

# Tax & Corporate News Bulletin



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## From the Editor's Desk...

At a time, when we are talking further liberalization, the Ministry of Finance has thrown a spanner through Press Note dated 30th April 2007 by bringing out Guidelines for Foreign Investment in Preference Shares. In what could be regarded as a settled position, the Guidelines have thrown up many concerns. According to the Companies Act, preference share capital is treated as a part of overall share capital irrespective of the fact whether preference shares are convertible into equity shares or not. However, as per the extant Guidelines, preference shares which are not fully convertible, would be treated as ECB and require adherence to ECB Guidelines (including the end-use purpose). Would it mean that the coupon on non-convertible preference shares would be regarded as interest (not as dividend), and that the redemption of such non-convertible shares could be made in a manner other than as stipulated in the Companies Act? Needless to say, this may have a bearing on FDI inflows in the country.

Finance Bill, 2007 received the assent of the President on 11th May, 2007 and the Finance Act was published in the Gazette of India dated 12th May, 2007. Reportedly, since the assent of the President was received late in the evening on 11th May 2007, the Finance Act could be published in the Gazette of India on 12th May 2007. What could be seen as a small procedural issue, has led to confusion all around regarding applicability of secondary and higher education (SHE) cess on the service tax whether the same is applicable w.e.f. 11th or 12th May, 2007?

Legally speaking, SHE cess on service tax would become applicable w.e.f. 11th May, 2007 (i.e. the date of enactment). However, since the Act was enacted after the close of business hours on 11th May, 2007, the same cannot be retrospectively complied with by the taxpayers. To add to this, Notification no. 27/2007-C.E. dated 12th May 2007 provides that CENVAT credit on new services would be available from 12th May 2007. Appropriate clarification from the Government is wanting to clear the confusion.

Warm regards,

Hitender Mehta

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## Congratulations



Vaish News Bulletin Team congratulates Ajay Vohra, Managing Partner, Vaish Associates for being voted,

second year in succession, as 'one of the most highly acclaimed legal experts in the Asia Pacific Region' in the practice area of Taxation by 2007 Asia Law Leading Lawyers Survey. (News on Page 9)

For Private Circulation

## INCOME TAX

### Finance Bill, 2007 enacted

The Finance Bill, 2007 received the President's assent on 11<sup>th</sup> May 2007 and has been enacted. The following important amendments to the Finance Bill, 2007 in respect of the provisions relating to Income-tax Act (the "Act") have been made in the Finance Act, 2007.

- VCUs in infrastructure**

The Finance Bill had proposed to limit the exemption available under section 10(23FB) of the Act to a venture capital company/ fund in respect of income received from investments in venture capital undertakings (VCUs) engaged in specified sectors, to incomes received from only certain specified VCUs, such as those engaged in information technology, bio-technology, agriculture, etc.



The list of specified sectors has been enlarged to include VCUs engaged in development, operation and maintenance of infrastructure facility referred to in the Explanation to section 80-IA(4)(i), viz., road, bridge, rail system, highway project, port, airport, etc.

- Relief regarding valuation of perquisite in respect of concession in rent relating to accommodation provided to the employee**

The Finance Bill had introduced in section 17(2) (ii) of the Act, the basis of valuation of perquisite in respect of concession in rent to employees where the accommodation owned/ leased by the employer was rented to the employee. The aforesaid basis of valuation was the same as provided in Rule 3(1) of the Income-tax Rules.

The basis for valuation of the deemed concession as provided in the Finance Bill has been rationalized by the Finance Act, 2007, which would result in significant relief to the employees. A comparison of the basis of valuation as per the Finance Bill/ Rule 3(1) and the Finance Act, 2007, has been made in the following table.

Nature of Accommodation	As per Finance Act, 2007	As per Finance Bill, 2007
Accommodation owned by the employer	<p>If rent received from employee is less than</p> <ul style="list-style-type: none"> <li>15 percent of salary in case of cities having population exceeding twenty five lacs; or</li> <li>10 percent in case of cities, having population exceeding 10 lacs but not exceeding twenty five lacs; and</li> <li>7.5 percent in other cities -</li> </ul> <p>the differential amount will be deemed to be the concession.</p>	<p>If rent received from employee is less than</p> <ul style="list-style-type: none"> <li>20 percent of salary in case of cities having population exceeding four lacs; or</li> <li>15 percent in case of other cities-</li> </ul> <p>the differential amount will be deemed to be the concession</p>
Accommodation taken on lease by the employer	<p>If rent received from the employee is less than lower of rent paid by the employer or 15 percent of salary of the employee, the differential amount will be deemed to be the concession.</p>	<p>If rent received from the employee is less than lower of rent paid by the employer or 20 percent of salary of the employee, the differential amount will be deemed to be the concession.</p>

On perusal of the above table it will be observed that the value of perquisite in the above regard has been reduced by the Finance Act, 2007. The aforesaid provisions are applicable, w.e.f, 1.4.2006, i.e., assessment year 2006-07.

