

# Tax & Corporate law Bulletin

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SEPTEMBER 2012

### 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 ... Private sector participation in smart cities allowed, Government clears 22 FDI proposals, Foreign Exchange Management (Amendment) Regulations, 2014, and read many more...

We eagerly await your feedback on the bulletin.

Yours truly,

**Rajput Jain & Associates**  
**Chartered Accountants**



Your partners  
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“Adapting swiftly to the  
global business environment”



## DIRECT TAX

- **Section 90 of the income-tax act, 1961 – double taxation agreement – agreement for avoidance of double taxation and prevention of fiscal evasion with foreign countries – Fiji Notification 35/2014 [f.no.503/11/2005-ftd-ii]/so 2049(e), dated August 12<sup>th</sup>, 2014**

Whereas, an Agreement between the Government of the Republic of India and the Government of the Republic of Fiji for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income was signed in India on the 30th day of January, 2014 (hereinafter referred to as the Agreement).

And whereas, the said Agreement entered into force on the 15th day of May, 2014, being the date of the later of the notifications of the completion of the procedures required by the respective laws for entry into force of the Agreement, in accordance with paragraph 2 of Article 30 of the Agreement;

And whereas sub-paragraph (a) of paragraph 3 of Article 30 of the said Agreement provides that the provisions of the Agreement shall have effect in India in respect of income derived in any fiscal year beginning on or after the first day of April following the calendar year in which the Agreement enters into force;

Now, therefore, in exercise of the powers conferred by sub-section (1) of section 90 of the Income-tax Act, 1961 (43 of 1961), the Central Government

hereby notifies that all the provisions of the said Agreement, as annexed hereto, shall be given effect to in the Union of India

- **Section 119 of the income-tax act, 1961 – income-tax Authorities – instructions to subordinate authorities– extension of due date for obtaining and furnishing of Report of audit under section 44ab for A.Y. 2014-15 in case Of assessee who are not required to furnish**

**report under Section 92E from September 30, 2014 to November 30<sup>th</sup>, 2014**

In exercise of power conferred by section 119 of the Income-tax Act (The Act), the Central Board of Direct Taxes (CBDT) hereby extends the due date for obtaining and furnishing of the report of audit under section 44AB of the Act for Assessment Year 2014-15 in case of assessee who are not required to furnish report under section 92E of the Act from 30th day of September, 2014 to November 30<sup>th</sup>, 2014.

It is further clarified that the tax audit report under section 44AB of the Act filed during the period from April 1<sup>st</sup>, 2014 to July 24<sup>th</sup>, 2014 in the pre-revised Forms shall be treated as valid tax audit report furnished under section 44AB of the Act.

## RECENT JUDGEMENTS

- **Extension Of due date for filing ROI will cause “substantial hardship”. CBDT must look into practical difficulties & take “just and proper” decision before September 30th, 2014**

**The Chamber of Tax Consultants vs. UOI (Bombay High Court) September 25<sup>th</sup>, 2014**

In view of the fact that the Madras High Court has already directed the CBDT to examine the representation of the assesseees in general, before 30.09.2014, we feel it appropriate that the above representation of the Petitioners is also considered by the CBDT. Though we do not wish to express any view of the legalities of various issues involved, it does appear to us, from the arguments advanced, that

There will be substantial hardship caused to the assesseees, if the date of filing Return is not suitably extended. We hope and trust that CBDT will look into all these practical difficulties enumerated above and take a just and proper decision on the matter, before 30.09.2014, as already directed by the Madras High Court. In case the Petitioners are entitled to any further relief in view of the orders passed in various petitions filed in other High Courts, this order would not preclude the Petitioners from claiming the same.

