

# SIRC

# Newsletter

PRICE - Rs.5

AUGUST 2011 | Volume 37 ■ Part 02



Southern India Regional Council ▶ THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA ▶ SET UP BY AN ACT OF PARLIAMENT



**Jnana Sangamam**

The Confluence of Wisdom



**DIAMOND JUBILEE YEAR**  
Southern India Regional Council

#### CHIEF GUEST



Hon'ble Dr. M. Veerappa Moily  
Hon'ble Union Minister for  
Corporate Affairs



CA. G. Ramaswamy  
President - ICAI



CA. Jaydeep Narendra Shah  
Vice-President - ICAI



CA. K. Shanmukha Sundaram  
Chairman, SIRC of ICAI



## 43<sup>rd</sup> Regional Conference of *SIRC of ICAI*

*in the Diamond Jubilee Year of SIRC of ICAI*

19<sup>th</sup> - 20<sup>th</sup> August 2011  
Codissia Trade Fair Complex  
Coimbatore



Chief Guest Hon'ble Justice Mr. AR. Lakshmanan, Former Chairman, Law Commission of India & Former Judge, Supreme Court of India and Guest of Honour Hon'ble Justice Ms. Chitra Venkataraman, Judge, Madras High Court lighting the lamp to mark the inauguration of Convocation Function - 2011 on July 30, 2011 at Chennai. (L-R): CA. G. Ramaswamy, President-ICAI, CA. V. Murali, Chairman, Board of Studies, ICAI and CA. K. Shanmukha Sundaram, Chairman-SIRC of ICAI.



CA. G. Ramaswamy, President, ICAI lighting the Kuthuvilaku to mark the Foundation Stone Laying Function of the Alleppey Branch Building on July 21, 2011. (L-R): CA. R. Sreenivasan, Past Member, SIRC, CA. Antony M. Malayil, Chairman, Alleppey Br., CA. K. Shanmukha Sundaram, Chairman, SIRC, CA. V.X. Jose, Member, SIRC, CA. Babu Abraham Kallivayalil, Immediate Past Chairman, SIRC, CA. Rajendra Kumar P. CCM, ICAI with the members of the Managing Committee of Alleppey Br. and other functionaries.



Shri R. Periasami, IRS, Commissioner of Service Tax inaugurating. (L-R): CA. V.P. Manavalan, Resource Person, CA. P.R. Aruloli, Chairman, Taxation Committee, SIRC and CA. K. Shanmukha Sundaram, Chairman, SIRC.

Mock CESTAT by CA. Rajesh Kumar & team, Bengaluru.

**CPE WORKSHOP ON APPEALS TO CESTAT**  
July 8 & 9, 2011 - Chennai

**Resource Persons**



CA. V.P. Manavalan, Chennai



CA. V. Alagappan, Tiruchirappalli



CA. V. Prasanna Krishnan, Chennai



**CPE INTERACTIVE SESSION WITH CPC OFFICIALS**  
July 16, 2011 - Chennai



Mr. R.K. Mishra, Additional Commissioner of Income Tax, Central Processing Centre of the Income Tax Department inaugurating. (L-R): CA. G.V.V. Satyanarayana, Member, SIRC, CA. C.S. Srinivas, Member, SIRC, Mr. P. Ravishankar, Tower Head, Infosys BPO, Bengaluru, CA. P.R. Aruloli, Chairman, Taxation Committee of SIRC and CA. K. Shanmukha Sundaram, Chairman, SIRC.

**Resource Persons**



Mr. R.K. Mishra  
Bengaluru



Mr. P. Ravishankar  
Bengaluru

**CPE WORKSHOP ON SERVICE TAX AUDIT**  
July 23, 2011 - Chennai



CA. K. Shanmukha Sundaram, Chairman, SIRC delivering the inaugural address. (L-R): CA. P.R. Aruloli, Chairman, Taxation Committee of SIRC and CA. P. Sankaran, Resource Person.

**Resource Persons**



CA. P. Sankaran  
Chennai



CA. S. Chandrasekaran  
Tirupur



CA. J. Murali  
Chennai



CA. P.C. Anand  
Chennai



## Chairman Writes...

☞ Sometimes I wonder at so many people going out of their way to make this year a happening year for me, they have done so much and I always wonder how I will repay them ? ☞

### My Dear Colleagues,

Greetings and warm wishes for the "Independence Day" in advance to all of you. August is really a great month for all of us, with the celebrations of Independence and the Regional Conference happening, and all of us gearing up for September deadlines.

I thank all of you for the support in making July such a great month, and look forward to great things happening this month.

Sometimes I wonder at so many people going out of their way to make this year a happening year for me, they have done so much and I always wonder how I will repay them ? Till one of my friends sent me this story, I am sure and cannot vouch for its authenticity, but it surely helped me a lot, and I thought sharing this will surely make many of us understand the nuances of this world.

This is something that happened in 1892 at Stanford University. A young, 18 year old student was struggling to pay his fees. He was an orphan, and not knowing where to turn for money, he came up with a bright idea. A friend and he decided to host a musical concert on campus to raise money for their education. They reached out to the great pianist Ignacy J. Paderewski. His manager demanded a guaranteed fee of \$2,000 for the piano recital. A deal was struck, and the boys began to work to make the concert a success.

The big day arrived: Paderewski performed at Stanford. But unfortunately, they had not managed to sell enough tickets. The total collection was only \$1,600. Disappointed, they went to Paderewski and explained their plight. They gave him the entire \$1,600, plus a cheque for the balance of \$400, they promised to honour the cheque as soon as possible.

"No" said Paderewski. "This is not acceptable" He tore up the cheque, returned the \$1,600 and told the boys "Here's the \$1,600. Please deduct whatever expenses you have incurred. Keep the money you need for your fees, and just give me whatever is left" The boys were surprised, and thanked him profusely.

It was a small act of kindness. But it clearly marked out Paderewski, as a great

human being. Why should he help two people he did not even know? We all come across situations like these in our lives, and most of us only think "If I help them, what would happen to me?"

The truly great people think, "If I don't help them, what will happen to them?" They don't do it expecting something in return. They do it because they feel it's the right thing to do.

Paderewski later went on to become the Prime Minister of Poland. He was a great leader, but unfortunately when the World War began, Poland was ravaged. There were over 1.5 million people starving in his country with no money to feed them. Paderewski did not know where to turn for help. He reached out to the US Food and Relief Administration for help. The head was a man called Herbert Hoover - who later went on to become the US President. Hoover agreed to help and quickly shipped tons of food grains to feed the starving Polish people, a calamity was averted.

Paderewski was relieved, he decided to go across to meet Hoover and personally thank him. When Paderewski began to thank Hoover for his noble gesture, Hoover quickly intervened and said, "You shouldn't be thanking me, Mr. Prime Minister. You may not remember this, but several years ago, you helped two young students go through college in the US, I was one of them."

The world is a wonderful place. What goes around usually comes around.

Well to end it is my privilege to remind you and invite you to the prestigious event of the year...

### All Roads Lead to Jnana Sangamam- 43rd Regional Conference at Coimbatore:

19th and 20th August 2011 are the Red-Letter Days in the annals of the Southern India Regional Council when we all meet together at the CODISSIA Complex for the 43rd Regional Conference. Everyone in the Conference Committee and I are eagerly looking forward to meet you and receive you with warmth and affection.

In the earlier days, dates back to 15th century an occasion is marked in RED to

signify the importance and significance and the term came into wider use in 1549 when the first Book of Common Prayer included a calendar with holy days marked in red ink. For example, Annunciation (Lady Day), 25th March, was designated in the book as a red-letter day. Even now we could see the calendars indicating the important festive and other significant days in RED to denote the priority to be assigned to the event. For us in SIRC, 19th and 20th August 2011 are the Red Letter Days and I am sure you would have marked in RED the dates and would be here at Coimbatore on 19th to join with other members of our fraternity to demonstrate that this conference is "The Confluence of Wisdom" - Jnana Sangamam" as is rightly so coined.

