

# Tax & Corporate News Bulletin

Vol. III, No. 6, February-March 2008



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### VAISH EVENTS

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## INCOME-TAX

### Highlights of proposed amendments to the Income-tax Act, 1961 in the Finance Bill, 2008

#### (A) Fringe Benefit Tax (FBT)

- ✧ **Exclusions from FBT** - The following expenses/ payments have been excluded from the purview of FBT:
  - Expenditure on or payment through non-transferable pre-paid electronic card usable only at eating joints or outlets (subject to conditions which may be prescribed) [Note: paid vouchers of similar nature are already excluded].
  - Expenditure incurred or payment made to provide crèche facility for children of employees.
  - Expenditure incurred or payment made to sponsor a sportsman, being an employee.
  - Expenditure incurred or payment made to organize sports events for employees.
  - Expenditure on maintenance of guest house.
  - Value for festival celebration - Reduced from 20% to 50%.
- ✧ **FBT returns** - FBT returns for companies and those persons, whose accounts are required to be audited under Income-tax Act, 1961 (the "Act"), should be furnished on or before 30th September instead of 31st October.
- ✧ **Assessments** - FBT assessment procedure is proposed to be aligned with the proposed amendments in respect of the regular assessments procedure.
- ✧ **Recovery of FBT from Employee** - A new section 115WKB is proposed to be inserted which provides that recovery of FBT from the employee in respect of allotment or transfer of specified security or sweat equity shares would be deemed to be tax paid by the employee in relation to such fringe benefits received. This is to enable the employee to take credit for such tax in a foreign country.



- ✧ The employee shall not, however, be entitled to claim refund or credit against his tax liability in India in respect of such tax.

#### (B) Business Income

- ✧ **Weighted deduction for sum paid to a company for Scientific Research** - 125% of amount paid to a company to be allowed as expenditure provided such company fulfils the following conditions:
  - (i) is registered in India,
  - (ii) has the main object of scientific research and development,
  - (iii) is for the time being approved by the prescribed authority in the prescribed manner, and
  - (iv) fulfills such other conditions as may be prescribed.

Further, an approved company (as above) will not be entitled to claim weighted deduction for expenses incurred on scientific research.

- ✧ **Amortization of preliminary expenses** - The benefit of deduction under section 35D in respect of preliminary expenses has been extended to cover the service sector undertakings/ units.
- ✧ **Cash payment under section 40A(3)** - The existing provisions of section 40A(3) are proposed to tighten by providing that where single or aggregate payment(s) made to a person in a day exceed Rs. 20,000 and such payment(s) are made otherwise than by an account payee cheque, the same would be liable to disallowance.
- ✧ **Definition of 'written down value'** - Sub clause (b) of section 43(6) provides that written down value in case of assets acquired before the previous year means the actual cost to the asset less all depreciation *actually allowed* to him. It is proposed to clarify with retrospective effect from 1st April, 2003, that:

- (i) the actual cost of an asset shall be adjusted by the amount attributable to the revaluation of such asset, if any, in the books of account.
- (ii) the total amount of depreciation on such asset provided in the books of account of the assessee in respect of such previous year or years preceding the previous year relevant to the assessment year under consideration shall be deemed to be the depreciation actually allowed under the Act for the purposes of section 43(6).
- (iii) the depreciation actually allowed as above shall be adjusted by the amount of depreciation attributable to such revaluation.

The aforesaid amendment would nullify the judgment of the Rajkot Bench of Tribunal in *Kandla Port Trust v. ACIT: 104 ITD 1*, in which the Tribunal held that where the assessee's income was exempt up till the preceding assessment year, the assessee was entitled to depreciation on original cost of assets on the ground that since the income of the assessee was exempt from tax no depreciation was actually allowed to the assessee.

