



CMA E-BULLETIN

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Editorial Preface

Greetings!

We are pleased to release the third issue of "CMA E-Bulletin" before our esteemed readers. We have inserted one important segment in this issue viz. "Indian Economy" for the benefit of the readers. The "Guest Column" has also been incorporated in this issue like the previous one. Hope you will enjoy reading this issue of e-bulletin. We look forward to your valuable suggestions and comments for further improvement.

Chairman's Message



During last few weeks, the rupee continued to be under pressure and reaches the psychologically important mark of 60 to the dollar very recently. This pushed to the background a much needed discussion on the reasons behind the rupee's fall. The sharp fall in the rupee might have stretched the options available to the policymakers. The rupee has also dragged down with the stock markets. This, of course, was inevitable. Plenty of cheap money from the U.S. has gone into Indian capital market earlier. Investors, now, mostly the foreign institutional investors, are moving back to the U.S. by dumping Indian stocks.

I hope the relevant updates on different sectors of our economy incorporated here will highly enrich our professional knowledge base.

CMA Manas Kr. Thakur
Chairman
Research & Publications Committee

CONTENTS

Indian Economy	3-5
Banking	5-7
Foreign Trade	8-9
Income Tax	9-14
Central Excise	15-15
Customs	15-16
Service Tax	17-18
SEBI	19-20

Guest Column

The New Africa and the Opportunities ahead



We believe it or not, the fact remains that a sweeping change is blowing through the entire continent of Africa. The matter which is acting as catalyst of changes is the emergence of democracy in many states. At the end of cold war, three out of fifty three countries had democracy; the figure has risen to twenty five where democracies obviously of different shades are thriving. The role of armies has been contained to a great extent and the politicians who want to be re-elected have to yield results. In other words, the more democracy in the continent is setting the tone for better governance. Peace has returned to a large extent as war and civil strife has declined dramatically. The perennial hotspots like Angola, Chad, Liberia and Sierra Leone are quiet and even Congo, Somalia and Sudan are much less violent than they used to be. The number of coups, which averaged 20 per decade in 1960-90, has fallen to an average of ten. Africa is just now the fastest-growing continent and GDP is expected to rise by an average of 6% a year over the next decade. Over the past ten years the real income per person has increased by more than 30%, whereas in the previous 20 years it shrank by nearly 20%. FDI has gone from \$15 billion in 2002 to \$37 billion in 2006 and \$46 billion in 2012. If we go by the

statistics relating to human development in Sub-Saharan Africa; it has definitely shown great leaps. Secondary school enrolment grew by 48% between 2000 and 2008 after many states expanded their education programmes and waived the school fees. The malaria deaths in some of the worst affected countries have declined by 30% over the past decade while HIV infections have gone up to 74%. Life expectancy across Africa has increased by about 10% and child mortality rates in most countries have fallen sharply.

There is no reason to believe that conflicts have said good-bye to Africa; rather they do flare up but usually less violently than before. Armed forces spend more time in their barracks, though ethnic and religious tensions remain. With the growth of market economies and the spread of democracy, land disputes and election flicker, then die down again. The continent is not quite at peace, but it is safer than it was. And yet the national accounts are getting back to order, debts are coming down and new roads are being built. This is the picture in much of Africa. The allocation of power is becoming fairer and its use more competent, though there is much to do. African governments are beginning to accept the importance of good governance, not least for improving the lot of the poor. In all major global forums, the leaders regularly declare their undying interest in 'Capacity-building'. This realisation will certainly spawn new opportunities in all fields.

This has opened a new vista for Indian industrialists, businessmen, professionals and teachers. China has already made her presence felt in the continent in a big way. India, unlike many other countries, has long standing relationship with the continent and Indian professionals are still respected highly in most of the countries. With the advancement of economy, there will be more demand for the professionals with knowledge and experience in accounts, costing and financial management. The Cost and Management Accountants in their individual capacity may fill up the growing demand for the professionals while the Institute may come forward to partner with many countries in capacity building of Africa in new shape. The knowledge pool available with the institute may come of a good stead in that regard and this will be a great contribution from an Indian institute towards capacity building of emerging Africa. This opportunity has to be turned into a sustainable opportunity and institute can leave its footprint in the international arena by availing of this opportunity.

Arabinda Das, IA&AS
Principal Director
Indian Audit & Accounts Department
Regional Training Institute, Kolkata

INDIAN ECONOMY



■ **RBI, Sebi oppose key suggestions to amend financial sector laws**

Economic Times

India's lead financial regulators—the Reserve Bank of India (RBI) and the Securities and Exchange Board of India (SEBI)—have opposed some of the key recommendations of a commission constituted by the government to amend financial sector laws, saying they are ill-conceived and could undermine the authority of regulators.

■ **CAD likely to improve as govt, RBI sharpen attack on gold imports**

Economic Times

The government and the Reserve Bank of India (RBI) have stepped up their concurrent efforts to check the unbridled gold imports as they look to improve the current account deficit (CAD).

■ **Ponzi schemes: IMG mulls quasi-judicial powers for RBI, SEBI**

Economic Times

An inter-ministerial group has deliberated on ways, including grant of quasi-judicial powers to RBI and SEBI, to protect gullible investors from fraudulent money pooling schemes. The discussions of the panel, which was formed in the wake of Saradha scam, come against the backdrop of many entities exploiting legal loopholes to cheat the public with ponzi schemes.

■ **RBI to come out with paper on banking structure : Subbarao**

Times of India

RBI will come out with a paper on the banking structure in the country discussing issues like consolidation even as it prepares to issue new bank licences after a decade. RBI will also involve enforcement agencies and tax authorities before it issues new bank licences to corporate entities for which applications can be made till July 1.

■ **India set to be world's largest cotton producer by 2022**

India is projected to replace China as the world's largest cotton producer by 2022 on account of higher growth in output, according to OECD-FAO report.

■ **India probably world's 3rd largest economy : OECD**

Until around 2020, China is set to have to highest growth rate among major countries, but could be then surpassed by India, it further said.

■ **Indian cos directly invested \$1.8 bn overseas in May : RBI**

Indian companies directly invested \$1.83 billion overseas in May, with investments in equities at \$318.86 million, and loans worth \$291.28 million, data from the RBI showed on Friday.

■ **Chidambaram threatens tax evaders, says crackdown looming**

New Delhi, Thursday May 02 2013

In a strong message to tax evaders, the government today said that it will step up efforts to bring more people into net and also endeavour to recover tax arrears.

