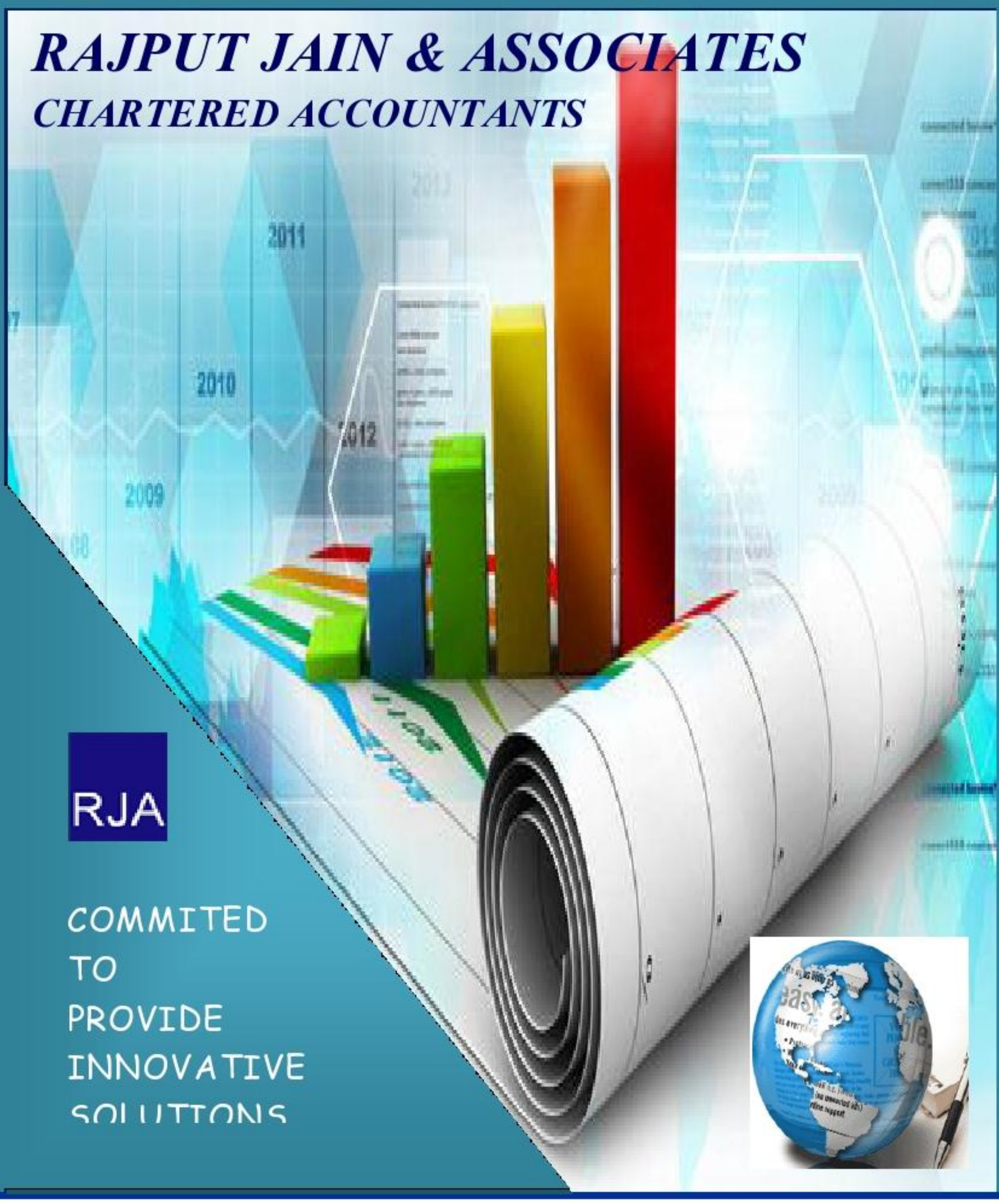
Tax & Corporate law Bulletin



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OCTOBER 2012

From the Editor's Desk...

Dear Reader,

Greetings for the season.

Dussehra signifies the victory of good over evil. May all the evils in and around you vanish by the virtue of the goodness in and around you. We wish you a very happy Dussehra to our esteemed reader.

Updates for the month of October : A Retrospective Amendment does not affect completed matters, Even a "Turnkey" contract has to be split into various components, Revision in Forms 23AC and 23ACA and Read many more…

We eagerly await your feedback on the bulletin.

Yours truly,

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Table of contents

DIRECT TAX

- **Section 192 of the Income-Tax Act, 1961- deduction of tax at source - salary - income-tax deduction from salaries under section 192 during the financial year 2012-13**

Circular No. 8/2012 [F.NO. 275/192/2012-IT(B)], Dated 5th October 2012

Reference is invited to Circular No. 05/2011, dated 16-8-2011 whereby the rates of deduction of income-tax from the payment of income under the head "Salaries" under Section 192 of the Income-Tax Act, 1961 (hereinafter 'the Act'), during the financial year 2011-12, were intimated. The present Circular contains the rates of deduction of income-tax from the payment of income chargeable under the head "Salaries" during the financial year 2012-13 and explains certain related provisions of the Income-Tax Act, 1961 (hereinafter the Act) and Income-tax Rules, 1962 (hereinafter the Rules).

