

# Tax & Corporate law Bulletin

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**OCTOBER 2015**

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

Dear Reader,

Greetings for the season,

A festival full of sweet childhood memories, sky full of fireworks, mouth full of sweets, house full of diyas and heart full of joy. I would like to extend my warm greetings in this upcoming winter season for Diwali celebrations.

Some of the highlights of this month are: Transfer Pricing-Computation of arm's length price, Non Banking Financial Company, Subscription to National Pension System by Non-Resident Indians (NRIs), and RBI unveil gold monetisation scheme norms, India 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



### ➤ Notification No.-86/2015, Dated 29th October, 2015-Transfer Pricing-Computation of arm's length price

For the purposes of this notification, "wholesale trading" means an international transaction or specified domestic transaction of trading in goods, which fulfils the following conditions, namely:

- Purchase cost of finished goods is eighty percent. or more of the total cost pertaining to such trading activities
- Average monthly closing inventory of such goods is ten percent or less of sales pertaining to such trading activities.

### ➤ Notification No-84/2015, Dated 20th October, 2015-Rules further to amend the Income-tax Rules, 1962. namely:-

- These rules may be called the income-tax (17th Amendment) Rules. 2015.
- They shall come into force from the 14th day of May. 2015.

In the Income-tax Rules. 1962. in rule 2F. for sub-rules ( 1) and (2). the following sub-rules shall be substituted. namely:-

- The Infrastructure Debt Fund shall be set up as a Non-Banking Financial Company conforming to and satisfying the conditions provided by the Reserve Bank of India in the Infrastructure-Debt Fund - Non-Banking Financial Companies

(Reserve Bank) Directions, 201 1, vide notification No, DNBS.J33ICGM (US)-20 11. dated the 21st November. 2011 as amended Vide notification No. DNBR.O:W. CGM (CDS) -2015. dated the 14<sup>th</sup> May, 2015.

- The funds of the Infrastructure Debt Fund shall be invested only in Post Commencement Operation Date Infrastructure Projects which have completed at least one year of satisfactory commercial operations.

## RECENT JUDGEMENT



### ➤ A transfer of shares of the loss-making company by the shareholder-company to its subsidiary is not hit by sec. 79

*CIT vs. AMCO Power Systems Ltd (Karnataka High Court)*

#### Fact of the case

Upto the assessment year 2000-01, all the shares of the respondent-Company were held by AMCO Batteries Limited (ABL). In the assessment year 2001-02, the holding of ABL was reduced to 55% and the remaining 45% shares were transferred to a subsidiary of ABL, namely AMCO Properties and Investments Limited (for short 'the APIL'). In the assessment year 2002-03, ABL further transferred 49% of its remaining 55% shares to Tractors and Farm Equipments Limited (for short 'the 'TAFE') and consequently ABL retained only 6% shares and its subsidiary APIL held 45% shares and the remaining 49% shares were with TAFE. Similar shareholding continued for the assessment year

2003-04. The Tribunal held that 51% of the voting power was beneficially held with the ABL during the assessment years 2002-03 and 2003-04 also, and would thus be entitled to carry forward and set-off of business losses for the previous years.

### **Held**

The purpose of Section 79 of the Act would be that benefit of carry forward and set-off of business losses for previous years of a company should not be misused by any new owner, who may purchase the shares of the Company, only to get the benefit of set-off of business losses of the previous years, which may bear profits in the subsequent years after the new owner takes over the Company.

For such purpose, it is provided under the said Section that 51% of the voting power which was beneficially held by a person or persons should continue to be held, then only such benefit could be given to the Company. ABL may not have continued to hold 51% shares, but Section 79 speaks of 51% voting power, which ABL continued to have even after transfer of 49% shares to TAFE, as it controlled the voting power of APIL, and together, ABL had 51% voting power. Meaning thereby, the control of the company remained with ABL as the change in shareholding did not result in reduction of its voting power to less than 51%

- **A transaction of purchase and sale of shares, supported by Contract Notes and demat statements and Account Payee Cheque cannot be treated as bogus**

### ***DCIT vs. Sunita Khemka (ITAT Kolkata)***

#### **Fact of the case**

The assessee sold shares of various listed companies and declared long-term capital gains. The assessee submitted details of purchase and sale of the shares in aforesaid companies before the AO and stated that the payment has been made to the stock brokers through account payee cheque from the disclosed bank accounts. The shares were held as an Investment. During the course of assessment

proceedings, the details of contract notes for purchase and sale of shares were duly filed by the assessee. The entire sale consideration for sale of these shares was received by the assessee from the stock brokers through account payee cheque. The assessee also duly paid the Securities Transaction Tax (STT) at the time of sale of shares.