■ **India's wholesale price inflation probably eased further in April**

Bangalore, Dated: May 10, 2013

India's headline inflation is expected to have eased for a third straight month

in April, as core inflation cooled and fuel costs fell, giving the central bank greater room to ease policy.

■ **India's economic growth expected at 5.5-6.5% in 2013 : Moody's**

New Delhi, Dated: May 15, 2013

Indian economy is expected to pick up and grow in the range of 5.5-6.5 per cent in 2013 even though government steps for new investments have been "relatively small in scope", Moody's said today.

■ **Indirect tax collection up 3.3% in April**

New Delhi, Dated: May 15, 2013

Indirect tax collection in April, the first month of the 2013-14 fiscal, grew by a meagre 3.3 per cent to Rs 33,684 crore with excise duty collection declining 14.7 per cent year-on-year.

■ **Finance Ministry ratifies 8.5% interest on Provident Fund deposits for 2012-13**

Dated: May 15, 2013

The Finance Ministry has approved payment of 8.5 per cent rate interest for 2012-13, up from 8.25 per cent in the previous fiscal, benefiting over 5 crore Employees Provident Fund Organisation's .

■ **Rate-cut expectations rise after inflation surprise**

Mumbai, Dated: May 16, 2013

The unexpectedly sharp fall in Indian wholesale inflation for April has prompted many economists to change their policy rate cut views, according to a Reuters poll on Thursday.

■ **Growth in core industries slows to 2.3% in April**

New Delhi, Dated: May 31, 2013

Growth in eight infrastructure industries slowed to 2.3 per cent in April mainly due to contraction in crude oil, natural gas and fertiliser output.

- **Petrol price hiked by 75 paise, diesel by 50 paise, LPG cheaper by Rs. 45**
New Delhi, Friday May 31 2013

Petrol price was today hiked by 75 paise per litre and diesel by 50 paise a litre as rupee hit 11-month low making oil imports costlier.

- **Petrol price hiked by Rs. 2 per litre due to weak rupee**

New Delhi, Dated: June 15, 2013

Petrol price was today hiked by a steep Rs. 2 a litre, the second increase in rates this month, as devaluation of rupee against US dollar made imports costlier.

- **India Inc disappointed over RBI decision not to cut key rates**

New Delhi, Dated: June 17, 2013

Expressing disappointment over RBI's decision to keep key rates unchanged, India Inc today said the time was appropriate for cut in interest rates to revive the country's economic growth.

- **Elevated food prices putting pressure on inflation in India, says RBI**

Mumbai, Dated: June 17, 2013

Expressing concerns over price situation, the RBI today said expensive food items like cereals and vegetables has continued to put pressure on overall inflation rate.

- **Govt to re-issue Rs. 1000cr inflation bonds**

India Infoline News Service

Dated: Jun 19, 2013

Govt. will issue 1.44%, 2023 inflation bonds worth Rs. 1000cr on June 25.

- **USQE cannot be indefinite: Raghuram Rajan**

India Infoline News Service

Dated: Jun 20, 2013

Indian Rupee fall 1.6% on Thursday to its record low of Rs. 59.92 against the US Dollar.

BANKING



- **Establishment of Connectivity with both depositories NSDL and CDSL – Companies eligible for shifting from Trade for Trade Settlement (TFTS) to Normal Rolling Settlement**

[CIR/MRD/DP/ 19 /2013]

Dated: June 11, 2013

It is observed from the information provided by the depositories that the companies listed in Annexure 'A' have established connectivity with both the depositories. The stock exchanges may consider shifting the trading in these securities to normal Rolling Settlement subject to the following:

- (a) At least 50% of other than promoter holdings as per clause 35 of Listing Agreement are in dematerialized mode before shifting the trading in the securities of the company from TFTS to normal Rolling Settlement. For this purpose, the listed companies shall obtain a certificate from its Registrar and Transfer Agent (RTA) and submit the same to the stock exchange/s. However, if an issuer-company does not have a separate RTA, it may obtain a certificate in this regard from a practicing company Secretary/Chartered Accountant and submit the same to the stock exchange/s.
- (b) There are no other grounds/reasons for continuation of the trading in TFTS.

■ **Rupee Export Credit-Interest Subvention: RBI/2012-13/507 DBOD. Dir.BC.No.94 /04.02.001/2012-13**

Dated: May 24, 2013

As per the circular DBOD.Dir.(Exp).BC. No.70/04.02.001/2012-13 dated January 14, 2013 wherein interest subvention of 2% was extended w.e.f. January 1, 2013 to March 31, 2014 on pre and post shipment rupee export credit for certain employment oriented export sectors. In continuation of the above circular it has been decided to widen the interest subvention scheme to the following sectors for the period April 1, 2013 to March 31, 2014, on the same terms and conditions:

1. ITC(HS) and Textiles good to 6 tariffines as per the list given in the Annex-I.
2. Additional 101 tariffines in engineering good sector in addition to the existing 134 lines as per the list given in Annex-II.

■ **Prudential Guidelines on Capital Adequacy and Market Discipline – New Capital Adequacy Framework (NCAF) – Parallel Run and Prudential Floor**

[RBI/2012-13/508 DBOD.BP.BC.No.95/21.06.001/2012-13]

Dated: May 27, 2013

As per the circular DBOD.BP.BC. No.71/21.06.001/2010-11 dated December 31, 2010 on the above subject, in terms of which banks were advised to continue with the parallel run for a period of three years, till March 31, 2013, subject to review. Banks were also advised to ensure that their Basel II minimum capital requirement continues to be higher than the prudential floor of 80% of the minimum capital requirement computed as per Basel I framework for credit and market risks. The matter has been reviewed and the parallel run and

prudential floor for implementation of Basel II vis-à-vis Basel I is hereby withdrawn.

■ **Bank Rate: RB I/2012-13/492 RPCD.CO. RRB.RCB.BC. No.73 /03.05.33/2012-13**

Dated: May 3, 2013

As announced in the Annual Monetary Policy Statement 2013-14, the Bank Rate stands adjusted by 25 basis points from 8.50 per cent to 8.25 per cent with effect from May 3, 2013. All penal interest rates on shortfall in reserve requirements, which are specifically linked to the Bank Rate, also stand revised as indicated in Annex.

Item	Existing Rate	Revised Rate (Effective from May 3, 2013)
Penal interest rates on shortfalls in reserve requirements (depending on duration of shortfalls).	Bank Rate plus 3.0 percentage points (11.50 per cent) or Bank Rate plus 5.0 percentage points (13.50 per cent).	Bank Rate plus 3.0 percentage points (11.25 per cent) or Bank Rate plus 5.0 percentage points (13.25 per cent).