- **Section 194C of the Income-Tax Act, 1961 - deduction of tax at source - payments to contractors & sub-contractors - deduction of tax at source on payment of gas transportation charges by the purchaser of natural gas to the seller of gas**

Circular No. 9/2012 [F. NO. 275/11/2012-IT(B)], Dated 17th October 2012

The Hon'ble Gujarat High Court in the case of *CIT (TDS)* v. *Krishak Bharati Cooperative Limited* in Tax Appeal No. 618 of 2010 *vide* order dated 12-7-2011, has held that the question as to whether payment of Gas Transportation Charges by the purchasers of Natural gas to the Gas Distribution Companies is covered under the provision of Chapter XVII-B of Income-Tax Act, 1961 (the Act) or not, can be ascertained only on the basis of the terms of agreement between the Gas Distributing Company and the purchaser of the Natural gas. In the operative part of the order -

- The Hon'ble Court says that in the facts of the abovementioned case, the agreement is for purchase and sale of gas. Transportation of gas is only a part of the entire sale transaction. Laying down the pipeline and supplying gas through such pipeline were the steps taken in furtherance of such a contract. There was a clear understanding of the parties that the ownership of gas would pass on to the buyer at the delivery point which clearly shows that transport of gas by the seller was a step towards execution of contract for sale of gas and there was no contract for carriage of goods.
- The Court added that Transportation of gas was only in furtherance of contract for sale of gas. The Hon'ble High Court then decided that in such a case the supply of gas is under a 'contract for sale' and not under a 'works contract' as envisaged under section 194C of the Act and hence in such a case TDS provisions are not applicable.
- It is clarified that in case the Owner/Seller of the gas sells as well as transports the gas to the purchaser till the point of delivery, where the ownership of gas to the purchaser is simultaneously transferred, the manner of raising the sale bill (whether the transportation charges are embedded in the cost of gas or shown separately) does not alter the basic nature of such contract which remains essentially a 'contract for sale' and not a 'works contract' as envisaged in section 194C of the Act.
- Hence in such circumstances, provisions of Chapter XVII-B of the Act are not applicable on the component of Gas Transportation Charges paid by the purchaser to the Owner/Seller of the gas. The use of different modes of transportation of gas by Owner/Seller will not alter the position.

RECENT JUDGEMENTS

- **A Retrospective Amendment does not affect completed matters**

The assessee filed a belated appeal to the High Court u/s 260A. The High Court dismissed the appeal following where it was held that the High Court had no power to condone delay in filing u/s 260A appeal. Section 260-A (2A) was inserted by the Finance Act, 2010 w.r.e.f. 1st Oct. 1998 to give the High Court the power to condone delay. Pursuant to the said retrospective amendment, the assessee filed a review petition and requested that its appeal mat be restored. HELD dismissing the review petition.

(J.B. Roy vs. DCIT Allahabad High Court) dated 10th October 2012.

- **ITAT view that section 14A applies to shares held as stock-in-trade cannot be followed**

The assessee claimed, relying on Leena Ramachandran 339 ITR 296 (Ker) & CCL LTD 250 CTR 291 (Kar), that as the shares were held as stock-in-trade, section 14A did not apply. The department opposed this plea by relying on American Express Bank where the view was taken, after considering **Leela Ramchandran** & Daga Capital Management 117 ITD 169 (Mum) (SB), that section 14A applied even to a trader in shares held by the Tribunal

(DCIT vs. India Advantage Securities Ltd (ITAT Mumbai) dated 12th October 2012

- **Income-tax details can be disclosed under RTI only if in "larger public interest"**

The Petitioner sought details of the Respondent's movable and immovable properties and also the details of investments, lending and borrowing from Banks and other financial institutions. He has also sought for the details of gifts stated to have accepted by the Respondent, his family members and friends and relatives at the marriage of his son. The information sought for finds a place in the income tax returns of the Respondent. The Supreme Court had to consider whether the information sought for qualifies to be "personal information" as defined in clause (j) of Section 8(1) of the RTI Act. HELD by the Supreme Court

(Girish Ramchandra Deshpande vs. CIC (Supreme Court) 05th October 2012

- **Whether section 43B & section 14A disallowance can be made under Article 7(3) of the India-Mauritius DTAA**

Issue

The Tribunal had to consider two issues: Whether in view of Article 7(3) of the India-Mauritius DTAA, a disallowance u/s 43B and Section 14A was permissible while computing the assessee's income.

