

# SIRC

PRICE - Rs.5

# Newsletter

SEPTEMBER 2013 | Volume 39 ■ Part 3



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



First Sub-Regional Conference at Hyderabad held on 16<sup>th</sup> & 17<sup>th</sup> August 2013: CA. Subodh Kumar Agrawal, President, ICAI, CA. K. Raghu, Vice President ICAI, along with CA. D. Prasanna Kumar, Chairman, SIRC, CA. Yarra Titupathaiah, Chairman, Hyderabad Branch of SIRC and other Office Bearers of SIRC, RCMs, SIRC, CCMs, ICAI and Managing Committee Members of Hyderabad Branch of SIRC.



Second Sub-Regional Conference at Madurai held on 24<sup>th</sup> August 2013: (L-R) CA. P. R. Suresh, Vice Chairman, SIRC, CA. P.V. Rajarajeswaran, SIRC, RCM, CA. P.R. Aruloli, Secretary, SIRC, CA. D. Prasanna Kumar, Chairman, SIRC, CA. P Saravanan, Chairman, Madurai Branch of SIRC, CA. Dungan Chand U Jain, Secretary, Madurai Branch of SIRC, CA. Babu Abraham Kallivayalil, CCM, ICAI, CA. V. Murali, CCM, ICAI, CA. Gopal Krishna Raju, Treasurer, SIRC and CA. B. Sekkizhar, Member, SIRC.



Third Sub-Regional Conference at Pondicherry held on 30<sup>th</sup> August 2013: Shri N. Rangaswamy, Hon'ble Chief Minister of Puducherry releasing the Souvenir at the inaugural session. Seen along with are CA. D. Prasanna Kumar, Chairman, SIRC, CA. Meenakshi Sundar, Chairman, Pondicherry Branch and other Office Bearers of SIRC, RCMs, SIRC and Managing Committee Members of Pondicherry Branch of SIRC.





Inauguration of Two Day National Conference on NPOs held on 23<sup>rd</sup> & 24<sup>th</sup> August 2013: Seen from (L-R) are CA. P.R. Aruloli, Secretary, SIRC, CA. G. Sekar, CCM, ICAI, CA. V. Murali, CCM, ICAI and CA. D. Prasanna Kumar, Chairman, SIRC



CA. V. Murali, Conference Coordinator, presenting a memento to Mr. L.N. Vijayaraghavan, IAS, with Dr. CA. Girish Ahuja at the National Conference on NPOs held at Chennai



Regional Residential Seminar at Courtallam held on 3<sup>rd</sup> and 4<sup>th</sup> August 2013: Release of Souvenir by CA. D. Prasanna Kumar, Chairman, SIRC. Seen along with him are CA. G. Sekar, CCM, ICAI, CA. P.R. Suresh, Vice Chairman, SIRC, CA. V. Ramasamy, Chairman, Tirunelveli Branch of SIRC, CA. P.R. Aruloli, Secretary, SIRC, CA. Gopal Krishna Raju, Treasurer, SIRC, RCMs, SIRC and Managing Committee Members of Tirunelveli Branch of SIRC



His Excellency Shri Nikhil Kumar, Governor of Kerala, Chief Guest with CA. K. Raghunath, Vice President, ICAI, CA. D. Prasanna Kumar, Chairman, SIRC, and CA. Babu Abraham Kallivayalil, CCM, ICAI at CA Conference held at Thiruvananthapuram on 7<sup>th</sup> August 2013



Group Photograph taken on the occasion of CA. D. Prasanna Kumar, Chairman, SIRC visit to Nellore Branch of SIRC of ICAI on 18<sup>th</sup> August 2013



CA. D. Prasanna Kumar, Chairman, SIRC addressing the delegates during his visit to Kumbakonam Branch of SIRC of ICAI on 25<sup>th</sup> August 2013. Seen in the dais are (L-R) CA. Divakar Vijaysarathy, Resource Person, CA. R. Baskar, Chairman, Kumbakonam Branch of SIRC, CA. P.R. Aruloli, Secretary, SIRC and CA. Gopal Krishna Raju, Treasurer, SIRC



CPE Seminar held on 22<sup>nd</sup> August, 2013 at Kadapa. Seen in the picture are CA. M. Visweswara Rao, Co-Convenor, Kadapa CPE Chapter, CA. E. Phalgun Kumar, RCM, SIRC, CA. P.R. Aruloli, Secretary, SIRC, CA. Gopala Krishna Raju, Treasurer, SIRC, CA. D. Prasanna Kumar, Chairman, SIRC, CA. P. Musalalaiah, Convener, Kadapa CPE Chapter



CA. D. Prasanna Kumar seen standing along with CA. D. Kalalalagan, Chairman, Vellore Branch of SIRC, other Office Bearers of SIRC, RCM and Managing Committee Members of Vellore Branch of SIRC during his Official Visit to Vellore Branch on 31<sup>st</sup> August 2013.



Group Photograph taken on the occasion of Regional Residential Seminar at Dindi, East Godavari District, Andhra Pradesh held on 10<sup>th</sup> and 11<sup>th</sup> August 2013



CA. V. Murali being presented with a Memento, at the GMCS Valedictory held at Chennai

## Chairman writes ...



### **My dear Professional Colleagues,**

#### **45th Regional Conference of SIRC of ICAI:**

We extend a very warm welcome to all the members to the prestigious event of the year, the 45th Regional Conference to be held on 13th and 14th December 2013 at Visakhapatnam.

The theme of the Conference is "UDYATI". Udyati is the term that originates from Sanskrit and implies "rise or elevation". A quality, trait, or feature of the highest degree of excellence can be achieved through perfection to which this Conference would endeavour itself to bring out the best and elevate the wisdom of our members to higher planes.

It is yet another occasion for the members who are the intellectual treasure of the Nation to congregate on a single platform to share, interact, learn and develop new perspectives/prospects in their professional career. The Conference Committee is chalking out the detailed structure of the Conference to have a blend of academic exploration, cultural extravaganza and provide the best ever hospitality to relish and recall.

The details of hotel accommodation at Visakhapatnam, train and flight timings are published elsewhere in this Newsletter. We request members to plan their travel well in advance for a comfortable journey and stay.

#### **Centenary Year of the Accountancy Profession in India:**

The Accounting Profession is in the 100th year having been recognized in the year 1913 by an Act. In the year 1913, the accounting profession was recognized through a statutory provision in the form of Indian Companies Act, 1913 providing a clause requiring the companies to have their accounts audited by the Auditors. The profession has passed through difficult and different times in the initial stages. With the formation of the Institute of Chartered Accountants of India by an Act of Parliament from 1st July 1949, the Nation has recognized the significance of accounting professionals. It is yet another occasion that we recall and pay respects to all our professionals who pioneered the formation and set standards to us which is carried forward by luminaries in our profession in the last 64 years.

SIRC is proud that the 45th Regional Conference is held during the Centenary Year of the Accounting Profession and let us pledge and re-dedicate ourselves for the glory of our profession.

#### **Sub-Regional Conferences:**

As you are all aware, SIRC has focused on certain major programmes to be held at each State in the Southern Region

and thus came the concept of Sub-Regional Conference. At the outset, I express my sincere appreciation and thanks to the members who have given SIRC the fillip by participating in large numbers in the Sub-Regional Conferences so far held during the year and I am confident that your presence in other scheduled Sub-Regional Conferences to follow would continue to motivate and inspire us to perform for the cause of our professional colleagues.

We organised the First Sub-Regional Conference at Hyderabad on 16th and 17th August 2013 with our beloved President CA. Subodh Kumar Agrawal and Vice-President CA. K. Raghu participating in the inaugural session sharing their insight on the profession and the pro-active role being played by ICAI in the furtherance of the profession. I congratulate the CA. Thirupathiah Yarra, Chairman of the Hyderabad Branch and his ebullient team for hosting the conference and for organizing it meticulously.

The Second Sub-Regional Conference held at Madurai and hosted by Madurai Branch on 24th August 2013 was a stupendous success with the highest ever participation of delegates at this famous city. The tremendous amount of dedicated exuberant effort taken by the Chairman of the Madurai Branch CA. P. Saravanan and his team is commendable ably guided and coordinated by CA. P.V. Rajarajeswaran, Member, SIRC and Ex-officio Member of Madurai Branch. I record the valuable presence and sharing of thoughts by the resource persons and the delegates who have made the occasion extremely memorable and lively.

Pondicherry Branch hosted the Third Sub-Regional Conference of SIRC on 30th August 2013. The commitment, zeal and enthusiasm shown by CA. Meenakshi Sundar and his team and the admirable support and co-ordination extended by CA. P.R. Aruloli, Secretary, SIRC and Ex-officio Member of Pondicherry Branch stood as testimony to the success of the event. The gracious presence of the Hon'ble Chief Minister of Puducherry Shri N. Rangaswamy in the inaugural session was the hallmark of this Sub-Regional Conference.

