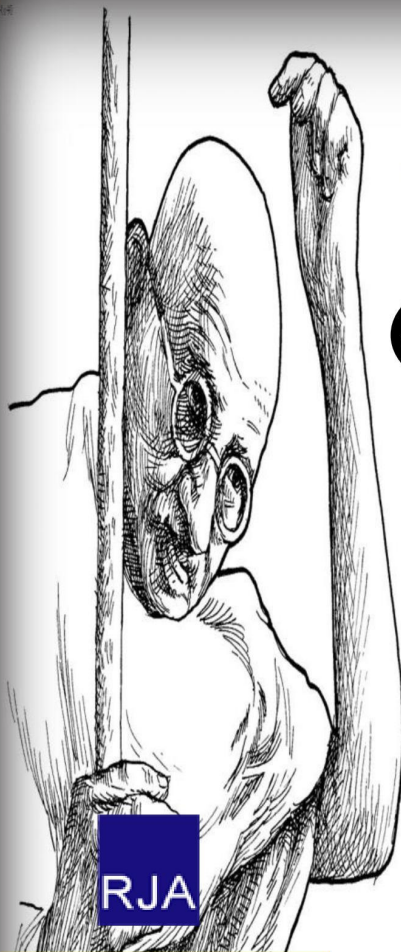


Tax & Corporate law Bulletin

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APRIL 2016

From the Editor's Desk...

Dear Reader,

Greetings for the season,

Draft rules for grant of Foreign Tax Credit; Section 50C does not apply to transfer of leasehold rights in land; Extension of time till 29-4-2016 for filing ST-3 returns; Clarification on excisability of re-refined or waste oil and read many more ...

We eagerly await your feedback on the bulletin.

Yours truly,

Rajput Jain & associates

Chartered accountants



Your partners
for success

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“Adapting swiftly to the
global business environment”



DIRECT TAX



➤ SECTION 139 OF THE INCOME-TAX ACT, 1961 – RETURN OF INCOME – RELEASE OF E-FILING OF INCOME TAX RETURNS

Press Release, dated 4th April, 2016

In pursuance of the Notification of the Income Tax Returns (ITR) for AY 2016-17 on March 31st, 2016, Central Board of Direct Taxes announces the release of electronic filing of ITRs 1 and 4S on its website <https://incometaxindiaefiling.gov.in>. Other ITRs will be e-enabled shortly.

Online filing of Appeal before Commissioner (Appeal) using newly notified Form 35 has been enabled for taxpayers mandated to E-file their returns using Digital Signature Certificate.

In pursuance of Notification No 93/2016 dated 16th Dec 2015, effective from 1 April 2016, the following forms have been substituted by new forms and are now available for E-filing:

- i. Form 15CA -payments to a non-resident not being a company, or to a foreign company,
- ii. Form 15CB-Certificate of an accountant,
- iii. Form 15CC -Quarterly statement.

➤ Notification of Income Tax Returns for Assessment Year 2016-17- regarding

Press Release, dated 01st April, 2016

The Central Board of Direct Taxes has notified the forms for filing of Income-tax returns for Assessment Year 2016-17. These return forms, namely ITR-1 (Sahaj), ITR- 2, ITR-2A, ITR-3, ITR-4, ITR-4S (Sugam), ITR-5, ITR-6, ITR-7 are available on the

official website of the Department, <http://www.incometaxindia.gov.in>.

With the passage of Finance Bill, 2015, wealth-tax is no longer leviable with effect from assessment year 2016-17. Taxpayers are, therefore, not required to file a wealth tax return from assessment year 2016-17 onwards.

With Assessment Year 2016-17, individuals and HUFs filing their returns of income in ITR-1, ITR-2, ITR-2A and ITR-4S, having income exceeding Rs.50 lakh will now be required to furnish information regarding assets and liabilities in Schedule-AL of the relevant ITR form.

➤ Draft rules for grant of Foreign Tax Credit

Press Release, dated 18th April, 2016

The Income-tax Act, 1961 (the Act) provides that the Central Board of Direct Taxes may prescribe rules specifying the procedure for grant of relief or deduction of income-tax paid in any country or specified territory outside India, under section 90/90A/ 91 of the Act against the income-tax payable under the Act.

➤ Framework for computation of book profit for the purposes of levy of MAT under section 115JB of the Income-tax Act, 1961 for Indian Accounting Standards (Ind AS) compliant companies

Press Release, dated 28th April, 2016

On the basis of the recommendations of the Committee on MAT-Ind AS, the Central Government has notified 10 ICDS vide Notification No. S.O.892 (E) dated 31st March, 2015. With the approval of the Finance Minister, the above said Committee was also requested to suggest the framework for computation of book profit for the purposes of levy of MAT under section 115JB of the Income-tax Act, 1961 for Indian Accounting Standards (Ind AS) compliant companies in the year of adoption and thereafter.

➤ Payment of interest on refund under section 244A of excess TDS deposited under section 195 of the Income tax Act, 1961

Circular No. 11/2016, dated 26th April, 2016

The procedure for refund of tax deducted at source under Section 195 of the Income tax Act, 1961, to the person deducting the tax is delineated in CBDT Circular No. 7/2007 dated 23.10.2007. Circular No. 7/2007 states that no interest under section 244A of the Act is admissible on refunds to be granted in accordance with the circular or on the refunds already granted in accordance with Circular No. 769 or Circular 790 dated 20.4.2000.