- ❖ **Deduction for refining of mineral oil under section 80-IB** - No deduction under this section shall be allowed to an undertaking engaged in refining of mineral oil, if it begins refining on or after the 1st day of April, 2009.
- ❖ **Tax Holiday to hospitals in certain areas** - With a view to encourage investment in hospitals in non-metro cities, it is proposed to provide a five year tax holiday with respect to hundred per cent of the profits derived from the business of operating and maintaining a hospital, subject to certain conditions.
- ❖ **Tax holiday for hotels located in specified districts having World Heritage site** - The existing provisions of section 80-ID are proposed to be extended to provided for a five year tax holiday to new two/three/four star category hotels in specified districts having a world heritage site, which are

constructed and start functioning in any period between 1st April, 2008 and 31st March, 2014.

- ❖ **Minimum Alternate Tax** - The following items are proposed to be added back in computation of book profits under section 115JB, with retrospective effect from 1st April, 2001.
  - Deferred tax or any provision thereof;
  - Dividend distribution tax paid under sections 115-D and 115-R;
  - Interest charged under the Act, surcharge, education cess and secondary and higher education cess on income-tax levied by the Central Act from time to time.

The aforesaid amendments would nullify the decision of Calcutta High Court in the case of *Balrampur Chini Mills reported in 214 CTR 684*.

### (C) Tax Deduction/Collection at source



- ❖ **Assessee in default** - A clarificatory amendment with retrospective effect from 1st June, 2002 seeks to provide that where a person was required to deduct tax at source and such deduction has not been, the payer shall be deemed to be an assessee in default under section 201(1).
- ❖ **Interest on securities payable to resident** - It is proposed to exclude interest payable on any security in dematerialized form, issued by a company, and listed on recognized stock exchange in India in accordance with Securities Contracts (Regulation) Act, 1956, from deduction of tax at source.
- ❖ **TDS under section 194C** - The scope of payers required to deduct tax under section 194C has been enlarged to include any association of persons or body of individuals, whether incorporated or not.
- ❖ **Procedure of credit for tax paid/ deducted** - In order to increase the degree of flexibility for allowing credits in appropriate cases, it is proposed to empower the Board to make such rules as may be necessary, laying

out the manner in which the credit of TDS is to be given.

## (D) Capital Gains

- ❖ **Conversion of Foreign Currency Exchange Bonds** - It is proposed to provide that any transfer by way of conversion of bonds of an Indian company issued in accordance with such scheme as the Central Government may, by notification in the Official Gazette, specify in this behalf, or of bonds of a public sector company sold by the Government and purchased by a non-resident in foreign currency, into shares or debentures of any company shall not be regarded as transfer.

Further the cost of acquisition of such shares or debentures shall be determined at the price at which the corresponding bond was acquired.

- ❖ **Reverse mortgage** - The transaction of reverse mortgage for obtaining a loan under specified scheme shall not be regarded as transfer for the purposes of section 47. It is also proposed that the loan amount received by the borrower shall be exempt from tax in his hands.
- ❖ **Short term capital gains** - It is proposed to increase the short term capital gains tax rate from 10% to 15% arising from sale of an equity share in a company or a unit of an equity oriented fund on which securities transaction tax has been paid. Consequential amendment has been proposed to be made in proviso to sub section (1) of section 115AD to increase the tax rate from 10% to 15% on short term capital gains referred to in section 111A accruing to foreign institutional investors.

## (E) Returns, Assessments & Reassessments

- ❖ **Filing of return** - 'Due Date' for filing return of income by a Company, partnership firm (including its partners) or any other person whose accounts are required to be audited under the provisions



of the Act, proposed to be advanced to 30th September from 31st October of the assessment year.

- ❖ **TDS/ TCS Certificates** - Due to delay in implementation of scheme for de-materialization of TDS/TCS certificates, it is provided that return of income needs to be accompanied by certificates for TDS/TCS, made after 1st April, 2008, in order to claim credit of TDS/TCS.
- ❖ **Adjustment of incorrect claims** - It is proposed to substitute the existing provisions of section 143(1) with new section(s) 143 (1)/ (1A)/ (IB)/ (1C), to enable carrying out adjustments to the returned income in respect of any arithmetical error in the return of income or an incorrect claim.

