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EDITORIAL | VINOD JAIN*

INDIA GROWING AT 8% PLUS - TIME TO REFOCUS

Indian economy is growing at 8% plus for the last 3 years plus. The industries, service sector, the real estate sector, all are growing at a good pace. It is a time to celebrate, but at the same time we need to tighten our belt to refocus our energy towards those who are yet to be benefited from growth. More than 50% of Indian population is still poor without adequate facilities for health, sanitation and safe drinking water. More than 350 million people are yet to have proper houses. Even the middle class still does not have reasonable facilities, enough resources and proper infrastructure to ensure a reasonable quality of life.

The UPA Government came into power about 3 years ago with the challenge of inclusive growth and Bharat Nirman with a significant commitment to eradicate poverty and to provide education to all. In the last 3 Annual Budget exercises, the Government has promised development of infrastructure including roads, water, power, health and rural telecom. No significant progress in these areas has so far been made.

The Finance Minister is on record to say that the Government does not have adequate resources to spend for development of infrastructure. The Government wishes to depend largely on the private sector to achieve its target. The following important points are required to be considered :

- Almost 100% of about Rs. 5.5 lac crore tax collections by the Government every year, go into spending on payment of interest and repayment of Government borrowings.
- The non-plan Government expenditure as well as revenue plan expenditure is continuously increasing, which is mainly sourced from fresh Government borrowings, creating a debt trap.
- Only about Rs. 28 thousand crores are being spent on capital expenditure by the Government. This is also subject to pilferage and leakages.
- The tax burden on the common man as well as on the corporate sector has already increased very significantly. A substantial reduction in the tax burden is very necessary. The ancient and famous Indian economist Hon'ble Chanakya, in his Kautilya's Arthshastra (Economic Science) professed that the king has no right to collect more than 1/6th of the income of the people as tax. The public is justified not to pay tax to the Government, in case the tax burden goes beyond 1/6th of income.
- The Tax GDP ratio is already too high and has to be brought down to the level of not more than 8% of GDP, out of which at least 5% of GDP has to be spent by the Government on capital expenditure for creation of infrastructure including roads, railway network, ports, power, water and education. The Government has to spend additional 3% of the GDP on creation of infrastructure under PPP format, whereby the Government could be a substantial partner, providing equity support as well as debt support to the infrastructure projects. The Government resources could be drawn even from fiscal deficit. No significant inflation would arise, in view of increase in the level of economic activity, as a result of infrastructure creation.
- The Government needs to consider a comprehensive debt re-structuring plan, whereby the Government takes a pledge, to not to make any further public borrowing. The Government also needs to retire a current debt under one time settlement scheme by repaying the current debt, with very nominal compensation /incentive for pre-payment.
- The Government could obtain necessary resources for debt re-structuring by disposing of surplus assets and by partly resorting to deficit financing. This money can be ploughed back from the money supply through RBI market operations and CRR / SLR.

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1.0 ISSUE OF CO-BRANDED CREDIT CARDS BY NBFCs

It has been decided to allow Non Banking Finance Companies (NBFCs), selectively, registered with the Reserve Bank of India for issuing of the co-branded credit cards with scheduled commercial banks, without risk sharing, and subject to the prior approval of the Reserve Bank, for an initial period of two years and a review thereafter. NBFCs fulfilling certain minimum requirements including minimum net owned fund of Rs.100 crore etc. are eligible to apply.

(Source: RBI/2006-07/196 dt. 04.12.2006)

2.0 CRR HIKED BY 0.5%

The Reserve Bank of India (RBI) announced a 50 basis point hike in the Cash Reserve Ratio (CRR) from 5% to 5.5% in two phases.

CRR is the percentage of banks' net demand and time liabilities which include money from deposits and bonds raised by banks with RBI. A hike in CRR means banks have to park more money with RBI and will be left with less money to lend.

