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e - News Digest

Weekly updates

The Institute of Cost Accountants of India

(Statutory body under an Act of Parliament)

DIRECTORATE OF RESEARCH & JOURNAL **THE INSTITUTE OF COST ACCOUNTANTS OF INDIA**

President: CMA Dr A S Durga Prasad

Vice President: CMA Pramod Kumar Bhattad

Chairman, Research, Innovation and Journal Committee: CMA Manas Kumar Thakur

Editor: CMA Dr Debaprosanna Nandy

HEADQUARTERS

CMA BHAWAN 12, SUDDER
STREET KOLKATA 700 016,
INDIA

PHONES: +91-33-2252

1031/1034/1035/1492

FAX: +91-33-22527993/1026

DELHI OFFICE

CMA BHAWAN, 3 INSTITUTIONAL
AREA, LODHI ROAD,
NEW DELHI 110003, INDIA

PHONES: +91-11-24622156/57/58,

24618645

FAX: +91-11-43583642

OFFICE OF RESEARCH & JOURNAL

CMA BHAWAN, 4TH FLOOR,
84 HARISH MUKHERJEE ROAD
KOLKATA 700 025,
INDIA

Board: +91-33-2454 0086/87/0184

Fax: +91-33-2454 0063

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cma.ebulletin@icmai.in

Banking

➤ Levy of penal charges on non-maintenance of minimum balances in savings bank accounts

In this connection, a reference is invited to paragraph 30 of Part B of First Bi-monthly Monetary Policy Statement, 2014-15 announced on April 1, 2014, regarding 'Developmental and Regulatory Policies' proposing certain measures towards consumer protection. One of the proposals contained therein was that banks should not take undue advantage of customer difficulty or inattention. Instead of levying penal charges for non-maintenance of minimum balance in ordinary savings bank accounts, banks should limit services available on such accounts to those available to Basic Savings Bank Deposit Accounts and restore the services when the balances improve to the minimum required level. A reference is also invited to the recommendations of Damodaran Committee on customer service in banks which, inter-alia, recommended that 'banks should inform the customer immediately on the balance in the account breaching minimum balance and the applicable penal charges for not maintaining the balance by SMS/email/letter. Further, the penal charges levied should be in proportion to the shortfall observed'.

Source: Notification No. RBI/2014-15/363 (DBR.RRB.BC.No.55/03.05.33/2014-15) dated: December 22, 2014

➤ Banks hiring consultancies to do corporate investigations of non-performing loans

A Kolkata-based company recently said it's

unable to repay a loan of around Rs 2,000 crore to a consortium of public sector banks, claiming it suffered a loss of around Rs 1,000 crore because its vendors took it for a ride. The banks promptly hired a corporate investigator to get to the bottom of the matter and it turned out to be a case of fraud. Often, these forensics reports have become the basis for CBI and police investigations, as they have unearthed several cases of fraud. Indian banks are increasingly hiring consultancies to do corporate investigations and forensic audit of their non-performing loans, after a rap on their wrist by the Reserve Bank of India (RBI) and the ministry of finance.

Source: Economic times / 22 Dec 2014

➤ Five basic rights for bank customers laid down by RBI

The Charter of Customers' Rights released by RBI lays down 5 basic rights for a bank customer. One can file a complaint if these rights are violated. The rights of customers as notified by the RBI are:

- Right to fair treatment
- Right to suitability
- Right to privacy
- Right to grievance redressal and compensation
- Right to transparency, fair and honest dealing

Read more at:

http://economictimes.indiatimes.com/articleshow/45584445.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=ppst

Source: *Economic times* / 22 Dec 2014

➤ **Non-Cooperative Borrowers**

A non-cooperative borrower is one who does not engage constructively with his lender by defaulting in timely repayment of dues while having ability to pay, thwarting lenders' efforts for recovery of their dues by not providing necessary information sought, denying access to assets financed / collateral securities, obstructing sale of securities, etc. In effect, a non-cooperative borrower is a defaulter who deliberately stone walls legitimate efforts of the lenders to recover their dues. In this connection, banks/FIs should take the following measures in classifying/declassifying a borrower as non-cooperative borrower and reporting information on such borrowers to Central Repository of Information on Large Credits (CRILC).