- **Section 113 Proviso inserted by FA 2002 w.e.f. July 1st, 2002 to impose surcharge in search assessments is not retrospective. Suresh Gupta 297 ITR 322 (SC) overruled.**

**CIT vs. Vatika Township (Supreme Court - Full Bench) September 16<sup>th</sup>, 2014**

There cannot be imposition of any tax without the authority of law. Such a law has to be unambiguous and should prescribe the liability to pay taxes in clear terms. If the concerned provision of the taxing statute is ambiguous and vague and is susceptible to two interpretations, the interpretation which favours the subjects, as against there the revenue, has to be preferred. This very principle is based on the “fairness” doctrine as it lays down that if it is not very clear from the provisions of the Act as to whether the particular tax is to be levied to a particular class of persons or not, the subject should not be fastened with any liability to pay tax

- **Section 254(1): Unnecessary remand by the ITAT causes prejudice and amounts to a failure to exercise jurisdiction**

**Coca-Cola India Private Limited vs ITA (Bombay High Court) dated September 12<sup>th</sup>, 2014**

The Tribunal should not have refused to consider and decide the issue relating to service charges, more so, when an identical view taken by it earlier has not found favour of this Court. This Court repeatedly reminded the Tribunal of its duty as a last fact finding Authority of dealing with all factual and legal issues. The Tribunal failed to take any note of the caution which has been administered by this Court and particularly of not remanding cases unnecessarily and without any proper direction. A blanket remand causes serious prejudice to parties. None benefits by non-adjudication or non-consideration of an issue of fact and law by an Appellate Authority and by wholesale remand of the case back to the original authority. This is a clear failure of duty which has to be performed by the Appellate Authority in law.

Once the Appellate Authority fails to perform such duty and is corrected on one occasion by this Court, and in relation to the same assessee, then, the least that was expected from the Tribunal was to follow the order and direction of this Court and abide by it even for this later assessment year. If the same claim and which was dealt with by the Court earlier and for which the note of caution was issued, then, the Tribunal was bound in law to take due note of the same and follow the course for the later assessment years.

We are of the view that the refusal of the Tribunal to follow the order of this Court and equally to correct its obvious and apparent mistake is vitiated as above. It is vitiated by a serious error of law apparent on the face of the record. The Tribunal has misdirected itself completely and in law in refusing to decide and consider the claim in relation to service charges.

- **Section 145: Even if assessee is following mercantile system, income cannot be assessed, on “real income” theory, if its collection/receipt is not certain**

**Maruti Securities Ltd vs. ACIT (ITAT Hyderabad) dated September 9<sup>th</sup>, 2014**

The method of accounting, as followed by the assessee, does not create any income. The method of accounting only recognizes income. Income cannot be taxed on hypothetical basis, and it is only the real income that is to be brought to tax. When the principal itself is overdue and not collected, there is no basis for making out a case that interest income would be collectable with certainty. Even where an assessee is following the mercantile system of accounting, it is only accrual of real income which is chargeable to tax, that accrual is a matter to be decided on commercial belief having regard to the nature of business of the assessee and character of the transaction.

Accordingly, for the purpose of determining whether there has been accrual of real income or not, recourse is to be made to ascertain the nature of business and

character of the transaction and the realities and peculiarities of the situations

- **AO's action of giving effect to a quashed Section 263 revision order termed "assault on rule of law" & "contempt of court"**



**DCIT vs. SAP Labs India Pvt. Ltd (ITAT Bangalore) dated September 10<sup>th</sup>, 2014**

By the by, we are very much astonished to observe that the AO has passed a revised assessment order even after knowing that the revision order passed by the CIT has been set aside by the Tribunal. The action of the AO could be treated as assault on the rule of law. His action amounts to contempt of court as well. The Revenue could have preferred to file an appeal before the High Court against the order of the Tribunal setting aside the revision order passed by the CIT. If such an appeal has been already filed, well and good. Otherwise, Revenue has no remedy when the Tribunal has set aside the revision order of the CIT. The said order no more exists and the AO has no substratum to build a second round of revised assessment. We do not think that all these matters are unknown to the Assessing Authority. But giving due consideration to the explanations offered by the learned senior officers appearing for the Revenue and also for the reason that the AO might have prompted to act in haste, only in public interest, we do not proceed further in this matter. But we wish that before jumping into such controversial games, the AO ought to have taken advice from his seniors.

