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March, 2017

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Income Tax**1. Clarifications on Income Computation and Disclosure Standards (ICDS)****Question 1:**

Preamble of ICDS-I states that this ICDS is applicable for computation of income chargeable under the head "Profits and gains of business or profession" or "Income from other sources" and not for the purposes of maintenance of books of accounts. However, Para 1 of ICDS I states that it deals with significant accounting policies. Accounting policies are applied for maintenance of books of accounts and preparing financial statements. What is the interplay between ICDS-I and maintenance of books of accounts?

Answer:

As stated in the Preamble, ICDS is not meant for maintenance of books of accounts or preparing financial statements. Persons are required to maintain books of accounts and prepare financial statements as per accounting policies applicable to them. For Example, companies are required to maintain books of account and prepare financial statements as per requirements of Companies Act 2013. The accounting policies mentioned in ICDS-I being fundamental in nature shall be applicable for computing income under the heads "Profits and gains of business or profession" or "Income from other sources."

Question 2:

Does ICDS apply to non-corporate taxpayers who are not required to maintain books of account and/or those who are covered by presumptive scheme of taxation like sections 44AD, 44AE, 44ADA, 44B, 44BB, 44BBA, etc. of the Act?

Answer:

ICDS is applicable to specified persons having income chargeable under the head 'Profits and gains of business or profession' or 'Income from other sources'. Therefore, the relevant provisions of ICDS shall also apply to the persons computing income under the relevant presumptive taxation scheme. For example, for computing presumptive income of a partnership firm under section 44AD of the Act, the provisions of ICDS on Construction Contract or Revenue recognition shall apply for determining the receipts or turnover, as the case may be.

Question 3:

Whether ICDS shall apply to computation of Minimum Alternate Tax (MAT) under section 115JB of the Act or Alternate Minimum Tax (AMT) under section 115JC of the Act?

Answer:

MAT under section 115JB of the Act is computed on 'book profit' that is net profit as shown in the Profit and Loss Account prepared under the Companies Act subject to certain specified adjustments.

Since, the provisions of ICDS are applicable for computation of income under the regular provisions of the Act, the provisions of ICDS shall not apply for computation of MAT.

Question 4:

Whether the provisions of ICDS shall apply to Banks, Non-banking financial institutions, Insurance companies, Power sector, etc.?

Answer:

The general provisions of ICDS shall apply to all persons unless there are sector specific provisions contained in the ICDS or the Act. For example, ICDS VIII contains specific provisions for banks and certain financial institutions and Schedule I of the Act contains specific provisions for Insurance business.

Question 5:

Whether ICDS is applicable to revenues which are liable to tax on gross basis like interest, royalty and fees for technical services for non-residents u/s. 115A of the Act?

Answer:

Yes, the provisions of ICDS shall also apply for computation of these incomes on gross basis for arriving at the amount chargeable to tax.

Case Laws

High Court

1. Section 32, read with section 263, of the Income-tax Act, 1961

Facts: The assessee was engaged in the business of manufacture and sale of building products and textiles. It filed its return declaring certain taxable income.

The Assessing Officer completed the assessment under section 143(3).

The Commissioner passed a revisional order whereby he disallowed the additional depreciation claimed at the rate of 10 per cent for assessment year 2011-12, in respect of machinery purchased and used, for less than 180 days during the financial year 2009-10.

Held: The plain language of section 32(1)(ia) read along with the relevant proviso brings one to come to the conclusion that there is no limitation placed on the assessee claiming the 10 per cent of additional depreciation in the succeeding assessment year. As a matter of fact, with effect from 1-4-2016, the ambiguity, if any, in this regard, in the mind of the Assessing Officer, stands removed by virtue of the Legislature, incorporating in the Statute, the necessary clarificatory amendment. A perusal of the Memorandum explaining provisions in Financial Bill, 2015, would show that the legislature recognised the fact that the manner in which the revenue chose to interpret the provision, as it stood prior to its amendment would lead to discrimination, in respect of plant and machinery, which was used for less than 180 days, as against that, which was used for 180 days or more. The amendment is clarificatory in nature and not prospective, as is sought to be

contended by the revenue. The memorandum cannot be read in the manner, in which, the revenue has sought to read it, which is, that the amendment brought in would apply only prospectively. The memorandum, which is sought to be relied upon by the revenue, only clarifies as to how the unamended provision had to be read all along. In any event, in so far as the Court is concerned, it has to go by the plain language of the unamended provision, and then, come to a conclusion in the matter. From a plain reading of the unamended provision, it could not be said that the assessee could not claim balance depreciation in the assessment year., which follows the assessment year, in which, the machinery had been bought and used, albeit, for less than 180 days. Thus, having regard to the foregoing discussion, no interference is called for with the impugned judgment of the Tribunal.

