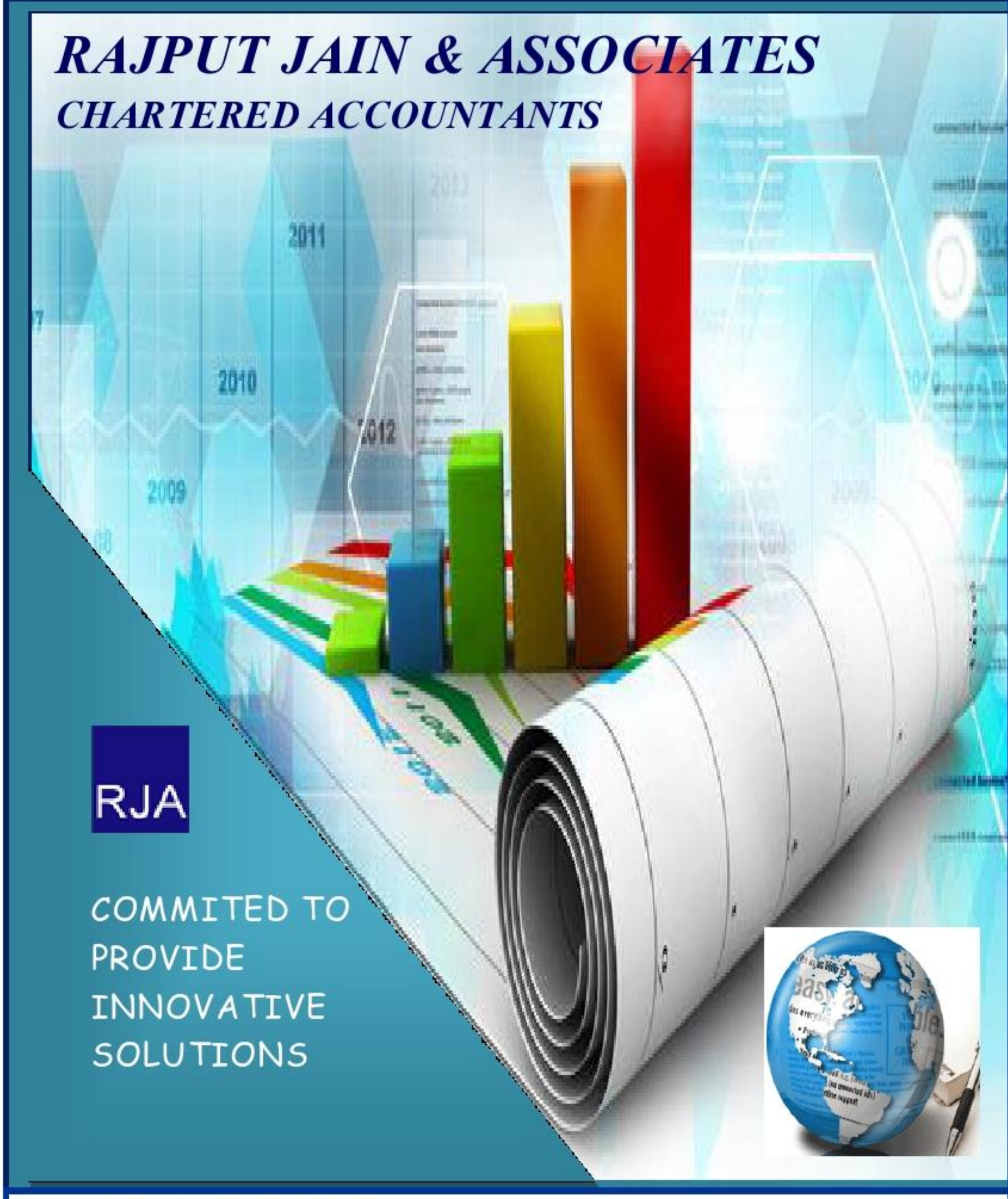
Tax & Corporate law Bulletin



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MARCH 2014

From the Editor's Desk...

Dear Reader,

Greetings for the season.

With the wishes of Peace and Joy we are glad to put this edition for our reader on the significant updates as… Finance Bill 2014 – Interim Budget 2014-15, Special lights on the Nokia Tax Case, Suzuki to invest USD 3.12 billion for setting up unit in Gujarat, RBI mandates maintenance of liquidity ratios for banks and read many more…

We eagerly await your feedback on the bulletin.

Yours truly,

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DIRECT TAX

- **Section 143 Of The Income-Tax Act, 1961 – Non-Filing Of ITR -V In Returns With Refund Claims – Relaxation Of Time-Limit For Filing ITR-V And Processing Of Such Returns Circular No. 4/2014 [F. No. 225/198/2013], Dated February 10th 2014**

Central Board of Direct Taxes, in exercise of powers under section 119(2)(a) of the Act, hereby further relaxes and extends the date for filing ITR-V Form for Assessment Years 2009-10, 2010-11 and 2011-12 till March 31st, 2014 for returns e-filed with refund claims within the time allowed under section 139 of the Act. The taxpayer concerned may send a duly signed copy of ITR-V to the CPC by this date by speed post in such cases. Central Board of Direct Taxes also relaxes the time-frame of issuing the intimation as provided in second proviso to sub-section (1) of section 143 of the Act, and directs that such returns shall be processed within a period of six months from end of the month in which ITR-V is received and the intimation of processing of such returns shall be sent to the assessee concerned as per laid down procedure.