3.0 DISTRIBUTION OF MF PRODUCTS BY NBFCs

It has been decided to allow Non Banking Finance Companies(NBFCs),selectively, for marketing and distribution of Mutual Fund (MF) products as agents of mutual funds, with prior approval of Reserve Bank, for an initial period of two years and a review thereafter. NBFCs fulfilling certain minimum requirements are eligible to apply.

(Source: RBI/2006-07/195 dt. 04.12.2006)

4.0 FOREIGN CURRENCY DERIVATIVES REVISED GUIDELINES

In terms of recently issued guidelines, corporates are now allowed to sell currency options against export receivables or import payables. Earlier, they could buy options against their exposures but could not sell. This would allow the exporter get upfront income as he receives premium towards his sale with limited risk as the option is covered by future receivables of the exporter.

Also, Indian banks will now be allowed to run cross currency option books.

Caps and floors are structured combinations using interest rate options – both calls and puts. A cap would imply an upper limit on the interest rate and floor would be the lower limit. Selling call options allows a corporate to create a cap, while buying put options on interest rates creates a floor for the corporate. Here the options are linked to a benchmark reference rate like the LIBOR.

Suppose a corporate sells a call option for $1 million at a strike of 6.50%. If LIBOR goes below 6.50%, the option holder would exercise the option, allowing him to earn a rate that is higher than LIBOR.

This increases the payout for the corporate, while the LIBOR ensures that he has a floor of 6.50%. This would be the minimum amount that he would have to pay even if interest rates move below 6.50%. Selling call options also helps reduce the overall transaction cost as the corporate receives a premium for the sale of options. Buying put options helps the corporate create a cap on the highest rate of interest to be paid out.

Continuing with the previous example, instead of selling, the client buys put options at a strike of 6.50%. So, if LIBOR rises beyond 6.50%, the corporate exercises the option and pays lower rates capping his upper limit on interest rates. Again, the corporate needs to pay a premium for purchasing the cap.

A combination of floors and cap is called a collar.

5.0 AFCs RECLASSIFIED

The Reserve Bank of India (RBI) has reclassified Asset Financing Company (AFC) as an entity whose principal business is financing of physical assets supporting productive activities. Principal business for this purpose is defined as aggregate of financing real or physical assets supporting economic activity and income arising therefrom is not less than 60% of its total assets and total income respectively. The remaining companies will continue to be classified as loan or investment companies.

6.0 PASSPORT NORMS EASED

Government has done away with the requirement of police verification in case of re-issue of the document.

As per the new guidelines an applicant will now be required to furnish only three out of fourteen documents as proof, including one with a photograph. A stamp of ECNR will also not be needed if an applicant is matriculate. The Government has also relaxed rules for obtaining certificate for waiver of police verification by extending the authorisation powers to Under Secretaries, Tehsildars and SHOs in this regard.

7.0 BANK LOANS DRYING UP FOR REAL ESTATE SECTOR

Property developers will have to look at new methods for financing their projects specially since bank funds are slowly drying up. If they are to get funds from these new sources they will have to be more transparent, have proper reporting and monitoring procedures in place and ensure clean title deeds.

8.0 CHEQUES TO BE CLEARED IN 24 HOURS

The Reserve Bank of India (RBI) has informed the Consumer Commission that steps would be taken to ensure that cheques get cleared within 24 hours of their presentation so as to bring down the loss caused to consumers. RBI has said that before the end of March 2007 necessary action would be taken so that delay in clearing cheques would be minimum and in any case not more than 24 hours.

9.0 SMALL FOOD PROCESSING UNITS TO GET PRIORITY SECTOR LENDING

Food and agro-based processing units of small and medium size with an investment of upto Rs. 5 crore in plant and machinery would receive the treatment of priority sector lending from banks. The lower lending rate to food processing sector means

- increased flow of bank credit to the industry,
- increase in processing capacity of the country, and
- facilitate viability of the units in this sector.

