Tax & Corporate law Bulletin

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APRIL 2013

From the Editor's Desk...

Dear Reader,

Greetings for the season.

The new fiscal year 2013-14 has just begun, with governments–Central and States, having already presented their respective fiscal statements. By and large, from the budgets presented, at all levels, it seems that Central and State Governments have deemed it fit to maintain status quo when the economy has just begun to stabilise.

Let's have a look on some professional updates: Government notifies mandatory verification of Part A of Form No 16, MCA clarification on section 372A(3) of the Companies Act, VAT rate change and read many more…

We eagerly await your feedback on the bulletin.

Yours truly,

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DIRECT TAX

- **Government notifies mandatory verification of Part A of Form No 16**

Employer to download Part A of the Form 16 from the TRACES Portal and authenticate the correctness of the contents mentioned therein before issuing to the employee. Part B of the Form 16 will be prepared manually and issued to the employee after due verification. Part A and B can be either digitally or manually signed. Form No 16 to be issued by the employer containing both Part A and B by 31st May 2013. Form 16 issued in the manner prescribed and containing Unique Identification Number will only be considered to be valid. The Director General of Income-tax (Systems) will specify procedure, formats and standards for downloading Part A of Form 16 and will be responsible for the day to day administration. Payments made for online advertisement is not taxable in India.

- **Payments being treated as Fees for Technical Services:-**

  - Managerial or consultancy services can only be rendered with human interface, while a technical service can be rendered with human interface as also without human interface.
  - Therefore, as long as there is no human intervention in a technical service, it cannot be treated as a technical service under Section 9(1) (vii) of the Income Tax Act, 1961.

RECENT JUDGEMENT

Facts and Issues

Right Florists Pvt. Ltd, (the taxpayer) a Kolkata based florist used the online search engines of Google and Yahoo for advertising its business. During the assessment year 2005-06, the taxpayer made payments aggregating to Rs. 30.44 lacs to Google Ireland Limited, Ireland (Google) and Overture Services Inc. USA (Yahoo) for online advertisement services. The payments were made without withholding taxes at source under section 195 of the Income-tax Act, 1961 (the Act). The Tax Officer was of the view that the above payments were liable to tax in India and therefore the taxpayer should have withheld tax at source while making payment to Google and Yahoo. Since no taxes were withheld on the said payments, the same was disallowed under section 40(a) (i) of the Act. Observations and Decision of the Kolkata Tribunal Permanent Establishment under the Act The term PE, has its origin in the tax treaties but, by the virtue of judge made law it is used in the context of domestic law where it is not defined or even elaborated upon.

Therefore, it will be appropriate to look at primary meaning of PE in the context of tax treaties, and construe the scope of the term PE under the domestic tax law. A search engine's presence in a location, other than the location of its effective place of management, is only on the internet or by way of a website and does not have any form of physical presence. Thus a search engine which has presence only through its website cannot be PE until the servers are also located in the same jurisdiction.

Held

On the basis of the limited facts, the receipts in respect of mere advertising cannot be brought to tax under the provisions of the PE issue has been examined only on the basis of website simplicitor, and on no additional basis, as the revenue authorities have brought nothing on record for holding that Google / Yahoo have a PE in India.

- **Payment to third party through a related entity cannot be considered as "reimbursement" of expenses**

Facts

- C.U. Inspections (I) Pvt. Ltd. (the taxpayer), is an Indian subsidiary of P.S.O. Beheer B.V., Netherland ('PSO').

- During the assessment year 2006-07, training for the employees of the taxpayer was arranged by PSO. The training was rendered by third party trainers. The taxpayer made payments aggregating to Rs. 15.44 lacs to PSO towards such training expenses, which in turn made the payment to outside trainers. No tax was withheld at source from such payment under section 195 of the Income-tax Act, 1961 (the Act) by the taxpayer on the basis that it is merely a reimbursement of expenses to PSO.
- Since no taxes were withheld on the said payments, the same was disallowed by the Tax Officer (TO) under section 40(a) (i) of the Act.
- The Commissioner of Income-tax (Appeals) upheld the disallowance made by the TO.

Issues before the Mumbai Tribunal

Whether payments made by the taxpayer to its related concern towards training imparted by the third party can be considered as reimbursement of expenses.

Observations and Decision of the Mumbai Tribunal:-

- Reimbursement of expenses contemplates the actual incurring of expenses by the related party, which is subsequently made good. For payment to be considered as reimbursement of expenses, it should ultimately stop at related party. However, if expenses are not actually incurred by the related party but by some third party abroad, and the payment is only routed through the related party, it cannot be considered as reimbursement of expenses.
- If an Indian company incurs expenses or makes purchases or avails any services from third party abroad and payment to such third party is routed through its holding or related company abroad, then withholding tax provisions would be applicable as if the payment to such independent party is being made by the Indian company, de hors the routing of payment through the holding company.
- If payment to third party, routed through a holding or related company is considered as reimbursement of expenses, then probably all the withholding tax provisions will become redundant and such a route is not permissible under the law. Thus, the payment made by the taxpayer to the PSO, for the training provided to the taxpayer's employees by a third party would not be considered as a reimbursement of expenses.