- **Section 14a Of The Income-Tax Act, 1961, Read With Rule 8d Of The Income-Tax Rules, 1962 - Expenditure Incurred In Relation To Income Not Includible In Total Income – Clarification On Disallowance Of Expenses Under Section 14a In Cases Where Corresponding Exempt Income Has Not Been Earned During The Financial Year Circular No. 5/2014 [F. No. 225/182/2013-Ita.Ii], Dated February 11th, 2014**

Central Board of Direct Taxes, in exercise of its powers under section 119 of the Act hereby clarifies that Rule 8D read with section 14A of the Act provides for disallowance of the expenditure even where taxpayer in a particular year has not earned any exempt income.

- **Finance Bill 2014 – Interim Budget 2014-15**

Relevant extract of speech of Shri P. Chidambaram, Ministry of Finance on February 17th, 2014 concerning Finance Budget 2014-15 and the clause wise Finance Bill as introduced in the Lok Sabha on February 17th, 2014 is available at above magazine. The object of Finance Bill is to continue existing rate of income tax for FY 2014-15.

- **Double Tax Agreement-protocol – amending the conventions between India and United Kingdom of Great Britain and Northern Ireland**

The Notification No. 10 dated February 10th, 2014 gives protocol amending the conventions between India and United Kingdom of Great Britain and Northern Ireland for the avoidance of double taxation and prevention of fiscal evasion with respect to taxes on income and capital. The Central Government hereby directs that all the provisions of said protocol shall be given effect to in the Union of India from December 27th, 2013. This amends the Notification No. GSR 91(E) dated February 11th, 1994.

- **CBDT clarification on scope of Additional Income Tax on distributed income u/s. 115R**

The CBDT vide circular No. 6/2014 dated February 11th, 2014 clarified that additional income tax u/s. 115R (2) of the Act is to be levied on income distributed by way of dividend to unit holders of mutual fund/specified companies and receipt for redemption/repurchase of units or allotment of additional units by way of bonus units would not be subjected to levy of additional income tax under that section. This clarification is issued as instructions to subordinate authorities. The object of issue of clarification is that some field authorities are taking view that Mutual Fund/Specified companies are required to pay additional income tax u/s. 115R (2) not only income distributed by way of dividend but also payments made at the time of redemption/repurchase of units as well as at the time of allotment of bonus units to existing investors.

The CBDT clarified that redemption/repurchase of units would not attract levy of tax u/s. 115R(2) as such income is not of the nature of income "Distributed" to the unit holders and hence lies outside of the purview of the section. Further, the income so distributed is specifically exempt from the tax u/s. 10(35) of the Act in the hands of the recipient. The recipient of such income is liable to pay capital gains tax if applicable on transfer of such units as per the relevant provisions of the Act and should not be subject to additional income tax u/s. 115R of the Act.

RECENT JUDGEMENT

➢ **Nokia Tax Case**

- The Supreme Court on Friday ordered Nokia to give a Rs. 3500 crore guarantee before it transfers one of its biggest handset plants to Microsoft Corp. The ruling upheld a lower court verdict over the plant in Chennai, which is the subject of a tax dispute, and had been challenged by the Finnish company. Nokia's case is one of several high-profile tax disputes involving foreign companies in India. Vodafone Group, IBM and Royal Dutch Shell are among foreign groups contesting local tax claims.

- Nokia, which is selling its mobile phones business to Microsoft in a 5.4 billion euro deal, previously agreed to set aside Rs. 2250 crore in an escrow account while it fights the tax authority's claims in court. But the Delhi High Court last month said that Nokia should also commit to paying an additional amount for any future tax claims and waive some of its rights to legal defense as a condition for transferring Indian assets to Microsoft.

- The Microsoft deal, which will allow Nokia to shift its focus to network equipment, is expected to close by the end of this month and Nokia had been keen for a ruling before then. If the plant is not allowed to be transferred, Nokia can run it as a contractor to Microsoft, but not for long, the Finnish company's lawyers have said in court hearings. If Nokia chooses to shut down the Chennai plant, it would leave thousands out of work and Microsoft without a key manufacturing site. It could also mean that Nokia ends up with less money from the Microsoft deal.

