



## Meeting with Dr. Manmohan Singh, Hon'ble Prime Minister of India on 27<sup>th</sup> January 2014



**CA. Subodh Kumar Agrawal**  
President, ICAI

**CA. K. Raghu**  
Vice -President, ICAI

**Shri. P.C. Chacko**  
Hon'ble Member of Parliament

**CA. Babu Abraham Kallivayalil**  
CCM, ICAI

## Inaugural Function of Karimnagar, Warangal and Ongole Branches of SIRC of ICAI on 29<sup>th</sup> January 2014



◀ **Karimnagar Branch of SIRC of ICAI**



◀ **Warangal Branch of SIRC of ICAI**



◀ **Ongole Branch of SIRC of ICAI**

CA. Subodh Kumar Agrawal, President, ICAI Inaugurating the Branches in the presence of CA. K. Raghu, Vice President, ICAI, CA. D. Prasanna Kumar, Chairman, SIRC of ICAI, CA. J. Venkateswarlu, CCM, ICAI, CA. M. Devararaja Reddy, CCM, ICAI, CA. P.R. Aruloli, Secretary, SIRC, CA. Gopal Krishna Raju, Treasurer, SIRC, CA. B. Sekkizhar, SICASA Chairman, Members of SIRC: CA. Naresh Chandra Gelli V, CA. P.V. Rajarajeswaran, CA.E. Phalguna Kumar, CA. Cotha S. Srinivas, CA. Adusumilli Venkateswara Rao with Managing Committee Members of respective Branches of SIRC of ICAI.

# HIGHLIGHTS OF 2013 - 2014



1<sup>st</sup> Sub-Regional Conference at Hyderabad



45<sup>th</sup> Regional Conference of SIRC of ICAI at Visakhapatnam



2<sup>nd</sup> Sub-Regional Conference at Madurai



45<sup>th</sup> Regional Conference of SIRC of ICAI at Visakhapatnam



3<sup>rd</sup> Sub-Regional Conference at Pondicherry



1<sup>st</sup> Annual Regional Residential Course at Bangalore



4<sup>th</sup> Sub-Regional Conference at Ernakulam



SICASA Day Celebrations at Chennai



5<sup>th</sup> Sub-Regional Conference at Mangalore



Mega National Convention for CA Students at Chennai



1<sup>st</sup> Metro Regional Conference of SIRC of ICAI  
Technology Partner

# Chairman writes ...



My dear Professional Colleagues,

It has been a great honour and privilege for me to lead the Southern India Regional Council of ICAI as Chairman for the year 2013-14. This has been a long cherished dream come true due to the faith and confidence reposed by the Regional Council in electing me as Chairman of the Region. This will be my last communiqué through the Newsletter as Chairman and take the opportunity to take you through some of the highlights of the year accomplished through your continued support, motivation and encouragement.

Our team of office-bearers assumed office on 20<sup>th</sup> February 2013 and since then we had the pleasant privilege of taking forward the initiatives of SIRC and introducing newer concepts in the interest of servicing the members and students. With the able and unstinted support and guidance from our colleagues in the Regional Council, we have done the best possible to the best of our ability and resources and contributed for the betterment of our profession during our term, living upto the expectations of our members.

## Formation of 3 New Branches of SIRC

We are extremely happy to share with you that the Central Council had issued notification for the formation of three Branches of SIRC at Karimnagar, Warangal and Ongole. With this SIRC has 39 Branches. All these Branches were inaugurated on 29<sup>th</sup> January 2014 by our beloved President CA. Subodh Kumar Agrawal in the gracious presence of our beloved Vice-President CA. K. Raghu, nine Regional Council Members and two Central Council Members.

With the formation of these three branches, the members residing within their jurisdiction would have closer access to the activities of the institute. The Students will benefit through conduct of Orientation, ITT and GMCS Classes to be organized by the Branches. Incidentally, we are happy to inform that new Examinaton Centres have been opened at Kurnool and Karimnagar with effect from May 2014 Examination.

## V. Sankar Aiyar Memorial Lecture

On 18<sup>th</sup> January SIRC organized the 6<sup>th</sup> V. Sankar Aiyar Memorial Lecture which was largely attended by members. Shri Gopalakrishna Gandhi, Former Governor of West Bengal, a prolific diplomat and administrator delivered the Memorial Lecture on "India Today". Shri Mani Shankar Aiyar, Member of Parliament graced the occasion as the Guest of Honour and addressed the members. In his address the Chief Guest brought to the fore the tradition, culture and the legacy of our Nation in an exhilarating lecture.

## RRC at Kovalam

SIRC organized the Regional Residential Course at Kovalam from 30<sup>th</sup> January 2014 to 2<sup>nd</sup> February 2014 and it was hosted by the Trivandrum Branch of SIRC. It was well attended, effective, purposeful and enlightening. I congratulate the Chairman of

Trivandrum Branch of SIRC CA. C. Hari and his team for hosting the Course in a remarkable manner under the guidance of CA. V.X. Jose, Chairman, CPE Committee of SIRC.

## Convocation

I had the privilege of partaking in the Convocation held on 8<sup>th</sup> January 2014 at Bangalore along with our beloved President CA. Subodh Kumar Agrawal and Vice-President CA. K. Raghu. The young members were presented Membership Certificates along with ICAI Kit in a scintillating function. We wish all the newly enrolled members a very happy and enduring professional career.

## Visit to Branches

During the month I had the pleasant opportunity to participate in the inauguration of the first floor of the Trichur Branch Building which was inaugurated by Shri P.C. Chacko, Member of Parliament in the presence of our beloved President CA. Subodh Kumar Agrawal and CA. K. Raghu, Vice-President of ICAI on 22<sup>nd</sup> January 2014. I compliment and congratulate CA. T.T. Shajan, Chairman of Trichur Branch and his team of Managing Committee for creating an excellent and state of art infrastructure.

On the same day, I visited Kannur Branch and interacted with members on topics of professional interest. The deliberations were fruitful and they gave lot of input to be taken forward. I congratulate CA. P.J. Jacob, Chairman of Kannur Branch and his team of Office-bearers for the excellent work being done by them.

On 25<sup>th</sup> January 2014, I had another pleasant opportunity to visit Salem Branch in connection with inauguration of their Annual Conference which was largely attended and organized excellently. I thank and congratulate CA. V. Madhukar, Chairman, Salem Branch and his team on this occasion.

My visit to Tirupur Branch in connection with the Seminar on Direct Taxes was fruitful. The meeting was presided by CA. P. Kothandapani, Past Chairman, Tirupur Branch which gave me yet another opportunity to interact with the members. I am happy to note that Tirupur Branch continues to be one of the most active Branches in Southern Region.

## 1<sup>st</sup> Metro Regional Conference

The 1<sup>st</sup> Metro Regional Conference is being held on 6<sup>th</sup> and 7<sup>th</sup> February 2014 at Kamaraj Arangam, Chennai. With a view to have two day Conference annually at Chennai (Headquarters of SIRC) or one of the Metros in Southern Region, a beginning is made this year. Metro Regional Conferences not only to cater to the Chennai members but also to the entire Region. The complete details have been published in the last issue of the newsletter and hosted in SIRC Website. All the topics are relevant to our profession and the stalwart speakers have consented to be the Resource Persons. I request members across the Region to join in large numbers and be benefitted.

## SIRC CALENDAR

## FEBRUARY 2014 &amp; MARCH 2014

Contact: Dr. T. Paramasivan, Joint Director, ICAI – Phone: 044 – 30210361 / 320 – E-mail: sirc@icai.in