■ **Export of Goods and Software – Realisation and Repatriation of export proceeds – Liberalisation**

[RBI/2012-13/503 A.P. (DIR Series) Circular No. 105]
Dated: May 20, 2013

Attention to Authorised Dealer Category-I (AD Category-I) banks is invited to A.P. (DIR Series) Circular No. 52 dated November 20, 2012 extending the enhanced period for realization and repatriation to India, of the amount representing the full value of goods or software exported, from six months to twelve months from the date of export. This relaxation was available up to March 31, 2013. The issue has since been reviewed and it has been decided, in consultation with the Government of India, to bring down the above stated realization period from twelve months to nine months

from the date of export, with immediate effect, valid till September 30, 2013.

■ **'Non Banking Financial Company-Micro Finance Institutions' (NBFC-MFIs) – Directions – Modifications in Pricing of Credit – Margin cap**

RBI/2012-13/517 DNBS (PD) CC.No.327/03.10.038/2012-13

Dated: May 31, 2013

Attention is invited to para 6 of DNBS.(PD)CC.No.300/03.10.38/2011-12 dated August 3, 2012 modifying inter alia the pricing of credit as given in DNBS.CC.PD.No.250/03.10.01/2011-12 dated December 2, 2011. On a review, it has been decided that the margin cap for all NBFCs irrespective of their size would be 12% per cent till March 31, 2014. However, with effect from 1st April, 2014 margin caps as defined by Malegam Committee may not exceed 10 per cent for large MFIs (loans portfolios exceeding Rs. 100 crore) and 12 per cent for the others.

■ **Lending against Gold**

RBI/2012-13/509 DBOD.No.Dir.BC.96/13.03.00/2012-13

Dated: May 27, 2013

Please refer to paragraph 98 of the Monetary Policy Statement 2013-14 announced on May 3, 2013 (extract enclosed) on lending against gold, proposing to restrict the facility of advances against the security of gold coins per customer to gold coins weighing up to 50 gms. As per extant instructions contained in our circular DBOD.Leg. BC. 95/ C.124 (P) - 78 dated July 22, 1978, banks should not grant any advance against gold bullion. Banks are currently permitted to grant advances against gold ornaments and jewellery subject to Board approved policies in terms of our circular DBOD.No.BC.138/21.01.023/94 dated November 22, 1994.

■ **Interest Rates on Rupee Export Credit – UCBS**

[RBI/2012-13/519 UBD.BPD. (AD) Cir.No. 4/13.05.000/2012-13]

Dated: June 4, 2013

Please refer to our circular UBD.BPD.(AD).Cir.No. 2/13.05.000/2012-13 dated January 22, 2013 on the captioned subject, extending the interest subvention of 2% up to March 31, 2014 on pre and post shipment rupee export credit to specified export sectors. The Government of India has decided to widen the interest subvention scheme to include the following sectors for the period April 1, 2013 to March 31, 2014.

- (a) Export of ITC (HS) and textiles goods to 6 tariff lines as per the list given in Annex-I.
- (b) Additional 101 tariff lines in engineering goods sector in addition to the existing 134 lines, as per the list given in Annex-II.

■ **Interest Rates on Rupee Export Credit**

[UBD.BPD.Dir. (Exp).No. 10 /13.05.000/2012-13]

Dated: May 31, 2013

In exercise of the powers conferred by Sections 21 and 35 A of the Banking Regulation Act, 1949 read with Section 56, and in partial modification of its Directive UBD.BPD.Dir. (Exp). No. 9/13.05.000/2012-13 dated January 21, 2013, the Reserve Bank of India, being satisfied that it is necessary and expedient in the public interest so to do, hereby directs that, the Interest Subvention Scheme on Rupee Export Credit, valid upto March 31, 2014, has been widened to include (i) export of ITC (HS) and textile goods to 6 tariff lines (as per the list given in the Annex-I) and (ii) additional 101 tariff lines in engineering goods sector in addition to the existing 134 lines (as per the list given in Annex-II).

Foreign Trade



■ Amendment in Notification No. 39 (RE-2012)/2009-14 dated 25th March, 2013 relating to export of edible oils

[Notification No 22 (RE-2013)/2009-2014]

Dated: June 18, 2013

1. Export of edible oils was initially prohibited for a period of one year with effect from 17.03.2008 vide Notification No. 85 dated 17.03.2008 which was extended from time to time. vide Notification No. 24(RE-2012)/2009-14 dated 19th October 2012, prohibition on export of edible oil has been extended till further orders.
2. Following exemptions are permitted from the prohibition on export of edible oils:
 - (a) Castor oil
 - (b) Coconut oil from all EDI Ports and through all Land Custom Stations (LCS) on Indo-Nepal, Indo Bangladesh, Indo-Bhutan and Indo-Pakistan borders.
 - (c) Deemed export of edible oils (as input raw material) from DTA to 100% EOUs for production of non-edible goods to be exported.

- (d) Edible oils from Domestic Tariff Area (DTA) to Special Economic Zones (SEZs) to be consumed by SEZ units for manufacture of processed food products, subject to applicable value addition norms.
 - (e) Edible oils produced out of minor forest produce, ITC(HS) Code 15159010, 15159020, 15159030, 15159040, 15179010 and 15219020.
 - (f) 10,000 MTs of Organic edible oils per annum. The conditions notified in Notification No. 50 dated 03.06.2011 for export of organic edible oils will continue to apply.
3. Export of edible oils in branded consumer packs of upto 5 Kgs is permitted with a Minimum Export Price of USD 1500 per MT.
 4. Export of coconut oil is being permitted through all Land Custom Stations (LCS) on Indo-Nepal, Indo-Bangladesh, Indo-Bhutan and Indo-Pakistan borders in addition to export through all EDI ports.

■ Notification No. 20 (Re-2013)/2009-2014 Dated: June 13, 2013

S.O. (E), In exercise of the powers conferred by section 13 of the Foreign Trade (Development and Regulation) Act, 1992 (22 of 1992) and in supersession of the earlier Notifications mentioned below, the Central Government hereby authorizes the officers specified in column 2 of the table below for the purposes of exercising powers under Section 13 read with Section 11 of the FT(DR) Act, 1992, subject to the limits specified against such officers in the corresponding entry in column 3 of the said Table, namely:

Sl. No.	Designation of Officer	Value of goods or services or technology covered by an authorization issued, registration certificate/ permits issued for import or export or in respect of goods or services or technology for which import or export is permitted without any authorization
1.	Additional Director General of Foreign Trade	without limit
2.	Joint Director General of Foreign Trade	Up to Rs. 25 crores
3.	Deputy Director General of Foreign Trade/ Assistant Director General of Foreign Trade	Up to Rs.10 crores
4.	Development Commissioner, Special Economic Zones	Without limit in respect of Export Oriented Units and units in Special Economic Zones
5.	Designated Officer, Department of Electronics & Information Technology	Without limit in respect of units in Software Technology Parks (STPs) and Electronics Hardware Technology Parks (EHTPs).