Source: *Notification No. RBI/2014-15/362 (DBR.No.CID.BC.54/20.16.064/2014-15)*
dated: December 22, 2014

➤ **FDI in services sector dips 7.5% to \$1.22 billion during April-September**

Foreign direct investment in the country's services sector dipped 7.5 per cent to USD 1.22 billion during the first half of the current financial year. The services sector, which includes banking, insurance, outsourcing, R&D, courier and technology testing, had received FDI worth USD 1.32 billion during April-September 2013-14, the data by Department of Industrial Policy and Promotion shows. The services sector contributes over 60 per cent to India's GDP. In 2013-14, foreign investment in the sector fell to USD 2.2 billion from USD 4.83 billion in 2012-13. The government is taking

several measures to boost foreign inflows, according to an official.

Source: *PTI* / Dec 21, 2014

➤ **F-TRAC – Counterparty Confirmation**

A reference is invited to RBI circular IDMD.PCD. 13 /14.01.02/2013-14 dated June 25, 2014 regarding reporting of OTC trades in Commercial Papers (CPs) and Certificate of Deposits (CDs); and OTC repo trades in corporate debt securities, CPs, CDs and non-convertible debentures (NCDs) of original maturity less than one year on F-TRAC - the reporting platform of Clear corp Dealing Systems (India) Ltd. (CDSIL). As per extant guidelines, the above-mentioned trades have to be physically confirmed by the back offices of the counterparties. In F-TRAC, both the counterparties individually report their respective sides of the trades and the trades are validated for trade details before matching by F-TRAC. This ensures implicit confirmation by both counterparties. Further, the details of the transactions are available on the F-TRAC system.

On a review, it has been decided to waive the requirement of exchange of physical confirmation of trades matched on F- TRAC subject to the following conditions:

- i. Participants entering into one time bilateral agreement for eliminating the exchange of confirmation;
- ii. Participants adhering to the extant laws such as stamp duty as may be applicable; and
- iii. Participants ensuring adherence to a sound risk management framework and complying with all the regulatory and legal requirements and practices, in this regard.

*Source: Notification No. RBI/2014-15/361
FMRD.FMID.01/14.01.02/2014-15 dated:
December 19, 2014*

➡ **Persons already having bank account need not to open a fresh one to avail benefits of the Pradhan Mantri Jan Dhan Yojana**

Government said persons already having bank account need not to open a fresh one to avail benefits of the Pradhan Mantri Jan Dhan Yojana. "A person who is already having a bank account with any bank need not have to open a separate account under PMJDY. He/she will just have to get issued a RuPay card in his existing account to get benefit of accidental insurance," a Finance Ministry statement said. The overdraft facility can be extended in existing account, it said. Accidental insurance of Rs 1 lakh will be available to all RuPay card holders between 18-70 years. They will need to use their RuPay card once in 45 days of receipt of the card to get the benefit. The accidental claim intimation should be given to bank within 30 days from the date of accident, it added. For life insurance coverage, one person per family will get a single cover of Rs 30,000 on one card only despite having multiple accounts/cards.

Source: PTI / 17 Dec 2014

➡ **PSBs told to offer net, mobile banking services in Hindi also**

Continuing with its Hindi overdrive, the home ministry has asked finance ministry to ensure that all net banking web portals and

mobile banking applications of nationalized banks are offered in Hindi apart from English, while e-mails and SMS alerts are sent to customers in Hindi as well. The home ministry first and foremost wants ATM machines to print receipts in Hindi apart from English. It also wants option for customers to work in Hindi on internet banking web portals. The home ministry has also pointed out that mobile banking applications are not available in Hindi and it also needs to be ensured that e-mails and SMS alerts sent to customers by banks should be in Hindi as well.

Source: Economic Times / 17 Dec 2014

➡ **SBI and Amalgamated Plantation ink MOU to provide loan to small tea growers**

India largest banker, State Bank of India on Monday inked an MOU to provide credit to small tea growers operating with Amalgamated Plantations Private Limited (APPL). APPL is a Tata Enterprise. B Sriram, managing director (national banking group), SBI who was in Guwahati on Monday told ET, "A tripartite MOU involving the bank, APPL and small tea growers was signed." He said APPL has around 31,000 small tea growers which supply green leaf. "To start with the project will taken up on pilot basis in couple of locations."

