

# Tax & Corporate law Bulletin

## **RAJPUT JAIN & ASSOCIATES** **CHARTERED ACCOUNTANTS**

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**AUGUST 2012**

### **From the Editor's Desk...**

**Dear Reader,**

Greetings for the season.

May the Indian tricolor always fly high, may our nation bloom with happiness and prosperity, warm wishes of the month of Indian Independence to all.

Some updates of this month are as follows: No deduction of TDS of specified payment u/s 194J on payment for software purchase, Amendment in Rule 12 and substitution of Forms:-income tax (7<sup>th</sup> Schedule) Rules, 2012 and read many more...

We eagerly await your feedback on the bulletin.

**Yours truly,**

**Rajput Jain & Associates**  
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“Adapting swiftly to the  
global business environment”



## DIRECT TAX

- No deduction of TDS in respect of specified payment u/s 194J on payment for software purchase

The Central Government hereby notifies that no deduction of tax shall be made u/s 194J i.e. payment made by person (hereinafter referred to as transferee) for acquisition of a software from another person being resident (hereinafter refer to as transferor) provided the following conditions are satisfied .The notification comes in effect from July 01, 2012.

### Conditions:

- The software is acquired in a subsequent transfer and the transferor has transferred the software without any modification.
- Tax has been deducted:-
  - a) Under section 194J on payment for any previous transfer of such software or
  - b) Under section 195 on payment for any previous transfer of such software from a non-resident and
- The transferee obtains a declaration from the transferor that the tax has been deducted either under sub-clause (a) or (b) of clause (ii) along with the Permanent Account Number of the transferor. CBDT instruction to Subordinate Authorities- Authorization to AO's in certain cases to rectify reconciles disputed arrear demand.



- Press release regarding mandatory e-filing of Income-Tax Returns



## Income Tax Return

The CBDT vide press release No. 402/92/2006-MC dated 2<sup>nd</sup> July, 2012 clarified that the following entities does not mandatorily required to e-file their return of income for the Assessment Year 2012-13 with digital signature and such tax payer can also transmit the data in the return electronically and thereafter submit the verification of income in Form ITR-V. Such person can e-file return of Income without digital signature.

The entities are as under:-

- An individual or HUF whose total income is exceeding Rs.10 Lacs.
- An individual or HUF being a resident, having asset (including financial interest in any entity) located outside India or signing authority in any account located outside India and required to furnish the return in Form ITR-2or ITR-3 or ITR-4.

- Amendment in Rule 12 and substitution of Forms:-Income-Tax (Seventh Schedule) Rules, 2012

The CBDT vide notification 25/2012 [F. No. 142/31/2011-TPL]/S.O. 1453(E) dated 2<sup>nd</sup> July, 2012 gives Income-Tax (Seventh Schedule) Rules, 2012. It amends Rule 12 and substitute form ITR-5 and ITR-6. It also makes an amendment in proviso to clause (a) and clause (ca) to sub-rule (1) of Rule 12 in order to clarify that the amendment relating to disclosure of assets (including financial interest in any entity) located outside India and signing authority located

outside India applies to resident other than not ordinarily resident in India within the meaning of section 6(6) of the Income-Tax Act.

The proviso to clause (a) and clause (ca) deals with the Sahaj (ITR-1) and Sugam (ITR-4S) respectively. The similar amendment is also made in proviso (aa) of sub-rule (3) of Rule 12 of Income-Tax Rules. The proviso (aa) deals with the requirement of compulsory e-filing of return either with digital signature or transmitting data electronically and submitting the verification form in ITR-V.

### DTAA of India with Estonia

**Notification No. 28/2012 [F.No. 503/02/1997-FTD-I] dated 25<sup>th</sup> July, 2012**

The Central Government has notified that all the provisions of Agreement between the Government of the Republic of India and the Government of the

Republic of Lithuania for the Avoidance of Double Taxation and Prevention of Fiscal Evasion shall be given effect to in Union of India w.e.f. 1st day of April, 2013.

## RECENT JUDGEMENTS

### ➤ Section 2(15) & 10(23C)(vi): Institute for music is educational institute

Music societies are teaching and promoting all forms of music and dance, western or any other and is run like any school or educational institution in a systemic manner with regular classes, vacations, attendance requirements, enforcement of discipline and so on and therefore meets the requirement of an educational institution within meaning of Section 10(23C)(vi); order passed by the prescribed authority is quashed and matter remanded for reconsideration.

