Manufacturer/ Actual importer

- Authorised Economic Operators (AEO)

- Status Holders

- All importers availing warehousing facility in terms of Section 59 of Customs Act, 1962

Each such relaxation, when requested, should comply with the following conditions.

- The content of the undertaking, to the extent possible, should be the same as the content of the prescribed bond.

- The undertaking should be duly signed by the IEC holder concerned on their business letter head and submitted by the registered e-mail ID of the IEC holder or their authorised custom broker

- The undertaking should also include a commitment from the IEC holder to submit the proper bond in the prescribed format on notarised stamp paper etc., on or before 7.5.2020

- The undertaking should not be treated as a substitute for security, wherever mandated.

- The security, wherever required, shall be submitted in the nature and manner as prescribed by the proper officer. Board’s instructions issued from time to time regarding such security in specific cases should be kept in view in this regard.

- In case of warehoused goods, any subsequent movement of warehoused goods under Section 67 of Customs Act, 1962, shall be allowed only to Manufacturer/ Actual importer, Authorised Economic Operators (AEO) or, Status Holders. For request of change of ownership after warehousing, the facility shall be considered only in cases where the prospective buyer is either a Manufacturer/ Actual importer, Authorised Economic Operators (AEO) or, Status Holder.

- Such relaxation in submitting a bond may also be considered on case to case basis for any other importer or exporter who requests for the same, with such additional safeguards over and above which are listed in this circular as deemed fit by the Jurisdictional Commissioner to safeguard revenue and ensure compliance of the statutory provisions.

- Importers/exporters availing this facility shall ensure that the undertaking furnished in lieu of a bond is duly replaced with a proper bond before the stipulated period i.e. 7.5.2020

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7 Measures relating to Corporate Affairs

(Source : Ministry of Finance Press Release dated March 24, 2020)

- No additional fees shall be charged for late filing during a moratorium period from 01st April to 30th September 2020, in respect of any document, return, statement etc., required to be filed in the MCA-21 Registry, irrespective of its due date, which will not only reduce the compliance burden, including financial burden of companies/ LLPs at large, but also enable long-standing non-compliant companies/ LLPs to make a 'fresh start';

- The mandatory requirement of holding meetings of the Board of the companies within prescribed interval provided in the Companies Act (120 days), 2013, shall be extended by a period of 60 days till next two quarters i.e., till 30th September;

- Applicability of Companies (Auditor's Report) Order, 2020 shall be made applicable from the financial year 2020-2021 instead of from 2019-2020 notified earlier. This will significantly ease the burden on companies & their auditors for the year 2019-20.

- As per Schedule 4 to the Companies Act, 2013, Independent Directors are required to hold at least one meeting without the attendance of Non- independent directors and members of management. For the year 2019-20, if the IDs of a company have not been able to hold even one meeting, the same shall not be viewed as a violation.

- Requirement to create a Deposit reserve of 20% of deposits maturing during the financial year 2020-21 before 30th April 2020 shall be allowed to be complied with till 30th June 2020.

- Requirement to invest 15% of debentures maturing during a particular year in specified instruments before 30th April 2020, may be done so before 30th June 2020.

- Newly incorporated companies are required to file a declaration for Commencement of Business within 6 months of incorporation. An additional time of 6 more months shall be allowed.

- Non-compliance of minimum residency in India for a period of at least 182 days by at least one director of every company, under Section 149 of the Companies Act, shall not be treated as a violation.

- Due to the emerging financial distress faced by most companies on account of the large-scale economic distress caused by COVID 19, it has been decided to raise the threshold of default under section 4 of the IBC 2016 to Rs 1 crore (from the existing threshold of Rs 1 lakh). This will by and large prevent triggering of insolvency proceedings against MSMEs. If the current situation continues beyond 30th of April 2020, we may consider suspending section 7, 9 and 10 of the IBC 2016 for a period of 6 months so as to stop companies at large from being forced into insolvency proceedings in such force majeure causes of default.

• Detailed notifications/circulars in this regard shall be issued by the Ministry of Corporate Affairs separately.