- **Strictures passed against the CBDT for seeking to take advantage of its own wrong**

**and disregarding genuine hardship of taxpayers. Due date for filing ROI extended to November 30<sup>th</sup>, 2014.**

**All Gujarat Federation of Tax Consultants vs. CBDT (Gujarat High Court) dated September 26<sup>th</sup>, 2014**

The CBDT ought to have responded to the representation. Instead, it chose not to respond but later before this Court in no uncertain terms has termed such a request impermissible on the ground that the grievances are not sustainable. Therefore, considering the larger cause of public good and keeping in mind the requirement of promotion of justice, we chose to exercise the writ of mandamus directing the CBDT to extend the date of filing of return of income to 30<sup>th</sup> November 2014, which is due date for filing of the TAR as per the Notification dated 20<sup>th</sup> August 2014. Such extension is granted with the qualification that the same may not result into non-charging of interest u/s 234A.

## **INDIRECT TAX**

### **EXCISE**

- **Pre-deposit became mandatory before making an appeal to Commissioner (Appeals) and Appellate Tribunal**

Presently, in case Commissioner (Appeals) and Appellate Tribunal are of the opinion that the pre-deposit of duty demanded or penalty levied would cause "undue hardship" to the appellant, Commissioner (Appeals) and Appellate Tribunal issues a stay order on such pre-deposit subject to Conditions, if required, to safeguard the interests of revenue. Now, with effect from August 6<sup>th</sup>, 2014, existing Section 35F of the Central Excise Act, 1944 is substituted with new provisions which



provides for mandatory deposit of 7.5% of duty demanded (in case duty or duty and penalty are in dispute) or penalty imposed (in case penalty is in dispute) in case of the First Appeal and a deposit of 10% of duty demanded (in case duty or duty and penalty are in dispute) or penalty imposed (in case penalty is in dispute) in case of the Second Appeal.

The maximum cap of pre-deposit is kept at 10 crore. Further, duty demanded would include excess amount collected as Central Excise Duty under Section 11D, erroneous CENVAT Credit taken and also CENVAT Credit reversal as required under Rule 6 of CENVAT Credit Rules, 2004. The said amendment would not be applicable to stay applications and appeals pending before appellate authority prior to commencement of Finance Act, 2014. Since Stay concept is removed, consequentially, the provisions, with respect to time limit for disposal of appeals where stay is granted and the fees to be paid for application of stay before Appellate Tribunal, are omitted.

## Service tax

### Synopsis of Notifications, Circulars

➤ **Central Government vide Notification No.17/2014-ST dated August 20th, 2014** has inserted Entry No. 5A in Mega Exemption Notification No. 25/2012-ST dated June 20<sup>th</sup>, 2012 thereby exemption is granted to “Services rendered by:-

- Kumaon Mandal Vikas Nigam Ltd.
- Committee or State Committee (as defined in Section 2 of the Haj Committee Act, 2002) in respect of a religious pilgrimage facilitated by the Ministry of External Affairs of the Government of India, under bilateral arrangement from levy of whole of the Service Tax.”

➤ **Central Government vide Notification No.18/2014-ST dated August 25th, 2014** has appointed October 1<sup>st</sup>, 2014 as the date on which the levy of Service Tax on Radio Taxis, amendment to Negative List related to Sale of

space or time for Advertisement (other than Print Media) & amendment to Section 67A related to Determination of Rate of Exchange would come into force.

➤ **Central Government vide Notification No.19/2014-ST dated August 25th, 2014** has inserted Rule 11 to Service Tax Rules, 1994 for determining rate of Exchange. As per this Rule, the Rate of Exchange for determination of value of taxable service shall be the applicable rate of exchange as per the Generally Accepted Accounting Principles on the date when Point of Taxation arises in terms of the Point of Taxation Rules, 2011. Tax Research Unit of Ministry of Finance, Department of Revenue vide DOF No.334/15 /2014-TRU dated August 25<sup>th</sup>, 2014 has clarified that the Finance (No. 2) Bill, 2014 received the assent of the President of India on August 6<sup>th</sup>, 2014 and has been enacted as the Finance (No. 2) Act, 2014. In view of the same, the provisions of following clauses of section 114 of the said Act have already come into force w.e.f. August 6<sup>th</sup>, 2014.