CIT v. Shri T.P Textiles(P.)Ltd [2017]

2. Section 69, read with section 147 of the Income-tax Act, 1961

Facts: During year under consideration, assessee purchased a piece of land - Assessing Officer completed assessment under section 143(3) making addition to assessee's income on basis of valuation of property by stamp duty authorities - During pendency of scrutiny assessment, Assessing Officer had made reference to District Valuation Officer as well - Against assessment order, assessee preferred appeal before Commissioner (Appeals) - In meantime, Assessing Officer received DVO's report valuing property at an amount higher than that of stamp duty valuation - Assessing Officer thus requested Commissioner (Appeals) to enhance deemed income on basis of

DVO's report - Commissioner (Appeals), opined that no addition could be sustained either on basis of stamp duty valuation or valuation report of DVO - Thereafter, Assessing Officer issued notice under section 148 to reopen assessment on basis of DVO's report. The assessee filed instant petition challenging validity of reassessment proceedings.

Held: At the outset, it is required to be noted that the scrutiny assessment under section 143(3) is sought to be reopened by the Assessing Officer solely relying upon the DVO's report. Nothing is on record that except the DVO's report there was any further inquiry and/or material available with the Assessing Officer to form an independent opinion that the income chargeable to tax has escaped the assessment for the Assessment Year 2005-06. As held by the Supreme Court in the case of Asstt. CIT v. Dhariya Construction Co. [2010] 328 ITR 515/[2011] 197 Taxman 202, opinion given by DVO was not per se information for the purpose of reopening of assessment under section 147 of the Act. Under the circumstances, solely relying upon and/or on the basis of the information in the form of DVO's report, the Assessing Officer is not justified in reopening the scrutiny assessment under section 143(3) of the Act. [Para 5] Now so far as the submission of the revenue that at the time when the Assessing Officer framed the scrutiny assessment, the Assessing Officer was not having the DVO's report though reference was already made during the assessment proceedings, which came to be received subsequently, and therefore, the Assessing Officer is justified in reopening the assessment on the basis of the information in the form of DVO's report is concerned, it is required to be noted that as such against the original scrutiny assessment under Section

143(3), the assessee preferred appeal before the Commissioner (Appeals) and in the meantime the Assessing Officer received the DVO's report. It is required to be noted that before the Commissioner (Appeals), relying upon the DVO's report, the Assessing Officer did make the request to make enhancement, however, the Commissioner (Appeals) refused to make the addition on the basis of the DVO's report by observing that no addition can be sustained based on either stamp duty valuation or the valuation report of the DVO. [5.2] Thereafter, the Assessing Officer has issued the impugned notice under section 148 and has reopened the reassessment for the assessment year 2005-06 solely based upon the DVO's report. Once having failed before the Commissioner (Appeals) to enhance the unexplained investment, relying upon the DVO's report, thereafter it was not open for the Assessing Officer to reopen the assessment on the very ground *i.e.* relying upon the DVO's report. Under the circumstances, the impugned notice under section 148 deserves to be quashed and set aside. In view of the above, the assessee's petition is allowed.

Akshar Infrastructure (P.) Ltd.v. Income-tax Officer [2017]

3. Section 13, of the Income-tax Act, 1961

Facts: The assessee was a trust duly registered under the Act, and its objects were charitable in nature. During relevant year, assessee made payments to a trustee and her heirs towards repayment of loan. It filed return claiming exemption of income under section 11. The Assessing Officer took a view that the assessee had failed to submit the details relating to receipts of the loans since it was simply said that the loans were received during the period

from 1956 to 1993 which was vague and without any basis. According to him this was nothing but transfer of trust funds to the trustees or their relatives in the pretext of repayments of loan in violation of the provisions contained in section 13(1)(c). Accordingly, assessee's claim for exemption of income was rejected. The Tribunal concurred with the Assessing Officer on the disallowance made based on the inability of the assessee to furnish evidence to prove borrowing.

Held: In this case the application of facts is based only on the evidence furnished by the assessee. It is not a case where the assessee did not disclose the identities of the persons who had given the loan and had received the repayments as claimed. The fact that the books and bank account of the assessee stood seized in the relevant period cannot be lost sight of in adjudicating whether the assessee had *prima facie* proved its claims. The Assessing Officer, however, had come to a finding that this was really transfer of trust funds to the trustees or their relatives, for their benefit, and hit by the mischief of section 13(1)(c). This was an adverse finding against the assessee. The Assessing Officer being an investigator and adjudicator, when coming to an adverse finding against the assessee, was required to record such finding adequately as duly supported by material and evidence taking into account that principles of preponderance of probabilities. He did not discharge his role of investigator by relying upon any material or evidence to support his adverse finding. Therefore, the matter is remanded back to the Assessing Officer for fresh adjudication.

Devi Kamal Trust Estate v. Director of Income-tax (Exemption), Kolkata

Value Added Tax

1. BUDGET HIGHLIGHTS

- Exemption from Levy of Sugarcane Purchase Tax for the year 2015-16 to the Sugar Factories which export sugar as per Government policy.
- Amnesty scheme for Profession Tax enrolment holder. Tax liability and penalty will be restricted to previous three years.
- Amnesty for tax administered by Sales Tax. For dues up to 31st March, 2005 subject to full tax payment, the interest and penalty shall be waived and for disputed dues from 1st April, 2005 to 31st March, 2012 subject to full tax payment, and 25% interest payment under VAT Act, balance dues will be waived.
- Exemption of VAT on Warping and Sizing of Yarn for promoting the Textile Industry.
- Turnover limit for composition to retailers under the MVAT Act increased from Rs.50 Lakh to Rs. 1 Crore.
- VAT on the Mammography machines used for detection of breast cancers exempted.
- VAT on sterile water for injections reduced from 12.5% to 5.5%.
- Bakery Industry, the turnover of tax free goods is excluded for computing the turnover for composition.
- VAT on Retrofit kit fitted to vehicles for physically handicapped exempted.
- VAT on LED Tubes reduced from 12.5% to 5.5%.
- VAT on Pyrolysis Oil reduced from 12.5% to 5.5%.

