

I. Income Tax

a. Fees for foreign satellite not taxable as 'royalty'

Settling a long-pending dispute between the income tax authorities and global satellite and undersea cable companies, the Delhi High Court has ruled that the payment made for the use of transponders on foreign satellites does not constitute "royalty" and hence is not taxable in India. The judgment aligns India's position with various international forums such as the OECD. The ruling will provide relief to various satellite companies, media houses, news offices and other companies making payments for use of foreign satellites.

II. Custom & Excise

a. Enforcement of penal provisions for non-submission of Excise returns

CBEC has directed the jurisdictional Commissioners that immediate action may be taken to institute a mechanism to identify excise return defaulters and ensure that follow-up action including invoking penalty under the provisions of Central Excise law are taken against them. The jurisdictional Chief Commissioners have also been directed to monitor the proper working of this mechanism every quarter.

b. Provisional release of export - goods detained for investigation

In order to avoid inordinate detention of the seized goods entered for exportation, CBEC has streamlined the procedure of provisional release / exportation of such goods seized on account of mis-declaration in terms of quantity and value and other details:

- Where seized goods are found/suspected to be mis-declared or declaration is to be confirmed, the goods may be provisionally released on execution of bond for amount to cover redemption fine and penalty.
- Where seized goods are suspected/found to be prohibited, no provisional release of goods. Appropriate action for confiscation and penalty shall be initiated.
- Where goods are detained for testing, otherwise must be dealt on priority and detention in excess of 3 days shall be brought in notice of Commissioner of Customs.

III. Corporate Laws

a. Increase in repo rate & reverse repo rate

In an effort to tame the increasing inflation, the Reserve Bank of India (RBI) increased the repo rate yet again by 25 basis points from 6.25 per cent to 6.50 per cent and the reverse repo rate by 25 basis points from 5.25 per cent to 5.50 per cent with effect from January 25, 2011. Following the increase, various banks increased their deposit and lending rates by 25-50 basis points. Other banks are expected to follow suit.

b. Provision of 0.25% on Standard Assets by NBFCs

The Reserve Bank of India has directed all NBFCs to set aside 0.25% of their standard assets as a financial buffer to tide over economic downturns. Till now, NBFCs were required to make provision only for bad loans or non performing assets. (Standard assets are loans where borrowers regularly pay interest rates). RBI has also made it clear that NBFCs cannot take the provision on standard assets into account while calculating their net non-performing assets (NPAs).



c. Guidelines on OTC foreign exchange derivatives

RBI has issued revised guidelines on Foreign Exchange derivatives and Overseas Hedging of Commodity prices and Freight Risks for AD Category I Banks, person resident in India and person resident outside India. The guidelines covers broad principles to be followed for undertaking derivative transactions, appropriateness of the user, suitability of the product and risk management practices to be followed. The revised guidelines would be effective from February 1, 2011.

d. Amendments in Equity Listing Agreement

With an objective of enhancing the quality of reporting and disclosures made by listed entities, SEBI has amended the Equity Listing Agreement (LA) to come into effect as per dates provided in the amendment. Significant amendments in brief are as follows.

- *Submission of shareholding pattern before listing of securities*
Entities which seek their listing of their securities post-IPO shall mandatorily submit their shareholding pattern as per clause 35 of the LA one day prior to the date of listing.
- *Submission of shareholding pattern after allotment of securities*
In all cases wherein the change in capital structure due to restructuring exceeds +/- 2% of the paid up capital of the entities, the listed entities shall file a revised shareholding pattern with the stock exchanges within 10 days from the date of allotment of shares.
- *Segregation of shares into Promoter and Public in case of DRs*
In the case of listed entities which have issued Depository Receipts (DRs) overseas, details of shares held by custodians and against which DRs have been issued shall be further segregated as those pertaining to the promoter, promoter group and to the public.
- *Specified Companies to raise their public shareholding as per specified limit*
Company which has issued shares under rule 19(2)(b)(ii) of the rules to raise its public shareholding as specified minimum in the manner specified by SEBI.
- *Pre-announcement regarding date of payment of dividend & credit of bonus shares*
Companies shall have a pre-announced fixed pay date for payment of dividends and for credit of bonus shares.



Relevant due dates for the month of February, 2011**Income Tax**

7th February Deposit TDS/TCS deducted/collected during the month of January, 2011

Service Tax

5th/6th February Deposit Service Tax liability of corporate assesseees for the month ending January, 2011

Excise Duty

5th/6th February Deposit Excise duty liability for the month ending January, 2011

10th February Submit return of Excise Duty for liability for the month ending January, 2011

DVAT

25th February Submit monthly return in electronic form for the month ending January, 2011

28th February Submit monthly return in manual form for the month ending January 2011

Labour Law

15th February Deposit Employee's & Employer's contributions to provident fund for the month ending January, 2011 (grace of 5 days)

21st February Deposit ESI dues for the month ending January, 2011

25th February Submit return of Provident Fund for the month ending January, 2011.