The AO doubted the computation of capital gains on sale of the aforesaid shares by stating that the shares of said companies could not have been sold at the prevailing market rates as per the Calcutta Stock Exchange and treated the long term capital gains as bogus and held that it is only assessee's own unaccounted money that had surfaced in the form of long term capital gains with the connivance of the brokers and accordingly brought to tax under the normal provisions of the Act instead of concessional rate of tax applicable to long term capital gains.

### **Held**

The Hon'ble Court has held that where the payments are made by Account Payee Cheque and the existence of the brokers is not disputed the assessee cannot be punished for the default of the brokers and share transactions cannot be held to be bogus. The Hon'ble ITAT, Kolkata held that when purchase and sale of shares were supported by proper Contract Notes, deliveries of shares were received through demat accounts maintained with various agencies, the shares were purchased and sold through recognised broker and the sale considerations were received by Account Payee Cheque, the transactions cannot be treated as bogus and the income so disclosed was assessable as LTCG.

- **Section 54F does not require that the construction of the new residential house has to be completed, and the house be habitable, within 3 years of the transfer of the old asset.**

### ***CIT vs. B. S. Shanta kumari (Karnataka High Court)***

#### **Fact of the case**

Immediately after sale of the property on 06.10.2008, the assessee purchased another residential plot on 13

October 2008 and on 2 June 2010 she obtained approval of the building plan from the local authority and commenced the construction. However, it was not completed within 3 years i.e., on or before 05 October 2011. The assessing officer rejected the claim of the assessee for deduction u/s 54F towards the benefit of Long Term capital gain only on the ground that the construction has not been completed. The assessee produced photographs of the residential building which was under construction to demonstrate and establish that the consideration received on transfer has been invested by her in purchasing the residential plot and it is under construction.

#### **Held**

The CIT(A) Tribunal followed the principles enunciated while interpreting Section 54F of the Act whereunder it came to be held that said provision has to be construed liberally for achieving the purpose for which it was incorporated, allowed the appeal of assessee.

- **Section 48: In computing "capital gains" the AO is not entitled to substitute the "market value" for the actual "consideration" received by the assessee.**

#### ***Venus Financial Services Ltd vs. ACIT (ITAT Delhi)***

As the expression "full value of consideration" in section 48 of the Income-tax Act, 1961 does not have any reference to market value, the Assessing Officer was having no power to replace the value of the consideration agreed between the parties with any fair market value or estimation. Only because the Pioneer Ltd. had shown the book value of shares at the rate of Rs.3.50 per share, the Assessing Officer was not justified to ignore the price agreed between the parties and to doubt the genuineness of the claimed loss, even ignoring the valuation report.

- **Failure to issue 143(2) notice renders the reassessment order void.**

***Pr. CIT vs. Shri Jai Shiv Shankar Traders Pvt. Ltd (Delhi High Court)***

The failure of the AO, in re-assessment proceedings, to issue notice under Section 143(2) of the Act, prior to finalising the re-assessment order, cannot be condoned by referring to Section 292BB of the Act. Section 292BB applies insofar as failure of "service" of notice is concerned and not with regard to failure to "issue" notices. The non-issue of the said notice is fatal to the order of re-assessment.

- **Section-10A,10B The deduction has to be computed before adjusting brought forward unabsorbed losses /depreciation**

#### ***Vishay Components India Pvt. Ltd vs. ACIT (ITAT Pune)***

#### **Fact of the case**

The assessee set off of brought forward losses of Rs.4,11,06,003/- against the income resulting into total taxable income of Nil, whereas the deduction under section 10B of the Act at Rs.7,68,41,580/- was claimed as against the income of EOU units of Rs.8,01,88,716/-. The Assessing Officer was of the view that the brought forward losses and unabsorbed depreciation were required to be set off against the total income of the assessee first and thereafter, deduction under section 10B of the Act should be allowed. Accordingly, the Assessing Officer re-computed the deduction under section 10B of the Act by granting the deduction after allowing set off of brought forward losses.