- Profession Tax exemption to the armed personnel of CRPF and BSF.
- Exemption from late fee to the Government aided educational institution for e-filing of Professional Tax returns.
- VAT on Steel Wire Mesh, Barbed Wire and Chain links reduced from 12.5% to 5.5%.
- VAT on Pencil Box, Stapler pins, Dusters, Gum and Gum-sticks used by student reduced from 12.5% to 5.5%.
- VAT exempted on the Bamboo Products excluding Bamboo furniture
- Amnesty scheme under Industrial Policy 2013 for closed and un-revivable units to be implemented a fresh.
- Logistic Hubs will be established to promote the Logistic Industry and Levy of CST will be exempted on the interstate sales effected from the Logistic Hubs.
- VAT rate increased from 5% to 5.5%, excluding declared goods.
- Motor Vehicle Tax enhanced on two wheelers and three wheelers owned by individual. Tax to be based on engine capacity - up to 99cc - 8%, 100cc to 299cc - 9%, 300cc and above - 10%. Institutional and Imported Vehicles to be subjected to double the rate of tax.
- The VAT composition tax rate 8% to hotels and restaurants having turnover of sales Rs. 3 Crore and more.
- Levy of Entry Tax on Marble and Granite slabs.
- Increase in Lottery Tax on the draws of Lotteries.
- VAT tax on Coconut hair oil sold in pack up to 500 ml enhanced to 12.5%.

- Establishment of Advance Ruling Authority for speedy disposal of disputed questions under Sales Tax Laws.
- Implementations of SAP based Computer system in Sales Tax Department. Input Tax Ledger to be made available to the tax payer.
- Pilot Project will be started by Sales Tax Department for implementation of Digital Billing system.

2. Drought Relief:

- Emphasis on dry land farming accelerated development of infrastructure, removal of disparity, development of urban areas and generation of employment opportunities for youth.
- In 2016-17, a substantial provision of Rs. 1 thousand 855 crore for Crop Insurance Scheme.
- A substantially higher provision of Rs. 2000 crore for farm ponds, wells and electric pump installation, from this fund 1, 00,000 farm ponds 37,500 wells and 90,000 electric pumps will be made available.
- Planning for renovation of 6862 ex-Malgujari tanks in the Naxal affected districts of northern Vidarbha.
- New scheme named as “Palak Mantri Pandhan Rasta Yojana” & “Palak Mantri Earth Moving Machine Kharadi Yojana” launched. Repair works of Pandhan Rasta will be allotted to rural youth.

3. Agriculture:

- An outlay of Rs 110 crore to make available crop loan with concessional rate of interest to farmers.
- To boost the production of oil seeds and pulses crop, under National Agriculture Development Scheme an outlay of Rs. 80 crore.
- New scheme launched to provides subsidy up to 25% or max 50 lakhs to set up agriculture processing units.
- An outlay of Rs. 60 crore for the new scheme called “Pandit Dindayal Upadhyay Krishi Margdarshan Yojana.” For promoting agriculture and research new Government agriculture at Buldhana & Ahmednagar, new government horticulture college at Jalgaon.
- An outlay of Rs. 10 crore for two new veterinary colleges at Jalgaon and Akola.
- Decision to implement new scheme called “Krishi Gurukul Yojana” for advanced agriculture training of farmers through role model farmers.
- An agriculture festival to be organised every district to create awareness among farmers.
- For promotion of organic farming, Organic Farming Research & Training Centres in 4 agriculture universities proposed.
- Automated weather centres at 2065 revenue blocks proposed for accurate weather forecasting.

4. Animal Husbandry:

- Setting up dairy development projects under Integrated Agriculture Development Programme, Rs. 100 crore projects involving manufacturing company of farmers to be set up in Vidarbha & Marathwada.
- Provision of Rs. 51.13 crore to set up Intensive Poultry Development Unit in 14 districts.
- For rearing of cattle, modernisation of “Valu Mata Sangopan Kendra”.
- New scheme called “Govardhan Gowansh Raksha Kendra” launched to implement the programme of rearing non lactating and unproductive cattle breed in 34 rural districts with NGO participation.
- An outlay of Rs. 30 crore for Jetty’s construction at various places in 5 coastal districts, an outlay of 15 crore for renovation of Sasoon dock.

5. Irrigation:

- Provision of Rs. 7850 crore for irrigation projects.
- Substantial outlay of Rs. 2078 crore for various 7 Irrigation projects included in “Pradhan Mantri Krishi Sinchai Yojana”.
- Water literacy and water awareness creation in society, permanent water centre at Yashada Pune & sub centre at Aurangabad Amravati, Chandrapur.

