

Tax & Corporate law Bulletin

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From the Editor's Desk...

Dear Reader,

Greetings for the season,

The Ministry of Finance has taken various initiatives in the last 2-3 years in order to bring about efficiency, transparency and fairness in tax administration... and read more

...

We eagerly await your feedback on the bulletin.

Yours truly,

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Individually, we are one Drop; Together we are an Ocean

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“Adapting swiftly to the
global business environment”



DIRECT TAX



- **Direct Tax Revenue Collections up to 18th September, 2017 in the current Financial Year 2017-18 rose to Rs. 3.7 lakh crore with a growth of 15.7%.**

The Union Minister for Finance and Corporate Affairs Shri Arun Jaitley said that Income Tax Department of the Ministry of Finance has taken various initiatives in the last 2-3 years in order to bring about efficiency, transparency and fairness in tax administration. Highlighting the initiatives, the Finance Minister said that a Single Page ITR-1 (SAHAJ) Form was introduced for tax payers having income up to Rs. 50 lakhs. Rate of tax for individuals having income of Rs. 2.5 lakhs to Rs.5 lakhs was reduced from 10% to 5%, which is one among the lowest in the world, the Finance Minister added. The Finance Minister Shri Jaitley further said that the concept of ‘no scrutiny’ was introduced for the First Time Non-Business Tax Payers having income up to Rs. 5 lakhs so that more and more people are encouraged to join the tax net and file their IT returns and pay the due amount of taxes. The Finance Minister Shri Arun Jaitley was addressing the Second Meeting of the Consultative Committee attached to the Ministry of Finance on the subject of “Initiatives of IT Department” in the national capital here today.

Highlighting the other initiatives of the income Tax Department, the Finance Minister Shri Arun Jaitley said that corporate tax was reduced to 25% for companies with turn-over up to Rs. 50 crore thereby covering almost 96% of the companies. The new manufacturing companies incorporated on

or after 1st March 2016 were given an option to be taxed at 25% without any deduction. The MAT credit was allowed to be carry forward up to 15 years instead of 10 years as part of procedural reforms, the Finance Minister added.

Highlighting the initiatives of the Department in the field of E-Governance, the Finance Minister said that 97% of the income tax returns were filed electronically this year, out of which 92% returns were processed within 60 days and 90% refunds were also issued within 60 days. The Finance Minister further said that the Income Tax Department also introduced Grievance Redressal System- E-Nivaran which integrated all the online and paper grievances and tracks them till their resolution. Every grievance is acknowledged and resolution is intimated through email and SMS. The Finance Minister said that 84% of 4.65 lakh E-Nivaran grievances have been resolved so far.

The Finance Minister, Shri Jaitley said through E-Sahyog, all cases of information mismatch are handled in non-intrusive manner to avoid full investigation. The Finance Minister further added that about 1.9 core salaried tax payers are being informed every quarter by the Income Tax Department of the amount of TDS deposited by their employers. The Finance Minister Shri Jaitley said that all these E-governance initiatives of the Department have helped in having minimum direct interface between the tax assessing authorities and the assesses which in turn helped in minimizing harassment, curbing the menace of corruption and time saving among others.

RECENT JUDGEMENTS



➤ **Upload FIRs in Police Websites [Youth Bar Association of India vs. Union of India]**

The Supreme Court directed that the copies of the FIRs, unless the offence is sensitive in nature, like sexual offences, offences pertaining to insurgency, terrorism and of that category, offences under POCSO Act and such other offences, should be uploaded on the police website, and if there is no such website, on the official website of the State Government, within twenty-four hours of the registration of the First Information Report so that the accused or any person connected with the same can download the FIR and file appropriate application before the court as per law for redressal of his grievances.

The Bench clarified that in case there is connectivity problems due to geographical location or there is some other unavoidable difficulty, the time can be extended up to forty-eight hours. The said 48 hours can be extended maximum up to 72 hours and it is only relatable to connectivity problems due to geographical location.

➤ **Munusamy & Ors. Vs. The Managing Director, Tamil Nadu State Transport Corporation (Villupuram) Ltd.**

1. This appeal emanates from the judgment and order passed by the High Court of Judicature at Madras dated 16.04.2013 in C.M.A. No.2819 of 2012. The High Court allowed the prayer for grant of enhanced compensation amount in favour of the appellants. The appellants seek further enhancement of compensation amount on the ground that the High Court has not provided for future prospects, while computing the compensation amount. The appellants rely upon the recent decision of the Constitution Bench of this Court in the case of National Insurance Company Ltd. Vs. Pranay Sethi and Ors.1, to buttress their submission.

2. Before we deal with the grievance of the appellants, it is apposite to reproduce the relevant extract of the impugned judgment which reads thus:

"7. We have heard the learned counsel for the respondent on the above submission.

