

### **I. Income Tax**

#### **a. New facility of downloading Form 16A from TIN-NSDL Website**

To address the problems of mismatch of details between TDS Certificates and Tax Statements, CBDT issued Circular detailing new procedure of issuance of TDS Certificates downloaded from TIN Website. As both Form No.16A (TDS Certificates) and Form No.26AS (Tax Statements) will be generated on the basis of figures reported by the deductor in the e-TDS statement filed, the likelihood of mismatch between Form No.16A and Form No.26AS will be significantly reduced.

Further, the CBDT has mandated that for deductions made after April 1, 2011, i.e., for assessment year 2012-13, Form 16A shall be issued by companies and banks by generating the certificate using the system only. Such TDS certificates generated will bear a unique six digit certificate number issued by the ITD.

Mismatch of details between the TDS certificates and the details with department lead to delay and denial of refund and/or credit of taxes by the Income Tax Department. This step will provide significant relief to all deductees as this certificate would ensure that the details provided by the deductor match with those with the income tax department.

#### **b. India inks DTAA with Colombia to avoid double taxation**

India signed a Double Taxation Avoidance Agreement (DTAA) with Colombia to incorporate provisions for effective exchange of information and assistance in collection of taxes between tax authorities of the two countries in line with internationally accepted standards. The DTAA includes the exchange of banking information and incorporates the anti-abuse provisions to ensure that the benefits of the agreement are availed of by the genuine residents of the two countries.

The agreement will provide tax stability to the residents of India and Colombia and facilitate mutual economic cooperation as well as stimulate the flow of investment, technology and services between India and Colombia.

#### **c. Increase in exemption of EPF interest to 9.5% p.a.**

Central Board of Direct Taxes increased the exemption limit of the interest earned on the Employees Provident Fund balance from 8.5% to 9.5% w.e.f. 1<sup>st</sup> September 2010 to synchronize the same with the interest of 9.5% declared w.e.f. 1<sup>st</sup> September 2010 by the Employees Provident Fund Organisation for the financial year 2010-11.

### **II. Corporate Laws**

#### **a. IFRS Update : Corporate will need to prepare two accounts to avoid tax ambiguity**

The Revenue Department and the Ministry of Corporate Affairs (MCA) have finally cleared the confusion over taxation issues after convergence of accounts with the International Financial Reporting Standards (IFRS) and decided that corporates in future will have to prepare two set of accounts — one for taxation purpose and the other for common investors and shareholders, thereby partly resolving confusion over the taxation aspect.

Earlier during the year, the Government had deferred the date for implementation of IFRS by Corporate Sector on account of unresolved differences on the treatment of various differences



in existing Indian Accounting Principles and internationally followed accounting principles, also known as IFRS.

**b. Appointment of LLP of CA as statutory auditor now permissible**

MCA has clarified that LLP of Chartered Accountants will not be treated as 'body corporate' and hence will not be disqualified from appointment as auditor by a company.

By taking LLP out of purview of 'body corporate' for the limited purpose of appointment of auditors, the government has enabled conversion of more CA firms into LLPs.

**c. Disclosure of enhanced limit of salary to specified employees in Directors' Report**

Ministry of Corporate Affairs has clarified that disclosure of particulars of specified employees in Director's Report in respect of enhanced limit of salary of Rs. 60 Lakhs per year (Rs. 5 Lakhs per month) shall be applicable to all Director's report under section 217 of companies act, 1956 approved by Board of Directors from April 1, 2011 irrespective of accounting year of the annual accounts being approved by board.

**d. Option to capitalize the foreign exchange fluctuation extended up to March 31, 2012**

Ministry of Corporate Affairs has extended the date of applicability of treatment of difference of exchange rate fluctuation as mentioned in *"Accounting Standard 11- The Effects of Changes in Foreign Exchange Rates"* in respect of the option to capitalize the foreign exchange fluctuation has been extended to March 31, 2012 from March 31, 2011. The step has been taken after the date for implementation of IFRS was deferred by another year.

**e. Green Initiative - Electronic-mode of issue of Standard Letters and Certificates by ROC**

In a move towards a 'Green Initiative', the Ministry of Corporate Affairs came out with several steps in order to cut timelines. It has been decided that all certificates and standard letters issued by the Registrar of Companies will now be issued electronically under the Digital Signature of the Registrar of Companies.

Further, The Ministry of Corporate Affairs has also allowed the participation by directors in meetings of Board / Committee of Directors or by Shareholders in General Meetings under the Companies Act, 1956 through electronic mode.

Previously, the Ministry had allowed companies to serve its notices/annual reports and other documents to its shareholders through electronic mode.

**f. Date for filing of DIN-4 Extended**

The Ministry of Corporate Affairs had made it mandatory for a director to provide PAN through e-form DIN-4. Now, the form have to be submitted latest by September 30, 2011 failing which DIN would be disabled and also would be liable for heavy penalty.

Further, the Ministry has decided that w.e.f. June 12, 2011 all DIN-1 and DIN-4 application have to be digitally signed by the practicing Chartered Accountant, Company Secretaries or Cost Accountants.



**g. Exemption from filing of Financial Statements in XBRL Mode**

The Ministry of Corporate Affairs exempted Banking companies, insurance companies, power companies, Non Banking Financial Companies (NBFCs) and overseas subsidiaries of these companies from filing of their Financial Statements in XBRL Form for the year 2010-2011.

**III. RBI****a. Interest rate on Saving Deposits increased**

Interest rate on Domestic and Ordinary Non-Resident Savings Deposits as well as saving deposits under Non-Resident (External) Accounts Scheme is increased from 3.5 per cent to 4.0 per cent per annum.