Si.No.	Programme Date	Programme Name	Resource Persons	Timings	Venue	CPE Credit	Delegate Fee ₹
1	February 6 & 7, 2014 Thursday & Friday	1 <sup>st</sup> Metro Regional Conference	Details at Jan 2014 Issue	10.00 a.m. - 5.00 p.m	Kamarajar Arangam, Chennai	12	2000
2	February 12, 2014 Wednesday	CPE Study Circle Meeting on Accounting and Taxation of Warranties	CA. Ambati Chinna Gangaiah, Hyderabad	6.15 pm – 8.30 pm	P. Brahmajya Memorial hall	2	200
3	February 19, 2014 Wednesday	CPE Study Circle Meeting on Code of Ethics	CA. C.R. Kumar Chennai	6.15 pm – 8.30 pm	P. Brahmajya Memorial hall	2	No Delegate Fee
4	February 21, 2014 Friday	Meet the President, ICAI & Vice President, ICAI	ICAI	6.30 pm	P. Brahmajya Memorial hall	NA	No Delegate Fee
5	February 22, 2014 Saturday	Workshop on Excel as an Audit Tool in Tally ERP & Bank Audit	CA. D. Venkataraman Salem	10.00 am -5.00 pm	ITT Centre, ICAI BHawan	6	1000
6	February 22, 2014 Saturday	CPE Study Circle Meeting on VAT Registration in AP, TN, Kerala & Pondicherry	CA. Seetharaman Chennai & CA. P. Sankaran Chennai	6.15 pm – 8.30 pm	P. Brahmajya Memorial hall	2	200
7	February 26, 2014 Wednesday	CPE Study Circle Meeting on Valuation	Details will be Hosted in SIRC Website	6.15 pm – 8.30 pm	P. Brahmajya Memorial hall	2	200
8	February 28, 2014 Friday	CPE Study Circle Meeting on NBFC- Audit Perspective	CA. Krishna Prakash Chennai & RBI Official	6.15 pm – 8.30 pm	P. Brahmajya Memorial hall	2	200
9	March 1, 2014 Saturday	Breakfast Meeting- Members in Industry	Details will be Hosted in SIRC Website			3	500
10	March 5, 2014 Wednesday	CPE Study Circle Meeting on Practical Issues in Stock Audit	CA. Sampath Kumar K S Chennai	6.15 pm – 8.30 pm	P. Brahmajya Memorial hall	2	200
11	Mar. 7 & 8, 2014 Friday & Saturday	Works Contract – TN VAT & Service Tax	CA. J. Murali, Chennai CA. Prasanna Krishnan V, Chennai		P. Brahmajya Memorial hall	6	1000
12	March 8, 2014 Saturday	Seminar on Central Statutory Audit of Banks	Details will be Hosted in SIRC Website	10.00 am – 5.00 pm	Hotel Raintree, Anna Salai	6	2000
13	March 12, 2014 Wednesday	CPE Study Circle Meeting on Wealth Tax	CA. D. Kannusami Cuddalore	6.15 pm – 8.30 pm	P. Brahmajya Memorial hall	2	200
14	March 15, 2014 Saturday	Seminar on Bank Branch Audit	Details will be published in Mar. 2014 Issue of SIRC Newsletter and SIRC Website			6	1800

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 - 600 034. Phone: 044-30210320; Fax: 044-30210355; Email: sirc@icai.in

**CHAIRMAN WRITES (Contd..)****Action Plan of SIRC for the year 2013-14**

As you are aware we have released Action Plan for the year 2013-14 when our term took over in the month of February 2013. In line with the Action Plan, we had experienced invigorating and delightful exposure having organized multifarious programmes and activities. We have almost achieved the target set by us and list some of the highlights which is appearing elsewhere in this Newsletter.

**New Initiatives**

Systems and Procedures Advisory Group

SIRC during the year had constituted a Sub-Committee "Systems and Procedures Advisory Group" to go into the aspects of improvement in Students and Members Services, under the Convenership of CA. V.X. Jose, Member, SIRC. The Sub-Committee, after a detailed time and motion study has submitted its report to SIRC on the revamp in the existing system. The report is under the active consideration and we are sure that on its implementation, the services to members and students will substantially improve.

Total revamp of SIRC Website is in progress.

The existing SIRC Website is being totally revamped by using the latest technology and incorporating unique and additional features by the Information Technology Committee under the Chairmanship of CA. M. Nithin to make them "user friendly" for smooth navigation. Website will have facilities for online registration for all programmes of SIRC, host background materials of seminars, host video of presentations etc.

**Acknowledgements**

The baton of leading the Region would be passed on to the new team of office-bearers in the second fortnight of February 2014 and I feel that it is our bounden duty of recalling and recognizing the support we received from different quarters.

SIRC thanks and expresses its gratitude to our beloved CA. Subodh Kumar Agrawal, President, ICAI and Vice-President CA. K. Raghu for their guidance, support and motivation at every point of time to perform to the highest standards.

I express our deepest thanks to the Central Council Members of our Region and Chairmen of various Central Committees who have encouraged and guided us in greater measure enabling us to serve the professional fraternity with more confidence.

I thank the Executive Committee members of SIRC CA. P.R. Suresh, Vice-Chairman, P.R. Aruloli, Secretary, CA. Gopal Krishna Raju, Treasurer and CA. V. Murali, Central Council Member for their able support and my other colleagues in the Regional Council for taking forward the initiatives of SIRC through their Committees and co-ordinating a number of programmes under the auspices of their respective committees.

Our special thanks to the Chairmen and their teams of Managing Committees of 36 Branches for endearing themselves to provide the best services to the members and students and hosting many programmes of SIRC with zeal and enthusiasm.

It will be our duty to mention with thanks that the 45<sup>th</sup> Regional

Conference was successfully organized with the phenomenal support of CA. P.V.S.P. Kumar, Chairman of Visakhapatnam Branch, Members of the Managing Committee of Visakhapatnam Branch, Chairmen of Sub-Committees and the Past Chairmen of the Branch and for their enterprising co-ordination and performance.

I thank illustrious Past Presidents of ICAI, Past Chairmen of SIRC, Past Central and Regional Council members for their good wishes and encouragement in the endeavours of SIRC during the year.

We also thank the Chairmen of other 4 Regions for their support especially for the Joint Regional Conference at Ahmedabad on 29<sup>th</sup> and 30<sup>th</sup> November 2013.

We owe our heartiest thanks and appreciation for the amount of support SIRC received from all of you, elite members of our professional fraternity and for participating in large numbers. All of you enthused us to plan newer and contemporary topics of professional interest throughout the year and your contribution for our performance during the year is immeasurable. I thank each and every one of you for wholeheartedly supporting and encouraging us.

We thank the Officers and staff of the Institute for their continued support and co-operation.

The Southern India Chartered Accountants Students' Association has done remarkable programmes under the Chairmanship of CA. B. Sekkizhar throughout the year for the benefit of students and I wish that the tempo is sustained and further improved upon in the coming years.

It is needless to state that the programmes of SIRC were highly acclaimed by the participants due to the excellent and continuous support from the Resource Persons across the Country which needs a special mention and thanks. SIRC also thanks the contributors of articles and updates which were published in the SIRC Newsletter.

**Service to the Profession**

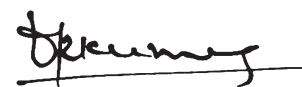
I am fortunate to have an opportunity to serve the profession as Chairman of SIRC a pleasant and privileged position bestowed on me while I recapitulate the saying -

"So long as we love we serve; so long as we are loved by others, I would almost say that we are indispensable; and no man is useless while he has a friend." - Robert Louis Stevenson, Lay Morals

I received the warmth and affection from everyone whom I have interacted personally and through this column. Your love and affection has given me and our team the energy and enthusiasm to serve you. On this occasion, I pledge to continue to dedicate myself in the service to my beloved profession and professional fraternity.

I request you to extend your continuous support to my Successors and keep the Flag of the Institute fly high and take SIRC to pinnacle of glory and scale newer heights.

Yours in professional service



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

**HIGHLIGHTS OF PERFORMANCE****SIRC of ICAI****2013-14**

- 45<sup>th</sup> Regional Conference of SIRC of ICAI at Visakhapatnam with 2407 Delegates.
- 1<sup>st</sup> Metro Regional Conference at Chennai which will be an annual feature in one of the Metros in Southern Region.
- 5 Sub-Regional Conferences at Hyderabad (Andhra Pradesh), Madurai (Tamil Nadu), Mangalore (Karnataka), Ernakulam (Kerala) and Pondicherry (Puducherry).
- 3<sup>rd</sup> Joint Regional Conference at Ahmedabad jointly with other four regions of ICAI.
- 5 National Conferences of two days each in Southern Region.
- 1<sup>st</sup> Annual Regional Residential Course at Bangalore, a well structured programme with best practices.
- 7 Regional Residential Courses at Yercaud, Ootacamund, Kodaikanal, Tirupati, Courtallam, Dindi and Kovalam.
- International tour to Thailand
- 1<sup>st</sup> December of every year declared as SICASA Day for CA Students Celebrations.
- Recommended for state of art Infrastructure at SIRC, Chennai as per the report of "Infrastructure Advisory Group".
- Inauguration of Buildings at Tirunelveli & Trichur and completion of building at Mangalore.
- Implementation of suggestions for improvement of Students and Members Services as per the recommendations of "Systems and Procedures Advisory Group".
- Improvement in Coaching Classes as per the recommendations of "Academic Advisory Group".
- Representation to Government of Andhra Pradesh for introduction of Audit under APVAT Act.
- Representation to Governments of Andhra Pradesh, Kerala and Tamil Nadu for Audit of Co-operative Societies.
- Recognition of CA Qualification as equivalent to Post Graduate Course for the purpose of pursuing Ph.D. in Andhra University, Visakhapatnam. SIRC had sent similar requests to 36 other Universities in Southern Region.
- Formation of 3 new Branches at Karimnagar, Warangal and Ongole and recommendation to form a Branch at Kurnool.
- Categorization of Branches into "Micro, Small, Medium, Large and Mega" for better and effective performance by Branches.
- Students' Activities: 5 National Conventions at Chennai, Bangalore, Hyderabad, Ernakulam and Tirupati; 1 Regional Conference; 4 State Level Conferences; and 1 Sub-Regional Conference
- Revamp of SIRC Website is in progress.
- Contribution to Chartered Accountants Benevolent Fund of ₹ 44.22 lakhs from Members of Southern Region during 2013.
- Inter Branch Cricket Matches at State Level and Inter State Cricket Matches at Regional Level.
- Organized Blood Donation Camp on 1<sup>st</sup> July 2013, 1<sup>st</sup> December 2013 and 1<sup>st</sup> & 2<sup>nd</sup> February 2014.

