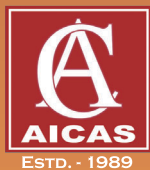


# The Chartered Accountant World



A JOURNAL OF  
ALL INDIA CHARTERED ACCOUNTANTS' SOCIETY

Volume XIX, No. 4, April 2008

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## EDITORIAL

### ECONOMIC GROWTH OR PRICE CONTROL: A DILEMMA



CA VINOD JAIN\*

The latest information of price rise crossing a high of 7.41% in 42 months led by increase in steel, cement, food grains, sugar, edible oils, vegetables and other essential items has set the alarm bells ringing in the polity of the country. The Union Cabinet has met twice without any major policy decision. The prices of various commodities are high worldwide and even the imports have not been able to contain the price rise.

The Government committed a blunder by restricting money supply artificially to real estate, industry and housing sectors resulting in increase in interest rate, reduced credit availability and apprehensions of a slowdown in growth of industries, construction sector and capital goods sector. The sentiment of

Indian industry is on its lowest ebb in the last 5 years as due to subprime crisis there, a recession in US economy is apprehended. The Indian industry is keeping its fingers crossed to an adverse impact on India. The sentiment ultimately got translated into subdued capital market.

In this back drop, immediate policy initiatives by the Government is crucial to the direction of economic vibrancy. The Growth requirements of low cost funds require a reduction in prime lending rates, easing of the credit and an ample increase in money supply for propelling growth at substantially lower interest rates. We need to learn from US experience and cut rates to counter recessionary tendencies.

The price rise needs to be checked by addressing supply side. The Government may consider an immediate ban on commodity trading in essential commodities, dissuade hoarding and ban export of items like iron ore and other items propelling inflation. If the food grain price rise results into higher flow of value to agriculturist it need not worry us.



#### All India Chartered Accountants' Society

*Announces an intensive professional learning*

#### WORKSHOP ON DIRECT TAX, ACCOUNTING STANDARDS & SERVICE TAX

from concept to practice....

India International Centre, Annexe Building, Lecture Hall, 40 Max Mueller Marg, New Delhi

#### WORKSHOP SCHEDULE

WORKSHOP	DATE	TIMING
Direct Taxes	From 31 <sup>st</sup> May to 21 <sup>st</sup> June 2008 (31 <sup>st</sup> May, 7 <sup>th</sup> , 13 <sup>th</sup> , 14 <sup>th</sup> , 20 <sup>th</sup> , 21 <sup>st</sup> June 2008) (Friday and Saturday)	2.00 pm to 8.30 pm
Accounting Standards	From 31 <sup>st</sup> May to 21 <sup>st</sup> June 2008 (31 <sup>st</sup> May, 7 <sup>th</sup> , 13 <sup>th</sup> , 14 <sup>th</sup> , 20 <sup>th</sup> , 21 <sup>st</sup> June 2008) (Friday and Saturday)	10.00 am to 1.00 pm
Service Tax	From 8 <sup>th</sup> August to 23 <sup>rd</sup> August 2008 (8 <sup>th</sup> , 9 <sup>th</sup> , 22 <sup>nd</sup> , 23 <sup>rd</sup> August 2008) (Friday and Saturday)	2.00 pm to 8.30 pm

For Details Please see Page No. 3 & 4

\* Mr. Vinod Jain, FCA, FCS, FICWA, LL.B., DISA (ICA), Chairman, INMACS Management Services Limited and Convenor, National Economic Forum (NEF). vinodjain@inmascindia.com, vinodjainca@gmail.com, 9811040004



### LATEST IN FINANCE

#### 1.0 DEPB SCHEME EXTENDED TO NEXT FINANCIAL YEAR

The government has extended the duty entitlement pass book (DEPB) scheme into the forthcoming Financial Year that starts 1<sup>st</sup> April 2008.

#### 2.0 RBI LETS MUTUAL FUND INVEST \$7 BILLION ABROAD

Asset management companies will now be allowed to invest \$7 billion abroad, with the reserve bank of India relaxing norms relating to overseas investment by mutual funds. The move is in line with the central banks stated policy of encouraging flow of money outside the country. The regulator also feels that the move will enable MFs to have greater opportunities for investment overseas. The existing facility allowing a limited number of qualified Indian Mutual Fund to invest cumulatively up to \$1 billion in overseas Exchange traded Funds shall remain unchanged.