**Hon'ble Shri M. Veerappa Moily**, Union Minister for Corporate Affairs has kindly consented to inaugurate the Conference in the gracious presence of our beloved President **CA. G. Ramaswamy** and Vice-President **CA. Jaydeep N. Shah**. Other stalwarts from the profession would be the Resource Persons in various technical sessions, the details of which are published in this Newsletter. I sincerely appeal to you to register for the Conference, if not already registered and also enlist more registrations for the Conference.

19th and 20th August 2011 are the Days when we all meet together at the CODISSIA Complex for the 43rd Regional Conference. An added attraction to the event is our own member CA. R. Bhardwaj, the famous music director, (the person professionally entertaining masses) has consented to be part of the entertainment planned for the event, so that gives you one more reason to be there in Coimbatore on the 19th and 20th.

There are many other programs planned for the month which have been given in details in the "future events" column.

Everyone in the Conference Committee and I are eagerly looking forward to meet you and receive you with warmth and affection.

Yours affectionately



CA K. SHANMUKHA SUNDARAM

**SIRC CALENDAR****AUGUST & SEPTEMBER 2011**

Contact: Shri T.V. Srinivasan, Senior Assistant Secretary – ICAI - Phone: 044 – 30210320 / 321 – Email: sirc@icai.in

<i>DATE and TIME</i>	<i>PROGRAM DETAILS</i>	<i>RESOURCE PERSON</i>	<i>Fee (₹)</i>	<i>CPE CREDIT</i>
<b>Aug. 3, Wednesday</b>	*CPE Study Circle Meeting on TAX ISSUES IN REAL ESTATE TRANSACTIONS			2 hrs
<b>Aug. 5, Friday</b>	*CPE Study Circle Meeting on SEGMENT REPORTING			2 hrs
<b>Aug. 6 &amp; 7 - Sat &amp; Sunday</b>	REGIONAL RESIDENTIAL CONFERENCE AT HAMPLI			6 hrs
<b>Aug. 10, Wednesday</b> 06.15 p.m. – 08.30 p.m.	*CPE Study Circle Meeting on <b>CHANGES IN SCHEDULE VI OF THE COMPANIES ACT, 1956</b>	<b>CA. Vijaykumar N. Modi</b> Puducherry	150/-	2 hrs
<b>Aug. 12, Friday</b> 06.15 p.m. – 08.30 p.m.	*CPE Study Circle Meeting on <b>"PROVISION CONTIGENT LIABILITIES CONTIGENT ASSETS" &amp; "EARNING PER SHARE"</b>	<b>CA. L. Venkatesan</b> Chennai	150/-	2 hrs
<b>Aug. 15, Monday</b>	<b>**INDEPENDENCE DAY CELEBRATIONS</b>	Details below		-
<b>Aug. 19 &amp; 20</b> <b>Friday &amp; Saturday</b>	<b>@43<sup>RD</sup> REGIONAL CONFERENCE OF SIRC OF ICAI</b>	Details at pages 10 & 11		12 hrs
<b>Aug. 24, Wednesday</b> 06.15 p.m. – 08.30 p.m.	*CPE Study Circle Meeting on <b>RECENT DIRECT TAX DECISIONS</b>	<b>CA. N.V. Balaji</b> Chennai	150/-	2 hrs
<b>Aug. 27, Saturday</b> 10.30 a.m.	<b>REGIONAL LEVEL ELOCUTION CONTEST</b> JOINTLY ORGANISED BY SIRC & SICASA			-
<b>Aug. 28, Sunday</b> 09.30 a.m. – 05.30 p.m.	<b>***CPE SEMINAR ON TAX AUDIT U/S 44AB</b>	Details at page 13		6 hrs
<b>Aug. 28, Sunday</b> 10.30 a.m.	<b>REGIONAL LEVEL QUIZ CONTEST</b> JOINTLY ORGANISED BY SIRC & SICASA			-
<b>Aug. 29, Monday</b> 11.00 a.m. – 01.00 p.m.	<b>**CPE Teleconference on INTERNAL AUDIT</b>	<b>CA. Raj Kumar Adukia,</b> Mumbai, CCM, ICAI & <b>CA. Sanjeev Sood,</b> Delhi	150/-	2 hrs
<b>Aug. 31, Wednesday</b> 06.15 p.m. – 08.30 p.m.	*CPE Study Circle Meeting on <b>WORKING PAPERS FOR TAX AUDIT - PEER REVIEW ANGLE</b>	<b>CA. G. Balasubramaniam</b> Chennai	150/-	2 hrs
<b>Sep. 3 &amp; 4</b> <b>Sat &amp; Sunday</b>	<b>**TWO DAYS TRAINING WORKSHOP ON "REVISED SCHEDULE VI" &amp; "XBRL"</b>	Details at page 13		12 hrs
<b>Sep. 7, Wednesday</b> 06.15 p.m. – 08.30 p.m.	*CPE Study Circle Meeting on <b>INPUT CREDIT UNDER TAMILNADU VAT</b>	<b>CA. P. Paul Thangam</b> Coimbatore	150/-	2 hrs
<b>Sep. 14, Wednesday</b> 06.15 p.m. – 08.30 p.m.	*CPE Study Circle Meeting	Details in Next Issue		2 hrs
<b>Sep. 17, Saturday</b> 09.30 a.m. – 05.30 p.m.	CPE SEMINAR ON <b>INTERNATIONAL TAXATION AT CHENNAI</b>	Details in Next Issue		6 hrs

No CPE Study Circle Meetings on August 17 &amp; 19, 2011 on account of 43rd Regional Conference scheduled on August 19 &amp; 20, 2011 at Coimbatore.

\* Programmes at P. Brahmaya Memorial Hall, ICAI Bhawan, SIRC Premises, Chennai – 600034.

\*\* Programmes at ICAI Bhawan, SIRC Premises, Chennai – 600034.

\*\*\* Programme at Raintree Anna Salai, 636, Anna Salai, Teynampet, Chennai – 600018.

☞ Programme at CODISSIA Complex, Coimbatore.

No Delegate Fee for ARS Members for CPE Study Circle Meetings on Wednesdays and Fridays.

**INDEPENDENCE DAY CELEBRATIONS**Friday, the 15<sup>th</sup> August 2011**ALL ARE WELCOME****National Flag Hoisting (8.15 a.m.)**at the Lawns of the Institute's Premises  
(ICAI Bhawan, Chennai)

By

**CA. K. Shanmukha Sundaram**, Chairman, SIRC of ICAI**CA. S. Murali**, Secretary, SIRC (098947 28200)**Special Address for**  
**CPT, PCC and Final Students (7.15 a.m.)**

By

**CA. R. Ranga Rao**, Chennai

at P. Brahmaya Memorial Hall, ICAI Bhawan, Chennai

**CA. K. Shanmukha Sundaram**, Chairman, SIRC (094433 49727)

"If the mind is intensely eager, everything can be accomplished—mountains can be crumbled into atoms."





**CA Preethi Kandasami**  
Chennai  
mksami.india@gmail.com

With inputs from CA M.Kandasami, Chennai

# Foreign Contribution (Regulation) Act, 2010 and Rules, 2011 - Major Implications and Ways Forward

## Introduction

The Government continues to enact new laws and strengthen existing ones, in order to regulate non profit organizations. Several commendable programs are being carried out by the Non profit sector with contributions from foreign sources. In this context, the original law to regulate foreign contribution receipts was enacted in the year 1976 and some major amendments were made in the year 1985. After deliberations in Government and civil society circles, for nearly five years, the old law has been replaced by a new law with effect from 1<sup>st</sup> May 2011.