#### **Held**

A distinction has been made by the Legislature while incorporating the provisions of Chapter VIA Section 80A(1) stipulates that in computing the total income of an assessee, there shall be allowed from his gross total income, in accordance with and subject to the provisions of the Chapter, the deductions specified in ss.80C to 80U. Section 80B(5) defines for the purpose of Chapter VI-A "gross total income" to mean the total income computed in accordance with the provisions of the Act, before making any deduction under the Chapter. What the Revenue in essence seeks to attain is to telescope the provisions

of Chapter VI-A in the content of the deduction which is allowable under s.10A, which would not be permissible unless a specific statutory provision to that effect were to be made. In the absence thereof, such an approach cannot be accepted. Thus ITAT was correct in holding that the brought forward unabsorbed depreciation and losses of the unit the Income which is not eligible for deduction under s.10A of the Act cannot be set off against the current profit of the eligible unit for computing the deduction under s.10A of the IT Act.”

## **INDIRECT TAX**

### **Service tax**



#### ➤ **Notification no. 20/2015- Dated 21st October, 2015**

- In the said notification,-

In the opening paragraph, in entry 29, for clause (g), the following clauses shall be substituted, namely-

(g) business facilitator or a business correspondent to a banking company with respect to a Basic Savings Bank Deposit Account covered by Pradhan Mantri Jan Dhan Yojana in the banking company’s rural area branch, by way of account opening, cash deposits, cash withdrawals, obtaining e-life certificate, Aadhar seeding;

(ga) any person as an intermediary to a business facilitator or a business correspondent with respect to services mentioned in clause (g);

(gb) business facilitator or a business correspondent to an insurance company in a rural area; or”

- In paragraph 2,-

After clause (g), the following clause shall be inserted, namely:-

(ga) Basic Savings Bank Deposit Account means a Basic Savings Bank Deposit Account opened under the guidelines issued by Reserve Bank of India relating thereto;” In clause (k), in sub-clause (ii), for the words religion or spirituality”, the words “religion, spirituality or yoga” shall be substituted.

#### ➤ **Notification No. 19/2015, Dated 14th October, 2015**

G.S.R. (E).- Whereas, the Central Government is satisfied that in the period commencing on and from the 1st day of July, 2012 and ending with the 13th day of October, 2014 (hereinafter referred to as the said period) according to a practice that was generally prevalent, there was non-levy of service tax on the services provided by an Indian Bank or other entity acting as an agent to the Money Transfer Service Operators (hereinafter referred to as MTSO), in relation to remittance of foreign currency from outside India to India (hereinafter referred to as the said practice), and this service was liable to service tax, which was not being paid according to the said practice.

Now, therefore, in exercise of the powers conferred by section 11C of the Central Excise Act, 1944 (1 of 1944) as made applicable to like matters in Service Tax vide section 83 of the Finance Act, 1994 (32 of 1994), the Central Government hereby directs that the service tax payable under section 66B of the Finance Act, 1994, on the service provided by an Indian Bank or other entity acting as an agent to the MTSO in relation to remittance of foreign currency from outside India to India, in the said period, but for the said practice, shall not be required to be paid.

## EXCISE

### ➤ **Notification No. 23 /2015, Dated 30th October, 2015**

In the said Notification, in paragraph 2, in sub-paragraphs (ii) and (iii), after clause (a) occurring in both sub-paragraph, following proviso shall respectively be inserted, namely:-

Provided that where the nature of goods is such that the goods cannot be sealed in a package or a container such as coal or ore, etc., exemption from sealing of package or container may be granted by the Principal Chief Commissioner or Chief Commissioner of Central Excise subject to safeguard as may be specified by him in the permission.

The safeguards shall, inter-alia, include the following:-

- Method of verification of quantity and quality of goods including testing of goods where necessary at the place of removal or despatch and at the port of export or SEZ, where the goods are received
- No remission of duty shall be allowed for loss of goods within transit
- Permission shall be given on case to case basis for a specified period not exceeding one year at a time and may be withdrawn in case of misuse.