# Seminar on Tax Implications on Works Contracts

P Brahmayya Memorial Hall,  
'ICAI Bhawan' No. 122, MG Road,  
Nungambakkam, Chennai-600034

CPE Credit  
**6**  
HOURS

Friday, March 7, 2014 (5.00 pm to 8.00 pm, followed by Dinner)  
Saturday, March 8, 2014 (9.30 am to 12.30 pm, breakfast 8.30 am)

Topics	Resource Persons
TNVAT on works contact	CA. J. Murali, Chennai
Interactive open House	Panel of Experts
Service Tax on works contract	CA. V. Prasanna Krishnan, Chennai
Interactive open House	Panel of Experts
<b>DELEGATE FEE : ₹ 1000</b>	
CA. D. Prasanna Kumar Chairman, SIRC	CA. P. R. Aruloli Secretary, SIRC

## WORK DISPOSAL POSITION

The position of disposal of various matters relating to Members and Students of Regional Office, Chennai as on 25/01/2014 is as under:

Particulars	Disposal of records received upto
<b>Members</b>	
Enrolment of Members	20.01.2014
Fellow Admission	22.01.2014
Grant of COP	24.01.2014
Restoration of Name	21.01.2014
Constitution of Firms	22.01.2014
Reconstitution of Firms	21.01.2014
Paid Assistant	20.01.2014
Change of Address – Members	24.01.2014
Change of Address – Firms	21.01.2014
<b>Students</b>	
Registration of Articles	10.01.2014
Re-registration of Articles	09.01.2014
Industrial Training	24.12.2013
Termination of Articles	09.01.2014
Completion of Articles	10.01.2014
Permission to pursue Other Courses	10.01.2014
Despatch of Materials – CPT	15.12.2013
Despatch of Materials – IPCC	31.12.2013
Despatch of Materials – ATC	31.12.2013
Despatch of Materials – Final	31.12.2013
Despatch of Materials - ITT	31.12.2013

## OFFICE OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

9, DEEN DAYAL UPADHYAYA MARG, NEW DELHI-110124.

Empanelment of Chartered Accountant firms  
for the year 2014-2015

Applications are invited online from the firms of Chartered Accountants and Chartered Accountants Limited Liability Partnerships (LLPs) who intend to be empanelled with this office for appointment as auditors of Government Companies/Corporations for the year 2014-2015. The format of application will be available on our website: [www.saiindia.gov.in](http://www.saiindia.gov.in) from **1<sup>st</sup> January 2014 to 15<sup>th</sup> February 2014**. Chartered Accountant firms/CA LLPs can apply/update the data showing the status of their firm as on 1<sup>st</sup> January 2014 and generate online acknowledgement letter for the year. They are also required to submit related documents (to be notified in this office website) to this office by 31<sup>st</sup> March 2014. Only the Chartered Accountant firms/CA LLPs who have generated online acknowledgment letter for the year 2014-2015 and submitted the required documents before the due date will be considered for empanelment.

### EDITORIAL BOARD

**Editor** : CA. D. Prasanna Kumar

**Members** : CA. P.R. Suresh CA. M. Devaraja Reddy  
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### DISCLAIMER

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



# International Fiscal Association

**Bangalore Sub-chapter**

21<sup>st</sup> February (Fri) & 22<sup>nd</sup> February, 2014 (Sat) @ The Hotel Capitol, Bangalore

## “Emerging Tax Trends for Cross-Border business in India”

The Indian tax authorities have been spear-heading a strong evolution of taxation principles impacting cross-border business in India. Added to this are the recent developments in the area of FEMA, BEPS, Companies Act 2013 which emerge as a new legal arena to reckon with.

In this backdrop, IFA Bangalore Sub-Chapter has taken initiative of conducting conference on International Taxation to discuss on these latest international taxation trends. Eminent professionals with rich practical experience have agreed to contribute for the deliberations at the Conference.

### International Tax Developments

- BEPS-OECD developments and approach of developing countries
- Attribution of Profits- India's approach post UN Model and OECD model

### International Tax Issues

- India's approach on Interpretation of Treaties Past and Future (Relevance post Verizon/Sanofi ruling)
- Indirect Transfer and GAAR- Future controversies and way-forward

### Transfer Pricing- Emerging Trends

- Recent Rulings- what is in store for future
- Emerging Trends in India and developing country
- Beneficial Ownership and Substance
- Beneficial Ownership- Issues and India approach
- Substance over Form- Intermediary Holding co and Challenges
- PE- Challenges in Digital Economy

### Foreign Tax Credits and Revenue Authorities – Emerging Approach

- Foreign Tax Credits- India and Emerging Approach
- Approach of Revenue Authorities- Global Trends

### Cross Border Mergers and Acquisitions

- Tax issues and Treaty issues
- Company Law and RBI issues

### Panel Discussion

### DELEGATE FEES:

For IFA Members: ₹ 3000

For Non members : ₹ 3500\*

[ Group Discount of ₹ 500 per person if 3 or more register from one organisation ]

Email :ifa.bangalore@gmail.com

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Advt.



## ADVANCE RULINGS or CLARIFICATIONS in Southern VAT Acts and Settlement Commission in Kerala Enactment

CA Ambati Chinna Gangaiah  
Hyderabad  
agcpower@icai.org

In present day taxation or corporate or other laws are implemented by the Government authorities following the Judgments of the Courts / Tribunals, clarifications, circulars, advance rulings besides the provisions specified in the concerned statutes. The administrative authorities of taxation laws or corporate or other laws are given the power to issue circulars, clarifications, notifications, trade notices beside the instructions to the subordinate officer in implementing the provisions of the Act. The exercise of power is necessary to remove the difficulties in implementation of the enactment. The law implementing authorities normally after considering the request from the common man; issues such clarification on the issue specified or general circular to cover the situation.

The principle of advance ruling is a product generating out of the clarifications. The advance ruling or clarification is to specify

1. The effect of legal provisions to the specified circumstances depending upon the facts of each case and law prevailing at time of facts.
2. To reduce the litigation in the implementation of the enactments.
3. But not to curtail the rights of the common man
4. But not to negate the judicial pronouncements. Normally the advance ruling is not possible to negate the judicial pronouncements. The reason is that advance ruling is to be given within four walls of the enactments.

The provisions of the enactment may restrict the matters for which advance ruling may be preferred. But in some enactments, the advance ruling is available to all the matters. The advance ruling if prescribed in the enactment is appellable to the prescribed authorities. In the event, the same is considered as not appellable orders, the provisions of Article 226 of the Constitution are to be invoked.

Section 245 N to 245 V of Income Tax Act deal with advance ruling. The advance ruling authority normally either under provisions of law or otherwise does not entertain the matter pending before any authority including before appellate authorities. The authority considers the matters concerned with transactions with non-residents.

Section 67 of AP VAT Act and Rule 66 of AP VAT rules deal with the advance ruling. Section 67 of AP VAT Act empowers the Commissioner to appoint three members not below the rank of Joint Commissioners as members of the Committee. The committee disposes the applications received not in respect of the matters pending before any authorities. The advance

rulings given by the committee is binding on all officers of the department other than the Commissioner and the appellant if the appellant does not exercise his right of appeal. The officers of the departments are not permitted to decide the issue pending before Authority for clarifications and advance rulings. The Commissioner can request the authority to clarify any issue and the Commissioner cannot revise the ruling given by the authority as the authority is not sub-ordinate to Commissioner.

The applicant has to apply in Form 570 with fee of ₹1000 in respect of any matter pertaining to implementation of AP Value Added Tax Act, 2005 provided no issue sought for clarification should be pending before any authority. The applicant can raise the issues pertaining to the applicant in one single form. The authority has power to review the ruling given. The applicant if aggrieved by the ruling can appeal to Sales Tax Appellate Tribunal within 30 days of receipt of the ruling.

Commissioner U/s 77 and the Government U/s 76 has the power to clarify on any issue on the application if the issue is pending before any authority.

Section 77 of Puducherry Value Added Tax Act uses identical language to AP Value Added Tax Act. Commissioner of Commercial Taxes appoints the Authority with Deputy Commissioner as Chairman and two Commercial Tax officers as members. The applicant has to apply in Form ZZ for clarifications. The applicant if aggrieved by the ruling can appeal to Sales Tax Appellate Tribunal within 60 days from the date of receipt of the ruling.

