

Tax & Corporate law Bulletin

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January 2010

From the Editor's Desk...

Dear Reader,

Greetings for the season.

A very Happy New Year to everyone and our heartiest wishes for a joyous and prosperous year 2010. The Year 2009 has already ended on a positive note on a number of fronts.

Now let us see some update on important developments concerning the profession over the past month like *Extension in date filling ITR V, Problem faced by exporters in availing refund of excess credit, Service tax on "Business Auxiliary Services", Guidelines on trading of currency futures in Recognised Stock Exchanges and some important court judgments (SC & HC)* We pray for prosperity on the professional and personal front for all our readers.

We eagerly await your feedback on the bulletin.

Yours truly,

Rajput Jain & Associates
Chartered Accountants



Your partners
for success

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“Adapting swiftly to the
global business environment”



Direct Tax

➤ **Extension of Date For Filing of ITR-V Form Press Release, dated 27th January 2010**

Central Board of Direct Taxes has decided to extend the time-limit for filing ITR-V form relating to income-tax returns filed electronically (without digital signature) on or after 1st April, 2009, up to 31st March, 2010 or within a period of 120 days from the date of uploading of the electronic return data, whichever is later. The ITR-V form should continue to be sent by ordinary post to Post Bag No. 1, Electronic City Post Office, Bengaluru - 560100 (Karnataka). However, in cases where email acknowledgement for ITR-V form is not received by the taxpayer from the CPC Bengaluru, the taxpayer may send another duly signed ITR-V form by speed post to Centralized Processing Centre, Electronic City Post Office, Bengaluru, Karnataka - 560100.

➤ **Press Release No. 402/92/2006-MC (04 of 2010), dated 20th January 2010**

A new provision relating to tax deduction at source (TDS) under the Income-tax Act, 1961 will become applicable with effect from 1st April, 2010. Tax at higher of the prescribed rate or 20 per cent will be deducted on all transactions liable to TDS, where the Permanent Account Number (PAN) of the deductee is not available. The law will also apply to all non-residents in respect of payments/remittances liable to TDS. As per the new provisions, certificate for deduction at lower rate or no deduction shall not be given by the Assessing Officer under section 197, or declaration by deductee under section 197A for non-deduction of TDS on payments shall not be valid, unless the application bears PAN of the applicant/deductee.

➤ **Circular No. 2/2010, dated 29th January 2010 Fringe Benefit Tax (FBT)**

The Finance Act, 2005 introduced a levy namely Fringe Benefit Tax (FBT) on the value of certain fringe benefits as contained in Chapter XII-H (sections 115W to 115WL) of Income-tax Act, 1961. By the Finance (No. 2) Act, 2009 a new section 115WM was inserted to abolish the FBT with effect from assessment year 2010-11. Consequently, benefits given to employees are taxed as perquisites in the hands of employees in terms of

amendments to clause 2 of section 17 of Income-tax Act, 1961. However, during the current financial year 2009-10 some assesses have paid "advance tax in respect of fringe benefits" for assessment year 2010-11. In such cases the Board has decided that any installment of "advance tax paid in respect of fringe benefits" for assessment year 2010-11 shall be treated as Advance Tax paid by assessee concerned for assessment year 2010-11. The assessee can adjust such sum against its advance tax obligation in respect of income for assessment year 2010-11 or in case of loss etc. claim such payment as refund as advance tax paid in assessment year 2010-11.

➤ **Circular No. 1/2010 [F. NO. 275/192/2009 IT(B)], dated 11 January 2010**

Reference is invited to Circular No. 8/2007, dated 5-12-2007 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, during the financial year 2008-09, 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 2009-10 and explains certain related provisions of the Income-tax Act.

