



**THE INSTITUTE OF
CHARTERED ACCOUNTANTS OF INDIA**
(SET UP BY AN ACT OF PARLIAMENT)



WORLD
ENVIROMENT
Day
JUNE 5

2024 JUNE E-NEWSLETTER



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EDITOR'S NOTE



Dear Members,

As we bid farewell to May, we eagerly anticipate the celebration of CA Day on July 1, marking a momentous occasion as ICAI enters its 76th year of delivering excellent services to the nation. It fills me with immense pride to be a member of this esteemed fraternity of Chartered Accountants. Our membership signifies an unwavering commitment to excellence, integrity, and professional competence.

Being part of this distinguished community is not only an honor but also a call to action. I encourage each of you to take immense pride in your membership and actively engage with our fraternity. Let us wholeheartedly embrace our roles as mentors, thought leaders, and ambassadors of this noble profession. By upholding our shared values and contributing to the betterment of society, we can make a lasting difference and inspire future generations of Chartered Accountants.

Our profession is built on a foundation of trust, expertise, and continuous learning. As members, we have a responsibility to uphold these principles and to support one another in our professional journeys. Let us strive to be exemplary in our conduct, innovative in our approach, and relentless in our pursuit of knowledge.

The strength of our community lies in our collective efforts and shared vision. Therefore, I urge you all to participate actively in ICAI initiatives, contribute to discussions, and share your insights and experiences. Together, we can foster a vibrant and dynamic professional community that not only excels in the field of accountancy but also contributes significantly to the broader societal good.

As always, we welcome your feedback and suggestions on our journal and its content. It is through your continued support and engagement that we strive to provide insightful, relevant, and up-to-date information to the CA community. Your contributions are invaluable in helping us to maintain the highest standards of professional excellence.

Jai Hind, Jai ICAI!

Warm regards,

CA. Jeen Paul
Newsletter In Charge

CHAIRMAN'S MESSAGE



Dear Professional colleagues,

Greetings to all of you!

It brings me great joy to connect with you through this monthly newsletter and share the highlights of our recent activities. The month of May was packed with enlightening seminars, each designed to enhance our professional knowledge and skills. Let me take you through a detailed recap of these events.

On the 4th of May, we kicked off our series with a CPE seminar on “Capital Gains”, conducted by CA. Abhishek Murali. This seminar provided a thorough understanding of the latest updates and strategic approaches to managing capital gains. CA. Abhishek’s expertise helped attendees grasp complex concepts and apply them effectively in their practice.

Following this, on the 7th of May, we had another insightful session focused on GST - Preparation of Replies to Notices, led by CA. Tony M P from Thrissur. His practical insights and detailed walkthroughs of various scenarios significantly aided our members in navigating the complexities of responding to GST notices with confidence and precision.

Our seminar on the 9th of May, featuring CA. Survajith S Krishnan and CS. Divesh Goyal, delved into "SA - Audit Documentation and Latest Amendments in Companies Act". This session was particularly beneficial in updating our knowledge on audit documentation standards and understanding the recent amendments to the Companies Act, ensuring that we remain compliant and informed about the latest regulatory changes.

On the 11th of May, CA. Tony M P returned to discuss GST – Preparation of Appeals and Advance Rulings (AAR). His in-depth knowledge and practical advice on preparing appeals and understanding AAR processes were immensely valuable for our members dealing with GST-related disputes and queries.

The seminar on "GST-Refunds" held on the 17th of May, also led by CA. Tony M P, provided an extensive exploration of the GST refund process. His clear and systematic approach helped members understand the critical aspects and procedural requirements for claiming refunds, thereby enhancing their efficiency in handling such matters.

On the 21st of May, we had a comprehensive session on ITR Filing, conducted by CA. Hari Gopinath and CA. Hari K N. Their dual expertise provided a robust understanding of the nuances involved in filing Income Tax Returns, equipping members with the knowledge to streamline their processes and avoid common filing errors.

The seminar on the 24th of May, presented by CA. Rengarajan G, focused on NRI Taxation. This session addressed the unique tax challenges faced by Non-Resident Indians, offering insightful strategies for effective tax planning and compliance, which is crucial for practitioners dealing with NRI clients.

On the 28th of May, we hosted a dual seminar featuring CA. Subin V R on ITR Filing & Capital Market and CA. Sony CL on SFT - Statement of Financial Transactions. CA. Subin's session provided a comprehensive understanding of the intersection between ITR filing and capital market investments, while CA. Sony's seminar emphasized the importance of accurate financial transaction reporting and compliance with SFT requirements.

These seminars have not only enriched our knowledge but also strengthened our community by fostering continuous learning and professional development. Your participation and enthusiasm are what make these events successful.

We are committed to providing more such learning opportunities and look forward to your continued support and active participation. Thank you for being an integral part of our professional family.

Warm regards,

Jai ICAI Jai Hind

CA. ANOOP V FRANCIS
CHAIRMAN

RBI'S INITIATIVES FOR INFORMED DECISION MAKING OF BORROWERS THROUGH DISCLOSURE OF INFORMATION: KEY STATEMENT/ FACT SHEET

CA RAHUL SHARMA

Brief History and Background: - RBI always intends to protect the interest of public at large who deals with the Commercial Bank in normal course of their business in this series RBI has come up with various directions time to time. One such circular is DBR.Leg.No.BC.64/09.07.005/2014-15 in which RBI has again reiterated as follows :

In order to further enhance transparency in pricing of credit, based on the recommendations of Working Group on Pricing of Credit, banks are advised to adhere to the following additional instructions:

(a) Website:

1. Banks should display on their website the interest rate range of contracted loans for the past quarter for different categories of advances granted to individual borrowers along with mean interest rates for such loans.

