Tax & Corporate law Bulletin

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DECEMBER 2010

From the Editor's Desk...

Dear Reader,

Greetings for the season.

A Merry Christmas is what we wish to all our esteemed readers. May the message of Christmas fill your life with joy and peace. Best wishes to you and your family during this holiday season.

Updates for the month of December:- Amendment in Public Provident Fund Scheme, 2010, CBDT Clarification on Tax Scrutiny of Mergers and Acquisitions Cases, Prevention of Money-laundering Second Amendment Rules, 2010, Amendments to SEBI Equity Listing Agreement, Government mandates cost audits of over 100 companies and Read many more……

We eagerly await your feedback on the bulletin.

Yours truly,

Rajput Jain & Associates

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DIRECT TAX

➢ CBDT Clarification on Tax Scrutiny of Mergers and Acquisitions Cases

Press Release dated 14th December 2010: The Central Board of Direct Taxes (CBDT) has clarified that the Income Tax Department is currently scrutinizing only a handful of cases relating to takeovers, mergers and acquisitions; not 380 or 100 as reported in some sections of the media. Tax scrutiny is an ongoing process and the numbers vary from year to year. This has already been stated in replies to several Parliament Questions. The Income Tax Department reposes trust in taxpayers. It scrutinizes about 1 per cent of its total taxpayer base. Selection of cases for scrutiny is risk-based and non-intrusive. Besides, some cases are scrutinized following intensive tax investigation, such as surveys, search and seizure. Mere incidence of takeover, merger and acquisition does not qualify a case for tax-scrutiny. The overall scrutiny level by the Income Tax Department has never exceeded 1.5 per cent in the last decade.

➢ Public Provident Fund (Amendment) Scheme, 2010 - Amendment in paragraph 9

Notification no. GSR 956(E), dated 7th December 2010: In the, 1968 in paragraph 9, in sub-paragraph (3), after the proviso, the following proviso shall be inserted, namely:-

"Provided further that an account opened on behalf of a Hindu Undivided Family prior to the 13th day of May, 2005, shall be closed after expiry of fifteen years from the end of the year in which the initial subscription was made and the entire amount standing at the credit of the subscriber shall be refunded, after making adjustments, if any, in respect of any interest due from the subscriber on loans taken by him. In the case of accounts opened on behalf of Hindu Undivided Family, where fifteen years from end of the year in which initial subscription was made, has already been completed, they shall also be closed at the end of the current year, i.e., the 31st day of March, 2011 and the entire amount standing at the credit of the subscriber shall be refunded, after making adjustments, if any, in respect of any interest due from the subscriber on loans taken by him."

➢ CBDT Instructions Regarding Parameters for Processing of ETDS Returns

Instruction No. 8/2010 CF No.275/73 [2009-IT (B)] dated 8th December 2010: Clarifies the following regarding the parameters for processing of E-TDS returns. These instructions supersedes earlier instructions No. 11/2007 dated 18/12/2007 in this regards issued under F. No. 385/56/2007- IT(B).These instructions will apply to all TCS/TDS cases under all the direct enactments. It will come into force immediately.

- Where default on account of short deduction is less than ` 10 for each deductee, the demand is round off to zero
- After considering above, deduct or wise demand/default If any, of ` 100/-or less will also be ignored for further action
- The DDO in such cases may be warned to be careful in future so as to ensure that they do not become habitual in short deduction of tax

RECENT JUDGEMENT

➢ DRP must not pass "laconic" orders but must deal with assessee's objections

GAP International Sourcing India Pvt. Ltd vs. DCIT (ITAT Delhi)

Fact of the case

The Disputes Resolution Panel (DRP) issued direction u/s 144C against which the assessee filed an appeal before the Tribunal. The principal ground was that the DRP had not considered the assessee's submissions and issued a very "laconic and non-speaking direction"

Held

Section 144C empowers the DRP to issue directions for the guidance of the AO to enable him to complete the assessment. It can confirm, reduce or enhance the variations proposed in the draft order. However, as against the provisions of section 144C, the DRP has passed a very laconic order. Though voluminous submissions were made before the DRP against the draft assessment order, the DRP brushed aside everything without even a whisper of the assessee's objections and submissions. The directions of the DRP are too laconic to be left uncommented. The directions given by the DRP almost tantamount to supervising the AO's draft order and in that sense it can be equated that appellate jurisdiction being exercised.