*Delhi Music Society vs. Director General of Income-Tax (2012) 246 CTR (Del) 32. 24<sup>th</sup> July 2012*

## INDIRECT TAX

### SERVICE TAX

#### Synopsis of Notifications, Circulars & Letters

### ➤ Central Government Vide Circular No 162/13/2012- ST dated 6<sup>th</sup> July, 2012

CBEC has issued following clarifications on Point of Taxation Rules, 2011. The continuous supply of service was governed by Rule 6 till 31<sup>st</sup> March, 2012 with prefix "Notwithstanding contained in Rule 3, 4..." hence, the Point of Taxation for such services provided on or before 31<sup>st</sup> March, 2012 would be unaffected by Rule 4.

The position for continuous supply of service has undergone change during transition to negative list approach and amendment in Service Tax determination of Value Rules, 2006. Point of taxation in respect of taxable works contract in progress on 1<sup>st</sup> July, 2012 would be determined as per the provisions of Rule 4 if there is change in effective rate of tax.

It is clarified that following would be considered as "change in effective rate of tax" in respect of a works contract.

- The change in the portion of total value liable to tax in respect of works contract other than original works (from 4.8% earlier to 12% on 60% of the total amount charged, or effectively @ 7.2% now).
- Exemption granted to certain works contracts w.e.f. 1<sup>st</sup> July, 2012 which were earlier taxable.
- Taxability of certain works contracts which were hitherto exempt.
- Change in the manner of payment of tax from composition scheme under the Works Contract (Composition Scheme for Payment of Service Tax) Rules, 2007 to payment on actual value under clause (i) of rule 2A of the Service Tax (Determination of Value) Rules, 2006.

It is also clarified that following would not be considered as "change in effective rate of tax" in respect of a works contract:-

- Works contracts earlier paying service tax @ 4.8% under composition scheme and now required to pay service tax @ 12% on 40% of the total amount charged, keeping the effective

rate again at 4.8% (as only the manner of expression has been altered).

- Works contracts which were outside the scope of taxation (and not merely exempted) but have become now taxable e.g. construction of residential complex comprising of 2 to 12 residential units, construction of buildings meant for use by NGOs etc. (Rule 5 of the Point of Taxation Rules, 2011 shall apply to such services).

The provisions of partial reverse charge would be applicable in respect of Works Contract Services where Point of Taxation is on or after 1st July, 2012

Under applicable Rule in respect of service provider.

#### **A. CENTRAL EXCISE**

##### **➤ Exemption to products cleared against scrip- Focus Market Scheme**

**(Notification no. 30/12 dated 9<sup>th</sup> July, 2012)**

Exemption has been granted to products cleared under Focus Market Scheme duty credit Scrip subject to certain conditions like:-

- The scrip is issued against exports to the countries notified in Appendix 37C of the Handbook of Procedures, Volume I.
- The benefits under this notification shall not be available to clear the items listed in Appendix 37B of the Handbook of Procedures, Volume I and to goods or items, the imports of which are not permitted against the said scrip.
- The scrip must be presented to the Customs authority for endorsement.
- The manufacturer must retain a copy of the said scrip, debited by the Customs authority and endorsed by the Officer and duly attested by the holder of the scrip.
- Holder of the scrip, to whom the goods were cleared, shall be entitled to avail the draw back or CENVAT credit of the duties of excise leviable against the amount debited in the said scrip and validated at the time of clearance.

##### **➤ Exemption to goods cleared against scrip- VKGUY**

**(Notification No. 32&33/2012CE dated 9<sup>th</sup> July, 2012)**

Exemption has been granted to specified capital goods, when cleared against Agricultural, Infrastructure Incentive Scrip duty credit scrip issued under Vishesh Krishi and Gram Udyog Yojana (VKGUY) subject to fulfilment of certain conditions like:-

- The benefits under this notification shall not be available to clear the items listed in Appendix 37B of the Handbook of Procedures, Volume I and to goods or items, the imports of which are not permitted against the said scrip.
- Capital goods cleared under this exemption shall be subject to actual user condition.
- The holder of the scrip, who may either be the person to whom the scrip was originally issued or a transferee-holder, presents the said scrip to the said Customs authority along with a letter or proforma invoice from the supplier or manufacturer indicating details of its jurisdictional Central Excise Officer (hereinafter referred as the said Officer) and the description, quantity, value of the goods to be cleared and the duties leviable thereon, but for this exemption.
- The manufacturer must retain a copy of the said scrip, debited by the Customs authority and endorsed by the Officer and duly attested by the holder of the scrip.
- The said holder of the scrip, to whom the goods were cleared, shall be entitled to avail the drawback or CENVAT credit of the duties of excise against the amount debited in the said scrip and validated at the time of clearance.