## FEMA

### ➤ **Non Banking Financial Company-Micro Finance Institutions (NBFC-MFIs)**



*RBI/2015-16/196 DNBR.CC.PD.No. 069/03.10.01/ 2015-16 dated October 1<sup>st</sup>, 2015*

The National Scheduled Castes Finance & Development Corporation (NSFDC) under the Ministry of Social Justice & Empowerment, Government of India, has proposed to expand its outreach by channelizing funds through select NBFC-MFIs at lower rate of interest. The objective of NSFDC is to work for the economic empowerment of persons belonging to Scheduled Castes living below the Double Poverty Line.

Appropriate disclosures in this regard shall be made in the balance sheet of such NBFC-MFIs. The minimum disclosures should include quantum of funds received from NSFDC, cost of such funds, loans disbursed there from, rate of interest on such loans and the number of beneficiaries.

NBFC-MFIs shall inform the concerned Regional Office of the Reserve Bank of India of their appointment as a channelising agent by NSFDC within one month from the date of such appointment.

### ➤ **Risk Management & Inter-Bank Dealings.**

*A. P. (DIR Series) Circular No. 20 dated October 8, 2015.*

Resident individuals, firms and companies, to manage / hedge their foreign exchange exposures arising out of actual or anticipated remittances, both inward and outward, are allowed to book forward contracts, without production of underlying documents, up to a limit of USD 250,000 based on self-declaration.

As announced in the Fourth Bi-monthly Monetary Policy Statement (para. no. 39) on September 29, 2015, with a view to further liberalising the existing hedging facilities, it has been decided to allow all resident individuals, firms and companies, who have actual or anticipated foreign exchange exposures, to book foreign exchange forward and FCY-INR options contracts up to USD 1,000,000 (USD one million) without any requirement of documentation on the basis of a simple declaration. While the contracts booked under this facility would normally

be on a deliverable basis, cancellation and rebooking of contracts are permitted.

➤ **Annual Return on Foreign Liabilities and Assets (FLA Return) – Reporting by Limited Liability Partnerships.**

In order to capture the statistics relating to Foreign Direct Investments (FDI), both inward and outward, by Limited Liabilities Partnerships (LLPs) in India, it has been decided that henceforth, all LLPs that have received FDI and/or made FDI abroad (i.e. overseas investment) in the previous year(s) as well as in the current year, shall submit the FLA return to the Reserve Bank of India by July 15 every year, in the format as prescribed in the A.P (DIR Series) Circular No. 145 dated June 18, 2014.

➤ **Subscription to National Pension System by Non-Resident Indians (NRIs)**

*RBI/2015-16/216 A.P. (DIR Series) Circular No. 24 dated October 29, 2015*

NRIs' access to old age income security, it has now been decided, in consultation with the Government of India, to enable National Pension System (NPS) as an investment option for NRIs under FEMA, 1999. Accordingly, NRIs may subscribe to the NPS governed and administered by the Pension Fund Regulatory and Development Authority (PFRDA), provided such subscriptions are made through normal banking channels and the person is eligible to invest as per the provisions of the PFRDA Act.

The subscription amounts shall be paid by the NRIs either by inward remittance through normal banking channels or out of funds held in their NRE/FCNR/NRO account. There shall be no restriction on repatriation of the annuity/ accumulated savings.

## **INTERNATIONAL TAXATION**

➤ **A liaison office of a foreign company is not a 'permanent establishment' under Article 5 of India-USA DTAA**

*Columbia Sportswear Company vs. DIT (Karnataka High Court)*

**Fact of the case**

- Whether the Indian liaison office involves a permanent arrangement for the application under Article 5.1 of the DTAA?
- Whether any portion of the income attributable to the liaison office on account of the activity of vendors co-operation of global production management and planning and equitable quality assurance strategy, quality development and is liable to tax?

**Held**

The activities carried on by the liaison office, cannot be said to be an activity solely for the purpose of purchasing the goods or for collecting information for the enterprise. If the petitioner has to purchase goods for the purpose of export, an obligation is cast on the petitioner to see that the goods, which are purchased in India for export outside India is acceptable to the customer outside India. To carry on that business effectively, the aforesaid steps are to be taken by the seller i.e., the petitioner. Otherwise, the goods, which are purchased in India may not find a customer outside India and therefore, the authority was not justified in recording a finding that those acts amounts to involvement in all the activities connected with the business except the actual sale of the products outside the country. In considered information, all those acts are necessary to be performed by the petitioner – assessee before export of goods.