The procedure for refund of tax deducted at source under Section 195 of the Income tax Act, 1961, to the person deducting the tax is delineated in CBDT Circular No. 7/2007 dated 23.10.2007. Circular No. 7/2007 states that no interest under section 244A of the Act, is admissible on refunds to be granted in accordance with the circular or on the refunds already granted in accordance with Circular No. 769 or Circular 790 dated 20.4.2000.

RECENT JUDGEMENTS



- **Section 147/ 148, 151: Law on validity of reopening where S. 148 notice is issued in a mechanical manner, based on information received from another AO, and sanction is accorded by the CIT in a mechanical explained**

Banke Bihari Properties Pvt. Ltd vs. ITO (ITAT Delhi)

The AO has mechanically issued notice u/s. 148 of the Act, on the basis of information allegedly received by him from the Directorate of Income Tax (Investigation), New Delhi. Even otherwise, a perusal of the above demonstrates that the Addl. CIT has written “Approved” which establishes that he has not

recorded proper satisfaction / approval, before issue of notice u/s. 148 of the I.T. Act.

- **Concept of mutuality in the light of Bangalore Club 350 ITR 509 (SC) explained**

CIT vs. Air Cargo Agents Association Of India (Bombay High Court)

The contributions made by the members to the assessee cannot be a subject matter of tax merely because the part of its excess of income over expenditure is invested in mutual funds.

Amongst the members of the Bangalore Club were certain banks. The Bangalore Club have invested its excess funds in member banks as well as non member banks in form of fixed deposits and earned interest thereon. It held that till the surplus funds were generated and was used only amongst the members/contributors, the complete identity between contributors and participants continued.

However, it is to be noted that it did not result in the Bangalore Club being taxed on all contributions of its members. The case of the Revenue here is that having invested excess amounts in mutual funds the concept of mutuality would not extend to the contribution made by the members of the association even though the contributions are used to achieve the objectives of the association. However as held in Bangalore Club (supra), it cannot result in the respondent being charged to tax on the contribution received from its members.

- **Mere non-introduction of interest-bearing funds is not sufficient to conclude that gains from sale of shares are not business income**

Pine Tree Finserve Pvt. Ltd vs. CIT (Bombay High Court)

The Tribunal, observed that there are various factors such as frequency, volume, entry in the books of accounts, nature of funds used, holding period etc. which are relevant in deciding the true nature of transactions and no single factor is conclusive. Thus, mere non-introduction of interest bearing funds will not alone determine the nature of the transactions. The impugned order, after analyzing the statement of

capital gains which were available before it, came to the conclusion that most of the shares have been sold within 30 days of its purchase and upheld the order of the CIT (A).

In view of the above, we see no reason to interfere with the above concurrent findings of fact which has not been shown to perverse or arbitrary.

- **Rule 46A of the Income Tax Rules which regulates the admission of additional evidence by the CIT(A) cannot override the principles of natural justice**

Avan Gidwani vs. ACIT (ITAT Mumbai)

The assessee could collect various evidences only after passing of the assessment order. According to the assessee, these additional evidences are vital documents which are required to be considered in order to adjudicate the issue in a judicious manner. The principle “Audi alteram partem”, i.e. no man should be condemned unheard is the basic canon principles of natural justice and accordingly we find merit in the contentions of the assessee that Rule 46A of the Income Tax Rules cannot be over ride the principles of natural justice.

Hence we are of the view that the learned CIT (A) was not justified in refusing to admit the various additional evidences furnished by the assessee. Since the assessee was not given opportunity to contradict the findings given by the AO by not admitting the additional evidences, we are of the view that the Ld CIT (A) should re-adjudicate all the issues afresh by admitting the additional evidences.

- **Section 50C does not apply to transfer of leasehold rights in land**

Farid Gulmohamed vs. ITO (ITAT Mumbai)

Section 50C of the Act provides that if the consideration received or accruing is less than the value adopted or assessed or assessable by the stamp valuation authority of the State Government for such transfer then the value so adopted or assessed or assessable shall be deemed to be the full value of consideration and the capital gains will be computed accordingly. The section 50C of the Act clearly

provides that it would apply only to “a capital asset, being land or building or both”. There cannot be a dispute to the proposition that the expression land by itself cannot include within its fold leasehold right in land also. Of-course, leasehold right in land is also a capital asset and we find no fault with this stand of the Revenue. So however, every kind of a ‘capital asset’ is not covered within the scope of section 50C of the Act for the purposes of ascertaining the full value of consideration.

Therefore, there is significance to the expression “a capital asset, being land or building or both” contained in section 50C of the Act. The significance is that only capital asset being land or building or both are covered within the scope of section 50C of the Act, and not all kinds of capital assets.

- **Section 2(22)(d): Redemption of preference shares does not constitute "deemed dividend"**

Uday K. Pradhan vs. ITO (ITAT Mumbai)

As can be seen by s. 2(22)(d), there should be a reduction of its capital and distribution to the shareholders out of the accumulated profits. Section 80(3) of the Companies Act states that the redemption of preference shares under this section by a company shall not be taken as reducing the amount of its authorised share capital. By virtue of section 80(3) redemption of preference shares cannot be considered as reduction of authorised share capital, therefore, treating them as deemed dividend does not arise, as the provisions of section 2(22)(d) can only be invoked only when there is distribution of accumulated profits by way of reduction of share capital. Therefore the question of invoking deemed dividend provision on this transaction does not arise, eventhough the redemption of shares are to be made out of the profits of the company by virtue of section 80(1) of the Companies Act. However, since it cannot be treated as reduction of authorised share capital by virtue of section 80(3) of the Companies Act, the amount received by assessee on redemption of preference shares cannot be treated as deemed dividend.