Conclusion

The Mumbai Tribunal decision has clarified the circumstances under which a payment made for services etc. would be considered as a reimbursement, the absence of which would render the payments being subject to the provision of withholding tax. Thus, the routing of expenses through holding or related party would not absolve the person from withholding obligations.

INDIRECT TAX

Service Tax

➢ **Synopsis of Notifications, Circulars & Letters**

CBEC vide Order No. 01/2013-ST dated March 6th, 2013 has extended the last date of filing of Service Tax Return (ST-3) for the period from July 1st, 2012 to September 30th, 2012 to April 15th, 2013.The due Date was earlier extended upto March 25th, 2013.

➢ **Amendments in Mega Exemptions**

CBEC vide Notification No. 3/2013-ST dated March 1st, 2013 has made following amendments to Mega Exemption Notification No. 25/2012-ST dated June 20th, 2012

1. **Withdrawal of exemption to services provided by educational Institutions**
   - The exemption under Entry No. 9 is restricted to services "provided to" educational institution in respect of education Exempted from service tax, by way of
     - Auxiliary educational services; or
     - Renting of immovable property.
   - The erstwhile Entry provided exemption to above said services provided to or by educational institution which is now restricted

only to services provided to educational institutions.

2. **Withdrawal of exemption to copyright of cinematographic Films**

The exemption under Entry No. 15 in respect of "temporary transfer or permitting the use or enjoyment of copyright of cinematographic films" is restricted to "exhibition in a cinema hall or cinema theatre" only:-

- The erstwhile Entry providing exemption did not have any restriction as to the place of exhibition of such cinematographic film hence the services related to temporary transfer or permitting the use or enjoyment of copyright of cinematographic film for exhibition on television or for private screening was also exempted which would now be taxable.

3. **Withdrawal of exemption to services provided by air Conditioned restaurants**

Entry No. 19 granted exemption to services provided by restaurants, eating joints or mess other than those having:-

- The facility of air-conditioning or central air-heating in any part of the establishment, at any time during the year, and
- A licence to serve alcoholic beverages.

The said Entry is amended to omit the 2nd condition i.e. licence to serve alcoholic beverages.

The levy of service tax on restaurants, eating joints or mess is extended to all such entities having facility of air conditioning or central air heating in any part of the establishment, whether or not having licence to serve Alcoholic beverages.

4. **Withdrawal of exemption to transport of certain goods by rail or vessel**

Entry No. 20 is amended so as to withdraw the exemption granted to services of transportation by rail or vessel from one place in India to another of following goods:-

- Petroleum & petroleum products falling under Chapter headings2710&2711of the First Schedule of CETA, 1985.
- Postal mail or postal bags.
- Household effects.

5. **Extension of exemption to transport of certain goods by road**

Entry No. 21 is amended so as to extend the exemption granted to services provided by GTA byway of transportation of following goods:-

- Agricultural produce.
- Foodstuff including flours, tea, coffee, jaggery, sugar, milk products, salt and edible oil, excluding alcoholic beverages.
- Chemical fertilizer and oilcakes.
- Newspaper or magazines registered with the Registrar of Newspapers.
- Relief materials meant for victims of natural or man-made disasters, calamities, accidents or mishap.
- Defense or military equipments.

6. **Withdrawal of exemption to services of parking**

Entry No. 24 granting exemption to "services by way of vehicle parking to general public excluding leasing of space to an entity for providing such parking facility" is omitted.

➢ **Due Date for Service Tax Return Extended**

The due date for filing the Service Tax return in 'Form ST-3' for the period from July 1st, 2012 to September 30th, 2012 has been further extended from April 15th, 2013 to April 30th, 2013.