The excellent response evoked by the members of our Region for these three Sub-Regional Conferences, I am confident, would continue for the 4th and 5th Sub-Regional Conferences scheduled in Kochi on 7th September 2013 and later at Mangalore in the State of Karnataka in October 2013.

#### **Regional Residential Courses:**

SIRC organized Regional Residential Courses at Courtallam on 3<sup>rd</sup> and 4<sup>th</sup> August 2013 and at Dindi on 10<sup>th</sup> and 11<sup>th</sup> August 2013 and both of them was well attended and received by the



# SEPTEMBER & OCTOBER 2013

# SIRC CALENDAR

Contact: Dr. T. Paramasivan, Senior Deputy Director (Tech.) – ICAI – Phone: 044 – 30210361 / 320 – E-mail: sirc@icai.in

S. No.	Date and Day	Programme Name	Resource Persons	Timings	Venue	CPE Credit	Delegate Fees	Page No
1	Sep 11, 2013 Wednesday	CPE Study Circle Meeting on <b>Emerging trends in Arbitration</b>	<b>Shri. V. Inbavijayan</b> Chennai	6.15 p.m. – 8.30 p.m.	ICAI Bhawan	2	150	-
2	Sep 14, 2013 Saturday	Workshop on <b>Accounting Standards</b>		10.00 a.m. – 1.00 p.m.	ICAI Bhawan	3	300	6
3	Sep 18, 2013 Wednesday	CPE Study Circle Meeting on <b>Carbon Credits</b>	<b>CA. C. Shenbagamoorthy</b> Sivakasi	6.15 p.m. – 8.30 p.m.	ICAI Bhawan	2	No Delegate Fee	-
4	Sep 20, 2013 Friday	<b>CPE Teleconference</b>	<b>Details will be hosted in ICAI Website</b>	11.00 a.m. – 1.00 p.m.	ICAI Bhawan	2	150	-
5	Sep 25, 2013 Wednesday	CPE Study Circle Meeting on <b>SA-700 - An Overview</b>	<b>CA. Sriraman Parthasarathy</b> Chennai	6.15 p.m. – 8.30 p.m.	ICAI Bhawan	2	150	-
6	Sep 25, 2013 Wednesday	<b>CPE Teleconference</b>	<b>Details will be hosted in ICAI Website</b>	11.00 a.m. – 1.00 p.m.	ICAI Bhawan	2	150	-
7	October 3, 2013 Thursday	Workshop on <b>Auditing Standards</b>		4.00 p.m. – 8.00 p.m.	ICAI Bhawan	4	300	6
8	October 9, 2013 Wednesday	CPE Study Circle Meeting on <b>Voluntary Compliance Encouragement Scheme</b>	<b>CA. Ganesh Prabhu</b> Chennai	6.15 p.m. – 8.30 p.m.	ICAI Bhawan	2	150	-
9	October 18 & 19, 2013 Friday & Saturday	Two Day Workshop on <b>Service Tax</b>		10.00 a.m. – 5.00 p.m.	ICAI Bhawan	12	1500	6
10	October 24, 2013 Thursday	<b>Sub- Regional Conference of SIRC at Mangalore</b>						

**Details will be published in October 2013 issue of SIRC Newsletter**

Unless otherwise specified, the delegate fee for SIRC Programmes may be paid by way of Cash or by Cheque / DD drawn in favour of 'SIRC of ICAI' payable at Chennai and shall be sent to SIRC of ICAI, 'ICAI Bhawan', No.122, Mahatma Gandhi Road, Nungambakkam, Chennai – 600034. Phone: 044-30210320; Fax: 044-30210355; Email: sirc@icai.in

**CHAIRMAN WRITES (Contd..)**

delegates. The RRC at Courtalam was hosted by Tirunelveli Branch, one of the smallest Branches in the Region. The precision and perfection with which the RRC was successfully organized shows the involvement by the Branch whose efforts are laudable. The RRC at Dindi hosted by Rajamahendravaram and Kakinada Branches in a systematic and well-executed manner deserve accolade from SIRC.

I express my appreciation to CA. V. Ramaswamy, Chairman of Tirunelveli Branch, CA. S.V.S. Viswanath, Chairman of Rajamahendravaram Branch and CA. M. Surya Rao, Chairman of Kakinada Branch and their team of Managing committee members for their untiring efforts and supporting the initiatives of SIRC in a befitting manner.

**Visit to Branches:**

During the month of August, I had the extensive coverage of Branches during which I met the members across and shared matters of professional interest. These visits created an opportunity to know the issues in different areas in our profession when cross-section of members both from practice and industry shared their views.

In addition to my visits to Hyderabad, Madurai and Pondicherry, I had the pleasure of meeting members in Nellore, Kumbakonam and Vellore Branches besides CPE Chapter at Kadapa.

**Certification Courses:**

We are happy to announce that Certificate Courses will be conducted in International Taxation, Indirect Taxes and Valuation during the months of October and November 2013. The details of these courses are published elsewhere in this Newsletter. I request members to take this opportunity and enroll for the course/s.

**Inviting Articles on matters of current importance:**

During the last few months, SIRC brought out theme based newsletters containing articles on specific subjects every month. In this process it was observed and also brought to our attention that exposure to other subjects of professional interest and current matters did not find a place in the Newsletter. Subscribing to this thinking it has been decided to have articles on varied subjects in the Newsletters commencing from October

2013. An announcement with regard to contribution of Articles by Members is published in this Newsletter. Henceforth, SIRC Newsletters will carry updates on Direct Taxes, Indirect Taxes, Corporate and Allied Laws, VAT Acts etc every month.

**Significance of Continuing Professional Education:**

Human life is centered around complex nature of environment from within and outside. To be successful one has to set his goal and objectives in a manner that he pursues certain well-defined process and procedure. For a professional like ours, the theoretical and practical exposure we got in our formal education is standing in good stead. In the words of John F. Kennedy "The goal of education is the advancement of knowledge and the dissemination of truth". Add on J.P. Richter refers to education that brings to light the ideal of an individual.

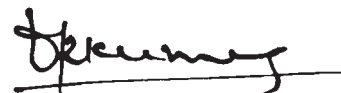
The Institute thus stands aloft in imparting the constant and continuous professional education to its members and we are, with our professional acumen, command the highest respect in the society. Our training and exposure through continuing professional education acts as integrative force in society in communicating value that unite different sections of the society. In short, the values and orientations are provided by Education. The importance of education is evident by the greater heights of glory and recognition that we achieve in life and let us continue our quest for knowledge and more knowledge. To sum up on education, I quote in the words of Sydney J. Harris "The whole purpose of education is to turn mirrors into windows".

Let us all be part of ushering in a new era of professional attainment of excellence and true to the theme of the 45th Regional Conference "Udyati", let us elevate our profession and the ICAI to greater heights of glory.

**Festivities:**

The festive season starts up with Vinayakar Chaturthi in September. During the next couple of months we will be celebrating and enjoying many festivals. We convey our good wishes and greetings for happy days ahead.

Until we meet through this column, my warm regards,  
*Yours in professional service*



**CA. D. PRASANNA KUMAR**  
*chairmansirc@gmail.com*

**EDITORIAL BOARD**

<b>Editor</b>	: CA. D. Prasanna Kumar	
<b>Members</b>	: CA. P.R. Suresh	CA. M. Devaraja Reddy
	CA. P.R. Aruloli	CA. V.G. Aravindanayagi
	CA. Gopal Krishna Raju	CA. K. Pattabhiraman
	CA. P.V. Rajarajeswaran	CA. Siva Prasad Nandyal
	CA. Babu Abraham Kallivayalil	