RECENT JUDGEMENT

➤ **Reopening u/s 147 not valid if there is no finding regarding failure to disclose material facts**

Bhavesh Developers v. AO (Bombay High Court)

Fact of the case

In AY 2002-2003, the assessee claimed deduction u/s 80-IB (10) of Rs. 3.85 Cr. which was allowed by the AO vide Section 143(3) order. The assessment was reopened u/s 147 after the expiry of four years from the end of the assessment year on the ground that the claim for deduction u/s 80IB (10) included ineligible items of other income such 'society deposit', 'stilt parking' and sundry credit balances and that income had thereby escaped assessment. The assessee filed a writ petition to challenge the Section 148 notice.

Held

Upholding the challenge:

- Under the proviso to Section 147, an assessment made u/s 143(3) can be reopened after the expiry of 4 years from the end of the assessment year only if there is a failure on the part of the assessee to disclose fully and truly all material facts necessary for the assessment;
 - On facts, the assessee had furnished details of the claim u/s 80IB (10) including the break-up of the other income. Even the recorded reasons showed that the inference that the income has escaped assessment was based on the disclosure made by the assessee itself. Further, there was no finding in the recorded reasons that there was a failure to disclose necessary facts;
 - Accordingly, the condition precedent to a valid exercise of the power to reopen the assessment was absent. An exceptional power has been conferred upon the Revenue to reopen an assessment after a lapse of four years and the conditions prescribed by the statute for the exercise of such a power must be strictly fulfilled and in their absence, the exercise of power would not be sustainable in law.
- **Right to set-off loss is a “vested right” which is available despite amendment in year of set-off**

Geetanjali Trading vs. ITO (ITAT Mumbai)

Fact of the case

In AY 2002-03, the assessee suffered a long-term capital loss u/s 74(1) as it then stood, such loss could be carried forward and set off against all capital gains including short-term capital gains. Section 74 was amended in AY 2003-04 to provide that long-term capital loss could only be set-off against long-term capital gains and not against short-term-capital gain. When the assessee claimed a set-off in AY 2004-05 the question arose whether the amended law should apply or the un-amended law.

Held

The amended Section 74 is applicable to computation of loss under the head “Capital Gains” for AY 2003-04 and onwards. As regards loss of earlier years, the law as it then stood gave a vested right of set off the loss against

all capital gains. There is nothing in the amendment which withdraws the said vested right. Consequently, the loss can be set off against short-term capital gains despite the amendment.

- **State Government & PSUs do not need COD approval**

Shivshahi Punarvasan Prkalp vs. UOI (Bombay High Court)

The assessee is a State Govt. undertaking. Its appeal was dismissed by the Tribunal on the ground that the approval of the **Committee on Disputes** (“COD”) had not been obtained. In a writ petition filed by the assessee, the Additional Solicitor General appearing for the revenue stated that it was not the contention of the revenue that COD approval was required for appeals before the Tribunal in Income-tax matters. It was pointed out that though in *ONGC vs. CIDCO 2007 (7) SCC 39*, the Supreme Court had directed the formation of a Committee to sort out differences between the Central Government and State Government entities, and a Committee would be constituted by the UOI to look into disputes on a case to case, this was not necessary in income-tax matters. Accordingly, the order of the Tribunal was set-aside for a decision on the merits.

- **Right to subscribe for shares arises only when offer is made by the company**

Navin Jindal vs. ACIT (Supreme Court)

Fact of the case

The assessee held shares in Jindal Iron and Steel Company pursuant to a rights issue of partly convertible debentures announced by Jindal, the assessee received an offer to subscribe to 1875 PCDs on Rights Basis. The assessee renounced his right to subscribe to PCDs and received a consideration of Rs. 56,250/- for the renunciation. Against the said sale consideration, the assessee claimed on the basis of *Dhun Dadabhoy Kapadia 63 ITR 651* that he had suffered a diminution in the value of the original 1500 equity shares being the difference between the cum-right price per share and the ex- rights price per share aggregating Rs. 3,00,000. The difference of Rs. 2,43,750 was claimed as a short-term capital loss. The lower authorities held that as the shares were held long-term, the said loss was also long-term.