## Analysis of Implications

### 1. Scope of Coverage Expanded

The term 'Person' has now been defined to include individuals, HUFs, associations and Section 25 companies. Important provisions of the FCRA which were earlier applicable to 'associations' are now made applicable to 'persons' and consequently to individuals and HUFs.

### 2. Registration – Conditions and Time Limit

A new set of conditions have to be satisfied by persons applying for registration or prior permission. Person applying for registration should have carried out reasonable activity in the chosen field for the benefit of society. Similarly, the prior permission applicant should have a reasonable project for the benefit of society. Further, eligibility is narrowed down to persons who have not been prosecuted for conversion or creating communal tension, persons not likely to engage in sedition or misuse funds etc.

The use of the term 'prosecution' implies that mere institution of proceedings even without conviction, will lead to disqualification. Since no relaxation has been specified with respect to the time elapsed since prosecution, it also implies that a person once prosecuted, loses eligibility forever.

**"After deliberations in Government and civil society circles, for nearly five years, the old law has been replaced by a new law with effect from 1st May 2011."**



The new act favourably provides that the application for registration or prior permission will be processed within 90 days, failing which the government will communicate the reasons to the applicant. Reasons will also be furnished when registration or prior permission is refused by the government, except in those cases where the Right to Information Act, 2005 does not impose any obligation for disclosure.

### 3. Renewal of Registration

Registration is henceforth valid only for 5 years. Registered organisations are required to apply for renewal six months prior to expiry. In case of organisations implementing multi-year projects, renewal is due twelve months before expiry. A delay of up to four months after expiry may be condoned if the person provides sufficient explanation in writing. Organisations registered as on 1<sup>st</sup> May, 2011, i.e. the date of enforcement of FCRA, 2010, have been permitted to continue with their current registration for five more years. Their first renewal application will therefore be due by 30<sup>th</sup> November, 2015 or 30<sup>th</sup> April, 2016 as explained above.

### 4. Suspension, Cancellation, Management of FC, Disposal of Assets

Going forward, noncompliance and loss of registration can have serious consequences for NPO's. The new act has introduced four new serious provisions dealing with such situations.

#### a. Suspension of Certificate

Pending the consideration of cancellation of the FC certificate, an organization's certificate of registration may be suspended even without granting them an opportunity of being heard. The period of suspension may exceed to 180 days, during which, only 25% of the foreign contribution received can be spent, that too, with the prior approval of the government.

#### b. Cancellation of the Certificate and Management of Foreign Contribution

Once the certificate of registration is cancelled, registration can be obtained only after 3 years. Further, the foreign contribution and assets created out of it vests with the banking authority, designated by the government. This authority is empowered to manage the activities of the organization, utilize the funds and even dispose of the FC assets if necessary. They will be returned only after the organization gets registered, i.e. after a minimum of three years.

The grounds on which the government may cancel an organisation's FC certificate are as follows:

- i. False statement in application for registration or renewal
- ii. Violation of the terms of registration or of the provisions of the FCR Act and Rules
- iii. Public interest
- iv. Failure to carry on reasonable activity for two consecutive years or organization becomes defunct

The condition stated in (iv) above is vague. The law does not explain the implication of the terms 'reasonable activity' or 'defunct'. They are open

to interpretation by the department, which could prove disadvantageous for the organization. Also, it is not clear whether activity using local funds will be considered or lack of activity in FC account is sufficient for cancellation.

### c. Disposal of Assets:

An additional consequence, when an organization becomes defunct is the disposal of its assets by the government. In case of organisations which are governed by an incorporation law, all assets are to be disposed according to such law. In case of other organisations, the government is empowered to prescribe the manner in which FC assets are to be disposed. The first question in this case is the law under which the organization will be declared defunct, since there is no definition of 'defunct' in the FC Act. Second, the law mentions 'all' assets, instead of FC assets. Further, the reference to the incorporation law appears redundant, since the assets are required to be disposed in any case, under that law.

### 5. Accounting and Reporting

The new provisions relating to accounting and reporting are as follows:

- Organisations are required to maintain a register of investments.
- The period for which accounts are required to be preserved is provided as 6 years.
- Form No. FC-3 (for annual reporting of transactions) has been replaced by Form FC 6.
- The new Form (FC 6) requires the addresses of specific activities carried out using foreign contribution
- Along with Receipts and Payments account and Balance sheet, now the Income and Expenditure Account and bank account statement certified by the bank officer have to be annexed to the annual return and filed on or before 31<sup>st</sup> December.
- A NIL return is required to be filed even when there are no receipts or FC activities
- A return of FC received in kind should be submitted in Form FC 7
- Organisations receiving FC in excess of 1 crore, in a financial year should place the summary details of receipt and utilisation in

the 'public domain', for one year thereafter. Public domain generally implies 'publicly available', for example, through a website. However, the Act does not specify any method of placing it on a public domain.

## Regulation of Foreign Contribution

### 6. New Prohibitions

#### a. Prohibition of organizations of Political nature

Organizations of political nature which were allowed to receive foreign contribution with prior permission, are now prohibited from doing so. Government has prescribed certain guidelines for declaration of organization as an organization of political nature. These guidelines have a wide and rather controversial scope. They even cover organisations of farmers, workers, youth and others, if the government gathers material evidence that their activities involve advancement of political interests. Organizations, especially those involved in human rights, advocacy, youth forums etc. should take utmost care to avoid classification under this category.

#### b. Member of Panchayat

As a consequence of Panchayat being defined as legislature, a member of panchayat is prohibited to receive foreign contribution under the Act. Organisations cannot transfer foreign contribution to such persons.

c. The third new prohibition is in respect of associations or companies broadcasting electronic news and correspondents, columnists etc of such concerns. This provision is similar to the earlier prohibition on registered newspapers and the addition is necessitated by the advancement in technology.

#### 7. Transfer of funds to other registered or unregistered bodies

Transfer of foreign funds from one organization to another is a routine transaction in several networks and nodal organizations. Now, while transfers to registered organizations are permitted automatically, transfers to unregistered organisations are limited to 10% of the total FC received by the organization and can be made only with the prior approval of the

Central Government. The transferor has to make an application in Form FC-10 for permission from the Central Government. Alternatively, the option to apply for prior permission is still open to the recipient. Whether the recipient is registered or not, a new condition has been imposed where transfers are permitted only if the recipient organization has not been proceeded against under FCRA.

### 8. Restriction in Administrative expenses

This provision introduces a new concept in FC law. Prior approval of the Central Government is necessary for administrative expenditure exceeding 50% of the foreign contribution received.

Administrative expenses are defined as salaries, travel of Executive Committee or Governing council, electricity, stationery, telephone charges, repairs, rent, professional charges relating to legal, audit services. Salaries of research and training staff, doctors, teachers are rightly excluded. However, by implication, salaries to program staff, program related reporting, rent for field office etc. are classified as administrative expenses.

### 9. Speculative activities

Foreign contribution or income thereon, cannot be used for speculative business. Investment in mutual funds is prohibited u/s 4(1) (a) of the Rules, even though it is permissible under the Indian Income Tax Act 1961. Even acquisition of land out of foreign contribution is prohibited, unless it is for the aims and objectives of the organization. Investment of idle corpus in land may not be possible any longer.

### 10. Remittance from relatives

This is again a new concept introduced in the current law. Although, FC from relatives is in the exempt category, any foreign contribution received from them in excess of Rs 1 lakh has to be reported to MHA within thirty days of receipt, in Form No. FC1. The new law however, exempts Scholarship funds from such reporting.