- **Section 14A/ Rule 8D: No disallowance can be made on shares held as stock-in-trade**

Paresh Pritamlal Mehta vs. ITO (ITAT Pune)

Assessee is engaged in the business of share trading earned Rs. 12.04 lacs as exempt dividend income. The AO made a disallowance of Rs. 46,89,748/- u/s 14A read with Rule 8D. Before the CIT (A), the assessee stated that the Tribunal in assessee's own case for AY 2010-11 has held that no disallowance u/s 14A read with Rule 8D can be made on dividend income from shares held as stock-in-trade.

The Bombay High Court in the case of CIT Vs. India Advantage Securities Ltd. (supra) has confirmed the order of Tribunal wherein it was held that no disallowance u/s 14A read with Rule 8D can be made on shares held as stock-in-trade. However, it restrained from commenting on the judicial indiscipline committed by the CIT (A) and expected that the CIT (A) concerned shall be more careful in future in honouring the orders of the higher Appellate Authorities.

➤ **Section 48: Interest on borrowed money utilized for acquiring shares can be capitalized as cost of acquisition**

DCIT vs. Fritz D. Silva (ITAT Mumbai)

The controversy before was as to whether the interest paid by the assessee on loans taken for acquiring the shares in the past can be allowed as a deduction u/s 48 as cost of acquisition while computing capital gain on sale of such shares. In the case before the Hon'ble Madras High Court, the assessee was carrying on the business of investment in shares/securities and the profit derived from sale of shares was held subject to capital gains. Apart from other issues, the Revenue had contested the order of the Tribunal wherein the assessee was allowed the interest liability incurred on borrowings utilized to acquire the shares, while determining the cost of acquisition of shares for the purpose of computing capital gain. The Hon'ble High Court affirmed the decision of this Tribunal that the interest payable on moneys borrowed for acquisition of shares should be added to the cost of acquisition of shares for the purpose of computing capital gains. The assessee had also asserted before the CIT (A) without rebuttal, that the interest cost so incurred in the past

was not claimed as a deduction against any other income. Therefore, having regard to the factual findings of the CIT (A), in our view, the legal position as propounded by the Hon'ble Madras High Court in the case of Trishul Investments Ltd (supra) supports the plea of the assessee that interest paid for acquisition of the shares would partake the character of cost of shares and, therefore, assessee had rightly capitalized the interest along with the cost of acquisition for the purpose of computing capital gains.

➤ **Transfer Pricing - alleged excess investment in share capital of wholly owned subsidiary cannot be termed as loan and notional interest charged thereon**



Topsgrup Electronic Systems v ITO (ITAT Mumbai)

The Tribunal deleted TP addition on account of

- a) alleged excess consideration paid on investment in share capital of wholly owned subsidiary re-characterized as loan
- b) and notional interest thereon on the ground that
 - i. Chapter X of the Act is inapplicable to an international transaction on capital account which does not result in income chargeable to tax and
 - ii. Re-characterisation of the transaction is not permitted under the Act, and
 - iii. That potential income, to qualify as income subject to transfer pricing under the Act, should arise from the impugned international transaction which is before the TPO for consideration and not out of a hypothetical transaction that may or may not take place in the future.

INDIRECT TAX

Service Tax



➤ **Central Government, vide Notification No. 23/2016-ST dated 13th April, 2016**

Central government has inserted proviso to Rule 6(2)(iv) of the Service Tax (Determination of Value) Rules, 2006 to provide that the interest on delayed payment of consideration for any service provided by Government or a local authority to a business entity where payment for such service is allowed to be deferred on payment of interest or any other consideration would not be eligible to be deducted from the gross value of taxable services.

➤ **Central Government, vide Notification No. 24/2016-ST dated 13th April, 2016**

Central government has inserted 4th proviso to Rule 7 of the Point of Taxation Rules, 2011 to provide that in case of services provided by the Government or local authority to any business entity, the point of taxation shall be the earlier of the dates on which:

- a. Any payment, part or full, in respect of such service becomes due, as specified in the invoice, bill, challan or any other document issued by the Government or local authority demanding such payment;
- b. Payment for such services is made.

➤ **Extension of time till 29-4-2016 for filing ST-3 returns**

Order No. 01/2016-Service Tax dated 25th April, 2016

In exercise of the powers conferred by sub-rule(4) of rule 7 of the Service Tax Rules, 1994, the Central Board of Excise & Customs hereby extends the date of submission of the Form ST-3 for the period from 1st October 2015 to 31st March 2016, from 25th April, 2016 to 29th April, 2016.