6. Rural Development:

- An outlay of Rs. 500 crore for up gradation of roads and new road connectivity under “Chief Minister Rural Road Scheme”.
- To promote sustainable development of our villages “Smart Village Scheme” proposed to provide incentive for development.
- For displaying digital board in all Gram Panchayat create awareness about Government policies.
- An outlay of Rs. 500 crore proposed, the Government will undertake
- Ambitious Chief Minister Rural Drinking Water Supply in Rural and Remote Places.
- New scheme called “Balasaheb Thakare Smruti Matoshree Gram Panchayat & Mahila Sakshamikarna Mission” for accelerating rural development.
- New scheme - “Sumati tai Sukhalikar Udyogini Mahila Sakshamikarna” to provide loan at nil interest to women SHG. An outlay of Rs. 10 crore.

7. Change in Rate of Tax

Name of goods	Current Rate	Proposed Rate
Terry Towel used in hotel	NIL	5.5%
Tea	5%	5.5%
Rice, Wheat, Pulses & their Flour, Turmeric, Chilies, tamarind, Jaggery, Coconut, Coriander seeds Fenugreek, parsley (Suva), Papad, Wet Dates, Solapuri Chaddars	Exempt	Exempt (for FY 2016-17)
Warping & Sizing on yarns	2%	Exempt
Sweet Corn	NIL	5.5%
Barbed Wire, Wire Mesh & Chain Links	12.5%	5.5%
Cotton Seeds	5%	2%
Battery Operated and Hybrid buses	5%	Exempt
Pyrolysis Oil	12.5%	5.5%
LED Tubes	12.5%	5.5%
Pencil Box, Gum, Glues etc.	12.5%	5%
Retrofit Kit used in Differently abled persons	12.5%	Exempt
Used vehicles by banks and financial institution	12.5%	5.5%
Mammography Machine	12.5%	Exempt
Sterile Water	12.5%	5.5%
Bamboo Handicraft Products	5%	Exempt

8. Composition Scheme:

- Turnover Limit for Composition retailers is enhanced from 50 lacs to 1 Crore
- Turnover calculation for bakers to exclude tax-free commodities.
- A hotel whose turnover food & non-alcoholic drinks in previous year is more than 3 crore is liable to composition rate 8%.

9. Changes to Set off Rules:

- No Setoff on Entry Tax paid on petrol & diesel
- Mobile handsets purchased locally and sold in the course of inter-state trade will now be eligible for set-off only to the extent of the liability under Central Sales Tax Act on their sales.
- Passenger vehicle if leased will be available for set-off to extent of output tax on lease.

10. Digital Billing:

- A Pilot Project of digital billing for the registered dealers selling at the last stage is proposed.

11. Logistics Hug:

- Logistic Hub in Nagpur shall be provided with exemption from CST on resale of goods notification shall be issued in due course of time.

12. Amnesty Scheme

A Dealer who has filed an appeal & recovery of disputed dues is stayed by the appellate authority can avail amnesty scheme. The condition for the same as follows:

1. It will be available if the dealer withdrawal the appeal.
2. It shall be available from 01st April 2016 to 30th September 2016.

Implications:

- Period prior to 01st April 2005, if disputed tax is paid in full then corresponding interest & penalty shall be waived.
- Period from 01st April 2005 to 31st March 2012, if 25% of disputed interest and entire disputed tax amount is paid, the balance interest & penalty shall be waived.

The Procedural Details of the scheme will be announced separately.

Service Tax

Circular

1. Circular No. 205/3/2017-ST, Dated 27-3-2017-

Service Tax - Extension Of E-Payment Deadline And Of Banking Hours For Service Tax Assesseees

- a. The Reserve Bank of India has issued instructions vide Notification RBI/2016-17/250 dated 16th March 2017 wherein it has been decided that all agency banks shall keep the counters of their designated branches conducting government business open up to 8.00 p.m. on March 30, 2017 and up to 6.00 p.m. on March 31, 2017. All electronic transactions would, however, continue till midnight of March 31, 2017.
- b. Thus the assesseees can make e-payment till the midnight of March 31, 2017.
- c. It is requested that Trade Notices may be issued to publicize the extended e-payment hours as well as the extended banking hours.

Press Release

1. Press Realese, Dated 25-03-2017-

‘Central Board of Excise & Customs’ renamed as the ‘Central Board of Indirect Taxes & Customs’

Reorganisation of the field formations of the Central Board of Excise & Customs (CBEC) for the implementation of Goods & Services Tax (GST) has been approved by the Union Finance Minister, Shri Arun Jaitley. The existing formations of Central Excise & Service Tax under the CBEC have been re-organised to implement and enforce the provisions of the proposed Goods & Services Tax Laws.

The Central Board of Excise & Customs (CBEC) is being renamed as the Central Board of Indirect Taxes & Customs (CBIC), after getting legislative approval. The proposed CBIC shall, inter alia, supervise the work of all its field formations and Directorates and assist the Government in policy making in relation to GST, continuing Central Excise levy & Customs functions.