<b>3<sup>RD</sup> SEMINAR ON PRACTICAL INSIGHTS INTO ACCOUNTING STANDARDS</b>		<b>Saturday September 14, 2013</b>	<b>P. Brahmayya Memorial Hall 'ICAI Bhawan' No.122, MG Road, Nungambakkam Chennai - 600 034</b>	<b>CPE Credit 3 HOURS</b>
<b>DELEGATE FEE: ₹ 300</b>				
<b>Timings: 10.00 AM to 1.00 PM</b>				
<b>Technical Sessions</b>		<b>Resource Persons</b>		
AS 22 Accounting for Taxation of Income		CA. Chinnsamy Ganesan, Chennai		
AS 29 Provisions, Contingent Liabilities & Contingent Assets		CA. Paul I, Chennai		
CA. P.R. Aruloli Secretary, SIRC of ICAI		CA. D. Prasanna Kumar Chairman, SIRC of ICAI		
<b>WORKSHOP ON AUDITING STANDARDS</b>		<b>Thursday October 3, 2013</b>	<b>P. Brahmayya Memorial Hall 'ICAI Bhawan' No.122, MG Road, Nungambakkam Chennai - 600 034</b>	<b>CPE Credit 4 HOURS</b>
<b>DELEGATE FEE: ₹ 300</b>				
<b>Timings: 4.00 PM to 8.00 PM</b>				
<b>Technical Sessions</b>		<b>Resource Persons</b>		
SA-315 – Risk Assessment SA-240 – Frauds And Errors in Audit Of Financial Statements		CA. Bhavani Balasubramanian, Chennai		
SA-230 – Audit Documentation SA-200 – Objectives of Independent Auditor and conduct of Audit in accordance with Auditing Standards		CA. Sankar Datta, Chennai		
CA. P.R. Aruloli Secretary, SIRC of ICAI		CA. D. Prasanna Kumar Chairman, SIRC of ICAI		
<b>WORKSHOP ON ENABLING SERVICE TAX PRACTICE</b>		<b>Friday &amp; Saturday October 18 &amp; 19, 2013</b>	<b>P. Brahmayya Memorial Hall 'ICAI Bhawan' No.122, MG Road, Nungambakkam Chennai - 600 034</b>	<b>CPE Credit 12 HOURS</b>
<b>DELEGATE FEE: ₹ 1500</b>				
<b>Timings: 10.00 AM to 5.00 PM</b>				
<b>Day 1: Friday</b>				
<b>Technical Sessions</b>		<b>Resource Person</b>		
Definition of Service its Taxability and Negative List		CA. Balasubramanian J, Madurai		
Provisions and Rules relating to Construction & Works contract		CA. Ramkumar V, Tiruchirapalli		
Statutory compliance like registration, issue of invoice, payment of Tax, Adjustment of Excess Payment of Tax: filing of Periodical Returns, Refund of Service Tax, etc.,		CA. Manavalan V P, Chennai		
Valuation Rules		CA. Sankaran P, Chennai		
<b>Day 2 : Saturday</b>				
Declared service, Place of provision of Service and Exempted Service		CA. Sarvanakumar G, Madurai		
Reverse Charge, Joint Charge and their Taxability		CA. S. Chandrasekaran, Tirupur		
Point of Taxation Rules		CA. Prasanna Krishnan V, Chennai		
Cenvat Credit Rules, 2004 relating to service tax		CA. J. Purushothaman, Chennai		
CA. P R Aruloli Secretary, SIRC		CA. D. Prasanna Kumar Chairman, SIRC		
<b>Note:</b>				
Delegate fee for above programmes by way of Cash or by 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. Phone: 044-30210320; Fax: 044-30210355; Email: sirc@icai.in				

CERTIFICATE COURSES OF ICAI AT CHENNAI				
SI No	Particulars	Details		
1	Name of the Certificate Course	<b>INTERNATIONAL TAXATION</b>	<b>INDIRECT TAXES</b>	<b>VALUATION</b>
2	Scheduled Commencement date	19 <sup>th</sup> October 2013	26 <sup>th</sup> October 2013	10 <sup>th</sup> November 2013
		[Subject to availability of minimum number of Members as per the policy of the ICAI]		
3	CPE Hours Credit	Course Sessions and Self Study : 100 Hrs	70 Hrs (50 Structured and 20 Unstructured) CPE Hrs	300 Hrs – Self Study 200 Hrs Classroom teaching 50 Hrs Case study & project preparation = 50 Hrs
4	Frequency of the Class	11 Days Saturdays and Sundays	12 Days Classes on Saturdays and Sundays	9 Days Classes on Sundays
5	Fees	Rs.25,000	Rs.20,000	Rs.25,000
6	Enrolment procedure	Payment can be made through on-line <a href="http://www.icai.org/ccm.tml?progid=1">http://www.icai.org/ccm.tml?progid=1</a> (or) through D.D. drawn in favour of 'The Institute of Chartered Accountants of India' payable at New Delhi. Confirmation of date and registration will be made around 10 <sup>th</sup> October 2013	Payment can be made through on-line <a href="http://www.icai.org/post.html?post_id=7382">http://www.icai.org/post.html?post_id=7382</a> or through DD of RS.20,000 in favour of 'The Secretary, The Institute of Chartered Accountants of India' payable at New Delhi. Confirmation of date and registration will be made around 15 <sup>th</sup> October 2013	Payment to be paid on the spot in the form of payorder / DD drawn in the name of The Secretary, The Institute of Chartered Accountants of India on the starting of the course at the venue itself. Advance intimation of enrolment may be given before 30 <sup>th</sup> October 2013.
7	Syllabus available at	<a href="http://220.227.161.86/14563course_curriculum_InterTax.pdf">http://220.227.161.86/14563course_curriculum_InterTax.pdf</a>	<a href="http://www.icai.org/post.html?post_id=7382">http://www.icai.org/post.html?post_id=7382</a>	<a href="http://220.227.161.86/13564Prospectus_Valuation.pdf">http://220.227.161.86/13564Prospectus_Valuation.pdf</a>
8	Course Coordinators	CA. P. R. Aruloli Secretary, SIRC and CA. Muthukumaran V. P.	CA. Gopal Krishna Raju Treasurer, SIRC and CA. V.V. Sampath Kumar	
9	Helpline	Mr. R.K. Punithan, Assistant Secretary The Institute of Chartered Accountants of India, 'ICAI Bhawan', 122 Mahatma Gandhi Road, Nungambakkam, Chennai : 600034. Phone: 044-30210346		

### CERTIFICATE COURSE ON CONCURRENT AUDIT OF BANKS

Organised by Internal Audit Standards Board of ICAI

The Course will start on 5th October 2013. Registration on first come first served basis. For further details call Mr. R.K. Punithan, Assistant Secretary at 04430210346 or [sropro@icai.in](mailto:sropro@icai.in). Course Coordinator: CA. P R Aruloli, Secretary, SIRC. Complete details the Course are available at [http://www.icai.org/post.html?post\\_id=8236](http://www.icai.org/post.html?post_id=8236) and schedule of the Course at Chennai will be hosted on the website of the SIRC at [www.sircoficai.org](http://www.sircoficai.org).

# VALUE ADDED TAX (VAT) - (Concepts & Procedures)

CA. Amit Kumar Jha  
Bangalore  
amit.12nov@gmail.com

## Introduction:

Maurice Laure joint director of the France tax authority was first to introduce VAT on 10th April 1954. In France it is the most important source of state finance accounting for nearly 50% of state revenue. The value added tax was introduced as an indirect tax into the Indian taxation system from 1 April 2005. The existing general sales tax laws were replaced with new Value Added Tax Acts and the VAT rules for proper administration. Haryana became the first state in the country that had adopted the VAT.

## Concept of VAT:

VAT is a form of sales tax i.e. it is a tax on the sale of goods. It is imposed on intra-state sale i.e. sale of goods within the state. Since it is imposed only on the amount of value addition made it is known as Value Added Tax. VAT is imposed only on the amount of value addition measured by deducting the purchase price from the sale price. This is done by providing set-off tax paid on purchases against the tax payable on sales.

## Need of VAT:

VAT prevents cascading effect of taxation by providing set-off/ input credit of tax paid at earlier stage. Cascading effect means imposition of tax on tax.

## Constitutional Provisions:

As per Entry 54 in List II (State List) of Schedule VII to Constitution of India, States are empowered to levy tax on sale or purchase of goods other than news-paper.

## Goods covered under VAT:

Generally, all goods including declared goods are covered under the VAT laws of respective states & thus get the benefit of input-tax credit. However the following goods are outside the VAT are-

- Petrol, diesel, aviation turbine fuel or other motor spirit.
- Liquor &
- Lottery tickets.

## Input & Output Tax:

Input tax means the tax paid or payable by a dealer of a state on purchases-

- of any goods (including raw-materials, capital goods i.e. plant & machinery etc.)
- made in the course of his business
- from a registered dealer within the state.

Output tax is the tax charged or chargeable by a registered dealer on sale of goods made by him in the course of his business. The output tax for a seller becomes the input tax for the purchaser.

E.g. A sells goods valuing Rs 1 lakh to B. The VAT rate is 4%. In this case A will collect Rs 4,000 (4% of Rs 1 lakh) from B. This sum of Rs 4,000 is output tax for A. B will pay Rs 1,04,000 (Rs 1 lakh towards the price of the goods & Rs 4,000 towards the tax). Tax of Rs 4,000 paid by B is input tax for him.

