



Finance Industry Development Council

(A body incorporated as a Self Regulatory Organization for Registered NBFCs)
101/103, Sunflower, 1st Floor, Rajawadi Road No.2, Ghatkopar (East), Mumbai – 400 077 (India)
Tel: 022 21027324/9820035553 • E-mail: maheshthakkar45@yahoo.in website: www.fidcindia.org

24 April 2019

Shri Upender Gupta,
Commissioner, Goods and Services Tax,
GST Policy Wing,
220-A, North Block,
New Delhi - 110 001

Subject: Meeting seeking clarification on levy of GST on additional interest charged in instalment payment based financing products

Dear Sir,

Finance Industry Development Council (FIDC) is a Self-Regulatory Organization (SRO) cum Representative Body of the NBFCs, registered with the Reserve Bank of India. FIDC was formed 14 years ago, and is the recognized face of the NBFC sector. We have been engaged in regular interaction both with Reserve Bank of India and Govt. of India, which include pre-budget meetings and also important policy related meetings with RBI. Almost all the leading NBFCs and a large number of small and medium sized NBFCs are our members.

The Central Board of Indirect Taxes and Customs ('CBIC') has released a detailed FAQ for the Banking, Insurance and Stock Brokers for clarifying majority of the issues being faced by the financial sector including the one in relation to applicability of GST on additional interest charged in case of default in instalment payment by the customer.

The said issue is covered in Question no. 45 of the FAQ wherein the CBIC had stated that GST is required to be paid on additional interest charged in case of default in instalment payment by the customer. Here, though the FAQ invokes the correct technical provision that as per Section 15(2) of the Central Goods and Service Tax Act, 2017 ('the CGST Act'), the value of supply includes, inter-alia, interest for delayed payment of any consideration for any supply, however, it concludes in a manner to suggest that such additional interest is liable to GST, thereby ignoring the exemption accorded to interest on loans vide entry no. 27 to Exemption Notification [Notification no. 12/2017 – Central Tax (Rate) dated 28 June 2017 and Notification no. 9/2017 – Integrated Tax (Rate) dated 28 June 2017]

Given the ambiguity resulting in confusion within the industry, a detailed representation is attached herewith as **Annexure 1**.

FIDC

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Further, in order to discuss the significant impact of the clarification in the FAQ, we would request to have a meeting with you for the same. Accordingly, we request you to kindly allot us a time slot during the coming week for the meeting.

With best regards,

Yours faithfully,

For Finance Industry Development Council



Raman Aggarwal
Chairman
Mobile: 9810016667