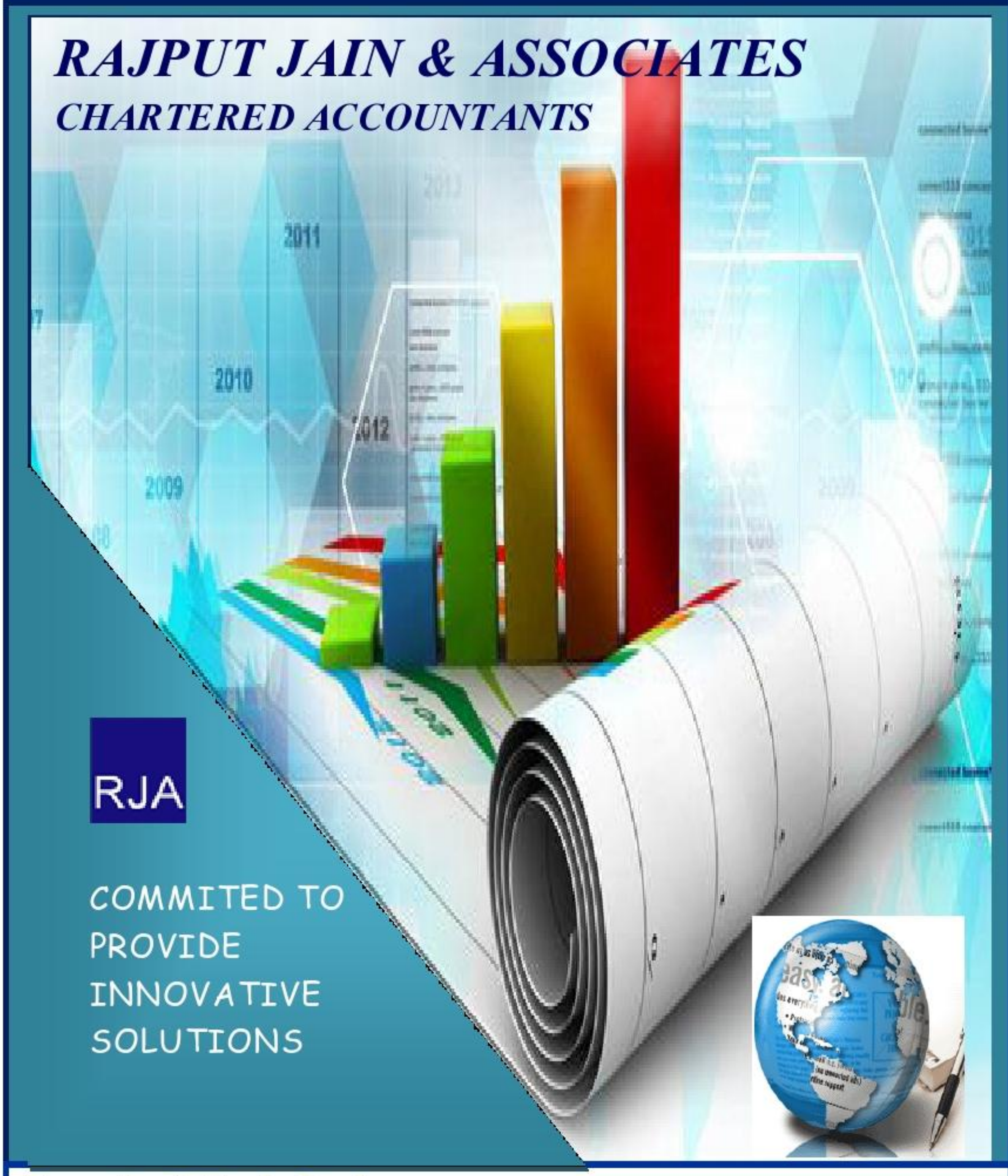
Tax & Corporate law Bulletin



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AUGUST 2013

From the Editor's Desk...

Dear Reader,

Greetings for the season.

May the Indian try color always fly high, may our nation bloom with happiness and prosperity, warm wishes of the month of Indian Independence to all our readers.

Some of the important updates of the month of August are: Rectification of mistakes u/s 154, Payment of interest by NBFCs on overdue public deposits, Import of Gold by Nominated Banks /Agencies/ Entities, and read many more…

We eagerly await your feedback on the bulletin.

Yours truly,
Rajput Jain & Associates
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DIRECT TAX

➢ **Rectification of mistakes u/s 154 – Procedure to be followed on Receipt & Disposal of Rectification Application filed u/s 154 of Income-Tax Act.**

The CBDT vide Instruction No. 3/2013 dated July 5th, 2013 directs that henceforth all applications received u/s 154 of the Income-Tax Act by the concerned jurisdictional authorities shall be dealt with in the prescribed manner:-

- The CBDT has given the direction on how to deal with the application u/s 154 on its receipt at the Office where Aaykar Seva Kendra is a Centralized Dak Receipt Centre or the offices where Dak is the received by the Jurisdictional Assessing Officer.
- It has directed to maintain "Register of Rectification" u/s154online.
- It has prescribed the time limit for the disposal of the application u/s 154 and also prescribed the manner in which such Rectification Application should be processed.
- It has also given direction in case Rectification Application under e-file returns.
- It has direct all CCIT/DGIT to insure that the above procedure is strictly followed in their charge with immediate effect and the maintenance and updating of online rectification register is monitored by the concerned supervisory officers in their respective charges.