The circumstances of a special nature, which have given rise to this extension of time, are as follows:

“Difficulties have been faced by assesseees in accessing the ACES application on 25th April 2016”

➤ **Central Government, vide Notification No. 22/2016-ST dated 13th April, 2016**

Central government has made following amendments to Mega Exemption Notification No. 25/2012-ST dated 20th June, 2012:

- ❖ The Entry No. 39 is amended to extend the exemption to services rendered by Government or Local Authority.
- ❖ Entry No. 54 is inserted to grant exemption to services provided by Government or a local authority [other than services covered under clauses (i), (ii) or (iii) of Section 66D(a)] to another Government or local authority.
- ❖ Entry No. 55 is inserted to grant exemption to services provided by Government or a local authority by way of issuance of passport, visa, driving licence, birth certificate or death certificate.
- ❖ Entry No. 56 is inserted to grant exemption to services provided by Government or a local authority [other than services covered under clauses (i), (ii) or (iii) of Section 66D(a)] where the gross amount charged for such services does not exceed Rs. 5,000/-.
- ❖ In case of “continuous supply of service”, the exemption shall apply only where the gross amount charged for such service does not exceed Rs. 5,000/- in a financial year.
- ❖ Entry No. 57 is inserted to grant exemption to services provided by Government or a local authority by way of tolerating non-performance of a contract for which consideration in the form of fines or liquidated damages is payable to the

Government or the local authority under such contract.

- ❖ Entry No. 58 is inserted to grant exemption to services provided by Government or a local authority by way of:
 - a) Registration required under any law for the time being in force;
 - b) Testing, calibration, safety check or certification relating to protection or safety of workers, consumers or public at large, required under any law for the time being in force;
- ❖ Entry No. 59 is inserted to grant exemption to services provided by Government or a local authority by way of assignment of right to use natural resources to an individual farmer for the purposes of agriculture.
- ❖ Entry No. 60 is inserted to grant exemption to services by Government, a local authority or a Governmental authority by way of any activity in relation to any function entrusted to a Panchayat under Article 243G of the Constitution.
- ❖ Entry No. 61 is inserted to grant exemption to services provided by Government or a local authority by way of assignment of right to use any natural resource where such right to use was assigned by the Government or the local authority before the 1st April, 2016.

Central Excise



- **Amendment to Rule 6(3) of CENVAT Credit Rules, 2004**

Notification No. 23/2016-CE (NT) dated 1st April, 2016

All the manufacturers, manufacturing taxable as well as exempted goods or service providers providing

taxable as well as exempted services have been provided an option to avail full CENVAT credit in respect of common inputs/services provided an amount equal to 6% of value of exempted goods or 7% of exempted services has been paid.

However, such 6%/7% required to be paid is subject to a maximum of total credit available at the end of the period.

Now, with effect from 1st April, 2016, this option has been amended to provide that maximum limit applicable for payment shall be restricted to sum total of opening balance of CENVAT credit of input and input services available at the beginning of the period and the credit of input and input services taken during the relevant period.

Due to this amendment, more amounts will have to be paid under this option as compared to the past.

- **Amendment to Rule 7B of CENVAT Credit Rules, 2004**

Notification No. 23/2016-CE (NT) dated 1st April, 2016

Rule 7B of CENVAT Credit Rules, 2004 provides for distribution of credit on inputs by warehouse of manufacturer. The factory premises of manufacturer are allowed to take credit on inputs received coupled with invoice from its warehouse. Now, the warehouse of manufacturer is allowed to take credit on inputs bought, on the basis of documents specified under Rule 9.

- **Amendment to Rule 4 of CENVAT Credit Rules, 2004**

Notification No. 24/2016-CE (NT) dated 13th April, 2016

Rule 4 of CENVAT Credit Rules governs conditions for allowing of CENVAT Credit. CENVAT credit on inputs and input services are restricted to be availed within 12 months from the date of invoice etc. Now, time limit for availment of CENVAT credit is not applicable for services provided by Government, local authority or any other person by way of assignment of right to use natural resources. Also, conditions

enumerated for CENVAT credit on assignment of rights are amended as follows:

CENVAT credit of service tax paid in a financial year on charges (one-time upfront or in instalments) payable for the assignment of rights to use any natural resource by the Government, local authority or any other person, shall be spread evenly over a period of three years.

In case aforesaid rights are reassigned to another person for a consideration then balance CENVAT credit on rights procured is available in the financial year of reassignment, subject to a maximum limit for balance of CENVAT credit available shall be equivalent to service tax payable on the consideration charged for further assignment.

➤ **Clarification on classification of Micronutrients, Multimicronutrients, Plant Growth Regulators and Fertilizers**

Circular No. 1022/12/2016-CX dated 6th April, 2016

There has been plethora of classification disputes prevailed on classification of products among micronutrients, multimicronutrients, plant growth regulators and fertilizers. In order to put to rest the controversy, an opinion of Indian Agricultural Research Institute (IARI) has been obtained by CBEC on various issues relating to micro nutrients such as – what constitutes micro nutrients, its usage, distinction from plant growth regulator if, any. The circular explains nature, usage and classification of aforesaid products, taking into consideration opinion received from IARI, Central Excise Tariff and explanatory notes of HSN etc.

➤ **Adjudication of Show Cause Notices issued on the basis of CERA/CRA objection**

Circular No. 1023/12/2016-CX dated 8th April, 2016

Central Excise Revenue Audit (CERA) and Customs Revenue Audit (CRA) is audit wing of the Comptroller and Auditor General of India. The pending position of SCN in the call book has been reviewed and found to be larger than the number of

audit objections which have been converted into audit paragraphs. Thus, revised procedure for the field officers to deal with the CERA/CRA objections is prescribed and all past circulars and instructions on the subject have been rescinded.