➢ No coercive recovery if first appeal ready for hearing

Hotel Leela Venture vs. Ag. ITO (Kerala High Court)

Fact of the case

The assessee filed appeals before the Commissioner (Appeals) against the assessment orders for AYs 2004-05 to 2008-09. Though the appeals were ripe for hearing and the appellate authority had already posted the appeals for hearing on different dates, the AO without considering the pendency of the appeals issued demand notices and took steps for attachment of the assessee's bank account. The assessee filed a Writ Petition to challenge the recovery action which was opposed by the department on the ground that the assessee had repeatedly sought adjournment of the hearing of the appeals.

Held

The appellate authority is directed to dispose of the appeals at the earliest possible, after affording an opportunity of hearing to the assessee, at any rate within a period of one month from the date of receipt of a copy of the Court's judgment;

Till such time orders are passed by the appellate authority, recovery steps shall be kept in abeyance;

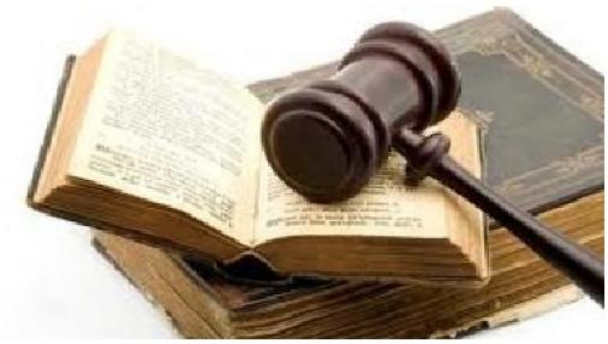
If there is any non-cooperation from the part of the assessee, the appellate authority is at liberty to finalize the appeals without providing any further opportunity of hearing.

➢ Section 50C applies to transfer of development rights in property

Arif Akhatar Hussain vs. ITO (ITAT Mumbai)

Fact of the case

The assessee was co-owner of inherited property. He entered into an agreement with the developer for development of the property for a consideration of Rs. 63 lakh and offered his share of the consideration to capital gains. The Stamp Valuing Authority valued the property at Rs. 4.73 crores though the DVO valued it at Rs. 1.81



crores. The AO invoked section 50C and adopted the DVO's valuation as the consideration. This was confirmed by the CIT (A). Before the Tribunal, the assessee argued that there was a distinction between "rights in land & building" and the "land and building" and that section 50C did not apply to "rights" in land & building such as development rights. It was pointed out that the fact that only development rights were transferred was borne out by the fact that the assessee was shown as owner of the property in the municipal records. It was also pointed out that the stamp duty law made a distinction between transfer of development rights and transfer of the property by imposing different rates of duty.

Held

The argument that transfer of development rights does not amount to transfer of land or building and therefore section 50C is not applicable is not acceptable because u/s 2(47)(v) the giving of possession in part performance of a contract as per section 53A of the Transfer of property Act is deemed to be a "transfer". When the assessee received the sale consideration and handed over possession of the property vide the development agreement, the condition prescribed in section 53A of the Transfer of Property Act was satisfied and u/s 2 (47) (v) the transaction of transfer was completed. The fact that the assessee's name stands in the municipal records does not change the nature of the transaction.

➢ Section 158BD proceedings without recording written satisfaction void. Statement recorded in search cannot form sole basis for section 158BD addition

CIT vs. Raj Pal Bhatia (Delhi High Court)

Fact of the case

A search u/s 132 (1) was conducted at the premises of Sunil Charla. A statement of Surksha Charla was recorded in which she admitted that she had purchased property from the assessee by paying Rs. 5 – 6 crores in cash. She later retracted the statement. On the basis of the statement, the AO issued a notice u/s 158BD to the assessee and assessed the said sum in the hands of the assessee as undisclosed income. On appeal, this was confirmed by the CIT (A) on the ground that the statement was properly given by the buyer and there was no basis for the retraction. However, the Tribunal deleted the addition on the ground that the section 158BD proceedings were without jurisdiction.