## Scope of Input Tax Credit:

- It is allowed only to a registered dealer.
- The purchasing dealer may be trader or a manufacturer purchasing the goods as raw material.
- It is also allowed in respect of VAT paid on purchase of capital goods.
- It is allowed only if the purchase is made from a registered dealer.
- It is allowed to be set-off against VAT payable on intra-state sale or CST payable on inter-state sale.
- The credit of VAT on capital goods is allowed as under-
- Some states like Maharashtra have provided 100 % credit in respect of capital goods in the month of purchase of capital goods. However if the capital goods is sold within 36 months then proportionate input-credit thereon withdrawn.
- Some other states have opted for allowing the credit of VAT paid on capital goods in monthly instalments (maximum no of instalments being 36 months).

## Registration under VAT:

**Obligatory Registration:** Registration means obtaining certificate of registration from the VAT authorities. A registered dealer means a dealer registered under the VAT Act of the respective state.

Every dealer of goods (i.e. a person dealing in purchase and sale of goods in the course of his business in the state for a consideration) who is liable to pay tax under the VAT Act is liable to get himself registered under the said VAT Act.

**Requirement/Eligibility for Registration:** Dealers having turnover upto Rs 5 lakh (or increased limit of Rs 10 lakhs) need not obtain registration while for others registration is mandatory. All existing dealers under the state level sales-tax laws have been deemed to be registered under the VAT Act.

**Application for Registration:** An application for registration is required to be made in prescribed form along with prescribed security to the Commissioner or any other prescribed authority within prescribed time period.

**Voluntary Registration:** A dealer for whom it is not obligatory to obtain registration may also obtain registration if the Commissioner is satisfied that the business of the applicant requires registration.

**Cancellation of Registration:** The registration is liable for cancellation in any of the following cases-

- Permanent discontinuance of business
- Disposal of business
- Transfer of business to a new location
- annual turnover of a manufacturer or a trader dealing in



registered goods or services falling below the specified amount

- dealer has failed to furnish security or has committed fraud/misrepresentation of facts.

#### VAT Invoice:

Input tax credit can be availed of only on the basis of VAT invoice therefore if the original invoice is lost or misplaced a duplicate authenticated copy must be obtained from the issuing dealer.

**Record to be maintained:** Every dealer liable to pay VAT should maintain the following records-

- Value & quantity of purchases, goods manufactured, sales, goods disposed of otherwise than by way of sale, Inventory/stock & exempt sale.
- Copies of all invoices, credit and debit notes issued.
- Details of the amount of tax charged on each sale or purchase.
- VAT account and total of the output tax and the input tax in each period and a net total of the tax payable or the excess carried forward as the case may be at the end of each month.

**Period of Records:** All these records should be preserved for the period specified in respective state laws (generally 5 years from the end of the year to which they relate).

#### Returns under VAT:

The respective state VAT laws require every registered dealer to file VAT returns periodically (monthly/quarterly/annually). The returns are to be filled in prescribed form within the prescribed time from the end of the period concerned (i.e. within specified days from the end of the month/quarter/year). The returns are to be accompanied with the challans evidencing payment of VAT. In some states the return forms are inclusive of challan in which case returns can be filled along with payment of challan with the treasury. The VAT returns contain requisite details such as details of dealer, details of input VAT and output VAT payment of VAT, inventory details. In some state opportunity has been given to revise any mistake or omission in the periodical returns filled by the dealers. The VAT laws make provisions for scrutiny of VAT returns filled by various dealers. Such scrutiny involves checking the overall correctness of the information given and also checking whether requisite information has been duly furnished or not. Any technical or other mistake may be required to be corrected by the dealer and any shortfall in payment of tax will be required to be satisfied.

#### Assessment under VAT:

**Meaning:** Assessment means determination of the tax liability of a dealer under the respective VAT law. Assessment involves determination of taxable turnover and tax liability thereon along with any other liability under the VAT law.

**Self-Assessment or Deemed Assessment:** Under VAT there is no system of compulsory assessment at the end of each year by the VAT authorities. VAT system is based on the presumption that unless the contrary is established every dealer is honest.

**Self-Assessment:** Accordingly the VAT liability is computed by the

dealer himself while submitting returns after setting off the input tax credit.

**Deemed Assessment:** The VAT laws of the respective states provide that except where a specific notice is issued proposing detailed/scrutiny assessment within specified time the dealer shall be deemed to have been assessed on the basis of the return filled by him for the period to which such return relates.

**Compulsory Scrutiny:** There is a system of compulsory scrutiny under which all returns filed by the dealers are subject to scrutiny in a prescribed manner. Any mistake found is required to be corrected by way of revised return or in any other manner within the prescribed time along with payment of differential amount if any.

**Assessment in Special Cases:** The VAT laws contain special provisions in respect of assess met where there has been evasion of tax and also for escaped assessments.

#### Provisions of VAT Audit:

**Compulsory VAT Audit or External Audit:** With a view to check massive tax evasion the state VAT laws have incorporated audit of VAT records by Chartered Accountants on some specified basis. The report of such audit is required to be filled within prescribed time and in prescribed form. The audit report is required to contain various particulars as are prescribed by each state.

**Departmental Audit or Selective Audit:** While there is provision of compulsory audit by a Chartered Accountant in case the turnover exceeds prescribed limit there exists a provision for audit by the authorities of the VAT department which is not mandatory but is resorted to in selective cases. The departmental audit is provided with a view to promote compliance with the provisions of VAT laws.

#### VAT Authorities:

The state VAT law is administered by various authorities. The authorities and responsibilities of such authorities are specified in the Act or the rules or the notification/office orders issued thereunder.

The various authorities under VAT law include-

- Commissioner of Commercial Taxes
- Joint/Deputy/Assistant Commissioners
- Deputy Commissioner (Appeals)
- Commercial Taxes Officer

Further for administrative and appellate purposes tax law board, appellate tribunal and other authorities have also been constituted.

#### Penal Provisions under VAT:

The states have incorporated penal provisions as per the requirements of their individual requirements. However since VAT involves allowing of benefit of input tax credit which was not available under the earlier state level sales tax laws therefore the VAT laws contain more stringent provisions to discourage evasion of taxes.

The VAT laws also make provisions for prosecution and punishment by way of imprisonment and fine in the case of severe offence.

# AN OVERVIEW OF 'Service Tax Voluntary Compliance Encouragement Scheme, 2013'

CA. B. Vinay Gandhi  
Anakapalli  
ca.vinaygandhi@gmail.com

Clauses 94 to 104 of the Finance Bill, 2013 introduced in the Parliament by Union Finance Minister, P. Chidambaram proposed for amnesty scheme for service tax payment defaulters. The extracts of the budget speech is "While there are nearly 17,00,000 registered assesseees under service tax, only about 7,00,000 file returns. Many have simply stopped filing returns. We cannot go after each of them. I have to motivate them to file returns and pay the tax dues. Hence, I propose to introduce a one-time scheme called 'Voluntary Compliance Encouragement Scheme'. I hope to entice a large number of assesseees to return to the tax fold."

Consequent to bill given assent by The President of India on May 10, 2013, the Central Government has issued the 'Service Tax Voluntary Compliance Encouragement Rules, 2013' rules in this behalf vide Notification No. 10/2013 – Service tax dated 13.05.2013.

This article discusses about the scheme and rules made thereunder in brief.

### Who is Eligible?

Any person may declare his tax dues, in respect of which NO notice or an order of determination under section 72/73/73A has been issued or made before the 1st March, 2013.

### Who is NOT eligible?

1. A person on whom notice has been issued or made before 1st March, 2013
2. Any person who has furnished return 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.
3. 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.

### Situations in respect of which application may be rejected by 'Designated Authority'

1. Where in respect of a person, an inquiry or investigation has been initiated by way of
  - a. Search of premises
  - b. Issuance of summons
  - c. Requiring production of accounts, documents or other evidence and proceedings are pending as on 1st March, 2013
2. An audit has been initiated and such audit is pending as on 1st March, 2013  
Notice of intention of rejecting declaration is given to assessee within 30 days of filing declaration.

Before rejecting the declaration, assessee is given an opportunity of being heard.

### What is the Benefit of this Scheme?

- Ø Immunity from Penalty
- Ø Immunity from Interest
- Ø Immunity from any other proceeding under Chapter V of Finance Act, 1994

### Who is 'Designated Authority'?

An officer not below the rank of Assistant Commissioner of Central Excise as notified by the Commissioner of Central Excise for the purposes of this Scheme

### What is to be declared in the declaration? Declare 'Tax dues' i.e.

Cess payable thereon	Any other amount due or payable under Sec. 73A	Service tax due or payable
----------------------	--	----------------------------

### Procedure:

File the Declaration of tax dues to designated authority before 31st December, 2013 in Form VCES-1 in duplicate. Calculation sheet has to be separately attached to Form VCES-1 service wise and period wise.