The expression "an incorrect claim apparent from any information in the return" has been defined to mean-

- (a) a claim on the basis of an entry, in the return of an item, which is inconsistent with another entry of the same; or
- (b) some other item in such return in respect of which, information required to be furnished to substantiate such entry, has not been furnished; or
- (c) in respect of a deduction, where such deduction exceeds specified statutory limit which may have been expressed as monetary amount or percentage or ratio or fraction.

The acknowledgment of return shall be deemed to be intimation where no sum is payable or refundable to the assessee and where no adjustment has been made.

- ❖ **Time limit for scrutiny** - It is proposed to amend the provision prescribing the time-limit for issuance of notice under section 143(2), for scrutiny assessment, which is twelve months from the end of the month in which the return is filed at present to six months from the end of the financial year in which the return is filed.

- ❖ **Service of notice u/s 143(2)** - It is proposed that where an assessee has appeared in any proceedings or co-operated in any inquiry relating to assessment or re-assessment, it shall be precluded from the raising a plea subsequently before any appellate authority that notice was not, (i) served, (ii) validly served, (iii) served in time.

However, the validity of notice which is not properly issued may still, in our view, be questioned.

- ❖ **Reassessment** - Re-assessment proceedings, it is proposed, can be initiated in respect of an issue which has not merged with an order of appeal/ revision/ reference.

## (F) Securities Transaction Tax (STT)

- ❖ **Option in securities** - As per the present provisions relating to levy of STT on a transaction relating to 'option in securities', STT is leviable on the seller @ 0.017% of the aggregate of the strike price and the option premium of the 'option in securities'. The provisions relating to levy of STT in respect of 'option in securities' are proposed to be rationalized as follows:



Sale of option in securities	Levy of STT
Where option not exercised	@ 0.017% of the option premium on seller.
Where option is exercised	@ 0.125% of the settlement price on purchaser

- ❖ **Deduction of STT** - STT would be deductible business expense and the tax rebate available earlier under section 88E has been withdrawn.

## (G) Commodities Transaction Tax (CTT)

- ❖ Levy of CTT is on following taxable commodity transactions:
  - Option in goods;
  - Option in commodity derivative;
  - any other commodity derivative

- ❖ **Other provisions** - The tax is leviable on the transaction for purchase/sale of taxable commodities in recognized associations (RA).

- The tax is collectible by the RA and is required to be deposited by the 7th of the immediately succeeding calendar month.
- Detailed provisions have been made for filing of returns, assessments, rectification, appeal, interest and penalties relating to CTT.

## (H) Miscellaneous Provisions

- ❖ **Definition of "Charitable purpose"** - It is proposed to insert proviso to section 2(15) to provide that any activity in the nature of trade, commerce or business or any activity of rendering any service in relation to any trade, commerce or business for a fee or cess or any other consideration, shall not be regarded as advancement of any other object of general public utility, irrespective of the nature of use or application, or retention of the income from such activity.

The proposed amendment would nullify various decisions of the Courts holding the activities of trade association as charitable activities eligible for exemption under section 11. Recently, the Supreme Court in the case of *Gujarat Maritime Board: 295 ITR 561* had held that if the primary purpose and the predominant object of the assessee were to promote the welfare of the general public, the purpose would be charitable purpose.

- ❖ **Dividend Distribution Tax (DDT)** - In order to partially offset the cascading effect of DDT, it is proposed that a domestic company shall be liable to reduce the amount of dividend received from its subsidiary from the dividends declared, subject to the following conditions:
  - the subsidiary has paid tax under section 115-O on such dividend, and
  - the company receiving the dividend is itself not a subsidiary of any other company.