Section 59 of Karnataka Value Added Tax Act specifies the Authority for Clarifications and Advance Rulings. The Authority normally consists of Three Additional Commissioners of Commercial Taxes. All the officers and Karnataka Appellate Tribunal are not permitted to decide the issue pending before the authority. The ruling is binding on the applicant for the concerned period and on the concerned assessing authority. No appellate authority is prescribed. Hence Writ is to be preferred under Article 226 of the Constitution if the applicant is aggrieved.

Section 60 deals with the clarification to be given by the commissioner on application by the applicant. The power of the commissioner may be exercised on application by the dealer.

Section 48 A of Tamil Nadu Value added Tax Act specifies the Authority for clarifications and advance rulings. Normally the authority consists of the Commissioner and two Additional Commissioners. The applicant may apply for advance ruling in Form VV with one issue. The applicant has to prefer the

separate application in respect of separate goods.

Section 94 and Rule 78 of Kerala Enactment deals with the authority for clarifications and advance ruling. The authority consists of three officers in the rank of Joint and Deputy Commissioners. The applicant has to apply to the authority in Form 24 in respect of rate of tax on any goods, transaction, on the issue of dealer (or not) or any other issue. Section 97 of the Act permits the Government to give any clarification to remove the difficulty in interpretation of the act.

Section 61 and Rule 79 of Kerala Enactment deal with Settlement Commission. The functioning of Settlement Commission may be at par with the Settlement

Commission under direct tax laws. The applicant has to file Form 36 in quadruplicate with original assessment order with or without appeal or revision orders with the copy of books of

account or any other document to support to the application before Settlement Commission. The Commissioner after getting appropriate report or communication from concerned Deputy Commissioner and hearing the applicant; decides the issue before it.

Steps may be taken to suggest appropriate government for amending the concerned laws to have settlement commission in Tamil Nadu, Andhra Pradesh, Karnataka and Puducherry to avoid unnecessary litigation. In some cases, production of record in respect of all transactions; may not be possible.

The VAT laws of southern states and Puducherry may have identical provisions for clarifications and advance ruling, the mechanism reducing the litigation in large scale. The mechanism should be redesigned to consider the issues pertaining to enactments administered by the Commercial Tax Department. ■

#### Results of All India Regions Quiz Contest and Elocution Competition, 2013-14 for CA Students

QUIZ CONTEST	Winners	Team EIRC	Mr. Gourav Garg (ERO-0135091)
	Runners-up		Mr. Sahil Modi (ERO-0187294)
	Winners	Team SIRC	Mr. Karthik Narayan (SRO-0386261)
	Runners-up		Mr. Sanjay S. (SRO-0332827)
ELOCUTION COMPETITION	First Prize	Ms. Navni Bhartiya (CRO-0283249)	
	Second Prize	Ms. Onam Aggarwal (NRO-0248861) Mr. Kartik Srinivasan (WRO-0381736)	
	Third Prize	Ms. Shreya Narang (CRO-0380151) Mr. Mudit Pankaj Yadav (WRO-0385751)	

#### Arrangement of specialised loan scheme for Members of ICAI & Educational Loan Scheme for Students of ICAI from Bharatiya Mahila Bank Ltd., New Delhi

The Committee for Capacity Building of CA Firms and Small & Medium Practitioners (CCBCAF&SMP), ICAI has taken a major initiative for arranging the specialized loan scheme for the members of ICAI & Educational Loan for the Students of ICAI along with BOS, ICAI from Bharatiya Mahila Bank Ltd., New Delhi. The Lady Members & students would avail 1% discount in the aforesaid scheme on the prevailing rate of interest offered by Bharatiya Mahila Bank Ltd., New Delhi.

The specialised loan scheme for the members of ICAI includes construction of office premises, for acquisition of ready built new office premises, partly or fully constructed, to finance cost of land and construction thereon, to finance cost of furniture & fixture, fittings of office equipments/computers/other accessories etc. & to finance working capital and /or financing receivable/other current assets.

The Education loan scheme for the students includes fee payable to Institute, Examination / Library Fee, Fee and other charges payable to hostel/PG charges, if any, Purchase of books / stationery/ equipments / instruments, Personal Computers / Laptops/Tablets wherever required, Caution deposit / building fund / refundable deposit supported by institution bills / receipts, Any other expenses required to complete the course - like study tours, project works, thesis etc., Insurance premium of the student borrower etc.

## Updates

### Direct Taxes

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#### 1. Tax deduction not to cover service tax component if mentioned separately:

The CBDT in Circular No.1 of 2014 dated 13.01.2014 took note of the Rajasthan High Court decision in the case of CIT (TDS), Jaipur v. Rajasthan Urban Infrastructure wherein it was held that if the amount of service tax is to be paid separately and was not included in the fees for professional services or technical services, no tax is required to be deducted on the service tax component under section 194J of the Act. The CBDT looked into the matter afresh and in exercise of the powers conferred under section 119 decided that wherever the terms of the agreement between the parties provide for service tax component being indicated separately, tax shall be deducted excluding the service tax component. This will apply for all tax deductions and is not confined to payments covered under section 194J alone.

#### 2. Disallowance under section 40(a)(ia) will apply to amounts payable at any time during the previous year:

The CBDT Circular No.10/DV of 2013 dated 16.12.2013 took note of various tribunal and court decisions which provide for invoking section 40(a)(ia) disallowance only in respect of amounts shown as payable on the closing date in respect of which tax is deductible at source but was not deducted and remitted by the payer. The decision in favour of revenue rendered by Gujarat High Court in CIT v. Sikandarkhan N. Tunwar (2013) 357 ITR 312 (Guj) was also referred in the said "Departmental View". The Board opined that the provision of section 40(a)(ia) would cover not only amounts which are payable as on 31<sup>st</sup> March of a previous year but also amounts which are payable at any time during the year.

It opined that the expression "payable" would include "amounts which are paid during the previous year". It advised that where any High court decides an issue contrary to the "Departmental View", the "Departmental View" thereon shall not be operative in the area falling in the jurisdiction of relevant High Court. However, the CCIT must bring the judgment to the notice of CTC to decide whether filing of SLP to the Supreme Court is to be made or some legislative amendment is to be called for.

#### 3. Issue of intimation and refund beyond time in certain cases:

In Instruction F.No.225/196/2013-ITA.II dated 17.12.2013 the CBDT by virtue of its powers conferred under section 119(2)(a) of the Act, has relaxed the time frame for processing of returns prescribed in second proviso to section 143(1). Thus where the assessee has filed returns in accordance with section 139/142(1) and due to technical or other reasons not attributable

to the assessee, the date of sending intimation under section 143(1) has lapsed before 01.04.2013 the CBDT has directed processing and intimation of such processing to be sent to the assessee in accordance with section 143 by the Assessing Officers notwithstanding the time limit for the same might have expired. It gave a note of caution that this relaxation by way of extended time limit would apply only where a valid return was filed as per the provisions of the Act with refund claim but has remained pending beyond the prescribed date due to reasons not attributable to the assessee. This will not apply to cases where the tax demand is shown as payable in the return of income or a demand is determined as payable as a result of processing beyond the date prescribed in second proviso to section 143(1).

#### 4. More information and materials to Commissioner in respect of settlement cases:

The CBDT on 15<sup>th</sup> January, 2014 has amended sub-rule (1) in rule 44CA of the Income-tax Rules, 1962 whereby all annexures and statements will be sent to the Commissioner while calling for a report under section 245D(2B). The sub-rule (2) has been substituted such that "all material and other information" produced by the assessee before the Settlement Commission shall be sent to the Commissioner to enable him to furnish a report under section 245D(3).

As per sub-rule (3) of rule 44CA newly inserted, if the proceeding before the Settlement Commission abates, all material and other information produced by the assessee and the results of any enquiry held or evidence recorded in the course of proceedings shall be sent to the Commissioner. ■

### Central Excise and Service Tax

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#### 1. Amendment in sponsorship of sporting events.

In this Amendment sponsorship of sporting events by country is also exempted the relevant amendment is as follows.

In the notification No 25/2012 in the opening paragraph, in entry 11, in item (a), for the words "district, State or zone", the words "district, State, zone or Country" shall be substituted.

NOTIFICATION N01/2014, Dated: January 10, 2014

#### 2. Levy of service tax on services provided by a Resident Welfare Association (RWA) to its own members. Clarification issued

##### Query

(i) In a residential complex, monthly contribution collected from members is used by the RWA for the purpose of making payments to the third parties, in respect of commonly used services or goods [Example: for providing security service for the residential complex, maintenance or upkeep of common area and common facilities like lift, water sump, health and

fitness centre, swimming pool, payment of electricity Bill for the common area and lift, etc.]. Is service tax leviable?