Held

- Article 7(3) of the India-Mauritius DTAA provides that "in determining the profits of a permanent establishment, there shall be allowed as deductions expenses which are incurred for the purposes of the business of the permanent establishment including executive and general administrative expenses so incurred, whether in the State in which the permanent establishment is situated or elsewhere.
- This is in contrast to the other DTAAs (e.g. India-USA DTAA) which provide that the deduction shall be in accordance with the provisions of and subject to the limitations of the taxation laws of that State. As there is no limitation, the result is that all expenses incurred for the purpose of business of the permanent establishment have to be allowed as deduction and no disallowance u/s 43B can be made. Neither Article 3(2) nor Article 23(1) make any difference to this interpretation;

However, the position with regard to Section 14A is different because unlike other disallowance provisions which disallow deductible expenditure, Section 14A contains a **fundamental** principle that any expenditure incurred in relation to an income not includible in total income, shall not be allowed as deduction. SECTION 14A, at the very threshold itself, snatches away the deductibility of expenses incurred in relation to an exempt income. It is not a case that the expenses are otherwise deductible but have become non-deductible due to the operation of Section 14A. Rather, the expenses do not qualify for deduction at the very first instance in accordance with the principle that if an item of income is not chargeable under the Act, the related expenditure has to be ignored.

(State Bank of Mauritius Limited vs. DDIT (ITAT Mumbai) 04th October 2012

➢ Transfer Pricing ALP: Application of "Aggregation"/ "Portfolio Approach"

Issue

The Tribunal had to consider the following transfer pricing issues: (i) whether the principle of "aggregation" or "portfolio approach" could be adopted so as to adjust the under-charge of one international transaction against the over-charge for another; (ii) whether an adjustment for the "difference in application" of the product by the customer could be made; (iii) whether an adjustment towards "quantity discount" could be made; (iv) whether the "tax avoidance motive" is relevant in invoking transfer pricing provisions; (v) whether (pre sub-sec. (2A) of Section 92CA) if the TPO determines the ALP of a transaction which is not referred to him, can the AO use the material to himself determine the ALP?

Held

- Rule 10A(d) defines the term "transaction" to include a number of closely linked transactions. The "closely linked transactions" are those which cannot be segregated and if segregated, cannot be evaluated adequately on a separate basis and it is impractical to determine the price of each individual product or transaction. This is also the purport of the OECD Guidelines. On facts, as the transactions are neither of same 'product-line' nor 'routed-in-parts', the 'portfolio-approach' is not called for (Tara Ultimo & UE Trade Corporation 45 SOT 197 (Delhi) referred);
- An adjustment towards 'difference in application' i.e. that the ALP should be determined depending on what the end user uses the product for is not acceptable because the purpose for which the buyer uses the product has no relevance in fixation of sale price;
- However, an adjustment towards 'quantity discount' is permissible because it is a common market practice that bulk purchasers are generally given some discount. The assessee has to show that such discount have been given to non AEs as well;
- The argument that the department has to show "tax avoidance motive" before invoking transfer pricing provisions is not acceptable because the language used by the legislature is clear (Azetc Software 107 ITD 141 (Bang) (SB) followed);
- While it is true, as held in Amadeus India 246 CTR 338 (Del), that pre sub-sec. (2A) of Section 92CA, the TPO could not inquire into matters that were not referred to him by the AO, it is a fact that he could not make a reference to the TPO because the information about the transaction was not reported in Form 3CEB. The assessee cannot take advantage of its own mistake. Even if the TPO's report on that issue is illegal, the AO is now aware of the fact that there is such an international transaction and he is empowered u/s 92C(3) to determine the ALP thereof.

(Atul Limited vs. ACIT (ITAT Ahmedabad) 31st October 2012

➢ Even a "Turnkey" contract has to be split into various components

Issue

The assessee entered into a contract with ONGC for fabrication and installation of on-shore and off-shore oil facilities and pipelines. The assessee claimed that though the contract was one, it had to be sub-dividend into two parts, one for designing, fabrication and supply of material and the other for installation and commissioning of the project.

It was claimed that the work relating to the former was carried out exclusively in Abu Dhabi and hence no income relating to receipts for that part of the contract was liable to tax in India as the there was no PE in India.

Held

The AO & DRP rejected the claim on the basis that

- The contract was a "turnkey" one where the entire risk of completion & commissioning was on the assessee & it was not divisible into different components
- The assessee had a project office in India which was a PE
- The assessee had a Dependent Agent PE
- There was a "construction and installation PE" under Article 5(2)(h) & (e) ownership of the equipment transferred to ONGC only after issue of the certificate of acceptance of the entire work.