The above directions have been issued by the CBDT in view of the order of the Hon'ble Delhi High Court vide Judgment in the case of Court on its Own Motion vs. UOI in W.P. (C) 2659/2012 dated March 14th, 2013 has issued seven mandamuses for necessary action by Income Tax Department one of which is regarding maintenance of "Rectification Register" in which details like receipt of applications under section 154 of the Income-Tax Act, their processing and disposal are to be maintained.

➢ **Assessment u/s 143–General – Identification of unserved Intimation under section 143(1) for cases processed prior to March 31st, 2010**

The CBDT vide Instruction No. 04/2013 dated July 5th, 2013 directed to the assessing authority to strictly adhere to or kept in mind timeline in respect of the matter related to the intimation/orders prior to March 31st 2010 as desired by the Hon'ble Delhi High Court. It has also directed to strictly adhere to the direction of the High Court relating to intimation u/s 143(1) and disposal of application u/s154 and also passing of order u/s 245 of the Income-Tax Act.

The above directions are issued in view of the order of the Hon'ble Delhi High Court vide judgment in case of Court on its Own Motion vs. UOI in W.P. (C) 2659/2012 dated March 14th, 2013 has issued seven mandamuses for necessary action by income tax department one of which is regarding non enforcement of demand where no intimation under section 143(1) of Income-Tax Act, 1961 was sent by field-authorities in respect of returns which were processed prior to March 31st, 2010.

➢ **Credit for TDS u/s 199 to an assessee when the tax deducted has been deposited with the revenue by deductor.**

The CBDT vide Instruction No. 05/2013 dated July 8th, 2013 directed that when an assessee approaches the assessing officer with requisite details and particulars in the form of TDS certificate as an evidence against any mismatched amount, the said Assessing Officer will verify whether or not the deductor has made payment of the TDS in the Government Account and if the payment has been made, credit of the same would be given to the assessee. However, the Assessing Officer is at liberty to ascertain and verify the true and correct position about the TDS with the relevant AO (TDS). The AO may also, if deemed necessary, issue a notice to the deductor to compel him to file correction statement as per the procedure laid down.

The above directions has been issued by the CBDT in view of the order of the Delhi High Court vide its judgment in the case of Court on its Own Motion vs.

UOI [2013] 31 (Delhi) has issued seven mandamuses for necessary action by Income Tax department, one of which is regarding the issue of non credit of TDS to the taxpayer due to TDS mismatch despite the assessee furnishing before the Assessing Officer, TDS Certificate issued by the deductor.

➢ Protocol amending DTAA between India & Bangladesh

The Central Government vide Notification No. 50/2013 dated July 4th, 2013 notifies protocol amending the convention between Government of the Republic of India and the Government of Peoples Republic of Bangladesh for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on Income. It directs that all the provisions of the protocol shall be given effect to in the Union of India w.e.f. June 13th, 2013.

➢ Action on unmatched challans reflected in Form 26 AS.

- The CBDT vide Instruction No. 11/2013 dated August 27th, 2013 directed the CPC (TDS) /AOs(TDS) to issue letters to the deductors in whose case TDS challans are unmatched with a view to verify and correct these challans. If necessary, the deductors may be asked to file correction statement, as per the procedure laid down and necessary follow-up action been taken. The CBDT also directs that the task should be completed by December 31st, 2013 for the F.Y. 2012-13 in the case of CPC (TDS) and FYs 2011-12 & earlier in case of AOs (TDS).

- The above instructions were issued in view of the direction of the Hon'ble Delhi High Court vide its judgment in the case (Court on its own Motion vs. UOI and Ors (W.P) (C) 659/2012 & W.P. (C) 5443/2012) dated March 14th, 2013) has issued seven mandamuses for necessary action by Income tax department, one of which is regarding the issue of 'Unmatched Challans' reflected in Form 26AS where the report by deductor in the TDS statement are not found available in the OLTAS database resulting in TDS mismatch.

- The unmatched challans belong to two categories of TDS statements, viz. –

  a) Statement pertaining to F.Y. 2011-12 and earlier which have been processed by jurisdictional TDS Assessing Officers [hereinafter AOs (TDS)].

  b) Statements pertaining to F.Y. 2012-13 onwards, now processed by CPC (TDS).

➢ Protocol amending Double Taxation agreement between India & Sweden.

The Central Government vide Notification No. 63/2013 dated August 14th, 2013 gives the protocol amending the convention between the Government of Republic of India and the Government of the Kingdom of Sweden for the avoidance of Double taxation and the prevention of fiscal evasion with respect to taxes on income and on capital, which was signed on 24/6/1997. This protocol was signed on February 7, 2013 in Stockholm. It also directs that all the provisions of the said protocol shall be given effect to in the Union of India w.e.f. August 16, 2013.

RECENT JUDGEMENT

➢ 2(22)(e)–Applicability of deemed dividend in case shares settled in Trust

The total interest in the shares was divested and settled in a trust, the later requirement of Section 2(22) (e) namely that of the assessee being a beneficial owner of the share, would not be satisfied. Accordingly it was held that any advance to such person would not be within the purview of deemed dividend u/s 2(22)(e) – CIT vs. Navinbhai N. Patel [2013]35taxmann.com312(Gujarat).