8. In the absence of specific proof of employment, the Tribunal rightly has taken the earning of the deceased at Rs.4,000/per month and deducted 50% towards personal expenses since the deceased were bachelors. However, the proper multiplier to be adopted in the case must be, since the deceased were 21 and 20 years respectively. A sum of Rs.20,000/to each of the claimants towards loss of love and affection and a further sum of Rs.5,000/towards transport expenses were granted.

➤ **Top Brass Of The Income-Tax Department Explain Important Aspects Of The Income Declaration Scheme 2016**

Ms. Nishi Singh Member CBDT addressing on the subject stated that the tax consultants must play a proactive role advising the assesseees to come clean and join the nation building process. She stated that IDS is not the revenue earning measure. If any doubt on the scheme, the associations can send their queries and the Board will try to clarify the issues. Some of the members asked the query stating whether there is any possibility of extending the scheme as the Chartered accountants and tax consultants are busy with filing of the return up to 30-09-2016. Honourable Member categorically stated that there will not be any extension of the Scheme and those who have to avail the scheme has to comply with the same before due date specified in the scheme. She made an appeal to the participants that the queries may be sent to her through the President of the Chamber of Consultants, Mr. Hitesh Shah, and she will try to get the clarification from the Board at the earliest. Honourable member also clarified the number of queries raised by the participants to their satisfaction. Mr Saksena, Pr. Commissioner of Income Tax, addressing on the occasion made an appeal to the audience that, if any issues on the IDS the officials of the department to be ready to help and clarify the issue. He also made a request to the participants to convince assesseees to take advantage of the scheme. He assured the participants that the updated list of the Valuers will be hosted in the Income tax website of Mumbai Zone.

Mr Patwari, Pr. Commissioner of Income tax, has made a good presentation on the subjects on – “The Income Declaration Scheme 2016” Which highlighted the categories of issues they have the information and the issues the assesses can make disclosure and clean the balance sheet. (Refer Presentation) He addressed on the New Money laundering Act and its effect. He also stated that the issues raised by Dr K shivaram in his speech will be taken up with the Board for further clarification. He also thanked Dr. K. Shivarm Sr. Advocate for highlighting the legal issues.

➤ **CBDT Circular No. 6/2016 dated 29/02/2016**

If assessee has consistently shown shares as an "investment" and offered gains as capital gains, AO is not entitled to urge that the same constitutes "stock-in-trade" and assess gains as business profits on grounds that there were substantial and frequent transactions and motive was to earn profit and holding period of such shares was very short.

Since the assessee has treated the securities as investment and not as stock-in-trade in all the years, therefore, in view of the CBDT Circular, the revenue is not permitted to take a contrary view in the present year and claimed that the security is stock-in-trade and, therefore, the profit/gain caused to the assessee be treated as business income.

➤ **SECTION 44AB, READ WITH SECTION 44AD, OF THE INCOME-TAX ACT, 1961 – AUDIT COMPULSORY – CLARIFICATION ON THRESHOLD LIMIT OF TAX AUDIT UNDER SECTION 44AB AND SECTION 44AD**

Section 44AB makes it obligatory for every person carrying on business to get his accounts of any previous year audited if his total sales, turnover or gross receipts exceed one crore rupees. However, if an eligible person opts for presumptive taxation scheme as per section 44AD(1) of the Act, he shall not be required to get his accounts audited if the total turnover or gross receipts of the relevant previous year does not exceed two crore rupees. The higher threshold for non-audit of accounts has

been given only to assessee's opting for presumptive taxation scheme under section 44AD.

➤ **SECTION 119 OF THE INCOME-TAX ACT, 1961 – INCOME-TAX AUTHORITIES – INSTRUCTIONS TO SUBORDINATE AUTHORITIES – CLARIFICATIONS REGARDING ATTAINING PRESCRIBED AGE OF 60/80 YEARS ON 31st MARCH ITSELF, IN CASE OF SENIOR/VERY SENIOR CITIZENS WHOSE DATE OF BIRTH FALLS ON 1st APRIL, FOR PURPOSES OF INCOME-TAX ACT – CIRCULAR NO. 28/2016**

The Central Board of Direct Taxes, in exercise of powers under section 119 of the Act, hereby clarifies that a person born on 1st April would be considered to have attained a particular age on 31st March, the day preceding the anniversary of his birthday. In particular, the question of attainment of age of eligibility for being considered a senior/very senior citizen would therefore be decided on the basis of above criteria. The field authorities are directed to take note of above position for ascertaining the age while computing tax liability of a taxpayer falling in Individual category, being resident in India.