##### **➤ Exemption to goods cleared against scrip VKGUY/ Status Holder**

On similar lines of the earlier two exemptions with certain suitable modifications, the exemption is also

granted to the goods cleared against duty credit scrip under VKGUY Scheme or Status Holder Scheme.

*Vishesh Krishi And Gram Udyog Yojana  
[VKGUY]*

## **FEMA**

### ➤ **Buyback / Prepayment of Foreign Currency Convertible Bonds (FCCBs)**

**A.P. (DIR Series) Circular No.1 dated 5<sup>th</sup> July, 2012**

RBI has decided to continue the scheme of buy back of FCCBs subject to certain modifications. Accordingly, henceforth proposals from Indian companies for Buyback of FCCBs will be considered under the approval route subject to:

- The buyback value of the FCCBs shall be at a minimum discount of 5% on the accreted value.
- In case the Indian company is planning to raise a foreign currency borrowing for buyback of the FCCBs, all FEMA rules/ regulations relating to foreign currency borrowing shall be complied with.
- All terms and conditions as stipulated in paragraph 5 of A.P. (DIR Series) Circular No.39 dated December 8, 2008 will continue to be applicable.
- This facility shall come into force with immediate effect and the entire process of buyback should be completed by March 31, 2013 after which the scheme lapses.

The existing requirement of submission of ECB 2 return will continue as hitherto. Further, on completion of the buyback, a report giving details of buyback, such as, the outstanding amount of FCCBs, accreted value of FCCBs bought back, rate at which FCCBs bought back amount involved, and source of funds may be submitted, through the designated AD Category - I bank, to the RBI.

### ➤ **Compounding of Contraventions under Foreign Exchange Management Act, 1999**

**A.P. (DIR Series) Circular No.11 dated 31<sup>st</sup> July, 2012**

RBI has clarified that whenever a contravention is identified by RBI or brought to its notice by the entity involved in contravention by way of a reference other than through the prescribed application for compounding, the RBI will continue to decide:

- whether a contravention is technical and/or minor in nature and, as such, can be dealt with by way of an administrative / cautionary advice;
- Whether it is material and, hence, is required to be compounded for which the necessary compounding procedure has to be followed; or
- Whether the issues involved are sensitive /serious in nature and, therefore, need to be referred to the Directorate of Enforcement (DOE). However, once a compounding application is filed by the concerned entity suo moto, admitting the contravention, the same will not be considered as 'technical' or 'minor' in nature and the compounding process shall be initiated in terms of section 15 (1) of Foreign Exchange Management Act, 1999 read with Rule 9 of Foreign Exchange (Compounding Proceedings) Rules, 2000.

### ➤ **Review of Guidelines - Exchange Earner's Foreign Currency (EEFC) Account, Diamond Dollar Account (DDA) and Resident Foreign Currency (RFC) Account**

**A. P. (DIR Series) Circular No. 12 dated 31<sup>st</sup> July, 2012 and Press Release: 2012-2013/165 dated 31<sup>st</sup> July 31, 2012**

RBI had vide A.P. (DIR Series) Circular No. 124 dated 10<sup>th</sup> May, 2012, stipulated that in respect of all future foreign exchange earnings, an exchange earner will be eligible to retain only 50% of her/his export earnings in EEFC accounts and the balance 50% shall be surrendered for conversion to rupee balances. This provision was, made applicable, mutatis mutandis, to DDA and RFC Account as well.

Further, in terms of A.P. (DIR Series) Circular No. 8 dated 18<sup>th</sup> July, 2012, the RFC accounts were subsequently taken out of the purview of the provisions of the aforesaid Circular dated 10<sup>th</sup> May, 2012. For operational convenience, it has now been decided to restore the erstwhile stipulation of allowing credit of 100% foreign exchange earnings to the EEFC account subject to the condition that the sum total of the accruals in the account during a calendar month should be converted into Rupees on or before the last day of the succeeding calendar month after adjusting for utilization of the balances for approved purposes or forward commitments.