#### 3.0 RBI FOR FASTER REDRESSAL OF COMPLAINTS

The Reserve Bank of India has revised the time limit for lodging complaints with banking ombudsman to ensure speedy redressal of grievances of customers. As per RBI statement if the complaints of customer are not addressed satisfactorily within 30 days of lodging complaints, then he should now be able to approach the office of the concerned banking ombudsman for redressal of his complaints and grievances.

#### 4.0 PSUs SET TO LOSE PURCHASE PREFERENCE FROM APRIL

Public sector companies such as BHEL, SAIL, Bharat Earth Movers (BEM), Telecom Consultants India (TCIL) and ITI should be ready for tough competition. The government Plans to scrap the purchase preference policy from April 1, 2008. The department of public enterprise (DPE) has issued a circular in this regard to all the central public sector enterprise (CPSE). Central PSUs get 10% price preference under the prevailing policy.

#### 5.0 RBI MODIFIES FUND TRANSFER SYSTEM

The Reserve Bank of India has introduced necessary modification in National Electronic Fund Transfer (NEFT) settlement system to enable all RTGS (real time gross settlement) members, including the banks not having direct clearing membership of Mumbai Clearing House, to participate in the system.

#### 6.0 IMF SEES SLUGGISH US GROWTH, NO RECESSION.

The IMF sees sluggish economic growth in the US but no recession. It also brushed off a fall in the US dollar against major currencies saying it was quite strong on a broad, trade-weighted basis given US trade with emerging Asia.

#### 7.0 BANKS STEP UP VIGIL AGAINST CARD FRAUDS

In phishing (a type of a fraud), a customer gets an email that deceptively claims to be from

the bank and asks for account sensitive information, credit card numbers, passwords and PIN. It often resembles a notice from a bank and misleads customers. As a measure to educate customers about frauds that may happen via internet, the banks regularly issues letters to its customers warning them to be wary of fraud web sites and not to disclose personal details over the internet.

### DIRECT TAX

#### 1.0 MAURITIUS REJECTS COMPENSATION TO PLUG DOUBLE TAXATION LOOPHOLES

Despite an offer to monetarily compensate Mauritius for losses as a result of tightening tax norms, India has given up hope for the time being of amending the 26-year double taxation avoidance agreement with the tiny Indian Ocean tax heaven off the Southeast coast of Africa.

Mauritius accounts for nearly half of all Foreign direct investments (FDI) inflows to India. A key change to the treaty being pushed by India is to move from a "residence based system of taxation" to a "source based" system, meaning investor from Mauritius would need more than a proforma registered office in the island to qualify for a tax breaks

#### 2.0 NRO DEPOSITS TO BE TREATED AS INVESTMENT INCOME: AAR

Giving a boost to investment by Non-resident Indians, the Authority for Advance Rulings



## DIRECT TAX

has said the non-resident ordinary (NRO) deposits should be treated as investment income and taxed at 20%. At present, banks consider such deposit as interest income or income from other sources and deduct tax at source at the rate of 30%.

NRO account are the same as saving account for resident Indians but are so designated on change of residence. The interest rate for such deposit is at about 9% per annum. The AAR held that since the applicant would make the NRO deposit with convertible foreign exchange in banking company, which was not a private company, it would be treated as 'foreign exchange asset'. The income through interest earned from the deposit would be treated as investment income under section 115C of the I-Tax Act and would be taxed at 20%.

### 3.0 E-PAYMENT OF DIRECT TAXES MANDATORY FOR CORPORATES

For the corporate sector in the country, electronic payment of direct taxes has become mandatory from 1<sup>st</sup> April 2008. This payment norm would apply to tax audit assesses.

Taxpayers can make electronic payments through the Internet banking facility offered by any of the authorized banks. They also have the option of Credit or debit card for making the e-payment.

### 4.0 FM HINTS AT 14% GST RATE

Finance Minister P Chidambaram has hinted at a central Goods

and Service tax (GST) rate of around 14 percent.

GST is scheduled to be implemented from 1<sup>st</sup> April 2010. There will be one or more central and state GST rates for all goods and services.

### 5.0 I-T NORMS NOTIFIED FOR AY 2008-2009

Central Board of Direct taxes (CBDT) has notified eight return forms for different categories of tax payers for the Assessment Year 2008-09 as per notification no. 752(E), dated 28-3-2008.