#### Answer

Exemption at Sl. No. 28 (c) in notification No. 25/2012-ST is provided specifically with reference to service provided by an unincorporated body or a non-profit entity registered under any law for the time being in force such as RWAs, to its own members.

However, a monetary ceiling has been prescribed for this exemption, calculated in the form of five thousand rupees per month per member contribution to the RWA, for sourcing of goods or services from third person for the common use of its members.

#### Query

(ii) If the contribution of a member/s of a RWA exceeds five thousand rupees per month, how should the service tax liability be calculated?

#### Answer

If per month per member contribution of any or some members of a RWA exceeds five thousand rupees, the entire contribution of such members whose per month contribution exceeds five thousand rupees would be ineligible for the exemption under the said notification. Service tax would then be leviable on the aggregate amount of monthly contribution of such members.

#### Query

(i) Is threshold exemption under notification No. 33/2012-ST available to RWA?

(ii) Does 'aggregate value' for the purpose of threshold exemption, include the value of exempt service?

#### Answer

Threshold exemption available under notification No. 33/2012-ST is applicable to a RWA, subject to conditions prescribed in the notification. Under this notification, taxable services of aggregate value not exceeding ten lakh rupees in any financial year is exempted from service tax. As per the definition of 'aggregate value' provided in Explanation B of the notification, aggregate value does not include the value of services which are exempt from service tax.

#### Query

If a RWA provides certain services such as payment of electricity or water bill issued by third person, in the name of its members, acting as a 'pure agent' of its members, is exclusion from value of taxable service available for the purposes of exemptions provided in Notification 33/2012-ST or 25/2012-ST

#### Answer

In Rule 5(2) of the Service Tax (Determination of Value) Rules, 2006, it is provided that expenditure or costs incurred by a service provider as a pure agent of the recipient of service shall be excluded from the value of taxable service, subject to the conditions specified in the Rule.

For illustration, where the payment for an electricity bill raised by an electricity transmission or distribution utility in the name of the owner of an apartment in respect of electricity consumed thereon, is collected and paid by the RWA to the utility, without charging any commission or a consideration by any other name, the RWA is acting as a pure agent and hence exclusion from the value of taxable service would be available. However, in the case of electricity bills issued in the name of RWA, in respect of electricity consumed for common use of lifts, motor pumps for water supply, lights in common area, etc., since there is no agent involved in these transactions, the exclusion from the value of taxable service would not be available.

#### Query

Is CENVAT credit available to RWA for payment of service tax?

#### Answer

RWA may avail cenvat credit and use the same for payment of service tax, in accordance with the Cenvat Credit Rules.

CIRCULAR NO175/01 /2014 Dated: January 10, 2014

### 3. CENVAT Credit Rule amended

I. The explanation to the proviso to sub rule 5B of rule 3 of the CENVAT Credit Rules, 2004 shall be omitted.

The effect is if the CENVAT credit has been taken and cleared as such the duty has to pay equal to CENVAT Credit already taken. If the assessee fails to pay it should be recovered as duty wrongly taken. Now this provision was deleted.

II. Reversal of CENVAT Credit when remission of duty is granted

In sub-rule (5C), after the words "production of said goods", the words "and the CENVAT credit taken on input services used in or in relation to the manufacture or production of said goods" shall be inserted.

The effect is if the remission order is obtained by the manufacturer the Inputs and input services also needs to be reversed. Before this amendment Inputs only needs to be reversed.

After sub-rule (5C), the following explanations shall be inserted, namely: -

Explanation 1. - The amount payable under sub-rules (5), (5A), (5B) and (5C), unless specified otherwise, shall be paid by the manufacturer of goods or the provider of output service by debiting the CENVAT credit or otherwise on or before the 5th day of the following month except for the month of March, where such payment shall be made on or before the 31<sup>st</sup> day of the month of March.

Explanation 2. - If the manufacturer of goods or the provider of output service fails to pay the amount payable under sub-rules (5), (5A), (5B) and (5C), it shall be recovered, in the manner as provided in rule 14, for recovery of CENVAT credit wrongly taken and utilised.

NOTIFICATION NO01/2014-CX., (N.T.), Dated: January 8, 2014 ■

## Tamil Nadu VAT

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As per section 8(6) of the Central Sales Tax Act, 1956(CST), notwithstanding anything contained in this section 8, an interstate sale of goods to a registered dealer who is a SEZ unit or developer, is exempt from the levy of CST if such sale is for the purpose of setting up, operation, maintenance, manufacture, trading, production, processing, etc, packaging or for use as packing material or packing accessories in a unit located in any special economic zone or for development, operation and maintenance of special economic zone by the developer of the special economic zone, if such registered dealer has been authorised to establish such unit or to develop, operate and maintain such special economic zone.

The related conditions are that goods should be purchased by a registered dealer and the goods involved were included in the CST registration certificate of such buyer. The buyer situated in SEZ is to issue the prescribed form I to the seller duly filled in and signed.

When such sale is not covered by proper form I whether the related input tax credit is to be reversed or not?

The rules 10(9)(a) and 10(9)(b) of TNVAT Rules 2007 stipulates about the eligibility of input tax credit only if the form C or as the case may be the form F is filed and no such explicit restriction is placed with respect to the non filing of form I.

But Section 19(2)(v) and its proviso refers about the allowability of input credit in respect of sale taking place as per section 8(1) only and the sale to SEZ falls under section 8(6) of the CST Act 1956.

One possible view is that there is no eligibility to avail input tax credit at all since the sale to SEZ even with Form I is not specifically authorised.

The basis for the claim of input tax credit is the purchase of goods with tax invoice showing the prescribed particulars. The reversal of input tax credit is stated in various sub sections of section 19 of the Act and the rules made thereunder.

For non submission of form I, no reversal is prescribed in the TNVAT Act 2006 or the rules made thereunder. Hence, one may conclude that the input tax credit involved is not to be reversed in respect of inter State sale of goods to SEZ not covered by form I.

When the sale under section 8(6) of the CST Act is exempted, whether reversal of input tax credit as per section 19(5) of TNVAT Act 2006 is to be made or not?

Section 19(5) (a) of TNVAT Act states that no input tax credit shall be allowed in respect of sale of goods exempted under section 15. Section 15 mentions exempted sale as sale of goods specified in the Fourth Schedule and the goods exempted by notification by the Government by any dealer shall be exempted from tax. As the sale to SEZ of types of goods for the specified purposes, as per section 8(6), is not sale of exempted goods there may not be any need to reverse the input tax credit at all. ■

## Andhra Pradesh VAT

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### Commissioner's orders:

CCT's Ref. No. LV(4)/238/2013 Date: 27-01-2014 - K.L. Sreedhar Reddy – Refund of TDS of Rs. 77,62,502 specified as erroneous and prejudicial to revenue and – non-availing the opportunity to rebut the revision show cause notice – revision confirmed by Commissioner – (assessee/ dealer is to take Special appeal lies to High Court).

### Advance Ruling & Benefit of Doubt:

State of Andhra Pradesh Vs. ViswaVijetha Agencies (2013) 57 APSTJ 158 (APHC) – binding on all officers other than Commissioner – ambiguity to be replied in favour of the assessee/ dealer – reduction of tax on credit notes though Rule 16(3)(f) was on statue.

### Authority for clarifications and Advance Rulings - given in January 2014:

A.R.Com/55/2013 dated 6-1-2014 - SamaGreentech Private Limited - acrylic solid surface sheet is taxable @ 14.5% under schedule VI to the Act - not covered by item 100(163) and item 100(164) and also any other entry of Schedule IV to the Act.

A.R.Com/42/2013 dated 6-1-2014 - Standard Tiles - the buying State Government Departments or Central Government need not deduct any amount towards VAT on the sales of goods made by any VAT dealer, except by way of 'works contracts'

A.R.Com/44/2013 dated 6-1-2014 - Hindustan Colas Limited – issue pending before STAT against other advance ruling - Thus, the issue is admittedly already pending before the Hon'ble Sales Tax Appellate Tribunal: A.P: Visakhapatnam Bench. Hence, under Section 67(2)(i) of the APVAT Act, 2005 this application is not maintainable.

A.R.Com/49/2013 dated 10-01-2014 -Prakruthik Health Care - Nano cleanseis a cleaning product for "Vegetables, fruits and sometimes for meat and poultry", like a detergent for cloths and is clarified as a commodity falling under Vth Schedule to APVAT Act, 2005, liable to tax @ 14.5%.

A.R.Com/52/2013 dated 10-01-2014 - Patny Systems (P) Limited - "GI Flats", "MS angles and "GI Wire" are covered in item-70 of Schedule IV to the APVAT Act, 05, hence taxable @ 5%.

A.R.Com/45/2013 Date: 18-01-2014 - Wheels India Limited - It is clarified that 'Disces' covered by item -70(VIII) of Schedule IV to the APVAT Act liable to tax @ 5% accordingly. But rims and drums, do not fall within the category of wheels, Wheel sets, tyres and axles.