- ❖ **Stay granted by Tribunal** - It is proposed to amend section 254 to provide that the aggregate period/periods for which stay can be granted by the Tribunal cannot exceed 365 days, even if the delay in disposing off the appeal is not attributable to the assessee.

This negates the decision of the Bombay High Court in the case of *Narang Overseas:295 ITR 22*, wherein it was held that where delay in deciding an appeal by the Tribunal is not attributable to any fault of the assessee, the Tribunal has power to extend the stay beyond the prescribed period of 365 days.

- ❖ **Penalty under section 271** - Direction of the assessing officer for initiation of penalty proceedings under section 271(1)(c) pursuant to additions/disallowances made in any assessment/ reassessment under the Act shall be deemed as recording of satisfaction of the assessing officer for initiation of such proceedings.

The decision of the Delhi High Court in *CIT vs. Ram Commercial Enterprises Limited: 246 ITR 568*, affirmed by the Supreme Court in the case of *Dilip N Shroff 291 ITR 519*, and various other decisions which held that such a satisfaction must be recorded by the assessing officer have been overruled.

- ❖ **Banking Cash Transaction Tax (BCTT)** - It is proposed to withdraw the BCTT, w.e.f. 1st April, 2009.
- ❖ **Extension of time limit for obtaining exemption in respect of provident funds** - The existing provisions provide that recognition accorded to any provident fund on or before 31st March, 2006, shall be withdrawn if the establishment does not obtain exemption under section 17 of the Provident Fund Act. With a view to provide further time to Employees' Provident Fund Organization to decide on the pending applications seeking exemption under section 17 of the EPF&MP Act, it is proposed to amend the said proviso to extend the time limit by one more year, i.e., from 31st March, 2008 to 31st March, 2009.

## Electronic Payment of tax w.e.f. 1st April, 2008

With effect from 1st April, 2008, the Income-tax payments for (i) companies and (ii) persons liable for tax audit under section 44AB shall be made electronically. The tax payments including payments for Fringe Benefit Tax (FBT) shall also be made electronically from 1st April, 2008 onwards.

[Source: Notification No. 34/2008 - CBDT, dated 13th March, 2008]

## SERVICE TAX

### Refund to exporters on three more taxable services received and used for export of goods



- ❖ The Central Board of Excise & Customs (CBEC) has issued a notification in furtherance to Notification No. 41/ 2007-ST dated 6th October, 2007, thus extending the exemption to the exporter of goods for three more specified taxable services received and used by the exporter for the export of the

said goods, relating to -

- courier agency services in relation to transportation of time-sensitive documents, etc.
- goods transport agency by road in a goods carriage
- Services provided by any person (other than Government Railway) where the goods are exported in containers by rail.

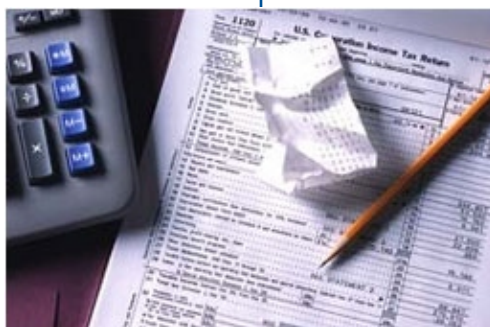
[Source: Notification no. 3/ 2008-ST dated 19th February, 2008]

### Highlights of amendments relating to service tax in the Finance Bill, 2008

#### Amendments in the Service Tax Rules

The following amendments have been made w.e.f. 1st March, 2008 with the introduction of Service Tax (Amendment) Rules, 2008:

- ✧ sub rule 1A has been added to rule 6 which provides that an assessee liable to pay service tax may now on his own volition pay an amount as service tax in advance to the credit of Central Government and adjust such amount paid against the service tax which he is liable to pay for the subsequent period;
- ✧ in case of excess payment of service tax the monetary limit that can be self-adjusted has now been increased from Rs. 50,000 to Rs. 1,00,000;
- ✧ the time limit for rectification of mistake and filing of revised return increased from 60 days to 90 days;
- ✧ the Central Excise Officer has been empowered to reduce or waive the penalty in case of non filing of return where the gross amount of service tax payable during the period covered by the return was 'Nil'.