Consequently, the reasoning of the authority that for the same reasons, the liaison office in question would qualify to be a permanent establishment in terms of Article 5 of the DTAA is also erroneous. That liaison office is established only for the purpose of carrying on business of purchasing goods for the purpose of export and all that activity also falls within the meaning of the words "collecting information" for the enterprise.



- **Law on applicability of Article 24 of the India-Singapore DTAA (Limitation of Benefits) to a case where the income is not remitted to, or received in Singapore.**



***Alabra Shipping Pte Ltd vs. ITO (ITAT Rajkot)***

**Fact of the case**

The assessee, i.e. GAC Shipping India Pvt Ltd, filed a return in respect of MT Alabra, which is owned by Alabra Shipping Pte Ltd of Singapore (ASPL-S, in short) and the ASPL-S is freight beneficiary in respect of the same, as an agent of ASPL-S and under section 172(3) of the Act. The assessee claimed benefit of the India Singapore Double Taxation Avoidance Agreement, the funds were remitted to freight beneficiary's account with The Bank of Nova Scotia in London UK. The AO held that as the freight was remitted to a country other than Singapore and remittance to Singapore is a sine qua non for availing the benefits of the Indo-Singapore tax treaty, the assessee was not entitled to the benefits of the benefits of the India Singapore tax treaty in view of Article 24 thereof.

**Held**

Inland Revenue Authority of Singapore has confirmed that, in the case of Albara Shipping Pte Ltd, "freight income has been regarded as Singapore sourced income and brought to tax on an accrual basis (and not remittance basis) in the year of assessment". The assessee has also filed a confirmation dated 4th December 2013 from its public accountant that the freight of US \$ 6,71,366 earned on MT Albara's sailing from Sikka port has been included in the global income offered to tax by

the company in Singapore. On these facts, the provisions of Article 24 cannot be put into service as this provision can only be triggered when twin conditions of treaty protection, by low or no taxability, in the source jurisdiction and taxability on receipt basis, in the residence jurisdiction, are fulfilled. There is nothing on the record to even vaguely suggest that the freight receipts of ASPL-S were taxation only on receipt basis in Singapore. Quite to the contrary, there is reasonable evidence to demonstrate that such an income was taxable, on accrual basis, in the hands of the assessee.

- **Service tax & Customs duty collected by assessee from clients is not includible in gross receipt while computing income u/s 44BB**

***DIT vs. Mitchell Drilling International Pvt Ltd (Delhi High Court)***

**Fact of the case**

Whether the amount of service tax collected by the Assessee from its various clients should have been included in gross receipt while computing its income under the provisions of section 44BB of the Act?

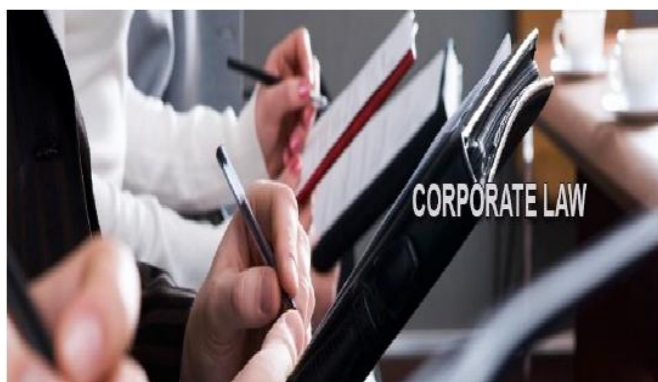
**Held**

Court held that the reimbursement received by the Assessee of the customs duty paid on equipment imported by it for rendering services would not form part of the gross receipts for the purposes of Section 44 BB of the Act. The Court accordingly holds that for the purposes of computing the 'presumptive income' of the assessee for the purposes of Section 44 BB of the Act, the service tax collected by the Assessee on the amount paid by it for rendering services is not to be included in the gross receipts. The service tax is not an amount paid or payable, or received or deemed to be received by the Assessee for the services rendered by it. The Assessee is only collecting the service tax for passing it on to the government.