Held

Before invoking section 158 BD, the AO must record his satisfaction in writing on the basis of material found in the search that the undisclosed income belongs to a person other than the person searched. This is a safeguard to prevent abuse of power. In the absence of written satisfaction the AO has no jurisdiction to assess the other person u/s 158BD. On facts, as the "satisfaction" note was not produced, the section 158BD proceedings were liable to be quashed.

On facts, the entire foundation of the block assessment u/s 158BD was the statement of the purchaser recorded during the course of search. This statement was not "books of accounts or other documents or assets". The statement was not a document "found" during search. It came to be created during the search as the statement was recorded at the time of search. Therefore, it cannot be said that the statement was "seized" during the search and thus, would not qualify the expression "document" having been seized during the search

- **Section 115JAA MAT credit to be set off before computing advance-tax shortfall and liability for section 234B/C interest**

CIT vs. Tulsyan NEC (Supreme Court)

Fact of the case

Section 115JAA inserted by FA 1997 w.e.f. 1.4.1997 provides that when tax is paid u/s 115JA or 115JB, a tax credit being the difference of the tax paid u/s 115JA/115JB and the tax payable under the normal provisions of the Act shall be allowed as set-off in the subsequent year when tax becomes payable under the normal provisions of the Act. The AO, in computing the tax under the normal provisions of the Act, took the view that though MAT credit was available, the same could not be deducted whilst computing the liability to pay advance tax and interest u/s 234B & 234C.

Held

The scheme of section 115JA (1) and 115JAA shows that right to set-off the tax credit follows as a matter of course once the conditions of section 115JAA are fulfilled. The grant of credit is not dependent upon determination by the AO except that the ultimate amount of tax credit to be allowed depends upon the determination of total income for the first assessment year. Accordingly, the assessee is entitled to take into account the set off while estimating its liability to pay advance tax

The fact that the Form & Rules provided for set off of MAT credit balance after computation of interest u/s 234B is irrelevant because it is directly contrary to a plain reading of section 115JAA (4).

INDIRECT TAX

SERVICE TAX

- **Amends Notification No. 24/2009-Service Tax, dated 27th July, 2009**

Notification No. 54/2010 - Service Tax dated 21st December 2010: The Central Government, on being satisfied that it is necessary in the public interest so to do, hereby makes the following further amendment in the notification of the Government of India in the Ministry of Finance (Department of Revenue), notification No. 24/2009-Service Tax, dated the 27th July, 2009, published in the Gazette of India.

In the said notification, for the words "management, maintenance or repair of roads", the words "management, maintenance or repair of roads, bridges, tunnels, dams, airports, railways and transport terminals" shall be substituted.

- **Exempts general insurance business provided under the Weather Based Crop Insurance Scheme or the Modified national Agricultural Insurance Scheme**

Notification No.58/2010-Service Tax dated 21st December 2010: The Central Government, on being satisfied that it is necessary in the public interest so to do, hereby exempts the taxable services in relation to general insurance business provided under the Weather Based Crop Insurance Scheme or the Modified national Agricultural Insurance Scheme, approved by the Government of India and implemented by the Ministry of Agriculture, from the whole of service tax leviable thereon under section 66 of the said Act.

- **Electricity meter installed in consumers' premises and hire charges collected - whether covered under exemption for transmission and distribution of electricity**

Circular No. 131/ 13/ 2010 – ST dated 7th December 2010: A doubt has been raised whether renting of electricity meter by a service provider rendering the service of transmission or distribution of electricity, is covered by the exemption available under Notification No. 11/2010-ST dated 27.02.2010 and/ or 32/2010-ST dated 22.06.2010.

The matter has been examined. It is a general practice among electricity transmission (TRANSCO) / distribution companies (DISCOM) to install electricity meters at the premises of the consumers, to measure the amount of electricity consumed by them and 'hire charges' are collected periodically. Supply of electricity meters for hire to the consumers being an essential activity having direct and close nexus with transmission and distribution of electricity, the same is covered by the exemption for transmission and distribution of electricity, extended under the relevant notifications.

CENTRAL EXCISE

- **Exemption benefit granted to packaged or canned software dealers is now withdrawn**

Notification No. 35/2010 – C.E. dated 21st December 2010: Notification No. 17/2010 CE dated 27-02-2010 was providing exemption, to any person who was engaged in transferring right to use the packaged or canned software, from excise duty on the consideration received for transfer of right to use such goods under Section 4 of Central Excise Act, 1944. Now such Notification is rescinded.