[Source: Notification No. 4/ 2008-ST dated 1st March, 2008]

## Amendment in the Export of Services Rules, 2005

CBEC introduced the Export of Services (Amendment) Rules, 2008 effective from 1st March, 2008.

The amendment provides that (i) Management, maintenance or repair services [section 65 (105)(zzg)]; (ii) technical testing and analysis [section 65 (105)(zzh)]; and (iii) technical inspection and certification services [section 65 (105)(zzi)], when provided in relation to goods or material or immovable property situated outside India, while the services were provided through internet or electronic network etc., then whether services are performed outside India or not, services shall be treated as having been performed outside India and hence shall be entitled to *export of services benefit*.

[Source: Notification no. 5/ 2008-ST dated 1st March, 2008]

## Taxation of Services (Provided from Outside India and Received in India) Rules, 2006

In a similar way amendment has also been made vide Notification No. 6/2008 for the above three taxable services i.e. section 65(105)(zzg), (zzh), (zzi) in the Taxation of Services (Provided from Outside India and Received in India) Rules, 2006 effective from 1st March, 2008.

Accordingly, such services when provided in relation to any goods or material or any immovable property, situated in India at the time of provision of service, through internet or an electronic network including a computer or any other means, then such taxable service, whether performed in India or not, shall be treated as the taxable service performed in India.

[Source: Notification No. 6/ 2008-ST dated 1st March, 2008]

## Works Contract (Composition Scheme for Payment of Service Tax) Rules, 2007 - Rate of service tax doubled (from 2% to 4%)

With effect from the 1st March 2008, the rate for calculation of service tax liability has been enhanced from 2% of the total value of the contract, to 4% of the total value of the contract.

[Source: Notification no. 7/ 2008-ST dated 1st March 2008]

## Increase in the threshold limit of service tax exemption

The threshold limit of service tax exemption for small service providers has been increased from existing limit of Rs. 8 lacs to Rs. 10 lacs with effect from 1st April, 2008.

Thereby requiring service providers whose gross value has reached Rs. 9 lacs to seek service tax registration.

[Source: Notification no. 8 & 9/2008-ST dated 1st March, 2008]

## Service Tax exemption for Goods Transport Agencies (GTA)

With effect from 1st March, 2008, an unconditional exemption with respect to 75% of the freight amount

charged by the GTA from the recipient of services has been granted. Meaning thereby that service tax with regard to GTA services shall be calculated on 25% of the gross freight amount charged by the GTA.

[Source: Notification No. 13/ 2008-ST dated 1st March, 2008]

## **Exemption to hotel booking services provided by Foreign Service provider to a recipient situated abroad**

With effect from 1st March, 2008 service provided by a foreign recipient to a customer situated abroad with regard to bookings done with a hotel in India, have been exempted from service tax.

[Source: Notification No. 14/ 2008-ST dated 1st March, 2008]

## **CORPORATE LAWS/SEBI**

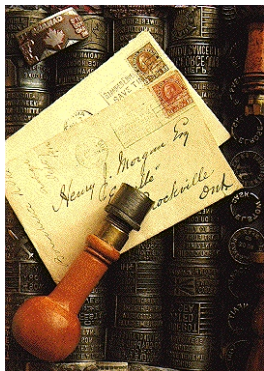
### **Government crackdown on 55,000 companies on failure to file statutory papers, cancels their registration**

The registration of nearly 55,000 companies had been cancelled for not filing the statutory documents such as the annual returns for three consecutive years. Another 70,000 companies are at the risk of losing their legal status. Understandably, the process of removing the remaining companies from the official records will soon be complete. The claims of lenders, however, against such de-registered companies will be valid for next two decades.