Other Updates

➢ **VAT rate change**

State	Particulars	Rate up to March 31st, 2013	Rate w.e.f. April 1st, 2013
Kerala	Goods not falling under any Schedule (Residuary) and liable to tax at 13.50%	13.50%	14.50%
West Bengal	Goods falling under Schedule CA and liable to tax @ 13.50%	13.50%	14.50%
West Bengal	Goods falling under Schedule C and liable to tax @ 4%	4%	5%

➢ **EPFO proposes to include allowances with basic pay for computing provident fund**

The High Court of Punjab and Haryana has held that the employer is liable to pay PF on basic wages as well as other allowances specified under the Employees Provident Fund and Miscellaneous Provisions Act, 1952 (the Act). Thus, HRA and other allowances which are a part of the wage structure are not basic wages as per section 2(b) of the Act. Whereas, the Hon'ble Division Bench of the Madhya Pradesh High Court has held2 that certain allowances like conveyance/transportation, special allowance form part of basic pay if the same are being paid uniformly, necessarily and ordinarily to all employees and hence liable for PF. Subsequently, the PF Authorities issued a guideline in November 2012 notifying that all allowances paid ordinarily, necessarily and uniformly would be clubbed with basic pay for computing Provident Fund. However, after criticism from various quarters, the said notification was withdrawn. The move to club allowances with basic pay for purpose of computing PF could result in increased savings to the employees and possibly increase the cost to the employers but also may reduce the take-home pay of over 50 million subscribers. However, the increased contribution would qualify for deduction under section 80C of the Income-tax Act, 1961.

➢ **Special Economic Zone (SEZ)**

The minimum land area requirement in respect of multi-product SEZ has been reduced from 1,000 hectares to 500 hectares and such land requirement for sector-specific SEZ has been reduced from 100 hectares to 50 hectares. For land tracts failing between 50 and 450 hectares, a Graded Scale for minimum land criteria has been introduced with an intention to permit the SEZ an additional sector for each contiguous 50 hectare parcel of land. Sectoral broad-banding has been introduced to encompass similar / related areas under the same sector. Additions to pre-existing structures not in commercial use and activities undertaken after notification of the SEZ shall now be eligible to duty benefits similar to other activities in the SEZ. In respect of IT / ITES SEZ, the minimum land area requirement of 10 hectares has been dispensed with. Further, the requirement of minimum build-up area for IT / ITES SEZ has been reduced to 100,000 square meters in Mumbai, Delhi, Chennai, Hyderabad, Bangalore, Pune and Kolkata. The requirement has been reduced to 50,000 square meters in Category B cities and 25,000 square meters for other cities. Exit from SEZ shall now be permitted by way of sale or transfer of ownership of SEZ units.

CORPORATE LAWS

MCA clarification on section 372A(3) of the Companies Act

The MCA has issued Circular No. 06/2013 on March 14th, 2013 referring to the Union Budget 2013-14 which authorised the government to raise tax free bonds which carry a lower rate of interest, which is currently in the range of 6.75% to 7.50% and which is tax free under Section 10(15) (iv)(h) of the Income-tax Act, 1961. Such bonds were also provided for in Budget 2012-13, but the response had been poor due to restrictions under section 372A(3) of the Companies Act, 1956. A reference was made by Ministry of Finance to the MCA to section 372A (3) of the Companies Act with a view to effectively implement the announcement made in the Budget. While the provisions of section 372A(3) of the Act provides that "no loan to anybody corporate shall be made at a rate of interest lower than the prevailing bank rate, being Standard rate made public under section 49 of the Reserve Bank of India Act, 1934 (2 of 1934)", the MCA hereby clarifies that in cases where the effective yield (effective rate of return) on tax free bonds is greater than the yield on prevailing bank rate, it would not amount to a case of violation of the provisions of section 372A(3) of Companies Act, 1956. This clarification is effective from the date of its issue.

Amendment to SEBI associated persons in securities market Regulations

The SEBI has issued Notification No. LAD-NRO/GN/202-13/33/1103 dated March 11th, 2013 stating that SEBI may require, by notification, any category of associated persons as defined in the Regulations to obtain requisite certification(s). SEBI hereby notifies that the associated persons functioning as compliance officers of intermediaries registered with the SEBI as stock brokers, or as depository participants, merchant bankers, underwriters, bankers to the issue/ debenture trustees/ credit rating agencies, shall obtain certification from the National Institute of Securities Markets (NISM) by passing the NISM-Series-IIIA: Securities Intermediaries Compliance (Non-Fund) Certification Examination (SICCE) as mentioned in the NISM communiqué No. NISM/Certification/Series-III A: SIC/2013/01 dated January 7th, 2013.

All such intermediaries shall ensure that associated persons functioning as compliance officers as on the date of this notification obtain certification by passing SICCE within two years from the date of this notification. It is also notified that an intermediary, who engages or employs any such associated persons functioning as compliance officer after the date of this notification, shall ensure that such person obtains certification by passing SICCE within One year from the date of his employment.