**b. Increase in Repo and Reverse Repo Rates**

The Reserve Bank of India through the Annual Monetary Policy 2011-12 decided to increase the repo rate under the Liquidity Adjustment Facility (LAF) by 50 basis points from 6.75% to 7.25% with effect from May 3, 2011. Similarly the Reverse Repo Rate now stands at 6.25% with a spread of 100 basis point below the Repo Rate.

**c. Enhancement in Provisioning rates for Non-Performing Assets and Restructured Advances**

RBI has revised provisioning norms for Non-Performing Assets and Restructured Advances as per Monetary Policy Statement for the year 2011-12.

**i. Sub-Standard Advances**

Advances classified as "sub-standard" will attract a provision of 15 per cent as against the existing 10 per cent. The "unsecured exposures" classified as sub-standard assets will attract a provision of 25 per cent as against the existing 20 per cent. However, "unsecured exposures" in respect of Infrastructure loan will attract a provision of a total of 20 per cent as against the existing 15 per cent.

**ii. Doubtful Advances**

The secured portion of advances which have remained in "doubtful" category up to one year will attract a provision of 25 per cent (as against the existing 20 per cent);

The secured portion of advances which have remained in "doubtful" category for more than one year but upto 3 years will attract a provision of 40 per cent (as against the existing 30 per cent); and

**iii. Restructured Advances**

Restructured accounts whether standard advances or non-performing advance will attract a provision of 2 per cent as against existing provision of 0.25-1.00 per cent, depending upon the category of advances.



#### **IV. Custom, Excise & Service Tax**

##### **a. DEPB scheme for exporters to end on June 30, 2011**

The Ministry of Finance notified the end of Duty Entitlement Passbook Scheme from June 30, 2011 under which, exporters claimed refund of duties on import content of their export products. The tax refund mechanism was considered to be non-compliant with the World Trade Organisation (WTO) rules because the tax refund is not based on actual import content (and hence tax) of the export product but on certain assumptions of that.

##### **b. CBEC gives clarification on Service Tax for restaurant services**

In response to queries raised by the industry, the CBEC has clarified that VAT and Luxury Tax are not to be included in the taxable value of services in the case of restaurant services and short-term accommodation services. The CBEC has further clarified that service tax is to be charged on the 'actual' tariff charged and the 'declared' tariff is only a tool to judge the taxability of the entity and not a basis of measurement of taxable value.

##### **c. Applicability of exemption of works contract service in respect of construction of dams, tunnels, road, bridges etc. to the sub-contractors**

The Board has clarified that the services received by the Work Contract Service (WCS) provider from its sub-contractors which are distinctly classifiable under the respective service heads of the Finance Act by their description cannot be classified under another sub-clause which is generic in nature. As such, the services that are being provided by the sub-contractors of WCS providers are classifiable under the respective heads and not under WCS.

CBEC made this clear in a response to the representation by Jaiprakash Associates Limited seeking to extend the benefit of exemption available to works contract service (WCS) in respect of construction of dams, tunnels, road, bridges etc. to the sub-contractors providing various services to the WCS provider on the ground that the service provided by the sub-contractors are 'in relation to' the exempted works contract service and hence should be classified under WCS itself.

##### **d. Prosecution under Service tax only if monetary limit greater than Rs. 10,00,000**

CBEC has clarified through a circular that the prosecution proceedings would be launched only after the approval of Chief Commissioner. Further, the prosecution would only be launched in the case the monetary amount involved is Rs. 10,00,000 or more or in the case of repeat offenders only.

Prosecution provisions had been introduced in Service Tax by Finance Act, 2011 and apply in situations where there is provision of service without the issue of invoice, or availing/ utilizing CENVAT credit without actual receipt, non-payment of service tax for more than 6 months or maintaining false books o accounts.

#### **V. Delhi Value Added Tax**

##### **a. Non-Reversal of Input Credit on Closing Stock**

Government has allowed the dealers to continue filing their returns without taking into consideration the calculation of Input Tax Credit to be carried forward on closing stock. Earlier, government through an amendment in the DVAT Act provided that dealers shall be entitled to



the tax credit only on those purchased goods which have been put to sale during the relevant tax period.

**b. Last date for filing of DVAT 51 extended**

The last date for filing of Form DVAT 51 (Return of Export Sales, Inter State Sales and Branch Transfers) for all quarters of financial year 2010-11 has been extended upto 30th September 2011.

For the first quarter of the financial year 2011-12 the last date for submission of DVAT 51 has been extended upto 31st December 2011.



**Relevant due dates for the month of June 2011****Income Tax**

7th June	Deposit TDS/TCS deducted/collected during the month ended May 31, 2011
15th June	Deposit first instalment of advance income tax by corporate assesseees for financial year 2011-12

**Service Tax**

5th/6th June	Deposit Service Tax liability of corporate assesses for the month ended May 31, 2011
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**Excise Duty**

5th/6th June	Deposit Excise duty liability for the month ended May 31, 2011
10th June	Submit return of Excise Duty for liability for the month ended May 31, 2011

**DVAT**

11th June	Submit annual return in electronic form for the year ended March 31, 2011
14th June	Submit annual return in manual form for the year ended March 31, 2011
25th June	Submit monthly return in electronic form for the month ended May 31, 2011
28th June	Submit monthly return in manual form for the month ended May 31, 2011

**Labour Law**

15th June	Deposit Employee's & Employer's contributions to provident fund for the month ended May 31, 2011 (grace of 5 days)
21st June	Deposit ESI dues for the month ended May 31, 2011
25th June	Submit return of Provident Fund for the month ended May 31, 2011.