Source: Economic times / 16 Dec 2014

➡ **Jindal Steel & Power Ltd raises Rs 1,000 crore from NCDs to Kotak Mahindra**

Jindal Steel & Power Ltd has allotted 10,000 privately placed unsecured non-convertible debentures (NCDs) amounting to Rs 1,000 crore to Kotak Mahindra Bank. The company informed the BSE that its "executive sub-committee of the Board of Directors has, at its meeting held on December 18, 2014, allotted 10,000 Privately Placed Rated Redeemable Unsecured Non Convertible Debentures for cash at par aggregating to Rs 1,000 crore in three series to Kotak Mahindra Bank Ltd." Commenting on the development, a JSPL spokesperson said: "The company has always been engaged in raising money through appropriate instruments for financing the company's operations considering the funding requirement and cost optimization of funds; the NCD announced today is one such financial instrument."

Read more at:

http://economictimes.indiatimes.com/articleshow/45572996.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

Source: Economic Times / 19 Dec, 2014

Infrastructure

➡ Ghaziabad to get smart in six months: Ghaziabad Development Authority

The city is on the road to become hi-tech in about six months time, at least that's what the Ghaziabad Development Authority claims. The GDA is installing two Wi-Fi corridors of a total length of 65 km for motorists and

area residents. It is installing 350 towers all over the city, each equipped with several video cameras, through which cops in a hi-tech control room will watch every move law breakers might make. About 150 of these towers have already been set up, which will also provide 4G internet services. There will be 20 jumbo-sized LED video screens, 20 ft x 20 ft, put up at different places across the city, motorists can follow real time information on the volume of traffic on different routes, and accordingly choose which route to take. Sixteen smaller screens, of size 3x4 feet each, will be put up around UP Gate, where the traffic comes in from Delhi via NH-24.

Source: The Times of India / 22 Dec, 2014

➡ Government launches pilot project on conversion of streetlights to LED

Aiming at turning Delhi into a smart city, the Union Ministry of Power here today launched a pilot project on conversion of street-lighting from conventional system to an energy-efficient and environment-friendly LED type. With the project, helmed by the Union Ministry of Power, the government also seeks to save about 25 crore units of electricity consumption and Rs 700 crore. The pilot system was launched by Union Urban Development Minister M Venkaiah Naidu and Union Power, Coal and New and Renewable Energy Minister Piyush Goel in Naraina Vihar area in north Delhi.

The LED street lighting system being energy efficient would be extended to the whole of Delhi where there are nearly 5 lakhs streetlight points.

Source: Economic Times / 20 Dec, 2014

➤ **Smart City Kochi projects' first phase to be ready by March 2015**

Work for the second phase will begin in the new year and it includes setting up of hospitals, educational institutions, and other facilities.

Source: Economic Times / 19 Dec, 2014

➤ **Surat partners with Microsoft to become a Smart City**

SMC has been one of the early technology and e-Governance adopters and the city has selected Microsoft as its partner of choice for process automation and citizen services.

Source: Economic Times / 19 Dec, 2014

➤ **Haryana government gives approval for Metro rail extension**

Haryana Chief Minister Manohar Lal Khattar today gave in-principle approval for the extension of Metro Rail project from YMCA Chowk, Faridabad to Ballabhgarh. Besides this, he also directed to explore the possibilities of Faridabad-Gurgaon Metro link project.

Source: PTI / 17 Dec, 2014

➤ **Light metro rail in Indore & Bhopal likely before 2018: Minister**

The proposed light metro rail system in Indore and Bhopal cities are planned to be launched before 2018, Madhya Pradesh minister Kailash Vijaywargiya said. The

light metro services will then be introduced in Jabalpur and Gwalior to meet the growing demand of a viable public transport system.

Source: PTI / 17 Dec, 2014

➤ **India signs 625 million euro loan agreement with Germany**

India has signed loan agreement with Germany for financial assistance to Green Energy Corridors project under Indo-German bilateral development cooperation.

Source: PTI / 18 Dec, 2014

News Unlimited

➤ **COAI seeks 5 year extension in 4G network roll out deadline**

Telecom industry body COAI has requested the Department of Telecom to extend deadline for roll out of 4G services to 2020 citing various hurdles mainly delay in development of technology and regulatory procedures. "DoT is requested to review and relax the roll out obligations and extend the timelines for meeting the roll out by additional 5 years," COAI Director General Rajan S Mathews said in a letter to DoT.