Held

The right to subscribe for additional offer of shares/debentures on Rights basis, on the strength of existing shareholding in the company, comes into existence when the company decides to come out with the rights offer. Prior to that, such right, though embedded in the original shareholding, remains inchoate. The same crystallizes only when the Rights Offer is announced by the Company. Therefore, in order to determine the nature of the gains/loss on renunciation of right to subscribe for additional shares/debentures, the crucial date is the date on which such right to subscribe for additional shares/debentures comes into existence and the date of transfer [renunciation] of such right. The said right to subscribe for additional shares/debentures is a distinct, independent and separate right, capable of being transferred independently of the existing shareholding, on the strength of which such Rights are offered.

- **Under “block of assets” even a closed unit is eligible for depreciation**

Swati Synthetics vs. ITO (ITAT Mumbai)

Fact of the case

The assessee had two divisions, one at Dombivili and the other at Surat. The division at Surat was closed since two/three years. The assessee claimed depreciation on the assets of the said Surat division which was rejected by the AO and the CIT (A) on the ground that the assets were not “used” and depreciation could not be allowed.

Held

It was held that even after introduction of the concept of block of assets, the identity of individual assets was not lost & the AO could restrict depreciation u/s 38(2) having regard to the user of the assets. However, Section 38 (2) applies only to a case when the asset is not exclusively used for business purposes but is used for non-business purposes as well section 38 (2) does not apply to an asset which is neither used for business purposes nor for non-business purposes but remains in the block of assets.

- **Even introduction of stock-in-trade as capital contribution into firm attracts Section 45(3)**

DLF Universal vs. DCIT (ITAT Delhi Special Bench)

Fact of the case

The assessee was engaged in the business of real estate development. It held land as stock in trade with a book value of Rs. 4.4 cr. The said land was introduced at its market value of Rs. 11.50 cr as capital contribution into a new firm. The surplus of Rs. 6.01 crore was credited to the profit and loss account. Relying on Hind Construction 83 ITR 211 (SC), it was claimed that the surplus of Rs. 6.01 crs was not liable to tax as the introduction of an asset into a partnership was not a sale. It was also claimed that Section 45 (3) was applicable only to capital assets and not to stock-in-trade. The AO and the CIT (A) took a contrary view relying on Sunil Siddharthbhai 156 ITR 509 (SC) & McDowell 154 ITR 148 (SC).

Held

It was held that when a partner introduces his asset into a firm as capital contribution, there is a “transfer” though the gains are not chargeable to tax as the consideration is not determinable. It was clarified that this principle did not apply if the partnership was non-genuine or sham or where the transaction of transferring the personal asset to the partnership firm was a device or ruse to convert personal assets into money while evading tax on capital gains;

INDIRECT TAX

Service tax

- **Problems faced by exporters in availing refund of excess credit**

CBEC vide Circular No. 120/01/2010-ST dated 19th January 2010: CENVAT Credit Rules, 2004 permit taking of credit of inputs and input services which are used for providing output services or output goods. In order to zero-rate the exports, Rule 5 of CENVAT Credit Rules, 2004 provides that such accumulated credit can be refunded to the exporter subject to stipulated conditions. Notification No. 5/2006-CE (NT) dated 14.03.2006 provides the conditions, safeguards and limitations for obtaining refund of such credit.

The major reason causing delay in granting refunds as well as rejecting the claims is that as per the wordings of the notification, refund is permitted of duties/taxes paid only on such inputs/input services which are either used in the manufacture of export goods or used

in providing the output services exported. As against this, the phrases used in the CENVAT Credit Rules permit credit of services used "whether directly or indirectly, in or in relation to the manufacture of final product" or "for providing output service". The field formations tend to take the view that for eligibility of refund, the nexus between inputs or input services and the final goods/services has to be closer and more direct than that is required for taking credit. Many refund claims are being rejected on this ground.