## Some Welcome Provisions

### 11. Multiple Bank Accounts Permitted

This is a long awaited change welcomed by all in the sector. The old law permitted an organization to operate only one bank account (*designated bank account*), both for receipt and utilization of foreign contribution. This was highly inconvenient, especially to organizations with units and branches far away from their head office.

## OBITUARY

Mem. No.	Name	Status	Place	Date of Death
000868	MR. MUTHUSWAMY N	FCA	CHENNAI	21/05/2011
018052	MR. VEERA RAGHAVAN V	FCA	TIRUPATI	09/06/2011
024057	MR. SRIRAMACHANDRAMURTY S	FCA	VISAKHAPATNAM	30/05/2011
025835	MR. NAGARJUNA RAO C	FCA	HYDERABAD	02/02/2011

*May the Almighty Architect of the Universe rest their souls in peace.*

The new law allows opening and operating additional bank account(s) to which FC can be transferred. The receipt of FC itself has to be through the designated account, after which it can be transferred to the additional account(s). No funds other than foreign contribution funds can be deposited in the additional bank accounts. The organization is required to intimate the Ministry of Home Affairs (MHA) within 15 days of opening of the bank account.

## 12. Commercial Receipts of an NPO

Payments received from a foreign source towards cost of goods sold or services rendered is not foreign contribution, eg: fees received from a foreign student by an educational institution. Hence, consultancy income, sale proceeds of articles sold to foreigners and other such commercial receipts of an NPO are exempted. However, commercial receipts of the NPO may be liable to tax under the Income Tax Act, subject to fulfilment of certain conditions.

Bank interest and other income on foreign contribution have been classified as foreign contribution. This settles a long debate on the issue.

## 13. Residual Matters

### Reporting by Banks – Rule 16

Every bank is now required to send a report to the Central Government within thirty days of any receipt of foreign contribution by an unregistered organization and also in cases where foreign contribution exceeding one crore rupees is received within a span of thirty days, by any person.

### Compounding of Offences – Sec 41

A provision has been introduced allowing compounding of offences where the offences are punishable with fine or imprisonment or only fine, but not both. Similar offences cannot be compounded within a span of three years.

### Revision of Orders – Sec 32

The Government can revise its order passed as a consequence of any proceeding under the act. Revision can be suo moto or on application by a person. Time limit is one year from the date of the order.

## Conclusion

The above scenario requires charitable and religious bodies to develop a clear understanding of the new law and rules and exercise greater care in legal compliance. Apart from promoting good governance, this will facilitate achievement of the organizations' objectives of service to the target communities and general public.

## Frequently Asked Questions (FAQ's)

### Transfer

1. **While transferring FC funds to another organisation, how can the transferor ensure that the transferee has not been proceeded against under FCRA?**

It is not always easy to ensure this. However, the transferor can take the following steps:

- a. Obtain an affidavit from the transferee organisation to that effect
- b. Verify from the MHA's website that the organisation is not in the list of prohibited recipients
- c. Obtain a confirmation before each instalment is transferred that the organisation has not been proceeded against

### Multiple Bank Accounts

2. **The new law allows multiple bank accounts for utilisation. Some organisations were already operating such accounts. Can these accounts be continued or should they be closed and new accounts opened?**

The earlier accounts operated were in contravention of the old law. Hence, it is not advisable to continue those accounts. When the organisation opens new accounts it has to submit intimation to the government within 15 days of opening such account.

3. **Should additional accounts be opened necessarily in the same bank?**

It is not at all necessary that such accounts be in the same bank.

4. **Can the donor (funding agency etc.) transfer money directly into the additional bank accounts?**

No. Foreign Contributions should be credited at the first instance in the designated bank account. Thereafter, it can be transferred to the additional bank account(s).

### Accounts and Reporting

5. **Which form should be used to file the annual return for the year ended 31<sup>st</sup> March, 2011 – FC 3 or FC 6?**

There has been no clarification from the MHA on this matter. However, in the light of the following, our view is that FC-3 should be used:

- a. FCRA, 2010 and Rules, 2011 were notified with effect from 1<sup>st</sup> May, 2011. Since the financial year 2010-11 ended on 31<sup>st</sup> March, 2011, FC 6 cannot be applied retrospectively
- b. The return is filed online and as of June 4<sup>th</sup>, 2011, the form available

on the site for e-filing is FC 3

Since returns for 2010-11 filed before the above dates would be in FC 3, it is unlikely that the remaining returns will have to be filed in FC 6.

### Cancellation

6. **When an organisation's FC registration is cancelled, will funds be returned in full after a period of three years?**

Once the registration is cancelled, the government is empowered u/s 15 of the Act, to manage the activities by utilising the foreign contribution or disposing the assets in case funds are insufficient. The amounts will be returned only when the person gets registered under the Act, which is possible after a minimum of three years, by virtue of section 14(3). When the organisation is re-registered, the amount that will be returned is the balance available as on that date and not the original amount that was taken over. This is because the Govt. is empowered to carry on the activities and even sell the assets in order to carry on the activities.

7. **Under section 15, the government has the power to manage the assets of the organisation whose registration has been cancelled and also to dispose the assets of an organisation which has become defunct. Can they manage and dispose of all assets or only FC assets?**

In cases where certificate is cancelled and funds are managed by the banking authority designated by the government, the law clearly covers only foreign funds and assets created out of foreign funds.

However, in section 22, which deals with disposal of assets of an organisation which has become defunct, a reference is made to disposal of ALL assets. It is unclear whether the intention is to provide for disposal of all assets or only foreign contribution assets.

8. **Is the transferee organisation liable when another organisation transfers funds to it, in contravention of the rules for transfer?**

No. The FCRA, 2010 and Rules, 2011, cast the responsibility of complying with transfer provisions on the transferor. However, where an unregistered association receives foreign funds, without prior permission, being aware that the funds are foreign contribution, then it contravenes section 11 and is liable for penalty under the act.

### General

9. **The FCRA 2010 includes individuals in the definition of person. Will this impact ordinary payments made by an NPO, for example, honorarium**



paid to resource persons, salary to staff, advance for expenses?

No. If the payment is in the course of receiving and rendering service such as salary, consultancy, fees etc, then it will not affect the individual. However, if the payment is made as a contribution or donation for a programme in the nature mentioned in section 11 of the Act, then the individual is liable under the new FCRA Act 2010.

**10. Are there any donors or countries which are currently prohibited from transferring foreign contribution to Indian Organisations?**

Currently, there are no such donors, but section 11(3)(iv) of the FCRA, 2010 empowers the government to specify sources from whom organisations cannot accept foreign contribution without prior permission.

**11. Can separate bank accounts be operated for program expenses and administrative expenses?**

Yes, it is certainly possible.

**12. Is it possible to withdraw amounts as advance from FC bank accounts and later deposit the balance back into the account?**

Yes, this is possible as the funds re-deposited are nothing but foreign funds.

**13. Should prior permission be received for each instalment or for the project in total?**

Prior permission has to be received for the project and not for each instalment.

**14. Will non resident Indians be considered a foreign source under FCRA?**

For tax and other official purpose the government of India considers any Indian national away from India for more than 183 days in a year an NRI. In common usage, this often includes Indian born individuals (and also people of other nations of Indian origin) who have taken the citizenship of other countries.

Under the definition of foreign source under section 2(1)(j), an Indian is not covered. If the NRI holds an Indian passport, then he is not considered as foreign source.