INDIRECT TAX

Service Tax

Synopsis of Notifications, Circulars & Letters:-

➢ **Central Government vide Notification No. 2/2014-ST dated 30th January, 2014** has substituted clause(s) of para 2 of the Mega Exemption Notification No. 25/2012-ST dated 20th June, 2012 wherein the term "governmental authority" is now defined as "an authority or a board or any other body;

- Set up by an Act of Parliament or a State Legislature; or
- Established by Government, with 90% or more participation by way of equity or control, to carry out any function entrusted to a municipality under Article 243W of the Constitution".

➢ **Central Government vide Notification No. 3/2014-ST dated 3rd February, 2014** has granted retrospective exemption to the service tax payable on the services provided by an authorized person or sub-broker to the member of a recognised association or a registered association, in relation to a forward contract where such service tax was not being levied during the period from 10th September, 2004 to 30th June, 2012in accordance with the generally prevalent practice during the said period. Central Government vide Notification No. 4/2014-ST dated 17th February, 2014 has amended Mega Exemption Notification No.25/2012-ST dated 20th June, 2012 whereby exemption is granted to:-

- Services provided by cord blood banks by way of preservation of stem cells or any other service in relation to such preservation (Entry2A)
- Services by way of loading, unloading, packing, storage or warehousing of rice (Entry 40)

➢ **Central Government vide Notification No. 5/2014-ST dated 24th February, 2014** has amended the Notification No. 6/2013-ST dated 18th April, 2013 which grants exemption to the taxable services provided or agreed to be provided against a Focus Market Scheme duty credit script issued to an exporter by the Regional Authority subject to fulfillment in the said Notification. CBEC vide Circular No. 177/3/2014-ST dated 17th February, 2014 has clarified that:-

- Transportation of rice through rail, vessel or road is already exempted since rice is covered under the term "food stuff' under Entry No.20 (i) & 21(d) of Mega Exemption Notification No. 25/2012-ST dated 20th June, 2012, as amended from time to time.
- Milling of paddy into rice on job work basis is also exempt under Entry No. 30 (a) since such milling of paddy is an intermediate production process in relation to agriculture.

➢ **Commissioner of Service Tax, Mumbai-I vide Trade Notice No. 18/2013-ST dated 19th December, 2013** in supersession of Trade Notice No.03/2007-ST dated 30th March, 2007, has issued guidelines detailing the procedure to be followed for surrender/cancellation of Service Tax registration

- Submit online application on the ACES.
- Submit signed copy of online application along with application form & undertaking in Annexure-I.
- Service Tax Returns filed from the date of obtaining registration till the date of surrender (maximum up to last 6 returns).
- In case ST-3 returns are not filed due to threshold limit, it is not necessary to file returns & the assessee can apply for waiver of late fees under Rule 7C for non-filing of returns. The fact of non-filing of returns to be mentioned clearly in the undertaking.
- Profit & Loss A/c & Balance Sheet from the date of obtaining registration till the date of surrender (maximum up to last 3 financial years).
- If IT Returns are also not submitted, copy of bank statements may be submitted to satisfy the correctness of reason for surrender.
- Failure to submit above documents within 15 days of submission of online application would result into rejection of application.

- Applications to be accepted in person between 3.00 pm and 5.00 pm in the division.
- In case Profit & Loss A/c. & Balance Sheet are not prepared, copy of IT return may be submitted.
- Details of Show Cause Notice pending adjudicating, details of confirmed demands, details of courts cases, and details of audit conducted etc. in Annexure-II.

Attach copy of concerned Certificate in case of:

- Death of service provider.
- Change in constitution.
- Merger or acquisition.
- Surrender of decentralized registrations due to obtaining centralized registration.
- Multiple registrations granted due to technical errors in system.
- Shifting of office from one jurisdiction to other jurisdiction.
- Turnover below threshold limit as per profit & loss a/c.

Central Excise

➢ **Expansion of the list of exemption of excisable goods from excise duty, subject to the conditions annexed to the notification, if any specified and addition and deduction in few goods excisable under Central Excise:-**

Notification No. 12/2012-CE dated 17th March, 2012 exempts specified excisable goods fully or partially subject to fulfillment of certain conditions.

The said notification is amended through interim budget 2014-15. Accordingly, following amendments have been made:-

- Unconditional exemption was provided to mobile handsets including cellular phones with effect from 1st March, 2013. Accordingly, in case of mobile handsets including cellular

phones where Retail Sale Price (RSP) exceeds 2,000/-, the concessional rate of duty was 6% and in case of other mobile handsets including cellular phones, the concessional rate of duty was 1%. Now, the said exemption is being amended to provide that all mobile handsets including cellular phones can be removed at a concessional rate of duty of 1% subject to the condition that CENVAT Credit is not availed in respect of inputs or capital goods used in the manufacture of these goods. In cases where CENVAT Credit is taken, unconditional exemption survives and goods would be leviable to Basic Excise Duty @ 6%.

- Sports Utility Vehicles, which after clearance, have been registered for use solely as taxi were leviable to Excise Duty @ 72% of the Excise Duty paid at the time of clearance subject to fulfilment of specified condition. Now, the rate of duty has been increased to 80%of the Excise Duty paid at the time of clearance.