INDIRECT TAX

- **Consequential amendment to amendments in Foreign Trade Policy (FTP) with respect to exemption granted to all excisable goods procured against a Focus Market Scheme (FMS) duty credit scrip**

A conditional exemption was granted to all excisable goods procured against a Focus Market Scheme duty credit scrip vide Notification No. 30/2012-CE dated July 9th, 2012. Vide Notification No. 3 (RE- 2013)/ 2009-2014 dated April 18th, 2013, a new scheme under Focus Market Scheme; namely; Incremental Exports Incentivisation Scheme (IEIS) on annual basis; is notified under FTP. Accordingly, the exemption from Central Excise Duty, Additional Duty (Goods of Special Importance) and Additional Duty (Textile and Textile Articles) is now extended to the new Incremental Exports Incentivisation Scheme subject to specified conditions.

- **CENVAT Credit**

Where the revenue had sought to disallow CENVAT credit on input services used by the assessee at its head office on the ground that such services were not availed at its place of manufacture, the Tribunal allowed credit on the ground that:-

- The definition of input service does not restrict itself to the services availed for manufacturing activities only but gets extended to the services used relating to business; and

- There was no stipulation that input services must be provided or received in the Factory of manufacturer.

[National Engineering Industries Ltd. vs. CCE (2013)30 STR 511(Tri.-Del.)].

Where the appellant had availed CENVAT credit on Goods Transport Agency services for inward transportation of inputs but thereafter retuned some of the inputs received by it, since they were sub-standard, the Tribunal held that the credit of service tax and education cess availed on the Goods Transport Agency services utilized for inward transportation need not be reversed proportionately under rule 3(5) of the CENVAT Credit Rules, 2004 when some of the inputs were subsequently returned since the said rule applies only to inputs and capital goods and not to input services.

Seven Star Steels Ltd. vs. CST (2013) 30 STR 532 (Tri.-Kolkata).

Credit of Service tax paid on input service as ‘Management, Maintenance and Repair Services’, ‘Advertising Agency Services’, ‘General Insurance Service’, ‘Life Insurance Service’, ‘Security service’, ‘Telecommunication Service’, ‘Pandal and Shamiyana Contractor’s Service’, ‘Management or Business Consultancy Services’ availed by assessee engaged in providing renting of immovable property services is admissible being activities relating to Business.

[Agriculture Products Market Committee vs. CCE (2013)30STR558 (Tri.-Ahmd.)].

Audit and accounting services, repair and Maintenance services, packaging services, legal services etc. being integrally connected with the business of manufacturing, credit of service tax paid thereon is admissible.

[Golden Tobacco Ltd. vs.CCE (2013)30STR594 (Tri-Mumbai)]

Management and Consultancy service availed in respect of foreign exchange risk management and amalgamation and merger of the units of the assessee, being services in relation to ‘Business Activity’, the same would be eligible as input service ***[Semco Electric Pvt. ltd. Vs. CCE(2013)30STR572(Tri. -Mum.)].***

Outdoor Catering Service used for providing canteen facility for the worker in the factory premises being an activity having nexus or integral connection with the business of manufacture of final product the same would qualify as an input service under rule 2(l) of ***CCR, 2004. [CCE vs. GTC Industries Ltd. (2013)30 STR 673 (Tri.-Mum.)].***

- **Unconditional exemption to building bricks from concessional rate of duty earlier. (Notification No. 23/2013-CE dated July 31st, 2013)**

Earlier building bricks were leviable to Basic Excise Duty of 2% provided the facility of CENVAT Credit is not availed on inputs and input services. However, now complete unconditional exemption is being provided from Basic Excise Duty to such building bricks. Suitable amendments are made in Notification Nos. 1/2011-CE dated March 1, 2011 and 12/2012-CE dated March 17th, 2012.

CORPORATE LAWS

- **Clarification on raising money through private placement by NBFCs–Non-Convertible Debentures**

The RBI has issued Circular No. RBI/2013-14/115-DNBS (PD) CC No.349 /03.10.001 /2013-14 on July 2nd, 2013 stating that in order to facilitate the process of moving into a more robust ALM (asset liability management) in a non-disruptive manner, it the instruction with regard to minimum gap between two successive issuances of privately placed NCDs may not be operationalized immediately. A decision on the appropriate minimum time gap would be taken by the Bank in due course. NBFCs, in the meantime, are advised to put in place before the close of business on September 30, 2013, a Board approved policy for resource planning which, inter-alia, should cover the planning horizon and the periodicity of private placement. It is clarified that private placement means non-public offering of NCDs by NBFCs to such number of select subscribers and such subscription amounts, as may be specified by the Reserve Bank from time to time. It is also clarified that the earlier circular dated June 27th, 2013 (summary reported in this reporting separately).

The provisions of the said circular shall not be applicable to primary dealers, the restrictions on core investment companies shall not be applicable and that the provisions of paragraph B to the said circular shall not apply to subordinated debt.