The CBIC will have 21 Zones, 101 GST Tax payer Services Commissionerates comprising 15 sub-Commissionerates, 768 Divisions, 3969 Ranges, 49 Audit Commissionerates and 50 Appeals Commissionerates. This will ensure rendering of taxpayer services to all the taxpayers through an indirect tax administration structure, having pan-India presence.

For a robust IT Network, the Directorate General of Systems under CBEC is being strengthened. The Directorate General Tax Payer Services is being expanded for greater out-reach for facilitating smooth transition for the taxpayers to the GST environment. The existing training establishment, to be renamed as National Academy of

Customs, Indirect Taxes and Narcotics will have an all India presence, to enable capacity building to the employees of the indirect tax administration of the Centre as well as of the State Governments and to members of Trade and Industry. The renamed Directorate General of Goods & Service Tax Intelligence is also being strengthened and expanded to become an important wing of the Government in its fight against Tax Evasion and Black Money.

Case Laws**1. Service receiver can't change classification of services.**

FACTS:- The appellant was providing various taxable services like Mandap Keeper, Outdoor Catering, GTA, Health and Fitness etc. It had availed cenvat credit on various input services. The appellant had availed services in connection with polishing, grinding of marble floor etc. in terms of a contract and claimed exemption under Notification No. 1/2006 - ST, dated 1-3-2006. The revenue by entertaining a view that the said exemption was not available to the appellant when they had availed credit on input services, proceeded to demand or recover service tax. The proceedings concluded in confirmation of the said demand along with imposition of penalties. On appeal, the Commissioner (Appeals) vide the impugned order upheld the original order.

HELD:- Section 65A, read with section 65(64), of the Finance Act, 1994 - Classification of taxable services - Appellant had availed services in connection with polishing, grinding of marble floor in its premises - Appellant took credit under 'management, maintenance or repair services' in respect of service tax paid on these services'. However, service tax for input service had been discharged by provider under 'cleaning service' which was not listed service. Whether neither appellant nor officers in jurisdiction of appellant had legal sanction to revise classification of service received, even if said classification was thought to be made incorrectly by provider of service. The correct course

will be to get the classification corrected with valid basis at the source and to get the documents to that effect. The invoices issued by the provider of service indicate that service tax registration under 'cleaning service' though the description of service in the body of the invoice is indicated as 'marble maintenance'. The classification and categorization of service cannot be changed at the end of the recipient. Thus, there is no reason to interfere with the impugned order. Accordingly, the appeal is dismissed.

[NEW DELHI BENCH, Bharat Hotels Ltd.v.Commissioner of Service Tax, Delhi]

2. Apex court condoned delay in filing of appeal as claim of service tax was huge

FACTS:- This appeal is filed with a huge delay of 428 days with an explanation which is certainly less satisfying than required by law. The court was of the opinion that the officers who are responsible processing the appeal ought to be blamed solely for the huge delay. However, for that reason the claim of the State shall not be defeated as the claim is huge (about Rupees Sixty six Crores approximately) and it would be against the larger public interest to reject the examination of the correctness of the Judgment under appeal.

HELD:- In the circumstances, the court deemed it appropriate to condone the delay subject to the condition that the appellant pays costs quantified at Rs. 2,00,000 (Rupees Two Lakhs only) to the respondent within a period of four weeks. They also deemed it appropriate to direct the appellant to identify the officers who are responsible for such inordinate delay and recover the amount of costs from them. They also left it open to the appellant to initiate appropriate disciplinary proceedings against the officers who are responsible, if the appellant is of the opinion that the delay is deliberate.

[SUPREME COURT OF INDIA, Commissioner of Service Tax, Delhi-IV v. Nortel Networks India (P.) Ltd]

RBI

1) RBI/2016-17/264 dated 30th March, 2017.

DPSS.CO.PD No.2737/02.14.003/2016-17.

Rationalisation of Merchant Discount Rate (MDR) for Debit Card Transactions - Continuance of Special Measures

A [circular DPSS.CO.PD.No.1515/02.14.003/2016-17 dated December 16, 2016](#) wherein special measures for debit card transactions (including for payments made to Government) was introduced for a temporary period starting January 1, 2017 through March 31, 2017. Further, a "[Draft Circular - Rationalisation of Merchant Discount Rate \(MDR\) for Debit Card Transactions](#)" dated February 16, 2017, was introduced, wherein comments from the public were sought for the proposed MDR framework for debit card transactions till February 28, 2017.

The feedback so received are being examined for rationalisation. Till the issuance of final instructions on MDR for debit card transactions, the extant instructions issued vide our circular dated December 16, 2016 shall continue.

The directive is issued under Section 10(2) read with Section 18 of Payment and Settlement Systems Act 2007 (Act 51 of 2007).

2) RBI/2016-17/265 dated 31st March, 2017.

A.P.(DIR Series) Circular No. 43.

Investment by Foreign Portfolio Investors in Government Securities

1. Schedule 5 to the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000 notified vide [Notification No. FEMA.20/2000-RB dated May 3, 2000](#), as amended from time to time. The limits for investment by foreign portfolio investors (FPIs) in Government securities were last increased in terms of Medium Term Framework (MTF) announced vide [A.P. \(DIR Series\) Circular No. 4 dated September 30, 2016](#).