Previous Notifications which stand superseded:

1. Notification S.O.24(E) dt. 20th January 1999
2. Notification S.O. 194(E) dt. 6th March 2000
3. Notification S.O. 106(E) dt. 30th January, 2006
4. Notification S.O. 1534 dt. 14th September, 2006
5. Notification S.O. (E) dt. 17th April, 2009 (Issued from File No. 01/69/594/007/2008/OM1/O&M)

■ **Prohibition on import of milk and milk products from China**

Notification No. 23 (RE-2013)/2009-2014

Dated: June 18, 2013

Prohibition on import of milk and milk products (including chocolates and chocolate products and candies/ confectionary/ food preparations with milk or milk solids as an ingredient) from China is extended for one more year, i.e., till 23.6.2014 or until further orders, whichever is earlier.

■ **Amendment in Para 2.38 of Foreign Trade Policy, 2009-2014**

Notification No. 24 (RE-2013)/2009-2014

Dated: June 19, 2013

Defective parts/spares imported exclusively for undertaking root cause analysis, testing and evaluation purpose by the Companies/firms and Original Equipment Manufacturers may not be re-exported.

Income Tax



■ **Allows Sec 80IA deduction available despite non-filing of audit report**

Dated: June 14, 2013

Allows Sec 80IA deduction though the audit report was not submitted along with tax return and confirms ITAT ruling; Emphasis on having the accounts audited

and not on furnishing of audit report along with return of income; Relies Gujarat Oil & Allied Industries ruling which held that having accounts audited was main criteria for Sec 80IA (7) deduction; since assessee's accounts were audited, deduction u/s 80IA (7) allowed despite not furnishing of audit report. CIT vs. Sanjay Kumar Bansal [TS-250-HC-2013(UTT)].

■ **Amended Form 3CEB introduces share issue and buy-back disclosure**

Date: June 13, 2013

New Form 3 CEB requires additional disclosures on international transactions; Specified details on international transactions of guarantee, business reorganization/restructuring, purchase/sale of securities and issue/buyback of equity shares, debentures, preference shares to be given; Method of determination of ALP for issue and buyback of shares to be stated; CBDT amends Rule 10A to define the term AE for specified domestic transaction (SDT).

■ **Sec 50C inapplicable to stock-in-trade land introduced as capital in JV**

Ali Akbar Jafari [TS-253-ITAT-2013(PUN)]

Dated: June 13, 2013

Value of development rights showed under the head "Current Assets" held as stock in trade and not as capital asset; Deeming provisions of Sec. 45(3) and Sec. 50C not applicable to Stock in trade introduced as capital contribution in Joint Venture (JV); Allahabad HC ruling in Kan Construction Colonisers relied upon and co-ordinate bench ruling in Purushottam Mukunddas Lohia distinguished; Treats block assessment income as business income and not as income from other sources; Allows set-off of loss against block assessment income : Pune ITAT.

■ **Permits 'Loophole' exploitation; share sale effecting immovable property transfer, legitimate tax planning**

Bhoruka Engineering Inds. Ltd. [TS-252-HC-2013(KAR)]

Dated: June 13, 2013

Long term capital gains exemption u/s 10(38) allowed on sale of shares in a group company that had effect of transferring underlying land; Land was acquired into a listed company and immediate share transfer made to transfer control over the company; Reverses ITAT ruling, rejects Revenue's contention that circuitous arrangement and colourable device was adopted to avoid taxes; Assessee by resorting to tax planning, has taken advantage of loopholes in the law; For Parliament to amend law & plug the loophole; Court cannot read into the Section, which was not intended to, by the Parliament at the time of enacting the provision; Where taxpayer has alternative ways to effect the transaction, he can choose the manner which reduces tax liability; Rejects Revenue's reliance on McDowell ruling, follows SC ruling in Azadi Bachao Andolan and Vodafone : Karnataka HC.

■ **ITAT: Trust assessed as individual eligible for Sec 10(15) exemption on RBI bonds**

Mumbai ITAT Jehan Trust

[TS-244-ITAT-2013(Mum)]

Upholds Sec 10(15) exemption on RBI bonds to trust; Trust had sole individual as beneficiary; Rejects Revenue's stand that exemption available only to individuals and does not include trust; Tax to be levied on trustee in like manner as beneficiary; Relies on Bombay HC ruling in Shardaben Bhagubhai Mafatlal Public Charitable Trust.

■ **Revised corporate tax return forms for AY 13-14 seek more disclosures**

CBDT notifies tax return forms (ITR 5, 6 & 7) for AY 2013-14; Calls for disclosure

of payments to non-residents, bad debts, bifurcation of employees in India and outside India, classification of investments, tax filings pursuant to APA; ITR 5 applicable to partnerships and LLPs require disclosure of unsecured loan & advances from persons specified in Sec 40A(2)(b), business and non-business loans and advances; ITR 6 applicable to corporate tax payers brings changes in line with revised Schedule-VI.

■ **ITAT: Non-agricultural land, even if situated in a remote village, constitutes capital asset**

ACIT vs. Subramaniam Vadivel [TS-206-ITAT-2013(CHNY)]

Dated: May 23, 2013

ITAT held that, "When the basic nature of the land itself found to be non-agricultural, the arguments regarding status of the property, whether within metropolis or outside the limit of the metropolis, is irrelevant. A non-agricultural property, whether inside the municipality or outside the municipality or even in a remote village is a "capital asset" and transfer of the same may generate income liable for capital gains taxation". Mere bifurcation of land in revenue records as "agricultural" would not make it so; Agricultural history of land is not the only test to be applied to decide the character at the time of sale; Lands must be utilised for economical agricultural activities and should generate meaningful income; distinguished co-ordinate bench ruling in PallavaResorts: Chennai ITAT.

ITAT further stated that it could not be held that non carrying on agricultural operations for one or two years permanently changes the character of the land. In the present case of the assessee, there was a permanent stoppage of agricultural operations due to the development of real estate in that area. Thus, not carrying on agricultural

activities for a long time in the past would change land's character and convert it into non-agricultural land.