The Government has started the drive to clean up the regulatory system of less active companies which are negligent in regulatory obligations.

### **SEBI Issues Advisory on "Art Funds"**

SEBI has advised investors with regard to their investments in "Art Funds" that "Art Funds" are



"Collective Investment Schemes" as defined under the Securities and Exchange Board of India Act, 1992 ("SEBI Act"). It has been noticed that at

present, no entity has registered with SEBI, under the SEBI (Collective Investment Schemes) Regulations, 1999 ("Regulations").

Launching / floating of "Art Funds" or Schemes without obtaining registration from SEBI amounts to violation of SEBI Act and Regulations. Appropriate actions, civil and criminal, under the SEBI Act may be taken by SEBI against such funds / companies.

The full text of the advisory is available on [www.sebi.gov.in](http://www.sebi.gov.in)

[Source: Press Release no. 44/2008 dated 13th February, 2008]

### **Duration of Standard Warning in Advertisements for Mutual Funds**

In order to improve the manner in which the standard warning in advertisements "Mutual fund investments are subject to market risks, read the offer document carefully before investing" is recited in the audio visual and audio media, it has been decided that with effect from 1st April, 2008, the time for display and voice over of the standard warning be enhanced to five seconds in audio visual advertisements; and in case of audio advertisements the standard warning shall be read in an easily understandable manner over a period of five seconds.

[Source: SEBI/IMD/CIR. no. 12/ 118340/ 08 dated 26th February, 2008]

### **Removal of restrictions w.r.t. issuance of Delivery Instruction Slips Booklet**

The restriction on issuance of not more than 20 slips per Delivery Instruction Slip (DIS) booklet and issuance of subsequent DIS booklet to a Beneficial Owner ("BO") only after the BO has used not less than 75% of the slips contained in the previous DIS booklet stands withdrawn. The restriction was provided under Para 2(c) and (e) of



Circular No. SEBI/ MRD/ Dep/ Cir-03/ 2007 dated 13th February, 2007.

[Source: Circular SEBI/MRD/Dep./Cir- 3/2008 dated 28th February, 2008]

## **CBDT Circular on Securities Lending/Borrowing**

With a view to provide a mechanism for borrowing of securities to enable settlement of securities sold short, SEBI had decided to put in place a full-fledged Securities Lending and Borrowing (SLB) Scheme for all market participants in the Indian securities market under the overall framework of "Securities Lending Scheme", 1997" of SEBI (Circular No. SMD/Policy/SL/ CIR-09/97 dated 7th May, 1997).

In this context, the following taxation issues have arisen in respect of transactions under the Scheme of Securities Lending:

- (i) Whether the lending/ borrowing of securities under the Securities Lending Scheme will amount to "transfer" under clause (47) of section 2 of the Income-tax Act in the hands of the lender?

CBDT has clarified that the Lending and Borrowing of Securities under the new scheme notified by SEBI is in accordance with the overall framework of the Securities Lending Scheme of 1997. Accordingly, the provisions of section 47(xv) of the Act will be equally applicable in respect of the transactions under the new Scheme.

- (ii) Whether lending/borrowings of the securities will be subjected to securities transaction tax (STT)?

STT is levied on purchase or sale of an equity share, unit and derivative, under such circumstances as specified in section 98 of the Finance (No.2) Act, 2004. The transactions in the nature of lending and borrowing under the new Scheme do not fall within the scope of section 98 to the Finance (No.2) Act, 2004. Therefore, the transactions of lending and borrowing are not liable to STT.