Designated Authority shall issue the acknowledgement of declaration of tax dues in Form VCES-2 within period of 7 working days from receipt of declaration

Pay atleast 50% of declared tax dues before 31st December, 2013 and  
Submit proof of payment to the designated authority (Failure of which makes person ineligible for scheme)

Pay balance declared tax dues before 30th June, 2014 and submit proof of payment to the designated authority

Paid

Paid after due date

Not paid after due date

Pay before 31st December, 2014 along with Interest for period of delay starting from 1st July, 2014

Recovery procedure under Section 87 shall apply  
AND  
Becomes ineligible for Scheme

Obtain acknowledgement of discharge of dues from designated authority in Form VCES-3 within a period of 7 working days from date of furnishing details of payment

**Additional Points regarding the scheme**

Registration mandatory for availing the scheme

Rule 3 of VCES Rules, 2013 specifically provides that any person, who wishes to make a declaration under the Scheme, shall, if not already registered, take registration under rule 4 of the Service Tax Rules, 1994.

**Usage of CENVAT credit**

CENVAT credit cannot be used for payment of 'tax dues' declared in Form VCES-1.

Declaration can be made for non-availment of CENVAT credit also

Any service tax that has been paid utilizing the irregular credit amounts to non-payment of service tax. Hence, assessee who availed irregular CENVAT credit is eligible for the scheme.

Non-filers of Service tax return are NOT eligible for Scheme

A case where no tax is pending, but return has not been filed, does not come under the ambit of the Scheme.

**Refund of tax dues paid under VCES**

No refund of the amount paid under this scheme under any circumstances. Even in the situation where tax dues are paid before designated authority rejects the declaration, the tax paid is adjusted towards the liability determined by the department.

Consequences of false declaration

Before the expiry of 1 year from date of declaration, where Commissioner of Central excise has reasons to believe that the declaration made by a declarant under this Scheme was substantially false, he may serve show-cause notice on the declarant.

**Conclusive nature of Form VCES-3**

Upon issuance of VCES-3 'Acknowledgement of discharge', the declaration made shall be conclusive and no matter shall be reopened thereafter in any proceedings under the Chapter before any authority or court relating to the period covered by such declaration.

Immunity from late fee/penalty of late registration or late filing of return

The person who wants to make the declaration under VCES-1 has to get himself registered under Service tax and file the returns as applicable. He need not pay the late fee for registration and also need not to pay penalty for non-filing the returns or late filing the returns.

Communication from department seeking general information from declarant will not disentitle the person to follow the scheme

Where the declarant receives requisition under Section 72 of the Finance Act, 1994 or under Rule 5A of Service Tax Rules, 1994 to provide any documents or records, then he will not be eligible for VCES. Therefore, even if the declarant receives the communication from department seeking general information, the person is eligible for the scheme.

Two separate service tax registrations are two distinct assessees.

If an assessee has two registered units and one unit receives notice from department and the other unit didn't receive any such notice. The unit which received the notice is NOT eligible for the scheme but the other unit can go for the scheme.

Assessee may amend the declaration in VCES 1 on or before 31st December 2013

If an assessee suo moto finds a mistake in declaration (VCES 1), he may approach the designated authority who may allow amendments in VCES 1 after taking into account overall facts.

**Date of Initiation of Audit**

Date of visit of auditors to the unit of taxpayer would be taken as date of initiation of audit. Where audit has been initiated as on 1st March, 2013, the taxpayer is not eligible for the scheme. Hence, even if the officers visited the office after 1st March, 2013, the person is eligible for the scheme.

This scheme will be most beneficial to all the service providers who are not yet registered but are liable for service tax and also to those who are not paying service tax in spite of their known liability. It is time now to educate our clients regarding this scheme and make them comply with the provisions of the scheme to avoid future litigation.

**KIND ATTENTION****Members facing difficulty in registering themselves as "Tax professionals" in the e-filing portal**

As the members are aware, e-filing of Tax Audit Reports has been made mandatory from the AY 2013-14 onwards vide Notification No. 34/2013 dated 01-05-2013. In order to e-file Tax Audit Report a Chartered Accountant requires to register himself in the e-filing portal as a "Tax professional".

The Direct Taxes Committee of ICAI has been intimated that issues are being faced by the members in registering themselves in e-filing portal due to mismatch of their Date of Birth and/or name. This mismatch may be on account of various reasons like wrong date of Birth in PAN, wrong date of Birth in ICAI records, different name in the PAN vis-a-vis ICAI records etc.

In order to successfully register in the e-filing portal, members facing such issues are required to get the Date of Birth or name corrected if the same is required, so that there is no mismatch in future. For example, if the date of birth mentioned as per educational records (noted by ICAI) is not the date of birth mentioned in PAN card, the procedure to change the Date of Birth in PAN card is required to be followed. Also, if the name mentioned in ICAI records is different than members name mentioned in PAN card due to change of name post marriage or punching error etc., the procedure for change of name in ICAI records or PAN card, as the case may be, is required to be followed.

For complete details about the procedure in this regard, please see the announcement released by the Institute at <http://220.227.161.86/30652dct20622.pdf>



# CENVAT on "Motor Vehicles" - Present scenario

CA. Kanagaraj R  
Chennai  
r.kanag@gmail.com

"Keep safe distance" while driving motor vehicles is the common phrase; the status-quo of which was maintained in cenvat credit rules also to deny credit on "Motor vehicles" for a very long time. It always matters for the manufacturer or service provider to take credit on motor vehicle as the amount of CENVAT credit is huge and it decreases the excise duty/service tax liability to a major extent.

However gone are those days and now the scenario is very clear as regards eligibility of cenvat on motor vehicles. This article intends to serve as a ready reckoner for determining cenvat eligibility for manufacturers and service providers.

Due to the ambiguity which prevailed over years, some assesses went ahead and treated motor vehicles as 'Inputs' stating that motor vehicles are essential for manufacturing activity which made the Department to amend the definition of 'inputs' so as to specifically exclude motor vehicles in 2011.

Cenvat benefit in relation to motor vehicles can be availed as 'capital goods' and 'input services' which are dealt separately in the following paragraphs:

For the cenvat purposes, motor vehicles are classified into two parts:

### Specified motor vehicles:

Specified motor vehicles	
Tariff	Description
8702	Motor vehicles for the transport of ten or more persons
8703	Motor cars and other motor vehicles principally designed for the transport of persons
8704	Motor vehicles for the transport of goods
8711	Motorcycles and cycles

### Other than specified motor vehicles

All other motor vehicles other than the above specified motor vehicles

### Cenvat eligibility – as "CAPITAL GOODS"

#### For Manufacturers

For Manufacturers	
Capital goods	Criteria
Any motor vehicle other than 'specified motor vehicles' but including dumpers and tippers	Used in the factory of the manufacturer of the final products

Eg: Cranes, dumpers and tippers, special purpose vehicles used in the factory of the manufacturer is eligible for cenvat credit as capital goods.

For Service Providers	
Capital goods	Criteria
Motor vehicle designed for transportation of goods, registered in the name of the service provider	Used for: >> Renting of such motor vehicle >> Transportation of inputs and capital goods used for providing output service >> Courier agency
Motor vehicle designed for transportation of passengers, registered in the name of the service provider	Used for providing output service of: >> Transportation of passengers >> Renting of such motor vehicle >> Imparting motor driving skills

Eg: Service provider rendering renting of motor cars service can avail 'capital goods' cenvat on the excise duty / CVD charged by the manufacturer of the car. [Provided if the car is registered in the service provider's name]

### Cenvat eligibility – as "INPUT SERVICES"

The definition of 'input services' has undergone many changes in the recent past and the cenvat eligibility on input services in respect of motor vehicles for different service providers are summarized below:

Nature of Input services	Service providers to whom motor hicle is eligible as capital goods i.e.,	Manufacturers (Note 1) and All other service providers (Note 2)
	Renting of motor vehicles meant for transportation of goods or passengers	
	Courier Agency	
	Driving schools	
Renting of motor vehicle	Any motor vehicle used for providing output services	Motor vehicles other than those meant for transportation of goods or passengers i.e., other than specified motor vehicles
General Insurance services		
Servicing		
Repair and Maintenance		

**Note:**

**Manufacturer of motor vehicle**

Cenvat can be availed on the above input services by a manufacturer of a motor vehicle in respect of a motor vehicle manufactured by such person.

Eg: A car manufacturing company outsources the after-sale services to other agency. In such cases, car manufacturer can avail cenvat credit on service tax charged by the servicing agency.

**Insurance companies**

Above input services are eligible for an insurance company in respect of a motor vehicle insured or reinsured by such person.

Eg: Insurance company rendering insurance services for a lorry can avail cenvat on re-insurance charges paid to other company.

To conclude, department's intention is to allow input services' cenvat credit relating to motor vehicles for those business / industries to whom cenvat credit on such motor vehicle is eligible as capital goods.