- **Amendment in Notification 49/2008 – NT relating to the abatement scheme**

Notification No. 30/2010 – C.E (NT) dated 21st December 2010: Further amendment to Notification No. 49/2008 – NT dated 24-12- 2008 is made whereby sale of packaged or canned software is now covered under MRP based valuation under Section 4A of Central Excise Act, 1944 and an abatement of 15% is introduced thereon.

Such notification defines "packaged software or canned software" as a software developed to meet the needs of variety of users, and which is intended for sale or capable of being sold off the shelf.

- **Clarification on exemption to goods cleared from industrial units in the States of Uttarakhand and Himachal Pradesh**

Circular No. 939/29/2010 – CX dated 22nd December 2010: Notification Nos. 49/2003-CE & 50/2003-CE dated 10-06-2003 provide full exemption to goods cleared from industrial units in the States of Uttarakhand and Himachal Pradesh, for a period of ten years from the date of commencement of commercial production . Such Exemption is available to new units set up or existing units which have undergone expansion before the cut-off date, i.e. on or before 31-03- 2010.

The Board has clarified that any addition/modification in the plant or machinery or on the production of new products by an eligible unit after the cut-off date is permissible. However, the period of exemption would remain 10 years from the date of being eligible and would not be extended on account of such addition/change.

FEMA

- **Use of International Debit Cards/ Store Value Cards/Charge Cards/Smart Cards by resident Indians while on a visit outside India.**

RBI/2010-11/323 A.P. (DIR Series) Circular No. 29 dated 22nd December 2010: The banks authorised to deal in foreign exchange is invited to paragraph 4 of the A.P.(DIR Series) Circular No. 46 dated June 14, 2005 in terms of which they are required to submit a statement as on December 31, each year in case the aggregate forex utilization by the International Debit Card holders exceeds USD 100,000 in a calendar year.

It has been decided to discontinue the submission of the statement mentioned above to the Reserve Bank. Accordingly, all the banks authorised to deal in foreign exchange are advised to discontinue the submission of the afore-mentioned statement from the calendar year 2010 onwards.

- **Prevention of Money-laundering Second Amendment Rules, 2010 - Obligation of Authorised Persons**

RBI/2010-11/311 A.P. (DIR Series) Circular No. 24 dated 13th December 2010: The Government of India vide its Notification No. 10/2010-E.S./F.No.6/8/2009-E.S. dated June 16, 2010, has amended the Prevention of Money-laundering (Maintenance of Records of the Nature and Value of Transactions, the Procedure and Manner of Maintaining and Time for Furnishing Information and Verification and Maintenance of Records of the Identity of the Clients of the Banking Companies, Financial Institutions and Intermediaries) Rules, 2005. A copy of the Notification is enclosed for information and necessary compliance.

Any failure to comply with the requirements of the said Rules as amended, to the extent they are applicable to foreign exchange transactions, shall also be treated as failure to comply with the directions issued by the Reserve Bank of India under sections 10(4) and 11(1) of the Foreign Exchange Management Act, 1999.

- **ACU Mechanism – Payments for import of Oil or Gas**

RBI/2010-11/326 A.P. (DIR Series) Circular No. 3 dated 23rd December 2010: The Memorandum of Procedure for channeling transactions through the Asian Clearing Union (ACU) in terms of which all eligible current account transactions as defined by the Articles of Agreement of the International Monetary Fund and the export / import transactions between the ACU member countries on deferred payment terms respectively are to be routed through the ACU mechanism.

The above provisions have been reviewed and it has now been decided that payment for import of oil or gas should be settled in any permitted currency outside the ACU mechanism.Necessary amendments to the Foreign Exchange Management (Manner of Receipt and Payment) Regulations, 2000 are being issued separately.