➤ **Clarification on excisability of re-refined or waste oil**

Circular No. 1024/12/2016-CX dated 11th April, 2016

The circular provides clarification in respect of the excisability of re-refined waste oil or used lubricating oil which is collected for processing from the transformers, service station of vehicles etc. The board has examined the process, classification and characteristic of manufacture for the product. The emphasis was made to chapter note 4 of chapter 27 which provides for deeming fiction on manufacture of lubricating oils and lubricating preparations falling under tariff ID 2710 and observed that other goods falling under tariff ID 2710 are not covered by the chapter note. The carrying out of one of the processes listed in the above chapter note would amount to manufacture and Central Excise duty would be applicable. It has been clarified in the circular that, the above issue involved was interpretational in nature and demand raised if any, pursuant to this circular, should be raised for normal period of limitation only and SSI benefit, where admissible must be extended.

CORPORATE LAWS

CORPORATE LAWS



➤ **MCA Circular No. 04/2016 dated 27th April 2016 – Clarification with regard to Companies**

(Indian Accounting Standards) (Amendment) Rules, 2016.

MCA has clarified that with regard to the accounting period for which the accounts would need to be prepared using the Accounting Standards, as amended through the Companies (Accounting Standards) Amendment Rules, 2016 that the amended Accounting Standards should be used for preparation of accounts for accounting periods commencing on or after the date of notification i.e., accounting period commencing from 1st April 2016.

➤ **MCA Notification No. GSR (E) dated 6th April 2016 - Amendment to Schedule III of Companies Act 2013**

MCA has amended Schedule III of the Companies Act 2013 to incorporate the instructions pertaining to preparation of Balance Sheet and Statement of Profit and Loss in case of companies whose financial statements are drawn up in compliance of Companies (Indian Accounting Standards) Rules, 2015. Certain changes in the line items of the Balance Sheet and Statement of Profit and Loss have also been prescribed. Separate format for Statement for changes in equity has also been provided.

➤ **Sub-section (1) of section 458 of the companies Act (18 of 2013)**

The central government being satisfied that circumstances warrant, hereby delegates the powers to appoint inspectors for inspection of books and papers of a company under sub-section (5) of section 206, as ordered by central government, to the regional directors.

➤ **Companies (Filing of Documents and Forms in Extensible Business Reporting Language) Amendment Rules, 2016**

The central government hereby makes the following rules further to amend the companies (filing of documents and forms in extensible business reporting language) rules, 2015, namely:-

In the companies (filing of documents and forms in extensible business reporting language) rules, 2015,

in rule 3, for the proviso, the following proviso shall be substituted, namely:-

“Provided that the companies in banking, insurance, power sector, non-banking financial companies and housing finance companies need not file financial statements under this rule.”.

FEMA



➤ **Standing Liquidity Facilities for Primary Dealers**

Notification No. RBI/2015–16/355, dated 5th April, 2016

Accordingly, the Standing Liquidity Facility provided to Primary Dealers (PDs) (collateralised liquidity support) from the Reserve Bank would be available at the revised repo rate, i.e., at 6.50 per cent with effect from April 5, 2016.

➤ **Marginal Standing Facility**

Notification No. RBI/2015-2016/356, dated 5th April, 2016

As announced by the Governor, it has been decided to reduce the Marginal Standing Facility (MSF) rate by 75 basis points from 7.75 per cent to 7.00 percent with immediate effect.

All other terms and conditions of the current MSF scheme will remain unchanged.

➤ **Liquidity Adjustment Facility – Repo and Reverse Repo Rates**

Notification No. RBI/2015-2016/357 dated 5th April, 2016

It has been decided to reduce the Repo rate under the Liquidity Adjustment Facility (LAF) by 25 basis points from 6.75 per cent to 6.50 per cent.

Further, the Reverse Repo rate under the LAF has been increased by 25 basis points from 5.75 percent to 6.00 percent.

These changes will come into force with immediate effect. All other terms and conditions of the current LAF Scheme will remain unchanged.

➤ **Section 42(1) of the Reserve Bank of India Act, 1934 - Change in Daily Minimum Cash Reserve Maintenance Requirement**

Notification No. RBI/2015-16/359 dated 5th April, 2016

As announced in the First Bi-Monthly Monetary Policy Statement 2016-17 dated April 5, 2016, it has been decided to reduce the minimum daily maintenance of the Cash Reserve Ratio from 95 per cent of the requirement to 90 per cent effective from the fortnight beginning April 16, 2016.

➤ **Security / Inspection needs and Movement of Treasure**

Notification No. RBI/2015-16/369 dated 13th April, 2016

It has now been decided that all the banks having currency chests should ensure conducting of fire audits bi-annually (once in two years) by the officials from the District Fire Department. The banks may also ensure that the working condition of the Hotline and other security related gadgets, viz. access control, CCTV, etc. are checked once in a fortnight by the CC officials.

POLICY WATCH



➤ **Delhi HC stays 14% service tax on senior advocates**

The Delhi High Court stayed the government's decision to impose a 14% service tax on senior lawyers, who are so designated by either the high courts or the Supreme Court because of their stature or knowledge of law.

The union budget had withdrawn the service tax exemption given to services offered by these senior advocates to an advocate or partnership firm of advocates providing legal service; and people represented on arbitral tribunals.

The tax had been objected by lawyers who argued that it would leave them at the mercy of the inspector raj in the tax department. The levy would lead to an increase in fees charged by them from clients, they claimed.