## POLICY WATCH

### ➤ **Mechanisation of berths at Paradip port approved**

Government has given its approval to the project of Mechanisation of East Quay Berths-1, 2 and 3 at Paradip Port on Build, Operate and Transfer basis, under Public Private Partnership (PPP) mode' for handling thermal coal exports. The estimated cost of the project is USD 217.8million of which USD 214.04 million will be spent by the concessionaire. The remaining USD 3.7 million will be spent by the Paradip Port Trust on dredging.



### ➤ **Relaxation of, additional fees and extension of last date of filing of AOC-4, AOC"4 XBRL and MGT-7 E-Forms under the Companies Act, 2013.**

In continuation of this Ministry's General Circular No.10/2015 dated 13<sup>th</sup> July 2015, keeping in view the request received from various stakeholders, it has been decided to relax the additional fee payable on forms AOC-4 and AOC-4 XBRL upto 30th November, 2015. The additional fee requirement for MGT-7 E-Form is also relaxed for all such forms filed till 30th November, 2015, wherever additional fee is applicable.

### ➤ **India and Germany sign agreements for cooperation in science & technology**

India and Germany has signed agreements for additional cooperation in the field of science & technology to continue the support and strengthen the basic research component. India is investing

approximately 14 million euros for the construction of an additional beam line and access to the synchrotron facility at PETRA-III in DESY at Hamburg. Similarly, India is equity share holder with investment of 36 million euro in the construction of the international "Facility for Antiproton-Ion Research" at Darmstadt. Both these state of art facilities will further enable Indian scientists to conduct high impact and frontier research in material science, nuclear and high energy physics.

### ➤ **India and Lithuania agree to intensify agricultural cooperation**

India and Lithuania have agreed that there is significant potential for intensifying bilateral cooperation in agriculture, particularly in sectors like food and dairy processing. A bilateral agreement on agricultural cooperation will also be signed soon. Both sides have agreed to collaborate in research and agricultural technology. Lithuanian companies have also been invited as partners in India's new economic development, as India gears up for a phase of active and focused engagement with Central Europe

### ➤ **India and Bangladesh to carry out joint marine research project**

In a first of its kind research project, India will conduct a joint marine research with Bangladesh in its Exclusive Economic Zone (EEZ) to collect oceanographic data and understand the marine ecology of the Bay of Bengal. This research is crucial to understand climate change and monsoon pattern in India. A team of scientists from the National Institute of Oceanography will reach the Bay of Bengal in October-November on Research Vessel Sindhu Sadhana. The cruise will involve 29 scientists, 10 from Bangladesh and 19 from India.

### ➤ **RBI unveils gold monetisation scheme norms**

To cut down on the import bill, the Reserve Bank of India (RBI) has announced a gold monetisation scheme that allows individuals, trusts and mutual funds to deposit gold with banks and earn an interest on it. The minimum deposit under the scheme should be raw gold equivalent to 30 grams of 995 fineness. The central bank has not fixed a maximum limit for

deposit. The designated banks will accept gold deposits under the short-term (one to three years) bank deposit as well as medium-term (five to seven years) and long-term government deposit schemes (12 to 15 years).

➤ **Government to continue supporting Indian companies investing in Africa**

The Union government is to continue its support to Indian companies investing in Africa and has encouraged Indian and African business enterprises to take advantage of Make in India' initiative to work towards mutually beneficial joint business ventures during India- Africa Business Forum in New Delhi. Trade and economic exchanges between India and Africa are a vital component of all-round relationship with this rising continent. The total trade figure of about USD 72 billion in 2014-15 is impressive as it signifies more than ten-fold growth in a decade.

➤ **Panel to Simplify Income Tax laws set up**

A high-level committee under a former Delhi High Court judge has been set up by the government to suggest simplification of Income Tax laws. The committee has been asked to study and identify the provisions/phrases in the Income Tax Act which are leading to litigation due to different interpretations. Also, the panel will study and identify the provisions which are impacting the ease of doing business as well as identify the areas and provisions of the Act for simplification in the light of existing jurisprudence.

➤ **Environment ministry approval to USD 454.5 million airport at Mopa in Goa**

The environment ministry has given its approval for a new airport at Mopa, Goa. The airport, which will be developed in four phases, is expected to have the capacity to handle 13.1 million passengers a year by 2045. A total of 2,271 acres is required for the project, which will require an investment of USD 454.54 million. In the first phase, the Goa government would develop one runway, with a half parallel taxiway and three runway exits by 2020 to handle 4.4 million passengers at an estimated cost of USD 227.3 million.