- Various goods are granted exemption under this Mega Exemption Notification majorly to give relief to automobile industry. All these exemptions are given for the limited period ending on 30th June, 2014.

- All machineries, including prime movers, instruments, apparatus and appliances, control gear and transmission equipments, power cables, auxiliary equipments, all components or raw materials for manufacture of said goods and their components, supplied to specified Mega Power Projects from which the supply of power has been tied up through tariff based competitive bidding or Mega Power Projects awarded to developer on the basis of such bidding, were granted full exemption subject to specified conditions.

One of such condition was that the developer should furnish the final Mega Power Status Certificate within a period of 36 months from the date of clearance of excisable goods, now the said limit has been increased to 60 months, failing which, the security shall be appropriated towards Excise Duty payable on such clearances which is not paid due to this exemption. (Notification No. 4/2014-CE dated February 17th, 2014).

- **Amendment to the list of ineligible export categories for exemption to specified goods when procured against Focus Market Scheme and Incremental Exports Incentivisation Scheme on annual basis via Notification No. 5/2014-CE dated February 24th ,2014).**

Notification No. 30/2012-CE dated 9th July 2012 exempted all excisable goods when procured against a Focus Market Scheme duty credit scrip from whole Excise Duty and Additional Excise Duty levied under Section3 (3) of the Additional Duties of Excise (Goods of Special Importance) Act, 1957 and Additional Excise Duty levied under Section 3(3) of the Additional Duties of Excise (Textile and Textile Articles) Act, 1978 subject to fulfillment of certain specified conditions.

One of the specified conditions was that the scrip should be issued against exports to the Countries notified under Appendix 37C of the Handbook of Procedures in terms of entitlement under Focus Market Scheme, Incremental Exports Incentivisation Scheme (IEIS) and IEIS on annual basis. However, certain categories of exports were specifically listed which shall not to be counted for calculation of export performance or for computation of entitlement under the said Schemes.

The list for ineligible categories of exports for IEIS on annual basis is now amended to exclude Cotton Yarn export i.e. now Cotton Yarn exports can be counted for calculation of export performance or for computation of entitlement under IEIS on annual basis

CORPORATE LAWS

- **MCA General Circular No. 3/2014 dated 14th February 2014 –Clarification with regard to Section 185 of the Companies Act, 2013**

Section 372A of the Companies Act, 1956 specifically exempts any loans made, any guarantee given or security provided or any investment made by a holding company to its wholly owned subsidiary. Whereas, Section 185of the Act prohibits guarantee given or any security provided by a holding company in respect of any loan taken by its subsidiary company except in ordinary course of business.

In order to maintain harmony with regard to applicability of Section 372A and Section 185, the MCA has clarified that any guarantee given or security provided by a holding company in respect of loans made by a bank or financial institution to its subsidiary company, exemption as provided in clause (d) of sub section (8) of Section 372A shall be applicable till Section 186 of the Act is notified.

This clarification shall be applicable only in cases where the loans so obtained are utilized for the principal business activities.

- **MCA General Circular No. 2/2014 dated 11th February 2014 – Use of word 'National' in the names of Companies or Limited Liability Partnerships (LLPs)**

The MCA has directed that no company should be allowed to be registered with the word 'National' as part of its title unless it is a government company and the Central/State government(s) has a stake in it. Similarly, the word 'Bank' may be allowed in the name of an entity only when such entity produces a 'No Objection Certificate' from the RBI in this regard. By the same analogy the word "stock Exchange" or "Exchange" should be allowed in name of a company only where 'No Objection Certificate' from SEBI in this regard is produced by the promoters.

- **MCA Notification No. – S.O (E) – Notification relating to effective date of provisions of section 135 and Schedule VII of Companies Act, 2013**

In exercise of the powers conferred by sub-section (3) of section (1) of the Companies Act, 2013, the Central Government has appointed the 1st day of April, 2014 as the date on which the provisions of Section 135and Schedule VII of the said Act shall come into force.

- **MCA Notification No. – G.S.R. (E) – Notification relating to Companies (Corporate Social Responsibility Policy) Rules, 2014 and Amendments to Schedule VII of the Companies Act, 1956**

The MCA has notified that the Companies (Corporate Social Responsibility) Rules, 2014 shall come into force from the 1st day of April 2014. Various terms such as Corporate Social Responsibility (CSR), CSR Committee, CSR Policy, CSR Activities, and Net Profit have been defined and explained in the notification. The notification also specifies a format for the Annual Report on CSR Activities to be included in the Board's Report.

- **SEBI Notification No. LAD-NRO/GN/2013-14/44/226 dated 4th February 2014 – SEBI (Issue of Capital and Disclosure Requirements) (Amendment) Regulations, 2014**

SEBI has notified the aforesaid regulation w.e.f. 4th February 2014 wherein certain amendments made in regulation 26, sub-regulation (7) stated that an issuer making an IPO may obtain grading for such offer from one or more credit rating agencies registered with the Board. The SEBI has also notified certain changes to the Illustrative format of Statement of Assets and Liabilities in sub-para (IX), clause (B), and sub-clause (9) item (f).