Amendment to Companies DIN Rules on Cancellation or Deactivation of DIN

The MCA has issued Notification No. F No. 5/80/2012-CL V dated March 15th, 2013 amending the Companies (Directors Identification Number) Rules, 2006 by inserting rule 8 whereby now the Central Government or the Regional Director (Northern Region), Noida or any officer authorised by the Regional Director, upon being satisfied on verification of particulars of proof attached with the application Received from any person seeking cancellation or deactivation of DIN, in case:-

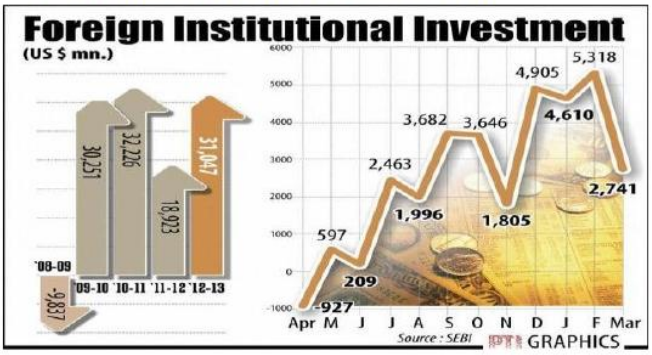
- The DIN is found to be duplicate,
- The DIN was obtained by Wrongful manner or fraudulent means,
- Of the death of the concerned individual,
- The concerned individual has been declared as lunatic by the competent Court,
- If the concerned individual has been adjudicated an insolvent, then the allotted DIN shall be cancelled or deactivated by the respective authority. It is also stated that before cancellation or deactivation of DIN under clause (b), an opportunity of being heard shall be given to the concerned individual. The amendment also defines the “wrongful manner” to mean if the DIN obtained without legally established documents. The term "fraudulent means" is also defined to mean if the DIN obtained unlawfully to deceive any other person

or any authority including the Central Government.

- **Sharing of Information regarding Issuer Companies between Debenture Trustees and Credit Rating Agencies**

The SEBI has issued General Circular No. CIR/MIRSD/3/2013 on March 15th, 2013 stating that presently the SEBI (Debenture Trustee) Regulations, 1993 require the Debenture Trustees (DTs) provide for sharing of information regarding the issuer company clients with Credit Rating Agencies (CRAs) so as to enable CRAs to perform their obligations effectively. The DTs have expressed the need to receive relevant information on issuer companies from CRAs and hence in consultation with DTs and CRAs, SEBI has now required that registered DTs and CRAs shall share information with each other as specified in the Annexure to this circular. DTs and CRAs may share any other information from time to time in respect of issues/issuer companies which would help them in effective discharge of their duties. The DTs and CRAs shall assign designated email addresses for sending and receiving such information and ensure appropriate action, if any, based on the information received. One may refer to the above citation for further details and the annexure which details the inter se sharing of information between DTs and CRAs.

- **FIIs permitted to offer Corporate bonds and Government securities as collateral**



The SEBI has issued Circular No. CIR/MRD/DRMNP/9/2013 on March 20th, 2013 stating that currently FIIs are permitted to offer, as collateral, cash and foreign sovereign securities with AAA rating in F&O segment and cash, foreign sovereign securities with AAA rating and government securities in cash segment. Based on the Finance Minister's statement during his speech for the Union Budget for 2013-14, to permit FIIs to use their investment in corporate bonds and Government securities as collateral to meet their margin requirements towards their transactions on the recognised Stock Exchanges in India,

The RBI had permitted FIIs to use, in addition to already permitted collaterals, their investment in corporate bonds as collateral in the cash segment and government securities and corporate bonds as collaterals in the F&O segment. SEBI has now clarified that henceforth FIIs will be permitted to offer collaterals relating to government securities, corporate bonds, cash and foreign sovereign securities with AAA ratings, for their transactions in both cash and F&O segments. In this regard, the stipulations specified by SEBI and RBI with regard to the acceptance of various collaterals shall be adhered to. It is also clarified that clearing corporations while enabling the framework for acceptance of corporate bonds as collateral for transactions of any entity in the cash and F&O segments, shall ensure that the bonds shall have a rating of AA or above (or with similar rating nomenclature) by recognised credit rating agencies and shall be in dematerialised form. The bonds shall be treated as part of the non-cash component of the liquid assets of the clearing member and shall not exceed10% of the total liquid assets of the clearing member.

FEMA

- **Risk Management and Inter–Bank dealings A.P.(DIR Series) CircularNo.86 dated March 1st, 2013**

RBI had vide A.P. (DIR Series) Circular No. 92 dated April 4, 2003 issued the detailed guidelines for the Foreign Exchange Exposure limits of the Authorised Dealers. In view of the various developments in the forex markets a group comprising officials of RBI, representatives of select banks and the Foreign Exchange Dealers Association of India (FEDAI) went into the various issues involved in the guidelines relating to the Foreign Exchange Exposure Limits of Authorised Dealers. Based on the recommendations of the group, RBI has revised the existing guidelines on calculation of the Foreign Exchange Exposure Limits of the Authorised Dealers. Limit of the Authorised Dealers involving Rupee as one of the currencies, (on both overnight and intra-day open positions) vide A.P. (Dir Series).