10.0 LOAN AGAINST SHARES NORMS EASED

Any individual can now borrow from the banking system against security of shares and debentures of upto Rs. 10 lakh if the security is held in physical form and of upto Rs. 20 lakh if it is in the demat form. The central bank has kept the overall ceiling on a bank's aggregate capital market exposure to 40 per cent of its networth.

11.0 NO MISSELLING, SHADOW DEALS IN FOREIGN EXCHANGE DERIVATIVES

Reserve Bank of India (RBI) directed that the Banks would be held responsible for misselling derivatives if they enter into deal where a contract is not consistent with the user's business. RBI has also barred banks from entering into derivative deals to hedge against risk positions entered overseas.

As per draft guidelines on derivatives, it is provided that market-makers should carry out proper due-diligence regarding user appropriateness and suitability of products before offering derivative products to users. Each market-maker should adopt a Board-approved Customer Appropriateness & Suitability Policy for derivatives business. It is also stated that a user should not have a net short-options position, either on a standalone basis or in a structured product, except to the extent of permitted covered calls and puts.

BANK AUDITORS' APPOINTMENTS

We have been continuously taking up the issue of judicious and independent appointment of Statutory Auditors of Banks and their branches. It appears that good wisdom has now started prevailing and we have learnt from reliable sources that most of the banks have informed RBI that they wish to continue with existing system of appointment of Auditors by RBI itself.

We thank RBI Governor Shri. Y.V. Reddy for having intervened in the matter in the interest of banking sector and Independence of Audit. ICAI now needs to ensure that all CA firms get adequate and even allocation of this professional work and interest of the proprietorship firms and young professionals are suitably protected.

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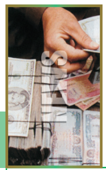
INDIA GROWING AT 8% ...

- Special Economic Zones are being approved, one after another. The land acquisition and greed of land mafia, in the name of SEZ development has created a threat of food security for India. Availability of agricultural land for basic agriculture process has been sharply reduced by about 20% in last 5 years. No significant effort has been made to develop barren land.
- The Government promised eradication of CST, at the time of introduction of VAT. The same is being delayed significantly, on one pretext or the other. In case the State Governments are going to loose revenue, as compared to Pre VAT time, the Central Government has to compensate them, as promised.
- The implementation of a uniform Goods and Service Tax with an upper cap of 12% to 16% has to be planned with a fair distribution formula between the Central and the State Governments. There should be a clear time table
- The rate of service tax is already too high at 12%. This has to be reduced significantly to the level below 8% on most of the services. The Government cannot keep on increasing the service tax rate, without providing 'Vatability' with all Central and State level indirect taxes. The basic exemption limit for service tax has to be increased to at least Rs. 10 lacs to provide a relief to small service providers.

The UPA Government has to fulfill the dream of inclusive growth. There has to be substantial positive action. The people of India have reposed their faith in the able leadership of Dr. Man Mohan Singh and Mrs. Sonia Gandhi with great hopes. The Government needs to deliver a very comprehensive Macro Economic Action Plan, requiring vociferous implementation.



1.0 INCOME TAX DECISIONS

1.1 **Binding nature of High Court decisions : Hon'ble Allahabad High Court in the matter of Om Prakash Trivedi Vs. Union of India** held that the order of the courts have to be accepted by the department in good spirit so that the faith of the public in administration is not jeopardised. [287 ITR 11]

1.2 **Reimbursement of expenses on salary of employee deputed by Non-Resident : Hon'ble Authorities for Advance Ruling in the matter of AP & S India Pvt. Ltd.** has issued a ruling that where a Non Resident undertakes to supply technical services to a resident by deputing employee, whose salary is expected to be reimbursed by the resident to the Non-Resident, such payment by way of reimbursement constituted fee for technical services, for which tax is required to be deducted, since such tax is not spared either by the domestic law under section 9(1)(vii) or under the Double Taxation Avoidance Agreement. [287 ITR 421]