A.R.Com/43/2013 Date: 18-01-2014 - Exide Industries Limited -1)CST Advance way bill for importing of general purpose Exide batteries from outside the state is not required under Rule-55(2) of APVAT Rules, 2005 – 2) scrap of Valve regulated lead Acid batteries (VRLA) of HSN Code-8507.20.00 is also taxable @ 5% - scrap of "Other Batteries" (not covered by item-100, sub-tem-224 & 227) is liable to

tax @ 14.5% - 3) Lead acid, of a kind used for starting piston engines (with HSN Code-8507.10.00) alone are liable to tax @ 5%, but any other VRLA batteries, particularly if, covered by HSN Code-8507.10.00 are liable to tax @ 14.5%.

A.R.Com/88/2013 Date: 22-01-2014 - Hyline Enviro Engineers - Film Tech Membranes are liable to tax @ 5% (as of now) under item 102(4) (k) of the Act - centrifugal pumps, sold with the brand name of sumo pumps, are covered under item 17 of Schedule IV to the Act liable to tax @ 5% (presently).

Additional / Joint Commissioner's orders – Revision or Stay:

CCT.Ref.No.L.III [1]/225/2013 dated 9-1-14 - Sri Bhavani Sweets & Bakery - Only when the appeal is pending before the ADC or STAT, the stay petition is maintainable.

CCT's Ref. No.LV(4)/6/2013 Date: 21-01-2014 - Lakshmi SrinivasaDall Mill, Tenali – F form covered transactions more than one month – rejected exemption for all transactions - revision confirmed.

CCT's Ref. No.LV(4)/354/2010 Date: 21-01-2014 - Deepak Enterprises - Under APVAT Act, AMC is to be paid on the sale of goods and it will become a part of value addition and form part of taxable turnover.

#### ADC orders :

ADC PG Division - Appeal No.PV/198/2013-14 – 15-1-2014 - MAK Projects (P) Limited - Thus, merely because the dealer received any amount towards advance, which ultimately deductible from the total consideration towards sale of apartment to them while registering the same in their name, no levy can be made on such an advance amount as the same amounts double taxation.

#### Rejection of Appeal:

Sri Dhanalakshmi Rice & Boiled Rice Mill Vs. The Appellate Deputy Commissioner (CT) Guntur – (2013) 57 APSTJ 167 (APHC) – admission of the appeal by mistake ignoring the pre-deposit was made beyond the prescribed period and kept the appeal pending for nearly 2 years, cannot reject the appeal on the ground that the pre-deposit was not made within the prescribed period.

#### Assessment:

Gunisetty China GunnaRaju Traders Vs. CTO, Chinawaltair Circle – (2013) 57 APSTJ 157 (APHC) - Section 21(4) Any assessment made beyond the period specified – 4 years; is barred by limitation.

#### Service Tax Collections:

InfresMethodex Limited Vs. State of Andhra Pradesh – (2013) 57 APSTJ 186 (APSTAT, Hyderabad Bench) – opting composition scheme u/s 4(7)(c) – VAT not to be levied on the Collection of Service Tax and other levies, as such taxes not related to SALE of any GOODS but are relatable to Service only.

#### Recovery of Tax:

Katuri Medical College & Hospital Vs. Commercial Tax Officer, Lalapet Circle (2013) 57 APSTJ 175 (APHC) - The ratio laid down by the A.P.

High Court in the case of Anab-E-Shahi Wines and Distilleries Private Limited - 21 APSTJ 98 / 98 STC 396 holding that no recovery steps could be initiated till the stay petitions are disposed of, equally applies when the revision petitions are pending before the Additional Commissioner or the Joint Commissioner. Till the disposal of the above petition by the said authority, no recovery steps U/s 29 of the Andhra Pradesh Value Added Tax Act, 2005. ■

## Kerala VAT

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Annual Budget of Kerala for the financial year 2014-15 is presented before the Legislative Assembly. In the budget speech, The Honourable Minister for Finance has proposed changes in the rates of tax of many commodities. As the Finance Bill is yet to be introduced, changes mentioned below are extracted from the Budget Speech.

1. Subsidy portion of LPG Paper cups, Rice bran oil, Maida and wheat powder and Soaps exclusively manufactured from coconut to be exempted from levy of VAT.
2. Tax on works contract undertaken for Kochi Metro to be exempted. Conditions to be specified.
3. Provisions to be added to KVAT Act to specify that exemption applicable to SEZ will be available to sub contractors also.
4. Tax of Orid dhal to be reduced to 1%.
5. Furnace oil used by vessels engaged in Coastal transport to be reduced to 5%. Conditions to be specified.
6. Ayurvedic cosmetics manufactured and sold under Drug License to be reduced to 4% for the period from 13-11-2009 to 31-03-2012. (Tax for this commodity had been reduced to 4% for the period from 01/04/2005 to 13/11/2009 by the Finance Act, 2011).
7. The tax rate of various types of cakes, halwa, mixture, laddu and jelabi to be 5%. Irrespective of whether they are branded or unbranded.
8. The tax on soya chunks to be reduced to 4% up-to 31-03-2012 and from 01-04-2012 to 31-03-2013, the applicable rate would be 5%.
9. The tax for rubber spray and all LED equipments used for lighting purpose oil to be reduced to 5%.
10. Edible oils except coconut oil to be taxed at 5%.
11. Uninterrupted Power Supply and invertors to be taxed at 14.5%.
12. Aluminium composite panels to be taxed at 14.5%.
13. Dealers having turnover of ₹ 1 Crore to pay Turnover tax of 2% on turnover of textiles excluding ready-mades. This tax cannot be collected from the consumers.

14. Rate of tax for manufactured sand increased to 14.5%. Scheme to pay tax at compounded rates to be introduced.
15. The compounded rate of tax for units producing crushed metals increased substantially.
16. Contractors with CST registration who opt to pay tax at compounded rates to be taxed at 6%.
17. All Contractors opting for payment of tax at compounding scheme to pay tax on value of goods purchased from unregistered dealers.
18. Reduction in rate of tax payable under compounded scheme for dealers in gold ornaments.
19. Foreign Liquor other than Beer and Wine having purchase value of ₹ 400/- per case or more to be increased by 10%.
20. Restaurants which use a brand name registered under the Trade Marks Act will have to pay tax at the schedule rates.
21. At present, sale to or by Military, Naval, Air Force, NCC Canteens, Indian Naval Canteen Service, CSD, Central Police Canteens and its affiliated Kerala Police Canteens, is at half the schedule rates applicable to goods. It is proposed to limit this concession to goods purchased by such units from CSD or their approved dealers.
22. Belated filing of returns to attract interest at 36% per annum and A minimum penalty of ₹ 1,000 to be levied for non-filing of returns. ■

## Karnataka VAT

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- A. Notification No FD 216 CSL 2013 dated 5.11.2013 states that the Government of Karnataka with effect from sixth November 2013 exempts the tax payable by a dealer under the Act on sale of sugar
- B. Notification No FD 216 CSL 2013 dated 22.11.2013 states that the Government of Karnataka hereby exempts with immediate effect and up to thirty first day of March 2014 the tax and cess payable by a manufacturer of sugar (including khandasari sugar)
- C. Extension of Kara Samadhana scheme 2013 (Government order No FD 184 CSL 2013 dated 2.9.2013). The government with a view to reduce the arrears of tax, interest and penalty under the KST Act and CST Act 1956 introduced the scheme. It is applicable

up to the assessment year 31.3.2005 and remaining unpaid as on 12.7.2013. The last date of application is 28.02.2014 and the last date for making payment under the scheme is 31.3.2014.

- D. Circular No 23/2013-2014 dated 06.01.2014 has clarified certain issues on newly introduced E-sugam Notification dated 09.10.2013. E-sugam is mandatory for all kinds of packing material of all kinds, Electrical goods of all kinds including appliances, non ferrous metals in all forms, machinery of all kinds and their parts thereof, Readymade garments as defined in Third schedule. Even it is clarified that in the case of counter sales to customers the delivery is given across the counter and customer becomes owner of goods. In such cases there is no necessity of generating E-sugam. However if the goods are delivered/consigned by the seller E-sugam has to be issued for the goods under transportation.
- E. Notification No FD 228 CSL 2013 dated 14.11.2013: The Government of Karnataka exempts with immediate effect the tax payable in respect of the following goods namely
  - Prototypes of aeroplanes, helicopters and other flying machines and aero engines and systems sub systems parts and accessories including software, documentation and intangible thereof.
  - Prototypes of parts and accessories designed and developed for use in up gradation of specified number of existing flying machines for trial purposes, but excluding those which are manufactured and sold for the series upgrade
  - Prototypes of testing rigs, equipments and tools, jigs, fixtures, airborne items, engine test beds, simulators, ground support equipments and their parts and accessories, ground handling equipments and their parts and accessories designed and developed for use in handling, maintaining, operating or training purposes of any new or existing flying machine or any flying machine upgraded for trial purposes but excluding those which are manufactured and sold as a part of series upgrade subject to the condition that this exemption is applicable only when the above goods are sold by a dealer who is manufacturers of aeroplanes, helicopters and other types of flying machines on his sale including deemed sale in execution of works contract to armed forces including coast guard and defence research and development organisation and its establishments coming under the ministry of defence and border security force and Central Reserve Police Force coming under the Department of Home Affairs, Government of India for defence and Internal security needs which are a resulting of his design and development authority. ■

## ERRATA

In the update on 'Central Excise & Service Tax' published in January 2014 issue, please note the change in the CENVAT Credit as under: The rules have been amended to provide for registration of an importer as I Stage dealer so that the credit can be passed on by the importer. Earlier there was no requirement for an importer to register as a I Stage dealer.