CORPORATE LAW

- **Amendments To SEBI Equity Listing Agreement**

Circular No. CIR / CFD / DIL / 10 / 2010 dated 16th December 2010: The SEBI has issued Circular amending the Equity Listing Agreement ("the LA") with respect to various continuous disclosures made by listed entities in relation to the following matters:

- Amendments to Clause 35 – Disclosure relating to shareholding pattern (effective immediately)

   a) Disclosure of shareholding pattern prior to listing of securities

   b) Disclosure of shareholding pattern of listed entities pursuant to material changes in the capital structure

c) Disclosure in respect of Depository Receipts issued overseas

- Amendments to Clause 40A – Minimum public shareholding (effective immediately)
- Amendments to Clause 5A - Uniform procedure for dealing with unclaimed shares (effective immediately)
- Amendment to Clause 20 & 22- Corporate Announcement (effective 1-01-2011)
- Amendment to Clause 21 - Notice Period (effective 1-01-2011)
- Insertion of Clause 53 - Disclosures regarding agreements with the media companies (effective immediately)
- Insertion of Clause 54 – Maintenance of a website (effective 1-04- 2011)

➢ Certification of Associated persons in the securities markets

Circular No. LAD-NRO/GN/2010- 11/21/29390 dated 10th December 2010: The SEBI has issued Circular amending the SEBI (Certification of Associated Persons in the Securities Markets) Regulations, 2007 clarifying that the following category of associated persons, i.e., persons associated with a registered stock-broker/trading member/clearing member in recognised stock exchanges, who are involved in, or deal with, any of the following, namely:-

- Assets or funds of investors or clients,
- Redressal of investor grievances,
- Internal control or risk management,
- Activities having a bearing on operational risk,

shall be required to have a valid certification from the National Institute of Securities Markets (NISM) by passing the NISM- Series VII: Securities Operations and Risk Management Certification Examination as mentioned in the NISM communiqué/Press Release NISM/Certification/Series-VII: SORM/2010/01 dated November 11, 2010, read with Annexure-I and II thereto. It is also provided that the stock-broker/trading member/clearing member shall ensure that all persons associated with it and carrying on any activity as specified above as on the date of this notification obtain valid certification within two years from the said date of notification and further that a stock-broker/trading member/clearing member who employs any associated persons specified in this paragraph after the date of this notification shall ensure that the said associated persons obtain valid certification within one year from the date of their employment.

➢ Acceptance of third party address as correspondence address

Circular No.CIR/MRD/DP/37/2010 dated 14th December 2010: The SEBI has issued Circular based on representations received from market intermediaries seeking guidance and clarifications whether to accept and capture the address of some person ("third party") other than the beneficial owner (BO) as a correspondence address in the details of the demat account of the BO. SEBI has clarified that it has no objection to a BO authorizing the capture of an address of a third party as a correspondence address, provided that the Depository Participant (DP) ensures that all prescribed 'Know Your Client' norms are fulfilled for the third party also.

The DP shall obtain proof of identity and proof of address for the third party. The DP shall also ensure that customer due diligence norms as specified in Rule 9 of Prevention of Money Laundering Rules, 2005 are complied with in respect of the third party. SEBI has also stated that the depository participant should further ensure that the statement of transactions and holding are sent to the BO's permanent address at least once in a year. It is clarified that the above provision shall not apply in case of PMS (Portfolio Management Services) clients.

➢ Submission of Balance sheet and Profit & loss account by NBFC

Notification No. DNBS. 217 / CGM(US)- 2010 dated 1st December 2010: The RBI has issued Notification amending the Non-Banking Financial (Deposit Accepting) Companies Prudential Norms Directions, 2007 and Non-Banking Financial (Non-Deposit Accepting) Companies Prudential Norms Directions, 2007 and providing that every NBFC shall finalise its balance sheet and profit and loss account as on March 31 every year within a period of 3 months from the date to which it pertains. For example, balance sheet as on March 31st of a year shall be finalised by June 30th of the year.

- **Issuance of Non- Convertible Debentures (NCDS)**

Circular No. IDMD . PCD . No. 24/14.03.03/2010-11 dated 6th December 2010: The RBI has issued Circular referring its earlier directions named Issuance of Non-Convertible Debentures (Reserve Bank) Directions, 2010 dated. June 23, 2010 issued vide circular IDMD.DOD.10/ LAW updates Western India Chartered Accountants Newsletter January 2011 21 11.01.01(A)/ 2009-10 covering the regulation of NCDs of maturity up to one year. Taking into account the feedback received from the market participants, the Reserve Bank of India has issued an amendment Direction, i.e., Issuance of Non-Convertible Debentures (Reserve Bank) (Amendment) Directions, 2010, inter alia, permitting Financial Institutions (FIs) to invest in NCDs of maturity up to one year, Non-Banking Financial Companies including Primary Dealers that do not maintain a working capital limit to issue NCDs of maturity up to one year and FIIs to invest in NCDs of maturity up to one year subject to extant provisions of FEMA and SEBI guidelines issued in this regard.

