



## **ASSET FINANCE ASSOCIATION OF INDIA**

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# Agenda for 1<sup>st</sup> AFAI meeting

At

**The Lalit**

**27<sup>th</sup> May, 2016**

## **About Asset Finance Association of India (AFAI)**

AFAI is an initiative by Indian Securitisation Foundation (ISF) to bring together the stakeholders of the asset finance sector in India. The organisation is intended to promote, help, develop, protect, encourage and secure, in India, general interest of various forms of asset backed funding by acting as industry association, to organize industry events, forums, discussions to promote research, generally to take care of the interest of trade, industry and commerce, stakeholders, participants and investors in asset finance and generally to act in the best interest of the Indian asset finance sector.

Currently there are several challenges before the asset-backed lending space, which if addressed will certainly facilitate the growth of sector stunted by the following issues:

- **Foreign Trade Policy** – The erstwhile Foreign Trade Policy (2009-2014) allowed the EPCG benefit to be extended to such goods that were acquired on lease. In the extant trade policy of 2015-2020, this explicit language has been given a miss. This could have been a case of sheer error of omission and it would be logical to give a perspective to the Ministry of Commerce to retain the language of the erstwhile trade policy to ensure that there is no ambiguity on the continuing benefit of EPCG.
- **VAT Issues** – Under the current tax regime, there are several states that have categorically disallowed input credit in case of assets acquired by way of transfer of right to use/ lease. Some such states being Gujarat and Uttar Pradesh. Considering the fact that Gujarat is one of the most progressive states and is forthcoming in promoting business, it makes most logical sense to explain to the state government, the issues faced by leasing companies in offering assets on lease owing to the disallowance of input tax credit on the vatable goods. It could be matter of lack of attention on this segment and therefore in states like Gujarat, it would be pertinent to enter into the dialogue with the state governments to take off the disallowance.
- **Accounting Standard** – The recent IFRS 16 on leases takes away the distinction between financial lease and operating lease. Considering the convergence of IFRS with the Indian Accounting Standards over a phased period, it would be a matter of time that the off balance sheet benefit under operating lease will not remain the selling point anymore for the lessors. Therefore, representation may be made to the appropriate authorities including to Ministry of Corporate Affairs to consider bringing consider implications and the bearing on the industry.

- **Tax accounting standard** – The draft Income Computation and Disclosure Standards (ICDS) pertaining to leases is currently in draft form. There is a continuing dichotomy on representation of the asset for claiming tax depreciation by the lessor or the lessee in case of financial leases. The draft ICDS intended to resolve this issue – however the standard currently remains in draft form.
- **CERSAI registration for lease transactions** – The recent amendments in the CERSAI rules state that all assets including moveable and immoveable assets need to be registered with the CERSAI, this would also mean that the lease transactions would require registration with CERSAI.

## Agenda for the meeting

To the end and intent of facilitating growth of asset-backed lending in India and to resolve the issues identified above or such other issues that may emerge during the meeting, the agenda for the first meeting is crafted as below:

Time	Schedule	Address by
5:30 - 5:40	Formation for AFAI, need for an industry forum	Nidhi Bothra, Director ISF
5:40 – 6:00	Role of IFC in facilitating growth of Leasing in India	Ashutosh Tandon, IFC
6:00 – 6:15	Regulatory concerns on Asset Backed Funding	TBC
6:15 – 6:45	Deliberation and key concerns in the leasing industry	Simi Thapar, Leasing Head, Tata Capital Financial Services Ltd
6:45 – 6:55	Deliberation and key concerns in the factoring industry	Vinod Kothari, Director, ISF
6:55 – 7:30	Deliberation and action plan for 2016-2017	Moderated by Shirang Tambe, Director, Origa Renting Pvt Ltd
7:30 PM onwards	Networking and Hi-Tea	