- **Payment of interest by NBFCs on overdue public deposits**

The RBI has issued Circular No. DNBS.PD/CC.No. 350/03.02.001/2013-14 on July 4th, 2013 stating that at times NBFCs are required to freeze the term deposits of customer based on the orders of the enforcement authorities or the deposit receipts are seized by the enforcement authorities. It is now clarified that in relation to payment of interest on such deposit which have either been seized by the Government authorities, and/or have been frozen till further clearance is received by the concerned government authorities, NBFCs should follow the following procedure :-

- A request letter may be obtained from the customer on maturity and NBFCs should also advise him to indicate the term for which the deposit is to be renewed. In case the depositor does not exercise his option of choosing the term for renewal, NBFCs may renew the same for a term equal to the original term.
- No new receipt is required to be issued. However, suitable note may be made regarding renewal in the deposit ledger.
- Renewal of deposit may be advised by registered letter/speed post/courier service to the concerned Government department under advice to the depositor. In the advice to the depositor, the rate of interest at which the deposit is renewed should also be mentioned.
- If overdue period does not exceed 14 days on the date of receipt of the request letter, renewal may

be done from the date of maturity. If it exceeds 14 days, NBFCs may pay interest for the overdue period as per the policy adopted by them, and keep it in a Separate interest free subaccount which should be released when the original fixed deposit is released.

However the final repayment of the principal and the interest so accrued should be done only after the clearance regarding the same is obtained by The NBFCs from the respective Government agencies.

➢ **Master circulars issued by RBI for CICs and NBFCs**

The RBI has issued Master Circulars on1/7/2013 as:

- Regulatory Framework for Core Investment Companies.
- Frauds–Future approach towards monitoring of frauds in NBFCs.
- Miscellaneous Instructions to NBFC-ND-SI.
- Returns to be submitted by NBFCs.
- The Non-Banking Financial Company Factors (Reserve Bank) Directions, 2012.
- Opening of Branch-Subsidiary-Joint Venture-Representative office or undertaking Investment Abroad by NBFCs.
- Non-Banking Financial Company - Micro Finance Institutions' (NBFCMFIs) – Directions.
- Miscellaneous Instructions to NBFC-ND-SI.
- Non-Banking Financial (Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007.
- Non-Banking Financial Companies Auditor's Report (Reserve Bank) Directions, 2008.
- Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007.

FEMA

Liberalization/rationalization of External Commercial Borrowing (ECB) Policy

Non-Banking Finance Company– Asset Finance Companies (NBFCAFCs)

A.P. (DIR Series) CircularNo.6 dated July 8th, 2013

Presently, NBFCs are allowed to avail of ECB under approval route from multilateral financial Institutions, reputable regional financial institutions, official export credit agencies and international banks with minimum average maturity of 5 years to finance import of infrastructure equipment for leasing to infrastructure projects. Further, NBFC– Infrastructure Finance Companies (IFCs) have been permitted to avail of ECB for on-lending to infrastructure sector both under automatic and approval routes subject to certain terms and conditions.

RBI has now allowed NBFCs, categorized as Asset Finance Companies (AFCs) to avail of ECB subject to specified conditions mentioned in the above circular.

- **Review of all-in-cost ceiling –Trade Credits for Imports in to India**

A.P. (DIR Series) CircularNo.9 dated July 11th, 2013 All-in-cost ceiling as specified in the A.P. (DIR Series) Circular No. 28 dated September 11th, 2012 for trade credits for imports into India will continue till September30, 2013 until further review. It has also been decided that for availment of trade credit, the period of trade credit should be linked to the operating cycle and trade transaction. AD banks are advised to ensure that these instructions are strictly complied with.

Refinancing /Rescheduling of ECB

A.P. (DIR Series) Circular No.10 dated July 11th, 2013 RBI had vide A.P. (DIR Series) Circular No. 112 dated April 20th, 2012 allowed the borrowers desirous of refinancing/rescheduling an existing ECB to raise fresh ECB at a higher all-in-cost under the approval route subject to the condition that the enhanced all-in-cost does not exceed the all-in-cost ceiling prescribed as per the extant guidelines. It has been decided to continue with these instructions till September 30, 2013 and is subject to review thereafter.

- **Repayment of Rupee loans and/or fresh Rupee capital expenditure–USD 10 billion Scheme**

A.P. (DIR Series) Circular No. 12 dated July 15th, 2013 Presently Indian companies in the manufacturing and Infrastructure sector (as defined under the extant ECB policy) and hotel sector, which are consistent foreign exchange earners, are allowed to avail of ECBs for repayment of outstanding Rupee loan(s) availed of from the domestic banking system and/or for fresh Rupee capital expenditure under approval route.

RBI has, now extended the benefit of USD 10 billion scheme to Indian companies in the aforesaid sectors which have established JV / WOS / have acquired assets overseas subject to the specified conditions.

The past earnings in the form of dividend/repatriated profit/ other forex inflows like royalty, technical know-how, fee, etc. from overseas JV/WOS/assets will be reckoned as foreign exchange earnings for the purpose of US $10 billion scheme.