➤ **Service tax Certificate issued by Indian Railways to be eligible document for availment of CENVAT Credit**

Rule 9 (1) of CENVAT Credit Rules, 2004 provides for eligible documents to avail CENVAT Credit. Now, Service Tax Certificate issued by the Indian Railways for transportation of goods by Rail (STTG Certificate) along with photocopies of railway receipts mentioned in such STTG certificate is also specified as eligible document for availment of Cenvat Credit- (Notification No. 26/2014-CE (NT) dated August 27<sup>th</sup>, 2014)

## FEMA

➤ **Liberalized Remittance Scheme (LRS) for resident individuals –Clarification A.P. (DIR Series) Circular No. 19 dated August 11<sup>th</sup>, 2014**

RBI had vide A.P. (DIR Series) Circular No. 5 dated July 17<sup>th</sup>, 2014 clarified that LRS can also be used for acquisition of immovable property outside India.

In light of above clarification, the requirement of post facto reporting stipulated in terms of A.P. (DIR Series) Circular No. 32 dated September 4<sup>th</sup>, 2013 (Sr. No. 4 of Annexure to the Circular) stands withdrawn.

➤ **Foreign Exchange Management (Acquisition and Transfer of Immovable Property in India) (Amendment) Regulations, 2014**

**Notification No. FEMA 321/2014-RB dated September 26<sup>th</sup>, 2014**

The Reserve Bank of India makes the following amendment in the Foreign Exchange Management (Acquisition and Transfer of Immovable Property in India) Regulations, 2000

“Any transaction involving acquisition of immovable property under these regulations shall be subject to the applicable tax laws in India.”

These Regulations may be called the Foreign Exchange Management (Acquisition and Transfer of Immovable Property in India) (Amendment) Regulations, 2014.

## **INTERNATIONAL TAXATION**

➤ **CIT vs. Faizan Shoes Pvt. Limited [TS-472-HC-2014 (MAD)] dated July 22<sup>nd</sup>, 2014**

### **Facts of the case**

The assessee, Faizan Shoes Pvt. Limited, is a company engaged in manufacture and export of leather articles. Assessee entered into an agency agreement with a non-resident agent (NR agent) to secure orders from various customers, retailers and traders, for export of leather shoes. Under the agreement, business was to be transacted by opening

letters of credit or by cash against document basis. NR agent was responsible for prompt payment in respect of all shipments effected on cash against document basis.

Assessee undertook to pay commission of 2.5% on FOB value on all orders procured by NR agent. Assessee claimed the commission paid as expenditure u/s 37. AO disallowed assessee's claim invoking Sec. 40(a)(i) and held that commission payment to NR agent was fees for technical services (FTS), thus taxable u/s 9(1)(vii) read with Sec. 195. On appeal, CIT (A) ruled in favour of assessee relying on SC ruling in GE India Technology Cen. (P) Ltd. vs. CIT [TS-140-SC-2010]. Aggrieved, Revenue preferred an appeal before Madras HC.

### **Issue**

Whether the NR agent's commission for export commitment fulfillment is FTS under section 9(1)(vii)? Whether TDS liable to be deducted on the same under Sec 195?

### **Held**

Perusing Sec. 9, HC observed that in the extant case, it was a 'commission simpliciter', which was paid by assessee to NR agent for procuring orders from overseas buyers. Thus, rejecting Revenue's contention that NR agent provided technical services, HC held, "The opening of letters of credit for the purpose of completing export obligation is an incident of export and, therefore, the non-resident agent is under an obligation to render such services to the assessee, for whom commission is paid. The non-resident agent does not provide technical services for the purposes of running of the business of the assessee in India. The services rendered by the nonresident agent can at best be called as a service for completion of the export commitment. Therefore, HC opined that the commission paid to the non-resident agent will not fall within the definition of "Fees for technical services".



Further, HC considered Explanation to Sec. 9(2) (which was substituted by Finance Act, 2010 with retrospective effect from June 1, 1976) and held that Explanation would come into play only if the amount paid was 'interest' / 'royalty' / 'FTS', which was not the present case. Thus, HC also rejected Revenue's plea that NR agent's income shall be deemed to accrue or arise in India under Clause (v) or (vi) or (vii) of Sec. 9(1) and shall be included in the total income of the non-resident, whether or not the non-resident has rendered services in India. Relying on aforesaid ruling and on SC ruling in GE India, HC Ruled that assessee was not liable to deduct tax at source when NR agent provided services Outside India on payment of commission.