Circular No. 58 dated December 15th, 2011. Consequently, the instructions issued vide A.P. (Dir Series) Circular No. 129 dated May 21st, 2012 and A.P. (Dir Series) Circular No. 13 dated July 31st, 2012 also stand withdrawn. Until further review, the following instructions shall however continue to be effective:-

- The positions in the exchanges (both Futures and Options) cannot be netted / offset by undertaking positions in the OTC market and vice versa. The positions initiated in the exchanges shall be liquidated/ closed in the exchanges only.
- The position limit for the trading member AD Category-I bank in the exchanges for trading Currency Futures and Options shall be US$100million or15%of the Outstanding open interest, whichever is lower.

- **External Commercial Borrowings (ECBs) by Corporates under Investigation A.P. (DIR Series) Circular No. 87 dated March 5th, 2013 and Notification No. FEMA. 256 / 2013-RB dated February 6th, 2013**

As per the extant guidelines, corporates under investigation by any law enforcing agencies like the Directorate of Enforcement (DoE), etc. are not allowed to access ECB under the Automatic route and any request by such corporates for ECB is examined by the RBI under the approval route. It has now been decided to permit all entities to avail of ECBs under the automatic route as per the current norms, notwithstanding the pending investigations / adjudications / appeals by the law enforcing agencies, without prejudice to the outcome of such appeals.

Accordingly, in case of all applications where the borrowing entity has indicated about the pending investigations / adjudications / appeals, Authorised Dealers while approving the proposal shall intimate the concerned agencies by endorsing the copy of the approval letter. The same procedure will be followed by RBI also while approving such proposals. Consequently, the Foreign Exchange Management (Borrowing or Lending in Foreign Exchange) Regulations, 2000 [Notification No. FEMA 3/2000–RB] is amended vide Notification No. FEMA 256/2013-RB dated February 6th, 2013 issued by RBI to give effect to the above amendments.

- **Simplification of procedure for "Write-off" of unrealized export bills A.P.(DIR Series) Circular No.88 dated March 12th, 2013**

With a view to further simplifying and liberalizing the procedure and for providing greater flexibility to all exporters as well as the Authorised Dealer banks, RBI has decided to effect, subject to the stipulations regarding surrender of incentives prior to "write off" adduced in the A.P. (DIR Series) Circular No. 3 dated July 22, 2010, the following liberalization in the limits of "write-offs" of unrealized export bills:-

- Self write-off by an exporter (other than Status Holder Exporter) - 5%.
- Self "write-off" by Status Holder Exporters - 10%.
- Write-off by Authorised Dealer bank-10% of the total export proceeds realized during the previous calendar year. The above limits will be related to

total export proceeds realized during the previous calendar year and will be cumulatively available in a year. The above "write-off" will be subject to the following conditions:-

- The relevant amount has remained outstanding for more than one year;
- Satisfactory documentary evidence is furnished in support of the Exporter having made all efforts to realize the dues;
- The case falls under any of the categories specified in the circular.
- The exporter has surrendered proportionate export incentives (for the cases not covered under A. P. (DIR. Series) Circular No. 3 dated July 22nd, 2010), if any, availed of in respect of the relative shipments. The AD Category–I banks should obtain documents evidencing surrender of export incentives availed of before permitting the relevant bills to be written off.
- In case of self write-off, the exporter should submit to the concerned AD bank, a Chartered Accountant's certificate, indicating the export realization in the preceding calendar year and also the amount of write-off already availed of during the year, if any, the relevant GR / SDF Nos. to be written off, Bill No., invoice value, commodity exported, country of export. The CA certificate may also indicate that the export benefits, if any, availed of by the Exporter have been surrendered.

However, the following would not qualify for the write off facility:-

- Exports made to countries with externalization problem.
- GR/ SDF forms which are under investigation by agencies like,

Enforcement Directorate, Directorate of Revenue Intelligence, Central Bureau of Investigation, etc., as also the outstanding bills which are subject matter of civil / criminal suit. The respective AD banks may forward a statement in form EBW, in the enclosed format, to the Regional Office of Reserve Bank under whose jurisdiction they are functioning, indicating details of write-offs Allowed under this circular. AD banks are advised to put in place a system under which their internal inspectors or auditors (including external auditors appointed by authorised dealers) should carry out random sample check / percentage check of "write-off "outstanding export bills. Cases not covered by the above instructions / beyond the above limits, may be referred to the concerned Regional Office of Reserve Bank of India.

- **Revision in Money Transfer Service Scheme (MTSS) Guidelines A.P.(DIR Series) Circular No.89 dated March 12th, 2013**

RBI has revised MTSS guidelines applicable to all Authorised Persons who are Indian Agents under MTSS, in consultation with the Government of India. These guidelines would also be applicable mutatis mutandis to all Sub Agents of the Indian Agents under MTSS and it will be the sole responsibility of the APs (Indian Agents) to ensure that their Sub Agents also adhere to these guidelines.