**e-Learning initiative of the Board of Studies on Students Learning Management System**

This e-Learning facility takes learning and development to the doorsteps of students and they can now learn anytime and from anywhere across the country from the convenience of their homes/ offices/ cyber cafés. Students can now concentrate on their full time articulated training, which is one of the most important components to be a complete professional.

Board of Studies is pleased to provide a demo login id for each of the three levels of CA Course, for your exclusive use so that you may view the lessons and provide your suggestions for improvement.

Level	Username	Password
Common Proficiency Test	ROBranches_CPT	icaicpt
Intermediate (IPC) Course	ROBranches_IPCC	icaaipcc
Final Course	ROBranches_Final	icaifinal

For details please Visit: <http://StudentsLMS.icaai.org>.



## ICAI Online e-Learning for CA Course

### Common Proficiency Test (CPT), Intermediate (IPC) Course and Final Course

<http://StudentsLMS.icaai.org>

**Introduction**

The Board of Studies of the Institute has made available e-Learning facility for the CA Course at three levels: (a) Common Proficiency Course, (b) Intermediate (IPC) Course and (c) Final Course on the Students Learning Management System (LMS).

**Objective**

Provide quality education for learning, re-learning and revising anytime and anywhere in an affordable manner through a self learning/ development facility.

**Salient Features**

- Anytime/ Anywhere Online Learning
- Foundation for understanding concepts and Self Study of Study Materials
- Examination Oriented
- Online Self-Assessment Quiz - Chapter, Subject, All Subjects
- Quality Lectures by leading Faculty
- Uniform training across the country
- Multimedia Lectures
- Presentation & Podcast Download
- Tracks Learning - Lesson/ Self Assessment completed

**Anytime/ Anywhere Learning**

This e-Learning facility takes learning and development to the doorsteps of students and they can now learn at their convenience from their homes/ offices/ cyber cafes even in smaller cities and mofusil towns.

**How to Access?**

Students of the Common Proficiency Course and Intermediate (IPC) Course of the Institute interested in pursuing the e-Learning can register themselves on the Students LMS using their Student Registration Number and start using the e-Learning facility immediately. **Currently free access.**

Students with temporary Student Registration Numbers or belonging to earlier courses or those who are not able to register are required to contact their concerned Regional Offices.

**Requirements**

Multimedia Computer/ Laptop with Internet Connection and Adobe Flash Player, which is available for free download at [www.adobe.com](http://www.adobe.com).

*Members are requested to encourage their Articled Assistant/s to enhance their knowledge & skills through this initiative so as to enable them to concentrate more on their Practical Training.*

Chairman  
Board of Studies

## Updates on Direct Taxes

CA. V.K. Subramani, Erode  
vksintax@gmail.com

### 4. Notional interest on interest-free rental advance cannot be added but it could be used for determining the fair rent of the property:

In CIT v. Shastha Pharma Laboratories (P) Ltd (2013) 88 DTR (Kar) 115 the assessee disclosed rental income of Rs.6 lakhs and receipt of interest-free lease rent deposit of Rs.80 lakhs. The Assessing Officer computed notional interest on the interest-free deposit and fixed the annual letting value of the property at Rs.20.40 lakhs. The appeal of the assessee was dismissed by CIT (Appeals). However, the tribunal held that for computing annual letting value of the property, no notional interest could be added and it restored the matter to the Assessing Officer to decide the annual letting value afresh and in accordance with law. The court held that the addition of notional interest based on the interest-free security deposit as not permissible in law. However, it is open to the assessing authority to take note of the advance paid which could give an indication of the fair rent, the property could fetch in the market. Readers may note that the observation of the court is slightly in favour of the revenue permitting ascertainment of annual letting value taking note of the interest-free security deposit.

### 3. MAT credit to be adjusted first and refund arising on adjustment of TDS is eligible for interest under section 244A:

In CIT v. ABT Industries Ltd (2013) 87 DTR (Mad) 405 the assessee had MAT credit of Rs.14.40 lakhs and TDS credit of Rs.29.87 lakhs. The tax liability was only Rs.31.35 lakhs. The refund due to the assessee was reckoned at Rs.12.91 lakhs. The issue before the court was whether the assessee is to be given interest under section 244A of the Act. The court held that as per the decision of the apex court in CIT v. Tulsyan NEC Ltd (2011) 330 ITR 226 (SC), MAT credit has to be adjusted first against the tax due. Only on

the resultant, the credit for TDS is to be given. The refund arising thus shall be eligible for interest under section 244A. The court also made reference to jurisdictional High Court decision in the case of CIT v. Chemplast Sanmar Ltd (2009) 314 ITR 231 (Mad) to hold that the refund had arisen after allowing MAT credit and due to adjustment of TDS credit. Accordingly it held that the assessee is entitled to interest under section 244A of the Act.

### 6. Unabsorbed depreciation of other units not to be adjusted against profits of units covered by section 10B:

In CIT v. Cheslind Textiles Ltd (2013) 354 ITR 29 (Karn) the assessee having an undertaking eligible for the benefits of section 10B did not adjust unabsorbed depreciation of other units. The claim of deduction was held as excessive by the Commissioner who invoked section 263 of the Act. The tribunal held that the Assessing Officer had allowed the claim of the assessee and such act was one of the permissible views which cannot be interpreted as erroneous by citing the decision in the case of Malabar Industrial Co Ltd v. CIT (2000) 243 ITR 83 (SC). On merits, the court followed the decision in the case of CIT v. Yokogawa India Ltd (2012) 341 ITR 385 (Karn) in which it was held that income covered by section 10A has to be excluded for arriving at gross total income and the loss of other units cannot be set off against the income of the unit eligible for the benefits of section 10A. As the incomes of such units are excluded from the total income of the assessee, the question of unabsorbed business loss and unabsorbed depreciation being adjusted would not arise. The court made a passing reference that on merits also the appeal of the Revenue is not sustainable in view of the legal provisions. Readers may note that the rationale of this decision could be used for section 10C, as section 10B is not operative from the assessment year 2012-13 onwards.

## Updates on Indirect Taxes

CA. J. Murali, Chennai  
jmuraliandco@gmail.com

### 1. Price inclusive of taxes is in order under TNGST ACT

When the Buyer and Seller knows the sale value and the tax portion involved in the transaction and when in the books of accounts the sales value and sales tax portion or separately maintained when the authority have not questioned the brake up in the lower level it is not proper to levy tax on the total value of sales. If it is done then it is tax on tax hence following the judicial pronouncements in the case of The State of Tamilnadu Vs Ultramarine Pigments Ltd and Another and also in the case of Garware Nylons Ltd Vs The State of Tamilnadu the Hon. Madras High Court decided in the favour of assessee in the case of

T.C.No.,1725/2008 ,1736/08 and 7/2009 dated 04.01.2013 in the case of Bata India Limited VS State of Tamilnadu.

### 2. EXEMPTION FOR THE COPY RIGHT TO CINEMATORGRAPHIC FILMS:

The copy right exemption is available for the cinematographic films exhibited in the cinema hall or theatre. The films shown in the DTH etc will not qualify for the exemption.



## Congratulations

His Excellency, The President of India has appointed CA.V. MURALI, F.C.A., A.C.M.A., Central Council Member of ICAI, as Director on the Board of HINDUSTAN INSECTICIDES LIMITED (HIL), a Public Sector Unit under the Ministry of Chemicals & Fertilizers, Government of India, for a period of three years.

### DISCLAIMER

The SIRC/ICAI does not accept any responsibility for the views expressed in different contributions/ advertisements published in this Newsletter.



## Updates on FEMA

Shri K. Vaitheeswaran, Chennai  
Advocate  
askvaithi@yahoo.co.uk

The Reserve Bank of India has brought in amendments to the notifications under Foreign Exchange Management Act, 2000 through circulars in order to restrict the foreign exchange outflow taking into account the CAD crisis. The amended law is given below:

### 1. Liberalized Remittance Scheme for Resident Individuals - Reduction of limit from USD 200,000 to USD 75,000 - A. P. (DIR Series) Circular No.24 dated 14 August, 2013:

- In the said circular, Liberalized Remittance Scheme (LPR) for resident individuals the existing limit of USD 200,000 is now reduced to USD 75,000 per financial year (April to March) with immediate effect for any permitted current account or capital account transactions or combination of both.
- This scheme shall not be used for acquisition of property directly or indirectly outside India, AD Category-I Banks shall not allow any remittance.
- The scheme must not be used for any prohibited or illegal activities.
- Resident individuals can set up Joint Ventures (JV) or Wholly Owned Subsidiaries (WHO) outside India within the limit of USD 75,000 w.e.f. 5 August, 2013 subject to terms and conditions stipulated in Notification No. FEMA 263/RB-2013 dated 5 August, 2013.
- The limit of USD 75,000 shall also apply to gift in rupees made by resident individuals to NRI close relatives and loans in rupees by resident individuals to NRI close relatives.