1.3 **Income of employees deputed abroad by resident : Hon'ble Authority for Advance Ruling in the matter of British Gas India P. Ltd.** has issued a ruling that salary income accrues where the service is rendered. Where a resident deputes his employees for service abroad for managing and promoting the interest of the group concerns, such salary income during their service abroad does not accrue in India, though they are borne on the pay-roll of the resident. If there is a Double Taxation Avoidance Agreement, exemption is available in the host country for short stay, where their salary is borne by a non-resident, who is not eligible for deduction of such salary from any income liable to tax in the host country. [287 ITR 462]

1.4 **Disallowance of expenditure cannot justify re-assessment notice in the absence of evidence : The Hon'ble Bombay High Court in the matter of Vijaya Kumar and Heera Khanwala HUF Vs. ITO** held that power under section 147 and 148 are made for tracking income which has been omitted or under-stated. Wherein an item of expenditure has been allowed in the past years and there was no positive evidence to show that such allowance was erroneous, a re-assessment notice to disallow such expenditure would not be justified. [287 ITR 443]

1.5 A direction issued under section 142(2A) for special audit of accounts of assessee is not administrative in nature but it is quasi-judicial in nature and, thus, notice is to be given to assessee prior to ordering special audit. **Rajesh Kumar Vs. DCIT [2006] 287 ITR 91 (SC)**

1.6 When assessee purchased another house in wife's name exemption under section 54 was available when income from house was assessed in assessee's hand. **CIT Vs. Natarajan [2006] 287 ITR 271 (Mad.)**

1.7 If assessee chooses to be assessed as per Act, in preference over tax treaty, he cannot seek treaty protection in respect of MAT. **Dresdner Bank AG Vs. ACIT [2006] 105 TTJ 149 (Mum.)**

1.8 Where shares were purchased for trading and not earning dividend, section 14A could not be invoked to disallow expenses proportionate to incidental dividend income. **Vidyut Investment Ltd. Vs. ITO [2006] 10 SOT 284 (Del.)**

1.9 Plot is integral part of house property without which property cannot be conveniently used and, thus, deduction under section 24(b) cannot be denied on ground that interest was paid on funds borrowed for acquisition of plot and not house property. **ACIT Vs. Dr. Amrit Lal Adlakha [2006] 105 TTJ 271 (Asr.)**

1.10 Transaction between closely related persons such as father and son would fall outside scope of section 269SS. **G. D. Subraya Sheregar Vs. ITO [2006] 10 SOT 378 (Bang.)**

2.0 REALTY STAMP DUTY LIKELY TO BE LEVIED ON VALUE ADDED

The National Housing and Habitat Policy, which is slated to come up for Cabinet approval soon, proposes to reduce the burden of stamp duty on property transactions.

The proposal is to levy stamp duty on the change in the value of the property since the last transaction, rather than on the entire value of the transaction as is the case now. If the proposal is accepted, buyers will pay stamp duty only on the difference between transaction value and the value of the property at the time of the previous sale. As of now, stamp duty is paid on the entire value of property concerned.

3.0 EOUs SEEK EXTENSION OF IT EXEMPTION

Export Oriented Units (EOUs) have sought extension of the Income Tax exemption under section 10B of the Income Tax Act beyond March 31,2009. The Export Promotion council for EOUs and Special Economic Zones (SEZs) has in its budget proposals sought extension of the tax holiday for 10 consecutive assessment years.

4.0 NO TDS ON PAYMENTS MADE FOR OUTSOURCING CATEGORIZED AS SALE

The Central Board of Direct Taxes has issued the much awaited circular clarifying that the manufacturing companies which outsource their products would not have to deduct tax at source on the payments made for the outsourced activity. As per the circular, the provision of section 194C of the Income Tax Act would apply in respect of a contract for supply of an article or thing as per prescribed specifications only if it is a contract for work and not a contract for sale. Under Section 194 of the Income Tax Act, 1961, TDS has to be deducted at source on any payment in lieu of any contract for work. This implies that the companies which outsource a complete product will not be liable to deduct tax at source. However, those companies which outsource a part function of their manufacturing activity will be liable to deduct tax at source on payments made for it.