### 6.0 CST PHASE OUT TO MISS DEADLINE.

The Central Sales Tax phase out plan misses a crucial deadline with both central and state government failing to converge

on the compensation package. As per the plan, CST which was reduced from April 1, 2007, is further slashed by 1% further to 2% as envisaged in the Finance Bill 2008. State finance ministries are scheduled to hold discussion with Union finance minister P Chidambaram on April 8.

### 7.0 DIRECT TAX COLLECTION TOP RS. 3 LAKH CRORE

For the first time, the Center's net direct tax collection have crossed Rs 3- Lakh Crore mark. To grasp the significance of the milestone, one needs to go back only 15 years or so. In 1990-91, the center's net direct tax collection were about Rs 11000 crore, which was only about one-fifth of the center's entire tax kitty.



## All India Chartered Accountants' Society

*Announces an intensive professional learning*

### WORKSHOP ON ACCOUNTING STANDARDS

India International Centre, Annexe Building,  
Lecture Hall, 40 Max Mueller Marg, New Delhi

#### DATE

From 31<sup>st</sup> May to 21<sup>st</sup> June 2008

#### VENUE

India International Centre,  
Annexe Building, Lecture Hall,  
40 Max Mueller Marg, New Delhi

**Timing : 10.00 am to 1.00 pm**

#### 6 DAYS WORKSHOP COVERAGE

- ◆ Overview of Accounting Standards
- ◆ Applicability of Accounting Standards to different entities
- ◆ Comparison between AS issued by ICAI and AS Rules 2006 (applicable to companies)
- ◆ Introduction to International Financial Reporting Standards (IFRS)
- ◆ Accounting Standards to be comprehensively covered in workshop along with case studies 1, 2, 7, 9, 11, 15, 17, 18, 21, 22, 26, 27, 28, 29, 30, 31, 32 besides others.

**For Registration Form and Fee details see page 5**

**DATES:**  
From 31 May to 21 June 2008  
(31st May, 7th, 13th, 14th, 20th,  
21st June, 2008)

**TIME:**  
1.30 p.m. to 8.30 p.m.  
(Lunch: 1.30 p.m. to 2.00 p.m.)  
(High Tea: 5.00 p.m. to 5.30 p.m.)

**VENUE:**  
India International Centre,  
Annexe Building, Lecture Hall,  
40 Max Mueller Marg, New Delhi

## THE COMPREHENSIVE REFERESHER COURSE ON DIRECT TAXES

A Comprehensive Refresher Course / Workshop on Direct Taxes is being conducted spread over 6 days with the active participation of eminent speaker and professionals. The main thrust is to carry out an in depth study of the basic concepts, critical issues and their practical application including tax planning of the laws, rules and regulations and recent case laws relating to direct cases

### DAY 1 – 31<sup>ST</sup> MAY 2008 (SATURDAY)

**Registration & Lunch (1.00 p.m. to 2.00 p.m.)**

**Opening Session (2.00 p.m. to 2.15 p.m.)**

**Session-I**  
2.15 pm to 3.30 pm

**Capital and Revenue Receipt**

- Compensation received on Death.
- Forfeiture of advances
- Accidental claim
- Amount received to forgo a claim

**Session-II**  
3.30 pm to 5.00 pm

**Succession & Tax Planning through creation of private trust.**

**Session-III**  
5.30 pm to 7.00 pm

**Basic concepts and issues involving: Indian working Abroad**

- Indian returning from abroad
  - Person going abroad on student visa
  - Foreigner working in India on a tourist/business visa
- Foreigner working in India on secondment:**
- If not paid any salary but Only given TA /DA.

**Session-IV**  
7.00 pm to 8.30 pm

- If paid salary directly by Indian Company.
- If employed by company abroad and Indian company reimbursing the Foreign company as FTS.

**Foreigners employed by Indian company, working abroad in a branch/PE of Indian company.**

**Formation & Tax planning through HUF.**

- How to create a HUF?
- Who are entitled to HUF?
- Whether it can be formed with daughter who is coparcener?
- Whether a member can receive money during subsistence?
- Whether HUF can give a gift?
- Partition and Distribution of assets of HUF?
- If Karta dies and there is no male member or there is a minor male member?
- Status of married female members in HUF vis a vis Hindu succession Act.

### DAY 2 – 7<sup>TH</sup> JUNE (SATURDAY)

**Session-V**  
2.15 pm to 3.15 pm

**Taxation issues on Salary & House property**

- Deductions for interest on Housing Loan.
- Payment of Rent to spouse vis a vis HRA exemption.
- Claiming of interest on self occupied/let out property.