Finally, it was held by ITAT that the land was not actually or ordinarily used for agricultural operations on or around the relevant time of sale. Also, the income returned from agricultural operations carried on in the land was just for namesake and did not have any proportion to the efforts been made by a true agriculturist. Hence, it definitely fell under the category of "capital asset" and should be taxed accordingly.

■ **Provision for loss on REPO transactions real, not notional / contingent**

ITO vs. SBI DHFL Ltd.

Dated: May 23, 2013

Loss on securities for outstanding Repo transactions is actual and real, not notional or contingent; Deduction allowed for Repo Price Adjustment debited to profit and loss account as per RBI guidelines; Co-ordinate bench ruling in Securities Trading Corporation of India Ltd. relied upon.

■ **HC: Incidental business cannot dis-entitle approval as 'scientific research institute' u/s 35(1) (ii)**

Centre for Development of Telematics and Anr vs. Union of India & Ors [TS-212-HC-2013(DEL)]

Dated: May 27, 2013

Exemption u/s 10(21) to 'scientific research association' available even if it earns profits from incidental business; Mere receipt of royalty, consultancy charges would not dis-entitle assessee to be a 'scientific research association' u/s 35(1)(ii) read with Sec 10(21); No clear reference from CBDT to Central Government to determine nature of assessee's activities; Directs Central Government to decide whether assessee is 'scientific research association' or in the category of 'other institution' afresh : Delhi HC.



■ **Expenditure disallowed for default in withholding tax would qualify for sec. 80-IB deductions**

ITO V. KEVAL CONSTRUCTION [2013] 33 taxmann.com 277 (Gujarat)

Disallowance for non-deduction of TDS liability would increase profit of assessee from business of developing housing projects and ultimate profit would qualify for deduction under section 80-IB.

The High Court held as under:

Even if a expenditure incurred by the assessee for the purpose of developing housing project was not allowable by virtue of section 40(a) (ia) of the Act, since the assessee had not deducted the tax at source as required under law, it couldn't be denied that such disallowance would ultimately go to increase the assessee's profit from the business of developing housing project. So, whatever be the ultimate profit of assessee even after making disallowance under section 40(a)(ia) of the Act, would qualify for deduction as provided for under the law.

■ **Share buyback tax, TDS on property sale to come into effect from June 1**

Tax on buy-back, TDS on transfer of immovable property and other amendments by Finance Act 2013 to be effective from June 1, 2013.

■ **No concealment penalty if exp. claimed in current year and withholding taxes deposited in subsequent year**

DYNATRON (P.) LTD. V. DY. CIT [2013] 33 taxmann.com603 (Mumbai - Trib.)

Provision of sec. 40(a) (i) would be deemed to have been substantially complied with if taxes withheld from payment made to non-resident were deposited subsequent to the previous year in which expenditure was claimed by assessee. Hence, concealment penalty would not be leviable.

■ **CBDT notifies rules for TDS on immovable property transactions**

Dated: June 04, 2013

CBDT notifies rules for tax deduction at source on immovable property transactions exceeding Rs 50 lakhs u/s 194-IA; deductor to electronically deposit TDS within 7 days from end of month in which tax deducted and to issues TDS certificate within 15 days thereafter; A challan-cum-statement in Form No 26QB to be furnished: CBDT notification.

■ **Delhi HC interprets sec. 80-I broadly; conditions stipulated by sec. 80-I to be satisfied only in initial Assessment Year**

DELHI PRESS PATRA PRAKASHAN LTD. V. CIT [2013] 34 taxmann.com 3 (Delhi)

The Delhi HC clarifies several aspects of sec. 80-I provisions and held as under:

- (1) Industrial undertaking which undertakes job work would be entitled to section 80-I deduction:
 - a. There was nothing in the language of Section 80-I(2)(iii) of the Act to suggest that the assessee claiming the benefit of Section 80-I must structure his business in any particular form. Carrying on job work is only a method of structuring his business;
 - b. An assessee owning an industrial undertaking may either choose to purchase raw material on its own and process the same or it may acquire raw material on job work basis and utilize the same for carrying on the industrial activity;
 - c. In either event so long as the industrial undertaking owned by the assessee fulfills the conditions as specified under Section 80-I(2), the benefit of Section 80-I couldn't be denied to the assessee.
- (2) Printing amounted to "manufacture or production of an article or thing"
 - a. It can't be said that the printing does not alter the character of the paper used and there is no distinction between the raw paper and the resultant product;

- b. The purpose and usage of a blank paper is completely different from the use and purpose of a printed magazine or periodical;
- c. Once the blank paper undergoes a process of printing, the character of blank paper changes completely and the content of the printed material now becomes the identity of a printed paper;
- d. A printed magazine or periodical even if it is not bound has a definite identity and its usage is completely different from a blank paper on which it is printed;
- e. The expression used in Section 80-I(2)(iii) is "manufacture or produce any article or thing" which is much wider and, thus, would take in its sweep any article that may be manufactured or produced.

■ **ITAT : Waiver of interest not chargeable u/s 41(1) given earlier disallowance u/s 43B**

Spel Semiconductor Ltd. [TS-228-ITAT-2013 (CHNY)]

Waiver of interest on bank loan taxable u/s 41(1) only where interest claimed as deduction by assessee and allowed by AO in earlier years; Waiver held not taxable since interest disallowed earlier by AO u/s 43B; Provisions of Sec 28(iv) for taxing waiver applicable only to benefits or perquisites received in kind; Hence waiver of interest, being cash benefit, not taxable u/s 28(iv); Jurisdictional HC ruling in Iskraemeco Regent Ltd followed : Chennai ITAT.

■ **ITAT: Upfront interest on debentures allowable as deduction in year of payment**

The Arvind Mills Ltd. [TS-231-ITAT-2013(Ahd)]

Upfront interest on debenture allowable as deduction in year of payment; Revenue's argument to spread such interest over life of debentures, rejected; Relied on Gujarat HC ruling in Mohit

Marketing; Use of machinery for trial run to be construed as machinery used for the business purposes; Depreciation allowed on windmill used for trial run; Deduction otherwise available under IT Act (Sec 43B) cannot be disallowed based on any communication/agreement between IT Dept, assessee and BIFR : Ahmedabad ITAT.

■ **ITAT: Off market transactions held genuine, price close to market price, loss allowed**

Hina Nitin Parikh [TS-232-ITAT-2013(Ahd)]

Accepts "off market" transactions as genuine & allows loss; Off market transactions on principle to principle basis not in violation of Securities Contract (Regulation) Act, 1956; Assessee did not become member of unrecognized stock exchange; Payment and delivery settled on cumulative basis; Transaction price close to market price on relevant day; AO accepted profit earning off market transactions as genuine but considered similar loss transactions as not genuine: Ahmedabad ITAT.