➤ **SECTION 119 OF THE INCOME-TAX ACT, 1961 – INCOME-TAX AUTHORITIES – INSTRUCTIONS TO SUBORDINATE AUTHORITIES – EXTENSION OF DUE DATE FOR FILING RETURNS OF INCOME FROM 31/7/2016 TO 5/8/2016 IN CASE OF TAXPAYERS THROUGHOUT INDIA – ORDER [F.NO. 225/195/2016/ITA.II],**

On consideration of reports of Bank strike on 29th July, 2016 (Friday) and the 31st July, 2016 (Sunday), being a Bank-Holiday, in order to avoid any inconvenience to the taxpayers while making payment of taxes pertaining to returns of income for Assessment Year 2016-17, which are required to be filed by 31st July, 2016 as per provisions of section 139(1) of Income-tax Act, 1961, the Central Board of Direct Taxes, in exercise of powers conferred under section 119 of the Income-tax Act, 1961, hereby extends the 'due-date' for filing such returns

of income from 31st July, 2016 to 5th August, 2016, in case of taxpayers throughout India who are liable to file their Income-tax return by the said 'due-date'.

INDIRECT TAX



- **Indirect tax collections upto September 2016 stands at Rs 4.08 lakh Crore registering a growth of 25.9 % over corresponding period last year**

The Central Board of Excise and Customs has issued a press release dated October 10, 2016 giving details of indirect tax revenue collections which stands at Rs 4.08 lakh Crore upto September 2016 registering a growth of 25.9 % over corresponding period last year. Till September 2016, 52.5% of the Budget Estimates of indirect taxes for Financial Year 2016-17 has been achieved.

As far as Central Excise collections upto the month of September 2016 are concerned, it stands at Rs.1.83 lakh Crore during April-September, 2016, in comparison to Rs.1.25 lakh Crore in the corresponding period of previous year registering a growth of 46.3%.

Further, tax collections for Service tax stood at Rs 1,16,975 Crore upto the month of September 2016 in comparison to Rs. 95,780 Crore during the same period in last year and there by registering a growth of 22.1% in this period.

Tax collections on account of Customs stands at Rs. 1.08 lakh Crore upto the month of September 2016 as compared to Rs. 1.03 lakh Crore during the same

period in last year and there by registering a growth of 4.8% in this period.

- **Indirect Tax Collections up to September, 2016 show an increase of 25.9% over the net Indirect Tax collections for the corresponding period last year(2015-16); Net revenue collections up to September, 2016 stood at Rs 4.08 lakh crore which is 52.5% of the Budget Estimates of Indirect Taxes for Financial Year 2016-17.**

The figures for indirect tax collections (Central Excise, Service Tax and Customs) up to September 2016 in the current Financial Year 2016-17 show that net revenue collections are at Rs 4.08 lakh crore which is 25.9% more than the net collections for the corresponding period last year i.e. 2015-16. Till September 2016, 52.5% of the Budget Estimates of indirect taxes for Financial Year 2016-17 has been achieved.

As regards Central Excise, net tax collections stood at Rs.1.83 lakh crore during April-September, 2016 as compared to Rs.1.25 lakh crore during the corresponding period in the previous Financial Year, thereby registering a growth of 46.3%.

Net Tax collections on account of Service Tax during April-September, 2016 stood at Rs. 1,16,975 crore as compared to Rs. 95,780 crore during the corresponding period in the previous Financial Year, thereby registering a growth of 22.1%.

Net Tax collections on account of Customs during April-September 2016 stood at Rs. 1.08 lakh crore as compared to Rs. 1.03 lakh crore during the same period in the previous Financial Year, thereby registering a growth of 4.8%.

SERVICE TAX



➤ Import of services

Texyard International vs. CCE (2015) 40 STR 322 (Tri.-Chen.)

The appellant in the present case was a manufacturer and exporter of textile made-ups. It had engaged the services of overseas commission agent for procurement of orders. The Revenue had sought to demand service tax on the commission paid by the appellant on reverse charge basis under the category of 'Business Auxiliary Services'. On appeal, the Tribunal held that no service tax would be payable since the appellant being a manufacturer and exporter of textile made-ups would be considered as a textile industry unit and the commission paid by the appellant to the overseas agent for promoting export of its goods would be considered as an activity incidental or auxiliary to processing of textile goods and hence exempt from payment of service tax under clause (d) of Notification No. 14/2004-ST dated 10/9/2004. Further even if tax was paid under reverse charge it would be entitled to refund under Notification No. 41/2007 – hence the demand would be revenue neutral. Lastly, the demand is also hit by limitation since the appellant entertained a belief that under EXIM policy in respect of all goods and services exported from India the services received/rendered abroad shall be exempt from service tax

➤ **Reverse charge liability**

Act [Kakinada Seaports Ltd. vs. C.C.E., S.T. & Cus. (2015) 40 S.T.R. 509 (Tri.-Bang.)