**Session-VI**  
3.15 pm to 5.15 pm

**Allowability as Business expenditure**

- Director, relative employees going abroad for higher education & Studies.
- Whether software License fees, ERP Package, Derivative provisioning.
- Whether training/information Expense is revenue.
- Increase in authorized capital Fee.
- Preliminary & Preoperative Expense, special reference to New Retail outlets, Expenses up to commencement of business
- Provisioning of Employee Benefit (AS 15), Impairment (AS 28), ESOP Expense, Warranties etc.

**Session-VII**  
5.45 pm to 8.30 pm

- Expired products, short expiry products, returned or rejected goods
- Advertisement Expense related to product launch, ongoing advertisement, corporate Image building activities.
- Forfeiture of advance given for acquisition of assets, supply of goods, raw material or services.
- Expenses on hedging,

**Depreciation Issues**

**Expenses on Research & Development.**

**Allocation of common expenses between exempted & non exempted units. Expenses disallowable against Exempted Income**

### DAY 3 – 13<sup>TH</sup> JUNE 2008 (FRIDAY)

**Session-VIII**  
2.15 pm to 3.45 pm

**Charitable Trust**

- Constitution, meaning of Charitable purpose, Changes in latest Finance Act
- Procedure to seek registration and appeal in case of rejection and remedy thereof
- Taxability of Income from house property, business, capital gain,
- Application of Income donation and other sources
- Restrictions on Investments and related party transactions
- Filing of Return & Penalty In case of delay.
- Content of Audit Report
- Cancellation of registration

**Session-IX**  
3.45 pm to 5.15 pm

**Revenue Recognition for Real estate, AMC, construction contracts.**

**Session-X**  
5.45 pm to 7.15 pm

**Capital Gains**

- **Basic Concepts and issues**
- Collaboration Contracts between land owner/developer/ buyer.
- Indexation of Cost & holding Period in case of gift/ When transfer takes place? What is sale consideration in the hands of Inheritance in the hand of Successor. of owner of Land. When he gets share in developed property?
- Sale of Agriculture Land as defined u/s 2(14)
- Set off of LTC Loss (STT paid) With Long term Capital Gain.
- Capital gains implication in respect of change in constitution of Partnership, Prop to partnership or vice versa.

**Fringe Benefit Taxation**  
Concepts, Interpretation and Planning

### DAY 4 – 14<sup>TH</sup> JUNE 2008 (SATURDAY)

**Session-XII**  
2.15 pm to 8.00 pm

**Concepts, Issues and Specific complex Case studies on**

- Double taxation avoidance agreements,
- PE issues,

- Withholding tax issues
- Business connection
- Transfer Pricing



**Session-XIII**  
2.15 pm to 5.00 pm

**Tax Deduction at Source**

- TDS on payment for printing of Labels, boxes, packaging
- Service Tax portion of payment
- Commission/Discount
- Lease of car.
- Tax on interest portion in an EMI, hiring charges
- Division / Sharing of expense.
- Reimbursement of Expense.
- Hiring of exhibition Space in hotels & exhibition ground
- Hiring of hotels Room resulting in Payment of Rs 120000/- Or more.
- Payment for leasedlink /data link / VPN
- Repair & maintenance Of Plant & Machinery Whether 194 C or 194J.

**Session-XIV**  
5.30 pm to 6.15 pm

**Session-XV**  
6.15 pm to 8.30 pm

- Discount on air tickets or prepaid calling cards issued by telecom companies
  - TDS on Deemed Dividend Royalty and Know how
- Topic :-Mat & Books Profits**
- Whether qualification by Auditors can be used for adjusting the Book Profit
  - Treatment of FBT/STT/CTT
  - Treatment of profits of exempted undertaking
  - Tax Planning
  - Charging of interest under 234A, 234 B and 234 C
- Penalties and prosecutions including**
- Late/Non Filing of return
  - Concealment of Income
  - Failure to deduct/pay TDS
  - Infringement of Sec.269 SS ,269 T

**DAY 6– 21<sup>ST</sup> JUNE 2008 (SATURDAY)**

**Session-XVI**  
2.15 pm to 4.30 pm

**Assessment**

- Practical Aspect of handling assessment, Reassessment preparation of replies, responding to queries, matters to be recorded , submission of documents etc.
- Mock assessment
- Preparation of appeal to CIT and ITAT & handling appellate proceedings
- Stay of Demand

**Session-XVII**  
5.00 pm to 6.30 pm

**Surveys& Searches**

- Pre Search/survey precautions

**Session-XVIII**  
6.30 pm to 8.00 pm

**Session-XIX**  
8.00 pm to 8.30 pm

- Mock Search operation
  - Rights and Duties of assessee, I T Officials and CAs
- Practical Tips of Handling Search, Seizure and post search proceeding .

