

### **I. Income Tax**

#### **a. Direct Tax Code Introduced**

The Government of India tabled the revised Direct Tax Code (DTC) Bill in the monsoon session of the Parliament. As promised in the revised Discussion Paper, the code has addressed most of the concerns of all effected. But, with those changes, the lucrative tax rates of original Direct Tax code have also been moderated quite a bit. The date of effect for the DTC has also been postponed by an year to April 1, 2012.

Some of the key proposals put forward in the Revised Direct Tax code are as follows

- i. Individuals tax rates of 10%, 20% and 30% proposed at slabs of ₹2 Lakhs, ₹5 Lakhs and ₹10 Lakhs.
- ii. Corporate tax rates to continue at 30% instead of 25% proposed in the original DTC.
- iii. Minimum Alternate Tax (MAT) to be charged at 20% of book profits instead of at 2% of gross assets as proposed in original DTC.
- iv. Cascading effect of Dividend Distribution Tax removed in the case of subsidiary companies.
- v. Income distribution by Mutual Funds and Life insurer to be taxed at 5%.
- vi. All profit linked incentives to be withdrawn
- vii. Long term capital gains from transfer of equity shares have been exempted. Short term capital gains to be 50% exempt.
- viii. Status of Double taxation avoidance agreement vis-à-vis DTC proposed to be kept as existing.
- ix. Taxation of trusts proposed to be at par with the current position
- x. Concept of 'Presumptive rent' removed from House Property Income
- xi. E-E-E scheme of taxation retained for Provident Fund, Pension Fund and other life insurance products.
- xii. In case of Foreign companies, a branch profit tax at the rate of 15% has been proposed.
- xiii. Scope of assets taxable under Wealth Tax proposed to be increased alongwith the basic exemption limit to ₹1 Crore. Rate of taxation proposed at 1% vis-à-vis 0.25% proposed in the original Direct Tax Code.

#### **b. No MAT on Foreign Companies**

Authority for Advance Ruling (AAR) has held that the provisions of section 115JB will not be applicable to a foreign company having no physical presence or Permanent Establishment (PE) in India. (in the case of *Timken and Praxair Pacific Ltd*)

#### **c. Non-compete fees is Capital Expenditure : Delhi ITAT**

The Special Bench of Delhi ITAT has recently held that non-compete fees paid by an acquiring entity is a capital expenditure and as such not deductible from the profits of the expenditure for the computation of taxable income. This is applicable in the case, such non-compete fees is related to the acquisition of the business. Question of allowability of depreciation thereon have not been answered by the judgement.

#### **d. 'Revised' tax treaty signed with Switzerland**

India has signed a revised tax treaty with Switzerland allowing Indian tax authorities to obtain information on money stashed in Swiss bank accounts by suspected tax evaders. The treaty



holds quite a interest as estimates of money parked by Indians in such bank accounts run in several hundred billion dollars.

**e. Date for filing of ITR-V to CPC, Bengaluru for AY 2009-10 extended**

Date of filing of Acknowledgement of returns of A.Y. 2009-10 filed without digitally signing the Income Tax Return has been extended to 31st December 2010 or 120 days of uploading the return electronically, whichever is later.

## **II. Service Tax**

**a. No Service tax applicable in case of primary dealers dealing in Govt Securities**

The Government has clarified through Circular that Service tax is not chargeable in the case of Underwriting Fee or Underwriting Commission received by the Primary Dealers during the course of the dealing in Government Securities.

**b. 'Donation' to Charitable Foundation imparting free training**

The Government has clarified that 'Donation' received from different sources by a charitable foundation cannot be considered as taxable since the donation or grant-in-aid is not linked to specific trainee or training.

**c. Taxability of Works Contracts commencing before June 1, 2007**

Works Contract Tax became taxable from Jun 1, 2007. To clarify the position of contracts commencing before June 1, 2007 and taxable under other heads of services, CBEC has clarified that such contracts would be chargeable to service tax under 'Works Contract' service and hence, would also be eligible for composition scheme under Works Contract (Composition Scheme for payment of Service Tax) Rules, 2007.