POLICY WATCH

- **World bank approves $45 million loan to NHAI**

The World Bank has approved a $45 million technical assistance loan for the National Highways Authority of India (NHAI) to help improve its operational efficiency.

The assistance will finance actions to strengthen the institutional capacity of NHAI to efficiently manage and operate its growing programme, a bank statement said.

The loan from the International Bank for Reconstruction and Development (IBRD) has a five-year grace period.

Forty per cent of the total road traffic in India plies on the National Highway (NH) network and this share is likely to increase with vehicle growth touching 10 per cent per annum in recent years.

- **Government mulls tighter pharma FDI norms**

The government has set up a panel to study the impact of such takeovers on the domestic healthcare sector. The department of pharmaceuticals has asked the commerce ministry to conduct the study as it was felt that the takeover of Indian pharmaceutical companies by foreign firms could impact the domestic healthcare sector as well as pricing and availability of medicines in India.

The government currently allows 100% FDI under the automatic route in the sector. Jena told Parliament that the recommendations of the study panel would be placed before the PMEAC or another competent authority. The biggest takeover in the India pharma space was sealed by Japan's Daiichi Sankyo when it acquired Ranbaxy in June 2008 for $4.6 billion . In May this year, in the second largest deal, US-based Abbott acquired Mumbai based Piramal Healthcare for $3.72 billion. The need for a review of the FDI norms in the sector has come in the wake of inaccessibility of medicines for chronic diseases like cancer. It is also felt that foreign companies use the subsidiaries more for exports and tend to cut production for the domestic market.

- **Gujarat setting up 8,000-crore solar power park**

Charanaka, a village nestled in a remote corner of Patan district in north Gujarat is destined to become the state's hub of solar power generation. Solar panels will be laid on close to 3,000 acres of land in this village, where the state government is going to set up a 'Gujarat Solar Park' at an investment of Rs 8,000 crore.

The apex state utility, Gujarat Urja Vikas Nigam Ltd (GUVNL), is currently in the process of entering into long term power purchase with agreements with 80 solar power project investors to commission almost 1,000 MW of generation capacity. This capacity will help procure 1,700 million units of environment friendly electricity per annum.

- **Government mandates cost audits of over 100 companies**

The government has mandated cost audits for over 100 companies, covering a host of sectors including pharmaceuticals, fertilisers, steel and petroleum. Cost audit, which is a system of government scrutiny into a company's production cost and profit margins, is currently mandated for only 44 products in sectors like manufacturing, mining and services.

The list of companies includes names like Biocon, Bayer Pharmaceuticals, BASF India, Haldia Petrochemicals, Tata Steel and Steel Authority of India Ltd (SAIL). Cost audit records comprise detailed records of materials, labour, utilities, overheads, depreciation, royalty, research and development expenses, incentives on exports, borrowing costs and inter-company transactions. The data is useful for companies to improve efficiency, while the government uses it for policy making.

An expert group has recommended that all companies whose turnover is more than Rs 50 crore should be mandated to maintain cost audit books. At present, companies engaged in only 44 products, including paper and sugar, need to get their accounts cost audited.

- **India plans to launch 30 satellites in next decade**

India is mulling to launch at least 30 earth observation satellites in the next one decade. National Remote Sensing Centre (NRSC) is responsible for remote sensing, satellite data acquisition and processing, data dissemination, aerial remote sensing and decision support for disaster management.
In a plan already drawn up for the next ten years, Indian Space Research Organisation would launch a series of Resourcesat, Cartosat, ocean and atmospheric satellites.

"We will launch Resourcesat-2 in early February or ending January. It will be a replacement satellite for Resourcesat-1 which gives us 5.8 metres, 70 km multi-spectral data for the first time," Jayaraman said.

Now, NRSC is in a position to deliver space products within four-five days of receiving the data. This new ground segment would enable it to do it within 12 hours and supply "emergency products" within one hour.