(Circular No. 13/2006 Dated 13.12.2006)

5.0 FOREIGN BUSINESS IN CHINA TO LOSE PREFERENTIAL TAX RATES

China is set to unify its corporate tax structure for both domestic and foreign businesses at 25%, resulting in substantial tax burden on overseas-funded companies in the booming country.

Chinese companies currently pay income tax at a nominal rate of 33%, while their foreign counterparts – who benefit from tax waivers and incentives to encourage investment in China pay an average of 15%.

6.0 TAX FREE MUNICIPAL BONDS

In exercise of the powers conferred by sub-clause (vii) of clause (15) of section 10 of the Income-tax Act, 1961 (43 of 1961), the Central Government hereby specifies Tax Free Municipal Bonds for an amount of rupees one hundred and twenty eight crores only to be issued by Nagpur Municipal Corporation during the financial year 2006-07 for the purpose of said sub-clause.

Provided that the benefit under the said sub-clause shall be admissible only if the holder of such bonds registers his or her name and the holding with the said Corporation.

(Notification No. 01/2007 dt: 04.01.2007)

SERVICE TAX / OTHER INDIRECT TAXES

1.0 SERVICE TAX ON ROAMING SERVICES TO INTERNATIONAL IN-BOUND ROAMERS

Central Board of Excise & Customs (CBEC) has clarified that service tax is leviable on roaming services provided to an international in-bound roamer, i.e., subscriber of a foreign telecom network, when in India, by an Indian telecom service provider. This service to in-bound roamers is delivered and consumed in India and, therefore, it is not an export of service.

The above levy is applicable from 15th Januray, 2007.

(Source: Circular No. 90/1/2007, dt. 03.01.07)

2.0 CBEC RESTRICTS CREDIT LIMIT TO CHECK EVADERS

Central Board of Excise and Customs (CBEC) has decided to withdraw certain facilities or restrict the utilisation of credit by units involved in tax evasion of a serious nature. Facilities such as monthly payment of duty will be withdrawn or utilisation of cenvat credit may be restricted for a specified period. The department can place the factory of a manufacturer under physical control, if the unit is found to be indulging in similar offences for the second time and for all subsequent offences.

These provisions will come into force immediately after the detection of a case against any manufacturer, dealer or an exporter involving duty or credit amounting to more than Rs. 10 lakh.

SERVICE TAX DISCRIMINATION AGAINST CHARTERED ACCOUNTANTS

We are pursuing with the Government to not to levy Service Tax on Chartered Accountant for services on which other professionals or service entities are not paying any tax. e.g. Taxation advisory services, Accounting, Legal advise, Documentation, Compliances and Non Exclusive Audit services etc.

The Government should tax services and not specific class of service providers.

CAPITAL MARKET

1.0 SEBI TO SCAN BIG DEALS IN CORPORATE BOND MARKET

The local corporate bond market is finally set to get a leg up, with market regulator Securities & Exchange Board of India (SEBI) making it mandatory to report all corporate bond deals, aggregating Rs. 1 Lakh or above on the Bombay Stock Exchange (BSE) from January 1, 2007.

The new norms would mean that all deals in listed debt securities issued by institutions such as banks, public sector undertakings (PSUs), municipal corporations, and corporates would have to be reported within 30 minutes of closing out transactions. The new corporate bond reporting platform will be run by BSE, which has been mandated by SEBI to capture all information related to trading in corporate bonds as accurately and as close to execution as possible.

2.0 SEBI TO GUARD FOREIGN VCF ENTRY INTO REALTY SPACE

Finance Ministry told Reserve Bank of India (RBI) that Venture Capital Funds (VCFs) are governed by Securities and Exchange Board of India (SEBI).

SEBI had approved some VCF proposals, but RBI objected citing dash of policy.

Realty rules allow 100% FDI in various segments.

Last two years have seen higher foreign interest in domestic real estate market.

RBI fears hot money influx in the guise of venture funds.