➤ **CIT vs. NHK Japan Corp. [TS-505-SC-2014] dated August 11<sup>th</sup>, 2014**

**Facts of the case**

The assessee, NHK Japan Broadcasting Corporation is a government owned public broadcasting company of Japan having news bureaus in many countries including India. The assessee had deputed expatriate

Employees from Japan for working in its office in India. These employees were to receive salary in India and a portion of salary and allowances in Japan. In pursuance to Japanese law, assessee was withholding and paying citizen's tax to the concerned municipal authority in Japan. Assessee treated the same to be excludible and deductible in computation of salary income of the employees liable to tax in India.

AO held assessee as assessee-in-default u/s 201 on account of non-deduction of tax on 'Japan Citizens

tax' paid by assessee on behalf of expats. On appeal before CIT (A), it was held that citizen tax was a

Statutory levy in Japan on Japanese citizens and that such tax constituted an overriding charge on salary income and therefore the same had to be excluded in computation of taxable income. The Tribunal upheld CIT (A)'s order on citizen tax issue. Aggrieved, the Revenue preferred an appeal before Delhi HC.

**Issue**

Whether the assessee can be regarded as 'assessee in default' u/s 201 for non-deduction of tax at source on "debatable" issue of expatriate's salary?

**Held**

HC held that assessee could not be regarded as 'assessee in default' for non-deduction of tax at source u/s 192 on expatriates' salary. IT department had argued that assessee failed to pay Indian tax on 'Japanese Citizens Individual Inhabitant Tax' paid in Japan on behalf of the expatriates. Rejecting IT department's appeal, HC followed earlier order of Supreme Court in assessee's case (dated January 20, 2010) where SC observed that taxation of expatriate salary was 'debatable'.

SC had observed that there was a debate on the question as to whether TDS was deductible under the Income-tax Act, 1961, on foreign salary payment as a component of the total salary paid to an expatriate working in India. This controversy came to an end vide judgment in the case of Commissioner of Income Tax vs. Eli Lilly & Co. (India) Pvt. Ltd., reported in (2009). The question on limitation has become academic in these cases because, even assuming that the Department is right on the issue of limitation still the question would arise whether on such debatable points, the assessee could be declared as assessee in default under Section 192 read with Section 201 of the Income-tax Act, 1961."

Thus, SC had observed that expatriates salary issues were 'debatable'. In light of above, HC ruled in favour of the assessee and dismissed Revenue's appeal. Aggrieved, Revenue moved an SLP before



SC. SC held that, In view of observation made by the High Court, they are not inclined to interfere with the impugned order. The special leave petition stands disposed of. Thus, SC dismissed Revenue's SLP against HC decision.

➤ **Cosmic Global Ltd. vs. ACIT (TS-481-ITAT-2014 (CHNY)) dated July 30<sup>th</sup>, 2014**

**Facts of the case**

The assessee-company is engaged in the business of providing translation services through Web. For this, assessee engaged service of translators from overseas, as well as within India. Assessee was complying with provisions of Sec. 194J in respect of fees for translation services paid to the residents however the same were not complied in respect of payments made towards translations from overseas translators. The A.O. held translation services were technical in nature and the assessee was liable to deduct tax at source on such payments. A.O. accordingly disallowed the amount paid to non-resident translators without deduction of tax at source. Aggrieved assessee filed an appeal before CIT(A) wherein orders by AO were upheld and the disallowance made under Sec. 40(a)(i) of the Act was confirmed. Aggrieved, assessee filed an appeal before Chennai ITAT.

**Issue**

Whether providing of translation service falls within the meaning of fees for technical services under Section 9(1) (vii)?

**Held**

ITAT noted that expression "technical services" had not been defined anywhere in the Act. However, it was noted that "fees for technical services" had been defined in Explanation 2 to Section 9(1)(vii) of the Act as "any consideration (including any lump sum consideration) for the rendering of any managerial, technical or consultancy services (including the provision of services of technical or other personnel) but does not include consideration for any construction, assembly, mining or like project

undertaken by the recipient or consideration which would be income of the recipient chargeable under the head "Salaries".