- **Guidelines for calculation of total foreign investment in Indian companies, transfer of ownership and control of Indian companies and downstream investment by Indian companies**

Notification No. 278/2013-RB dated June 07th, 2013 and A.P. (DIR Series) CircularNo.6 dated July 8th, 2013

The DIPP had issued Press Notes 2 and 3 (2009 series) dated February 13th, 2009, issuing guidelines for calculation of total foreign investment, i.e. direct and indirect foreign investment in Indian companies and for establishment of Indian companies/ transfer of ownership or control of Indian companies from resident Indian citizens to non-resident entities, in sectors with caps. Further, DIPP, vide their Press Note 2 (2012 series) dated July 31st, 2012, had made certain other changes. These Press Notes are comprehensively incorporated in the consolidated FDI Policy Circular 1 of 2013 dated April 5th, 2013. The RBI has now notified these guidelines vide Notification No. FEMA.278/2013-RB dated June 7th, 2013 and A.P. (DIR Series) CircularNo.1 dated July 4th, 2013

Any foreign investment already made in accordance with the guidelines in existence prior to February 13, 2009 shall not require any modification to conform to these guidelines. All other investments, after the said date, would come under the ambit of these new guidelines. As regards investments made between February 13, 2009 and the date of publication of the above-mentioned notification, Indian companies shall be required to intimate, within 90 days from the date of this circular i.e. July 8, 2013, through an AD Category-I bank to the concerned Regional Office of the RBI, in whose jurisdiction the Registered Office of the company is located, detailed position where the issue/transfer of shares or downstream investment is not in conformity with the regulatory framework prescribed in the above Circular. The RBI shall consider treating such cases as compliant with these guidelines within a period of six months or such extended time as considered appropriate by RBI in consultation with Government of India.

- **Overseas Investments–Shares of SWIFT**

A.P. (DIR Series) CircularNo.8 dated July 11th, 2013 presently, in terms of FEMA provisions, the proposal of acquisition of the shares of Society for Worldwide Interbank Financial Telecommunication (SWIFT), Belgium by the resident bank is considered by the RBI on case to case basis under the approval route.

RBI has now decided to grant general permission to a bank in India, being licensed by the RBI under the provisions of the Banking Regulation Act, 1949, to acquire the shares of SWIFT as per the by-laws of SWIFT, provided the bank has been permitted by the RBI for admission to the 'SWIFT User's Group in India's member. Consequently, the Foreign Exchange Management (Transfer or Issue of any Foreign Security) Regulations, 2004 [Notification No. FEMA 120/2000–RB] is amended vide Notification No. FEMA 271/2013-RB dated March 19th, 2013 Issued by RBI to give effect to the above amendment.

- **Import of Gold by Nominated Banks /Agencies/ Entities.**

  A.P. (DIR Series) Circular No.15 dated July 22nd, 2013 and Press Release no. 148 dated July 22nd, 2013

In consultation with Government of India (GOI), it has been decided to rationalize the import of gold in any form/purity including import of gold coins/dore into the country. Accordingly, the following instructions have been issued:-

- It shall be incumbent on all nominated banks/nominated agencies to ensure that at least one fifth of every lot of import of gold (in any form/purity including import of gold coins/dore) is exclusively made available for the purpose of export. Such imports shall be linked to financing of exporters by the nominated agencies (i.e. average of last three years or any one year whichever is higher). Further, they shall make available gold in any form for domestic use only to entities engaged in jewellery business/bullion dealers supplying gold to jewellers.
- They shall be required to retain 20 per cent of the imported quantity in the customs bonded warehouse.
- They shall be permitted to undertake fresh imports of gold only after the exports have taken place to the extent of at least 75 per cent of gold remaining in the customs bonded warehouse.
- Any import of gold under any type of scheme, shall follow the 20/80 principle set out at (a) and (b) above. The extant instructions, as regards import of gold on consignment basis, LC restrictions etc. stand withdrawn.

- **Review of Foreign Direct Investment (FDI) Policy**

Definition of the term "control", for calculation of total foreign investment i.e. direct and indirect foreign investment, in Indian companies Press Release dated August 1st, 2013 issued by the GOI and Press Note No. 4 (2013) dated August 22nd, 2013 issued by Department of Industrial Policy & Promotion (DIPP) The Cabinet Committee on Economic Affairs has, on August 1st, 2013 approved the proposal of the DIPP for amendment to the existing definition of the term "control" in the FDI Policy to bring it in line with the definition of "control" as per the **Substantial Acquisition of Shares and Takeovers (SAST) Regulations, 2011** and the definition of proposed in the Companies Bill, 2012. The revised definition of 'control' covers 'control' exercisable inter-alia through management and policy decisions, shareholding, management rights, shareholder agreements. Consequently, to give effect to the above decision the DIPP has, vide Press Note No. 4 (2013) dated August 22nd, 2013 amended the definition of "control" as given in paragraph 2.1.7 of Circular 1 of 2013 - Consolidated FDI Policy. The revised definition of the term "control" is as under

'Control' shall include the right to appoint a majority of the directors or to control the management or policy decisions including by virtue of their shareholding or management right or shareholders agreements or voting agreements."

POLICY WATCH

➢ **Government eases FDI policy for multi-brand retail**

Government has eased norms for foreign investment in multi-brand retail. These cover easing the three main contentious riders - mandatory 30 per cent sourcing from small domestic industries, 50 per cent of the investment to be in back-end infrastructure and outlets to be opened only in cities with population of more than a million. Under the changed guidelines, that 50 per cent investment will be restricted only to the first tranche of USD100 million, the mandatory initial investment amount, while subsequent investments into back-end will depend on the retailer. Retailers are to now be allowed to open stores in all states that have agreed to implement FDI in multi-brand retail, even if such states do not have cities of more than a million population. States will now have a choice of city for the location of the retail stores. On the 30 per cent sourcing, the government has expanded the definition of micro, small and medium enterprises to include companies with a total investment of up to $2 million in plant and machinery will also be eligible for such sourcing of 'manufactured and processed' products.