In a case where services were received from Government of Andhra Pradesh, service tax was not paid on the payments made to the Government of Andhra Pradesh under reverse charge mechanism but Government of Andhra Pradesh had paid the tax, the Hon'ble Tribunal held that service

tax cannot be recovered again from the appellant but penalty for contravention of provision was applicable. But no penalty was levied since in absence of any provision for imposition of penalty for contravention of specific provision in not making payment under reverse charge mechanism and having regard to the fact that it was only initial period of introduction of new provisions of law, a lenient view was taken under Section 80 of Finance

➤ **Manpower Recruitment or Supply Agency service**

[Motilal Nehru National Institute of Technology vs. CCE (2015) 40 STR 375 (Tri.-Del.)]

Where the appellant an educational institution imparting courses in engineering and technology services had collected charges from its students for facilitating placements of students in various organisations, the Hon'ble Tribunal held that no service tax can be demanded from the appellant under the category of manpower recruitment or supply agency services since in case manpower recruitment or supply agency services, the service recipient of such services, must be an employer or prospective employer and the consideration for service must flow from such employer. In the present case, as the charges were collected from students and not from the employers hence no service tax was payable thereon under the category of manpower recruitment or supply agency services.

➤ **Supply of Tangible goods**

Sujala Pipes Pvt. Ltd. vs. CCE (2015) STR 606 (Tri.-Bang.)

Where the appellant received certain amounts for hiring out pipes manufactured by them for use by farmers in agricultural operations resulting in

transfer of possession and effective control to such farmers and on which amounts it had paid VAT the Hon'ble Tribunal held that demand of service tax on the said amounts under the category of supply of tangible goods is not permissible

CORPORATE LAWS



- **MCA Notification No. G.S.R 742 (E) dated 27th July 2016 - Companies (Accounts) Amendment Rules, 2016**

MCA has amended the Companies (Accounts) Rules 2014 with the aforesaid notification. Various amendments have been incorporated in the principal rules. However, the most important amendment is in regard to consolidation of accounts.

MCA has advised that preparation of consolidated financial statements by a company is not necessary if it is a wholly-owned subsidiary, or is a partially-owned subsidiary of another company and all its other members, including those not otherwise entitled to vote, having been intimated in writing and for which the proof of delivery of such intimation is available with the company, do not object to the company not presenting consolidated financial statement or it is a company whose securities are not listed or are not in the process of listing on any stock exchange, whether in India or outside India and its ultimate or any intermediate holding company files consolidated financial statements with the Registrar which are in compliance with the applicable Accounting Standard

SEBI.

- **SEBI Circular No. SEBI/ LAD-NRO/GN/2016-17/008 dated 8th July 2016 – SEBI (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2016.**

SEBI has amended the listing regulations to prescribe additional disclosures in the financial statements of listed companies. It prescribes that top five hundred listed entities based on market capitalisation (calculated as on March 31 of every financial year) shall formulate a dividend distribution policy which shall be disclosed in their annual reports and on their websites.

Various parameters of dividend distribution policy have also been stipulated. Further, listed entities other than top five hundred listed entities based on market capitalisation may disclose their dividend distribution policies on a voluntary basis in their annual reports and on their websites.

RBI

- **Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016**

The Reserve Bank of India (the Bank), having considered it necessary in the public interest, and being satisfied that, for the purpose of enabling the Bank to regulate the financial system to the advantage of the country and to prevent the affairs of any Systemically Important Non-Deposit taking Non-Banking Financial Company (NBFC-ND-SI) and Deposit taking Non-Banking Financial Company (NBFC-D) from being conducted in a manner detrimental to the interest of investors and depositors or in any manner prejudicial to the interest of such NBFCs, and in exercise of the powers conferred under sections 45JA, 45K, 45L and 45M of the Reserve Bank of India Act, 1934 (Act 2 of 1934) and section 6 of the Factoring Regulation Act, 2011, hereby issues to every NBFC-ND-SI and NBFC-D, in supersession of

the Notification No.DNBS.192/ DG(VL)-2007 dated February 22, 2007, Notification DNBS.PD.CC.No.168/03.02.089/2009-10 dated February 12, 2010, Notification No. DNBS.233/CGM(US)-2011 dated November 21, 2011, Notification DNBS.PD.No.234 /CGM(US)2011 dated December 02, 2011, Notification DNBS.PD.No.247/CGM(US)-2012 dated July 23, 2012 and Notification No.DNBR.009/CGM(CDS)-2015 dated March 27, 2015 the Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 (the Directions) hereinafter specified.

Agency's nation-to-nation relationship with tribal governments to ensure we work together to build, sustain, and improve every tribal governments' capacity to prepare for, protect against, respond to, recover from, and mitigate against all hazards.