### Overseas Direct Investments - Reduction of limit for Overseas Direct Investment - A. P. (DIR Series) Circular No.23 dated 14 August, 2013:

- Under the said circular the overseas direct investment of an Indian Party in all its Joint Ventures (JV) or Wholly Owned Subsidiaries (WHO) engaged in any bonafide business activity has been brought down to 100 per cent of its net worth under Automatic Route, previously the limit was 400 per cent.
- The reduced limit will also apply to Indian Company investing in the overseas unincorporated entities in the energy and natural resources sectors, as on the date of last audited balance sheet.
- Those exceeding the 100 per cent net worth limit shall apply for Approval Route to the Reserve Bank of India.
- Exceptions granted earlier to Oil India and other companies shall continue
- All fresh overseas direct investment proposals will be covered under this circular on a prospective basis and the same will not be applicable to existing JV/WOS set up under the extant regulations.

**Disclaimer:-** This note is in the form of an alert for the purpose of compliance and is based on the Notification/Circular issued as on date. The position can change if there are any modifications or amendments to the relevant Notification/Circular. The Note does not constitute a legal opinion or advisory. If any clarifications are required, professional advice will have to be sought.

## Updates on Banking

CA. B. Thiagarajan  
Chennai  
btandco@gmail.com

Due to economic slow down prevailing in our country all the industrial sectors be it SME, MSME or Large Scale Industry are affected and this is having a telling effect on the banks especially PSB's. The June '13 Quarter Results of all the PSB's showed alarming increase of NPA's and the banks are clueless / helpless. Added to this the volatility in currency fluctuation and the behavior of stock and bond market are causing concerns to all the banks and the quarter for September '13 seems not encouraging. In the backdrop of recent depreciation of Indian Rupee, Country needs numerous macro economic and fiscal policy measures to plan, perform and stabilize the financial sector in the months to come. No doubt it involves herculean task and let us all hope for things to improve.

### Members may be aware that Govt of India (GOI) has approved the revision in the norms on the number of SCA's to be appointed in PSB for 2013-14 as under:-

1. Category "A" Banks [ Large Banks viz Bank of Baroda, Bank of India, Canara Bank, Punjab National Bank, Central Bank of India and Union

Bank of India] shall not have more than 6 SCAs. However, in case of SBI the number of SCAs shall not be more than 14.

2. Category "B" Banks [ Medium Banks viz. Allahabad Bank, Corporation Bank, Indian Bank, Indian Overseas Bank, Oriental Bank of Commerce, Syndicate Bank and UCO Bank] shall not have more than 5 SCAs and:
3. Category "C" Banks [Small Banks viz. Andhra Bank, Bank of Maharashtra, Dena Bank, Punjab & Sind Bank, United Bank of India, Vijaya Bank, State Bank of Bikaner & Jaipur, State Bank of Hyderabad, State Bank of Mysore, State Bank of Patiala and State Bank of Travancore] shall not have more than 4 SCAs.

Actual numbers of SCAs to be appointed can be decided by respective boards subject to the above limit.

Norms of Empanelment for SCAs and SBA's of PSBs applicable from the year 2013-14 are given in Annex I and Annex II in RBI website

SCA – Statutory Central Auditors

SCB – Statutory Branch Auditors.

### Invitation for Contribution of Articles

Editorial Board decided to dispense of with the Theme based Articles in Newsletter. Henceforth, Articles of interest to members on any matter will be published. Accordingly, SIRC of ICAI invites Articles from Members

for publication in the SIRC Newsletter for the month of October 2013 which should reach SIRC by email to [sirc@icai.in](mailto:sirc@icai.in) and [sircnewsltr@icai.in](mailto:sircnewsltr@icai.in) latest by **20th September 2013** for consideration by the Editorial Board.



## 45<sup>TH</sup> REGIONAL CONFERENCE OF SIRC OF ICAI 13<sup>TH</sup> & 14<sup>TH</sup> DECEMBER, 2013 AT VISAKHAPATNAM

### FLIGHT TIMINGS

FROM	TO	AIRLINES	FLIGHT NO	DEP	ARR	DAYS
Visakhapatnam	Hyderabad	Spicejet	SG 226	9:00	10:00	daily
Visakhapatnam	Hyderabad	Spicejet	SG 402	19:30	20:50	daily
Visakhapatnam	Hyderabad	Indigo	6E 241	13:30	14:30	daily
Visakhapatnam	Hyderabad	Air India	AI 951	18:20	19:20	daily
Hyderabad	Visakhapatnam	Spicejet	SG 401	7:15	8:20	daily
Hyderabad	Visakhapatnam	Spicejet	SG 221	17:55	18:50	daily
Hyderabad	Visakhapatnam	Indigo	6E 248	11:40	12:45	daily
Hyderabad	Visakhapatnam	Air India	AI 952	7:00	8:00	daily
Visakhapatnam	Chennai	Spicejet	SG 3278	19:20	21:05	daily
Visakhapatnam	Chennai	Indigo	6E 512	15:30	16:45	daily
Visakhapatnam	Chennai	Jet Airways	9W 2702	12:00	13:45	2, 6
Visakhapatnam	Chennai	Jet Airways	9W 2702	12:40	14:25	1,3,4,5,7
Chennai	Visakhapatnam	Spicejet	SG 3277	17:10	19:00	daily
Chennai	Visakhapatnam	Indigo	6E 511	7:20	8:35	daily
Chennai	Visakhapatnam	Jet Airways	9W 2701	9:45	11:30	2,6
Chennai	Visakhapatnam	Jet Airways	9W 2701	10:25	12:10	1,3,4,5,7
Visakhapatnam	Bangalore	Spicejet	SG 1077	10:10	11:50	daily
Visakhapatnam	Bangalore	Jet Airways	9W 7037	19:45	21:15	daily
Bangalore	Visakhapatnam	Spicejet	SG 1144	8:05	9:50	daily
Bangalore	Visakhapatnam	Jet Airways	9W 7031	6:40	8:05	daily
Visakhapatnam	Kochi	Jet Airways	9W 2702	12:00	15:45	2,6
Visakhapatnam	Kochi	Jet Airways	9W 2702	12:40	16:25	1,3,4,5,7
Kochi	Visakhapatnam	Jet Airways	9W 2701	7:40	11:30	2,6
Kochi	Visakhapatnam	Jet Airways	9W 2701	8:25	12:10	1,3,4,5,7

Visakhapatnam is well connected daily by Air with Dubai, Mumbai, New Delhi, Kolkata and Bhubaneswar

#### Train Timings:

Schedule of Trains passing through Visakhapatnam has been hosted in SIRC Website ([www.sircoficai.org](http://www.sircoficai.org))

**Note:** Reservation of Train tickets starts 60 days prior to the date of Journey.

#### TOPICS in the CONFERENCE

Profits & Gains from Business/Profession – Judicial Trends	State of Indian Economy
Service Tax – Opportunities & Challenges	The new Company Law
Foreign Exchange Management Act – Role of CAs in Compliance	New Direct Taxes Law – Expectations
Standards on Auditing – Backbone of the Profession	Profession and Ethics
Increasing Regulatory Trends and Expectations – Changing Landscape of the Profession	Spiritual / Health Session

**Note:** Some changes/alterations may be there in the above topics. Detailed Programme with Eminent Resource Persons will be published in October 2013 issue of the Newsletter and also be hosted in SIRC Website.