**Mock Tribunal Proceedings**

**Validation session**

**SPEAKERS - DIRECT TAX WORKSHOP**

Experts invited to address the participants at the workshop are:

- |                                                 |                                      |                                            |
|-------------------------------------------------|--------------------------------------|--------------------------------------------|
| • CA Ved Jain, ICAI                             | • Sh Ravi Gupta, Advocate            | • Dr. Girish Ahuja, Lecturer               |
| • CA Pradeep Dinodia, S.R. Dinodia & Co.        | • Sh. Subhash Lakhotia               | • CA Ajay Vohra, Vaish Associates          |
| • Sh R.N. Lakhotia                              | • Dr. Rakesh Gupta, Rakesh Raj & Co. | • CA Sanjiv Chaudhary                      |
| • CA Ajay Jain, Institute of Systematic Studies | • Sh. M.S. Syali, Advocate           | • CA Krishan Malhotra                      |
| • CA Anil Chopra                                | • Sh. K Sampat, K Sampat & Co.       | • CA Ajay Wadhwa, Ajay Wadhwa & Associates |

Some Speakers are being confirmed.

**FEE DETAILS**

FEE STRUCTURE FOR DIRECT TAX, ACCOUNTING STANDARDS & SERVICE TAX WORKSHOP				
Category of Participants	Direct Tax Workshop	Service Tax Workshop	Accounting Standards Workshop	Total
Non CAs/Corporate	Rs. 5500/-	Rs. 4000/-	Rs. 3500/-	Rs. 13000/-
CAs/CA Firm	Rs. 5000/-	Rs. 3700/-	Rs. 3300/-	Rs. 12000/-
AICAS Members	Rs. 4500/-	Rs. 3500/-	Rs. 3000/-	Rs. 11000/-
CFO World Members	Rs. 4500/-	Rs. 3500/-	Rs. 3000/-	Rs. 11000/-

**RESTRICTED TO ONLY 100 PARTICIPANTS  
ON FIRST COME FIRST SERVE BASIS**

**NOTE:**

- Alternative participants permitted
- Sending of cheques doesn't confirm registration
- Participation fees covers background material to the participants, lunch and high tea
- A voluntary Appraisal Questionnaire to judge the understanding of the workshop is proposed
- A Certificate of satisfactory completion of workshop will be issued
- Participants are expected to share their own practical experience and raised queries during interactive session
- Alternative nominee for specific session(s) or day(s) could be permitted.

**FOR FURTHER DETAILS PLEASE CONTACT:**

**Ms. Chhaya (9873230416)**  
aicasfo@gmail.com, cfoworld@gmail.com  
**Convenor:** CA Ajay Kumar Matta (9811277782)  
**Co-convenors:** CA Shiv Mittal (9810048576)  
**Advisor:** CA Pramod Jain (9811073867)  
**Members:**  
CA Yatinder Nath Khemka (9810693421)  
CA Baldev Raj (9312235173)  
CA Manoj Pahwa (9811066276)  
CA D.C. Garg (9811039211)  
**Vice President:** CA Pramod Kapoor (9810730568)  
**President:** CA Avineesh Matta (9811052264)

**SPECIAL COMBO OFFER**

Category of Participants	Direct Tax Service Tax & AS Workshop	Direct Tax & Service Tax Workshop	Direct Tax & AS Workshop	Service Tax & AS Workshop
Non CAs/Corporate	Rs. 12000/-	Rs. 9000/-	Rs. 8500/-	Rs. 7000/-
CAs/CA Firm	Rs. 11000/-	Rs. 8200/-	Rs. 7000/-	Rs. 6500/-
AICAS Members	Rs. 10000/-	Rs. 7500/-	Rs. 7000/-	Rs. 6000/-
CFO World Members	Rs. 10000/-	Rs. 7500/-	Rs. 7000/-	Rs. 6000/-

**REGISTRATION FORM**

\* By Fax : Fax Form to : 91-11-26223014

\* By email : email from to : aicas.cfo@gmail.com

All India Chartered Accountants' Society  
503-504, Chiranjiv Tower, 43, Nehru Place,  
New Delhi-19

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### CAPITAL MARKET

#### 1.0 COPY OF PAN CARD WITH BID/ISSUE APPLICATION NOT REQUIRED

Photocopies of PAN Cards are not required to be attached as per the SEBI (DIP) Guidelines. SEBI (DIP) Guidelines as amended on 29<sup>th</sup> November 2007 only require that PAN number must be quoted in the application form irrespective of the size of the application.