[Source: CBDT Circular no. 02/2008 dated 22nd February, 2008]

## **FOREIGN TRADE POLICY/FEMA**



### **Press Note nos. 1 to 6 (2008 series)**

Department of Industrial Policy and Promotion ("DIPP") on 12th March, 2008 issued series of Press Notes (PN) further liberalizing the foreign investment norms as detailed below:

### **Credit Information Companies (PN#1 of 2008)**

Foreign investment through Foreign Direct Investment ("FDI") route together with investments by Registered Foreign Institutional Investors ("FIIs") in credit information companies is now allowed up to 49% with prior approval of Government and regulatory clearance from Reserve Bank of India ("RBI"). FIIs under the Portfolio Investment Scheme are now permitted to make investment up to 24% only in credit information companies listed at Stock Exchanges subject to overall cap of 49% of foreign investment in such companies and other conditions as laid down in the said PN.

Earlier 'Credit Reference Agencies' in the FDI Policy formed part of the list of Non-Banking Finance Companies ("NBFC") activities where 100% FDI was allowed under automatic route. Now, the said list is amended and Credit Rating Agencies is deleted from the list.

### **Commodity Exchanges (PN#2 of 2008)**

The composite ceiling of foreign investment through FDI route together with investments by FIIs in Commodity Exchanges is now allowed up to 49% with prior approval of Government.

Out of which, (i) FDI up to 26% is permitted under FDI Scheme incorporated as Schedule 1 under regulation 5(1) of the Foreign Exchange Management (Transfer or Issue of Security by a person resident outside India) Regulations, 2000 (the said "FEMA Regulations"), and (ii) investment by registered FIIs under Portfolio Investment Scheme incorporated as Schedule 2 under regulation 5(2) of the said FEMA Regulations is restricted up to 23%. However, FII purchases shall be restricted to secondary markets only.

Further, a single foreign investor/ entity, including persons acting in concert cannot acquire more than 5% of equity in these companies.

## **Industrial Parks (PN#3 of 2008)**

FDI up to 100% is allowed under the automatic route for both in setting up and in established Industrial Parks. It has been now clarified that conditions of PN 2 of 2005 applicable to construction and development projects will not be applicable for Industrial Parks subject to following conditions:

1. Industrial Park would comprise of a minimum of 10 units and no single unit shall occupy more than 50% of the allocable area;
2. The minimum percentage of the area to be allocated for industrial activity shall not be less than 66% of the total allocable area.

## **Civil Aviation Sector (PN#4 of 2008)**

Earlier under PN 4 of 2006, FDI norms were provided for Airports and Air Transport Services. Air Transport Services norms are now extended to other services under the Civil Aviation Sector viz. Scheduled and Non-Scheduled domestic passenger airlines, Helicopter services/ Seaplane services, Ground Handling Services, Maintenance and Repair organizations; Flying training institutes; and Technical training institutions.

Under Air Transport Services, following FDI ceilings have been introduced:

- i. Scheduled Air Transport Service/ Domestic Scheduled Passenger Airline FDI up to 49% and investment by NRI up to 100% allowed under the automatic route.
- ii. Non-Scheduled Air Transport Service/ Non-Scheduled airlines, Chartered airlines, and Cargo airlines- FDI up to 74% and investment by NRI up to 100% allowed under the automatic route.
- iii. Helicopter services/ seaplane services requiring Directorate General of Civil Aviation approval- FDI up to 100% allowed on the automatic route.

Further, under Civil Aviation sector, following FDI ceilings in other services have been introduced:

- i. Ground Handling Services- FDI up to 74% and investment by NRI up to 100% allowed under the automatic route, subject to sectoral regulations and security clearance.
- ii. Maintenance and Repair organizations; flying training institutes; and technical training institutions FDI up to 100% allowed under the automatic route.

## **Petroleum & Natural Gas Sector (PN#5 of 2008)**

The FDI norms for Petroleum & Natural Gas sector are governed by Press Note 1 of 2004 and Press Note 4 of 2006. The said norms are relaxed vide this Press Note and now the ceiling on foreign investment in public sector petroleum refining as per earlier Press Notes has been raised from 26% to 49% and the condition of compulsory divestment of up to 26% equity in favour of Indian partner(s)/public within 5 years for actual trading and marketing of petroleum products is done away with.