- **SEBI Circular No. – CIR/MRD/DMS / 05 /2014 dated 7th February, 2014 – Guidelines for inspection of Depository Participants (DPs) by Depositories**

The SEBI has constituted Depository System Review Committee (DSRC) to undertake a comprehensive review of the depository system of Indians Securities market. Considering the recommendations of the committee, it has been decided that depositories shall ensure the following while inspecting their DPs – Inspection Areas and Sample Size, Categorizations/ Risk Rating of DPs and other requirements. The circular also lays down detailed guidelines regarding List of Inspection Areas, Adaptive Sample Size Determination methodology and DP Rating / Categorizations Model.

FEMA

- **Foreign Direct Investment (FDI) Foreign investment in India by SEBI registered Long term investors in Government dated Securities A. P. (DIR Series) Circular No. 99**

Currently, the limit for investments by SEBI registered Foreign Institutional

Investors (FIIs), SEBI registered Qualified Foreign Investors (QFIs) and long-term investors registered with SEBI in Government securities stands at USD 30 billion, out of which a sub-limit of USD 5 billion is available for investment by long term investors in Government dated securities. On a review and in consultation with GOI, RBI has decided to enhance, with immediate effect, the existing sub-limit of USD 5 billion available to long term investors registered with SEBI – Sovereign Wealth Funds (SWFs), Multilateral Agencies, Pension / Insurance /Endowment Funds and Foreign Central Banks for investment in Government dated securities to USD 10 billion, within the total limit of USD 30 billion available for foreign investments in Government securities. The operational guidelines in this regard shall be issued by SEBI.

- **Review of the existing policy on FDI in the Insurance Sector Press Note No. 2 (2014 Series) dated February 4th, 2014 issued by the Department of Industrial Policy & Promotion**

Presently, FDI in the Insurance sector is permitted up to 26%, under the automatic route subject to the conditions stated in paragraph 6.2.17.7 of the Circular 1 of 2013 – 'Consolidated FDI Policy, effective from April 5, 2013'.

The Government of India (GOI) has *vide* Press Note No. 2 (2014 Series) dated February 4th, 2014 revised paragraph 6.2.17.7 of the Circular 1 of2013 to allow FDI under automatic route in Insurance sector which would cover Insurance Company, Insurance Broker, Third Party Administrators and Surveyors and Loss Assessors up to 26% which would include FDI, FII and NRI investment subject to certain conditions specified. For detailed conditions please refer the said Press Note issued by DIPP.

- **Reporting under FDI Scheme – Amendments in Form FC-GPRA. P. (DIR Series) Circular No. 102 dated February 11th, 2014**

As per the extant regulations, Indian companies are required to report the details of the amount of consideration received for issuing shares and convertible debentures under the FDI scheme to the Regional Office of RBI in whose jurisdiction the Registered Office of the company operates, within 30 days of receipt of the amount of consideration. Further, in terms of Para9 (1) B of Schedule IBID, the companies are required to report the details of the issue of shares / convertible debentures in form FC-GPR, to the Regional Office concerned, within 30 days of issue of shares/convertible debentures. In order to further capture the granular details of FDI as regards brown field/Greenfield investments and the date of incorporation of Investee Company, Form FC-GPR has been revised.

- **Foreign investment in India by SEBI registered FII, QFI and long-term Investors in Corporate Debt A. P. (DIR Series) Circular No. 104 dated February 14th, 2014**

The present limit for investment by SEBI registered Foreign Institutional Investors (FIIs), SEBI registered Qualified Foreign Investors (QFIs) and long term investors registered with SEBI in corporate debt stands at USD51 billion, out of which, a sub-limit of USD 3.5 billion is available for investment by eligible investors (viz. FIIs, QFIs and Long terms investors registered with SEBI – Sovereign Wealth Funds (SWFs), Multilateral Agencies, Pension/ Insurance/ Endowment Funds, Foreign Central Banks)in Commercial Paper (CP).

This sub-limit is being presently utilized only to the extent of around 58% of the limit put in place by SEBI. On a review, in order to encourage long term investors, RBI has now decided, to reduce, with immediate effect, the existing Commercial Paper sub-limit of USD 3.5 billion by USD 1.5 billion to USD 2 billion. The balance USD 1.5 billion shall, however, continue to be part of the total corporate debt limit of USD 51 billion and will be available to eligible foreign investors for investment in corporate debt. The operational guidelines in this regard will be issued by SEBI.