#### 2.0 COMMODITIES' DELISTING ISSUE CROPS UP AGAIN

Rising inflation along with high commodity prices may push the government to take up the issue of essential commodities being delisted from futures trading once again.

#### 3.0 SEBI PLANS TO PUT DERIVATIVES IN INSIDER TRADING NET

Insiders will not be able to use derivative instruments to take advantage of privileged information for gains. In a bid to extend the definition of securities to derivative instruments, capital markets regulator, SEBI, has proposed that regulations be amended to broaden the class of securities beyond shares. Current regulations leave out disclosure of a key means of taking an exposure to the economic in shares and that too on a leveraged basis (i.e. higher exposure). The proposal is part of SEBI's proposed norms for insider trading.

#### 4.0 SEBI WANTS MINIMUM NET WORTH FOR F&O PLAY

In a move aimed at moderating

the entry of retail investors in the stock derivatives market, market regulator SEBI has proposed that investors should have a certain minimum amount of net worth, as a criterion for trading in the segment. It also reminded the broking community about basic duties to clients to improve transparency in the market.

As per the capital market regulator, a net worth certificate from a practicing chartered accountant or I-T return documents could be used as proofs for data regarding networth.

#### 5.0 NEW FII REGISTRATIONS PROVIDE SILVER LINING REFLECT POSITIVE VIEW ON THE LONG-TERM GROWTH PROSPECTS

Amid the gloom surrounding the equity markets in India currently, the rise in the number of new FII registrations is a silver lining. Since October 2007, 190 FIIs and 470 sub-accounts have registered with the market regulator.

#### 6.0 FOUR REGIONAL STOCK EXCHANGES TO SET UP TRADING PLATFORM

Four regional stock exchanges of Ludhiana, Delhi, Kanpur and Jaipur will collectively set up a separate platform in a bid to facilitate trading in the equity shares of regional companies listed at their exchanges. The exchanges have roped in major information technology companies including CMC, Financial Technologies and TCS for developing a special software to interconnect them.

#### 7.0 BROKERS TOLD TO REVEAL MARGIN DATA DAILY

According to a directive from market regulator Securities and Exchange Board of India, Stock Broking Firms will have to notify clients about the latter's daily margin position from 1<sup>st</sup> April 2008

#### 8.0 SEBI TO REDUCE TIME LAG BETWEEN OPENING OF AN ISSUE AND LISTING

As per SEBI Chairman CB Bhavé, fees payable by mutual funds, custodians and those who file offer documents has been cut by as much as 80% from April 1, 2008. It has also slashed the fee for offer documents for buy back of securities and the registration fee for venture capital funds. The fee for filing offer documents for public issue and mutual funds will be reduced from 0.03% of the amount raised to 0.005%. While the cap of fee for public offer is Rs. 3 crore, the same for mutual fund is Rs. 50 lakh. The annual registration fee for custodians has been slashed from 0.001% to 0.0005% of assets under custody. SEBI has also reduced the registration fee for venture capital funds from Rs. 10 lakh to Rs. 5 lakh. The fee for rights issue offer documents has been slashed from 0.05% to 0.005%, subject to a maximum of Rs. 5 lakh. The fee for filing offer documents for buyback of securities has been reduced from 0.05% to 0.125%, subject to a maximum of Rs. 3 crore.

#### 9.0 PAPERLESS PUBLIC ISSUES ON CARDS

The group to review issue



process (GRIP) has recommended elimination of application forms in the primary market. The sub-panel of primary market advisory committee (PMAC), a standing committee of Securities and Exchange Board of India, has also suggested there should be no manual intervention in the issue process of the primary market. The GRIP panel has suggested that the entire initial public offering (IPO) process can be carried out through the internet platform. Another option is to use the secondary market infrastructure already available with the market. .