## **Mining of Titanium Bearing Minerals & Ores (PN#6 of 2008)**

100% FDI in mining and mineral separation of titanium-bearing minerals and ores has been allowed with prior Government approval. The earlier ceiling was FDI up to 74% with prior Government approval.

Source: [www.dipp.nic.in](http://www.dipp.nic.in)

## **De-reservation of 79 Items from the SSI List**

The Government has de-reserved 79 more items from the list of items exclusively manufactured by the small-scale industries ("SSI") sector.

With this, only 35 items remain in the list of items for exclusive manufacture in the SSI sector.

[Source: Notification no. S.O. 246(E) dated 5th February, 2008]

## **Foreign Currency Exchangeable Bonds Scheme, 2008**

The Government has notified the Scheme for issue of Foreign Currency Exchangeable Bonds on 15th February, 2008.

The full text of the notification is available at [www.finmin.nic.in](http://www.finmin.nic.in)

## VAISHEVENTS

### Vaish Seminar on Finance Bill, 2008



*Vaish Budget seminar in progress. Seen in the picture (L to R): Dr. Anand P. Gupta, Mr. D. H. Pai Panandiker, Mr. O. P. Vaish, Mr. Ajay Vohra, Ms. Ruchira Chaudhary and Mr. Hitender Mehta*

Taking its long tradition forward, on 3rd March 2008, Vaish Associates organized a seminar on Finance Bill, 2008 at PHD Chamber of Commerce & Industry. Mr. O. P. Vaish, Sr. Advocate chaired the proceedings of the seminar. Mr. Pai Panandikar, noted Economist & former Secretary General, FICCI and Mr. Anand P. Gupta, Director, Economic Management Institute & formerly, Professor of Economics, IIM-Ahmedabad deliberated the impact of the budget proposals on the Indian economy at large. Mr. Ajay Vohra, Managing Partner, discussed the clause-by-clause proposals relating to direct tax. Mr. Rupesh Jain and Mr. Anurag Jain also supported in the floor discussions. Mr. Hitender Mehta and Ms. Ruchira Chaudhary gave an overview of indirect tax proposals. The seminar was attended by over 150-corporate delegates.



*A section of the distinguished participants*

A copy of the Vaish Associates' Budget Booklet containing an in-depth analysis of the Finance Bill, 2008 was circulated to all the participants.

Soft copy of budget booklet as well as presentations made is available on request. In case, you require a copy of the same, please email us at [gurgaon@vaishlaw.com](mailto:gurgaon@vaishlaw.com)

### Felicitation of Padma Awardees

The occasion was to felicitate the Padma Awardee friends, bidding farewell to Winter & welcoming Spring in style. Mrs. and Mr. O. P. Vaish hosted a luncheon get together on 24th February, 2008 at Sanskriti Kendra (an institution of aesthetic excellence) at Anandagram, New Delhi to felicitate the friends namely, Mr. Shiv Nadar, Chairman, HCL Group, Mr. M. M. Sabharwal, President-Emeritus, Helpage India, Dr. Malvika Sabharwal (for her contribution in the medical field), Dr. Amit Mitra, Secretary General, FICCI and Mr. K. Padmanabhiah, who were conferred Padma Awards by the Hon'ble President of India, Mrs. Pratibha Devisingh Patil on the eve of 59th Republic Day.



*Mrs. & Mr. O. P. Vaish felicitating Mrs. & Mr. Shiv Nadar*



*Mrs. and Mr. O. P. Vaish greeting Dr. Malvika Sabharwal and Mr. Sabharwal*



*Mrs. & Mr. O. P. Vaish with Mr. M. M. Sabharwal*



*Dr. Amit Mitra with Mr. O. P. Vaish*



*Mr. O. P. Vaish seen with Mr. K. Padmanabhiah*



*A cross-section of invitees*

## Annual Picnic

Vaish Team at annual picnic day on 23rd February, 2008 at Sultanpur, Gurgaon



### Disclaimer:

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