ITAT observed that assessee was engaged in translating text from one language to another and for that reason the proficiency of the translators were required in both the languages. The translator was not contributing anything more to the text which was to be translated. He was not supposed to explain or elaborate the meaning of the text. ITAT further noted that apart from the knowledge of the language, the translator was not expected to have the knowledge of applied science or the craft or the techniques in respect of the text which is to be translated. A bare perusal of Explanation 2 to Section 9(1)(vii), which explained "fees for technical service" and the dictionary meaning of the word "technical" made it unambiguously clear that translation services rendered by the assessee were not technical services. Therefore, the payment made by the assessee to the non-resident translators would not fall within the scope of "fees for technical, managerial or consultancy service" as per Explanation 2.

ITAT thus held that the CIT (A) had travelled beyond the definition of "fees for technical service" to bring the translation services within the compass of the term "fees for technical services". In view of the same, ITAT concluded that payments made by the assessee to non-residents on account of translation services did not attract the provisions of Section 195. Thus, deleted disallowance made under Section 40(a) (i).

## **CORPORATE LAWS**

➤ **MCA Notification GSR 590(E) dated August 14, 2014 – Amendment to Companies (Meetings of Board and its Powers) Rules, 2014**

MCA has issued the above notification to amend the existing Companies (Meetings of Board and its Powers) Rules. This amendment deals with certain provisions related to Board resolutions for entering

into related party transactions under Sec. 188 of the Companies Act, 2013 and certain other resolutions.

- **MCA Notification GSR 568(E) dated August 6<sup>th</sup>, 2014 – Amendment to Schedule VII to the Companies Act, 2013**

MCA has amended Schedule VII dealing with provisions of CSR and has also allowed expenditure incurred for slum area development as one of the eligible CSR expenditures.

- **MCA Notification SO 237(E) dated August 29<sup>th</sup>, 2014 – Amendment to Schedule VII to the Companies Act, 2013**

MCA has amended Schedule II dealing with useful lives of assets for calculation depreciation. The said amendments will be voluntary for companies in respect of financial years commencing on or after 1/4/2014 and shall be mandatory from 1/4/2015 and onwards.

- **MCA Circular No. 34/2014 dated August 12<sup>th</sup>, 2014 – Company Law Settlement Scheme, 2014**

Companies Act, 2013 has laid down very strict compliance mechanisms including high penalties for defaults. It has also come to the attention of MCA that there are numerous companies which have not done the requisite compliances under the Companies Act, 1956 and have sought for relaxations or transitional provisions to comply with the same. In view of this, the MCA has finalized the Company Law Settlement Scheme 2014 as a one-time measure to the companies to ensure compliance with the requirements of law. The scheme shall be valid from 15th August 2014 to 15th October 2014.

- **MCA Circular No. 35/2014 dated August 27, 2014 – Clarification on Accounting Standard 10 (AS 10) – Capitalization of cost**

MCA had received various representations in regard to capitalization of costs in case of extended delays in commercial production of Competitive Bid power projects where the delay is beyond the control of the

developer. MCA has sought opinion of the ICAI on this matter and has clarified that capitalization of costs is governed by AS-10 and AS-16 based on sound principles which must be invariably followed while considering the capitalization of various costs.

- **SEBI Notification No. LAD-NRO/GN/2014-15/06/1372 dated August 25, 2014 – Amendments to Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009**

SEBI has amended the provisions relating to the Offer for sale by companies and also certain other amendments pertaining to minimum net offer to the public, definition of frequently traded shares, pricing in case of infrequently traded shares etc.

## POLICY WATCH

- **Government clears 22 FDI proposals**

The Foreign Investment Promotion Board has approved 22 Foreign Direct Investment (FDI) proposals worth USD 576 million. These include proposals from Telenor, Norway, KSK Energy and Religare Credit. The biggest FDI proposal cleared by the FIPB came from KSK Energy which sought to issue warrants to its foreign promoter worth USD 174 million.

Telecom company Netmagic' USD 94.97 million plan for increasing foreign equity and Religare Credit Invest Trust's USD 82.58 million proposals were also cleared. Telenor's proposal worth USD 12.88 million to increase stake in its Indian subsidiary Telewings to 100% from 74%, was also approved.

- **Private sector participation in smart cities allowed**

Government is about to finalize the policy for implementing its plan to convert 100 existing cities into smart cities. This will involve large-scale participation of the private sector. The government is

also looking at building bylaws and floor area ratio (FAR) norms closely to find a way to optimally utilize existing land in the country. Apart from the 100 existing cities that will be retrofitted to smart cities, the government is also considering developing three-four green-field cities.