It was also held that Section 44BB was not applicable and the profit was estimated at 25% of gross receipts. On appeal by the assessee to the Tribunal

The assessee's project office in India constituted a PE. It also had a "*Dependent Agent PE*" and also a "*construction and installation PE*" under Article 5(2)(h);

- However, though the contract was on a "**turnkey**" basis, it had to be regarded as an "**umbrella contract**" and as being a **divisible contract** because the consideration for various activities has been stated **separately**. Also, ONGC had the discretion to take only the platform erected by the assessee in Abu Dhabi without having installation thereof.
- The **segregation** of the contract revenues into **offshore** and **onshore** activities was made at the stage of awarding the contract. The total consideration was **earmarked** towards different activities and separate payment had to be made on the basis of work of design, engineering, procurement and fabrication. These operations had been carried out and completed outside India.
- The PE was in respect of the installation and commissioning work done in India and the activities carried outside India were not attributable to the said PE (Hyundai Heavy Industries 291 ITR 482 (SC),Ishikawajma-Harima Heavy Industries 288 ITR 408 (SC) & Roxon OY 103 TTJ 891 (Mum) followed);
- The work of installation of the platform done inside India does not fall u/s44BB because the activity cannot be regarded as a "facility in connection with the prospecting for, of extraction or production of, mineral oils".

(National Petroleum Construction Company vs. ADIT (ITAT Delhi) 12th October. 2012

➢ **Earlier view of the same Court that Low Tax Effect Circular applies to pending appeals is against "public policy". Suggestions given on how to increase tax base.**

The High Court had to consider (i) whether in the light of the judgement of the same Court in Ranka & Ranka (Kar), Instruction No. 3 of 2011 dated 9.2.2011 which states that the department cannot file appeals where the tax effect is less than Rs. 10 lakhs applies to pending appeals and (ii) whether u/s 132B, credit for the cash seized in the hands of another assessee could be given to the assessee. HELD by the High Court:

- Though in Ranka and Ranka it was held by the Court that Instruction No. 3 of 2011 issued by the CBDT is applicable to the pending cases filed prior to 09.02.2011, this view is **against**

public interest and **public policy** because clause 11 of the said Instruction specifically says that it will be applicable only to cases filed on or after 9.2.2011. The Revenue's contention that Instruction No.3 dated 09.02.2011 has **no retrospective effect** is upheld.

- It is suggested to the Union Government to reduce the tax burden/ rate of Income tax on the existing Income tax payers by bringing more persons under the Income tax net. If so, the existing tax payers would not evade tax and Income tax disputes also will come down. The following suggestions are made;

That all Government servants, under the State/Centre (who are not assessees under the Income Tax), shall be made liable to pay Income Tax of at least Rs. 1,000 per annum;

That all male graduates, who are mentally and physically sound, aged between 31 years to 60 years (who are not assessees under the Income Tax), shall be made liable to pay income-tax at least Rs. 1000 per annum and protect their interest on attaining age of 61 years by providing pension;

That Election law may be amended prescribing a condition that every male person contesting election to the State assembly/ Parliament shall be an income tax assessee.

(CIT vs. Smt. B Sumangaladevi (Karnataka High Court) 11th October 2012

INDIRECT TAX

SERVICE TAX

➢ Clarification on rate of service tax.

Doubts have been expressed in various forums regarding the proposed increase in the rate of service tax from 12.36% (including education cesses) to 14% on the value of taxable service.

It may be noted that changes proposed in the Budget have/are coming into effect on various dates as already indicated in JS (TRU-II) D.O. letter dated 28th February, 2015. Certain amendments made in the Finance Act, 1994, including the change in service tax rate, will come into effect from a date to be notified by the Government after the enactment of the Finance Bill, 2015.

In this regard your attention is invited to clause 106 of the Finance Bill, 2015 and paragraph 3 of JS (TRU-II) D.O. letter, which is reproduced below:-

Service Tax Rate:

- The rate of Service Tax is being increased from 12% plus Education Cesses to 14%. The 'Education Cess' and 'Secondary and Higher Education Cess' shall be subsumed in the revised rate of Service Tax. Thus, the effective increase in Service Tax rate will be from the existing rate of 12.36% (inclusive of cesses) to 14%, subsuming the cesses.
- In this context, an amendment is being made in section 66B of the Finance Act, 1994. Further, it has been provided vide clauses 179 and 187 respectively of the Finance Bill, 2015 that sections 95 of the Finance Act, 2004 and 140 of the Finance Act, 2007, levying Education Cess and Secondary and Higher Education Cess on taxable services shall cease to have effect from a date to be notified by the Government.
- The new Service Tax rate shall come into effect from a date to be notified by the Central Government after the enactment of the Finance Bill, 2015.
- Till the time the revised rate comes into effect, the 'Education Cess' and 'Secondary and Higher

Education Cess' will continue to be levied in Service Tax."

➢ **Clarification on abatement on value of Service Tax.**

Certain doubts have been raised with regard to abatement on value of services provided in relation to serving of food or beverages by a restaurant, eating joint or a mess, having the facility of air-conditioning or central air-heating in any part of the establishment, at any time during the year. Valuation of services provided in relation to serving of food or beverages by a restaurant, eating joint or a mess is determined as provided in rule 2C of the Service Tax (Determination of Value) Rules, 2006.

In the Union Budget, 2015, no change has been made in these rules; therefore, any confusion is unwarranted. Further, as explained above, the rate of service tax on the specified portion of the amount charged for such supply which is 40% continues to be 12.36% (including cesses) at present i.e. 4.944 %. The rate of Service tax, as discussed above, will continue unchanged till a date which will be notified in due course.