➢ **Cabinet clears 10% IOC disinvestment**

The Cabinet has cleared a proposal for sale of 10% government stake in Indian Oil Corporation (IOC). This will fetch around INR 37.50 billion at the current market price. The government holds a 78.92% stake in IOC. The disinvestment department has already selected five merchant bankers - Citibank, HSBC, UBS Securities, SBI Capital, and J M Financial to manage the stake sale of the oil major.

➢ **Government to hike R&D spend to 2% of GDP:-**

Government has planned to increase the research and development (R&D) budget up to 2% of the GDP during the 12th Five Year Plan. It has introduced several new schemes with Public Private Partnerships (PPP) to increase spending on R&D. These schemes will help to translate the basic and academic research into products of direct relevance to the industry in quick time. To encourage entrepreneurship and innovation in new scientific concepts and technologies, the government has lined up several programmes ranging from venture-capital funding to the development of incubation centers.

➢ **Parliament passes new Companies Bill**

Parliament has given its approval to the new Companies Bill that seeks to enhance compliance, transparency, encourages self-regulation and makes Corporate Social Responsibility (CSR) mandatory. The bill will now go to President for his assent. The new legislation will come into effect with notification by corporate affairs ministry after the presidential assent. The new bill will replace the nearly six-decade-old Companies Act of 1956.

➢ **New Companies Bill to make M&A easier for companies**

The new Companies Bill will make acquisitions, mergers and restructuring easier for companies, empower private equity investors to enforce various agreements and check misuse by promoters by increasing transparency. The bill could potentially trigger a spate of domestic and cross-border mergers and acquisitions and make Indian firms more attractive to PE investors. According to the new law, any contract or arrangement between two or more persons on transfer of securities shall be enforceable as a contract.

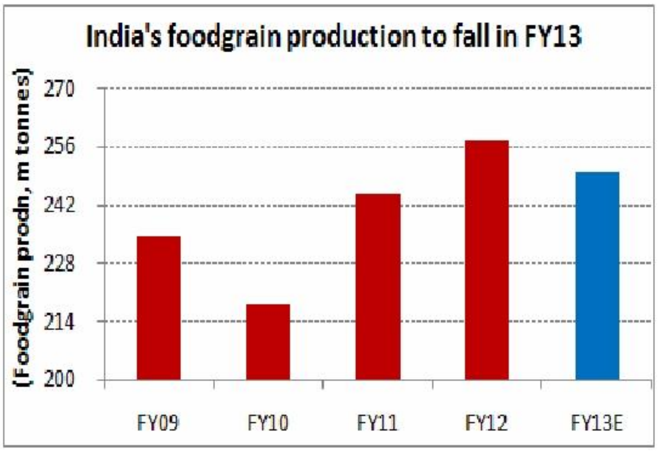
➢ **Amendment to National Food Security bill gets CCEA approval**

The Cabinet Committee on Economic Affairs (CCEA) has cleared an amendment to the National Food Security Ordinance. The cabinet has agreed to the demand of 18 states for additional allocation of food grains. As per the amendment, if annual allocation of food grains to any states under the Act is less than the average annual off take for last three years under normal targeted public distribution system, the same shall be protected at prices as may be determined by the central government and the state shall be allocated food grains. This would increase the subsidy burden by INR 50.94 billion.

- **Reserve Bank of India restricts FIIs from purchasing shares of Federal Bank:-**

The Reserve Bank has restricted Foreign Institutional Investors (FIIs) from purchasing shares in Federal Bank as the overall foreign shareholding in the South-based lender has crossed the limit of 49%. Therefore, no further purchases of shares of this bank would be allowed through stock exchanges in India on behalf of Foreign Institutional Investors (FIIs)/ Non Resident Indian / Persons of Indian Origin. The FIIs registered with SEBI are eligible to purchase shares and convertible debentures issued by Indian companies under the Portfolio Investment Scheme.

- **Government sets target of 259 million tons of food grain production**



Government has set a target of 259 million tons of food grain production for 2013-14. Government of India is implementing various crop development schemes through state governments for achieving the production targets of various crops. Programmes like Rashtriya Krishi Vikas Yojana Integrated Scheme on Oilseeds, Pulses, Oil Palm and Maize, bringing Green Revolution to Eastern India etc. are being implemented for increasing production and productivity of different crops.

- **Finance Minister announces INR 1830 billion to boost Infrastructure**

The Cabinet Committee on Investments (CCI) has given its approval for speedy execution of 36 infrastructure projects entailing investments of INR 1830 billion. The approval covers 18 projects in power sector alone and involves investment of INR 887.73 billion. These include Reliance Power's 4,000 MW Sasan Ultra Mega Power Project which was stuck up owing to forest clearance and Essar Power's 1,800 MW Jharkhand Power Project. Apart from power projects, the CCI has also cleared nine projects with an outlay of INR 140.84 billion.

