

PSU Banks talking to RBI to allow staggered reversal of deferred tax assets

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By Hariprasad Radhakrishnan

Public-sector banks (PSBs) are talking to the Reserve Bank of India (RBI) under the aegis of the Indian Banks' Association (IBA) to allow a staggered recognition of deferred tax assets (DTA) for FY20 in order to avoid taking large hits on their bottomlines.

“We are assessing the matter and even the RBI and IBA are talking about it,” said an executive aware of the development. Another banker said the possibility of staggered reversal of past DTA is also under consideration.

“We are asking to do it in tranches. So far, only a few banks have done it and we are hopeful,” he observed.

The recognition of DTA in FY20 has been necessitated by a cut in the corporate tax rate earlier this year. A change in the tax rate to 25% from 35% resulted in a reversal in some banks' DTA during the September quarter.

DTA is a tax benefit banks are entitled to against provisions for bad assets.

The writing down of past DTAs have led to a few private banks — ICICI Bank, Axis Bank, IDFC First Bank and Yes Bank — reporting losses on a post-tax basis in Q2FY20.

Last week, State Bank of India (SBI) said that it has not taken the impact of the DTA reversal in its September-quarter results and would recognise it later.

“Within this year we will account for the DTA and we will move on to the revised corporate tax rate,” SBI chairman Rajnish Kumar told reporters on a post-results call, adding, “It will be before March 2020.” IBA declined to comment on the story.

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