FEMA

FEMA

➢ **Maintenance of Collateral by Foreign Institutional Investors (FIIs) for transactions in the cash segment**

FIIs are permitted to offer cash and foreign sovereign securities with AAA rating as collateral to the recognized Stock Exchanges in India for their transactions in the derivative segment. As per the extant Securities and Exchange Board of India (SEBI) norms, the FIIs are required to post collaterals for their transactions in the cash segment of the market.

It has been decided, in consultation with the Government of India and the SEBI, to permit the FIIs to offer domestic Government Securities (acquired by the FIIs in accordance with the provisions of Schedule 5 to Notification No. FEMA 20/2000-RB dated May 3, 2000, as amended from time to time and subject to the overall limits specified by the SEBI from time to time; the current limit being USD 5 billion), and foreign sovereign securities with AAA rating, as collateral to the recognized Stock Exchanges in India, in addition to cash, for their transactions in the cash segment of the market.

However, cross-margining of Government Securities (placed as margins by the FIIs for their transactions in the cash segment of the market) shall not be allowed between the cash and the derivative segments of the market. The operational guidelines in this regard will be issued separately by the SEBI. The existing guidelines on collateral for the FIIs transactions in the derivative segment shall remain unchanged.

➢ **Issue of Irrevocable Payment Commitment (IPCs) to Stock Exchanges on behalf of Mutual Funds (MFs) and Foreign Institutional Investors (FIIs)**

Authorised Dealer Category - I (AD Category-I) banks is invited to Regulation 5(2) and Schedule 2 of Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000 notified vide Notification No. FEMA 20/2000-RB dated May 3, 2000, as amended from time to time, in terms of which Foreign Institutional Investors (FIIs) registered with SEBI may purchase shares or convertible debentures of an Indian company under the Portfolio Investment Scheme (PIS).

Further, attention of AD Category – I banks is also invited to the Foreign Exchange Management (Guarantee) Regulations, notified vide Notification No. FEMA 8/2000-RB dated May 3, 2000, as amended from time to time, in terms of which, no fund based / non-fund based facilities are permitted to the FIIs.

It has now been decided to allow custodian banks to issue Irrevocable Payment Commitments (IPCs) in favour of the Stock Exchanges / Clearing Corporations of the Stock Exchanges, on behalf of their FII clients for purchase of shares under the PIS. Issue of IPCs should be in accordance with the Reserve Bank regulations on banks' exposure to the capital market issued by the Reserve Bank from time to time. Further, AD Category – I banks may also comply with the instructions issued by our Department of Banking Operations and Development (DBOD) vide circular no. DBOD Dir. BC.46/13.03.00/2010-11 dated September 30, 2010.

Necessary amendments to the Foreign Exchange Management (Guarantee) Regulations, 2000, notified vide Notification No. FEMA 8/2000-RB dated May 3, 2000 will be issued separately.

CORPORATE LAWS

- **Filing of balance sheet and profit & loss account in non-XBRL format – date extended:-**

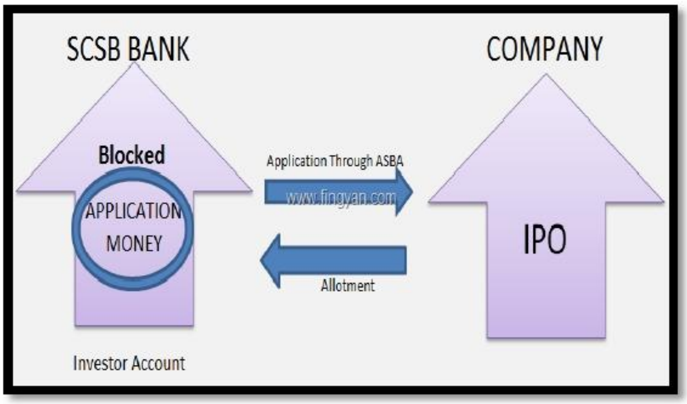
The MCA has issued General Circular No. 28/2012 on 03.09.2012 extending the date of annual filing of Forms 23AC and 23ACA in non- XBRL format without any additional fee or penalty. All companies which are required to file non-XBRL e-Forms 23-AC and 23-ACA as per revised Schedule VI will now be allowed to file their financial statements without any additional fee/penalty up to 15th October 2012 or within 30 days from the date of their AGM, whichever is later.

One may recall that earlier on 02.08.2012 the date was extended to 15th September which is now further extended to 15th October, 2012.

