

# FIDC

## Finance Industry Development Council

*(A body incorporated as a Self Regulatory Organization for Registered NBFCs)*  
101/103, Sunflower, 1<sup>st</sup> Floor, Rajawadi Road No.2, Ghatkopar (East), Mumbai – 400 077 (India)  
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April 17, 2017

The Secretary  
Department of Revenue  
Ministry of Finance  
North Block  
New Delhi – 110 001

Respected Sir,

**Sub: Section 269SS and Section 269T of the Income Tax Act, 1961 – Request for Exemption from Section 269T , Only for Collection of Loan Repayments**

Sections 269SS and 269T of the Income Tax Act 1961, place restrictions on persons from making/collecting refund of deposits or availing of/repaying loans. We also refer to the recent RBI Notification **RBI/2016-17/245 DNBR (PD) CC.No.086/03.10.001/2016-17 dated March 9, 2017** making it mandatory to all NBFCs to not disburse loans or to accept repayments in cash where the aggregate loan amount is more than Rs. 20,000/-.

**Finance Industry Development Council (FIDC)** is a Self-Regulatory Organization (SRO) cum Representative Body of Non-Banking Finance Companies, registered with the Reserve Bank of India. FIDC was formed 12 years ago, and is the recognized face of NBFCs, especially, those engaged in asset financing. We at FIDC appreciate and laud the efforts of the Government in trying to reduce the volumes of cash transactions and help in reducing the extent of unaccounted money in the economy. We wholeheartedly commit to support this initiative. As a self-regulatory body, FIDC has always advocated to its members the need to act according to the highest standards of compliance and has put in place several measures to ensure fairer means of dealing with our customers and regulators alike. Compliance to the provisions of Prevention of Money Laundering Act, 2002 is one such important measure.

We would, however, like to submit for your consideration certain practical and operational issues and questions the industry is faced with, with regard to implementation of the provisions of Section 269T, that too relating to repayment of loans only.

Sir, a significant part of NBFCs' customer base is constituted by small businesses, small road transport/taxi operators, agriculturists and contractors. The extent of coverage through banking channels is still not to the extent desirable and the prevalence of cash transactions cannot be denied. Many NBFCs have a model of collecting their instalments from their customers on a

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monthly or even more frequent basis in cash through a door-to-door collection model. Practically speaking, there is no viable alternate that exists as on date.

In respect of defaulting customers, where a cheque or an electronic banking transaction has bounced, NBFCs do not have an option than to insist on a cash or a pay order from the defaulting customers, irrespective of the amount. In certain cases, the overdue amount or the loan outstanding may be more than Rs 20,000/-.

All NBFCs are bound by regulations issued by the RBI from time to time. NBFCs are also required by law to report all cash transactions above the regulatory threshold to the Financial Intelligence Unit (“FIU”) through regular Cash Transactions Reports and Suspicious Transaction Reports.

### ***Request***

**We agree that in order to further the agenda towards a “less cash” economy, we should restrict disbursement of loans in cash as required by Section 269SS, but we do have practical issues when it comes to collection/recovery of loans in cash as per Section 269T.**

**We therefore request you to kindly consider our request for allowing collection of loan repayments without the limit specified u/s 269T of the Income Tax Act 1961, by exempting RBI registered NBFCs from the purview of Section 269T, only to the extent of repayment of loans. Currently, banks and even Co-operative banks are exempted from all the provisions of both Section 269SS and 269T, whereas, we seek exemption only from the provisions of Section 269T and that too for collection of loan repayments only. The same may be granted by issuance of notification u/s 269T proviso (v)**

We would be grateful for your favorable response. Assuring you of our full co-operation always and thanking you in anticipation

Yours Faithfully  
For **Finance Industry Development Council**



**Raman Aggarwal**  
Chairman  
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