The Chartered Accountant World
A Journal of All India Chartered Accountants' Society
AICAS Estd. - 1989
Volume XXII, No. 3, March 2011

ANNUAL SUBSCRIPTION
- for Chartered Accountants: Rs. 200/-. Single Copy Rs. 20/-
- for Others: Rs. 250/-. Single Copy Rs. 25/-

EDITORIAL

FOREIGN DIRECT INVESTMENT

POLICY AND ITS IMPLEMENTATION REQUIRING SERIOUS REVIEW

*CA Vinod Jain**

The Government of India has rightly opened, a few years ago, the Foreign Direct Investment in various sectors under automatic route, where investment up to 100% by foreigner/ non resident is freely permitted. There are certain sectors in which sectoral caps are prescribed. There are certain other sectors where investment is prohibited such as agriculture, real estate business etc.In certain sensitive sectors there are additional conditions prescribed.

It is important that the Government can consider its policy as well as implementation especially in certain specific sensitive sectors where the Indian sovereign intention is not adequately respected in letter and spirit by certain section of foreign investors as well as resident Indians.

FDI in Retail Sector

FDI in retail sector is strictly prohibited except under single brand, where up to 26% equity is permitted by specific government approval. It has been noted that pressure is being built up on the government to open up the retail trading sector to foreign investment under the garb of sophisticated technology and benefits to consumer.

In reality, **opening up of FDI in retail is completely against national interest** as not only it will kill self-employment of about 200 Lakh Indian residents but will also act against interest of the consumers by increased costs. FDI will also increase dependence on packaged goods as compared to traditional fresh and low cost distribution mechanism, very effectively working in India.

Certain segments of international investors, in connivance with local citizens, have already started defeating the prohibition of FDI in retail by misusing wholesale and cash and carry route, permitting sales to anybody who is holding a VAT Registration.

Some of them are simultaneously developing retail chains on the front in the name of the Indian owners whereas the international counterparts are not only operating cash and carry/ wholesale but also the complete management of the retail is being monitored by the foreign company and the foreign nationals.

It is important for the government to ensure that any informal or formal understanding against the letter and spirit of the law of the land has to be handled very strictly and smartly. Also the foreign investment in wholesale cash and carry segment need prohibition as there is no need to permit foreign investment even in wholesale sector or in cash and carry sector. The only thing which can be permitted is sales of business to business in hi-tech products and not in retail consumer products.

Investment in Real Estate

The government has clearly prohibited investment in real estate business and has only permitted investment in developmental projects by foreigners or by non resident Indians. Investment in agriculture land and farm houses is specifically prohibited. However, it has been observed that these rules are being defeated and / or flouted by a large number of non resident Indians or persons of Indian origin. In some specific cases even foreigners and foreign companies have acquired large chunk of land in various parts of the country in the garb of intention to implement investment in permitted sectors in terms of FDI Regulations or by misinterpreting liberal investments in real estate permitted to NRIs or PIOs.

The government may reconsider its policy of real estate investment by foreigners and foreign companies as well as

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BANK AUDIT HELP LINE

We have received informal feedback from RBI that in a number of cases classification of NPA Advance, provisioning to be made and the manner in which the qualifications are reported in the main report/LFAR require significant improvement.

Our readers are welcome to contact us for free well considered informal professional consultation. You can email brief facts relating to issues to aicas.cfo@gmail.com and contact any one of the undersigned:

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LATEST IN FINANCE

1.0 RESIDENTS CANNOT TRADE IN FOREX: RBI

Indian residents can not trade in foreign exchange in domestic or overseas markets, under the Foreign Exchange Management Act (FEMA), clarified the RBI. The RBI also clarified that remittance in any form towards overseas foreign exchange trading through electronic or internet trading is not permitted under the FEMA. Residents are, however, permitted to trade in currency futures and options contracts, traded on the stock exchanges recognized by the SEBI, subject to the conditions specified by the RBI.

2.0 BANKS TO FORM CONSORTIUM FOR LENDING TO MFIs

Micro-finance institutions (MFIs) are all set to finally get some respite, with banks adopting a consortium-based approach for lending to MFIs and the Reserve Bank of India (RBI) allowing banks to restructure MFI loans.