➤ **Regarding levy of service tax on 'business auxiliary service'**

CBEC vide Notification No. 43/2009-Service Tax dated 2nd December 2009: The Central Government is satisfied that a practice was generally prevalent regarding levy of service tax (including non-levy thereof), under Section 66 of the Finance Act, 1994 (32 of 1994) (hereinafter referred to as the Finance Act), on taxable service namely 'business auxiliary services' specified in sub-clause (zzb) of clause 105 of section 65 of the Finance Act provided by a person (hereinafter called the 'service provider') to any other person (hereinafter called the 'service receiver') during the course of manufacture or processing of alcoholic beverages by the service provider, for or on behalf of the service receiver, and that such services being a taxable service were liable to service tax under the said sub-clause (zzb) of clause 105 of Section 65 of the Finance Act with effect from 1st day of September 2009.

CENTRAL EXCISE

➤ **Irregular availment of Cenvat credit on certain activities not amounting to manufacture-reg.**

Circular No. 911 /01 /2010-CX dated 14th January 2010: Activities including connect rising, testing, repacking and relabeling of feeder cables, cutting of HR/CR coils into sheets or slitting into strips do not amount to manufacture, such processors are taking Cenvat credit and justifying their credit availment on ground that they are paying duty on final products.

As per the provisions of Rule 3 of the CENVAT Credit Rules, 2004, read with Rule 6, credit of duty paid on the inputs is allowed only if these inputs are used in the manufacture of a final product. The Board vide circular dated 26.09.07 issued from F.No.93/1/2005-CX3, had clarified that if the process does not amount to manufacture, duty is not required to be paid and hence no Cenvat credit of duty paid on inputs is admissible.

➤ **Substantial Expansion by way of increase in installed capacity for the units availing area based exemption.**

Circular No.912/02/2010-CX dated 22nd January 2010: Area based exemption is available to the units in the specified areas in the North-East region, Jammu & Kashmir, Himachal Pradesh and Uttarakhand under different notifications. The exemption is applicable to the new industrial units set up after the specified date and also to the existing units which have undertaken substantial expansion by way of increase in installed capacity by not less than 25%.

The exemption notification is applicable only to the specified goods. Therefore, the condition of substantial expansion should also be applicable to the specified goods only. Therefore, it is clarified that only when the substantial expansion of the installed capacity of the specified goods is undertaken, then only the benefit of notification would be applicable.



➤ **Notification No. 27/2009 - Central Excise dated 7th December 2009**

The powers conferred by sub-section (1) of section 5A of the Central Excise Act, 1944 (1 of 1944) read with sub-section (3) of section 3 of the Additional Duties of Excise (Goods of Special Importance) Act, 1957 (58 of 1957) and sub-section (3) of section 3 of the Additional Duties of Excise (Textiles and Textile Articles) Act, 1978 (40 of 1978), the Central Government, being satisfied that it is necessary in the public interest so to do, hereby makes the following further amendments in the notification of the Government of India in the Ministry of Finance, Department of Revenue, No. 50/2003-Central Excise, dated the 10th June, 2003, which was published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i), vide number G.S.R. 472(E), dated the 10th June, 2003

➤ **Notification No. 26/2009 - Central Excise dated 4th December 2009**

The powers conferred by sub-section (1) of section 5A of the Central Excise Act, 1944 (1 of 1944), the Central Government, on being satisfied that it is necessary in the public interest so to do, hereby makes the following further amendment in the notification of the Government of India, in the Ministry of Finance (Department of Revenue), No. 6/2006-Central Excise, dated the 1st March, 2006 which was published in the Gazette of India, Extraordinary, vide number G.S.R.96(E), dated the 1st March, 2006.

In the said notification, in the Table, against S. No. 7, in column (3), in item (3), for the figure and letters "20 cm", the figure and letters "10 cm" shall be substituted.