- **FDI in Small Scale Industrial Undertakings (SSI) / Micro & Small Enterprises (MSE) and in Industrial Undertakings manufacturing items reserved for SSI/MSEA. P. (DIR Series) Circular No. 107 dated February 20th, 2014**

With the promulgation of the Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act), the extant policy for FDI in Small Scale Industrial unit and in a company which has de-registered its small scale industry status and is not engaged or does not propose to engage in manufacture of items reserved for small scale sector, has since been reviewed and RBI has decided that:-

- A company which is reckoned as MSEs (earlier SSIs) in terms of MSMED Act and not engaged in any activity/ sector mentioned in Annex A to schedule 1 of Notification No. FEMA. 20/ 2000-RB dated 3rd May 2000 may issue shares or convertible debentures to a person resident outside India, subject to the limits prescribed in Annex B to Schedule 1, in accordance with the entry routes specified therein and the provision of FDI Policy, as notified by the Ministry of Commerce & Industry, the GOI, from time to time.

- Any Industrial undertaking, with or without FDI, which is not an MSE, having an industrial licence under the provisions of the Industries (Development & Regulation) Act, 1951 for manufacturing items reserved for manufacture in the MSE sector may issue shares in excess of 24% of its paid up capital with prior approval of the Foreign Investment Promotion Board (FIPB) of the GOI.

- In the case of the enterprises engaged in the manufacture or production of goods pertaining to any industry specified in the First Schedule to the Industries (Development and Regulation) Act, 1951. (a) A micro enterprise means where the investment in plant and machinery does not exceed 25 lakh (b) A small enterprise means where the investment in plant and machinery is more than 25 lakh but does not exceed 5 crore;

- In the case of the enterprises engaged in providing or rendering services, (a) A micro enterprise means where the investment in equipment does not exceed 10 lakh (b) A small enterprise means where the investment in equipment is more than 10 lakh but does not exceed 2 crore.

- RBI had amended the Notification No. FEMA 20/2000–RB vides Notification No. FEMA 230/2012-RB dated May 29th, 2012 effective from February 27th, 2009 read with Corrigendum dated September 10th, 2013 notified vide G.S.R. No.624 (E) dated September 12th, 2013.

- **Export/Import transactions Third party payments for export / import transactions A. P. (DIR Series) Circular No. 100 dated February 4th, 2014**

RBI vide A. P. (DIR Series) Circular No. 70 dated November 8th, 2013 permitted AD Category-I banks to allow third party payments for export of goods & software / import of goods subject to the conditions stated there in. However, in view of the difficulties faced by exporters/importers in meeting the condition "firm irrevocable order backed by a tripartite agreement should be in place" specified in the aforesaid circular, RBI has now decided that this may not be insisted upon in case where documentary evidence for circumstances leading to third party payments/name of the third party being mentioned in the irrevocable order/ invoice has been produced. This shall be subject to the following conditions:-

- AD bank should be satisfied with the bona fides of the transaction and export documents, such as, invoice / FIRC.
- AD bank should consider the FATF statements while handling such transaction. Further, with a view to liberalizing the procedure, RBI has also withdrawn the limit of USD 100,000 eligible for third party payment for import of goods.

➢ Export Data Processing and Monitoring System (EDPMS) for Export of Goods and Services A. P. (DIR Series) Circular No. 101 dated February 4th, 2014

Under the extant regulations, AD banks are required to submit various returns like XOS (export outstanding statements), ENC (Export Bills Negotiated/sent for collection) for acknowledgement of receipt of Export documents, Schedules 3 to 6 (realization of export Proceeds), EBW (write-off of export bills), ETX (extension of realization of export bills) relating to Export transaction under FEMA to RBI. These returns are being managed on a different solo application or manually.

In order to simplify the procedure for filing various returns and for better monitoring, a comprehensive IT-based system called EDPMS has been developed by RBI which will facilitate the banks to report all the above mentioned returns through a single platform. A cut-off date for shipping documents to be reported in the new system will be notified shortly which will be the commencement date of the new system. The entire shipping document should be reported in the new system after cut-off date and old shipping documents would continue to be reported in the old system till completion of the cycle. Both the old and new systems will run parallel to each other for some time before the old system is discontinued.

➢ Clarifications on Import of Gold/Gold Dore by Nominated Banks/Agencies/Entities A. P. (DIR Series) Circular No. 103 dated February 14th, 2014

GOI and the RBI have been receiving representations related to Advance Authorizations (AA) / Duty Free Import. Accordingly, in consultation with GOI, RBI has issued the following clarifications which shall come into force with immediate effect:-

- In case of AA / DFIA issued before August 14, 2013, the condition of sequencing imports prior to exports shall not be insisted upon even in case of entities/units in the SEZ and EoUs, Premier and Star Trading Houses.
- The imports made as part of the AA / DFIA scheme will be outside the purview of the 20:80 schemes. Such Imports will be accounted for separately and will not entitle the Nominated Agency/ Banks/Entities for any further import.
- The Nominated Banks/Agencies/Entities may make available gold to the exporters (other than AA/DFIA holders) operating under the Replenishment Scheme. They can resort to import of gold for the purpose, if considered necessary. However, such import will be accounted for separately and will not entitle them for any further import.
- Import of gold in the third lot onwards will be lesser of the two:-

  a) 5 times the export for which proof has been submitted; or

b) Quantity of gold permitted to a Nominated Agency in the first or second lot.