## SIRC OF ICAI CONGRATULATES

**CA. UTTAM PRAKASH AGARWAL**, FCA, Mumbai, Past President of ICAI for having been honoured "UDAN 2011" Award by Times of India and presented by Shri Uddav Thakre, President of Shiv Sena for being one of the youngest President of ICAI who has taken Chartered Accountancy as a profession world wide and contribution towards infrastructure development.

### THREE DAYS RESIDENTIAL SEMINAR ON SERVICE TAX

Organized by: CPE Committee of ICAI  
Hosted by: Trivandrum Branch of SIRC of ICAI  
**August 12, 13 and 14, 2011**

**Uday Samudra Leisure Beach Hotel & Spa**  
Thiruvananthapuram

Limited Seats, Registration on  
First Come First Serve Basis.

CPE Credit  
**12**  
HOURS

*For details please refer page 5 of June 2011 SIRC News letter. For registration & further details contact Trivandrum Branch of SIRC of ICAI.*

## WORKSHOP ON SERVICE TAX

Organised by Committee for Capacity Building of CA Firms & Small and Medium Practitioners and Hosted by SIRC of ICAI

**October 1, 8, 16 & 30 & November 5, 2011**  
**04.00 p.m. to 07.30 p.m.**

(Weekly Evening programme)

Registration: October 1, 2011 – 03.30 p.m. to 04.00 p.m.

**ICAI BHAWAN**

No.122, Mahatma Gandhi Road  
Nungambakkam, Chennai – 600034.

CPE Credit  
**15**  
HOURS

**Theme:** With advent of globalization and challenges posed by the liberalization process taking place worldwide, a need is felt for strengthening competencies of CA firms and small practitioners. ICAI's initiative is to enlarge visibility of CA profession and to rejuvenate practice portfolio of Small and Medium Practitioners. ICAI has formed CCBCAF&SMP Committee for popularizing effective union of CA firms by facilitating consolidation through Networking, Mergers and setting up Management Consultancy Services etc. Committee's focus is on enriching SMPs through Capacity Building measures for bringing up world class competency and brand image. This Workshop will concentrate on issues related to Service Tax for enrichment of the Member's Knowledge Base.

### Day-1 - Saturday – October 1, 2011

Registration - 03.30 p.m. to 04.00 p.m.

**Inaugural Session - 04.00 p.m. to 04.30 p.m.**

**Technical Session – 04.30 p.m. to 07.30 p.m.**

Point of Taxation Rules – An Analysis

**CA. Rajendra Kumar P**, Chennai

### Day-2 - Saturday – October 8, 2011

Registration - 04.00 p.m. to 04.30 p.m.

**Technical Session – 04.30 p.m. to 07.30 p.m.**

Service Tax and CENVAT Credit Rules – A Study

**CA. Ashok Batra**, New Delhi

### Day-3 – Sunday – October 16, 2011

Registration - 04.00 p.m. to 04.30 p.m.

**Technical Session – 04.30 p.m. to 07.30 p.m.**

Reading, Drafting of Reply and Adjudication of Show Cause Notice

**CA. Naveen Raj Purohit**, Bengaluru

### Day-4 – Sunday – October 30, 2011

Registration - 04.00 p.m. to 04.30 p.m.

**Technical Session – 04.30 p.m. to 07.30 p.m.**

A detailed Study of Service Tax Rules, 1994, Valuation Rules and Rules relating to Works Contract

**CA. PL. Subramanian**, Chennai

### Day-5 – Saturday – November 5, 2011

Registration - 04.00 p.m. to 04.30 p.m.

**Technical Session – 04.30 p.m. to 07.30 p.m.**

Drafting, Preparation and Filing of Appeals before Commissioner Appeals and CESTAT

**Dr. Sanjiv Agarwal**, Jaipur

DELEGATE FEE	For Entire Course	For Day-wise Regn.
Members	Rs.1500/-	Rs.350/-
ARS Members	Rs.750/-	Rs.150/-
Non Members	Rs.1800/-	Rs.400/-

Delegate fee by way of Cash / Cheque / DD drawn in favour of 'SIRC of ICAI' payable at Chennai shall be sent to SIRC of ICAI, ICAI Bhawan, No.122, Mahatma Gandhi Road, Nungambakkam, Chennai – 600034.

Limited Seats, Registration on First Come First Serve Basis. Advance confirmation of registration is required.

**For further details please contact:**

SIRC of ICAI - Phone: 044-30210320; Email: sirc@icai.in

Secretary, CCBCAF & SMP, ICAI, New Delhi - Phone: 011-30110561, Email: ccbcf@icai.org

Programme Director	Programme Co-ordinators	
<b>CA. Vijay K. Garg</b> , Chairman Committee for Capacity Building of CA Firms & SMPs, ICAI 094140 41872	<b>CA. Rajendra Kumar P</b> , Central Council Member, ICAI 094440 17087	<b>CA. K. Shanmukha Sundaram</b> , Chairman SIRC of ICAI, 094433 49727

**CHARTERED ACCOUNTANTS DAY CELEBRATIONS - July 1, 2011 – Chennai**



CA. K. Shanmukha Sundaram, Chairman, SIRC hoisting the Institute Flag with members, students and staff of ICAI participating.



CA. K. Shanmukha Sundaram, Chairman, SIRC, Regional Council Members, other Members of ICAI and staff of ICAI at the Walkathon at Marina Beach, Chennai.



Blood Donation Camp organized by SIRC on July 1 & 2, 2011 in association with the Hemophilia Society-Madras Chapter, Lions Club of Anna Nagar II Avenue, Lions Club of Madras Metro West and Rotary Central TTK VHS Blood Bank, Chennai.



CA. K. Shanmukha Sundaram, Chairman, SIRC presenting the Rolling Shield to the Captain of Income-tax Team at the Cricket Match organized by SIRC between Chartered Accountants and Officials of IT Department.



Lunch hosted for inmates of Mohandevi Hirachand Nahar Rajasthani Dharmasala. CA. E. Phalguna Kumar, Treasurer, SIRC and CA. P.R. Aruloli, Member, SIRC are seen in the picture.



CA. T.N. Manoharan, Past President, ICAI and Chief Guest lighting the Kuthuvilaku. (L-R): CA. Gopal Krishna Raju, CA. P.R. Aruloli, Members, SIRC, CA. E. Phalguna Kumar, Treasurer, SIRC, CA. S. Murali, Secretary, SIRC, CA. P.B. Sampath, CA. K. Ananthachari, Past Chairman, SIRC, Guests of Honour, CA. K. Shanmukha Sundaram, Chairman, SIRC and CA. K. Viswanath, Vice-Chairman, SIRC.



Presentation of Plant saplings to all the participants of the Chartered Accountants Day Celebrations.