➤ **Inclusion of After Sale Service and Pre-delivery Inspection Charges in the assessable value**

Circular No. 909/29/09 - CX dated 11th December 2009: Since these services are provided free by the dealer on behalf of the assessee, the cost towards this is included in the dealers' margin (or reimbursed to him). This is one of the considerations for sale of the goods (motor vehicles, consumer items etc.) to the dealer and

will therefore be governed by Rule 6 of the Valuation Rules on the same grounds as indicated in respect of Advertisement and Publicity charges. That is, in such cases the after sales service charges and PDI charges will be included in the assessable value.

➤ **Clarification regarding labelling and repacking etc. amounting to manufacture**

Circular No. 910/30/2009 - CX dated 16th December 2009: An operation amounts to repacking from bulk packs to retail packs or not, is a question to be decided on facts. However before examining the implication of the substitution of word 'and' by 'or', it is necessary to examine whether the activity itself is covered by term repacking from bulk packs to retail packs. Hence the first issue which needs to be decided is whether the "container/ lorry tanker" can be considered as bulk pack.

➤ **Clarification regarding prospective implementation of orders**

Circular No 906/26/2009-CX dated 3rd December 2009: It is clarified that the said circular nowhere provided for seizure of goods, which are cleared not in conformity with the adjudication order when the appeal against the said order is pending. Therefore, in such cases protective show cause notices should be issued to safeguard the revenue, and seizure of goods only for the aforesaid reason should not be effected.

➤ **Clarification on issues related to reversal of cenvat credit on WIP/ finished goods written off in the books of accounts**

Circular No. 907/27/2009-CX dated 7th December 2009: Rule 3(5B) of the CENVAT Credit Rules, 2004, provides that if the value of any input on which cenvat credit has been taken is written off fully in the books of accounts, then the manufacturer is required to reverse the credit taken on the said input. As far as finished goods in concerned, it is stated that excise duty is chargeable on the activity of manufacture or production. Even though liability for payment of tax has been postponed to the time of removal of goods for the factory, but still the legal liability to pay the excise duty has been fastened on the goods, when it has been manufactured or produced. Therefore, normally all goods manufactured suffer

excise duty at the time of removal, but if the manufactured goods are destroyed due to natural causes etc., Rule 21 of Central Excise Rules, 2002, provides for remission of duty.

It is stated that if the WIP has reached the stage, when it can be considered as manufactured goods, in that case, the same treatment as applicable to finished goods, discussed in para 2 above would apply. However, if the activity carried out on the WIP goods cannot be considered as amounting to manufacture, in that case, the said goods should be considered as input and the treatment for reversal of credit applicable to input would be applicable.

FEMA

➤ **Guidelines on trading of Currency Futures in Recognized Stock Exchanges**

RBI/2009-10/290 dated 19th January 2010 A.P. (DIR Series) Circular No. 27: Persons resident in India are permitted only to trade in US Dollar (USD) Indian Rupee (INR) currency futures contracts in recognized stock exchanges. In order to facilitate direct hedging of currency risk in other currency pairs as well, it has been decided, as announced in the Second Quarter Review of Monetary Policy 2009-10 (Para 117), to permit the recognized stock exchanges to offer currency futures contracts in the currency pairs of Euro-INR, Japanese Yen (JPY)-INR and Pound Sterling (GBP)-INR, in addition to the USD-INR contracts, with immediate



effect.

➤ **Remittance of Salary – Relaxation**

RBI/2009-10/ 288 dated 14th January 2010 A.P.(DIR Series) Circular No.26: Foreign Exchange Management (Foreign Currency Account by a person resident in India) Regulation, 2000, in terms of which a national of

a foreign state resident in India, being an employee of a foreign company or a citizen of India employed by a foreign company outside India, and in either case on deputation to the office/ branch/ subsidiary/ joint venture in India of such foreign company, may open, hold and maintain a foreign currency account with a bank outside India and receive the salary payable to him by credit to such account subject to the conditions mentioned therein, which inter alia, include that the amount to be credited to such account shall not exceed 75 per cent of the salary accrued to or received by such person from the foreign company.