INDUSTRY WATCH & CORPORATE HIGHLIGHT

- **Tata Motors says no immediate plans to raise CV prices**

India's largest commercial vehicle-maker, Tata Motors, said it has no immediate plans to raise its commercial vehicles prices.

"We have no immediate plans to raise prices. We are trying to maintain margins and we have options of cost reduction," Tata Motors President, Commercial Vehicle Business Unit, Ravi Pisharody told.

He, however, said that there is an upward pressure on prices due to rising input costs.

"There is indeed an upward pressure on input costs. We have continuous internal targets for cost reduction across the board. (But) the rising commodity prices have put more pressure on cost reduction," Pisharody said.

- **Honda to end motorcycle joint venture in India**

Honda Motor Co plans to sell its stake in India's top-ranked motorcycle maker, Hero Honda Motors, and instead focus on its wholly owned subsidiary in the country.

The Japanese automaker may earn some 100 billion yen (1.2 billion dollars) from the sale of its shares in Hero Honda, founded in 1984 with India's Hero Group Honda will sell its entire stake in the motorcycle maker to the Hero Group's founding family and investment funds by as early as March, and will no longer provide technical support to Hero Honda.

In future, Honda will focus its resources on wholly owned subsidiary Honda Motorcycle and Scooter India (HMSI), the fourth-biggest motorcycle maker in India, with sales of 1.2 million units.

- **Tata Steel to sell UK-based TCP to repay its European debts**

Tata Steeel plans to sell its UK-based Teesside Cast Products (TCP) plant for USD 500 million in two months and will use the proceeds to repay its European debts.

Earlier, Tata Steel's UK subsidiary Corus said it had signed an MoU with Thailand's largest steel producer Sahaviriya Steel Industries (SSI) to sell the TCP unit.

The company's plant there which has an annual capacity of 150,000 tonnes, produces high carbon ferrochrome and charge chrome.

- **Nokia continues to have largest share of handset market in India**

Nokia had the largest share of 31.5 per cent in mobile handset market in India in terms of units shipped (sales) during third quarter (July-September) 2010, according to market research and advisory firm IDC.

The India mobile handsets market continued to grow in 3Q 2010 as well to record a quarter-on-quarter (3Q 2010 over 2Q 2010) growth of 3.6 per cent to touch 40.08 million units in the quarter.

The number of emerging vendors in India's burgeoning mobile handsets market grew to 68 and they together garnered 41.2 per cent of total shipments (sales) for the first time during the July-September 2010 quarter. Smartphone prices continued to drop through the year and as competition increased, devices were made available by vendors at successively lower price points.

So, while 80 per cent of total India smartphone sales were below the ASV (Average Sales Value) of Rs 18,000 (per set) in 2Q 2010, this proportion increased to 90 per cent in 3Q 2010.

- **HCL Info to buy 20% stake in Dubai's Techmart Telecom**

IT hardware services firm HCL Infosystems today said it will pick up a 20 per cent stake in Dubai-based Techmart Telecom Distribution, the distributor for Nokia smartphones in the Middle East and Africa region.

"We have signed the share purchase agreement (SPA) for acquiring a 20 per cent stake in the company through our Singapore subsidiary, HCL Investment," HCL Infosystems CEO Harsh Chitale told PTI.

The agreement provides HCL with the option to acquire up to a 51 per cent equity stake in the company, Chitale said, adding that HCL will also provide consultancy and operational support services to Techmart Telecom.

In July this year, the company had picked up a 60 per cent stake in another Dubai-based firm NTS Group, which provides IT services and solutions, for USD 6.5 million.

- **Go Air prepares to raise Rs 400-500 crore through IPO**

GoAir, the Wadia group-promoted budget airline, plans to raise Rs 400-500 crore through an initial public offer

(IPO) to repay debts and buy more aircraft in a booming aviation market.

Go Air's improving performance could have prompted the revival of fund-raising exercise, say aviation experts. GoAir is expected to make about $15 million (Rs 67.6 crore) as net profit and turnover is likely to be about $300 million (Rs 1,350 crore) in the current financial year. The airline's market share rose to 6.9% in November, 2010.

The airline has a fleet of 10 Airbus aircraft and half of its fleet would now be in Delhi. It plans to expand its fleet to 20 aircraft by 2014, which it is trying to advance to 2013. "We are looking at adding at least three more aircraft by 2011.