- **Steps to re-energise Mutual Fund (MF) industry :-**

The SEBI has issued Circular No. CIR/IMD/DF/21/2012 dated 13.09.2012 to re-energise the MF industry. This is done so as to increase penetration of mutual fund products and to energise the distribution network while protecting the interest of investors, and for this purpose SEBI held a series of meetings with various stakeholders in the MF industry. Mutual Fund Advisory Committee (MFAC) also deliberated and offered its recommendations on issues confronted by the industry. Pursuant to SEBI Board's approval to various recommendations, it has been decided to implement and allow MFs to charge Additional TER (Total Expense Ratio) can be charged up to 30 basis points on daily net assets of the scheme, charge service tax on investment and advisory fees to the scheme, to have a single plan structure for mutual fund schemes, to provide separate option for direct investments, ensure harmonizing applicability of NAV across schemes, have monthly portfolio disclosures, disclosure with respect to half yearly financial results, etc.

- **Application supported by blocked amount (ASBA) facility in public/rights issue :-**



The SEBI has issued Circular No. CIR/CFD/DIL/12/2012 dated 13.09.2012 after noticing that some banks while making applications on own account using ASBA facility are doing so without having clear demarcated funds and that some banks are marking lien against credit limits/overdraft facility of their account holders' for ASBA applications. SEBI has now stated that Self Certified Syndicate Banks (SCSBs) are hereby advised to ensure that for applications made by any investor using ASBA facility, the SCSBs shall block the application amount only against/in a funded deposit account and ensure that clear demarcated funds are available for ASBA applications. SEBI has also advised SCSBs to ensure that for making applications on own account using ASBA facility, they should have a separate account in own name with any of the SEBI registered SCSBs. Such account shall be used solely for the purpose of making application in public issues and clear demarcated funds should be available in such account for ASBA applications.

➢ **Amendment to NBFC Factors Directions**:-

The RBI has issued Notification No. DNBS (PD) CC. No. 303 /Factor/22.10.91 /2012-13 dated 14.09.2012 amending the NBFC – Factors (Reserve Bank) Directions, 2012 which were earlier issued on 23.07.2012.

The enabling amendments are to provide definitions in the respective directions on 'Non-Banking Financial Company - Factor' which means an NBFC as defined in clause (f) of section 45-I of the RBI Act, 1934 having financial assets in the factoring business at least to the extent of 75 per cent of its total assets and its income derived from factoring business is not less than 75 per cent of its gross income and has been granted a certificate of registration under sub-section (1) of section 3 of the Factoring Regulation Act, 2011. It is also clarified that for an NBFC-Factor, the certificate of registration will indicate the requirement of holding the certificate of registration under section 3 of the Factoring Regulation Act. The certificate will also indicate the percentage of factoring assets and income, and that the company fulfils all conditions stipulated under the Factoring Regulation Act to be classified as an NBFC-Factor.

➢ **Revision in Forms 23AC and 23ACA:-**

The MCA has issued Notification No. F.No.17/160/2012-clv dated 21.09.2012 revising Form 23AC (Form relating to filing balance sheet and other documents with the ROC) and Form 23ACA (Form for filing profit and loss account and other documents with the ROC). These new forms will be effective from 30.09.2012.

➢ **Amendment to Mutual Fund Regulations:-**

The SEBI has issued Notification No. LAD-NRO/GN/2012-13/17/21502 dtd. 26.09.2012 issuing the SEBI (Mutual Funds) (Second Amendment) Regulations, 2012 amending the SEBI (Mutual Funds) Regulations, 1996 mandating some additional requirements on mutual funds (MF) and on asset management companies (AMC). Some of the amendments are:-

- Net asset value (NAV) of the scheme shall be calculated on daily basis and published in at least two daily newspapers having circulation all over India
- Exit load charged, if any, after the commencement of these regulations shall be credited to the scheme
- AMC may charge the scheme with investment and advisory fees which shall be fully disclosed in the offer document

A MF and an AMC, shall publish an advertisement disclosing the hosting of such financial results on their website, in at least one English daily newspaper having nationwide circulation and in a newspaper having wide circulation published in the language of the region where the head office of the MF is situated. Amendment is also made to limitation on costs or expenses that may be charged to the scheme like brokerage and transaction costs which are incurred for the purpose of execution of trade and is included in the cost of investment, and in relation to other expenses.

POLICY WATCH

➢ **Government approves RIL's revised KG-D6 block field development plan:-**

THE government has approved Reliance Industries Limited's (RIL) revised Field Development Plan (FDP) for MA oilfield in the KG-D6 block. As a part of the FDP, RIL will drill one gas well and convert two six oil wells into gas wells on the MA oilfield to raise production.

This revised FDP estimates the production levels and development activities based on the current understanding of the reservoir. RIL is the operator of the KG-D6 block with 60% stake while British Petroleum holds 30%.

- **Government gives approval for Rajasthan Irrigation Project:-**

The government has given approval to the Rajgarh medium irrigation project scheme in Rajasthan. The project is estimated to cost Rs 1.92 billion. The project shall be completed in the financial year 2015-16. Also the project authority must seek the approval of the "Command Area Development Plan" from the Planning Commission. The Rajasthan Government was told to ensure the completion of rehabilitation and resettlement works before the submergence begins.