➤ **Security and Risk Mitigation Measures for Card Present and Electronic Payment Transactions – Issuance of EMV Chip and PIN Cards**

A reference is invited to our circular DPSS (CO) PD No.2112/02.14.003/2014-15 dated May 07, 2015 and DPSS.CO.PD.No.448/02.14.003/2015-16 dated August 27, 2015 on the captioned subject wherein directions were issued with timelines for migration to EMV Chip & PIN cards.

Despite the extension of time given to banks in this regard, some banks have approached us seeking further extension of the time line for complying with the above instructions.

Keeping in the mind the objective to further enhance the security and risk mitigation in card present transactions, and also the impact it may have on achieving the timeline for complete migration of all existing magstripe cards, it has been decided not to grant any further extension beyond the respective timeline indicated in circular dated August 27, 2015 for new issuances and full migration to EMV Chip and PIN cards.

The directive is issued under Section 10(2) read with Section 18 of Payment and Settlement Systems Act 2007 (ACT 51 of 2007).

➤ **Master Direction Monitoring of Frauds in NBFCs (Reserve Bank) Directions, 2016.**

In exercise of the powers conferred by sections 45K, 45L and 45M of the Reserve Bank of India Act, 1934 (Act 2 of 1934), and of all the powers enabling it in this behalf, the Reserve Bank of India (the Bank) being satisfied that it is necessary and expedient in the public interest and being satisfied that for the purpose of enabling the Bank to regulate the credit system to the advantage of the country to do so, and in supersession of the Master Circular Frauds – Future Approach Towards Monitoring of Frauds in Non Banking Financial Companies (NBFCs), hereby, issues Master Directions - Monitoring of Frauds in NBFCs (Reserve Bank) Directions, 2016 (the Directions) hereinafter specified.

➤ **Master Direction Non-Banking Financial Companies Auditor's Report (Reserve Bank) Directions, 2016**

In exercise of the powers conferred by sub-section (1A) of Section 45MA of the Reserve Bank of India Act, 1934 (Act 2 of 1934) and of all the powers enabling it in this behalf, and in supersession of the Non-Banking Financial Companies Auditor's Report (Reserve Bank) Directions, 2008, the Reserve Bank of India (the Bank) hereby issues Non-Banking Financial Companies Auditor's Report (Reserve Bank) Directions, 2016 (the Directions) to every auditor of every non-banking financial companies.

➤ **Auditors to submit additional Report to the Board of Directors**

In addition to the Report made by the auditor under Section 143 of the Companies Act, 2013 or section 227 of the Companies Act, 1956 (Act 1 of 1956) on the accounts of a non-banking financial company examined for every financial year ending on any day on or after the commencement of these Directions, the auditor shall also make a separate report to the Board of Directors of the Company on the matters specified in paragraphs 3 and 4 below.

➤ Foreign Exchange Management (Deposit) Regulations, 2016

In exercise of the powers conferred by clause (f) of sub-section (3) of section 6, sub-section (2) of section 47 of the Foreign Exchange Management Act, 1999 (42 of 1999) and in supersession of Notification No. FEMA 5/2000-RB dated May 3, 2000, as amended from time to time, the Reserve Bank makes the following regulations relating to deposits between a person resident in India and a person resident outside India, namely:

These regulations may be called the Foreign Exchange Management (Deposit) Regulations, 2016.

These regulations shall come into force from the date of their publication in the Official Gazette except sub-regulation (2) of Regulation 7. Sub-regulation (2) of Regulation 7 is deemed to have come into force with effect from 21st January, 2016.

➤ Other deposits made or held by authorised dealer:-

1) A deposit made by an authorised dealer with its branch, head office or correspondent outside India, and a deposit made by a branch or correspondent outside India of an authorised dealer, and held in its books in India, shall be governed by the directions issued by the Reserve Bank in this regard from time to time.

2) A shipping or airline company incorporated outside India, may open, hold and maintain a Foreign Currency Account with an authorized dealer for meeting the local expenses in India of such airline or shipping company:

Provided that the credits to such accounts are only by way of freight or passage fare collections in India or by inward remittances through banking channels from its office outside India.

3) An authorised dealer in India, may subject to the directions issued by the Reserve Bank, allow unincorporated joint ventures (UJV) of foreign companies/ entities, with Indian entities, executing a contract in India, to open and maintain non-interest bearing foreign currency account and a

SNRR account as specified in schedule 4 for the purpose of undertaking transactions in the ordinary course of its business.

The debits and credits in these accounts shall be incidental to the business requirement of the UJV.

Provided further that all operations in the account shall be in accordance with the provisions of the Act or the rules or regulations made or the directions issued thereunder.