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8 DGFT Help Desk

(Source : Ministry of Commerce and Industry Press Release dated March 26,2020)

For any COVID-19 related Export or Import issue, a Helpdesk has been operationalized by Directorate General of Foreign Trade (DGFT) in the Department of Commerce, Ministry of Commerce and Industry. Exporters/importers may directly flag their issues through any of the following channels -

Contact@DGFT Platform (http://rla.dgft.gov.in:8100/CRS_NEW/) :

Email : dgftedi@nic.in

Call at Toll free number : 1800-111-550

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9 Ministry of Shipping Order

(Source : Ministry of Shipping Press Release dated March 29, 2020 & March 31, 2020)

• Ministry of Shipping has advised the shipping lines not to impose any container detention charges on import and export shipments for the period from 22nd March,2020 to 14th April,2020(both days inclusive) over and above free time arrangements that is currently agreed and availed as part of any negotiated contractual terms

• Ministry of Shipping has issued specific guidelines to Major Ports on Exemptions/Remissions on penalties, demurrages charges, fee, rentals levied on any Port user for any delay in Berthing/Loading/Unloading operations or evacuation/arrival of cargo caused due to lockdown measures from 22nd March, 2020 to 14th April, 2020. Major Ports have also been allowed to extend the completion of any project under implementation in PPP mode or otherwise. Moreover, Major Ports can permit waiver of all penal consequences with deferment of performance obligations as per concession agreement on case to case basis, for existing and operational PPP Projects.

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10 Measure relating to RCMC

(Source : DGFT Trade Notice No. 60 dated 31.3.2020)

The DGFT has issued a Trade Notice No. 60 dated 31.3.20, stating the *Regional Authorities of DGFT will not insist on RCMC* in cases where the same has expired on or before March 31, 2020) from applicants for any incentive/authorisations till 30 September 2020*

*(*Registration-cum-Membership Certificate of Export Promotion Council)*

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11 Relaxations in demurrage charges at Air Cargo

(Source : Ministry of Civil Aviation Order dated April 1, 2020)

- The Ministry of Civil Aviation has issued an order dated April 1, 2020 notifying the reduced demurrage charges on the following imported air cargo:

(a) which had landed on or after 20-03-2020, but could not be cleared and removed from all the customs airports by 23:59 hours on the date of this Order, and for which Bill of Entries were filed with Customs and the imported cargo, goods, etc. are lying with or without Customs Out-of-Charge (OOC) in the Custodian Warehouses, and

(b) for any delay in clearance and removal from the airport caused by reasons attributable to the aforesaid lockdown measures for the period up to and until 14 April 2020.

- Demurrage charges on such imports shall be waived at 50% by the airport operator/ cargo terminal operator, provided that the cargo, goods, etc. are cleared and removed from the airport by 23:59 hours on 16 April 2020;

- In case such imported cargo is not cleared and removed within these timelines, normal demurrage charges as applicable would be payable.

- During this period the airport operators/ cargo terminal operators/ concessionaires shall not impose any other or alternative charge by whatsoever name on the importer or trade agents concerned.

- This decision is purely a one-time measure to deal with the sudden and unprecedented disruption caused by the lockdown due to the COVID-I9 pandemic.

- For the early clearance and removal of bulky and high volume-low weight import cargo, Customs is requested to extend full support and the State Government concerned to allow and facilitate controlled transport and employees, including contracted employees, to the airport and the related warehouses/ destination.

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12 Relaxations in obtaining Certificate of Origin

(Source : DGFT Trade Notice No. 59 dated 28.3.2020)

The DGFT Trade Notice No. 59 dated 28.3.20 states the following.

- On account of lockdown/curfew in India due to COVID 19 pandemic, the Indian Agencies authorised, in accordance with Para 1.103 of Handbook of Procedure 2015-20, to issue the certificate of origin under India's Free Trade Agreements (FTAs, Comprehensive Economic Cooperation Agreements (CECA), Comprehensive Economic Partnership Agreements (CEPA) an Preferential Trade Agreements (PTAs) are temporarily closed and unable to issue Certificate of Origin

- In view of these exceptional circumstances, the certificates would be issued retrospectively by the concerned Indian agencies after they open their offices. Therefore, in the interim period, the Customs authorities and other competent authorities in the trading partners with whom India has a trade agreement may kindly allow eligible imports under preferences on a retrospective basis subject to the subsequent production of certificates of origin by Indian exporters.

- India would also stand ready to honour its preferential trade agreement imports subject to the respective governments also making a formal request or putting-up notice in this regard.