A citizen of a foreign state, resident in India, being an employee of a foreign company or a citizen of India, employed by a foreign company outside India and in either case on deputation to the office /branch /subsidiary /joint venture in India of such foreign company may open, hold and maintain a foreign currency account with a bank outside India and receive the whole salary payable to him for the services rendered to the office/branch/subsidiary/joint venture in India of such foreign company, by credit to such account, provided that income-tax chargeable under the Income-tax Act, 1961 is paid on the entire salary as accrued in India.

➤ **Purchase of Immovable Property in India by Persons of Indian Origin (PIOs)**

RBI/2009-10/ 286 dated 13th January 2010 A.P. (DIR Series) Circular No.25: Foreign Exchange Management (Acquisition and Transfer of Immovable Property in India), Regulations, 2000, as amended from time to time, in terms of which 'a person of Indian Origin' means an individual (not being a citizen of Pakistan or Bangladesh or Sri Lanka or Afghanistan or China or Iran or Nepal or Bhutan) who (i) at any time, held an Indian Passport or (ii) who or either of whose father or whose grandfather was a citizen of India by virtue of the Constitution of India or the Citizenship Act, 1955 (57 of 1955).

Government of India, has notified vide G.S.R.813 (E) in the Gazette of India dated November 12, 2009 [Notification No.FEMA.200/2009-RB dated October 5, 2009] an amendment to clause (c) of Regulation 2 of the Notification referred to above.

➤ **Exchange Earner's Foreign Currency (EEFC) Account**

RBI/2009-10/275 dated 29th December 2009 A.P. (DIR Series) Circular No. 22: A person resident in India is permitted to open, hold and maintain with an Authorized Dealer in India a Foreign Currency Account known as Exchange Earner's Foreign Currency (EEFC) Account subject to the terms and conditions of the Exchange Earner's Foreign Currency Account Scheme specified in the Schedule. It is therefore, clarified that all categories of foreign exchange earners are allowed to credit up to 100 per cent of their foreign exchange earnings, as specified in the paragraph 1 (A) of the Schedule, to their EEFC Account. As such, it will be in order for the Authorised Dealers to allow SEZ developers to open, hold and maintain EEFC Account and to credit up to 100 per cent of their foreign exchange earnings, as specified in the paragraph 1 (A) of the Schedule.



➤ **Advance Remittance for Import of Rough Diamonds**

RBI/2009 – 10/274 dated 29th December 2009 A.P. (DIR Series) Circular No. 21: AD Category – I banks have been permitted to make advance remittance without any limit and without bank guarantee or standby letter of Credit, by an importer (other than Public Sector Company or Department/Undertaking of the Government of India /State Governments), for import of rough diamonds into India from eight mining companies, subject to certain conditions.

Based on the recommendations of the Gems and Jewellery Export Promotion Council (GJEPC), it has been decided to include the name of Namibia Diamond Trading Company (PTY) Ltd (NDTC) to make advance

remittance without any limit and without bank guarantee or standby letter of Credit.

Corporate Law

➤ **Applications supported by ASBA in Public & Rights Issue**

To make the existing public issue facility more efficient, SEBI had introduced ASBA Phase I as a supplementary facility of applying in public issues which was available to retail individual investors in public issues only.

➤ **Delivery Period for Interest rate Futures**

It has been decided to allow Exchanges to set any period of time during the delivery month as the delivery period for the deliverable grade securities. Unutilized investment limits for government debt shall also be allocated in similar manner as specified in the circular mentioned above.

No single entity shall be allocated more than Rs.300 Crs. of the government debt investment limit. Minimum amount which can be bid for shall be Rs.50 Crs.

An investment limit of Rs.350 cr. in Government debt shall be allocated among the FIIs/sub-accounts on a first come first served basis subject to a ceiling of Rs. 50 Crs. per registered entity.