## Banking and Insurance

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- RBI Governor has allayed fears of demonetisation. Fears arose due to the regulator's announcement that it would be withdrawing from circulation notes printed prior to 2005. He has assured that these currencies would continue to be legal tender and the reason for choosing the 2005 cut off was because the security features in currencies printed prior to 2005 were very few.
- The Regulator has brought in new norms on provisioning for restructured loans by NBFCs, bringing them on par with those applicable to commercial banks.
- To enable the Asset Reconstruction Companies in their endeavour to streamline restructure process, the regulator has allowed them to seek conversion of the debt to equity of crisis ridden companies subject to a certain cap on the shareholding percentage. Consent from creditors covering 60% of the debt would be considered adequate for this purpose.
- RBI Governor has allayed fears of demonetisation. Fears arose due to the regulator's announcement that it would be withdrawing from circulation notes printed prior to 2005. He has assured that these currencies would continue to be legal tender and the reason for choosing the 2005 cut off was because the security features in currencies printed prior to 2005 were very few.
- The Regulator has brought in new norms on provisioning for restructured loans by NBFCs, bringing them on par with those applicable to commercial banks.
- To enable the Asset Reconstruction Companies in their endeavour to streamline restructure process, the regulator has allowed them to seek conversion to equity of the debt of crisis ridden companies subject to a certain cap on the shareholding percentage. Consent from creditors covering 60% of the debt would be considered adequate for this purpose.
- RBI has constituted an expert committee to review governance by boards of banks. The committee would
  - review the regulatory compliance
  - judge possible rationalisation and enhancement in regulatory requirements
  - examine the working of these boards with regard to their focus on growth, strategy, governance and risk management
  - analyse whether these boards have the appropriate mix of capabilities, investigate issues involving conflicts of interest and review the "fit and proper" criteria for directors and
  - examine the Board compensation guidelines.

The Regulator, in order to protect the system from possible losses due to unhedged exposures, has sought to introduce from April 2014, incremental provisioning and capital requirements on entities

having unhedged foreign currency exposures. For this purpose, loss due to movement in USD-INR exchange rate based on annualised volatilities vis-avis EBID would form the basis. The provisioning would be as per the prescription given by the regulator and would be on the credit exposure of such entities. The provision so made would be in addition to standard asset provisioning. Increased risk weight has also been prescribed in such cases, which would push up the capital requirements of banks with credit exposures to such entities.

On loans against gold jewellery, RBI has asked the banks to put in place a suitable policy with the approval of their boards. The Regulator has prescribed a Loan to value (LTV) ratio not exceeding 75%. The average closing price of 22ct gold for the preceding 30 days, as quoted by Indian Bullion and Jewellery Association Limited would be the basis. For gold purity of less than 22cts, proportionate value is to be adopted.

At the international level, LIBOR probe to find out abuse of financial bench marks by players who had a role in setting them, is still on.

### 2014 Guidance Note on Audit of Banks

Being a prestigious publication of the Institute, the Guidance Note on Audit of Banks is held in high regard not only by our members but also by the Reserve Bank of India. While, normally, this Guidance Note is brought out in the month of March, the Institute is planning to bring this out in early February 2014 in order to reach its members in good time. The Central Council of the Institute has approved the draft Guidance Note on Audit of Banks in its meeting recently held in Gangtok.

## Corporate Laws

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The Ministry of Corporate Affairs has finalized the National Company Law Tribunal (Salary, Allowances and other Terms and Conditions of Service of President and other Members) Rules 2013 (to be notified in the Official Gazette)

Also, the Ministry of Corporate Affairs has finalized the National Company Law Appellate Tribunal (Salaries, Allowances and other Terms and Conditions of Service of Chairperson and other Members) Rules 2014 (to be notified in the Official Gazette) ■

### ICAI Connect and e-Samadhan Portals for Members

Recently, we launched a self-service portal and a portal for resolving the professional queries for our members-ICAI Connect and e-Samadhan respectively-during the International Conference held last month in Kolkata. The selfservice portal includes features including My Profile, My Announcements, My Payments, My Articles, My Application Status, e-Services, My Firms, My Software (s), Letters & Certificates, CPE Hours, Guidelines of Networking, Merger & Demerger, etc. Empanelled professionals will answer the queries of our members on e-Samadhan portal. Members are required to log in to SSP and click on 'e-samadhan' to register their query.



## FEMA

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### 1. Rollover of Guarantees with similar terms and conditions not to be reckoned as fresh financial commitment for FEMA (ODI) Regulations

RBI vide A.P. (DIR Series) Circular No.83, dated 03/01/2014, has decided not to treat / reckon the renewal / rollover of an existing / original guarantee, which is part of the total financial commitment of the Indian party in terms of Regulation 6 of the Foreign Exchange Management (Transfer or Issue of any Foreign Security) (Amendment) Regulations, 2004, as a fresh financial commitment, provided that :

- the existing / original guarantee was issued in terms of the then extant / prevailing FEMA guidelines.
- there is no change in the end use of the guarantee, i.e. the facilities availed by the JV / WOS / Step Down Subsidiary;
- there is no change in any of the terms & conditions, including the amount of the guarantee except the validity period;
- the reporting of the rolled over guarantee would be done as a fresh financial commitment in Part II of Form ODI, as hitherto; and
- if the Indian party is under investigation by any investigation / enforcement agency or regulatory body, the concerned agency / body shall be kept informed about the same.

In case, however, the above conditions are not met, the Indian party shall obtain prior approval of the Reserve Bank for rollover / renewal of the existing guarantee through the designated AD bank.

The above circular is effective with immediate effect.

### 2. Issue of Non convertible/ redeemable bonus preference shares or debentures – out of the reserves as part of arrangement approved by the Court – is under automatic route

RBI vide AP DIR Circular No. 84, dated 06/01/2014, has shifted the issue of Non convertible/ redeemable bonus preference shares or debentures – out of the reserves as part of arrangement approved by the Court to automatic route subject to the following conditions:

- an Indian company may issue non-convertible/redeemable preference shares or debentures to non-resident shareholders, including the depositories that act as trustees for the ADR/GDR holders, by way of distribution as bonus from its general reserves under a Scheme of Arrangement approved by a Court in India under the provisions of the Companies Act, as applicable,
- the above issue is subject to no-objection from the Income Tax Authorities.

The above circular is effective from 31st December, 2013.

### 3. ECB – enhancement of definition of infrastructure to include MRO operations of airport infrastructure:

RBI vide A.P. (DIR Series) Circular No.85, dated 06/01/2014, has amended FEMA ECB Regulations, to include

- 'Maintenance, Repairs and Overhaul' (MRO) as a part of airport infrastructure as sub-sector of Airport in the Transport Sector of Infrastructure

The above circular comes into operation with immediate effect

### 4. Establishment of LO/BO/PO – inclusion of Hong Kong and Macau in the list of countries which requires approval of RBI

RBI vide A.P. (DIR Series) Circular No.93, dated 15/01/2014, has amended Regulation 4 of FEMA Notification No. 22/2000 [Foreign Exchange Management (Establishment in India of Branch or Office or other Place of Business) Regulations, 2000] in terms of which any entity or person, being a citizen from the following countries wish to establish Liaison Office/ Branch Office/ Project Office in India shall require Prior approval of RBI

- Pakistan, Bangladesh, Sri Lanka, Afghanistan, Iran or China
- Hong Kong and Macau

The above circular is effective from 6<sup>th</sup> December, 2013.