Accordingly, balances outstanding in an EEFC account as on July 31, 2012 and those balances that would accrue in the account with effect from August 1, 2012 shall get converted to Rupee balances on or before close of business on September 30, 2012. Similar procedure may be followed for accruals during the subsequent months. The above stipulations would also apply to RFC (Domestic) and DDAs.

➤ **Non Resident Deposits (NRD): Comprehensive Single Return**

**A.P. (DIR Series) Circular No. 4 dated 12<sup>th</sup> July, 2012**

Presently, Banks maintaining NRD Accounts are required to submit the data on NRDs in soft copy in the form of Stat 5 and Stat 8 Returns in Microsoft Excel format, both through email and a hard copy to the Department of Statistics and Information Management (DSIM), Central Office, Bandra-Kurla Complex, RBI.

RBI has decided that as the above system of reporting of Stat 5 and Stat 8 returns in soft copy has stabilized; the banks dealing in foreign exchange [excluding Regional Rural Banks (RRBs) and Co-Operative banks] can stop sending hard copies to DSIM, Central Office. Henceforth the soft copies as per the prescribed format should only be sent to DSIM, Central Office, and RBI. Cooperative Banks and RRBs may, however, continue submission of both hard and soft copies of Stat 5 and Stat 8 Returns,

to the Regional Offices of the Foreign Exchange Department, RBI.

➤ **Downstream investment by a banking company incorporated in India which is owned**



**and/or controlled by non-resident entities**

**Press Note No. 2(2012Series) issued by DIPP dated 31<sup>st</sup> July, 2012**

As per the present position as provided in Circular 1 of 2012-Consolidated FDI Policy, the downstream investment by an Indian company, which is owned and/ or controlled by non-resident entity or entities, into another Indian company, shall be considered for calculation of the indirect foreign investment only if the investing company is owned or controlled by 'non-resident entities', provided that as an exception, the indirect foreign investment in only the 100% owned subsidiaries of operating-cum-investing companies, will be limited to the foreign investment in the operating-cum-investing company.

The Government of India has reviewed the policy relating to calculation of downstream investments by a banking company incorporated in India, which is owned and/or controlled by non-residents/ a non-resident entity / nonresident entities. Accordingly, downstream investment/s made by a banking company (as defined in clause (c) of Section 5 of the Banking Regulation Act, 1949, incorporated in India) which is owned and/or controlled by non residents/ a non-resident entity / non-resident entities under Corporate Debt Restructuring (CDR), or other loan restructuring mechanism, or in trading books, or for acquisition of shares due to defaults in loans, shall not counted towards indirect foreign investment. Such downstream investment shall be reckoned only if it is in the nature of 'strategic downstream investment', i.e. investment by these banking companies in their subsidiaries, joint ventures and

associates. Accordingly, a note has been inserted below paragraph 3.10.4.1 of 'Circular1 of 2012-Consolidated FDI Policy'.

## **CORPORATE LAWS**

### ➤ **Reduction and prescription of time-line for registration and transfer of Equity and debt securities**

The SEBI has issued *Circular No CIR/MIRSD/8/2012* dated 5<sup>th</sup> July, 2012 stating that the listing agreement for equity shares prescribed under the Securities Contracts (Regulation) Act, 1956 inter alia specifies a period of one month for registering transfer of shares from the date of lodgment. Now, with a view to expedite the transfer process in the interest of the investors,

It has been decided, in consultation with Registrars Association of India (RAIN), stock exchanges and market participants to reduce the time-line for registering the transfer of shares/ debt securities to 15 days. Consequently, all the recognized stock exchanges are directed to amend clauses 3(c) and 12A (3) of the listing agreement for equity shares, clauses 3(c) and 14(b) of the SME equity listing agreement, incorporate time-line of 15 days for transfer of debt securities and the provision for compensation of the opportunity losses caused during the period of delay in transfer in the listing agreement for debt securities on the lines of the existing provisions in the listing agreement for equity shares and to amend any other clauses as applicable in the listing agreements.

### ➤ **Public Issue of Debt Securities - Contents of Application Form and Abridged Prospectus**

The SEBI has issued Circular No. CIR/IMD/DF-1/19/2012 dated 25<sup>th</sup> July, 2012 referring to the SEBI (Issue and Listing of Debt Securities) Regulations in 2008 specifying norms for public issue of debt securities and privately placed listed debt securities. With respect to public issue of debt securities, there is currently no specified standard format for the Application form and abridged prospectus resulting in different application forms and abridged

prospectus being used in public issues of debt securities.