INDUSTRY WATCH & CORPORATE HIGHLIGHT

- **Government urges industry to invest in R&D in agrochemicals sector**

Government has called upon agrochemicals industry to invest in Research & Development (R&D) and innovation in agrochemicals sector. The Indian chemical sector spends 1-2% of their total turnover on R&D as compared to around 5-10% by the chemical industry in the developed countries. One of the emerging areas for R & D is green agrochemicals and the Indian industry is the development of eco-friendly green agrochemicals. Government has set up 71 pesticides testing laboratories across the country that include 68 state laboratories, 2 regional laboratories and 1 central laboratory.

- **Government raises interest rate subsidy for exporters**

The government has raised the rate of interest on subsidy scheme for exporters to 3% and widened the coverage of the scheme to cover more sectors. At present the interest subvention for exporters, which is a kind of interest subsidy is 2%.The government is also making available the required resources to clear all claims of the exporters and the provisions are being made to ensure that claims of all the exporters are settled forthwith.

- **India's logistics sector likely to cross the USD 200 billion by 2020**

India's logistics sector is likely to cross the USD 200 billion by 2020. Currently India's logistics sector is valued at around USD 125 billion. The sector is projected to grow at 10 to 12% for the next 3 years and is expected to generate significant employment. Skilled manpower, technology implementation, and improving the infrastructure are the key support areas needed by the sector.

- **British iconic motorcycle brand Triumph set to enter India**

The iconic British Motorcycle brand, Triumph is all set to enter India in November 2013. The company is likely to begin with a portfolio of Bonneville, Daytona 675, and Rocket in India and it will eventually add more models to build its range. Some of these models will be assembled at the company's completely knocked down (CKD) units in Manesar which is nearing completion. It is currently looking for dealer partners across strategic locations.

- **ITC expects INR 10,000 billion turnover from new FMCG business**

ITC is expecting to clock a turnover of INR 10,000 billion from its brands in the new Fast-Moving Consumer Goods (FMCG) businesses by 2025. The company is aiming to create global Indian brands in the next few years. The new FMCG businesses have gained traction with the top line which exceeded INR 70 billion in the year. The non-cigarette FMCG business will break-even this year and will hopefully be profitable from next year.

ITC Limited

- **Railway invites new bids for Mumbai elevated rail corridor project**

Railways have invited fresh bids for the Mumbai elevated rail corridor project. The new Request for Qualification document for the 60-km-long elevated rail corridor between Church gate and Virar has been issued with significant changes in terms and conditions. The project cost has been estimated at INR 215 billion, with an increase of INR 5 billion from the earlier one. There are total six bidders, including Reliance Infrastructure, Gammon, L&T, ILFS and GMR who had already submitted the proposals as per the earlier document.

- **Cadbury India to invest INR 10 billion in AP plant**

Cadbury India, part of the Mondelçz international, plans to invest more than INR 10 billion in the first phase of a manufacturing plant in Sri City, Andhra Pradesh (AP).The company has signed an agreement with Sri City to take on lease 134 acres of land for the proposed facility. The first phase is expected to be completed by mid-2015.The project will be developed in four phases and is scheduled for final completion by 2020.

- **TVS Motor to set up bike assembly line in Uganda**

TVS Motor Company plans to set up a two-wheeler assembly line in Uganda and launch two motorcycle models in the African nation. TVS Motor, which has been present in Uganda for about a decade now, has eight dealers offering sales, service, and spare parts support in the country. It has appointed Yuvaraj International Uganda Ltd as its new distributor.

- **M&M plans INR 100 billion investment**

Tractor and utility vehicle market leader Mahindra & Mahindra (M&M) plans to invest INR 100 billion rupees over the next three years on research and development and manufacturing plant expansion. The company posted a 29% rise in net profit for the quarter ended June, helped by higher sales of tractors and tighter control measures. The company reported a standalone net profit of INR 9.37 billion during the quarter against INR 7.25 billion in the same quarter last year.

- **ONGC Videsh signs definitive pacts to buy 12% in Brazil block**

ONGC Videsh Ltd will acquire an additional 12 % participating interest in block BC-10 in Brazil. This

is part of the sale of 35% share made by Petrobras in the deep water block. The other partners in the block were Shell operator with 50% stake and Petrobras with 35%. In August, 2013 Petrobras entered into a deal with Sinochem to sell its 35% interest in the block for USD 1.543 billion.

- **Eight core sectors grow by 3.1% in July 2013**

The eight core infrastructure industries grew by 3.1% in July 2013. This is the highest in the last four months. The core industries grew moderately mainly due to declining output of crude oil and natural gas. The infrastructure sectors had seen a dismal growth rate of just 0.1% in June 2013 while in April and May 2013 the expansion rate was 2.3%.The growth rate in July 2013, however, is lower than 4.5% in the same month last year. The crude oil and natural gas production contracted by 2.3% and 16.1% respectively in July 2013.The eight infrastructure industries have a weight age of about 38%.