- **Maintenance of Collateral by Foreign Institutional Investors (FIIs) for transactions in the cash and F&O segments A.P.(DIR Series) Circular No.90 dated March 14th, 2013**

RBI has, in consultation with the Government of India and the Securities and Exchange Board of India (SEBI), permitted FIIs to use, in addition to already permitted collaterals, their investments in corporate bonds as collateral in the cash segment and government securities and Corporate bonds as collaterals in the F&O segment. With the proposed changes coming into effect, henceforth, FIIs will be eligible to offer government securities/corporate bonds (acquired by FIIs in accordance with provisions of Schedule 5 to Notification No. FEMA 20 dated May 3rd, 2000), cash and foreign sovereign securities with AAA ratings in both cash and F&O segments.

- **Standardization and Enhancement of Security Features in Cheque Forms/Migrating to CTS 2010 standards**

RBI/2012-13/444 DPSS.CO.CHD. NO. 1622/04.05. 05/2012-13 dated March 18th, 2013

RBI has decided to extend the cutoff date for migration of CTS-2010 standard cheques from March 31st, 2013 to July 31st, 2013.

- **Inclusion of Sumitomo Mitsui Banking Corporation in the Reserve Bank of India Act**

RBI/2012-13/456 Ref: DBOD. NO. Ret. BC. 85/12.07.137/2012-13 dated March 18th, 2013

RBI has included in the name of Sumitomo Mitsui Banking Corporation in the second Schedule to the Reserve Bank of India Act, 1934 with effect from February 02nd, 2013

POLICY WATCH

- **Cabinet approves plan to develop 471 km highways**

The Cabinet Committee for Economic Affairs (CCEA) has approved four proposals to widen 471 km of highways. This would require an investment of INR 46.18 billion. The projects are Jabalpur-Bhopal in Madhya Pradesh, Demow-Bogibil, Jorhat-Demow and Numaligarh-Jorhat. The project in Madhya Pradesh, which is a 294-km stretch and involves INR 26.86 billion investment, will be taken up on a Build-Operate-Transfer (BOT-toll) basis. The other 3 projects will be taken up on BOT (annuity) basis.

- **Government creates new sub-limits for foreign investments**

Government has created a sub-limit of USD 5.5 billion for foreign investment in short term government papers such as treasury bills. This sub-limit has been stamped out of the overall USD 25-billion limits currently in place for foreign investment in government securities. Similarly, in the case of corporate bonds, a new sub-limit of USD 3.5 billion has been created for foreign investment in short term papers such as commercial papers. The announcement on sub limits forms part of the new investment policy for foreign investment in government securities and corporate bonds.

- **Planning Commission approves Sikkim's Annual Plan for 2013-14**

The Planning Commission has approved Sikkim's annual plan expenditure of INR 20.60 billion for the current fiscal (2013-14). This is 9.75% higher than that for 2012-13. The economic growth of the state achieved during the 11th Plan period (2007-12) was better than expected. Also, the social indicators were also positive. The per capita NSDP of Sikkim has increased by 159.28 percent from 2004-05 to 2011-12, which is higher than the increase in national per capita net national income of 62.13 percent for the same period. Poverty ratio in Sikkim has declined by about 10 percentage points.

- **UP launches INR 33.37 billion projects**

Uttar Pradesh (UP) has inaugurated and laid the foundation of development projects worth INR 33.37 billion pertaining to Noida, Greater Noida, and Yamuna Expressway. The projects amounting to INR 18.77 billion, INR 12 billion and INR 2.60 billion relate to New Okhla Industrial Development Authority (Noida), Greater Noida Industrial Development Authority and Yamuna Expressway Industrial Development Authority, respectively. Also announced were projects in the social sector, roads, hospitals, parking, school, power, housing, etc. The biggest boons for Noida would be a sewage treatment plant (STP).

- **INR 21 billion package to improve 243 dams in 4 States**

Government has identified 243 dams in four states for rehabilitation to ensure their safety. These states are Kerala, Tamil Nadu, Odisha, and Madhya Pradesh. A total of INR 21billion will be spent on the improvement work to be completed in six years. The plan will later include dams in Karnataka, Uttrakhand, Uttar Pradesh, and Damodar Valley Corporation.

- **Elevated Rail Corridor project gets in-principle approval**

The INR 210 billion Elevated Rail Corridor Project has got an in-principle approval from Maharashtra government. To be executed through Public-Private Partnership (PPP) mode on Design, Build, Finance, Operate and Transfer (DBFOT) basis, the project envisages a 63.27- kilometer two-track corridor along the existing Churchgate-Virar section. While 42.72 kilometers of this new corridor will be on the elevated track, 8.04 kilometers would be underground and the remaining 12.52 at grade (ground level).