- With reference to A.P. (DIR Series) Circular No. 82 dated December 31st, 2013 on import of Gold Dore, RBI has clarified that:-

a) The refiners are allowed to import Gold Dore of 15% of their licence for each of the first 2 months.

b) In case, the quantity has already been identified by DGFT for first 2lots, import of such quantity will be in compliance with the guidelines issued vide A.P. (DIR Series) Circular No. 82 dated December 31st, 2013.

c) DGFT, through a notification, may include new refiners and fix licence quantity for them.

POLICY WATCH

➢ Centre to leverage Cloud for Mission Mode projects

The Indian government is looking to leverage cloud computing in a big way, beginning with its multi-billion dollar mission-mode projects, six of which will start within a month's time. The Department of Electronics and Information Technology has identified six existing Mission Mode Projects (MMP), based on the need for technology up gradation, scope of process simplification with emerging technologies and the possibility of leveraging newer technology platforms. The government's MMPs focus on one aspect of e-governance such as pensions, banking, insurance and judiciary.

➢ Delhi government to deploy GPS for food transportation movement

The Delhi government's Department of Food, Supplies and Consumer Affairs is setting up a comprehensive web based, real time tracking system for effective implementation of the Public Distribution System. The objective is to continuously track the movement of vehicles to ensure that commodities are properly and timely delivered to the Fair Price Shops (FPS) and are not diverted to the open market. It will be implemented by the Delhi State Civil Supplies Corporation Limited which is responsible for supplying food grains from the six Food Corporation of India god owns in Delhi to about 2,500 FPS across the city.

➢ Investors sign MOUs to invest USD 10.11 billion in Uttar Pradesh

Uttar Pradesh government has received initial investment commitments of USD 10.11 billion from companies, including Reliance Jio, Fortis and ITC, in areas ranging from agriculture to telecommunications. Essel Group signed a Memorandum of Understanding (MOU) to invest USD 3.37 billion in areas like urban development and power distribution. Reliance Jio pledged USD 0.84 billion outlay for implementation of 4G network. FMCG company ITC plans to invest USD 0.21 billion in various sectors; Fortis Healthcare promised USD 0.13 billion outlay for setting up three 250-bed hospitals each at Kanpur, Luck now and Greater Noida. Investment of USD 0.37 billion was committed by JVL Agro Industries in agro and food processing sectors. River Engineering plans to set up an air taxi base for USD 0.06 billion. Sonalika plans USD 0.03 billion investment for setting up a farm equipment and tractor manufacturing base.

➢ IRDA to launch mandatory pilot on insurance repository system

The Insurance Regulatory and Development Authority (IRDA) are to launch a pilot on life Insurance Repository (IR) system. This is meant for

keeping/storing a policy in digitized/de-materialized form to be able access as and when required. The two-month pilot would be started with effect from July 1st, 2014 and it shall be mandatory of all life-insurers and existing five insurance repositories (IR) to participate in the program me. During the pilot launch, each life insurer shall convert a minimum of 1,000 or 5% of the existing individual policies (issued in hard form and currently in force) whichever is less for each of the IRs into electronic form.

➢ RBI mandates maintenance of liquidity ratios for banks

The Reserve Bank of India (RBI) has mandated lenders to maintain 60% Liquidity Coverage Ratio (LCR) from January 1st, 2015. Also, the central bank suggested a phased manner in which the ratio will have to increase to 100% by January 1st, 2019. Equal quantum of increase has been suggested for every year, till 2019. The LCR promotes short-term resilience of banks to potential liquidity disruptions by ensuring that they have sufficient high-quality liquid assets to survive an acute stress scenario lasting for 30 days. LCR is defined as the proportion of high-quality liquid assets to the total net cash outflows in the next 30 calendar days.

INDUSTRY WATCH & CORPORATE HIGHLIGHTS

➢ India's apparel exports set to cross USD 17 billion mark in 2015

The domestic organized apparel sector, which had witnessed a slowdown in sales, is expected to bounce back with 15% growth. With the relief in excise there had been a surge in demand which tapered off due to uncertain economic conditions. After the removal of 10% excise duty on branded apparel, the category has witnessed 10-12% growth in 2013.The domestic apparel industry is estimated at USD 33.71 billion of which unstitched garments such as sarees and dhotis comprise USD 8.43 billion.

➢ Railways earnings go up by over 8%

Railways have earned USD 4.09 billion during April and May this year as against USD 3.78 billion during the same period last year, registering an increase of 8.14%. The total earnings from goods during April-May 2014 were USD 2.79 billion compared to USD 2.64 billion during the corresponding period, registering an increase of 5.76%. The earnings from passengers during April-May period this year were USD 1.13 billion compared to USD 0.98 billion during the same period last year, registering an increase of 15.34%. The earnings from other categories amounted to USD 113.84 million during April-May 2014 compared to USD 110.77 million during the same period last year, registering an increase of 2.76%.