3.0 NRIs NOT ELIGIBLE FOR HOME LOAN: RBI

The Reserve Bank of India (RBI) said non resident Indians (NRIs) would not be eligible for incentives on interest for home loans up to Rs.10.lakh. Banks provide one per cent interest subsidy for home loans up to Rs.10.lakh.

4.0 RBI UNVEILS TIGHT RULES FOR CDS INTRODUCTION

RBI has laid down foolproof norms for the introduction of credit default swaps, an insurance against bonds default, speculation on which brought down the global finance to its knees in 2008. High capital requirements, restricting the participation to a few in financial services are a tight transaction norm.

5.0 BANKS GET BREATHER ON PENSION LIABILITIES

Public sector bank can amortize over five years the additional liability on account of re-opening of pension option for existing employees who had not opted for pension earlier as well as enhancement in gratuity limits beginning with the financial year ending March 31, 2011 subject to minimum of one fifth of the total amount involved every year. However, amortization benefit will not be available to those banks who have fully charged to the profit and loss account during the financial year 2010-11. All amounts relating to separated/retired employees need to be provided in 2010-11.

6.0 MAJORITY OF ABS RATED BY ICRA SHOWS STRONG CREDIT PERFORMANCE

Ratings agency ICRA said a majority of the 73 asset-backed securitization (ABS) rated by it continued to demonstrate strong credit performance. The total amount securitized was around Rs. 17,255 crore and the cash collateral utilization in most pools has been low to moderate.

CAPITAL MARKET

1.0 ASBA MADE MANDATORY FOR NON-RETAIL INVESTORS

The capital market regulator Securities and Exchange Board of India (SEBI) made ASBA compulsory for all non-retail investors.

2.0 BSE WAIVES TRANSACTION CHARGES

BSE has announced the waiver of all transaction charges for brokers from semi-urban areas with effect from next month. The move is a part of the BSE's efforts to attract more business from brokers operating from areas other than big cities like Mumbai, Delhi and Ahmadabad. In a circular to its members, the BSE said that transaction charges accruing to BSE, equivalent to annual connectivity costs of the members pertaining to BSE, will be waived off for semi-urban areas with effect from March 1.

3.0 SEBI EXTENDS TIME TO FILE COMPLAINTS AGAINST FIRMS

SEBI extended the time for 3 years for filing complaints against entities, up from 6 months, it has been decided that the limitation period shall be applicable to cover cases where three years have not yet elapsed and the parties have not filed for arbitration with the stock exchange.

ACCOUNT & AUDIT

1.0 IFRS IMPLEMENTATION DEFERRED

The government has deferred the implementation of International Financial Reporting Standards (IFRS), acknowledging industry demand to extend the April 1 deadline to remove ambiguities on taxation issues. Corporate affairs ministry officials said that it was felt necessary that industry should be given some more time to prepare themselves to converge their accounts.

2.0 ADVERSE AUDITOR REPORT TO FORCE A/C RESTATEMENT

A panel appointed by the Securities Exchange Board Of India (SEBI) has cleared a proposal that requires listed companies to restate their financial statements if their auditor comes up with adverse comments, commonly called audit qualifications.

3.0 IFRS: GOVT NOTIFIES 35 CONVERGED ACCOUNTING NORMS

The Centre has taken a big step towards ushering in the International Financial Reporting Standards (IFRS) era in Corporate India. The Corporate Affairs Ministry announced that it has notified all the 35 Accounting Standards (AS) converged with IFRS. These converged standards will be called as IND AS. But the Corporate Affairs Ministry has stumped corporate observers by announcing that the date of implementation of the IND AS will be notified by the Ministry at a later date.

4.0 SPECTRUM AUDIT

The comptroller & auditor general of India (CAG) will undertake a comprehensive audit of the country's total available spectrum, as well as its strategic and commercial use. It will also determine whether the government has received fair value from the commercial use of spectrum.

Contd..................from page 1

FOREIGN DIRECTOR INVESTMENT ...

NRIs and PIOs. **The real estate in India is becoming costly and is going beyond the means of the common man.** India has crores of people who do not have their own house or even an appropriate residential accommodation. After the announcement of opening of the real estate to international investment, the real estate prices have multiplied by about 20 times. Are we not suffocating resident Indians immensely and facilitating unwarranted profiteering for the foreigners/non residents.