2. The total fees and charges applicable on various types of loans to individual borrower should be disclosed at the time of processing of loan as well as displayed on the website of banks for transparency and comparability and to facilitate informed decision making by customers.

- Banks should publish Annual Percentage Rate (APR) or such similar other arrangement of representing the total cost of credit on a loan to an individual borrower on their websites so as to allow customers to compare the costs associated with borrowing across products and/ or lenders.

(b) Key Statement/ Fact Sheet:

Banks should provide a clear, concise, one page key fact statement/fact sheet, as per prescribed format, to all individual borrowers at every stage of the loan processing as well as in case of any change in any terms and conditions. The same may also be included as a summary box to be displayed in the credit agreement. The information which must be provided was as follows :

Loan amount, Loan term, Interest type (fixed or floating), (a) Interest chargeable (In case of Floating Rate Loans)(b) Interest chargeable (In case of Fixed Rate Loans), Date of reset of interest, Mode of communication of changes in interest rates, Fee payable, On application(Pl individually specify all type of fee), During the term of the loan(Pl individually specify all type of fee), On foreclosure(Pl individually specify all type of fee), Fee refundable if loan not sanctioned/disbursed, Conversion charges for switching from floating to fixed interest and vice-versa, Penalty for delayed payments, EMI payable, Details of security/collateral obtained, .Date on which annual outstanding balance statement will be issued.

Recent Development:

Key facts statement (KFS) is a document provided by lenders to the borrower, carrying all details of a loan agreement, including the rate of interest and the annual percentage rate (APR). The KFS will help borrowers compare loan details such as charges and interest rates from all lenders and select the best offer. Recently RBI has come up with a notification on 15.04.2024 No. DOR.STR.REC.13/13.03.00/2024-25 which confirm RBI's concern of protection of borrower's interest:

As announced in the Statement on Developmental and Regulatory Policies dated Feb 8, 2024, it has been decided to harmonize the instructions on the subject. This is being done in order to enhance transparency and reduce information asymmetry on financial products being offered by different regulated entities, thereby empowering borrowers for making an informed financial decision. The harmonized instructions shall be applicable in cases of all retail and MSME term loan products extended by all regulated entities (REs).

3. For the purpose of this circular, following terms have been defined:

(a) Key Facts of a loan agreement between an RE/a group of REs and a borrower are legally significant and deterministic facts that satisfy basic information required to assist the borrower in taking an informed financial decision.

(b) Key Facts Statement (KFS) is a statement of key facts of a loan agreement, in simple and easier to understand language, provided to the borrower in a standardized format.

(c) Annual Percentage Rate (APR) is the annual cost of credit to the borrower which includes interest rate and all other charges associated with the credit facility.

(d) Equated Periodic Installment (EPI) is an equated or fixed amount of repayments, consisting of both the principal and interest components, to be paid by a borrower towards repayment of a loan at periodic intervals for a fixed number of such intervals; and which result in complete amortization of the loan. EPIs at monthly intervals are called EMIs.

Other words and expressions not defined above, but used in this circular, shall have the same meaning as assigned to them under the Master Direction on Interest Rate on Advances (2016), as updated from time to time or any other relevant regulation issued by the Reserve Bank.

4. REs shall provide a KFS to all prospective borrowers to help them take an informed view before executing the loan contract, as per the standardised format prescribed. The KFS shall be written in a language understood by such borrowers. Contents of KFS shall be explained to the borrower and an acknowledgement shall be obtained that he/she has understood the same.

5. Further, the KFS shall be provided with a unique proposal number and shall have a validity period of at least three working days for loans having tenor of seven days or more, and a validity period of one working day for loans having tenor of less than seven days

Explanation

Validity period refers to the period available to the borrower, after being provided the KFS by the RE, to agree to the terms of the loan.

The RE shall be bound by the terms of the loan indicated in the KFS, if agreed to by the borrower during the validity period.

6. The KFS shall also include a computation sheet of annual percentage rate (APR), and the amortization schedule of the loan over the loan tenor. APR will include all charges which are levied by the RE. Illustrative examples of calculation of APR and disclosure of repayment schedule for a hypothetical loan are given in annexure to the circular.

7. Charges recovered from the borrowers by the REs on behalf of third-party service providers on actual basis, such as insurance charges, legal charges etc., shall also form part of the APR and shall be disclosed separately. In all cases wherever the RE is involved in recovering such charges, the receipts and related documents shall be provided to the borrower for each payment, within a reasonable time.

8. Any fees, charges, etc. which are not mentioned in the KFS, cannot be charged by the REs to the borrower at any stage during the term of the loan, without explicit consent of the borrower.

9. The KFS shall also be included as a summary box to be exhibited as part of the loan agreement.

Exemptions

10. Credit card receivables are exempted from the provisions contained under this circular.

Applicability and Commencement

11. REs shall put in place the necessary systems and processes to implement the above guidelines at the earliest. In any case, all new retail and MSME term loans sanctioned on or after October 1, 2024, including fresh loans to existing customers, shall comply with the above guidelines in letter and spirit without any exception. During the interregnum, the relevant provisions on 'KFS/Factsheet' under the extant guidelines shall continue to remain applicable, including the 'Guidelines on Digital Lending', the Master Direction on 'Regulatory Framework for Microfinance Loans, and the circular on 'Display of Information by Banks'.

CA. RAHUL SHARMA
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Glimpses

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