➤ **Government would require Rs 6 lakh crore to train 300 million people**

Skills development minister Rajiv Pratap Rudy urged industry to partner with the government to achieve the robust target of imparting skills to 400 million workforce over the next four years

Rudy said estimate suggests that government would require Rs 6 lakh crore to train 300 million people at an average cost of training at Rs 20000. The newly created skills development ministry by the BJP-led NDA government at the Centre has been allocated Rs 1700 crore for 2016-17.

Budget 2016-17 had announced government setting up of 1500 multi-skill training institutes in the country to impart skills training to 400 million people over the next few years.

➤ **Government to use 'buying power' to procure goods at cheaper rates**

Government, the largest consumer of goods and services in the country, proposes to use its "buying power" to negotiate competitive rates from suppliers and service providers.

Finance Minister Arun Jaitley in his Budget speech had said to bring more transparency and efficiency

the Director General of Supplies and Disposal (DGS&D) will establish a technology driven platform to facilitate procurement of goods and services.

The Commerce Ministry has proposed to transfer DGS&D into GeM for procurement of goods and services by government and its agencies. In 2015-16, different government departments and agencies had floated about 5.7 lakh e-tenders valued at Rs 4.04 lakh crore.

➤ **Government rolls back restrictions on withdrawal of provident fund**



This is the second major stepback by the government on provident fund in less than two months and comes close on the heels of it withdrawing the budget announcement of imposing tax on withdrawal from Employee Provident Fund (EPF) account.

"The withdrawal restriction imposed under the EPF scheme was at behest of trade unions but now since they don't want it we have withdrawn the notification dated February 10," labour secretary Shankar Agarwal said. The complete rollback comes in the midst of protests by labour unions in several parts of the country against the bar on withdrawing employer's contribution.

The February 10 notification had restricted the withdrawal of employers' contribution of 3.67% and interest earned on it under the EPF scheme till retirement or 58 years instead of 54 years earlier.

Under the existing rule, employees can withdraw the full PF balance if he or she is out of employment for continuous 60 days. That includes 12% employees' contribution, 3.67% contribution from the employer and interest earned on this in any given year.

➤ **Government considering proposal to liquidate some loss-making PSUs**

The government is considering a proposal to liquidate some loss-making PSUs while protecting the interest of their employees who may be offered "lucrative" payouts. In line with recommendations of Expenditure Management Commission, a proposal for liquidating some loss-making PSUs is being examined, sources said.

Liquidation should be done in a manner that it does not hurt interest of employees and is a win-win for both government and the staff, sources added.

Some of the companies include, Bharat Gold Mines, Tannery and Footwear Corporation of India, Cycle Corporation of India, Mining and Allied Machinery Corporation, National Bicycle Corporation of India, Bharat Process and Mechanical Engineers, Weighbird India and Bharat Brakes & Valves.

The government aims to collect Rs 56,500 crore through disinvestment in PSUs this fiscal, as per Budget 2016-17. Of the total budgeted proceeds, Rs 36,000 crore is estimated to come from minority stake sale in PSUs and the remaining Rs 20,500 crore from strategic sale in both profitable and loss-making companies.

➤ **Government's model bill on water to stress on storage creation**

The Centre is drafting a model bill that would lay stress on creating large-scale rainwater storage facilities, efficient allocation of the valuable resource to states and involvement of the local populace in conservation efforts.

The bill, guidelines of which will not be binding on states, will also suggest governments to adopt a cropping pattern based on rainfall received there.

The Union government is to come up with the bill at a time when parts of 10 states, especially Maharashtra, Karnataka, Telangana, Chhattisgarh and Jharkhand, are facing drought-like conditions. According to Central Water Commission, water level in 91 major reservoirs across the country has dipped to 22 per cent of their total capacity.

States like Punjab, Haryana, Rajasthan and Delhi are staring at a serious threat due to decline in groundwater levels. Among southern states, 374 units in Tamil Nadu were in "extreme" category.

➤ **Government works to encourage homestays, promote tourism**



The government is working on relaxing rules to encourage people to offer homestays to tourists, help make up for the massive shortage of 1.9 lakh hotel rooms in the country and get gainfully employed in the true spirit of its 'Start-Up India' programme.

At present, a homestay has to be licensed by the state government, the licence needs an annual or bi-annual renewal and the facility is required to pay service tax and other levies at commercial rates.

The Centre's move follows a presentation by a group of eight secretaries including Zutshi to Prime Minister Modi in January, a copy of which was accessed by ET. The group proposed a big push to homestays as "tourism sector specific interventions".

The group proposed that homestays not be charged service tax or commercial levies and that their licensing process be made online.

➤ **Government refuses recall of 1% excise duty on jewellery**

Government in Rajya Sabha today refused to budge from its stance on levying one per cent excise duty on non-silver jewellery saying luxury items cannot be kept out of tax ambit for perpetuity, prompting a walk-out by members of the Congress and SP.

Tearing into the opposition charge that imposition of the levy was killing the trade; Finance Minister Arun

Jaitley refuted the allegations saying when items of common use were being taxed, how luxury items could be kept out.

"Clearances up to Rs 6 crore in a financial year (if clearances during preceding year were less than Rs 12 crore), are exempt from this duty," Jaitley said, adding "thus small jewellers and artisans are not covered within the ambit of this levy." Dismissing charges that excise duty has hit hard small artisans, the Minister said the trade has not developed such that annual turnovers of small jewellers has crossed Rs 6 crore and stressed that "this is implemented on big chains."