In order to standardize the application form and abridged prospectus for public issue of debt securities, the existing forms and abridged prospectus were discussed and deliberated upon with market participants. Based on the discussions, the structure, design format, contents and organization of information in the application form and abridged prospectus have been standardized and made uniform for public issues of debt securities.

### ➤ **Imposing fees on certain - forms-Form23B**

The MCA has issued General Circular No. 19/2012 dated. 27<sup>th</sup> July, 2012 in relation to imposing fees on certain e-forms filed with ROC, RD or MCA (HQ) under MCA- 21 where at present no fee is prescribed and specifically in relation to filing of Form 23B. It is now clarified that fees on Form 23B (Information by statutory auditor to the Registrar) has been deferred for two weeks and shall now be applicable from 5<sup>th</sup> August, 2012 (which is further extended to 12<sup>th</sup> August 2012 by another circular).

### ➤ **Cost Audit Report and Compliance Report in the XBRL mode**

The MCA has issued General Circular No. 18/2012 dated July 26, 2012 referring to the requirement issued earlier that all cost auditors and the concerned companies shall file their cost audit reports and compliance reports for the financial year 2011-12 onwards [including the overdue reports relating to any previous year(s)] only in the XBRL mode. While this is made mandatory, the applicable taxonomy, business rules, validation tools, etc. and also the "product group" classification required for preparing the cost audit reports and compliance reports as per the notified Cost Accounting Records Rules, 2011 and Cost Audit Report Rules, 2011 are under preparation and would soon be made available by the MCA.

The actual date for enabling XBRL filing will be intimated separately. Hence, all cost auditors and the concerned companies will be allowed to file their Cost audit reports and compliance reports for the



2011-12 [including the overdue reports relating to any previous year(s)] with the central government in the XBRL mode, without any penalty, up to 31<sup>st</sup> December, 2012.

➤ **Amendment to definition of QFI and QFI Investment in debt MF schemes which invest in infrastructure**

The SEBI has issued Circular No. CIR/IMD/FII&C/18/2012 dated 20<sup>th</sup> July, 2012 amending the definition of the QFI and few other matters. It has clarified that the term “person” and the phrase “resident in India” shall carry the same meaning as defined under the Income-tax Act, 1961.

Accordingly, the amended definition for QFI shall now also include restrictions on QFI with regard to resident in a country that is a member of Financial Action Task Force (FATF) or a member of a group which is a member of FATF and resident in a country that is a signatory to IOSCO’s MMOU (Appendix A Signatories) or a signatory of a bilateral MOU with SEBI.

It is also clarified that QFI’s can now invest in those debt mutual fund schemes that hold at least 25 percent of their assets (either in debt or equity or both) in the infrastructure sector under the USD 3 billion investment limit of debt mutual fund schemes which invest in infrastructure.

➤ **Deployment of clients fund in liquid mutual funds**

The SEBI has issued Circular No. Cir./IMD/DF-1/16/2012 dated 16<sup>th</sup> July, 2012 informing that it had received representation from various portfolio managers seeking clarification regarding investment in short-term liquid mutual funds by portfolio managers. SEBI now clarifies that pending investment of funds; any short-term deployment of funds in liquid mutual funds for the purpose of cash management shall be maintained on the lines as specified by the SEBI circular no. IMD/DOF-I/PMS/Cir-4/2009 dated June 23, 2009 which specified keeping the funds of all clients in a separate bank account, clear segregation of each client’s fund,

reconciling client-wise funds with the funds in the bank Account on a daily basis, etc.

➤ **Investment by qualified foreign investors (QFI) in Indian corporate debt**

The SEBI has issued Circular No. CIR/IMD/FII&C/17/2012 dated 18<sup>th</sup> July, 2012 stating that QFIs were allowed to invest in schemes of Indian mutual funds and Indian equity shares subject to terms and conditions mentioned therein by opening a demat account with a qualified depository participant (DP). In consultation with the Government of India (GOI) and the RBI, it has now been decided to allow QFIs to invest in Indian corporate debt securities and debt schemes of Indian mutual funds. The QFI transactions shall be limited to the following debt securities:

- Purchase and sale of corporate debt securities listed on recognized stock exchange(s);
- Purchase of corporate debt securities through public issues, if the listing on recognized stock exchange(s) is committed to be done as per the extant provisions of the Companies Act, 1956;
- Sale of corporate debt securities by way of buyback or redemption by the issuer;
- Purchase and sale of units of debt schemes of Indian mutual funds.