**CPE STUDY CIRCLE MEETINGS**  
July 2011  
at SIRC, CHENNAI

JULY 6, 2011



CA. N. Sundar  
Chennai

JULY 13, 2011



CA. S. Kannan  
Chennai

JULY 15 & 29, 2011



CA. L. Venkatesan  
Chennai

JULY 20, 2011



Adv. A.A. Mohan  
Chennai

JULY 22, 2011



CA. Chinnsamy Ganesan  
Chennai

JULY 27, 2011



CA. A.P. Vijayendran  
Chennai



**DAY-1 FRIDAY - AUGUST 19, 2011**

*Programme Schedule*

**CPE Credit  
12 Hours**

TOPIC	SPEAKER
<b>INAUGURAL SESSION - 09:30 a.m.</b>	
Chief Guest – Inaugural Address	Hon'ble Dr. M. Veerappa Moily Hon'ble Union Minister for Corporate Affairs
Presidential Address	<b>CA. G. Ramaswamy</b> President – ICAI
Special Address	CA. Jaydeep Narendra Shah Vice President – ICAI
<b>TECHNICAL SESSION – I</b>	
Indian Experience in Economic Reforms	<b>CA. S. Gurumurthy</b> Chennai
Initiatives of ICAI	<b>CA. G. Ramaswamy</b> President – ICAI
<b>TECHNICAL SESSION – II</b>	
Global Accounting Standard - Indian Flavour - IND AS - Concepts and Changes	<b>CA. Amarjit Chopra</b> , New Delhi Past President – ICAI
<b>LUNCH BREAK – 01.15 p.m. to 02.15 p.m.</b>	
<b>TECHNICAL SESSION – III</b>	
Challenges and Opportunities in New Legislations DTC GST	<b>CA. R. Bupathy</b> , Chennai, Past President - ICAI <b>CA. V. Raghuraman</b> , Bangalore
<b>TECHNICAL SESSION – IV</b>	
Recent Landmark Case Laws on Income-Tax	<b>PADMA SHRI CA. T.N. Manoharan</b> , Chennai Past President – ICAI
<b>TECHNICAL SESSION – V</b>	
Forensic Audit - Case Studies	<b>CA. Chetan Dalal</b> Mumbai
<b>CONCURRENT SESSION – (02.00 p.m. to 05.00 p.m.)</b>	
<b>Business Re-organisation - Mergers, Demergers, etc.,</b> Implications on Income Tax Company Law formalities, Stamp Duty, Drafting	<b>CA. K. Raghu</b> , Coimbatore <b>CS. M.R. Thiagarajan</b> , Coimbatore
<b>Brain Trust</b> On Company Law, Service Tax, Income-Tax, FCRA and Code of Conduct	<b>Panel of experts will handle the queries</b>
<b>GRAND GALA ENTERTAINMENT PROGRAMME - 06:00 p.m.</b>	
Cine Fame <b>MUSIC DIRECTOR CA. R. BHARADWAJ</b> and his orchestra Journey of film music and dance “Yesteryears to Today”	
<b>DINNER – 08:30 p.m.</b>	





DAY-2 **SATURDAY - AUGUST 20, 2011**

Programme Schedule

TOPIC	SPEAKER
<b>BREAKFAST 07.15 a.m. ONWARDS</b>	
<b>SPIRITUAL SESSION – 08.15 a.m. to 09.15 a.m.</b>	
<b>TECHNICAL SESSION – VI</b>	
10 Techniques for Effective Audit	CA. Narendra Kumar Aneja Mumbai
<b>TECHNICAL SESSION – VII</b>	
Recent Issues in Direct Taxes (Covering 14A & 40A etc.)	CA. Ved Jain, New Delhi Past President – ICAI
<b>TECHNICAL SESSION – VIII</b>	
International Taxation Emerging Regime of Tax Practice	CA. T.P. Ostwal Mumbai
<b>LUNCH BREAK – 01.00 p.m. to 2.00 p.m.</b>	
<b>TECHNICAL SESSION – IX</b>	
Anti-Money Laundering Law in the present economic scenario	Adv. K. S. Ravishankar Bangalore
<b>TECHNICAL SESSION – X</b>	
Issues on TDS payments with respect to Residents	CA. H. Padamchand Khincha Bangalore
<b>CONCURRENT SESSION – (10.00 a.m. to 01.00 p.m.)</b>	
<b>Financial Reporting to Business Reporting</b>	
Reporting under Global Environment – IFRS Tax issues and Challenges	CA. P.R. Ramesh, Hyderabad
Corporate Sustainability Reporting	CA. S. Santhanakrishnan, Chennai
Reporting as per Revised Schedule VI	CA. Himanshu Krishnanduwala, Mumbai
<b>VALEDICTORY SESSION - 04:30 p.m.</b>	
Presidential Address	CA. G. Ramaswamy President – ICAI
Address by Guest of Honour	CA. Jaydeep Narendra Shah Vice President - ICAI

**REGISTRATION FEE: Rs. 2500/-**

CPE Credit  
12 Hours

Registration Fee should be paid by local /at par cheque / Demand Draft only, favouring

1. "43rd Regional Conference of SIRC of ICAI" Payable at Coimbatore and sent to Coimbatore Branch address to the Chairman, Coimbatore Branch of SIRC of ICAI, MSS Memorial Building, No. 8, D.B. Road, R.S. Puram, Coimbatore - 641 002  
Phone: 0422 2552872, 2547764; Email - coimbatore@icai.org; Website: www.coimbatoreicai.org  
or
2. "SIRC of ICAI" Payable at Chennai may be sent to The Chairman, SIRC of ICAI, ICAI Bhawan, No. 122, Mahatma Gandhi Road, Nungambakkam, Chennai - 600034.

For Further Details contact SIRC office. Phone: 044-30210320 / 321 / 323;  
Email - sirc@icai.in / jnanasangamam@gmail.com; Website: www.sircoficai.org



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**Hyderabad :** Mr. ARUN JALABATHI 09500035548 **Bangalore:** Mrs. ARUNA 09886378871

# Legal Decision Update – Direct Taxes

CA. K.S. Satish, Mysore  
ks.satish.55@gmail.com

## Charitable Institution

The Commissioner could not under section 12AA(3) cancel registration of the assessee-institution running schools on the grounds that the activities of the assessee were not being carried out in accordance with its objects and the assessee was engaged in profit making merely because it was generating surplus income year after year in educational activity. opined the Chandigarh 'A' Bench in **Baba Gandha Singh Educational Trust v. CIT (2011) 138 TTJ (Chd) (UO) 1.**

## Section 14A

The Delhi 'B' Bench in **DCIT v. Maharashtra Seamless Ltd. (2011) 138 TTJ (Del) 244** where the facts were that the assessee-company had own funds of Rs. 203.17 crores, borrowings of Rs. 57.2 crores on which it paid interest of Rs. 1.36 crores, invested Rs. 17 crores in tax-free bonds from which it earned income of Rs. 58 lakhs, funds were mixed, it was not possible to ascertain as to whether the investment in the tax-free bonds was made out of own funds of the assessee and the Assessing Officer did not establish any nexus between the borrowed funds and the investment in tax-free bonds, held that the Assessing Officer was not justified in disallowing interest on a pro rata basis under section 14A as he had not brought anything on record to rebut the stand of the assessee that the investment in the tax-free bonds was made out of its own funds.

## Income from House Property

In **ACIT v. Kanwaljeet Singh (HUF) (2011) 130 ITD 1 (Del)** where the assessee took a property on lease from a sister concern initially for eleven months which was extended up to twenty years, developed the property at its own cost and let out the same, the Delhi 'D' Bench expressed the view that the assessee became owner of the property as per section 27(iii)b read with section 269UA(f)(i) and that the rent received

by the assessee as owner of the property was assessable under the head 'Income from house property'.

## Accrual

Where the assessee was allotted 250 acres of land by the Government of Andhra Pradesh for the purpose of developing an integrated biotech park with all the necessary infrastructure for the use of biotech industry under a Memorandum of Understanding in terms of which it was obliged to carry out various developmental works not only within the sold plots but also to provide for the common facilities for the entire park and then only deliver possession of the plots sold to the parties and the assessee sold two plots during the relevant previous year for Rs. 3.06 crores, the assessee was justified in postponing the recognition of the income from the sale of plots till the delivery of the plots takes place after completion of the development works and the sale deeds executed by the assessee would not give rise to any income liable to tax during the relevant assessment year as such income was charged with several obligations which the assessee had to discharge before delivery of the plots to the buyers in terms of the sale deed itself held the Hyderabad 'A' Bench in **DCIT v. Shapoorji Pallonji Biotech Park (P) Ltd. (2011) 138 TTJ (Hyd) (UO) 62.**

## Revenue Receipt

In **DCIT v. A.P. State Electricity Board (2011) 130 ITD 1 (Hyd) (TM)** where the assessee received subsidy of Rs. 8.50 crores from the Government of Andhra Pradesh to meet part of the expenditure to be incurred for rectification and improvement of power lines damaged due to cyclone and the assessee spent Rs. 7.83 crores out of such subsidy for the said purpose, the Hyderabad 'B' Bench (Third Member Bench) observed that if subsidy is given to the assessee to assist in carrying out business operations, it would be

revenue in nature and held that the grant of subsidy to the assessee had a direct nexus with its business and with the revenue expenditure incurred by it and that the subsidy received by the assessee constituted a revenue receipt.