3.0 NO EXTENSION OF DEADLINE FOR INVESTORS TO SUBMIT PAN DETAILS

The Government has ruled out extending the December 31 deadline for investors to submit their PAN details to depositories for trading on the Stock Exchanges. The move is aimed at tightening SEBI's regulations following the IPO scam. Investors who donot provide PAN by December 31, 2006 can't debit Demat accounts and trade on bourses from January 1, 2007.

4.0 SEBI TO ALLOW IDRs THIS YEAR

Indian Depository Receipts (IDRs), dedicated exchange for Small and Medium Enterprises (SMEs) and a debit market-based product for infrastructure financing figure prominently in Securities & Exchange Board of India's (SEBI's) plan of action over the next 12 to 18 months.

Foreign companies will be able to raise funds in the Indian stock markets by 2007, with SEBI saying that it expected IDRs to be operational from this year. This would ensure that foreign companies raise funds in the Indian market in a cost-effective manner. In the next 12-18 months, some of the biggest companies in the world would be filing for IDRs.

A dedicated exchange for SMEs to prevent them from the hassle of going to London to raise money is also on the cards in 2007.

COMMODITY MARKET

1.0 INSTITUTIONS MAY BE ALLOWED IN COMMODITY FUTURES

The Ministry of Consumer Affairs is in favour of allowing institutional investors in commodity futures but with stringent terms.The ministry also wants more powers to the Forward Markets Commission (FMC) and permission for option trading. The proposal to allow institutional players is now confined to bullion, metals and crude oil, and not agro-commodities.

2.0 FUND-BASED PMS – FMC CLARIFICATION

Commodity market regulator Forward Market Commission (FMC) has clarified that it has banned only Fund-Based Portfolio Management Services (PMS) in commodity markets and not advisory services. According to FMC-Research-based technical analysis, daily newsletters indicating price trends, predictions and recommendations, commodity-specific news and analysis are not covered under PMS advisory services and can be undertaken. Transactions resulting in fund-based portfolio management services are not permitted.

3.0 MCX TO FINE ABNORMAL TRADES

Taking one of the most stringent precautionary measures in the commodities futures trade, the Multi Commodity Exchange (MCX) has levied a penalty of Rs. 5,000 for any abnormal trade recorded on its platform.

Effective December 18 2006, the action is primarily meant for avoiding any possibility of price manipulation in illiquid commodities where the spread between bid and ask is long.

EXIM / FEMA

1.0 FOREIGN INVESTMENTS UPTO 49% ALLOWED IN STOCK EXCHANGES

The Reserve Bank of India recently allowed foreign investment upto 49% in stock exchanges, depositories and clearing corporations.

Foreign Direct Investment, with the prior approval of the Foreign Investment Promotion Board, has been capped at 26% while the limit on Foreign Institutional Investment (FII) is 23%.FII can pick up stakes only through secondary market purchases and shall not seek and will not get representation on the Board of Directors.

SEBI has also stipulated that "no foreign investor, including persons acting in concert, will hold more than 5% of the equity in these companies".

2.0 ESTABLISHMENT OF OFFICES ABROAD

With a view to liberalise the procedure of establishing offices abroad and to provide greater flexibility, it has been decided to :

1. Increase the limit for initial expense for Authorised Dealer (AD) category – I bank who may now allow remittance upto 15% of average annual sales / income or turnover during the last two financial years or upto 25% of net worth, whichever is higher.
2. Increase the limit of Recurring Expenses for AD Category – I Banks who may now allow remittance upto 10% of average annual sales/ income or turnover during last two financial years.

AD Category-I banks may also now allow remittance by Indian Companies, having overseas offices, within the above limit of initial and recurring expenses, to acquire immovable property outside India for its business and for residential purposes of its staff.

(Source: RBI/2006-07/197 dt. 04.12.2006)

3.0 CHINA BARS FOREIGN STAKE IN TV FIRMS / CHANNELS

China has closed the doors on new foreign investment in television and film production companies, telling international media companies to work instead through individual projects with local partners. China also does not permit international investment in telecom service provider companies.