■ **CBDT notifies Cost Inflation Index for FY 2013-14 as 939**

CBDT notifies Cost Inflation Index (CLI) for FY 2013-14 as 939; CLI to be used while computing long term capital gains on specified assets; CLI increased by 10.2% from previous year's CLI of 852.

■ **Rent from PVR for cinema building taxable as 'house property' income**

Anjala Exhibition Pvt Ltd. [TS-236-ITAT-2013(DEL)]

Income from letting out vacant cinema building to PVR Cinemas taxable as 'income from house property', not as income from other sources; Intention of parties, not title of the agreement relevant in determining whether income was rental income; Rejects Revenue's

contention that income arose from JV/ partnership agreement to run existing cinema building according to changing market needs; Bombay HC ruling in Parekh Traders followed: Delhi ITAT.

■ **Disapproves SB ratio, Allows Sec 54 benefit for two adjacent flats**

CIT vs. Syed Ali Adil

Dated: June 07, 2013

Benefit of Sec 54 against long term capital gains allowed for investment in two adjacent flats purchased from different vendors under two separate sale deeds; Investment in "a" residential house doesn't indicate single house; Investment in adjacent flats with common meeting point eligible for Sec 54 benefit; Disapproves ratio of ITAT Special Bench ruling in Sushila M Jhaveri.

■ **ITAT: Disallows legal fees to defend directors in Narcotics case; Invokes Sec 37(1) explanation**

OPM International Pvt. Ltd.

[TS-240-ITAT-2013(Mum)]

Dated: June 10, 2013

Disallows professional fees paid by assessee company to defend its Directors involved in a Narcotics case; Explanation to Sec 37(1) clearly provides that no deduction allowable for any expenditure incurred for the purpose of an offence or which is prohibited by law; Even indirect expenditure which has a nexus with the offence, would be disallowed : Mumbai ITAT.

■ **HC: Upholds loss on shares held as stock by Bank; RBI guidelines irrelevant**

The Karnataka Bank Ltd. [TS-242-HC-2013(KAR)]

Dated: June 10, 2013

Loss on valuation for shares held as stock in trade (based on lower of cost or market value) for tax purposes upheld; Shares held as investments in balance sheet as

per RBI Guidelines but treated as stock in trade for tax purposes consistently for two decades; RBI Act or Companies Act do not deal with permissible deductions or exclusions under tax law; If market value is less than the cost price, Bank entitled to deductions ; Rejects Revenue's claim of disallowing losses by relying on RBI guidelines or balance sheet disclosure & overrules ITAT ruling : Karnataka HC.

■ **Acquisition of a new flat in exchange of an old flat is deemed construction and allows sec. 54 benefits**

SMT. VEENA GOPE SHROFF V. ITO [2013] 33 taxmann.com 344 (Mumbai-Trib.)

Where possession of new flat was received within 3 years from date of transfer, in exchange of an old flat under development agreement, it amounted to construction of property under section 54. The Tribunal held in favour of assessee as under:

- (1) If an the assessee had exchanged an old flat with a new flat constructed by the builder under development agreement which amounted to transfer under section 2(47);
- (2) Thus, the only other condition which was required to be satisfied was that assessee either had to purchase a new residential flat within the prescribed limit or construct a new residential flat within a period of 3 years from the date of transfer;
- (3) The acquisition of a new flat under a development agreement in exchange of the old flat amounted to construction of new flat.
- (4) Therefore, the provisions of section 54 were applicable and assessee was entitled to exemption if the new flat had been constructed within a period of 3 years from the date of transfer;

(5) Since cash compensation was part of consideration for transfer of the old flat and the assessee had invested the money in NABARD bonds, the exemption under section 54EC would also be available. The assessee's new flat got completed within a period of 3 years from the date of transfer of the old flat. Therefore, the assessee's claim of exemption under section 54 was to be allowed and the order of the CIT (A) was set aside.

■ **Valuation loss is allowable even if stock-in-trade shown as investment in compliance of RBI guidelines**

Even though assessee-bank disclosed shares as investments in balance sheet to comply with RBI Guidelines, it was not estopped from treating the same as stock-in-trade for income-tax and claiming valuation loss thereon as these shares had been consistently shown as stock-in-trade in income-tax in the past years also.

■ **Notification No. 45/46**

Dated: June 19, 2013

Central Government makes Commodities Transaction Tax Rule, 2013 and said rules shall come into force on 1st day of July, 2013.



Central Excise



■ **Circular No. 970/04/2013-CX**

Dated: May 23, 2013

CBEC specified certain conditions, limitations, safeguards and procedures for movement of excisable indigenous goods to warehouses or retail outlets of Duty Free Shops appointed or licensed under Customs Act, 1962.

■ **Notification No.19/2013-Central Excise**

Dated: May 23, 2013

Seeks to allow duty free sale of goods manufactured in India to the International passengers or members of crew at the DFSs located at the arrival / departure hall of International Airports and specify the procedures relating thereto.

<http://www.cbec.gov.in/excise/cx-act/notfns-2013/cx-tar2013/ce19-2013.htm>

■ **Notification No.21/2013-Central Excise**

Dated: June 13, 2013

■ **Amends Notification No. 30/2012-Central Excise**

Dated: July 9, 2012

<http://www.cbec.gov.in/excise/cx-act/notfns-2013/cx-tar2013/ce21-2013.pdf>

Customs



■ Notification No.32/2013-Customs

[F.No.605/10/2013-DBK]

Dated: 13th June, 2013

G.S.R.371(E).-In exercise of the powers conferred by sub-section (1) of section 25 of the Customs Act, 1962 (52 of 1962), the Central Government, on being satisfied that it is necessary in the public interest so to do, hereby makes the few amendments in the notification of the Government of India in the Ministry of Finance (Department of Revenue) No. 93/2009 – Custom dated the 11th September, 2009 published in the Gazette of India, Extraordinary , Part II,Section 3 subsection (i) vide number G.S.R. 659 (E), dated the 11th September, 2009, namely :

After paragraph 2 and before the Explanation, the paragraph 3 shall be inserted for the purpose of calculation of export performance or for computation of entitlement under paragraph 3.14.4 or paragraph 3.14.5 of the Foreign Trade Policy, the incremental growth shall be in respect of each exporter [Importer Exporter Code (IEC) holder] without any scope of combining the export for group company or for transferring export performance from any other IEC holder and the incremental growth shall be in

terms of freely convertible currency to the designated markets.