➢ SME funding to get USD 0.84 billion boost

Government is to set up a first of its kind co-investment fund to Small and Medium Enterprises (SMEs). The fund will have an initial corpus of USD 0.84 billion and will be operated by two state-owned financial institutions, viz. Life Insurance Corporation (LIC) and Small Industries Development Bank of India (SIDBI). The fund will be modeled around similar investment vehicles set up in developed nations like Germany and Austria, to address financing challenges to start-ups, especially in the high growth sectors like technology. The proposal to set up a SME co-investment fund follows recent measures such as separate SME exchanges and the institutional trading platform, jointly taken by the finance ministry and SEBI.

- **Brookfield to buy Unitech subsidiary for USD 0.24 billion**

Canadian firm Brookfield Property has entered into an agreement to acquire Candor Investments, a subsidiary of Unitech Corporate Park (UCP), for about USD 0.24 billion. UCP has entered into an agreement with an affiliate of Brookfield Property Partners for the sale and purchase of the entire issued share capital of Candor, subject to conditions, for a cash consideration of about USD 0.24 billion. Through its subsidiaries, Candor Investments holds 60% stake in six properties two in Gurgaon, three in Noida and one in Kolkata. Unitech group owns the rest of the equity.

- **JSW Steel to buy Wels pun Master for about USD 0.19 billion**

JSW Steel will acquire Wels pun Master for about USD 0.19 billion. This is aimed at sourcing cheaper raw material, cutting production cost and strengthening its presence in the northern and western markets. At present, Wels pun buys raw material from the global market, forcing it to sell sponge iron at the cost price in the market. The steel maker will acquire the sponge iron plant, jetty and roughly 1,000 acres of land, besides absorbing the USD 0.17 billion debt of WelspunMaxsteel.

- **Japan's Meiji Holdings acquires Meredith for USD 0.29 billion**

Japanese pharmaceutical major Meiji Holdings has bought out Temasek-backed Medreich for USD 290 million, marking the first inbound investment in the Indian pharmaceutical sector by a Japanese company after Daiichi Sankyo's acquisition of Ranbaxy in 2008. Temasek, the private equity arm of the Singapore government, had invested USD 18.38 million in 2005 for a 25% stake in Medreich which manufactures therapeutic generic and branded drugs. Meiji, through its operating subsidiaries, Meiji Seika Pharma, has bought out 100% stake in Medreich.

- **Suzuki to invest USD 3.12 billion for setting up unit in Gujarat :-**

Suzuki Motor Corporation (SMC) of Japan, parent company of Maruti Suzuki, will spend USD 3.12 billion in setting up a new factory in Gujarat. It would set up a 100% subsidiary, Suzuki Motor Gujarat, to make cars on a strictly no-loss, no-profit basis for Maruti Suzuki (MSIL). SMC intends to fund this expansion with own equity and accumulated depreciation.

- **ZTE to set up network operating centre in India:-**

Chinese telecom equipment maker ZTE Corporation plans to set up a Global Network Operating Centre (GNOC) in India. The centre will manage the networks of multiple telecom carriers across Asia and Africa. Similar centres have been set up in India by rival firms, including Nokia Solutions and Networks and Ericsson.

Statuary compliance calendar for the month of March 2014			
Due date	**Statuary compliance under Act**	**particulars**	**Governing Authority**
			
06/03/2014	Service Tax	Payment of monthly service tax for the month of February by all tax payers electronically	Central Board of Excise and Custom
	Central Excise	Payment of monthly central excise duty for the month of February on goods by assesses other than SSI units electronically	Central Board of Excise and Custom
07/03/2014	Income Tax	Deposit of Income Tax TCS and TDS deducted in February	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.
10/03/2014	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.
15/03/2014	Provident Fund	(a) Payment of monthly dues of Provident Fund for the month of February (b) Monthly return in form 5 for employees joining Provident Fund during February 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 February	The Central Board of Trustees , The Employees' Provident Fund Scheme, 1952
	Income Tax	Advance income tax under section 211 of Income Tax Act by corporate (fourth installment) and non-corporate assesses (third installment)	Central Board of Direct Tax.
21/03/2014	ESIC	Payment of ESIC contribution for the month of February	The employees' state insurance Act-1948. Ministry of labour and employment.
25/03/2014	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
31/03/2014	Central Excise	Payment of monthly central excise duty for the month of March on goods by assesses other than SSI units electronically	Central Board of Excise and Custom
	Service Tax	Payment of monthly service tax for the month of March by all tax payers electronically	Central Board of Excise and Custom

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

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.

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- Setting up Liaison Office, Branch Office and Project Office.
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- Project Financing.
- Credit Rating.
- Business Asset Valuation.
- Due Diligence.

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- 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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