4.0 RBI MAKES INVESTMENT OVERSEAS EASIER

The Reserve Bank of India (RBI) issued a notification that will formalise the liberalised remittance scheme of $50,000 for resident individuals.

Till date, a resident individual could invest in overseas companies that are listed on a recognised stock exchange and hold at least 10% stake in a listed Indian enterprise.

Now, a resident individual can invest up to $50,000 in any listed foreign company. RBI has also scrapped sub-limits that restricted remittances towards gifts or donations at $5,000.

For all remittances, individuals will have to disclose their PAN number and source of funds along with the beneficiary's name, address and account number.

The notification says foreign banks-even those with no branches in India-can sell deposits and other financial services products to residents while Indian banks can act as agents.

INSURANCE

1.0 IRDA CLAMPS DOWN ON DISCOUNTS

According to Circular issued by Insurance Regulatory Development Authority (IRDA), it has reiterated that there is no question of any discount in lieu of agency commission or in lieu of broker remuneration in respect of fresh business or renewal with effect from 1st January, 2007.

2.0 INSURERS CAN ALTER RATES ONLY ONCE IN 6 MONTHS

As per Insurance Regulatory Development Authority general insurance companies can alter premium rates only once in six months even in a free pricing regime following detariffing. This means that insurers will have to be very careful in pricing as they will not be able to revise rates immediately if they find that their quotes are not competitive or profitable enough. Detariffing has kick-started from January 1, 2007.

3.0 TARIFF RETAINED FOR THIRD PARTY MOTOR COVER

Sensing trouble in the loss making,third party motor insurance business the Insurance Regulatory Development Authority has retained price control over these mandatory policies even after detariffing, which begun January 1, 2007.

4.0 REALTORS TO INSURE TITLE DEEDS

The real estate developers now have to compulsarily get the land title deed insured before selling the property. This will mitigate the financial risk of the buyer in case of litigation in future. Ministry of housing has prepared a Cabinet note to the effect with following aims:

- protecting the interest of buyers, and
- encouraging foreign direct investment in the sector.

ICAI NEWS

1.0 AS – EXPOSURE DRAFTS ISSUED

The Exposure Drafts have been issued for the Limited Revision to following Accounting Standards (AS) :

- AS 27 Financial Reporting of Interests in Joint Ventures
- AS 26 Intangible Assets
- AS 28 Impairment of Assets
- AS 29 Provisions, Contingent Liabilities and Contingent Assets
- AS 23 Accounting for Investment in Associates in Consolidated Financial Statements
- AS 11 The Effects of Changes in Foreign Exchange Rates
- AS 2 Valuation of Inventories
- AS 21 Consolidated Financial Statements

Also, Exposure Draft of Proposed Accounting Standard 30, Financial Instruments: Recognition and Measurement has been issued. These are available at www.icai.org for comments.

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Wishing you a very Happy and Prosperous New Year 2007

CA Vinod Jain

CONGRATULATIONS!

On election to the Central Council of The Institute of Chartered Accountants' of India, the National Board of All India Chartered Accountants' Society and CFO World convey their best wishes and assure support for your drive for professional development, social causes and endeavor for economic upliftment of all.

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2.0 ICAI TO DEFINE ACCOUNTING NORMS FOR LOCAL BODIES

As part of the Centre's initiative to reform the municipal corporations, the Institute of Chartered Accountants of India (ICAI) is formulating accounting standards for urban local bodies.The body has offered support to the urban developing benchmarks for various municipal services.

3.0 MANDATORY CPE-LAST DATE EXTENDED

Due to the difficulty faced by members in accumulating the required number of Continuing Professional Education (CPE) credit till date, it has been decided to extend the last date of 31.12.2006 upto 31.3.2007 to enable the members to accumulate the required number of CPE credit i.e twenty hours relating to the calendar year 2006.

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