4) An authorised dealer in India, with the prior approval of Reserve Bank, may open an account expressed in foreign currency in the name of a person resident outside India for the purpose of adjustment of value of goods imported into India against the value of goods exported from India in terms of an arrangement voluntarily entered into by such person with a person resident in India.

POLICY WATCH



➤ Cabinet approves changes related to Budget presentation

The Union Cabinet approved some changes related to the presentation of the Union Budget 2017-18. 1 These changes include: Merger of Railway Budget with the General Budget: The Railway Budget will be merged with the Union Budget, and henceforth only one Budget will be presented. As a result, the Railways will not be required to pay an annual dividend on the central government investments into the sector. The Railways will retain its financial autonomy, and continue to receive gross budgetary support from the centre.

Advancement of Budget presentation: Currently, the Union Budget is presented on the last day of February. This date would be advanced to allow for the budget related legislative business (such as

approval for the ministry-wise demands for grants and passage of the Finance Bill) to be completed before the commencement of the financial year on April 1. The final date for budget presentation will be decided based on the schedule of state assembly elections.

Merger of the Plan and Non-Plan classification: Expenditure of the government is currently classified under Plan and Non-Plan expenditure. This classification will be removed, and the expenditure will be classified only under the revenue and capital heads.

GST Council formed

The Constitution (101st Amendment) Act, 2016, which introduces the Goods and Services Tax (GST), received Presidential assent, and was notified.² Subsequently, the Union Cabinet cleared the creation of the GST Council on September 12, 2016.³ The Constitution provides for the composition, features and functions of the GST Council: Composition: The GST Council comprises: (a) the Union Finance Minister (as Chairman); (b) the Union Minister of State in charge of Revenue or Finance; and (c) the Minister in charge of Finance or Taxation or any other Minister, nominated by each state government. Weightage of votes: All decisions of the GST Council will be made by three fourth majority of the votes cast; the centre shall have one-third of the votes cast, and all the states together shall have two-third of the votes cast. Functions of the Council: The GST Council will make recommendations on several issues related to GST, including: (a) taxes, cesses, and surcharges to be subsumed under the GST; (b) goods and services which may be subject to, or exempt from GST; (c) the threshold limit of turnover for application of GST; (d) rates of GST; and (e) model GST laws.

➤ Cabinet approves sanctions for a new indirect tax IT network

The Cabinet Committee on Economic Affairs approved administrative and financial sanction towards the implementation of Project SAKSHAM.⁴ The Project is a new indirect tax network of the

Central Board of Excise and Customs. The total cost of the project is estimated to be Rs 2,256 crore, which will be incurred over a period of seven years. The Project is expected to facilitate the roll-out of the Goods and Services Tax (GST). In addition, it will assist in the: (i) extension of the single window interface for customs clearances, and (ii) initiatives under Digital India and Ease of Doing Business.

➤ CAD shrinks to 0.1% of GDP in first quarter of 2016-17

India's current account deficit (CAD) in the first quarter (April to June) of 2016-17 decreased to USD 0.3 billion (0.1% of GDP), from USD 6.1 billion (1.2% of GDP) in the first quarter of 2015-16.5 CAD in the previous quarter, i.e. the fourth quarter (October to November) of 2015-16 was also USD 0.3 billion (0.1% of GDP). The decrease in CAD was mainly owing to a lower trade deficit (difference between exports and imports) in the country as compared to the last year. Trade deficit reduced from USD 34.2 billion in the first quarter of 2015-16 to USD 23.8 billion in the first quarter of 2016-17.

➤ Increase in limit for Foreign Investment in Stock Exchanges Press Release dated July 27, 2016 issued by the Ministry of Finance



To implement the Budget announcement made by the Hon'ble Finance Minister Shri Arun Jaitley while presenting the Union Budget 2016-17 regarding reforms in Foreign Direct Investment (FDI) Policy with respect to enhancement of investment limit of foreign entities in Indian Stock Exchanges from 5% to 15% on par with domestic institutions, the Union Cabinet chaired by the Prime Minister Shri Narendra Modi has on July 27, 2016

approved raising of the foreign shareholding limit from 5% to 15% in Indian Stock Exchanges for a stock exchange, a depository, a banking company, an insurance company, a commodity derivative exchange. The cabinet has also approved the proposal to allow foreign portfolio investors to acquire shares through initial allotment in the stock exchanges, besides secondary markets.

➤ **Foreign Investment in other Financial Services sector Press Release dated August 10, 2016 issued by the Ministry of Finance**

Presently, Foreign Direct Investment (FDI in Non-Banking Finance Companies (NBFCs) is allowed in 18 specified activities under automatic route.