The following categories of exports shall not be counted for calculation of export performance or for computation of entitlements:

- ◆ Export of imported goods or exports made through trans-shipment;
- ◆ Export from SEZ/ EOU / EHTP / STPI / BTP/FTWZ;
- ◆ Deemed Exports;
- ◆ Service Exports;
- ◆ Third Party exports;
- ◆ Diamond, Gold, Silver, Platinum, other precious metal in any form including plain and studded jewellery and other precious and semi-precious stones;
- ◆ Ores and concentrates of all types and in all formations.
- ◆ Cereals of all types;(ix) Sugar of all types and all forms;
- ◆ Crude/petroleum oil and crude/primary and base products of all types and all formulations;
- ◆ Export of milk and milk products;
- ◆ Export performance made by one exporter on behalf of other exporter;
- ◆ Supplies made to SEZ units;
- ◆ Items, export of which requires an export authorization (except SCOMET);
- ◆ Export of Meat and Meat Products;
- ◆ Exports to Singapore, UAE and Hong Kong,
- ◆ SEZ / EOU / EHTP / BTP / FTWZ products exported through DTA units."

■ Circular No. 22/2013 – Customs

Dated: May 24, 2013

To reduce transaction costs and 'dwell time', CBEC allow direct movement of goods from Gateway Port to Container Freight Station (CFS) of another Customs Station with customs permission.

Service Tax



■ Service Tax Voluntary Compliance Encouragement Scheme, 2013

[Notification No. 10/2013-ST]

Dated: May 13, 2013

The Service Tax Voluntary Compliance Encouragement Scheme (VCES) has come into effect upon enactment of the Finance Bill 2013 on the 10th May, 2013. The Service Tax Voluntary Compliance Encouragement Rules, 2013 has been issued to bring into effect the Scheme. Various procedures for obtaining registration, form and manner of declaration, form and manner of acknowledgement of declaration, manner of payment of tax dues and form and manner of issuing acknowledgement of discharge of tax dues under the Service Tax Voluntary Compliance Encouragement Scheme, 2013 are specified through Service Tax Voluntary Compliance Encouragement Rules, 2013.

Person who may make declaration of tax dues:

- (1) Any person may declare his tax dues, in respect of which no notice or an order of determination under section 72 or section 73 or section 73A of the Chapter has been issued or made before the 1st day of March, 2013, provided:

Any person who has furnished return under section 70 of the Chapter and disclosed his true liability, but has not paid the disclosed amount of service tax or any part thereof, shall not be eligible to make declaration for the period covered by the said return.

Where a notice or an order of determination has been issued to a person in respect of any period on any issue, no declaration shall be made of his tax dues on the same issue for any subsequent period.

- (2) Where a declaration has been made by a person against whom, –
 - (a) an inquiry or investigation in respect of a service tax not levied or not paid or short-levied or short-paid has been initiated by way of –
 - ◆ search of premises under section 82 of the Chapter; or
 - ◆ issuance of summons under section 14 of the Central Excise Act, 1944, as made applicable to the Chapter under section 83 thereof; or
 - ◆ requiring production of accounts, documents or other evidence under the Chapter or the rules made there under; or
 - (b) an audit has been initiated, and such inquiry, investigation or audit is pending as on the 1st day of March, 2013, then, the designated authority shall, by an order, and for reasons to be recorded in writing, reject such declaration. Procedure for making declaration and payment of tax dues:
 1. Subject to the provisions of this Scheme, a person may make a declaration to the designated authority on or before the 31st day of December, 2013 in such form and in such manner as may be prescribed.
 2. The designated authority shall acknowledge the declaration in such form and in such manner as may be prescribed.



3. The declarant shall, on or before the 31st day of December, 2013, pay not less than fifty per cent. of the tax dues so declared under sub-section (1) and submit proof of such payment to the designated authority.
4. The tax dues or part thereof remaining to be paid after the payment made under sub-section (3) shall be paid by the declarant on or before the 30th day of June, 2014. Provided that where the declarant fails to pay said tax dues or part thereof on or before the said date, he shall pay the same on or before the 31st day of December, 2014 along with interest thereon, at such rate as is fixed under section 75 or, as the case may be, section 73B of the Chapter for the period of delay starting from the 1st day of July, 2014.
5. Notwithstanding anything contained in sub-section (3) and sub-section (4), any service tax which becomes due or payable by the declarant for the month of January, 2013 and subsequent months shall be paid by him in accordance with the provisions of the Chapter and accordingly, interest for delay in payment thereof, shall also be payable under the Chapter.

For more details please visit the link:

http://www.servicetax.gov.in/st_servicetax_volu_compliance.pdf

<http://www.servicetax.gov.in/st-circulars-home.htm>

- **Service tax paid on rent of premises used for storage of manufactured goods is eligible for input service credit**

[2013] 33 taxmann.com 513 (Mumbai - CESTAT) Nitcon Industries (P.)Ltd., v., Commissioner of Central Excise, Mumbai-II

Section 2(i) of the Cenvat Credit Rules, 2004 – CENVAT Credit – Input service – Renting Services - Assessee took premises on rent for storage of manufactured goods – Department denied credit of

service tax paid on rent on ground that such services had no nexus with manufacture and, further, such rented premises were outside factory – HELD : Any service availed by assessee who is a manufacturer of excisable goods in course of their business is entitled for CENVAT credit – In this case, there was no dispute as to use of rented premises for storage of manufactured goods – It was immaterial whether such premises were within factory or outside that – In view of decision of CCE v. Ultra Tech Cement Ltd. [2010] 29 STT 244 (Bom.) assessee was entitled to input service credit of service tax paid rent [Para 3] [In favour of assessee].

- **Penalty to be waived off if there was a doubt on the chargeability of service tax**
[2013] 34 taxmann.com 70 (Mumbai - CESTAT) Shivnath Hanumant Kandi v. Commissioner of Central Excise, Aurangabad

ST : Where, in view of ongoing litigations, assessee was under doubt as to liability to service tax, he is eligible for benefit of waiver of penalty in view of such reasonable cause for non-payment of service tax.

- **ST couldn't be demanded from service provider if same was discharged by his agent**

[2013] 34 taxmann.com 66 (Mumbai - CESTAT) Zaheerkhan B. Khan v. Commissioner of Service Tax, Mumbai

ST: Definition of assessee includes agent; therefore, if service tax liability of service provider has been discharged by his agent, service tax cannot be demanded from service provider.