➤ **SEBI (Mutual Funds Regulations), 2009**

Asset Management Companies to dispatch dividend warrants within 30 days of the declaration of the dividend. In the event of failure of dispatch of dividend within the stipulated 30 day period, the AMC(s) shall be liable to pay interest @ 15 per cent per annum to the unit holders.

Policy Watch

➤ **External Commercial Borrowings Policy**

RBI/2009-10/292 dated 25th January 2010 A.P. (DIR Series) Circular No. 28: As per the extant policy, eligible borrowers in the telecommunication sector are permitted to avail of ECB for the purpose of payment for

spectrum allocation, under the automatic route. Keeping in view the large outlay of funds required to be paid directly to the Government within a limited period of time, it has been decided to make a one-time relaxation in the end-use conditions of the ECB policy.

Eligible borrowers in the telecommunications sector proposing to fund the payment or Spectrum allocation directly out of the proceeds of the ECBs may continue to avail of the ECBs under the automatic route as per the extant policy.

➤ **Computation of Net Demand and Time Liabilities (NDTL) for the purpose of Maintenance of CRR/SLR**

RBI/2009-10/289 dated 18th January 2010 RPCD. CO. RRB. BC. No. 48 / 03.05.50 / 2009-10: The Regional Rural Banks (RRBs) are not following a uniform practice in reckoning their liability in respect of arrangements with correspondent banks (mainly sponsor banks) for remittance facilities. Under the arrangements, there is a transfer of funds by accepting bank to its correspondent bank and it is an obligation of the correspondent bank to honor the instruments. However, such transfer of funds and obligation of correspondent bank to honor the instruments in no way absolve the primary liability of the accepting bank issuing drafts and interest/dividend warrants to its customers.

It is, therefore, advised that all RRBs should reckon the liability in the following manner:

- When an RRB accepts funds from a client under its remittance facility scheme, it becomes a liability (Liabilities to Others) in its books.



- The amount received by correspondent banks has to be shown as 'Liabilities to the Banking System' by them and not as 'Liabilities to Others' and this liability could be netted off by the correspondent banks against their inter-bank assets

➤ **A Decade of the Total Sanitation Campaign: Rapid Assessment of Processes and Outcomes**

The Total Sanitation Campaign (TSC) of the Government of India has been in operation for over a decade (1999 to date). This report analyses primary and secondary data on the TSC to arrive at an understanding of the processes, outputs and outcomes at a national level and across the states; this is compared with the inputs which have gone into the program. These indicators are then compared individually and in combination to benchmark the states, to understand the relative performance of the states. This benchmarking, based on a combination of eight indicators, is undertaken for both states and districts across the country.

The purpose of this report is to synthesis the wealth of information available through secondary sources such as the TSC and Nirmal Gram Puraskar (NGP) online monitoring systems and primary surveys of select districts at different points on the performance curve, to understand the processes by which the national TSC guidelines are implemented at state and district levels and how these contribute to the outcomes achieved.

➤ **Decentralization of Health in the Indian State of West Bengal**

India has embarked on a substantial program of decentralization following the 73rd and 74th Amendment Acts to the Constitution, which call for establishing and significantly empowering Panchayati Raj Institutions (PRIs) at district, sub-district (block), and village and urban local levels. The World Bank's India program is interested in these developments and is considering how it should support the Government of India (GoI) objectives in these governance reforms. A wide range of support mechanisms is possible, including lending and analytical work, and focusing on national- or state-level activities and direct support for local governments or actions through specific sectors, such as the health sector.

INDUSTRY WATCH AND CORPORATE HIGHLIGHTS

➤ **Hewlett-Packard to Use Qualcomm Chip**

The world's biggest personal-computer maker is testing Qualcomm's Snapdragon chip for use in a scaled-down personal computer Hewlett-Packard Co. (HPQ), the world's biggest personal-computer maker, is testing Qualcomm Inc.'s (QCOM) Snapdragon chip for use in a scaled-down personal computer, a challenge to Intel Corp.'s (INTC) dominance in the processor market.