The Hon'ble Finance Minister in his Budget 2016-17 speech had announced that FDI will be allowed beyond 18 specified activities for NBFCs under automatic route in other activities which are regulated by financial sector regulators. Accordingly, the Union Cabinet chaired by the Prime Minister Shri Narendra Modi has, on August 10, 2016, given its approval to amend the existing Foreign Exchange Management (Transfer of Issue of security by the Person Resident outside India) Regulation for foreign investment in the NBFCs as under:

The amendment will enable inflow of foreign investment in "Other Financial Services" on automatic route provided that such services are regulated by any financial sector regulators such as RBI, SEBI, PFRDA etc. or by any Government Agencies. Foreign Investments in "Other Financial Services" which are not regulated by any regulator or Government Agencies can be made on approval route. Minimum capitalisation norms as mandated under FDI Policy have been eliminated as most of the regulators have already fixed minimum capitalisation norms.

➤ **Finance Ministry releases draft Bill on resolution of financial firm**

The Ministry of Finance released the report of the Committee to draft a Code on Resolution of Financial Firms, along with a draft Bill. 6,7 Comments have been invited on the draft Bill by October 14, 2016.8

The Committee identified several issues in the current framework of dealing with insolvency resolution of financial firms such as banks and insurance companies.

The Committee observed that presently, (i) multiple laws govern resolution for similar entities (e.g. Both the RBI Act, 1934 and SBI Act, 1955 have provisions for merger / resolution of State Bank of India), (ii) resolution is dealt with by sector-specific regulators, which impedes expertise sharing across similar types of financial businesses, and (iii) various types of financial firms are not covered by legal provisions related to resolution, such as, companies managing mutual funds.

The draft Bill proposes to consolidate the current framework by repealing the Deposit Insurance and Credit Guarantee Corporation Act, 1961, and amending 13 other laws. Key provisions of the draft Bill include

Resolution Corporation: The draft Bill creates a Resolution Corporation responsible for resolving insolvency of financial firms. The Board of the Corporation will have representatives of RBI, SEBI, IRDA, and the central government, among others.

Coverage: The draft Bill covers financial firms such as banks, insurance companies, and non-banking financial companies. It also has special provisions for cooperative banks. In addition, the government can notify any other entity or funds which will be covered under the draft Bill.

Funds of the Corporation: Three Funds will be created under the Corporation for: (i) payment of insurance on deposits, (ii) incurring resolution costs and fees, and (iii) meeting administrative expenses.

Viability risk: The viability risk of the financial firms will be categorised as low, moderate, material, imminent or critical. This will be done by taking into account their capital, asset quality, liquidity, etc.

Resolution process: The resolution process for critical firms will have to be completed within two years.

This period may be extended by one year. The tools available with the Corporation will include merger or liquidation of the firm.

Cross-border insolvency: The draft Bill allows the government to enter into

agreements with other countries to enforce the provisions of the proposed law.

➤ **DIPP sets up Task Force on Innovation**



सत्यमेव जयते
Department of Industrial Policy and Promotion
Ministry of Commerce and Industry
Government of India

The Department of Industrial Policy and Promotion set up a Task Force on Innovation.⁹ The Task Force is expected to submit its report within two months. Terms of Reference of the Task Force include: Assess India's position as an innovative country, and suggest measures to improve its ranking on the Global Innovation Index, Examine ideas received from the public to inculcate an innovation oriented environment in the country, and Assess contribution of Indian universities and academic institutions in different fields of study, and the measures that should be taken to reinforce them.

INDUSTRY WATCH & CORPORATE HIGHLIGHT



**Industry
 Watch**

➤ **Sports infrastructure included under the harmonized master list of infrastructure sub-sectors**

The Ministry of Finance has included sports infrastructure in the harmonized master list of infrastructure sub-sectors. This list consists of five

core sectors: (i) transport, (ii) energy, (iii) water and sanitation, (iv) communication, and (v) social and commercial infrastructure. Sports has been included as a subsector under social and commercial infrastructure.³⁷ This inclusion pertains to provision of sports stadia and infrastructure for academies involved in training and research in sporting activities. This status makes the sports sector eligible for obtaining long term financial support from banks and other financial institutions at par with other infrastructure projects. Such parity in financial support is expected to: (i) bolster investment in sports infrastructure, (ii) encourage private investment, (iii) promote health and fitness, and (iv) provide more opportunities for employment.

➤ **Heads of state of Nepal and Afghanistan visit India**

The Prime Minister of Nepal Pushpa Kamal Dahal and the President of Afghanistan Ashraf Ghani visited India. ³⁸ During the visits, India signed three agreements with Nepal.³⁹ These agreements are with regard to the improvement of roads and post-earthquake reconstruction in Nepal. Under one of the agreements, India agreed to extend USD 750 million line of credit to Nepal for post-earthquake reconstruction.