- **Finance Minister approves 8.5% interest for EPFO subscribers**

The Employees Provident Fund Organization (EPFO) has decided to pay 8.5% interest to subscribers for 2012-13. According to norms, EPFO announced the rate of interest on Provident Fund (PF) deposits before the beginning of a financial year. However, for the past few years, this has been taking place by the end of fiscal. This time, the rate of interest would be notified after the end of the financial year.

- **RBI eases norms for PSU investment in oil sector overseas**

The Reserve Bank of India (RBI) has allowed state run ONGC Videsh (OVL) and Oil India (OIL) to invest in their incorporated overseas entities for exploration and drilling of oil and natural gas. It has now been decided that such facility is also extended to the overseas investments in the incorporated JV/WOS in oil sector (for exploration and drilling for oil and natural gas) by the 'Navratna' PSUs, OVL and OIL, which are duly approved by the government, without any limits under the automatic route.

INDUSTRY WATCH & CORPORATE HIGHLIGHT

- **CCI gives green signal to Denso-Pricol joint venture**

Competition Commission of India (CCI) has approved Japan's auto component maker Denso Corporation's proposed joint venture with Pricol Ltd. As per the agreement, upon the transfer, Denso would acquire 51% stake in Pricol Components Ltd (PCL). The proposed deal involves auto component maker Pricol's transfer of its 'Denso Technology Instrument Cluster Undertaking', relating to the four-wheeler personal passenger vehicles in Coimbatore and Gurgaon, to its subsidiary PCL.

- **Crompton Greaves bags Dutch order**

Crompton Greaves has received an INR 2.39 billion order for the construction of an offshore high voltage substation for a wind farm in the Netherlands. The contract is from Van Oord Offshore Wind Projects. The partners in the consortium are Cofely Fabricom and Iemants. Crompton Greaves said it will design, engineer and manufacture the overall electrical system. The project is expected to be completed by August 2015.

- **Port sector gets 14 PPP projects**

The shipping ministry has awarded 14 Public-Private Partnership (PPP) port projects, which will bring an additional capacity of 80 million tonnes per annum (mtpa) at an investment of INR 56 billion. The overall, 26 port projects have been awarded, bringing in a capacity augmentation of 114 mtpa. In addition, the government has awarded INR 7.85 billion project for development of a ship repair facility at Cochin port. In 2014, the shipping ministry plans to add a capacity of 250 million tonne through public and private investment.

- **Tourism Ministry approves project from Maharashtra**

Union Tourism Ministry has approved a tourism Project which was received from the State Government of Maharashtra. The Project will involve development of tourism facilities at Pandharpur, Akkalkot, Solapur and Tuljapur. An amount of INR 43.8 million has been released as first installment of the CFA as an advance for starting the work. The State Government of Maharashtra shall make land for the project available free of cost and also render all possible assistance for completion of the project in time. No portion of the sanctioned project should be executed or implemented in land/property owned by private individual or trust.

- **DIPP involves trade chambers for identifying projects facing delays**

Government is aiming to give fillip to investment in infrastructure and boost economic activity. The Department of Industrial Policy & Promotion (DIPP) has roped in various chambers of industry to draw a list of projects in the manufacturing sector that are struck up for want of various clearances. These projects each worth INR 10 billion or more would then be referred to the newly constituted Cabinet Committee on Investment (CCI) for consideration. The department has asked the CII, FICCI, and Assoc ham to prepare a detailed list of such stalled projects, along with the reasons for delays.

- **Government gives extra time to 14 SEZ to developers to execute projects**

Government has given extra time to 14 Special Economic Zone (SEZ) developers to execute their projects. Government has de-notified the zone of Welspun Anjar, which had planned textiles SEZ in Gujarat. The other developers which have sought more time to implement their projects include Gujarat Industrial Development Corporation, Cochin Port Trust, and Hyderabad Metropolitan Development Authority.

- **Apollo plans Greenfield plant in Thailand or Indonesia**

Apollo Tyres is planning to set up a green-field manufacturing unit in Thailand or Indonesia. The company has its operation in South Africa and Netherlands besides India and now it is on the verge of identifying a location in Thailand or Indonesia for setting up a green-field facility for the manufacturing of passenger car tyres and truck and bus radials at an investment of around INR 16 billion in the first phase. The plant will have an initial capacity of 16,000 passenger car tyres and -1,500 truck, bus radials per day and will cater for the needs of the ASEAN region and China.