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13 Waiver of Late Fee for Bill of Entry

- The Delhi Customs has issued a Public Notice No. 19/2020 stating the that those bills of entry which pertains to IGMs filed on or after 21.3.2020 but on or before 14.4.2020, if filed on or before 17.4.2020, for clearance of import consignments, will not attract any late fee charges.

- The Chennai Customs has issued a Public Notice No. 22/2020 stating that the waiver of late fee would be in respect of bills of entry, filed belatedly, which pertains to IGMs filed on or after March 20, 2020 until further orders.

- The Kolkata Customs has stating that bills of entry which pertain to IGMs filed or after March 20, 2020 if filed for clearance of import consignments, will not attract any late fee until further orders

Members may check with the respective Customs for further details.

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Annexure 1

FREQUENTLY ASKED QUESTIONS : RBI Allowed Banks to Declare Moratorium on Term Loans

Posted On: 01 APR 2020 12:35PM by PIB Delhi

(Ministry of Finance, Government of India

Last week, the **Reserve Bank of India has allowed Banks to declare a three-month moratorium on all term loans outstanding** as on March 1, 2020, as well as on working capital facilities.

The **Indian Banks Association has answered a list of Frequently Asked Questions** about the technicalities of the moratorium.

QUESTION 1: When/what was the RBI announcement?

ANSWER: Last week, the Reserve Bank of India announced a three-month moratorium on all term loans outstanding as on March 1, 2020, as well as on working capital facilities.

QUESTION 2: Why has RBI announced the relief package?

ANSWER: Reserve Bank of India has announced certain regulatory measures to mitigate the burden of debt servicing brought about by disruptions on account of COVID-19 pandemic and to ensure the continuity of viable businesses. It was felt that there may be a temporary disruption in the cash flows, and in some cases loss of income, for the businesses/ individuals and the present measures work to bring relief to those businesses / individuals.

QUESTION 3: Which are the facilities eligible for availing the benefits under the RBI COVID-19 regulatory package and whether the facility is extended across the board to all borrowers?

ANSWER: All term loans (including agricultural term loans, retail, crop loans and loans under Pool Purchases) and cash credit/overdraft are eligible to avail the benefits under the package. This is available to all such accounts, which are standard assets as on 1st March 2020. Further, to avoid unnecessary paperwork the facility has been extended across the board to all the borrowers by extending repayment of term loan installments (includes interest) by 90 days. The original repayment period for term loans will get extended by 90 days e.g. a loan repayable in 60 installments maturing on 1st March 2025 will mature on 1st June 2025.

QUESTION 4: Is rescheduling of payments applicable for all kinds of term loans?

ANSWER: It is applicable for all term loans in all the segments, irrespective of the segment and the tenor of the term loans.

QUESTION 5: Is rescheduling of term loans only for principal amount or it also includes interest?

ANSWER: Rescheduling of principal can be done for a period of three months falling due between March 1, 2020 and May 31, 2020. For example, where the last installment of a term loan falls due for payment of on say 1st March 2020, it will become payable on 1st June 2020.

For EMI based term loans, it will be three EMIs falling due between 1st March 2020 and May 31st, 2020 and the tenor will be extended by three months and have to be repaid during the extended period, as per the example under (2) above.

For other term loans, it will be all the installments and Interest falling due during the same period, irrespective of the tenor of payment i.e. monthly, quarterly, half yearly, annually, bullet payment etc. For term loans, where the repayment has not commenced, the interest portion for three months alone needs to be reckoned.

QUESTION 6: What happens if the extended tenor of term loan goes beyond the maximum period stipulated for a product or as stipulated in the loan policy?

ANSWER: This can be extended for all such term loans without the need for seeking deviations or approvals.

QUESTION 7: What will be the treatment of interest on the working capital facilities?

ANSWER: The recovery of Interest applied to cash credit/overdraft on 31st March, 30th April and 31st May 2020 is being 'deferred'. However, the entire interest must be recovered along with the interest being applied on 30th June 2020 and in cases, where monthly interest is not being applied, along with the next interest date.

QUESTION 8: What will be the impact of this relief by RBI on borrowers as far as reporting of default is concerned?