Indirect Investment

The various press notes issued by Government of India in the year 2010 have freely permitted indirect investment by the companies who have more than majority ownership and control of resident Indians. This has indirectly permitted minority holding and minority control in the hands of non resident Indians or foreigners and foreign companies.

In a large number of cases side letters, memorandum of understanding, pledge agreement, financing agreement and various other structured financial products are used to directly or indirectly control the affairs/cash flow and profitability of the Indian entities by the minority ownership and / or funding institutions. It is very necessary to issue very clear-cut guidelines not only declaring all such arrangements as illegal but also prescribing disclosure of all such agreements, in a confidential manner to a group of experts working in RBI to ensure that the FDI guidelines are followed both in letter as well as in spirit.

Other Sectors

India needs to review carefully every sector where currently foreign investment is permitted to judge on the parameters of national interest and national priority. This exercise is needed every 2 years in the interest of the nation.

INTERNATIONAL TAXATION

1.0 INDIA SIGNS COMPREHENSIVE ECONOMIC PARTNERSHIP AGREEMENTS

India has signed Comprehensive Economic Partnership Agreements with Malaysia and Japan. Such agreements will promote the liberalization and facilitation of trade and investment between the two countries, and will further vitalize both economies by strengthening reciprocal economic ties in wide-ranging fields.

2.0 REVISION TO TREATY BETWEEN GERMANY AND INDIA

According to a press release India and Germany have agreed to revise the current income and capital tax treaty of 19 June 1995. The negotiations are planned in the near future.

3.0 INCOME TAX TREATY SIGNED BETWEEN SINGAPORE AND SWITZERLAND

Singapore and Switzerland, signed Income Tax Treaty on 24 February 2011. The treaty generally follows the OECD Model Convention.

The maximum rates of withholding tax as per treaty are:
15% on dividends (5% if the beneficial owner is a company that holds directly at least 10% of the capital of the company paying the dividend);
5% on interest, subject to exceptions; and
5% on royalties.

Singapore generally provides for the credit whereas Switzerland generally provides for the exemption method to avoid double taxation.

4.0 HONG KONG AND HUNGARY SIGN INCOME TAX TREATY

Brief provisions of the income tax treaty and protocol between Hong Kong and Hungary, signed on 12 May 2010, are as under:

The maximum rates of withholding:
- 10% on dividends in general
- 5% on interest in general
- 5% on royalties.

Hong Kong generally applies the credit method to avoid double taxation

5.0 US AND CHINA (PEOPLE'S REP.) - AGREEMENT REGARDING PROFESSORS AND TEACHERS

The US Internal Revenue Service (IRS) has released the text of a competent authority agreement entered between the United States and China (People's Rep). The agreement addresses the application of the 3-year income tax exemption granted to visiting professors and teachers under Article 19 (Professors and Teachers) of the treaty.

According to the competent authority agreement, the following understandings have been reached:

- the 3-year exemption period begins to run from the first day a resident of a contracting state enters the other contracting state (host state) to teach, give lectures, or conduct research; and ends from the first day of the 4th year, while such an individual's remuneration for the first 3 years remains exempt;
- the 3-year exemption period is suspended when an individual discontinues teaching, giving lectures or conducting research and departs the host state;
- the 3-year exemption period resumes when an individual returns to the host state to teach, give lectures or conduct research, provided the individual is, or immediately before returning to the host state was, a resident of the other contracting state; and the exemption is not available for research not undertaken in the public interest but undertaken for the private gain of a specific person or persons.

6.0 GREECE - NEW DRAFT TAX LAW RELEASED- MAIN POINTS

1. Residence based taxation regime, i.e a person who has his domicile or his habitual abode in Greece is subject to tax in Greece on his worldwide income.
2. Corporate tax rate for corporations, LLCs and permanent establishments is reduced to 20%. Profit distributions are subject to an additional 25% withholding tax which may be credited against the shareholder's tax liability.
3. Expenses and payments made directly or indirectly to persons or entities established in tax havens are not tax deductible unless it is proven that the expenses were made for real and customary transactions and not for reasons of tax evasion. The burden of proof lies with the taxpayer.