**POLICY WATCH**

➤ **RBI Eases Norms on Foreign Exchange Earnings**



The **Reserve Bank of India** has allowed companies to keep 100% of their foreign exchange earnings. This will give the companies more flexibility to manage their exposure. The guidelines reverse the RBI’s directive mandating exporters to convert 50%

of their foreign exchange holdings in their accounts into rupees within two weeks. RBI will also allow exporters to cancel and rebook forward contracts comprising up to 25% of their total hedged exposure.

➤ **India to assist Sri Lanka in setting up manufacturing zone**

India will assist in establishing a manufacturing and export zone in Sri Lanka for engineering and auto components. This will help Sri Lanka to improve its exports. Both the countries have agreed to set up a Joint Task Force to increase economic operation and have also decided to set up a skill training institute. The governments too have underlined the need for increasing bilateral investments between the two countries. Union Government to provide free generic drugs to public hospitals.

➤ **The Union government has decided to provide free generic drugs at an estimated expense of \$5.4 billion**

Public hospitals to give a boost to the rural health insurance industry. The rural health insurance accounts for about 30% of the health insurance industry's total business and the cost of rural healthcare will come down, once the government's move to provide free generic drugs comes into force. Over the next five years this scheme will be rolled out and will require the public doctors to prescribe non-branded generic drugs.

➤ **Government approves 5 new oil blocks under NELP IX-Th Round**

The government has approved five more oil and gas blocks that had been put on offer under the New Exploration Licensing Policy (NELP) IX round of bidding. In 2010-2011, the ninth round of NELP was conducted by the government that had offered 34 blocks for exploration and bids for 33 were received at the close of bidding on March 28, 2011. In March 2012, government had awarded 16 blocks to firms such as Oil and Natural Gas Corporation (ONGC) while bids for 10 blocks were rejected. The committee was scheduled to consider the award of six on-land and two offshore blocks, but only five were approved.

➤ **Rubber sector keen to set up units in Indonesia**

Indonesia which is the second largest producer of rubber in the world has invited Indian rubber industry to start their rubber manufacturing units in Indonesia. Indonesia offers abundant natural rubber inexpensive labour and power and friendly government policies. Indonesia has also invited investment in rubber plantation through lease of land. This will increase bilateral trade in rubber goods for both countries

## **INDUSTRY WATCH & CORPORATE HIGHLIGHT**

➤ **Cement Corporation of India to sell 3 cement units:-**

The Government has decided to put up for sale six of the 10 cement factories of Cement Corporation of India Ltd. These plants will be one each, in Madhya Pradesh, Karnataka, Haryana and Delhi and two in Chhattisgarh. These plants have not been functional for about a decade. The cumulative production capacity of these six plants is 2.65 million tonnes per year. Cement Corporation has three functional plants at Bokajan(Assam), Tandur(Andhra Pradesh) and Rajban(Himachal Pradesh). These three plants have a total capacity of 1.4 million tonnes per year.

➤ **Tech. firms planning to develop ICT infrastructure in GIFT**

Telecom & Technology firm are planning to develop Information & Communication Technology (ICT) in the Gujarat International Finance-Tec (GIFT). The main purpose of ICT is to create infrastructure to provide a competitive edge to companies coming up at GIFT. Firms including Bharti Airtel, Reliance Communication, Tata Communications Ltd, Cisco Systems, Wipro Ltd, Sify Technologies Ltd., HP India, AGC Networks Limited, Newgen Holdings Pvt. Ltd. Allied Digital Services Ltd. Sai Info system, Mircoqual Techno Ltd, BSNL, IBM, Tulip Telecom and Hawaii Ltd. have shown interest to be a part of ICT partner in GIFT project.

The project will be the Indian equivalent of similar financial centers in Hong Kong, Dubai, China,

Malaysia, UK (London) and the United States (New York).