Thus, if the perquisite in relation to the concession in the matter of rent in respect of accommodation provided to the

employee by the employer has been computed in assessment year 2006-07, with reference to the provision of Rule 3(1), it would be possible for the employees to file the revised return for assessment year 2006-07 and claim refund on account of lower taxable value of perquisite in respect of concessional accommodation provided by the employer. The revision of return would be possible even if intimation under section 143(1) of the Act or notice under section 143(2) of the Act has been issued in the case of employee. The revised return shall have to be filed latest by 31st March 2008.

It is clarified that the aforesaid provisions are applicable only with respect to accommodation provided at concessional rent to the employee and not in the case of rent-free accommodation provided by the employer.

#### ❖ **FBT on ESOP**

- i. **Value of benefit-** The Finance Bill had proposed levy of Fringe Benefit Tax ("FBT") on allotment of shares by way of sweat equity or under employee stock option scheme ("ESOPs").



The employees were not liable to any tax on the benefit arising on account of the aforesaid allotment of shares. The Finance Bill had proposed that the value of fringe benefit liable to tax would be the difference between the fair market value of the specified security issued under ESOP/ sweat equity share as on the date of exercise of the option by the employee and the amount recovered in respect of the same from the employee.

The Finance Act, 2007 provides that the value of fringe benefit liable to tax would be the difference between the fair market value of the specified security/ sweat equity shares on the date of vesting of the option with the employee and the actual amount recovered in respect of the same from the employee.

The rule regarding determination of fair market value of the shares will be notified by the Central Board of Direct Taxes (CBDT).

- ii. **Recovery of FBT from employee-** Employers may recover the FBT leviable in respect of shares allotted under ESOP or as sweat equity, from the employees receiving the share.

#### ❖ **Deduction under section 80C**

Investment in specified bonds issued by NABARD would be eligible for deduction under section 80C of the Act.

#### ❖ **Incentive for industrialization in North-Eastern States**

A new section 80-IE has been introduced which, subject to specified conditions, provides for a deduction of 100% profits for 10 consecutive assessment years derived from undertaking that is:

- i. set up or undertakes substantial expansion for manufacture or production of any eligible article or thing in North Eastern States;
- ii. engaged in carrying on eligible business including hotels, adventure and leisure sports, operating vocational training institutes, bio-technology, manufacture of IT hardware, etc., in North Eastern States.

#### **Excise duty and sales-tax not to form part of total turnover for purposes of section 80-HHC of the Income-tax Act**

##### *CIT v. Lakshmi Machine Works: 290 ITR 667 (SC)*

- ❖ Deduction under section 80HHC of the Income-tax Act, 1961 (the "Act") is admissible on profits derived from export, which are calculated by apportioning profits as assessed under the head "profits and gains from business or profession" in the ratio of export turnover to total turnover. While the export turnover does not admit of such levies, the Department sought to include the same in the definition of total turnover.
- ❖ The Supreme Court recently in the case of CIT v. Lakshmi Machine Works: 290 ITR 667 has settled this long standing controversy raised by the department, holding that excise duty and sales-tax do not form part of total turnover for purposes of section 80-HHC of the Act. Mr. Ajay Vohra and Ms. Kavita Jha from Vaish Associates argued the matter on behalf of some of the clients.

## SERVICETAX

### Penalty for late for late filing of Service Tax Return

- ✦ The Central Government has notified the Service Tax (Third Amendment) Rules, 2007. Newly inserted rule 7C of the amended Rules provide for quantification of the penalty for late filing of Service Tax returns by amending section 70 of the Finance Act, 1994.
- ✦ Further, explanation to rule 7C provides that any pending proceedings under section 77 for delayed submission or non-submission of return that has been initiated before the date on which the Finance Bill, 2007 receives the assent of the President (i.e., 11.05.2007), shall also be deemed to be concluded if the amount specified for delay in furnishing the return is paid by the assessee within sixty days from the date of assent to the said Finance Bill (i.e., by 10.07.2007). The late fee is

Delay	Amount
For the first 15-days	500/-
For delay of more than 15-days but less than 30-days	1000/-
Beyond 30-days	1000/- + 100/- for each day from the thirty first day till the date of furnishing the said return but not more than 2000/-

[Notification No. 20/2007 dated 12.05.2007 S.T.]

### Rebate of Service Tax - Secondary and Higher Education (SHE) cess included

- ✦ The Central Government has amended the Notification No.11 and 12/2005 dated 19th April, 2007 to include the SHE cess for granting a rebate for export of services. The effective rate of service tax shall now be 12.36%.

[Notification No. 21 and 22/2007 dated 12.05.2007-S.T.]