INDUSTRY WATCH & CORPORATE HIGHLIGHT



**Industry
Watch**



**Corporate
Highlights**

➤ **L&T wins Rs 2,125-crore contracts including major Karnataka highway project**

Infrastructure major Larsen & Toubro (L&T) has won contracts worth Rs 2,125 crore, including a major highway project in Karnataka. The



transportation infrastructure business has bagged a new engineering, procurement and construction order worth Rs 821 crore from the National Highways Authority of India (NHAI)," the company said in a statement.

The contract is for four-laning of the Addahole (Gundya) to Bantwal cross of NH-75 (old NH no. 48) in Karnataka. The project is scheduled be completed in 30 months and involves construction of 63 kms of four-lane dual carriage way with concrete pavement

in addition to the construction of 14.5 km of service roads, two flyovers, two major bridges, 14 minor bridges, nine underpasses and a toll plaza. Larsen & Toubro is an Indian multinational engaged in technology, engineering, construction, manufacturing and financial services with over USD 15 billion in revenue.

➤ **Expectations of strong Q4 show lift airline stocks**

The recent decline in crude oil prices is rekindling investor interest in aviation stocks. Shares of Jet Airways, Interglobe Aviation and SpiceJet rose 3-6% as companies are expected to post strong earnings in the March quarter aided by weaker crude prices and a surge in passenger traffic.

The aviation sector has been the biggest beneficiary of the slump in crude oil prices as it makes up for almost 50% of their operating costs. Airline companies saw a huge surge in share prices last year when crude oil consistently fell.

➤ **BHEL commissions record generation capacity of 15 GW in FY16**



State-run Bharat Heavy Electronics Limited (BHEL) has commissioned an all-time high power generation capacity of over 15,000 MW and booked new orders worth Rs 43,727 crore in 2015-16, the largest in five years.

With the commissioning of 15 GW (1000 MW is equals 1 GW) capacity last fiscal, the worldwide installed base of power generating equipment supplied by BHEL has exceeded 170 GW. This 15 GW includes the highest-ever power generation capacity addition of 13,061 MW to the Indian utility

segment, a quantum jump of 59 per cent over the previous year.

In the export market, BHEL commissioned Sudan's largest thermal power plant, Kosti TPS (4x125 MW) on EPC basis. The company continues to rank among the highest R&D spenders in the country in the engineering and manufacturing segment with R&D expenditure at 3.34 per cent of its turnover. During 2015-16, BHEL recorded a turnover of Rs 26,702 crore (Provisional). With a net profit of Rs 396 crore during Q4 of the fiscal, the company reported net loss of Rs 877 crore. The company said that while operating in a difficult business environment, the company enhanced its market share to a significant 74 per cent, thereby retaining its market leadership position during 2015-16.

➤ **Unitech plans to raise Rs 500 crore from private equity firms**

Realty firm Unitech is looking to raise about Rs 500 crore from private equity firms for the development of housing project in Noida and repay LIC's debt.

Unitech would use the amount raised to clear the dues of Life Insurance Corporation of India (LIC) and development of a new housing project in Noida, they added. Unitech had last year raised about Rs 70 crore from Piramal group to complete construction of its joint venture housing project in Chennai. Unitech had last year raised about Rs 70 crore from Piramal group to complete construction of its joint venture housing project in Chennai.

➤ **Cairn India has indemnity from Cairn Energy on Rs 20,000 crore tax**

Cairn India has full indemnity from its former promoter Cairn Energy of UK against levy of any tax for past deeds, including the two-year old Rs 20,495 crore retrospective tax demand, its new owner Anil Agarwal has said. Cairn India was in April 2014 slapped with a tax demand of Rs 20,495 crore for failing to deduct withholding tax on alleged capital gains made by its erstwhile parent company, Cairn Energy in 2006-07 when it reorganised India business.

The tax notice on Cairn India came three months after Income Tax Department using retrospective tax legislation slapped Rs 10,247 crore tax notice on Cairn Energy in January 2014. In February this year, the department issued a final assessment order seeking over Rs 29,000 crore in tax from Cairn Energy including Rs 18,800 crore in interest.

The tax demand was in respect of Cairn UK Holdings Ltd, a subsidiary of Cairn Energy Plc, transferring shares of Cairn India Holdings Ltd to Cairn India as part of an internal group reorganization in 2006-07, resulting in Rs 24,503.50 crore of capital gains, preceding an initial public offering (IPO) of shares by Cairn India.

➤ **Prices of 4G smartphones likely to drop to as low as Rs 3,000 by year-end**



Prices of 4G smartphones are likely to drop to as low as Rs 3,000 by the year end, making high-speed broadband accessible to more consumers on their handsets and providing the backdrop for the next battle among India's biggest telecom operators. The rapid reduction in handset prices is being accompanied by speedy 4G rollouts by market leader Bharti Airtel, followed by rivals Vodafone India and Idea Cellular, in anticipation of a commercial launch of similar services by Mukesh Ambani-owned Reliance Jio Infocomm.

The sharp drop in prices is being driven by two factors. First, the prospects of intense competition among operators are prompting handset makers to drop prices to make the most of anticipated demand. Second, wider adoption of 4G technology and devices in China, Taiwan, Korea, Japan, and other markets

offer massive scale for chip manufacturers to produce components at much lower costs, thereby driving down production costs of the handsets.