## Section 50C

Section 50C does not make a distinction between a depreciable asset and a non-depreciable asset and is, therefore, applicable to transfer of depreciable assets covered by section 50 ruled the Mumbai 'F' Bench (Special Bench) in **ITO v. United Marine Academy (2011) 138 TTJ (Mum) (SB) 129.**

## Capital Gains

The Cochin Bench has in **Prasad Mathew v. DCIT (2011) 130 ITD 11 (Coch)** taken the view that while sale proceeds of rubber and coconut trees standing on the land realised by the assessee was liable to tax under the head 'Capital gains', the assessee would be entitled to a reduction towards the decline in the value of the land due to removal of such trees in the computation of capital gains.

## Income from Other Sources

In **Tushar Pravinchandra Shah & Ors. v. DCIT (2011) 138 TTJ (Ahd) 340**, the Ahmedabad 'A' Bench has opined that rental income derived by the assessee from subletting of property is assessable under the head 'Income from other sources'.

## Deemed Dividend

The Mumbai 'A-1' Bench has in **Anil Kumar Agrawal v. ITO (2011) 138 TTJ (Mum) 175** where the facts were that the assessee holding more than 10% equity shares in Star Synthetics (P) Ltd. had subscribed to non-convertible unsecured debentures of the company of Rs. 50,00,000, he had received unsecured loans of Rs. 23,65,000 from the company and the Assessing Officer finding that the company had reserves of Rs. 64,28,793 which included share premium of Rs. 40,00,000 treated the sum of Rs. 23,65,000 as deemed dividend in the hands of the assessee under section 2(22)(e), held that debenture is a loan account, that if all the accounts are taken together, the assessee at no point of time owed any money to the company, that the assessee cannot be considered to have taken any loan or advance from the company, that there was no question of deemed dividend arising in his hands, that share premium account could not be taken as part of accumulated profits for the purpose of applying section 2(22)(e) and that addition could not be made under section 2(22)(e) in the hands of the assessee. ■

## THE MONTH THAT WAS (JULY 2011)

1 <sup>st</sup>	Chartered Accountants Day Celebrations – Walkathon, Institute's Flag Hoisting, Cricket Match, Sports & Games for children and spouse of Members
1 <sup>st</sup> & 2 <sup>nd</sup>	Blood Donation Camp
2 <sup>nd</sup>	Branch level Elocution & Quiz Contest
7 <sup>th</sup>	Diabetics and Blood Pressure Awareness and Detection Camp for Staff of ICAI
8 <sup>th</sup> & 9 <sup>th</sup>	CPE Workshop on Appeals to CESTAT
16 <sup>th</sup>	CPE Interactive Session with CPC Officials
23 <sup>rd</sup>	One Day CPE Workshop on Service Tax Audit
6 <sup>th</sup> , 13 <sup>th</sup> , 15 <sup>th</sup> , 20 <sup>th</sup> , 22 <sup>nd</sup> , 27 <sup>th</sup> , 29 <sup>th</sup>	CPE Study Circle Meetings & Teleconferences
SIRC acknowledges the contribution and support extended by Resource Persons, Co-ordinators and the delegates/participants for making all the programmes a resounding success.	

"Where can we go to find God if we cannot see Him in our own hearts and in every living being."

**Announcements of Committee for Capacity Building of CA Firms and Small & Medium Practitioners (CCBCAF&SMP), ICAI**

**ICAI Committee on CBCAF & SMP Exclusive website www.icai.org.in**

The Committee for Capacity Building of CA Firms and Small & Medium Practitioners exclusive Website www.icai.org.in was launched by Hon'ble Shri R. P.N. Singh, Minister of State, Ministry of Corporate Affairs on the occasion of CA Day celebration on 1st July, 2011. The Website will enable the Practitioners and firms to create their websites and upload the details of their firms as per the norms laid down by the Council of the Institute of Chartered Accountants of India. The website provides a platform for the CA Firms to upload their firms' details and gives them an opportunity to reach out to the members and CA firms practicing worldwide.

**ICAI- Tax Suite: Tax Compliance Software**

The Committee for Capacity Building of CA Firms and Small & Medium Practitioners, has launched The ICAI- Tax Suite on 1st July, 2011 by Hon'ble CA. K. Rahman Khan, Deputy Chairman of Rajya Sabha, Parliament of India. ICAI- Tax Suite contains the Income Tax, TDS, Audit Reports, Project Report/ CMA, Form Manager, AIR (Annual Information Return), Service Tax and Document Management and will help the Practitioners & CA Firms. 'ICAI-Tax Suite' software has been uploaded in the Committee website www.icai.org.in, so that members can easily download, free of cost. The CD containing ICAI- Tax Suite software shall be sent in a Brochure free of cost to all the members in practice and CA Firms. The details of use and benefits are given on committee's website on www.icai.org.in. Members may avail the benefits of this arrangement. Note: Members may also contact the Committee for details of ICAI-Tax Suite by email on softwares.taxsuite@icai.org

**ICAI- ROC : MCA-21 Compliance Software**

The Committee for Capacity Building of CA Firms and Small & Medium Practitioners, has launched the ICAI-ROC software on 1st July, 2011 by Hon'ble CA. K. Rahman Khan, Deputy Chairman of Rajya Sabha, Parliament of India. The software has been uploaded in the Committee website www.icai.org.in. 'ICAI-ROC' Software on MCA21 Compliance provides the facility to prepare Auto filing of e-Forms, Shares Records/Certificates, Meetings & Minutes, Resolutions/Drafting, Annual Return forms and maintenance of Registers and Reports etc. The members who are desirous of this software may send their special request on committee's website www.icai.org.in. The details of use and benefits are given on committee's website on www.icai.org.in. Members may avail the benefits of this arrangement. Note: Members may also contact the Committee for details of ICAI-ROC by email on softwares.roc@icai.org

CA. Vijay Kumar Garg, Chairman

**IMPORTANT ANNOUNCEMENT  
ATTENTION OF MEMBERS**

Kind attention of Members is invited to the revised schedule of Membership and related fee **effective from 01<sup>st</sup> April, 2011** as given below:-


Particulars of Fees	Revised Fee
<b>Membership Fee</b>	
Entrance Fee	1200
Fellow Admission Fee	1800
<b>Annual membership Fee</b>	
Associate Fee	800
Fellow Fee	2200
Certificate of Practice Fee	2000
Restoration Fee	1200

Members who are senior citizens i.e. have attained the age of 65 years as on 1<sup>st</sup> April of the relevant year will be required to pay the fees at lower rates which is as under:-

Particular of Fees	Revised Fee
<b>Annual membership Fee</b>	
Associate Fee	600
Fellow Fee	1600
Certificate of Practice Fee	1500

Members are requested to remit the fee for membership / Certificate of Practice / Fellow membership at the prescribed amount as applicable to them.

**Members can pay their fee online by clicking online payments link on the homepage of www.icai.org**



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Paper 2: Corporate Valuation & Value Creation

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Evening Batch	02.00 p.m. to 08.00 p.m.	