Hewlett-Packard is demonstrating the computer at the Consumer Electronics Show in Las Vegas this week, San Diego-based Qualcomm said yesterday in a statement. The device has a third-generation wireless connection and supports Wi-Fi networking.

➤ **India Autos: Toyota, Honda Challenge Suzuki**

Toyota Motor Corp., Honda Motor Co. (HMC), and other carmakers will unveil at least six vehicles this week in India challenging Suzuki Motor Corp. (7269:JP), which controls half of the country's market.

"There will be more choices and some of Suzuki's market share will be eaten up," said Puneet Gupta, a New Delhi-based analyst at consultant CSM Worldwide Inc. Maruti, the Indian unit of Hamamatsu, Japan-based Suzuki, may lose up to 5 percentage points in the next two years, he said.



The carmakers will unveil the models at the Delhi auto show starting tomorrow to attract India's 50 million middle-class consumers. Ford Motor Co. (F), General Motors Co. and Volkswagen AG (VOW:GR) are all building plants and introducing new cars in India, the world's second-fastest growing major economy, while demand slumps in the U.S. and Europe.

➤ **Obama Tax Prompts Put-Upon Bankers to Break Out the Violins**

The keening from the banking industry in response to the Obama Administration's proposal to levy a special \$90 billion tax on the largest banks is almost touching. It's unfair. It's punitive. It's vindictive. Worst of all, banks won't pay the fee anyway. Their customers will. "Using tax policy to punish people is a bad idea," said JPMorgan Chase (JPM) Chief Executive Jamie Dimon in remarks after a Financial Crisis Inquiry Commission hearing in Washington earlier in the week. The money will go toward defraying the cost of the \$700 billion Troubled Asset Relief Program (TARP), which used taxpayer money to prop up a tottering U.S. banking system at the height of the financial crisis.

➤ **Ranbaxy in talks to acquire Bangalore vaccine co for Rs 50cr**





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Ranbaxy Laboratories has started discussions to buy a privately held Bangalore based vaccine company, two persons familiar with the development said. While the identity of the company could not be ascertained, one of persons said the Bangalore based company is small in size and the deal could be valued around Rs. 50 Crore

➤ **Tata's Nano could cost \$8,000 in US**

The world's cheapest car is being readied for sale in the US, but by the time India's Tata Nano is retrofitted to meet emissions and safety standards, it won't be that cheap. Tata Technologies Ltd., the global engineering arm of the Tata group conglomerate brought the tiny car to Detroit as a publicity stunt for the engineering group.

Statutory compliance calendar for the month of January 2010

Due date	Statutory compliance under Act	Particulars	Governing authority
			
06/01/2010	Service Tax	Payment of monthly service tax for the month of December by all tax payers electronically	Central Board of Excise and Custom
	Central Excise	Payment of monthly central excise duty for the month of December on goods by assesses other than SSI units and quarterly payment of excise by SSI electronically	Central Board of Excise and Custom
07/01/2010	Income Tax	Deposit of Income Tax TCS and TDS deducted in December	Central Board of Direct Tax.
	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
10/01/2010	Central Excise	(a) Monthly central excise return in form ER-1/ER-2 by other than 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.

15/01/2010	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 December (b) Monthly return in form 5 for employees joining Provident Fund during December 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 December	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.
21/01/2010	SEBI	Payment of ESIC contribution for the month of December	The securities and exchange board of India Act-1992
	ESIC	Monthly contribution statement (abstract) in form 12A, along with copy of receipted challan regarding payment of contribution.	The employees' state insurance Act-1948. Ministry of labour and employment.
25/01/2010	Provident Fund	Monthly contribution statement (abstract) in form 12A, along with copy of receipted challan regarding payment of contribution.	The Central Board of Trustees , The Employees' Provident Fund Scheme, 1952

Glossary

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

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

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