## **III. Delhi Value Added Tax**

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

The last date for filing of Form DVAT 51 (Return of Export Sales, Inter State Sales and Branch Transfers) for any of the quarters for financial year 2009-10 has now been extended to October 15, 2010 from August 31, 2010.

## **IV. Corporate Law**

**a. Filing of Annual Report and other Compliances**

In order to avoid last minute rush, Ministry of Corporate Affairs has specified the order of filing of the annual returns in the month of October and November in the following manner.

<b>Company Names starting with</b>	<b>October 2010</b>	<b>November 2010</b>
Alphabets A to D	1st Oct to 05 Oct 2010	1st Nov to 05 Nov 2010
Alphabets E to K	6th Oct to 10th Oct 2010	6th Nov to 10th Nov 2010
Alphabets L to Q	11th Oct to 15th Oct 2010	11th Nov to 15th Nov 2010
Alphabets R & S	16th Oct to 20th Oct 2010	16th Nov to 20th Nov 2010
Alphabets T to Z	21st Oct to 25th Oct 2010	21st Nov to 25th Nov 2010
Remaining/ Left out companies	26th Oct to 31st Oct 2010	26th Nov to 30th Nov 2010



**V. RBI****a. Limit for ECB in Service Sector Increased**

RBI has decided to allow the corporate in the hotels, hospitals and IT Sectors to avail external commercial borrowings (ECBs) beyond the \$100 million under the approval route, for both foreign currency and/or rupee capital expenditure for permissible end uses. Presently, ECBs in the above sectors were allowed only upto \$100 million under the automatic route.

**b. Limit for ECB in Service Sector Increased**

RBI has issued a circular stipulating that Branch office/Liaison office are required to submit the Annual Activity Certificates (AACs) as at the end of March 31, on or before April 30 every year, to the designated AD Category-1 bank and a copy to the Directorate General of Income Tax.

**c. Rupee Export Credit Interest Rates**

RBI has extended the interest subvention of 2% points provided on the pre and post-shipment Rupee Export Credit to continue with changeover of banks from the BPLR to Base Rate System. Accordingly, bank may reduce the interest rate chargeable to the exporters as per the Base Rate System, but subject to a floor Rate of 7%.

**VI. Export Incentives**

With a view to support export growth amidst this fragile economic environment, the Government has come out with a ₹1000 Crore package of incentives for various exporters. Briefly, the incentives are

- a. The Duty Entitlement Pass Book (DEPB) Scheme has been extended till June 30, 2011 from Dec 31, 2010.
- b. Duty free scrips (valued at 2% of export value) for exporting to select markets.
- c. 2% rebate on interest paid on certain loans by textiles, leather and jute exporters.
- d. Scheme exempting import duty on machinery by exporters extended till March 31, 2012.
- e. 5% duty incentive on tea export to instant tea makers under the Vishesh Krishi and Gram Udyog Yojana (VKGUY)

**Relevant due dates for the month of September, 2010**

**Income Tax**

7th September	Deposit TDS/TCS deducted/collected during the month of August, 2010
15th September	Deposit first* instalment of Advance Income Tax for the financial year 2010-11
30th September	Submit return of Income tax for the financial year 2009-10 for those assesseees whose books are required to be audited under any law.

\*Second in case of Corporate Assesseees

**Service Tax/Excise Duty**

5th September	Deposit Service Tax / Excise Duty liability for the month of August, 2010
6th September	Deposit Service Tax / Excise Duty liability for the month of August, 2010 electronically.
10th September	Submit return of Excise Duty for liability for the month of August, 2010

**DVAT**

25th September	Submit monthly return in electronic form
28th September	Submit monthly return in manual form

**Labour Law**

15th September	Deposit Employee's & Employer's contributions to provident fund for the month of August 2010 (grace of 5 days).
21st September	Deposit ESI dues for the month of August 2010
25th September	Submit return of Provident Fund