UNION BUDGET 2011 - HIGHLIGHTS

DIRECT TAX PROPOSALS

- The Direct Taxes Code 2010 (DTC) to be effective from 1 April 2012.
- Increase in basic exemption limit
  - General basic exemption limit to be increased from Rs. 1.60 Lac to Rs. 1.80 Lac Basic exemption limit for senior citizens to be increased from Rs.2.40 Lac to Rs.2.50 Lac.
- Relaxation for Senior Citizens
  - Qualifying age for senior citizens to be relaxed from 65 years to 60 years."
  - Introduction of New category " Very Senior Citizens " of 80 years and above.
  - New category of senior citizen to be eligible for higher basic exemption limit Rs.5,00,000.
- The Surcharge for Domestic companies reduced to 5 % from 7.50 % and for foreign companies reduced from 2.50 % to 2 %.
- MAT is proposed to be increased from 18% to 18.5%.
- LLPs to be subject Alternate Minimum Tax @ 18.5%.
- It is proposed to insert a new section 194 LB for deduction of tax at the rate of 5% by notified infrastructure debt funds on interest paid to non residents.
- Scope of Investment Linked deduction u/s 35AD extended
- Increase in monetary limit of business receipts u/s 2(15) from Rs.10 Lakhs to 25 Lakhs to qualify as a "Charitable Purpose
- Salary earners having an income of less thanRs.5 lakh is exempted for filing income tax return from this year.
- The additional deduction of Rs.20,000 u/s 80 CCF extended for one more year i.e. Assessment Year 2012-13.
- NEW INCOME-TAX return form called Sugam to be introduced for small business.
- Effective 1 June 2011, the rate of additional income tax on income distributed bymutual funds is to be revised as follows:

Nature of Fund	Nature of Recipient	Existing Rate	Revised Rate
Money market mutual fund or liquid fund	Individual or HUF	25%	25%
	Any other person	25%	30%
Fund other than money market mutual fund or liquid fund	Individual or HUF	12.5%	12.5%
	Any other person	20%	30%

SEZ

- MAT made applicable to developers of SEZ and units operating in SEZ.
- DDT made applicable to developers of SEZ for dividends declared, distributed or paid on or after 1 June 2011.

NON-RESIDENT RELATED PROVISIONS

- Payments to persons in notified jurisdiction on which tax is deductible subjected to withholding tax at the rate higher of the following:
  a. Rates in force; or
  b. Rates provided under the relevant provisions of the Act or
  c. Thirty percent.

INDIRECT TAX PROPOSALS

A. EXCISE DUTY

- Central Excise Duty to be maintained as 10% only.
- Nominal Central Excise Duty of 1 % without Cenvat credit facility is being imposed on 130 items entering in the tax net.
- Lower rate of Central Excise Duty enhanced from 4 % to 5 %.
- Optional levy on branded garments or made up proposed to be converted into a mandatory levy at unified rate of 10 per cent.
- Labelled jewellery and Precious metals attract 1% excise duty.
- Excise duty on baby & clinical diapers and adult diapers is being reduced from 10% to 1% with no CENVAT credit.
- Concessional rate of excise duty for Hydrogen / hybrid vehicle.

B. CUSTOM DUTY

- The basic customs duty rates of 2%, 2.5% and 3% unified at the rate of 2.5%.
- Special additional duty on the clearances from SEZ to DTA exempted provided they are not exempt from the levy of VAT/sales tax.
- Basic customs duty on agricultural machinery reduced to 4.5 per cent from 5 per cent.
- Basic customs duty on raw silk reduced from 30 to 5 per cent.
- Basic customs duty on solar lantern or lamps reduced from 10 to 5%.
- CVD exempted fully on LEDs used for manufacture of LEDs light & fixtures.

- Fully exemption from basic custom duty is being extended battery charger, hands free, head phones and PC connectivity cable of mobile handset including cellular phones.
- Basic customs duty on bamboo used for manufacture of agarbattis is being reduced from 30% to 10%.
- The government has added a fixed excise duty of Rs.160 per ton on cement and reduced custom duty on pet coke and gypsum, key inputs for the sector.