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- Outstation students should remit fee by DD favouring "SIRC of ICAI" payable at Chennai. Fee and details (name, address, contact no. and Students Registration No.) to be sent to SIRC of ICAI, 122 MG Road, Chennai-34.
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### SICASA PROGRAMMES for the month of August & September 2011

Date(s)	Timings	Programme details
Aug. 11, Thursday	6.00 pm to 8.00 pm	Study Circle Meeting
Aug. 18, Thursday	6.00 pm to 8.00 pm	Study Circle Meeting
Aug. 22 to 27 Monday to Saturday	5.30 pm to 8.30 pm	Workshop on Auditing Standards
Aug. 27, Saturday	9.00 am to 5.00 pm	Regional Level Elocution Contest
Aug. 28, Sunday	9.00 am to 5.00 pm	Regional Level Quiz Contest
Sep. 1, Thursday	6.00 pm to 8.00 pm	Study Circle Meeting
Sep. 4, Sunday	10.00 am to 5.00 pm	Tax Audit Seminar
Sep. 5, Monday	9.00 am to 11.00 am	Inauguration of CPT Coaching classes
	11.00am-12.00 noon	<b>Teacher's Day &amp; Honoring Faculties</b>
Sep. 8, Thursday	6.00 pm to 8.00 pm	Study Circle Meeting
Sep. 15, Thursday	6.00 pm to 8.00 pm	Study Circle Meeting

For further details, visit <http://sicasa.sircoficai.org>

Secretary, SICASA

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**Shri Chetlur Ravi Sudarshan**, Tirupati  
SRO 0306856 – Marks: 193/200  
**Shri Rahul Aggarwal**, Hyderabad  
SRO 0356482 – Marks: 193/200

##### ALL INDIA THIRD RANK

**Shri G.N. Pavankumar**, Anantapur  
SRO 0309333 – Marks: 190/200  
**Shri Sama Sai Sarath**, Machilipatnam  
SRO 0311479 – Marks: 190/200  
**Shri M. Manoj Reddy**, Kurnool  
SRO 0315477 – Marks: 190/200

#### CPE Seminar on Non-Profit Organisation

On Saturday, October 8, 2011 at Chennai

CPE Credit 6 Hours

Details in next issue

### Announcements of Ethical Standards Board, ICAI

#### Amendment in Council General Guidelines, 2008

No. ICAI/ESB/2011/01 - All the members of Institute of Chartered Accountants of India (ICAI) are hereby informed that in terms of the Council decision taken at its 306th Meeting held on 7th – 8th June, 2011, the Chapter-XII (**Minimum Audit Fee in respect of Audit**) of the Council General Guidelines, 2008 appended to the ICAI publication titled "The Chartered Accountants Act, 1949" has been repealed with effect from 7th June, 2011.

#### Definition of 'Relative' in Chapter IV of Council General Guidelines, 2008

No. ICAI/ESB//2011/02 - All the members of the Institute of Chartered Accountants of India (ICAI) are hereby informed that in terms of its decision taken at the 299th Meeting of the Council held on 27th – 28th October, 2010, it has been decided that the term "relative" for the purpose of Chapter-IV of Council General Guidelines, 2008 (**Opinion on Financial Statements when there is substantial interest**) will have the same meaning as assigned to it in AS-18.

Accordingly, the Chapter IV of the Council General Guidelines, 2008 as appended to the ICAI publication titled "The Chartered Accountants Act, 1949" is modified and modified version shall read as under –

#### "Chapter IV - Opinion on financial statements when there is substantial interest

**4.0** A member of the Institute shall not express his opinion on financial statements of any business or enterprise in which one or more persons who are his "relatives" within the meaning of Accounting Standard (AS – 18) has / have, either by themselves or in conjunction with such member, a substantial interest in the said business or enterprise.

**Explanation:** For this purpose and for the purpose of compliance of Clause (4) of Part I of the Second Schedule to the Chartered Accountants Act, 1949, the expression "substantial interest" shall have the same meaning as is assigned thereto under Appendix (9) to the Chartered Accountants Regulations, 1988."

This decision shall be in force with effect from 28th June, 2011.

**Multipurpose Empanelment form for the year 2011-12** (including form for empanelment of Bank Branch Auditors' for the year 2011-12) has been hosted on the website [www.meficai.org](http://www.meficai.org) today. **Last date for submission of online applications on [www.meficai.org](http://www.meficai.org) is 27th August, 2011.**

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CA. K. Shanmukha Sundaram, Chairman, SIRC of ICAI receiving the award on the occasion of the Celebration of 150 Years in service of the Nation by the Income-tax Department. (L-R): CA. V. Murali, Central Council Member, ICAI and Ms. Prema Malini Vasan, Chief Commissioner of Income-tax, Chennai.



Sri Galla Ramachandranaidu, Chairman, Amar raja Group of Companies inaugurating the A.P. State Level Conference organised by Vijayawada Branch and hosted by all Branches in Andhra Pradesh on July 9, 2011 at Vijayawada. (L-R): CA. Kunda Ramnarayana, Vice-Chairman, Vijayawada Br., CA. Gopal Krishna Raju, Member, SIRC, CA. E. Phalgun Kumar, Treasurer, SIRC, CA. C.S. Srinivas, Member, SIRC, CA. M. Devaraja Reddy, CCM, ICAI, CA. P. Subbarayudu, Chairman, Vijayawada Br., CA. K. Shanmukha Sundaram, Chairman, SIRC, CA. G.V.V. Satyanarayanan, Member, SIRC & Ex-Officio, Vijayawada Br. and CA. D. Prasanna Kumar, Member, SIRC.



Inaugural Function of Aksharabhyas - A Journey through Accounting Standards organized by SICASA from June 20 to July 2, 2011 at Chennai. CA. Srinivasa Raghavan, Executive Director, Simpon & Co. along with CA. K. Shanmukha Sundaram, Chairman, SIRC, CA. C.S. Srinivas, Chairman, SICASA, CA. P.R. Aruloli and CA. Gopal Krishna Raju, Members, SIRC and host of dignitaries and functionaries.



Group photograph taken on the occasion of Yuva - A SICASA Cultural Festival 2011 organised by SICASA on July 23, 2011 at Chennai. CA. C.S. Srinivas, Chairman, SICASA, CA. P.R. Aruloli, Member, SICASA, Student Office-Bearers, Student Managing Committee Members of SICASA with Judges Shri Chinni Jayanth, Cine Comedian and Shri Ajay, Cine Actor.



CA. K. Shanmukha Sundaram, Chairman, SIRC addressing the participants of Branch Level Elocution Contest held on July 2, 2011 at Chennai. (L-R): CA. N.R. Sridharan, Judge, CA. C.S. Srinivas, Chairman, SICASA and CA. John Morris, Judge.



Branch Level Quiz Contest held on July 2, 2011 at Chennai. CA. Kannan, Quiz Master, receiving the memento from the student participants. CA. C.S. Srinivas, Chairman, SICASA also seen in the picture.



CA. R. Ravi, Chief Guest addressing the students at the Valedictory function of GMCS course held on July 5, 2011 at Chennai. (L-R): CA. P.R. Aruloli, Member, GMCS Co-ordination Committee, CA. V. Murali, Chairman, Board of Studies, ICAI and CA. Rajendra Kumar P, Central Council Member, ICAI.



Diabetics & Blood Pressure Awareness & Detection Camp for Staff of ICAI held on July 7, 2011 at Chennai. (L-R): Ln. Andal Rajaram, Chairperson, Lions Club of Central Madras, CA. G.V. Raman, Past Chairman, SIRC, CA. K. Shanmukha Sundaram, Chairman, SIRC and Dr. A. Sundaram releasing the awareness pamphlets on the occasion.





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