ANSWER: Any delay in payment leads to default and gets reported to Credit Bureaus. For business loans of Rs. 5 Crores and above, the banks report the overdue position to RBI also through CRILC. As a result of this relief package, the overdue payments post 1st March 2020 will not be reported to Credit Bureaus/ CRILC for three months. No penal interest or charges will be payable to the banks. Similarly, SEBI has allowed that Credit Rating Agencies (CRAs) may not consider the delay as default by listed companies if the same is owing to lockdown conditions arising due to COVID-19.

QUESTION 9: That means businesses/ Individuals should necessarily take the benefit?

ANSWER: You may take the benefits under this package if there is a disruption in your cash flows or there is loss of income. However, you must take into account that the interest on the loans, though not mandatorily payable immediately and gets postponed by 3 months, continues to accrue on your account and results in higher cost.

To give you a perspective, suppose your loan outstanding is Rs 100,000 and you are charged 12 percent rate of interest on your loans, then every month you are liable to pay Rs. 1,000 as interest. In case you opt not to service the interest every month, you are liable to pay interest at 12 percent p.a. and accordingly you will pay Rs. 3,030.10 at the end of 3rd month.

Similarly, in case the interest rate is 10 percent, you are required to pay Rs. 833 p.m. or Rs. 2,521 after three months.

QUESTION 10: Should I get upset if any bank staff or its collection agent approach me for repayment?

ANSWER: You should not get upset and tell bank staff/ collection agent that you want to avail the benefit being extended under regulatory package.

QUESTION 11: What about my credit card dues?

ANSWER: The relief is available for credit card payments also.

In case of credit card dues, there is a requirement to pay minimum amount and if it is not paid the same gets reported to Credit Bureaus. In view of the RBI circular, the overdues in the credit card account do not get reported to the credit bureaus for a period of three months.

However, interest will be charged by the credit card issuer on unpaid amount. You should check from your card provider to arrive at interest payable. Although no penal interest will be charged during this period, but you must remember that the interest rate on credit card dues are normally much higher compared to normal bank credit and you should take a decision accordingly.

QUESTION 12: What about interchangeability being permitted from non-fund based to fund based or FB to NFB for businesses?

ANSWER: The interest applied on the fund based portion of interchangeability availed during the said period of 1st March to 31st May 2020 will be eligible for moratorium. In respect of new sanctions accorded from 1st March and availed during the period, the interest applied on the Fund based portion would be eligible.

QUESTION 13: In what other ways, businesses have been given relief?

ANSWER: The businesses may request the bank to re-assess their working capital requirements on account of disruption of their cash flows or elongation of working capital cycle. They may also request for reduction in margin on NFB facilities (LCs/ BGs etc) or also relief in Security. Decision will be taken by the bank branches on case-to-case basis based on the genuineness of the request.

QUESTION 14: Are NBFCs/MFIs/HFCs eligible under the "easing of working capital financing"?

ANSWER: At present, they are not being considered under the scheme. However, RBI has made provision for sufficient liquidity support to these financial intermediaries under recently introduced Targeted Longer-term Refinancing Operations i.e. TLTRO. Liquidity availed under the scheme by Banks has to be deployed in investment grade corporate bonds, commercial paper, and non-convertible debentures over and above the outstanding level of their investments in these bonds as on March 27, 2020.

Banks shall be required to acquire up to fifty per cent of their incremental holdings of eligible instruments from primary market issuances and the remaining fifty per cent from the secondary market, including from mutual funds and non-banking finance companies. Investments made by banks under this facility will be classified as held to maturity (HTM) even in excess of 25 per cent of total investment permitted to be included in the HTM portfolio. Exposures under this facility will also not be reckoned under the large exposure framework. Banks will be able to support NBFCs/ MFIs/ HFCs etc. under this window and we do not foresee liquidity squeeze for these Financial Intermediaries.

QUESTION 14: Will all these measures of RBI be treated as "restructuring"? What about the provisions applicable?

ANSWER: The measures stipulated by RBI under the March 27, 2020 circular on COVID- 19 Regulatory Package will not be treated as "restructuring" and hence will not result in asset classification downgrade. Accordingly, the enhanced provisions for Restructured Accounts will not apply.

QUESTION 15: What about installments/EMIs being recovered through SI/ECS/NACH? What will be the procedure for refund of the installment/EMIs, if demanded by the borrower?

ANSWER: Please get in touch with your bank for the revised mandate