➤ **Heritage development projects approved for 8 cities at a cost of USD 653 million**

Action Plans under Heritage City Development and Augmentation Yojana (HRIDAY) for eight mission cities have been approved at a total cost of USD 653 million. These are for Varanasi, Mathura, Ajmer, Dwaraka, Badami, Vellankini, Warangal and Amaravati. The action plans approved broadly seek to conserve and develop core heritage assets of respective cities besides improving sanitation through solid waste management, easy access through signages and better mobility, interpretation centres, landscaping, provision of green spaces etc.

**INDUSTRY WATCH**



➤ **Domestic car sales increase 9.5% in September**

Domestic passenger car sales rose around 9.5% to 169,590 units in September from 154,898 units in the same month a year ago. Sales of commercial vehicles were up 12 % at 62,845 units in September. Softening interest rates and comparatively cheaper fuel have also helped the growth in the passenger car segment. Motorcycle sales, however, continued to remain in the negative territory with sales in September declining 2.87 per cent as compared to same period a year ago.

➤ **IT sector to touch USD 350 billion in revenues by 2025**



IT sector would nearly triple its annual revenue to USD 350 billion by 2025. The sector is well on track

to grow from USD 132 billion in FY15 to USD 225 billion by 2020 and USD 350 billion by 2025. Of the USD 350 billion, exports are expected to account for about USD 280 billion. But this growth would depend on a number of actions by the firms in this space, including making a significant investment in building the digital business and creating new service catalogue, pursuing an active merger and acquisition strategy. The industry is expected to grow at over 11% (annually).

➤ **Shell companies' patents to come under domestic tax net on adoption of BEPS**

Technologies that are developed in India but their patents registered in tax havens may come under the domestic tax net from the next financial year, when the country is expected to adopt a new world standard aimed at preventing abuse of double taxation avoidance agreements. The Organisation for Economic Co-operation and Development has mooted the Base Erosion and Profit Shifting (BEPS) guidelines to tackle this problem. Many multinational and local companies have research and development centres in India working on new technologies and products. Once a technology or product is developed, many of them tend to register the patents in countries like Ireland and Switzerland.

➤ **India's e-tail sees 3-fold growth in a year**

The value of India's online sales in 2015 is expected to be thrice as much as last year. While marketplaces like Amazon, eBay, Flipkart and Snapdeal have increased choices by adding sellers on their platforms and improving delivery efficiency, it is estimated that Indian e-commerce companies' combined gross merchandise value (GMV) this year will be over USD 12 billion by December, compared with USD 4.5 billion last year.

➤ **Small finance banks to outsource various ops to universal banks.**

Entities that have secured an in-principle approval to become small finance banks (SFBs) are looking to outsourcing key operations such as treasury and cash

management to existing universal banks. SFBs say outsourcing these operations, for which they do not have expertise, might prove more cost-effective, especially during the transformation stage. This could be a win-win situation for both, as universal banks will earn a fee for handling some of the operations of SFBs.

➤ **Government's infrastructure support a boon for cement firms**

Major infrastructure projects in the country worth USD 52.6 billion will need 45 million tonnes of cement in the next three to four years. Out of this, western India alone will consume 12 million tonnes. The central government plans to expand the city's airport, seaport and metro rail infrastructure in Mumbai and other places. At present, 20% of the total cement demand in India comes from infrastructure, which three to four years back used to be a 25% share. With the current emphasis on infrastructure development, share is rising beyond 25%. India's current cement capacity is more than 390 million tonnes, with an average effective capacity utilization of 70%.

## CORPORATE HIGHLIGHTS



➤ **Embassy partners Warburg Pincus to enter into warehousing business**

Embassy Group formed a USD 250 million Joint Venture (JV) with private equity firm Warburg Pincus named Embassy Industrial Parks to build warehouses across the country, tapping a largely uncharted path for organized players. It includes equity investment of USD 175 million from the New York-based Company and USD 75 million from Bengaluru-based Embassy. About 90% of the initial

investment would be used for land purchases. This is Warburg's maiden foray into the warehousing business in India. The JV would be aiming to build and lease 15 to 20 million square feet over the next few years, focusing on markets which include Mumbai, Delhi, Bengaluru, Ahmedabad, Pune and Chennai.