### CORPORATE LAWS

#### 1.0 STAMP DUTY WAIVER TO SWEETEN CONVERSION TOLL

Partnership firms, private companies and unlisted public limited companies can look forward to convert themselves into the more flexible form of limited liability partnership (LLPs) without paying stamp duty to state governments.

The government intends to allow these entities to vest the ownership of their assets with a newly-formed LLP without executing a deal to transfer these assets. As of now transfer of assets can be done only through a conveyance or an instrument that attracts stamp duty from state governments. To remove this requirement, the government has introduced a special provision in the proposed new LLP Bill for vesting of assets on the LLP at the time of its registration.

#### 2.0 PRIVATE PFs GET A YEAR TO MEET NEW NORMS

The finance ministry has extended by one year the deadline for corporate provident funds to comply with the new norms for continuing to enjoy tax exemptions. The Finance Bill, 2008, proposes to extend the time limit to March 31, 2009, to provide time to the Employees' Provident Fund Organisation (EPFO) to decide on the pending applications seeking exemption under Section 17 of the Employees Provident Fund and Miscellaneous Provisions (EPF&MP) Act, 1952.

### AUDIT

#### 1.0 RBI GUIDELINES ON BASEL II SUPERVISORY REVIEW

The Reserve Bank of India has asked banks to make their own assessment of their various risk exposures, through a well-defined internal process, and maintain an adequate capital cushion for such risks. The RBI has issued guidelines on the Pillar 2 of the Basel II Framework. Pillar 2 deals with Supervisory Review Process (SRP).

#### 2.0 POLICY FOR COMMENCEMENT / RECOMMENCEMENT OF TRADING OF SECURITIES

As per SEBI circular dated 12<sup>th</sup> March, 2008 it has been decided that in cases of merger, demerger, amalgamation, capital reduction, scheme of

arrangement in terms of the Companies Act and / or as sanctioned by the Courts, in cases of rehabilitation packages approved by the Board of Industrial and Financial Reconstruction under Sick Industrial Companies Act and in cases of Corporate Debt Restructuring (CDR) packages by the CDR Cell of the RBI, there is no need to have a price band on the first day of commencement/recommencement of trading (as required under the current policy). The price band may be retained in all other cases on the first day. This policy shall come into force with immediate effect.

#### 3.0 MARGINING OF INSTITUTIONAL TRADES IN THE CASH MARKET

In order to provide a level playing field to all the investors in the cash market as in the case of derivatives market, it has been provided w.e.f. 21<sup>st</sup> April 2008 that all institutional trades in the cash market would be subject to payment of margins as applicable to transactions of other investors.

To begin with, from 21<sup>st</sup> April 2008, all institutional trades in the cash market would be margined on a T+1 basis with margin being collected from the custodian upon confirmation of the trade.

Subsequently, with effect from 16<sup>th</sup> June 2008 the collection of margins would move to an upfront basis.

**INMACS**

.... Financial Advisory services including Domestic / Global Equity Funding arrangements, Resource Mobilization, .....

Neha Bansal ACA 9810904228

nehabansal@inmacsindia.com

#### **4.0 COMPLAINTS / PUBLIC COMMENTS ON OFFER DOCUMENTS FILLED WITH SEBI**

It has been observed that in respect of any complaints/ comments received by SEBI, the issuer company is responding to the complaint and lead manager merely forwards a copy of reply to the complainant without adding any comments. As per the latest instructions by SEBI for the merchant bankers, Lead Managers have to reply directly to the complainant after independently examination of the matter instead of merely acting as an intermediary between the complainant and the respondent (issuer company).

In case of complain regarding inadequate disclosures in the offer document, merchant bankers shall provide for adequate disclosures and inform SEBI at the earliest.

#### **5.0 ACCOUNTING FOR DERIVATIVES**

It may be noted that although the ICAI has issued AS 30, Financial Instruments : Recognition and Measurement, which contains accounting for derivatives, it becomes recommendatory from 1<sup>st</sup> April 2009 and mandatory from 1<sup>st</sup> April 2011. In this scenario, the Council expressed the view that since the aforesaid Standard contains appropriate accounting for derivatives, the same can be followed by the entities, as the earlier adoption of a standard is always encouraged.

In case an entity does not follow AS 30, keeping in view the principle of prudence as enunciated in AS 1, Disclosure of Accounting Policies, the entity is required to provide for losses in respect of all outstanding derivative contracts at the balance sheet date by marking them to market.

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