

Government plans debt waiver for “small distressed borrowers” under IBC

By: PTI

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The proposed waiver would be offered as part of 'Fresh Start' provisions under the Insolvency and Bankruptcy Code (IBC).



As per the IBC, there are various thresholds for 'Fresh Start', including that the gross annual income of the debtor does not exceed Rs 60,000.

The government plans to give debt waiver for “small distressed borrowers” under the insolvency law framework, according to a senior official.

The proposed waiver would be offered as part of 'Fresh Start' provisions under the Insolvency and Bankruptcy Code (IBC).

Corporate Affairs Secretary Injeti Srinivas said discussions have been held with the microfinance industry regarding criteria for the proposed waiver for small distressed borrowers from the economically weaker section (EWS).

He emphasised that the waiver — as part of individual insolvency — would be for the most distressed within the EWS.

“If you have once availed the fresh start, then you cannot avail it again for five years. We have worked out all safeguards to the satisfaction of the microfinance industry.

“It will like taking haircuts. At a national level, over a three to four years period, it will be not more than Rs 10,000 crore,” Srinivas told PTI in an interview.

As per the IBC, there are various thresholds for ‘Fresh Start’, including that the gross annual income of the debtor does not exceed Rs 60,000.

The aggregate value of the debtor’s assets should not be more than Rs 20,000 and that the aggregate value of the qualifying debts does not exceed Rs 35,000. Among others, such a person should not be having an own dwelling unit, irrespective of whether it is encumbered or not, according to the IBC.

“We had discussions with microfinance industry and their concerns are being duly factored in. The idea is not to destroy the microfinance industry.

“The idea is to give waiver for small distressed borrowers from debt obligations based on a criteria. The criteria has been discussed at length with the microfinance industry,” the secretary said.

Further, he said that the IBC provisions pertaining to personal guarantor to corporate debtor would be coming into effect immediately, followed by those related to partnership and proprietorship.

“Then we will look to bring fresh start provision,” he added.

The IBC provides the framework to deal with distressed assets through a market-driven and time-bound process.

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