- **Competition Act to cover all sectors:-**

The Cabinet has approved amendments to the Competition Act 2002, which deals with the jurisdictions of the Competition Commission of India (CCI). Under the proposed amendments, no sector will be exempted from the ambit of the Competition Act. However, the amendments will have provisions for exemptions in certain specific cases, like merger of two banks, where one bank is a failing one.

The amendments will also help sectoral regulators to regulate their specific sectors. The amendments would apply to Joint Ventures (JV) even in the areas of production and marketing.

Government has given approval for preparation of the Detailed Project Report (DPR) to introduce:-

Metro Rail services in Bhopal and Indore. The project will have an estimated cost of Rs 60 billion in Bhopal and Rs 75 billion in Indore. The state government will bear 50% of the project cost. The length of the Metro Rail track in Bhopal would be 28.5 km and for Indore it will be about 33 km. The DPR would be prepared in the next six-seven months.

- **India and New Zealand Sign Arrangement for Cooperation on Civil Aviation INDIA and New Zealand have decided to promote and develop training and technical:-**

Cooperation in civil aviation sector including accepting each other's aeronautical products and licenses. The two countries would also promote and support the development of training and technical cooperation in aviation and carry out activities like exchange of experts or instructors for training, acceptance of licenses and aeronautical products and aviation services. Also, the growth of air services would greatly facilitate in enhancing cordial relationship, connectivity, trade, and tourism.

- **Group of Ministers clears Land Bill:-**

The Group of Ministers (GOM) has approved the Land Bill and suggested that consent of only two-thirds of landowners be required for the state to acquire land for private industry and Public-Private Partnerships (PPP). The Land Acquisition, Rehabilitation, and Resettlement Bill, 2011 will now be tabled before the Cabinet after the circulation of minutes of the meeting along with suggestions.

- **Agra- Lucknow expressway gets government approval:-**

The Uttar Pradesh government together with the state Public-Private Partnership Monitoring Committee has approved the Agra Lucknow expressway. This will be a green-field and eco-friendly project. It also proposed the construction of four growth centers with the provision of agriculture market, warehouses, food processing plants, cold storage, industrial centers, hospitals, schools and Industrial Training Institutes along the expressway.

- **Cabinet clears Rs 40.38 billion plan to tackle encephalitis in 5 states:-**

The Union Cabinet has approved Rs 40.38 billion comprehensive multi-pronged plan for prevention and control of Japanese Encephalitis (JE) and Acute Encephalitis Syndrome (AES) in the country. This plan will be implemented in Uttar Pradesh, West Bengal, Tamil Nadu, Bihar and Assam within five years from 2012-13 to 2016-17. It will be jointly implemented by the Ministries of Health and Family Welfare, Drinking Water and Sanitation, Social Justice and Empowerment, Housing and Urban Poverty Alleviation and Women and Child Development. The progress of the multi-pronged strategy will be monitored by a task force set up by the Health Ministry and work on the plan will start soon. In 2012, Japanese Encephalitis and Acute Encephalitis Syndrome have claimed almost 1,000 lives in the country.

INDUSTRY WATCH & CORPORATE HIGHLIGHT

- **Government allows free export of sugar in 2012-13:-**

India is likely to produce a sugar surplus for the third year in a row and government has decided to allow exports for another year. The government estimates the country's sugar production in 2012-2013 to be 23 to 23.5 million tones (mt) against the local demand of about 22 mt. India exported 3-3.5 mt of sugar in the 2011-12 crop marketing year that ended on September 30, 2012. India is the world's top producer after Brazil and it has been exporting for the past two years.

- **ICICI Bank ties up with African bank:-**

ICICI Bank has entered into a Memorandum of Understanding (MoU) with Ecobank Transnational Incorporated (Africa). This MoU will allow ICICI Bank and Ecobank to leverage their combined expertise, strong local knowledge, and corporate relationships to support Indo- African businesses. Ecobank is present in 35 countries in Africa. India's trade with Africa has doubled in the past four years and an Indian investment in Africa is across a range of sectors including oil & gas, pharmaceuticals, petrochemicals, fertilizers, IT and infrastructure.

- **Dept of Electronics and IT to come out with National Policy on IT:-**

The Department of Electronics and Information Technology (Deity) plans to come out with the timeline and cost estimates of the National Policy on Information Technology (NPIT) by December 2012. The policy sets multiple objectives for development of IT sector, including increasing revenue of IT and IT-enabled services (ITes) industry from $100 billion to 300 billion by 2020 and also expanding exports from $69 billion to $200 billion by 2020. Under NPIT, government also aims to create a pool of 10 million additional skilled manpower in the Information and Communication Technology (ICT) sector.

- **Su-Kam sign an agreement with Israel firm:-**

Su-kam Power Systems has signed an agreement with Israel-based Gamatronic Electronic Industries to manufacture and sell industrial power back-up solutions in India. Su- Kam will manufacture and market multiplexer series of modular Uninterrupted Power Supply (UPS) under the technical guidance of Gamatronic at Gurgaon. The company is targeting an initial business volume of Rs 500 million.