C. SERVICE TAX

- Introduction of The Point of Taxation Rules (effective 1 April 2011).
- As a general rule, the time of provision of service will be the earliest of the following dates:
    - Date on which service is provided or to be provided.
    - Date of invoice.
    - Date of payment.
- Rate effective on the date when these services are provided would be applicable.
- Service tax rate remains unchanged at 10 percent as a pre-cursor to GST
- New Services Added (effective from the date to be notified)
    - ✓ *Services provided by air-conditioned restaurants with licensed to serve the Liquor.*
    - ✓ *Accommodation provided by the hotel etc. for duration of less than three months(in excess of Rs 1000/- per day).*
- Amendments (Modification) in the Scope of Existing Services (effective from a date to be notified):
    - ✓ Authorised Service Station Services\
    - ✓ Life Insurance Services
    - ✓ Commercial Training or Coaching Services
    - ✓ Legal Services
    - ✓ Health Services
- The limits for the maximum amount/ rate at which service tax can be levied on air has been revised. (effective from 1 April 2011)
- An abatement of 25% from the taxable value provided under 'Transport of goods through coastal and inland shipping service'.
- Services rendered to exhibitors participating in an exhibition outside India have been exempted from service tax
- Services related to transportation of goods by road, rail or air when both the original and the destination are located outside India exempted from service tax.
- A new rule, 5B, has been introduced to provide that the applicable rate of tax shall be the rate prevailing at the time when the services are deemed to have been provided.
- Limit of self adjustment of service tax has been raised from INR 1,00,000 to INR 2,00,000.
- Maximum penalty for delay in filing of returns has been increased from INR 2,000 to INR 20,000.
- Penalty for failure to pay service tax has been reduced.
- Maximum penalty for contravention of any other provisions has been increased to Rs.10000.
- Interest rate for delayed payment of service has been increased to 18%.
- SEZ refund scheme has been changed.
- Amendments have been made in the definition of "input services".

"CAs TO COLLECT FEE IN ADVANCE"

- CA Pramod Jain,

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You must be aware that vide Point of Taxation Rules, 2011, service tax is now payable on accrual or cash basis whichever is earlier. In very simple words it means we'll have to pay service tax on quarterly basis even if we receive our payments after one-two or three years. This would result in blocking of our finances, without receiving our fees.

What to do?

We believe in the very famous proverb that "**It's better to light a candle than to curse the darkness".**

Let's take cue from other professionals like Doctors and advocates. We personally feel that this provision in service tax would turn into a blessing in disguise for all of us.

We firmly believe that we should start taking our fee in advance or just at the time of completion of the work at the time of handling the final documents to the clients. This would result in not only not paying of taxes from our own pocket, but would also reduce lot of our valuable time, efforts and energy in collection of pending fee.

It's not that only a few CA firms have to do it, but it has to be a **combined effort of each and every Chartered Accountant to make the clients and public at large believe and accept that advance payment of fee is the prevalent practice of all Chartered Accountants.** You may have questions or worries on client's reaction on change in the system of collection of fee, but believe us, this will help us grow in a long way.

D. GOODS AND SERVICE TAX (GST)

- GST proposed to be rolled out from April 2012.
- No Final date from implementation announced yet.
- Several proposals under the existing tax regime should facilitate a move towards GST.
- Focus on building robust IT infrastructure.(GSTN)
- Further rationalization of rates under Excise and Customs.
- National Securities Depository Limited (NSDL) has been selected as technology partner

TAXATION

1.0 IT ONSHORE REVENUES IS TAXABLE

The finance ministry confirmed that revenues from onshore work done by Information Technology (IT) companies would not be considered for tax exemptions under 10A/10B/10AA of the income Tax Acts , 1961. Onshore software development is the practice where in Indian companies send their software engineers on short assignments (3-6 months) to companies based in Europe, the US and other nation.

2.0 CBDT HIKES LIMITS FOR FILING CASES AGAINST TAXPAYERS

Appeals against taxpayers can be filed before Income Tax Appellate Tribunal (ITAT) only when the tax effect is Rs.3 lakh and above. The earlier limit was Rs.2 lakh. The CBDT has also increased the limit for filing cases against taxpayers in High Courts and Supreme Court. For High Court, the tax effect is Rs.10 lakh against Rs.4 lakh previously. For Supreme Court, it is Rs.25 lakh against Rs.10 lakh earlier.

3.0 WAIVER OF LOAN IS INCOME OR NOT DEPENDS ON WHETHER LOAN WAS USED FOR CAPITAL OR REVENUE PURPOSES

The waiver of a loan is taxable as income or not depends on the purpose for which the loan was taken. If the loan was taken for acquiring a capital asset, the waiver thereof would not amount to any income eligible to tax u/s 28(iv) or 41(1). On the other hand, if the loan was taken for a trading purpose and was treated as such from the very beginning in the books of account, its waiver would result in income.