- **Indix raises USD 4.5 million from Nexus Venture Partners and Avalon Ventures**

Nexus Venture Partners and Avalon Ventures, venture capital firms, have invested $ 4.5 million in Indix. The funding will be used to accelerate product development and scale marketing and sales in the US. Indix, based in Chennai and Seattle (USA), works on big data, analytics, visualizations and applications. Indix is building a cloud-based product for individuals in businesses around the world. The company had previously raised $ 1.4 million from seed investors, including Nexus Ventures.

Domestic steel production grows 6.5% in March 2013

Domestic steel production grew by 6.5% in March '13 to 6.86 million tonnes (mt). This is the fastest rate of growth in steel production in the last three months. The production was 6.44 mt in March, 2012. Meanwhile, global steel production grew by 1% in March to stand at 134.88 mt against 133.49 mt a year earlier. China produced nearly half of the global production at 66.29 mt during the month, clocking 6.6% growth over the same month last year.

INR 1.8 billion sanctioned for development of tourist spots in MP

The 13th Finance Commission has sanctioned assistance of INR 1.8 billion for development of various tourism destinations in Madhya Pradesh (MP). The funds will be used for infrastructure development at religious tourism places, development of rural, and heritage tourism, promotion of wildlife and eco-tourism activities and development of water reservoirs. The funds also could be used for building adventure sports destination, development of Jain and Buddhist corridors in the state and development of new tourist destinations, fairs, and air services.

Bharti Airtel to acquire Warid Telecom Uganda

Bharti Airtel has entered into a definitive agreement with UAE-based Warid Group to acquire Warid Telecom Uganda, strengthening its footprint in the African region. After the acquisition, existing 2.8 million Warid customers in Uganda will join Airtel's network that serves over 269 million customers globally. Bharti Airtel is the country's largest mobile telecom operator, had made a foray into the African region in 2010 by acquiring Zain Telecom's operations in 15 countries of that region. Now, it has operations in 17 African countries, including Nigeria and Uganda.

Bosch Rexroth starts production at its new plant in Sanand

Bosch Rexroth has started operations at its new plant in Sanand with an investment of INR 2.8 billion. The company wants to address the specific regional product and system requirements from its facility and it is not only expanding production but also stepping up sales and development. The company also plans to set up an additional project at its old site in Vatva in Ahmedabad and the parent company will take a decision about the product category.

Statuary compliance calendar for the month of April 2013			
Due date	**Statuary compliance under Act**	**Particulars**	**Governing Authority**
			
07/04/2013	SEBI	Quarterly report for grievances of beneficial owners related to depository services to depositories	The securities and exchange board of India Act-1992
	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.
	SEBI	Quarterly certificate on demat/remit shares to depositories	The securities and exchange board of India Act-1992
10/04/2013	Central Excise	(a) Monthly central excise return in form ER-1/ER-2 by other that SSI. (b) Quarterly return by SSI in form ER-3 (C) Quarterly return by assesses paying 1%/2% excise duty and not manufacturing any other goods in form ER-8.	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.
	NBFC-D	Quarterly submission of Monetary and Supervisory return in form NBS-5 by NBFC having public deposits of ` 20 crore and above as per last audited balance sheet	Reserve Bank of India.
15/04/2013	Income Tax	(a) Quarterly Income Tax TDS/TCS statement in form 24Q/26Q/27EQ (Other than Government). (b) Quarterly return in form 27Q in respect of TDS from interest, dividend or any other sum payable to non-residents	Central Board of Direct Tax.

	Provident Fund	(a) Payment of monthly dues of Provident Fund for the month of March (b) Monthly return in form 5 for employees joining Provident Fund during March 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 March	The Central Board of Trustees , The Employees' Provident Fund Scheme, 1952
	SEBI	Quarterly Corporate Governance Compliance Certificate by listed companies to stock exchanges under clause 49(VI) (ii) of Listing Agreement.	The securities and exchange board of India Act-1992
	Central Excise – Dealers	First stage dealer and second stage dealer to submit quarterly return	Central Board of Excise and Custom
	NBFC-D	(a) Quarterly Return of Statutory Liquid Assets in form NBS-3 by NBFC (NBS-3A by RNBFC) only if they are accepting public deposits (b) Quarterly report of frauds involving ` one lakh or more in form FMR-3 and frauds outstanding in form FMR-2.	Reserve Bank of India.
21/04/2013	SEBI	Quarterly return of shareholding pattern to stock exchange as per clause 35 of Listing Agreement	The securities and exchange board of India Act-1992
	ESIC	Payment of ESIC contribution for the month of March	The employees' state insurance Act-1948. Ministry of labour and employment.
25/04/2013	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
	Service Tax	Half Yearly filling of service tax return in Service Tax-3	Central Board of Excise and Custom
30/04/2013	Income Tax	Deposit of Income Tax TCS and TDS deducted in March	Central Board of Direct Tax.

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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