## HOTELS IN VISAKHAPATNAM

Name of the Hotel	Location	Dist. to venue Kms	Double Non AC	Double AC	Suite	Category	Phone No (0891)	Email id
HOTEL MEGHALAYA	ASILMETTA JN	3	-	2000	4200	3 Star	2755141	
ROYAL FORT	ASILMETTA JN	3	-	2550	3750	3 Star	6622888	vizag@royalforhotel.com
AMBICA SEA GREEN	BEACH ROAD	4	-	5000	6500	3 Star	2821818	ambicaseagreen@gmail.com
GRAND BAY	BEACH ROAD	5	-	5000	11000	4 Star	6600101	gm.grandbay@yahoo.com
NOVATEL	BEACH ROAD	5	-	5500	11000	5 Star	2822222	h7535-re@accor.com
THE GATEWAY	BEACH ROAD	5	-	8000	18000	5 Star	6623670	gateway.visakhapatnam@tajhotels.com
THE PARK	BEACH ROAD	4	-	5600	11000	5 Star	3045678	resv.viz@theparkhotels.com
FOUR POINTS	CBM COMPOUND	4	-	4500	12000	5 Star	3051111	reservation.visakhapatnam@fourpoints.com
DOLPHIN	DABAGARDENS	4	-	4395	5995	4 Star	6666677	reservationsvizag@dolphinhotels.com
HOTEL BALAJI GRAND	DABAGARDENS	3	850	1850	-	Standard	2791869	hotelbalajegrand@gmail.com
HOTEL CHANDRA'S	DABAGARDENS	3	-	1350	3000	Standard	2541074	hotelchandras@gmail.com
HOTEL PARIWAR GRAND	DABAGARDENS	3	950	1350	2200	Standard	6005777	hotelpariwargrand@gmail.com
HOTEL PRINCE	DABAGARDENS	3	850	1500	-	Standard	2747675	prince_hotels@yahoo.com
HOTEL SAKETH RESIDENCY	DABAGARDENS	3	1780	1990	3290	Standard	2780000	hotelsaaketresidency@hotmail.com
R R GRAND	DABAGARDENS	3	-	3000	5000	3 Star	6690000	rrgrand@vsnl.net
THE LEGEND	DABAGARDENS	4	650	950	-	Standard	6644211	
THE ORANGE	DABAGARDENS	4	-	2090	2590	Standard	6636363	contact@orangehotels.in
AKSHAYA	DONDAPARTHY	2	1050	1250	1450	Standard	3098111	reserve@hotellakshaya.in
NAKSHATRA INN	DONDAPARTHY	2	750	999	-	Standard	6005222	
SAI NATIONAL	DONDAPARTHY	2	700	999	-	Standard	2714199	hotelsainational@gmail.com
WELFARE MARINA	DONDAPARTHY	2	-	1500	-	Standard	2514888	info@welfaremarina.com
ANUPAMA HOTEL	DWARAKANAGAR	2	700	1200	1999	Standard	6674444	
BEZZ KRISHNA	DWARAKANAGAR	2	-	4500	7000	3 Star	6662666	sales@bezkrishnaa.in
BUDHIL PARK	DWARAKANAGAR	2	-	3450	-	3 Star	2795353	reservations@hotelbudhilpark.com
DIAMOND SPRINGS	DWARAKANAGAR	2	-	1800	3000	Standard	2710143	info@diamondspringsvizag.com
DWARAKA INN	DWARAKANAGAR	2	995	1495	-	Standard	2712630	dwarakainn99vizag@yahoo.in
FORTUNE INN SRI KANYA	DWARAKANAGAR	2	-	4500	8000	4 Star	3988444	innsreekanya@fortunehotels.in
JUKASOTEL	DWARAKANAGAR	2	-	2500	3000	Standard	9390556079	jukasotelvizag@jukaso.co.in
JYOTHI SWAROOPA	DWARAKANAGAR	2	750	990	-	Standard	6668871	
LAKSHMI RESIDENCY	DWARAKANAGAR	2	600	1200	-	Standard	2514355	
LODGE KONARK	DWARAKANAGAR	2	650	999	-	Standard	2748251	
MICRO CONTINENTAL	DWARAKANAGAR	2	-	3000	4000	Standard	2598598	info.vskp@microcontinental.in
REDNAM MANOR	DWARAKANAGAR	2	-	1125	-	Standard	6664545	
SAI RATNA RESIDENCY	DWARAKANAGAR	2	-	1800	2500	Standard	2507474	hotelsairatnaresidency@gmail.com
GREENPARK	JAGADAMBA JN	4	-	4500	6700	4 Star	6615151	vizag@hotelgreenpark.com
AP TOURISM PUNNAMI (*)	M V P COLONY	4	1349	1686	2361	Standard	2562333	
EXECUTIVE COURT	RAMNAGAR	4	-	2680	3600	3 Star	2717300	hoteldaspalla@gmail.com
ATHIDI GRAND	RESAPUVANIPALEM	2	-	1499	3399	Standard	2748989	athidihotels@gmail.com
ATHIDI INN	RESAPUVANIPALEM	2	-	1599	-	Standard	2727567	athidi.inn@gmail.com
KRISHNA TOWERS	RLY NEW COLONY	2	650	950	-	Standard	2541276	
AP TOURISM HARITHA (*)	RUSHIKONDA	9	-	2473	3092	Standard	9848813581	
SEACITY GRAND	SIVAJIPALEM	3	-	2200	-	Standard	6669666	
DASPALLA	SURYABAGH	4	-	2625	4125	4 Star	2564825	hoteldaspalla@gmail.com
HOTEL MEGHANA	SURYABAGH	4	-	2299	3999	Standard	6641230	hotelmeghana@gmail.com

**Note:**

(\*) The rates are inclusive of Taxes  
 All the other rates are exclusive of Taxes  
 The above rates are after considering the discount and negotiation  
 In addition to the above list, some Serviced Apartments are also available.

**ASSISTANCE FOR ACCOMODATION**

Please contact CA. B. Venkat Rao, Mobile: 092466 24286, Email: bvrao2@rediffmail.com for reservation/assistance for accommodation



### WORK DISPOSAL POSITION

The position of disposal of various matters relating to Members and Students of Regional Office, Chennai as on **31.08.2013** is as under:

Particulars	Disposal of records received upto	Particulars	Disposal of records received upto
<b>Members</b>		<b>Students</b>	
Enrolment of Members	26/08/2013	Registration of Articles	20/08/2013
Fellow Admission	26/08/2013	Re-registration of Articles	12/08/2013
Grant of COP	26/08/2013	Industrial Training	01/08/2013
Restoration of Name – Recommended upto	26/08/2013	Termination of Articles	12/08/2013
Restoration of Name – Cleared upto	20/08/2013	Completion of Articles	16/08/2013
Constitution of Firms	27/08/2013	Permission to pursue Other Courses	10/08/2013
Reconstitution of Firms	27/08/2013	Despatch of Materials – CPT	31/07/2013
Paid Assistant	23/08/2013	Despatch of Materials – IPCC	20/07/2013
Change of Address – Members	30/08/2013	Despatch of Materials – ATC	20/07/2013
Change of Address – Firms	27/08/2013	Despatch of Materials – Final	31/07/2013
		Despatch of Materials - ITT	20/07/2013

#### SEMINAR ON TAX AUDIT AUGUST 03 2013



**CA. P. Anand**  
Chennai



**CA. S. Ramachandran**  
Coimbatore



**CA. K. Ulaganathan Shankar**  
Chennai

#### SEMINAR ON ACCOUNTING STANDARDS - AUGUST 10, 2013



**CA. Chinnasamy Ganesan**  
Chennai



**CA. Sathish Vaidyanathan**  
Chennai



**CA. P. Baskar**  
Chennai

#### WORKSHOP ON ENABLING SERVICE TAX PRACTICE - AUGUST 6-7, 2013



**CA. V. Prasanna Krishnan**  
Chennai



**CA. J. Balasubramanian**  
Madurai



**CA. P. Sankaran**  
Chennai



**CA. G. Saravana Kumar**  
Madurai



**CA. V. Alagappan**  
Tiruchirapalli



**CA. J. Purushothaman**  
Chennai



**CA. V. Vijay Anand**  
Chennai



**CA. S. Chandrasekhar**  
Tirupur

#### TWO DAY NATIONAL CONFERENCE ON NPOs - AUGUST 23 & 24, 2013



**Adv. Aditya Rao**  
New Delhi



**Dr. CA. Girish Ahuja**  
New Delhi



**Dr. Manoj Fogla**  
Cuttack



**CA. G. Sekar**  
Chennai



**Dr. CA. N. Suresh**  
Bangalore



**CA. M. Kandasami**  
Chennai



**CA. R.K. Bhalla**  
New Delhi

#### CPE STUDY CIRCLE MEETINGS - AUGUST 2013 RESOURCE PERSONS

14.08.2013



**CA. P. Annamalai**  
Tiruchirapalli

21.08.2013



**CA. Umesh G. Bolmal**  
Belgaum

28.08.2013



**CA. J.B. Sivakumaran**  
Tiruchirapalli

#### WORKSHOP ON DIRECT TAXES AUGUST 17, 2013



**CA. Divakar Vijayasathy**  
Chennai



**CA. V. Karthikeyan**  
Chennai

**Udyati**  
in pursuit of excellence...

## 45<sup>TH</sup> REGIONAL CONFERENCE OF SIRC OF ICAI ON 13<sup>TH</sup> & 14<sup>TH</sup> DECEMBER, 2013 AT VISAKHAPATNAM



**VISAKHAPATNAM**  
The City of Destiny

Delegate Fee ` 3000

Online Registration

[http:// www.sircoficai.org](http://www.sircoficai.org)

Offline Registration

Cheque/Demand Draft favouring "45<sup>th</sup> Regional Conference of SIRC of ICAI"  
payable at Chennai or Visakhapatnam can be submitted at SIRC Office or  
Visakhapatnam Branch of SIRC of ICAI