Read more at:

<http://economictimes.indiatimes.com/industry/telecom/coai-seeks-5-year-extension-in-4g-network-roll-out-deadline/articleshow/45593608.cms>

➤ **Provident Fund: Government approves**

8.75 % interest rate on PF deposits for 2014-15

The finance ministry has ratified the Employee Provident Fund Organization's decision to retain interest rate on PF deposits at 8.75%, benefiting over five crore people. The central board of trustees of the Employee Provident Fund Organization had earlier decided to retain the interest rates at the previous year's level.

Source: Economic Times / 20 Dec, 2014

➤ FDI in services sector dips 7.5% to \$1.22 billion during April-September

Foreign direct investment in the country's services sector dipped 7.5 per cent to USD 1.22 billion during the first half of the current financial year. The services sector, which includes banking, insurance, outsourcing, R&D, courier and technology testing, had received FDI worth USD 1.32 billion during April-September 2013-14, the data by Department of Industrial Policy and Promotion shows. Read more at: <http://economictimes.indiatimes.com/news/economy/finance/fdi-in-services-sector-dips-7-5-to-1-22-billion-during-april-september/articleshow/45591989.cms>

➤ Make in India needs a tax boost

With an agenda to boost the manufacturing sector, the Prime Minister has appealed to companies around the world to “come and make in India.” Various reforms are being looked at by the government in order to make this vision come true—reforms in labour laws, special economic zone policy,

trade policy, foreign direct investment rules, GST, land acquisition law and so on. However, no one seems to be talking about direct tax reforms. Read more at:

<http://www.financialexpress.com/article/fe-columnist/make-in-india-needs-a-tax-boost/19992/>

Source: The Financial Express / December 17, 2014

➤ India plans to set up reverse SEZs in Iran

India is planning to set up reverse SEZs in Iran, mainly in the fertilizer and petrochemical sector, Union Minister Ananth Kumar said. Under the reverse special economic zone (SEZ) scheme, Indian chemical and petrochemical companies will set up plants in other countries where raw material is in abundance and available at cheaper rates, while the final product will be imported back. India is keen to explore the possibilities of setting up of reverse SEZs, particularly in the area of fertilizers and petrochemicals in Iran.

Source: Economic Time / 17 Dec, 2014

➤ Wholesale inflation at 0% in November

Wholesale Price Index (WPI)-based inflation fell to zero in November, compared with 1.77 per cent the previous month, primarily on account of a sharp fall in global commodity prices that prompted industry leaders to call for an interest rate cut by the Reserve Bank of India (RBI) to spur economic growth. Deceleration in inflation was witnessed across the broad segments: primary products, including food, fuel items and manufactured items. In fact, primary

products (non-processed items) and fuel items saw a decline in prices year-on-year, official data showed. It was only in July 2009 that there was disinflation. After that, this is the lowest inflation figure in over five years. The widely tracked food inflation declined to almost zero to stand at 0.63 per cent in the month from 2.7 per cent in October. There was deceleration in inflation across major food articles — cereals, rice, wheat, vegetables, etc. For vegetables, especially onions, the base effect was severe.

Source: Business Standard / December 16, 2014

➤ **CBDT signs first bilateral Advance Pricing Agreement**

The Central Board of Direct Taxes (CBDT) signed a bilateral Advance Pricing Agreement (APA) with a Japanese company. "This is India's first bilateral APA. The APA is for five years," an official statement said. APAs will improve the investment climate in the country, it said, adding the APA has been finalized in a period of about one-and-a-half years, which is shorter than time normally taken in finalizing APAs internationally. The scheme has been introduced to bring about certainty and uniformity in transfer pricing matters of multinational companies and reducing litigation.

Read more at:

<http://www.thehindu.com/business/Industry/cbdt-signs-first-bilateral-advance-pricing-agreement/article6708879.ece>

Source: The Hindu / December 19, 2014

➤ **Asian business sentiment rebounds in Q4 with India most optimistic**

Business sentiment among Asia's top companies rebounded in the fourth quarter to the second-highest level in almost three years, a Thomson Reuters/INSEAD survey showed, helped by a stronger U.S. economy and a plunge in oil prices. The Thomson Reuters/INSEAD Asian Business Sentiment Index increased to 72 in the fourth quarter from 66 in the previous three months. The result was only slightly below the 74 reading of the second quarter which was the highest since early 2012. A reading above 50 indicates an overall positive outlook. Indian businesses provided the biggest boost to the index, with companies reporting a maximum score of 100 for the third consecutive quarter as they look to new Prime Minister Narendra Modi to speed up economic recovery.