➤ **Indian oil to set up refinery in Sri Lanka:-**

Indian Oil Corporation (IOC) will set up its first refinery outside India. This will come up in Sri Lanka and will have an investment of up to Rs 200 billion and an expected capacity of 5-9 Million Tonnes Per Annum (Mtpa). IOC is already present in Sri Lanka through its subsidiary Lanka IOC. This is the only private oil company that operates retail fuel stations in Sri Lanka. Lanka IOC has 157 fuel retail outlets and has a market share of about 43.5%. Sri Lanka's only refinery has a refining capacity of 2 mtpa .

➤ **Lupin and Novartis enter into marketing alliance:-**

Lupin and Novartis have entered into a marketing alliance under which Lupin would sell Novartis' asthma drug, Onbrez, in India. Onbrez which is launched recently is used in the treatment of Chronic Obstructive Pulmonary Disease (COPD). The market for COPD in India is estimated to be around Rs 16.93 billion. Cipla is the leader in the segment with over 48% share. Lupin already sells various products in this segment and has an 11.4% share in the market. With this agreement, Novartis is expected to gain from the huge marketing network of Lupin. While for Lupin's, India is an integral part of its overall business. Over 27 % of its revenues came from here during the last fiscal. Its domestic formulation business is growing at around 21% over the past five years.

➤ **Indian companies sign 19 defence offset clauses worth Rs. 250 billion:-**

Indian companies have signed 19 offset contracts with foreign vendors after the offset policy came into effect in Sept 05, 2005. Indian Air Force (IAF) procurements have generated 80% of all offsets, with naval procurements accounting for the other 20%. Army procurement has yielded no offsets so far. The defence offset policy requires international arms vendors who win contracts worth Rs. 3 billion or more to plough back at least 30% of the contract value into India in the form of defence orders

technology or infrastructure. Offsets were first made mandatory in the Defence Procurement Policy of 2005 and then revised periodically most recently on Aug 1, 2012.

➤ **Kavveri Telecom acquires wireless division of WPCS of United States:-**


Bangalore based telecom products manufacturer Kavveri Telecom has acquired USbased WPCS International's wireless communications division. It provides world class hardware products and solutions for the telecom, defense and space industry and operates in Lakewood, New Jersey and Hartford Connecticut. This acquisition will provide Kavveri with a range of wireless systems solutions in addition to its existing products portfolio.

➤ **Honda Motor Corp buys out SIEL stake :-**

Shriram group firm Usha International Limited (UIL) and Honda Siel Car India (HSCI) have signed an agreement to end its 16 years old Joint Venture (JV). Based on mutual consent UIL which held 3.16% or Rs. 1.8 billion shares has sold its shares to the partner Honda Motor Co. of Japan. Following this, HSCI will now be a 100% Honda subsidiary in India. The process of changing the company name and other formalities will be completed over the next few months.

➤ **Six global retailers apply for 51% stake in Indian operations :-**

India has received six proposals from global single-brand retailers including Tommy Hilfiger, Brooks Brother Group, Damiani International, Promod SAS, Fapa Company Ltd and NA Pali Europe SARL seeking permission to own 51% of their operations in the country. Most of these retailers are already present in the Indian market through licensing partners and Joint Ventures (JV) with Indian retailers. In January, 2012 India allowed foreign single-brand retailers to set up wholly owned operations in India. But a requirement that company's source 30% from small local firms has discouraged retailers from applying for full ownership. Only IKEA and Pavers, the British shoe chain, have applied so far.

Statuary compliance calendar for the month of August 2012			
Due date	Statuary compliance under Act	Particulars	Governing Authority
			
06/08/2012	Service Tax	Payment of monthly service tax for the month of July by all tax payers electronically	Central Board of Excise and Custom
	Central Excise	Payment of monthly central excise duty for the month of July on goods by assesses other than SSI units electronically	Central Board of Excise and Custom
07/08/2012	Income-Tax	Deposit of Income-Tax TCS and TDS deducted in July	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.
10/08/2012	Central Excise	Monthly central excise return in form ER-1/ER-2 by other than 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.
15/08/2012	Provident Fund	(a) Payment of monthly dues of Provident Fund for the month of July  (b) Monthly return in form 5 for employees joining Provident Fund during July 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 July	The Central Board of Trustees , The Employees' Provident Fund Scheme, 1952
21/08/2012	ESIC	Payment of ESIC contribution for the month of July	The employees' state insurance Act-1948. Ministry of labour and employment.
25/08/2012	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

### 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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