Statuary compliance calendar for the month of August 2013			
Due date	**Statuary compliance under Act**	**Particulars**	**Governing Authority**
			
06/08/2013	Service Tax	Payment of monthly service tax for the month of July by all tax payers electronically	Central Board of Excise and Custom
	Central Excise	Payment of monthly central excise duty for the month of July on goods by assesses other than SSI units electronically	Central Board of Excise and Custom
07/08/2013	Income Tax	Deposit of Income Tax TCS and TDS deducted in July	Central Board of Direct Tax.
	NBFC-D	Monthly return of exposure to capital markets in form NBS-6 by NBFC having total assets of 100 crore and above	Reserve Bank of India.
	NBFC-ND-SI	Monthly return of source and application of funds, profit and loss account, asset classification	Reserve Bank of India.
10/08/2013	Central Excise	Monthly central excise return in form ER-1/ER-2 by other that SSI	Central Board of Excise and Custom
	Central Excise	Monthly return of receipts and consumption of Principal Inputs by specified manufacturers of excisable goods in form ER-6	Central Board of Excise and Custom
	NBFC-ND-SI	Monthly statement of short term dynamic liquidity in form NBS-ALM1	Reserve Bank of India.
15/08/2013	Provident Fund	(a) Payment of monthly dues of Provident Fund for the month of July (b) Monthly return in form 5 for employees joining Provident Fund during July along with declaration in form 2 furnished by the employees (c) Monthly return of Provident Fund in form 10 of employees leaving the service during July	The Central Board of Trustees , The Employees' Provident Fund Scheme, 1952
21/08/2013	ESIC	Payment of ESIC contribution for the month of July	The employees' state insurance Act-1948. Ministry of labour and employment.
25/08/2013	Provident Fund	Monthly contribution statement (abstract) in form 12A, along with copy of receipted challans regarding payment of contribution.	The Central Board of Trustees , The Employees' Provident Fund Scheme, 1952

Glossary

AAR	Authority of Advance Rulings
ADR	American Depository Receipt
ALP	Arm's Length Price
AO	Assessing Officer
AP	Association of Persons
APA	Advance Pricing Agreement
ATM	Automated Teller Machine
AY	Assessment Year
BCD	Basic Customs Duty
BI	Body of Individuals
BP	Balance of Payments
CA	Chartered accountant
CAD	Current Account Deficit
CBDT	Central Board of Direct Taxes
CBEC	Central Board of Excise & Customs
CENVAT	Central Value Added Tax
Customs Act	Customs Act, 1962
CIT	Commissioner of Income Tax
CPI	Consumer Price Index
CSR	Corporate Social Responsibility
CD	Countervailing Duty
DDT	Dividend Distribution Tax
DTA	Domestic Tariff Area
ECB	External Commercial Borrowings
ESI	Employee's state insurance
FDI	Foreign Direct Investment
FEMA	Foreign Exchange Management Act
FERA	Foreign Exchange Regulation Act
FII	Foreign Institutional Investors
FIPB	Foreign Investment Promotion Board
FPI	Foreign Portfolio Investment
FTS	Fees for Technical Services
FY	Financial Year
GDP	Gross Domestic Product
GDR	Global Depository Receipt
GI	Government of India
GST	Goods and Services Tax
HUF	Hindu Undivided Family
ICAI	Institute of chartered accountant
IFRS	International Financial Reporting Standard
IDR	Indian Depository Receipt
IIP	Index of Industrial Production
IRDA	Insurance Regulatory Development Authority
ITR	Income tax return

LCD	Liquid-crystal Display
MP	Madhya Pradesh
MP	Market price
MF	Mutual fund
MSME	Micro Small and Medium Enterprises
NBFC	Non Banking Finance Company
NHAI	National Highway Authority of India
NPS	National Pension Scheme
NRI	Nonresident in India
NABARD	National Bank for Agriculture and Rural Development
OEM	Original Equipment Manufacturer
OET Act	Odessa Entry Tax Act, 1999
PSU	Public Service Undertakings
P&L	Profit & loss
PF	Provident fund
POTR	Point of Taxation Rules
QE	Quantitative Easing
QFI	Qualified Foreign Investor
RBI	Reserve Bank of India
REF	Renewable Energy Fund
REIT	Real Estate Investment Trust
Rules	Income-tax Rules, 1962
SA	Standard on Auditing
SAD	Special Additional Duty
SC	Scheduled Caste
SC	Supreme Court
SEBI	Securities and Exchange Board of India
SEZ	Special Economic Zone
ST	Scheduled Tribes
ST	Service Tax
STP	Software Technology Park
STR	Service Tax Rules
STCG	Short Term Capital Gain
TIN	Transaction identification number
TNNM	Transactional Net Margin Method
Tribunal	Income tax Appellate Tribunal
TDS	Tax Deducted at Source
TPO	Transfer Pricing Officer
TED	Terminal Excise Duty
VAT	Value Added Tax
VCC	Venture Capital Companies
VCF	Venture Capital Fund
WPI	Wholesale Price Index
WT	Wealth tax
WB	World bank

BUSINESS ADVISORY

- Growth Planning
- Succession Planning.
- Strategic Decision Appraisal
- Risk, Uncertainty and Change Management Services
- Strategic Decision Implementation – National and Global Platform
- Wealth Management Services.

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- Statutory Audit including Tax Audit &VAT Audit
- Internal Audit and Concurrent Audit
- Management Audit and Operational Audit
- Cost Audit/Reviews
- System and process control reviews.
- Secretarial Audit.

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- Project Financing.
- Credit Rating.
- Business Asset Valuation.
- Due Diligence.

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