2. The limits for investment by FPIs in Central Government Securities and State Development Loans (SDLs) for the quarter April-June 2017 are proposed to be increased by Rs. 110 billion and Rs. 60 billion respectively.

3. The total increase in limits over the next quarter would, accordingly, be as under:

Rs. Billion					
	Central securities	Government		State Development Loans	
	For all FPIs- General Category	Additional for Long Term FPIs	Total	For all FPIs (including Long Term FPIs)	Aggregate
Existing Limits	1520	680	2200	210	2410
Revised limits for quarter April-June, 2017	1565	745	2310	270	2580

The revised limits will be effective from April 1, 2017.

4. The limits for the long term investors remaining unutilized at the end of March 2017 will be released for investment under the general category in April 2017.

5. All other existing conditions, including the security-wise limits, investment of coupons being permitted outside the limits and investments being restricted to securities with a minimum residual maturity of three years, will continue to apply.

6. The operational guidelines relating to allocation and monitoring of limits will be issued by the Securities and Exchange Board of India (SEBI).

7. AD Category - I banks may bring the contents of this circular to the notice of their constituents and customers concerned.

8. The directions contained in this circular have been issued under sections 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and are without prejudice to permissions/approval, if any, required under any other law.

3) RBI/2016-17/251 dated 16th March, 2017.

IDMD.CDD.No. 2347/14.04.051/2016-17

Pradhan Mantri Garib Kalyan Deposit Scheme (PMGKDS), 2016 - Clarification

As per the IDMD.No.1451/08.03.016/2016-17 dated December 16, 2016 and [Notification No. S.O.4061\(E\) dated December 16, 2016](#) issued by the Government of India about announcement of "[Pradhan Mantri Garib Kalyan Deposit Scheme \(PMGKDS\), 2016](#)" Currently, banks are issuing an acknowledgement for having received the amounts under PMGKDS. The details of the deposit are then entered in the Bank's e-kuber application which generates a "Subscription Receipt". The "Subscription Receipt" which is a system generated receipt, has an "Issue Reference No"

This reference number will need to be quoted by the investor in the [Form V](#) of Income Tax Authorities, prior to uploading the same.

In order to bring in greater clarity, the nomenclature of “Issue Reference No” generated by e-kuber is being renamed as “Deposit Reference No”. Necessary changes have been made in RBI’s e-Kuber application to reflect this change.

4) RBI/2016-17/245 dated 9th March, 2017.

DNBR (PD) CC.No.086/03.10.001/2016-17

Disbursal of loan amount in cash

1. Para 37(iii)(b) of [Non-Banking Financial Company - Non-Systemically Important Non-Deposit taking Company \(Reserve Bank\) Directions, 2016](#) and [Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company \(Reserve Bank\) Directions, 2016](#) states that high value loans against gold of ₹1 lakh and above must only be disbursed by cheque.

2. On review, and in line with the rules issued under Section 269SS and 269T of the Income Tax Act, 1961, the requirements under the Income Tax Act, 1961, as amended from time to time, would be applicable to all NBFCs with immediate effect. Currently, the relevant threshold under the Income Tax Act, 1961 is Rupees Twenty thousand.

3. Accordingly, para 37(iii)(b) of the above Master Directions stands deleted and the above provision stands incorporated at para 104 and 117, respectively, in the Master Directions referred above.

FEMA

1) Notification No.FEMA.384/RB-2017 dated 17th March, 2017.

Foreign Exchange Management (Foreign Exchange Derivative Contracts) (Amendment) Regulations, 2017

In exercise of the powers conferred by clause (h) of sub-section (2) of section 47 of the Foreign Exchange Management Act, 1999 (42 of 1999), the Reserve Bank hereby makes the following amendments in the Foreign Exchange Management (Foreign Exchange Derivative Contracts) Regulations, 2000 ([Notification No. FEMA 25/RB-2000 dated May 3, 2000](#)), namely:-

1. Short Title and Commencement

(i) These regulations may be called the Foreign Exchange Management (Foreign Exchange Derivative Contracts) (Amendment) Regulations, 2017.

(ii) They shall come in to force from the date of their publication in the Official Gazette.

3. Amendment under Schedule II: In the Foreign Exchange Management (Foreign Exchange Derivative Contracts) Regulations, 2000 ([Notification No. FEMA 25/RB-2000 dated May 3, 2000](#)), in Schedule II, after the existing para 6, the following shall be added, namely:

A non-resident may enter into a foreign exchange derivative contract with an Authorised Dealer bank in India to hedge an exposure to exchange risk of and on behalf of its Indian subsidiary in respect of the said subsidiary's transactions subject to such terms and conditions as may be stipulated by the Reserve Bank from time to time.

2) Notification No. FEMA.387/2017-RB dated 9th March, 2017.

Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) (Fourth Amendment) Regulations, 2017

In exercise of the powers conferred by clause (b) of sub-section (3) of Section 6 and Section 47 of the Foreign Exchange Management Act, 1999 (42 of 1999), the Reserve Bank of India hereby makes the following amendments in the Foreign Exchange Management (Transfer or issue of Security by a Person Resident outside India) Regulations, 2000 ([Notification No. FEMA. 20/2000-RB dated 3rd May 2000](#)) namely:-

1. Short Title & Commencement

- (i) These Regulations may be called the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) (Fourth Amendment) Regulations, 2017.
- (ii) They shall come into force from the date of their publication in the Official Gazette.

2. Amendment of the Regulations

In the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000, (Notification No. FEMA 20/2000-RB dated 3rd May 2000), in Regulations 2,

i. after the sub-regulation (ii dd) and before the existing sub-regulation (ii e), the following sub-regulations shall be inserted:

“(ii E) E-commerce:

a. ‘E-commerce’ means buying and selling of goods and services including digital products over digital & electronic network.

b. ‘E-commerce entity’ means a company incorporated under the Companies Act, 1956 or the Companies Act, 2013 or a foreign company covered under section 2 (42) of the Companies Act, 2013 or an office, branch or agency in India as provided in Section 2 (v) (iii) of FEMA 1999, owned or controlled by a person resident outside India and conducting the e-commerce business.

c. ‘Inventory based model of e-commerce’ means an e-commerce activity where inventory of goods and services is owned by e-commerce entity and is sold to the consumers directly.

d. ‘Market place model of e-commerce’ means providing of an information technology platform by an e-commerce entity on a digital & electronic network to act as a facilitator between buyer and seller.”

3. Amendment of Schedule 1

In the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000, ([Notification No. FEMA 20/2000-RB dated 3rd May 2000](#)), in Schedule 1, in the existing Annex B, the existing entry 16.2 shall be substituted by the following:

16.2	E-Commerce	% of equity/FDI Cap	Entry route
16.2.1	B2B E-commerce activities	100 %	Automatic
	Such companies would engage only in Business to Business (B2B) e-commerce and not in retail trading, inter alia implying that existing restrictions on FDI in domestic trading would be applicable to e-commerce as well.		
16.2.2	Market place model of e-commerce	100 %	Automatic
16.2.3	Other Conditions		
	<p>Digital & electronic network will include network of computers, television channels and any other internet application used in automated manner such as web pages, extranets, mobiles etc.</p> <p>Marketplace e-commerce entity will be permitted to enter into transactions with sellers registered on its platform on B2B basis.</p>		

E-commerce marketplace may provide support services to sellers in respect of warehousing, logistics, order fulfilment, call centre, payment collection and other services.

E-commerce entity providing a marketplace will not exercise ownership over the inventory i.e. goods purported to be sold. Such an ownership over the inventory will render the business into inventory based model.

An e-commerce entity will not permit more than 25% of the sales value on financial year basis affected through its marketplace from one vendor or their group companies.

Goods/services made available for sale electronically on website should clearly provide name, address and other contact details of the seller. Post sales, delivery of goods to the customers and customer satisfaction will be responsibility of the seller.

Payments for sale may be facilitated by the e-commerce entity in conformity with the guidelines of the Reserve Bank of India.

Any warranty /guarantee of goods and services sold will be responsibility of the seller.

E-commerce entities providing marketplace will not directly or indirectly influence the sale price of goods or services and shall maintain level playing field.

	Guidelines on cash and carry wholesale trading as given in S.No. 16.1.2 (stated above) shall apply to B2B e-commerce activities. Note: FDI is not permitted in inventory based model of e-commerce.
16.2.4	Sale of services through e-commerce shall be under automatic route subject to the sector specific conditions, applicable laws/regulations, security and other conditionalities.

3) Notification No. FEMA.385/2017-RB dated 3rd March, 2017.

Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) (Second Amendment) Regulations, 2017

In exercise of the powers conferred by clause (b) of sub-section (3) of Section 6 and Section 47 of the Foreign Exchange Management Act, 1999 (42 of 1999), the Reserve Bank of India hereby makes the following amendments in the Foreign Exchange Management (Transfer or issue of Security by a Person Resident outside India) Regulations, 2000 ([Notification No. FEMA. 20/2000-RB dated 3rd May 2000](#)) namely:-

1. Short Title & Commencement

(i) These Regulations may be called the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) (Second Amendment) Regulations, 2017.

(ii) They shall come into force from the date of their publication in the Official Gazette.

2. Amendment of the Regulations

A. In the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000, ([Notification No. FEMA 20/2000-RB dated 3rd May 2000](#)), in Regulation 5, for the existing sub-regulation (9), the following shall be substituted, namely:

“5 (9) A person resident outside India (other than a citizen of Pakistan or Bangladesh) or an entity incorporated outside India (other than an entity in Pakistan or Bangladesh), not being a Foreign Portfolio Investor or Foreign Institutional Investor or Foreign Venture Capital Investor registered in accordance with SEBI guidelines, may contribute foreign capital either by way of capital contribution or by way of acquisition / transfer of profit shares in the capital structure of an LLP under Foreign Direct Investment, subject to the terms and conditions as specified in Schedule 9”

B. Schedule 9 shall be substituted, namely

“Schedule 9

[See Regulation 5 (9)]

The Scheme shall be called Foreign Direct Investment (FDI-LLP) in Limited Liability Partnerships (LLP) formed and registered under the Limited Liability Partnership Act, 2008.