Decided case: Logitronics Private Ltd v.cit (Delhi high court)

4.0 ITAT APPEAL- FILE REVISED FORM 36 IF THERE IS A CHANGE IN A ADDRESS

ITAT has been pleased to direct that with effect from 1st March, 2011 wherever there is a change in address of the parties to the appeal, as provided in column Nos. 10 and 11 of form no. 36, the appellant shall file a revised form no. 36, dully filed up, giving the new address of parties, duly verified in the same manner as required by rule 47 of the income tax rules, 1962.

5.0 BROUGHT FORWARD BUSINESS LOSSES CAN BE SET OFF AGAINST OTHER SOURCES OF INCOME WHICH ARE IN THE NATURE OF BUSINESS INCOME, THOUGH CHARGEABLE TO TAX UNDER ANOTHER HEAD OF INCOME

Though current dividend income is exempt, the above decision lays down a principle that brought forward business loss can be set off against other sources of income which are in the nature of business income, though chargeable to tax under another head of income.

Decided case:-Gagan Trading Co. Ltd. v. DCIT.(ITA No.678/Mum/07) Mum ITAT dated 18 February 2011

6.0 TAX INFORMATION EXCHANGE PACT SIGNED WITH BRITISH VIRGIN ISLANDS AND BAHAMAS

India and British Virgin Islands have signed a tax information exchange agreement with the first two being with Bermuda and Isle of Man. The TIEA with British Virgin Islands and Bahamas was signed by Mr. Nalin Surie, High Commissioner of India to the UK and Ms. Dancia Penn, Deputy Premier of the British Virgin Islands. Besides a specific provision for banking and ownership information, the TIEA also allows exchange of past information on criminal tax matters. According to the TIEA, information will have to be treated secret and can be disclosed to only specified person or authorities, who are essentially tax authorities or authorities concerned with the determination of tax appeal.

NBFC

1.0 CAPITAL NORMS TIGHTENED FOR NBFCs

Deposit-taking Non Banking Finance Companies (NBFCs), including those in the business of auto loans, gold loans and infrastructure finance, will have to maintain higher capital to risk-weighted assets ratio (CRAR) of 15 per cent with effect from end-March 2012. Currently, they have to maintain a CRAR of 12 per cent. The Reserve Bank of India (RBI) said that the move is in public interest and is aimed at credit system to the advantage of the country.

CORPORATE LAWS

1.0 DRAWER OF BOUNCED CHEQUE SHOULD NOT BE PUNISHED TWICE

The supreme court (SC) has ruled a person convicted for issuing the instrument can not be prosecuted again on the charge of cheating about the same cheque. The cheque issued without sufficient balance in the account is a case under section 138 of the Negotiable Instrument Act. The offence of cheating is under section 420 of the IPC. In this case, Kolla Veera Vs Gorantla Rao, the convict submitted he was found guilty in the cheque case; so he could not be punished a second time for issuing the cheque as a case of cheating.

2.0 DIRECTOR OF FIRM NOT BE DRAGGED TO COURT UNDER SEC 138, IF NOT DIRECTLY RESPONSIBLE

The Supreme Court (SC) stated that the director of the company not be dragged to the criminal court when

documents prove he was not responsible for issuing cheques which were dishonored. The Calcutta high court had asked a former director of Rifa healthcare (India) who had resigned from the company to stand trial for the issurance of 18 cheques. He showed from documents he had left the company & therefore the case against him should not be quashed. But the high court insisted it was his duty to show the trial court he indeed quit the company. Therefore he should face the trial first. He appeal to Supreme Court (SC) against the order. The Supreme Court (SC) set aside the ruling in the case Harshendra kumar vs. Rebatilata Kole, stating that it was evident from the records of the company and the registrar of the companies he had left the firm at the time of issuing the cheques.