- **Cenvat Credit not to be reversed if service-tax isn't payable due to non-recovery of consideration**

[2013] 34 taxmann.com 43 (Ahmedabad - CESTAT) Commissioner of Service Tax, Ahmedabad v. Krishna Communication

ST : In case of assessee paying service tax

on receipt basis under rule 6(1) of ST Rules, 1994, no Cenvat credit reversal can be required even if no service tax is payable on output services owing to non-recovery of consideration.

■ **Sec. 78 penalty is leviable if service tax is paid only when revenue discovers the suppression by assessee**

[2013] 33 taxmann.com 512 (Ahmedabad - CESTAT) ASAL Marketing (P.) Ltd.v.Commissioner of Service Tax, Ahmedabad

ST: Where it is found that, but for investigation taken up by revenue, assessee would not have paid service tax demanded, it is a case of suppression/mis-declaration by assessee and assessee is liable to penalty under section 78.

■ **Rent paid for leasehold premises for storage of manufactured goods is eligible for Input service credit**

[2013] 33 taxmann.com 513 (Mumbai - CESTAT) Nitcon Industries (P.) Ltd.v.Commissioner of Central Excise, Mumbai-II

ST : Service tax paid on rent of premises used for storage of manufactured goods is eligible for input service credit.



Service Tax
SERVICE TAX

SEBI



■ **Enhancement in Foreign Investment limits in Government debt**

CIRCULAR: CIR/IMD/FIIC/8/2013

Dated: June 12, 2013

The Government of India has enhanced the Government Debt Limits by USD 5 billion (equivalent to approximately INR 29,137 cr converted at the RBI reference rate of 1 USD = INR 58.274 as on June 12, 2013).

It has been decided that the aforesaid enhanced limit of USD 5 billion shall be available for investments only to those FIIs which are registered with SEBI under the categories of Sovereign Wealth Funds (SWFs), Multilateral Agencies, Endowment Funds, Insurance Funds, Pension Funds and Foreign Central Banks.

■ **Clarification on SEBI's Circular dated August 13, 2012 providing for the "Manner of Dealing with Audit Reports filed by Listed Companies"**

CIRCULAR: CIR/CFD/DIL/9/2013

Dated: June 5, 2013

◆ SEBI has, vide circular dated August 13, 2012 providing for the "Manner of Dealing with Audit Reports filed by Listed companies", mandated listed companies to submit either Form A (Unqualified/ Matter of Emphasis Report) or Form B (Qualified/ Subject



To/ Except For Audit Report) along with the Annual Report to the Stock Exchanges. It is also envisaged that the qualified audit reports will be scrutinized by Qualified Audit Review Committee (QARC) and if necessary, the company will be required to restate its books of accounts to provide true and fair view of its financial position.

- ◆ SEBI is in receipt of various queries with regard to restatement of books of accounts of listed companies envisaged in the captioned circular. The primary concern raised is whether the restatement of books of accounts needs to be carried out in the same financial year or in the subsequent financial year as a prior period item.
- ◆ In order to address the aforesaid concern, it is clarified that the restatement of books of accounts indicated in Paragraph 5 of the said circular shall mean that the company is required to disclose the effect of revised financial accounts by way of revised pro-forma financial results immediately to the shareholders through Stock Exchange(s). However, the financial effects of the revision may be carried out in the annual accounts of the subsequent financial year as a prior period item so that the tax impacts, if any, can be taken care of.
- ◆ This circular is issued in exercise of the powers conferred under Section 11 read with Section 11A of the Securities and Exchange Board of India Act, 1992.
- ◆ All Stock Exchanges are advised to ensure compliance with this circular.

■ **Establishment of Connectivity with both depositories NSDL and CDSL – Companies eligible for shifting from Trade for Trade Settlement (TFTS) to Normal Rolling Settlement**

CIRCULAR: CIR/MRD/DP/ 19 /2013

Dated: June 11, 2013

It is observed from the information

provided by the depositories that the Companies listed in Annexure 'A' have established connectivity with both the depositories.

The stock exchanges may consider shifting the trading in these securities to normal Rolling Settlement subject to the following:

- ◆ At least 50% of other than promoter holdings as per clause 35 of Listing Agreement are in dematerialized mode before shifting the trading in the securities of the company from TFTS to normal Rolling Settlement. For this purpose, the listed companies shall obtain a certificate from its Registrar and Transfer Agent (RTA) and submit the same to the stock exchange/s. However, if an issuer-company does not have a separate RTA, it may obtain a certificate in this regard from a practicing company Secretary/ Chartered Accountant and submit the same to the stock exchange/s.
- ◆ There are no other grounds/reasons for continuation of the trading in TFTS.

The Stock Exchanges are advised to report to SEBI, the action taken in this regard in the Monthly/Quarterly Development Report.

■ **Scheme of Arrangement under the Companies Act, 1956-Revised requirements for the Stock Exchanges and Listed Companies Clarification**

Circular: CIR/CFD/DIL/8/2013

Dated: May 21, 2013

1. This is with reference to SEBI Circular No. CIR/CFD/DIL/5/2013 dated February 4, 2013 on the captioned subject.
2. Subsequent to the issuance of the aforesaid Circular, SEBI has received queries/representations from market participants expressing operational difficulties in implementing certain provisions of the

said Circular. Accordingly, upon examination of the representations and concerns raised therein, it has been decided to provide clarifications and modify certain provisions of the said Circular as detailed below:

Applicability:

- ◆ SEBI Circular No. CIR/CFD/DIL/5/2013 dated February 4, 2013 is applicable to all listed companies undertaking a Scheme of Arrangement under Part IV and Chapter V of Part VI of the Companies Act, 1956, (Amalgamation/ Merger/ Reconstruction/ Reduction Of Capital, etc.).
- ◆ Thus, it is hereby clarified that the Circular referred to in paragraph 3.1 above and this Circular are applicable even to cases where no exemption from Rule 19(2)(b) of Securities Contracts (Regulation) Rules, 1957 is sought from SEBI.

- ◆ Requirement of submission of Valuation Report from Independent Chartered Accountant:
- ◆ All listed companies undertaking a Scheme of Arrangement under Part IV and Chapter V of Part VI of the Companies Act, 1956, (Amalgamation/ Merger/ Reconstruction/ Reduction Of Capital, etc.) are required to submit a valuation report in terms of Para (I) (A) read with Part A, Annexure I of the SEBI Circular No. CIR/CFD/DIL/5/2013 dated February 4, 2013.
- ◆ However, 'Valuation Report from an Independent Chartered Accountant' need not be required in cases where there is no change in the shareholding pattern of the listed company / resultant company.

For more details:

http://www.sebi.gov.in/cms/sebi_data/attachdocs/1369139160079.pdf



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