➤ **Ikea to open 25 stores in India**

Swedish home furnishing brand Ikea has drawn up a long-term plan to open 25 stores in the country. The company had been sourcing products from India for 28 years but it is yet to open its first store in the country. At USD 75.7 million for each store, Ikea's investment in 25 stores could be USD 1894 million. In July 2015, the company bought 13 acres of land in Hyderabad for its maiden store. Ikea has signed a memorandum of understanding with the Uttar Pradesh government for three stores in Lucknow, Agra and Noida. Similar agreements have been signed with the state governments of Telangana, Maharashtra and Karnataka.

➤ **India Value Fund to invest up to USD 150 million in food business**

India Value Fund Advisors (IVFA) will invest between USD 100 and 150 million in the food business over the next two years. The Private Equity firm is looking to back mid-size businesses in food business with focus on supply chain and ingredient business, packaged food business and food services business. IVFA which recently picked up a controlling stake in chef Rahul Akerkar founded deGustibus Hospitality for USD 30 million also holds investments in companies such as VKL Seasoning (ingredient business) and Keya (packaged food business).

➤ **Opinio raises USD 7 million from Delhivery, Accel**

Gurgaon-based e-commerce fulfilment service Delhivery has participated in a USD 7 million Series-A funding round in hyperlocal delivery service Opinio, marking its second strategic investment in

the space in less than one year. Opinio has raised USD 7 million in Series-A funding, along with participation from Sands Capital and Accel Partners, apart from Delhivery. Opinio enables small businesses, such as restaurants, bakeries, laundry services, to provide customers with last-mile delivery within five to seven kilometres. The firm will use the recently raised capital to grow its technology platform, expand into multiple cities and strengthen its product portfolio.





➤ **Recipharm buys Nitin Lifesciences**

Swedish firm Recipharm has picked up 74% stake in sterile injectables maker Nitin Lifesciences for USD 101.66 million in an all cash deal. Nitin Lifesciences is engaged in contract manufacturing of liquid ampoules, liquid vials, sterile dry powder, multidose eye and eardrops for Indian and foreign drug makers. This is the largest inbound deal in the sterile injectables space in the last two years, after the USD 1.75 billion acquisition of Strides Arcolab's subsidiary Agila Specialities by Mylan in 2013. The deal is expected close in first quarter 2016 after the approval of Foreign Investment Promotion Board.

➤ **The Lalit announces tie-up with Worldhotels to increase its international visibility**

Facing stiff competition from international hotel companies offering strong loyalty programmes, The Lalit announced a tie-up with global hotel referral organisation Worldhotels to increase its international visibility.

In exchange for a fee, Worldhotels has added the Bharat Hotel's Delhi, Mumbai, Bangalore and Kolkata properties to its existing portfolio of 450 hotels. The company, which offers services including global marketing, sales, training, e-commerce and distribution and technology, claims to increase The Lalit's sales from international clients by recommending the hotel to business and leisure travellers.

Statutory compliance calendar for the month October 2015			
Due date	Statutory compliance under Act	particulars	Governing Authority
			
06/10/2015	Service Tax	Payment of monthly service tax by all tax payers electronically	Central Board of Excise and Custom
	Central Excise	Payment of monthly central excise duty on goods by assesses other than SSI units electronically	Central Board of Excise and Custom
07/10/2015	Income Tax	Deposit of Income Tax TCS and TDS deducted	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.
10/10/2015	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.
15/10/2015	Income Tax	(a) Income Tax TDS/TCS statement in form 24Q/26Q/27EQ (Other than Government) for the quarter July to September (b) Return in form 27Q in respect of TDS from interest, dividend or any other sum payable to non-residents for the quarter July to September (c) Monthly return of Provident Fund in form 10 of employees leaving the service	Central Board of Direct Tax.
	Provident Fund	(a) Payment of monthly dues of Provident Fund (b) Monthly return in form 5 for employees joining Provident Fund during April along with declaration in form 2 furnished by the employees (c) Monthly return of Provident Fund in form 10 of employees leaving the service	The Central Board of Trustees , The Employees' Provident Fund Scheme, 1952
21/10/2015	ESIC	Payment of ESIC contribution for the	The employees' state insurance Act-1948. Ministry of labour and employment.
25/10/2010	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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- Succession Planning.
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