➤ **Government to increase dearness allowance to 107%, up from 100%**

Government is likely to approve a hike in Dearness Allowance (DA) to 107% from the existing 100%, benefiting around 3 million Central government employees and its 5 million pensioners. The average rate of retail inflation for industrial workers from July 1, 2013 to June 30, 2014 works out to be 7.25%. Thus the Central government will hike dearness allowance for its employees by 7%.

➤ **CCEA approves USD 411 million liquid bulk terminal at JNPT**

The Cabinet Committee on Economic Affairs (CCEA) has approved setting up of an additional liquid bulk terminal at Jawaharlal Nehru Port Trust (JNPT) at an estimated total cost of USD 411 million, which will facilitate industrial growth in the hinterland. The project will be taken up for implementation under the Private Public Partnership mode on Design, Build, Finance, Operate and Transfer basis. The project is envisaged to be implemented in two phases with overall capacity as 26.6 Million tons per annum (MTPA). The project would enhance the liquid bulk cargo handling capacity of JNPT from the existing 5.5 MTPA to 20.5 MTPA by 2017-18 in Phase-I.

➤ **Andhra Pradesh signs MOUs worth USD 13 billion**

Government of Andhra Pradesh has signed 10 Memoranda of Understandings (MOUs) with public and private entities including NTPC, Hero MotoCorp, Ministry of New and Renewable Energy and Defense Research & Development Organization involving investment of around USD 13 billion. NTPC has agreed to set up a 4,000 MW thermal power project involving an investment of over USD 4 billion and a 1,000 MW solar project costing over USD 984 million. Hero MotoCorp will set up a manufacturing facility involving an investment of USD 492 million.

**INDUSTRY WATCH & CORPORATE HIGHLIGHT**

➤ **Indian engineering exports to Iran, Turkey, Jordan rise**

INDIA'S engineering exports to Iran, Turkey and Jordan have grown significantly year-on-year growth in July. The engineering exports to the three neighbors in July were USD 343 million, as against USD 141 million a year ago. For the first four months (April-July) of 2014-15 fiscal, the outbound shipments to these destinations were close to USD 1.4 billion - more than double in the year-ago period. Turkey witnessed 89% expansion in engineering exports from India to USD 155 million in July, from USD 82 million a year ago.

➤ **Online advertising market to touch USD 591 million by March 2015**

Online advertising market is projected to touch USD 591 million by March 2015. The online advertising market was pegged at USD 545 million in March 2014 and it is growing at the rate of 30% year-on-year. Of the USD 545 million digital advertisement market, search advertisement constitute 38% of the overall ad spends followed by display advertisement which contribute 29% and social media contributing 13% of overall digital advertisement spends.

➤ **Total telephone user base rises to USD 15.56 million in July**

TOTAL telephone subscriber base in India rose marginally in July to reach USD 15.56 million, with 345,000 users added during the month. The overall tele-density in the country increased to 76% from 75.8% at the end of June. The total wireless subscriber base rose 0.42% in July to reach USD 15.10 million at the end of July from USD 15.4 million last month. The overall wireless tele-density has increased to 73.78%.

➤ **Croma & Snapdeal.com tie-up to sell electronic goods online**

TATA Group-promoted Infiniti Retail, which runs consumer durables chain Croma, has entered into a strategic partnership with e-commerce firm Snapdeal.com, where Croma will open its brand store on Snapdeal's marketplace to tap more customers. Apart from physical retail stores, Croma also has its own e-commerce portal cromaretail.com and is present on other online marketplaces such as Amazon and eBay. In the initial phase, Croma and Snapdeal would jointly work towards market development initiatives, establishment of joint collaboration on customer and vendor outreach programmes and category development.



➤ **HCL Info systems ties up with Hamilton Beach**



HCL Info systems Ltd, and US-based kitchen appliance brand Hamilton Beach have signed a distribution tie-up for premium appliances categories. Hamilton Beach and HCL Info systems are targeting a 10% market share in the premium organized kitchen appliance market in the next four to five years. The overall small electronic appliance market is about USD 1.65 billion in India, of which USD 0.99 billion is organized. The organized home appliances market is around USD 49.33 million and is growing at 30%. India has emerged as one of the key potential markets for Hamilton globally.