3.0 IF EFFICIENT, YOU CAN BE DENIED VRS

The management of a bank can deny the request for voluntary retirement if it considers the officer very efficient and wants to keep him. In this case decided by the SC, Indian Overseas Bank vs. Tribhuvan Nath, the officer joined as a clerk but due to exceptional merit and dedication to the bank, he was promoted fast and posted abroad in managerial posts. However, he applied for voluntary retirement. The bank rejected his application. He challenged the action in the Allahabad High Court. It held the bank's decision arbitrary and even mala fide. The bank appealed to the SC. It upheld the discretion of the bank in accepting or rejecting the application according to the scheme. The bank can shed staff with inferior abilities, while it can retain officers of superior merit. The Supreme Court (SC) said no organization would like to lose its best people while quashing the high court decision. This officer retired before the judgment.

ICAI

1. ICAI FINALISES MODEL FOR LOCAL GOVERNING BODIES ACCOUNTING STANDARDS

India's accounting standard-setting body -Institute of Chartered Accountants of India (ICAI) - has finalized a model format for financial accounting for local governing bodies such as Panchayati Raj institutions.

2. BIG FOUR ADVISED TO STRENGHEN LOCAL FIRMS

Instead of acquiring companies, Institute of Chartered Accountants of India (ICAI) suggested Pricewaterhouse Coopers (PWC), KPMG, Ernst & Young and Deloitte to provide work to small and medium practitioners and go in for quality control. It means they identify firms in each region and do the quality control.

INSURANCE

1. IRDA ALLOWS PORTABILITY OF HEALTH INSURANCE

Policyholders can now switch insurer and carry the benefits of the previous health insurance policy. The Insurance Regulatory and Authority (IRDA) today allowed portability of health insurance products. It will be applicable for all existing and new contracts from July.

2. IRDA WANTS LIFE INSURERS TO FACE 10% STAKE SALE CAP

Life insurance companies will not be allowed to dilute more than 10% stake through initial public offers (IPOs). The Insurance Regulatory & Development Authority (IRDA) is set to cap the stake dilution by life insurers in first three years of listing. The market regulator, the Securities and Exchange Board of India (SEBI), mandates that 25% shares of listed company should be held by the public. IRDA is in talks to waive this rule.

3. IRDA RELEASES NORMS FOR MERGER OF GENERAL INSURANCE COs

The Insurance Regulatory & Development Authority (IRDA) proposed to allow merger & acquisition in general insurance business that require consolidation among 24 industry players, most of which are loss making.

INDIRECT TAXATION

1. PERMANENTLY FIXED FURNITURE TOO SUBJECT TO EXCISE

The Supreme Court (SC) ruled that central excise duty can be levied on furniture permanently fixed to the walls or ground. It set aside the decision of the customs, Excise and service tax appellate Tribunal, Bangalore, which took the contrary view in this case.

Decided case: Commissioner vs. Mehta & Co.

FINANCIAL INDICATORS

	Current Rate* (in %)	Month Ago (in %)
3 Month LIBOR	0.31	0.31
3 Month MIBOR	10.12	9.42
SENSEX	18174	17775.7
NIFTY	55445	5312.55
CRR	6	6
REPO	6.5	6.50
REVERSE REPO	5.5	5.50
Gold (per 10 gm)	20972	20160
Silver (per kg)	54041	44600
Crude (USD/bbl)	113.84	99.06
Rs. vs USD	45.21	45.39
Rs. vs Euro	62.43	61.84

**As on 12th March 2011*

(Sources: Bloomberg, NSE, BSE,RBI)

Date of Publishing : 12th MARCH, 2011
R.N.I. No. 50796/90
Posting Date: 14/15 March, 2011

Registration No. DL(c)-01/1268/2009-11
Licenced to post without prepayment No. U-(C)-82/2009-11

FEMA

1.0 FOREIGN MONEY CAN NOW TAKE MF ROUTE

The government permitted foreign investors to invest in Indian equity through the MF route provided they meet the KYC norms. This would enable Indian mutual fund to have direct access to foreign investors and widen the class of foreign investors in Indian equity market. As on date, only FIIs, their Securities & Exchange Board of India (SEBI) registered sub-accounts and NRIs are allowed to invest in mutual fund schemes.

2.0 FRAUD MONEY OFFERS FROM ABROAD: RBI

The Reserve bank of India (RBI) cautioned individuals against responding to offers of money from abroad. Such offers are fraudulent and have advised the public to immediately register a complaint with the local police or cyber crime authorities when they receive such offers or become a victim of any such fraud.

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