### 5. Conversion of External Commercial Borrowing and Lumpsum Fee/Royalty into Equity – foreign exchange conversion rate – clarification

RBI vide A.P. (DIR Series) Circular No.94, dated 16/01/2014,

- has clarified that where the liability sought to be converted by the company is denominated in foreign currency as in case of ECB, import of capital goods, etc. it will be in order to apply the exchange rate prevailing on the date of the agreement between the parties concerned for such conversion. Reserve Bank will have no objection if the borrower company wishes to issue equity shares for a rupee amount less than that arrived at as mentioned above by a mutual agreement with the ECB lender. It may be noted that the fair value of the equity shares to be issued shall be worked out with reference to the date of conversion only.
- It is further clarified that the principle of calculation of INR equivalent for a liability denominated in foreign currency as mentioned above shall apply, mutatis mutandis, to all cases where any payables/liability by an Indian company such as, lump sum fees/royalties, etc. are permitted to be converted to equity shares or other securities to be issued to a non-resident subject to the conditions stipulated under the respective Regulations.

The above circular is effective from the date of issue. ■

## OBITUARY

S.No.	MRN	Name	Status	Place	Date of Death
1	001015	MR. MADHAVA RAO V K	FCA	SECUNDERABAD	23/11/2013
2	001885	MR. SANTHANAM T M	FCA	CHENNAI	25/11/2013
3	002163	MR. SATYANARAYANA GARIMELLA	FCA	SECUNDERABAD	03/11/2013
4	003321	MR. RAMAKRISHNAN NAIR G	FCA	ALAPPUZHA	16/09/2013
5	004013	MR. RADHAKRISHNA VITAL RAO T	FCA	MACHILIPATNAM	30/06/2013
6	006144	MR. CHANDRA GUPTA S P	FCA	SALEM	15/10/2013
7	006768	MR. PURNACHANDRA RAO G V	FCA	GUDIVADA	28/12/2013
8	012131	MR. MEHRA LALIT	FCA	BANGALORE	08/12/2013
9	013411	MR. PADMANABHAN G	FCA	ERODE	03/03/2013
10	019986	MR. SRIDHARAN P K	FCA	CHENNAI	24/10/2013
11	022271	MR. VAVILALA VENKATA SURYANARAYANA MURTHY	FCA	VISAKHAPATNAM	21/09/2013
12	025510	MR. SHEIK ABDUL KHADER K	FCA	CHENNAI	15/12/2013
13	202700	MR. RAJARATHINAM M S	ACA	CHENNAI	05/10/2013

May the Almighty Architect of the Universe rest the souls in peace

### IMPORTANT ANNOUNCEMENT

18<sup>th</sup> January, 2014

The next Chartered Accountants Intermediate (IPC), Final and Post-Qualification IRM Examinations will be held from 26<sup>th</sup> May to 9<sup>th</sup> June 2014. Sale of examination forms will commence from 3<sup>rd</sup> February, 2014 and last date for submission of application forms (without late fee) is 24<sup>th</sup> February, 2014 and with late fee is 3<sup>rd</sup> March, 2014.

Next Common Proficiency Test will be held on 22<sup>nd</sup> June, 2014. Sale of examination forms will commence from 4<sup>th</sup> April, 2014 and last date submission of application is 25<sup>th</sup> April, 2014.

Candidates can also apply online at <http://icaiaexam.icaai.org>. The cost of application form in such cases i.e. ₹ 500/- is waived off.

For more details, e.g., examination schedule, cities, timings etc., please visit [www.icaai.org](http://www.icaai.org).

(V. Sagar)  
Joint Secretary (Exams)

### New Branches & Chapter of ICAI

Expanding the ICAI reach further, the Council has recently approved the formation of five new branches and one new Chapter. These branches are Dibrugarh and Tinsukia in Eastern region, and Warangal, Karimnagar and Ongole in Southern region. New Chapter will be formed at Uganda (Kampala).

### Programmes at SIRC, Chennai

Workshop on Project Report  
on 4<sup>th</sup> January 2014



CA. Dr. V. Gopalan  
Chennai



CA. Priyadarshini Vijay  
Chennai

Seminar on Cloud Computing  
on 17<sup>th</sup> January 2014



CA. Paul Jayakar  
Chennai

### Seminar on Risk Based Internal Audit including SMEs on 25<sup>th</sup> January 2014



CA. Parthasarathy A.R.  
Chennai



CA. K. Vidyadharan  
Chennai



CA. Gokul Raj  
Chennai



CA. Rekha Surana  
Chennai



CA. Suneel A  
Chennai



CA. Gayathri V  
Chennai



CA. D. Ramprasad  
Chennai

### CPE Study Circle Meeting - January 2014

02.01.2014



CA. Gagandeep Nagpal  
Chennai

08.01.2014



CA. Krishnan Parameshwaran  
Chennai

22.01.2014



CA. Venkateswarlu R  
Hyderabad

25.01.2014



CA. Prasanna Krishnan V  
Chennai

25.01.2014



CA. Kuthpudin Ghose  
Chennai

29.01.2014



CA. Chandra Sekhar V  
Visakhapatnam

**ICAI Convocation  
on 8<sup>th</sup> January, 2014 at Bangalore**



From Left: CA. Gopal Krishna Raju, Treasurer, SIRC, CA. D. Prasanna Kumar, Chairman, SIRC, CA. Babu Abraham Kallivayalil, CCM, ICAI, CA. S.N. Ravindranath, Chairman, Bangalore Branch, CA. Vijay Garg, Chairman, Board of Studies, ICAI, CA. Subodh Kumar Agrawal, President, ICAI, CA. K. Raghu, Vice President, ICAI, CA. S. Santhanakrishnan, CCM, ICAI, CA. G. Sekar, CCM, ICAI, CA. V. Murali, Vice Chairman, Board of Studies, ICAI, CA. P.R. Aruloli, Secretary, SIRC, CA. Cotha S. Srinivas, RCM.

**Meet the Chairman, SIRC  
on 22<sup>nd</sup> January 2014 at Kannur**



CA. D. Prasanna Kumar, Chairman, SIRC, CA. P.R. Aruloli, Secretary, SIRC and CA. V.X. Jose, RCM, CA. P J. Jacob, Chairman and Managing Committee Members and Past Chairman of Kannur Branch of SIRC of ICAI.

**Inauguration of 8<sup>th</sup> Annual Seminar of Salem Branch  
on 25<sup>th</sup> January 2014 at Salem**



CA. D. Prasanna Kumar, Chairman, SIRC, Shri. B. Arulappa, Commissioner of Income Tax, Salem along with CA. P.R. Aruloli, Secretary, SIRC, CA. P.V. Rajarajeswaran, RCM CA. V. Madhukar, Chairman and Managing Committee Members of Salem Branch of SIRC of ICAI.

**GMCS Course Validictory  
on 18<sup>th</sup> January 2014**



Shri M. Narendra, Chairman and Managing Director, Indian Overseas Bank presenting to a participant Certificate in the presence of CA. V. Murali, Vice Chairman, BoS, ICAI and CA. D. Prasanna Kumar, Chairman, SIRC of ICAI.

**6<sup>th</sup> V. Sankar Aiyar Memorial Lecture Meeting  
on 18<sup>th</sup> January 2014 at Chennai**



Floral tributes to Late CA. V. Sankar Aiyar by Shri. Gopalakrishna Gandhi, Former Governor, West Bengal, Shri. Mani Sankar Aiyar, Hon'ble Member of Parliament, Rajya Sabha, CA. D. Prasanna Kumar, Chairman, SIRC, CA. V. Murali, CCM, ICAI, CA. P.R. Aruloli, Secretary, SIRC, CA. Gopal Krishna Raju, Treasurer, SIRC and CA. K. Sripriya, RCM and Family Members of Late CA. V. Sankar Aiyar.

**Inauguration of First Floor of ICAI Bhawan of  
Trichur Branch of SIRC of ICAI on 22<sup>nd</sup> January 2014 at Trichur**



Inaugurated by Shri P.C. Chacko, Hon'ble Member of Parliament in the presence of CA. Subodh Kumar Agrawal, President, ICAI, CA. K. Raghu, Vice President, ICAI, CA. D. Prasanna Kumar, Chairman, SIRC, CA. Babu Abraham Kallivayalil, CCM, ICAI, CA. P.R. Aruloli, Secretary, SIRC, CA. V.X. Jose, RCM, CA. Shajan TT and Managing Committee Members of Trichur Branch of SIRC of ICAI.

**Inauguration of Seminar on Direct Taxes of Tirupur Branch of SIRC  
on 25<sup>th</sup> January 2014 at Tirupur**



CA. D. Prasanna Kumar, Chairman, SIRC, along with CA. P.R. Aruloli, Secretary, SIRC, CA. P.V. Rajarajeswaran, RCM with CA. P. Kothandapani, Past Chairman, other Past Chairmen of Tirupur Branch and Managing Committee Members of Tirupur Branch of SIRC of ICAI.

**Republic Day Celebrations  
on 26<sup>th</sup> January 2014 at Chennai**



CA. D. Prasanna Kumar, Chairman, SIRC of ICAI hoisted the National Flag in the presence of CA. V. Murali, CCM, ICAI.



**1<sup>st</sup> Metro Regional Conference of SIRC of ICAI  
Technology Partner**



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