- **Suzlon Group enters Romanian wind energy market:-**

Suzlon has entered the Romanian market via a 25 mega watt (MW) deal for its RE power Systems subsidiary, which has also opened an office in Bucharest. The turbines will be delivered to a wind farm in Romania's northeastern Neat County. The launch of a wholly owned RE power subsidiary in Romania reflects the country's tremendous potential for wind equipment suppliers. Repower has already supplied turbines to Poland and the Czech Republic.

- **Engineering R&D services exports to touch $45 billion by 2020:-**

Indian Engineering Research & Development (ER&D) exports are expected to reach $45 billion by 2020 from the current $10 billion in fiscal 2012. Increased digitization has been a key driver for increased ER&D spends. Also, the corporate outsourcing spends which was led by the chemical, medical and automotive sectors are expected to dominate the outsourced portion of India's domestic ER&D and are forecast to reach $7 billion by 2020.

- **JBM Group buys out Thai partner in auto component firm:-**

Auto component maker JBM Group has acquired the entire stake in its 50:50 JV with Thai Summit Neel Auto (TSNA) from its partner, the Thai Summit Group. The company will now be known as Neel Auto Pvt Ltd, under the aegis of JBM group. TSNA, which has six manufacturing facilities in the country, employs around 3,000 people and caters to customers like Bajaj Auto, TVS Motors and Honda Motorcycles and Scooters India (HMSI) among others. The company also manufactures various components including fuel tanks, welded assemblies, tubular frames, guards, and handle bars for two wheelers and three wheelers.

- **Reliance signs crude oil supply deal with Venezuelan firm:-**

Reliance Industries Limited (RIL) and the Venezuelan state oil company, Petroleum de Venezuela, SA (PDVSA) have signed a 15 year supply contract for heavy crude oil contract and a Memorandum of Understanding (MOU) to develop Venezuelan heavy oil fields. PDVSA will supply between 300,000 and 400,000 barrels per day of Venezuelan heavy crude oil to Reliance's two refineries in Jamnagar under a 15-year crude oil supply contract. RIL will also cooperate with PDVSA by providing technical assistance and sharing its experience of executing large scale projects in areas of offshore upstream, refining and other downstream projects.

- **Exports down 10% in August 2012 year on year:-**

India's exports declined 10% in August 2012 to $22.3 billion, year on year. This was primarily due to sluggish demand in the US and Europe. This is the fourth successive month that exports have been on a downtrend.

Statuary compliance calendar for the month of September 2012			
Due date	**Statuary compliance under Act**	**particulars**	**Governing Authority**
			
06/09/2012	Service Tax	Payment of monthly service tax for the month of August by all tax payers electronically	Central Board of Excise and Custom
	Central Excise	Payment of monthly central excise duty for the month of August on goods by assesses other than SSI units electronically	Central Board of Excise and Custom
07/09/2012	Income Tax	Deposit of Income Tax TCS and TDS deducted in August	Central Board of Direct Tax.
	NBFC-D	Monthly return of exposure to capital markets in form NBS-6 by NBFC having total assets of 100 crore and above	Reserve Bank of India.
	NBFC-ND-SI	Monthly return of source and application of funds, profit and loss account, asset classification	Reserve Bank of India.
10/09/2012	Central Excise	Monthly central excise return in form ER-1/ER-2 by other that SSI	Central Board of Excise and Custom
	Central Excise	Monthly return of receipts and consumption of Principal Inputs by specified manufacturers of excisable goods in form ER-6	Central Board of Excise and Custom
	NBFC-ND-SI	Monthly statement of short term dynamic liquidity in form NBS-ALM1	Reserve Bank of India.
15/09/2012	Income Tax	Advance income tax under section 211 of Income Tax Act by corporate (second installment) and non-corporate assesses (first installment)	Central Board of Direct Tax.

	Provident Fund	(a) Payment of monthly dues of Provident Fund for the month of August (b) Monthly return in form 5 for employees joining Provident Fund during August 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 August	The Central Board of Trustees , The Employees' Provident Fund Scheme, 1952
21/09/2012	ESIC	Payment of ESIC contribution for the month of August	The employees' state insurance Act-1948. Ministry of labour and employment.
25/09/2012	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
30/09/2012	Bonus	Bonus can be paid by 30th November, but usually paid before 30th September so that deduction from income tax can be claimed in the previous year itself	The Payment of Bonus Act, 1965
	Income Tax	(a) Annual returns of tax of income and wealth by companies and assesses whose accounts are required to be audited for A/Y 2014-15 (b) Audit report u/s 44AB in form 3CA or 3CB and 3CD also to be ready duly signed but not to be submitted to Income Tax department	Central Board of Direct Tax.
	Environment	Environment statement in form V to State Pollution Control Board	The Water (Prevention and Control of Pollution) Cess Act, 1977 . Central and State Pollution Control Boards
	NBFC-D	Annual statutory return in form NBS-1 by NBFC and MNBC and NBS-1A by RNBC	Reserve Bank of India.

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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