➢ Crude oil imports decline 23%, fuel sales up by 1%

India's crude oil import fell by over 23 per cent in October even through domestic fuel sales snapped a two-month declining trend to rise by one per cent. The nation's 19 public and private sector refineries imported 10.1 million tons of crude oil in October as compared to 13.23 million tons crude imported in the same month a year ago.

Domestic oil product sales were up by 1 per cent at 11.647 million tons as opposed to 11.538 million tons in October 2009. Diesel consumption eased to 4 per cent annual growth at 4.96 million tons while petrol sales were up by 7.3 per cent at 1.21 million tons. India's oil product imports were 44.3 per cent up at 1.22 million tons while exports dropped by a massive 45 per cent to 2.96 million tons.

Diesel exports fell 70 per cent in October to 676,000 tons, while petrol exports at 452,500 tons were down 50.4 per cent from a year ago. The government estimates domestic oil product demand will rise 5.7 per cent in the current financial year.

Crude oil imports dipped by 1.9 per cent to 89 million tons in April-October. Oil product imports were up 12.4 per cent at 10.18 million tons while exports rose 6.4 per cent to 28.41 million tons.

➢ Heat on Cold Calls

TRAI सत्यमेव जयते

Telecom Regulatory Authority of India

(IS/ISO 9001-2008 Certified Organisation)

The Telecom Regulatory Authority of India (TRAI) is all set to introduce a new foolproof mechanism to bar these irritable calls from January 01, 2011. Under the new system, to be called Customer Call Preference Registration (CCPR), if a subscriber registers for not getting such calls and if a tele-marketer still tries to call the number, the call would be barred. Further, a new 70-series number would be given to all tele-marketers so that commercial calls can be clearly identified. Also, commercial calls would be categorised subscribers can either choose not to get any calls or select certain areas where they would like the calls to come. There would also be an option whether one wants calls or information only via messages.

➢ New Regulator for Aviation

India will have a more autonomous aviation regulator, the Civil Aviation Authority (CAA), in two years. The aviation sector has seen substantial growth in recent years, leaving Directorate General of Civil Aviation (DGCA) under pressure, particularly in the face of high attrition. Many employees have either retired or joined the better-paying private sector. Limited autonomy has made it tougher for DGCA to replace them quickly. CAA will be have more autonomy. Faster decision-making will make it better-suited to regulate India's aviation industry. The change will be brought in through an Act of Parliament

Statuary compliance calendar for the month of December 2010			
Due date	**Statuary compliance under Act**	**particulars**	**Governing Authority**
			
06/12/2011	Service Tax	Payment of monthly service tax for the month of November by all tax payers electronically	Central Board of Excise and Custom
	Central Excise	Payment of monthly central excise duty for the month of November on goods by assesses other than SSI units electronically	Central Board of Excise and Custom
07/12/2011	Income Tax	Deposit of Income Tax TCS and TDS deducted in November	Central Board of Direct Tax.
	NBFC-ND-SI	Monthly return of source and application of funds, profit and loss account, asset classification	Reserve Bank of India.
	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.
10/12/2011	Central Excise	Monthly central excise return in form ER-1/ER-2 by other that SSI	The Central Board of Trustees , The Employees' Provident Fund Scheme, 1952
	NBFC-ND-SI	Monthly statement of short term dynamic liquidity in form NBS-ALM1	Reserve Bank of India.
	Central Excise	Monthly return of receipts and consumption of Principal Inputs by specified manufacturers of excisable goods in form ER-6	The securities and exchange board of India Act-1992
15/12/2011	Income Tax	Advance income tax under section 211 of Income Tax Act by corporate (third installment) and non-corporate assesses (Third installment)	Central Board of Direct Tax.
	Provident Fund	(a) Payment of monthly dues of Provident Fund for the month of November (b) Monthly return in form 5 for employees joining Provident Fund during November 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 November	The Central Board of Trustees , The Employees' Provident Fund Scheme, 1952
21/12/2011	ESIC	Payment of ESIC contribution for the month of November	The employees' state insurance Act-1948. Ministry of labour and employment.
25/12/2011	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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- Internal Audit and Concurrent Audit
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- 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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