1. Eligible Investors:

A person resident outside India (other than a citizen of Pakistan or Bangladesh) or an entity incorporated outside India (other than an entity in Pakistan or Bangladesh), not being a Foreign Portfolio Investor or Foreign Institutional Investor or Foreign Venture Capital Investor registered in accordance with SEBI guidelines, may contribute foreign capital either by way of capital contribution or by way of acquisition / transfer of profit shares in the capital structure of an LLP.

2. Eligible investment

Contribution to the capital of an LLP would be an eligible investment under the scheme.

Note: Investment by way of 'profit share' will fall under the category of reinvestment of earnings

3. Eligibility of a LLP

FDI in LLPs is permitted, subject to the following conditions:

i. FDI is permitted under the automatic route in LLPs operating in sectors / activities where 100% FDI is allowed through the automatic route and there are no FDI linked performance conditions. For ascertaining such sectors, reference shall be made to **Annex B to Schedule 1 of these Regulations**

i. An Indian company or an LLP, having foreign investment, will be permitted to make downstream investment in another company or LLP engaged in sectors in which 100% FDI is allowed under the automatic route and there are no FDI linked performance conditions. Onus shall be on the Indian company / LLP accepting downstream investment to ensure compliance with the above conditions.

ii. FDI in LLP is subject to the compliance of the conditions of Limited Liability Partnership Act, 2008.

iii. A company having foreign investment can be converted into an LLP under the automatic route only if it is engaged in a sector where foreign investment up to 100 percent is permitted under automatic route and there are no FDI linked performance conditions.

4. Pricing

FDI in a LLP either by way of capital contribution or by way of acquisition / transfer of profit shares, would have to be more than or equal to the fair price as worked out with any valuation norm which is internationally accepted / adopted as per market practice (hereinafter referred to as "fair price of capital contribution / profit share of an LLP") and a valuation certificate to that effect shall be issued by the Chartered Accountant or by a practicing Cost Accountant or by an approved valuer from the panel maintained by the Central Government.

In case of transfer of capital contribution / profit share from a resident to a non-resident, the transfer shall be for a consideration equal to or more than the fair price of capital contribution / profit share of an LLP. Further, in case of transfer of capital contribution / profit share from a non-resident to resident, the transfer shall be for a consideration which is less than or equal to the fair price of the capital contribution / profit share of an LLP.

5. Mode of payment

Payment by an investor towards capital contribution in LLPs shall be made:

- (i) by way of inward remittance through banking channels; or
- (ii) by debit to NRE / FCNR(B) account of the person concerned, maintained with an AD Category - I bank in accordance with Foreign Exchange Management (Deposit) Regulations, 2016, as amended from time to time.

6. Reporting

- (i) Reporting of foreign investment in LLPs and disinvestment/transfer of capital contribution or profit shares between a resident and a non-resident may be made in a manner as prescribed by Reserve Bank of India from time to time.
- (ii) All LLPs which have received Foreign Direct Investment in the previous year(s) including the current year shall submit to the Reserve Bank of India, on or before the 15th day of July of each year, a report titled 'Annual Return on Foreign Liabilities and Assets' as specified by the Reserve Bank from time to time.

1. Notification

Companies (Indian Accounting Standards) (Amendment) Rules, 2017

G.S.R. 258(E).

In exercise of the powers conferred by section 133 read with section 469 of the Companies Act, 2013 (18 of 2013) and sub-section (1) of section 210A of the Companies Act, 1956 (1 of 1956), the Central Government, in consultation with the National Advisory Committee on Accounting Standards, hereby makes the following rules further to amend the Companies (Indian Accounting Standards) Rules, 2015, namely:—

1. These rules may be called the Companies (Indian Accounting Standards) Amendment Rules, 2017.
2. They shall come into force on the 1st day of April, 2017.

http://www.mca.gov.in/Ministry/pdf/CompaniesIndianAccountingStandards_21032017.pdf

2. Notification

G.S.R. 307(E).

1. These rules may be called the Companies (Audit and Auditors) Amendment Rules, 2017.
2. In the Companies (Audit and Auditors) Rules, 2014, in rule 11, after clause (c), the following clause shall be inserted, namely:—

“(d) whether the company had provided requisite disclosures in its financial statements as to holdings as well as dealings in Specified Bank Notes during the period from 8th November, 2016 to 30th December, 2016 and if so, whether these are in accordance with the books of accounts maintained by the company.”.

http://www.mca.gov.in/Ministry/pdf/ScannedCompaniesAuditandAuditorsRules_31032017.pdf

3. Notification

G.S.R. 308(E).

In exercise of the powers conferred by sub-section (1) of section 467 of the Companies Act, 2013 (18 of 2013), the Central Government hereby makes the following further amendments to Schedule III.

http://www.mca.gov.in/Ministry/pdf/AmendmentinScheduleIII_Notification31032017.pdf

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