India withdraws from attending the SAARC Summit in Islamabad

The Ministry of External Affairs released a statement on September 27, 2016 saying India will be unable to participate in the 19th SAARC Summit.⁴³ SAARC (South Asian Association for Regional Cooperation) is a regional association of eight South Asian countries. The 19th SAARC Summit was scheduled for November 2016 in Islamabad. The release stated that the environment was not conducive to holding the summit in Islamabad. This is in light of increasing cross-border terror attacks and interference in internal affairs of the SAARC member countries by one country. According to news reports, several other member countries.

Statuary compliance calendar for the month of SEPTEMBER 2016

Due Date	Statuary Compliance Under Act	Particulars	Governing Authority
 WHEN			
05/09/2016	SERVICE TAX	Service Tax payments for August ** If Service Tax Payment is done online, then the due date of payment of service tax is 6th.	CENTRAL BOARD OF EXCISE AND CUSTOM
	EXCISE DUTY	Duty Payment for all Assesseees other than SSI Units for August ** If Excise Duty, Payment is done online, then the due date of payment of Excise Duty is 6th.	CENTRAL BOARD OF EXCISE AND CUSTOM
7/09/2016	TDS	TDS Payment for August	CENTRAL BOARD OF DIRECT TAX
10/09/2016	FORM-ER-1 AND ER-2	Monthly Return in Form ER-1 (Ann-12) for other than units availing SSI exemption for August - Monthly Return in Form ER-2 (Ann-13) by 100% EOUs for August	CENTRAL BOARD OF EXCISE AND CUSTOM
	FORM-ER6	Montly information relating to principal units in Form ER-6 (Ann - 13AC) for specified assesseees for October.	CENTRAL BOARD OF EXCISE AND CUSTOM
	FORM ANN-17B	Exports - Procurement of specified goods from EOU for use in manufacture of Export goods in Form Ann-17B for DTA units, procuring specified goods from EOU for manufacture of export goods.	CENTRAL BOARD OF EXCISE AND CUSTOM
	FORM ANN. -46	Removal of excisable goods at concessional rate in Form Ann. -46 for Manufacturers receiving the excisable goods for specified use at concessional rate of duty in terms of Rules described in Col. 4.	CENTRAL BOARD OF EXCISE AND CUSTOM
15/09/2016	ADVANCE TAX	Advance Income Tax - All Assesseees	CENTRAL BOARD OF DIRECT TAX
	PF	- PF Payment for August	PROVIDEND FUND
21/09/2016	ESIC	- ESIC Payment for August	ESIC
	MVAT	- MVAT Monthly Return for August (TAX>1000000/-). If paid in time additional 10 days for uploading e-return.	VALUE ADDED ATX
30/09/2016	INCOME TAX	Return of Income and Wealth for others covered under Audit and Companies but other than covered under Transfer Pricing Regulations	CENTRAL BOARD OF DIRECT TAX.
30/09/2016	PROFESSION TAX	- Monthly Return (covering salary paid for the preceding month) (Tax Rs. 50,000 or more)	CENTRAL BOARD OF DIRECT TAX
30/09/2016	EXCISE DUTY	Particulars relating to clearances, electricity load etc., in Form Ann.-4 exceeding the limit of Rs. 90 lakhs of exempted clearances for small scale units availing exemption and whose turnover exceeds or has exceeded Rs. 90 lakhs in a financial year, as the case may be.	CENTRAL BOARD OF EXCISE AND CUSTOM

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.

AUDIT & ASSURANCE

- 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.

RBI, FEMA, SEBI Services

- Setting up Liaison Office, Branch Office and Project Office.
- RBI Consulting
- Private Equity Finding Advisory.
- Project Financing.
- Credit Rating.
- Business Asset Valuation.
- Due Diligence.

TAXATION SERVICES

- Direct Taxation Advisory
- Service Tax, Excise duty, VAT Registration Services
- Tax Planning Strategy– Optimum use of Corporate Tax Incentives.
- Implementing and Operating in the tax consolidation regime
- Preparation of return of Income Tax, Service Tax, Excise Duty and VAT.

OUTSOURCING ACCOUNTANTS

- Annual financial report preparation
- Preparation of general and special purpose statutory accounts
- Processing Payroll
- Cash management reporting
- Accounting system reviews
- Financial analysis
- General Accounting Support, as required by client.



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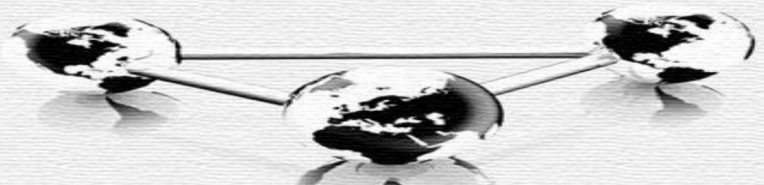
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