Source: Reuters / Dec 17, 2014

➤ **NSDL releases FVU version 4.5 & 2.141 for quarterly e-TDS/TCS statement w.e.f 20.12.2014**

e-TDS/TCS FVU version 4.5 for quarterly e-TDS/TCS statement pertaining to FY 2010-11 onwards and e-TDS/TCS FVU version 2.141 from FY 2007-08 to FY 2009-10 released and made available on NSDL website w.e.f 20.12.2014. Read more at:

http://onlinelawsolutions.com/news_detail.php?news_id=6316#sthash.eLEKxQVs.dpuf

➤ **Maneka Gandhi bats for organic farming**

Emphasising the need for encouraging organic farming, Union Minister Maneka Gandhi today said there was no need to use chemicals or pesticides for crop protection. "We do not need any chemical or pesticides (in farming) and people who know organic farming should be encouraged," the statement quoted Gandhi as saying.

Source: PTI / Dec 20, 2014

➔ **Government proposes separate unit for disposal of transfer pricing case**

India is proposing to set up a dedicated dispute-resolution unit for expeditious disposal of transfer pricing cases that have in the past few years evoked strong reaction from domestic and international investors, with some dubbing this 'tax terrorism'. Through this measure, the new government hopes to send out strong signals of a non-adversarial and investment-friendly tax regime. Read more at:

<http://economictimes.indiatimes.com/news/economy/policy/government-proposes-separate-unit-for-disposal-of-transfer-pricing-case/articleshow/45555971.cms>

Source: Economic Time / 18 Dec, 2014

➔ **Companies Act amendments passed by Lok Sabha**

The Lok Sabha passed the Companies amendment Bill, 2014, which provides for severe punishment for those raising illegal deposits from the public. The Union Cabinet had approved the amendments earlier this month. Under the new norms proposed, the paid-up capital criteria has been scrapped while threshold limits for various transactions for getting shareholders' nod has now been stipulated. Another amendment approves prescribing specific punishment for deposits accepted, a condition that was left out in the act inadvertently, the ministry said. Among the major concerns of stakeholders were protecting confidentiality of board resolutions, as well as the provision of auditors being required to report suspected frauds at the companies audited by them.

Read more at:

http://zeenews.india.com/business/news/companies/lok-sabha-passes-companies-act-amendment-bill_114401.html

➔ **Business clients to continue paying service tax on legal fees, rules Bombay HC**

MUMBAI: The Bombay High Court has upheld the levy of service tax on services provided by lawyers and law firms, to their business clients. Thus, business entities who hire lawyers and law firms will have to continue to pay service tax and also deposit it with the government. Since July 2012, a 'reverse charge mechanism' was introduced. Business entities, with a turnover of Rs. 10 lakhs or more, have to pay service tax and also deposit the same against the legal fees paid to individual lawyers or law firms. Smaller business entities and individuals do not have to pay service tax when they hire lawyers or law firms. The current rate of service tax is 12.36%. The Bombay High Court, set aside the writ petitions filed by The Bombay Bar Association, Advocates Association of Western India and a few lawyers. The main argument of these petitioners was that lawyers are officers of the court who help in the administration of justice. In the absence of any service being provided, no service tax levy can be imposed. The petitioners had held that the introduction of service tax on legal fees was unconstitutional. While dismissing the petition, the court, referred to the changing role of the legal profession and held it is no longer limited to appearing before the court.

Read more at:

<http://timesofindia.indiatimes.com/business/india-business/Business-clients-to-continue->



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HEADQUARTERS

CMA Bhawan

12, Sudder Street, Kolkata 700 016

Tel: +91 33 2252 1031/1034/1035/1492

Fax: +91 33 2252 7993/1026/1723

Email Id: cma.ebulletin@icmai.in

DELHI OFFICE

CMA Bhawan

3, Institutional Area, Lodhi Road, New Delhi – 110 003

Tel: +91-11-24622156/57/58, 24618645

Fax: +91-11-43583642

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