➤ **Reliance Industrial Infrastructure's Q4FY16 net profit Rs 2.79 crore, down 51%**

Reliance Industrial Infrastructure (RIIL), a part of the Mukesh Ambani led Reliance group, reported a net profit of Rs 2.79 crore in the fourth quarter of 2015-16, down 51% on year, the company said in a release.





RIIL reported total revenue of Rs 25.2 crore in the quarter ended March, down 1.3% on year. "RIIL continues to provide infrastructure support services namely transportation of petroleum products and water through pipelines, construction machinery on hire and other support services to Reliance Industries group, with a substantial portion provided to Reliance Industries," the statement said.

➤ **Infosys stock hits 52-week high on robust guidance**



Shares of Infosys were on a high, surging over 8% in trade after company posted a strong guidance for FY2017 and delivered a strong set of numbers in March quarter earnings. The IT giant posted a net profit growth of 3.9% in QoQ terms and 4.1% sequential revenue growth. Its net profits for the quarter under review stood at Rs 3,597 crore compared with Rs 3,465 crore. Reacting to the earnings, the scrip gained 8.17% to hit its fresh 52-week high of Rs 1,267 on the BSE. The stock had rallied up to 10% till April 13. "Overall, the trend of the stock is bullish. The company has guided for revenue growth in constant currency terms at 11.5-13.5% for the financial year ending March 31, 2017. Its dollar revenue guidance came in at 11.8-13.8%. Both guidance numbers were above most analysts' expectations.

Statutory compliance calendar for the month of April 2016

Due Date	Statutory Compliance Under Act	Particulars	Governing Authority
			
07/04/2016	SEBI	Quarterly report for grievances of beneficial owners related to depository services to depositories	The securities and exchange board of India Act-1992
	NBFC-D	Monthly return of exposure to capital markets in form NBS-6 by NBFC having total assets of 100 crore and above	Reserve Bank of India.
	NBFC-ND-SI	Monthly return of source and application of funds, profit and loss account, asset classification	Reserve Bank of India.
	SEBI	Quarterly certificate on demat/remit shares to depositories	The securities and exchange board of India Act-1992
10/04/2016	Central Excise	(a) Monthly central excise return in form ER-1/ER-2 by other than SSI. (b) Quarterly return by SSI in form ER-3 (c) Quarterly return by assesses paying 1%/2% excise duty and not manufacturing any other goods in form ER-8.	Central Board of Excise and Custom
	Central Excise	Monthly return of receipts and consumption of Principal Inputs by specified manufacturers of excisable goods in form ER-6	Central Board of Excise and Custom
	NBFC-ND-SI	Monthly statement of short term dynamic liquidity in form NBS-ALM1	Reserve Bank of India.
	NBFC-D	Quarterly submission of Monetary and Supervisory return in form NBS-5 by NBFC having public deposits of Rs. 20 crore and above as per last audited balance sheet	Reserve Bank of India.
15/04/2016	Income Tax	(a) Quarterly Income Tax TDS/TCS statement in form 24Q/26Q/27EQ (Other than Government). (b) Quarterly return in form 27Q in respect of TDS from interest, dividend or any other sum payable to non-residents	Central Board of Direct Tax.
	Provident Fund	(a) Payment of monthly dues of Provident Fund for the month of March (b) Monthly return in form 5 for employees joining Provident Fund during March 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 March	The Central Board of Trustees , The Employees' Provident Fund Scheme, 1952
	SEBI	Quarterly Corporate Governance Compliance Certificate by listed companies to stock exchanges under clause 49(VI) (ii) of Listing Agreement.	The securities and exchange board of India Act-1992
	Central Excise – Dealers	First stage dealer and second stage dealer to submit quarterly return	Central Board of Excise and Custom
	NBFC-D	(a) Quarterly Return of Statutory Liquid Assets in form NBS-3 by NBFC (NBS-3A by RNBFC) only if they are accepting public deposits (b) Quarterly report of frauds involving Rs. one lakh or more in form FMR-3 and frauds outstanding in form FMR-2.	Reserve Bank of India.
21/04/2016	SEBI	Quarterly return of shareholding pattern to stock exchange as per clause 35 of Listing Agreement	The securities and exchange board of India Act-1992
	ESIC	Payment of ESIC contribution for the month of March	The employees' state insurance Act-1948. Ministry of labour and employment.
25/04/2016	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
	Service Tax	Half Yearly filling of service tax return in Service Tax-3	Central Board of Excise and Custom
30/04/2016	Income Tax	Deposit of Income Tax TCS and TDS deducted in March	Central Board of Direct Tax.

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

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
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- Management Audit and Operational Audit
- Cost Audit/Reviews
- System and process control reviews.
- Secretarial Audit.

RBI, FEMA, SEBI Services

- Setting up Liaison Office, Branch Office and Project Office.
- RBI Consulting
- Private Equity Finding Advisory.
- Project Financing.
- Credit Rating.
- Business Asset Valuation.
- Due Diligence.

TAXATION SERVICES

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- Implementing and Operating in the tax consolidation regime
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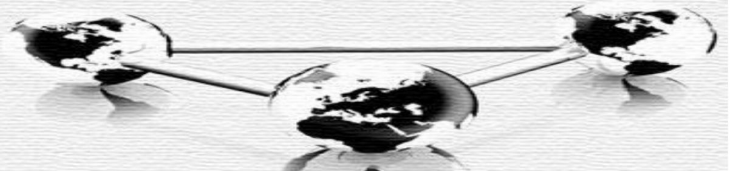
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