➤ **Reliance Foundation & University of Chicago join hands**



Reliance Foundation operates across:



Reliance Foundation, the philanthropic arm of Reliance Industries, India's largest private-sector company, and the University of Chicago have announced a collaboration to develop innovative technology that will help train medical students and clinicians for better diagnosis and improved healthcare. The partnership will develop cloud-based software applications that can train medical professionals using case studies written by experienced physicians and state-of-the-art clinical reasoning methods. The collaboration is also supporting doctors in real time with evidence based clinical decision-making tools.

➤ **L&T wins USD 316 million order in India**

L&T Hydrocarbon Engineering Ltd (LTHE), a fully-owned subsidiary of India's largest engineering and Construction Company Larsen and Toubro Ltd (L&T) has secured new orders in the offshore and onshore segments worth USD 316 million from

domestic oil and gas companies. With a change in government and with hopes that stalled projects would soon be revived, these companies, including L&T, believe that the international and domestic mix of order books will soon change.

➤ **China to invest over USD 5 billion in 2 IT parks in Maharashtra & Gujarat**



China is to set up two industrial parks, one in Maharashtra and other in Gujarat. This will involve investments in excess of USD 5 billion. The park in Pune would have an area of about 6 sq km. The park that would come up near Ahmedabad in Gujarat would encompass an area of around 10 sq km and would require investments in excess of USD 1 billion. The Ahmedabad Park would focus on power transmission and generation equipment manufacturing. The first phase of the Pune Park, which would be completed in three years, would see investments to the tune of USD 500 million.

➤ **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.





➤ **Core sector grows 4.5% in 2014**

India's infrastructure sector output in 2014 has expanded in five months, indicating some lift in the economy as the country heads to elections. The index of eight core sector industries rose 4.5% in February from the previous year, and 1.6% from the previous month. The core sector index has a 38% weight in the Index of Industrial Production (IIP), which makes it a lead indicator of industrial activity. The improvement in the core sector is driven largely by electricity and steel, and there is some strength in the other key construction material, cement. Slower decline in natural gas production after last year's massive fall has also contributed to the overall pick up.

➤ **Passenger car sales up 3.1%; bikes sales grow 11.7% in mid 2014**



Domestic vehicle sales registered a growth of 13.22% to 16, 98,138 units in May this year against 14, 99,893 units in the same month a year ago. While domestic passenger car sales grew 3.08% to 1, 48,577 units last month compared with 1, 44,132 units in May 2013, motorcycle sales grew 11.71% to 9, 84,469 units in May against 8, 81,288 units in the year-ago period. Total two-wheeler sales during the month grew 16.3% to 14, 02,830 units from 12, 06,173 units in the same period previous year. Total sales of commercial vehicles were down 15.28% to 46,986 units (55,458 units).

<b>Statutory compliance calendar for the month of September 2014</b>			
<b>Due date</b>	<b>Statutory compliance under Act</b>	<b>Particulars</b>	<b>Governing Authority</b>
			
06/09/2014	Service Tax	Payment of monthly service tax for the month of August by all tax payers electronically	Central Board of Excise and Custom
	Central Excise	Payment of monthly central excise duty for the month of August on goods by assesses other than SSI units electronically	Central Board of Excise and Custom
07/09/2014	Income Tax	Deposit of Income Tax TCS and TDS deducted in August	Central Board of Direct Tax.
	NBFC-D	Monthly return of exposure to capital markets in form NBS-6 by NBFC having total assets of 100 crore and above	Reserve Bank of India.
	NBFC-ND-SI	Monthly return of source and application of funds, profit and loss account, asset classification	Reserve Bank of India.
10/09/2014	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.
15/09/2014	Income Tax	Advance income tax under section 211 of Income Tax Act by corporate (second installment) and non-corporate assesses (first installment)	Central Board of Direct Tax.
	Provident Fund	(a) Payment of monthly dues of Provident Fund for the month of August  (b) Monthly return in form 5 for employees joining Provident Fund during August along with declaration in form 2 furnished by the employees  (c) Monthly return of Provident Fund in form	The Central Board of Trustees, The Employees' Provident Fund Scheme, 1952

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

### Glossary

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

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



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