### Applicability of Service Tax on entry and exit load charged by the Mutual Fund

- ✦ The Central Board of Excise and Customs (CBEC) has clarified that "entry and exit load" charged by mutual fund would not attract levy of Service Tax under the category of 'Fund Management Service'.

[Circular No. 94/05/2007 dated 15.05.2007 - S.T.]

### CBEC notifies the revised ST-3 Form (Half yearly Service Tax Return)

- ✦ The existing Form ST-3 has been substituted by the revised Form ST-3. Effective 2nd April, 2007, the return to be filed should be in the revised ST-3 Form.

For the revised form please visit

<http://www.servicetax.gov.in/forms/st-form3.pdf>

[Notification No. 14/2007 dated 02.04.2007 -S.T.]

### Service Tax payable on services provided by Passenger Tour Operator (other than package tours)



- ✦ The Central Government has issued directions for regarding service tax payable by the Tour Operators providing services in relation to

transport of passengers (other than services provided in relation to a package tour) operating under a contract of carriage permit issued by the appropriate transport authority. Such tour operators, although they were liable to pay service tax under section 65(105)(n) of Finance Act, no service tax was levied on them during the period commencing from the 1st April, 2000 to 4th February, 2004.

- ✦ The present notification provides that the service tax liability of such tour operator, in respect of service tax payable but not levied during the abovementioned period, shall be restricted to the amount of service tax calculated on 40% (forty percent) of the gross amount charged by the service provider for providing the said taxable service.

[Notification No. 15/2007 dated 04.04.2007-S.T.]



## CORPORATE LAWS

### Ministry of Company Affairs in now Ministry of Corporate Affairs

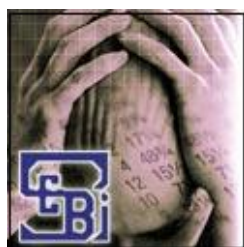
- ✧ The Ministry of Company Affairs has been renamed as Ministry of Corporate Affairs vide Presidential Notification dated 9th May 2007 amending the Government of India (Allocation of Business) Rules, 1961.
- ✧ The change in the name was not merely necessitated because of the change in the form but also the fresh vision and approach of the Ministry reflecting the larger role it is playing today in the area of corporate governance and reforms besides taking fresh initiatives like the introduction of the Limited Liability Partnership (LLP) Bill, amendments to the Acts governing professional institutions and giving operative teeth to the Competition Commission of India (CCI). The Ministry is engaged in a complete revamp of the legal framework for the corporate sector. The Companies Act, 1956, is also under a comprehensive revision.

### Time Extension for filing DIN-1 and DIN-3

- ✧ The last date for filing of the Form DIN-1 (Form for application of Director Identification Number) and DIN-3 (Form for intimation of Director Identification Number by company to Registrar) without payment of fee (which was earlier extended to 31st March 2007) has been further extended from 31st March 2007 to 30th June 2007.

## CAPITAL MARKETS

### Amendment to SEBI (DIP) Guidelines, 2000



On 30th April 2007, SEBI has amended Guidelines relating to Disclosure of Investor Protection as under:

#### ✧ Grading of Initial Public Offerings (IPO)

- ★ It shall be mandatory for the issuer companies to obtain grading from at least one credit rating agency.

- ★ Grading shall be done by credit rating agencies, registered with SEBI under the SEBI (Credit Rating Agencies) Regulations, 1999.
- ★ The issuer shall be required to disclose all the grades obtained by it for its IPO in the prospectus, abridged prospectus, issue advertisements and all other places where the issuer is advertising for the IPO.
- ★ Expenses incurred for grading of IPO shall be borne by the issuer.

#### ✧ Guidelines on Preferential Allotment

- ★ Companies with listing history of less than six months have been allowed to raise money through preferential allotment, subject to complying with modified pricing and disclosure norms.

#### ✧ Guidelines on Qualified Institutional Placement (QIP)

- ★ A company desirous of making a QIP shall be required to have a listing history of at least one year as on the date of issuance of notice to its shareholders for convening a general meeting in terms of Section 81(1A) of the Companies Act, 1956 to consider the QIP.

#### ✧ Eligibility of pledged shares for computation of minimum promoters' contribution

- ★ Securities which have been pledged with banks or financial institutions as collateral security for loans granted by banks or financial institutions shall not be eligible for computation of minimum promoters' contribution.

[Source: SEBI PR No.154/2007 dated 30th April, 2007]

### SEBI permits Listed Companies to send abridged annual report to shareholders

- ✧ SEBI has directed stock exchanges to permit listed companies to send a statement containing the salient features of the Balance Sheet, Profit and Loss Account and Auditors' Report to each shareholder instead of the present requirement of sending a copy of the complete and full Balance Sheet, Profit and Loss account and

Director's Report. However, on a written request from a shareholder, the company has to send the complete and full Balance Sheet, Profit & Loss Account and Auditors' Report to the said shareholder.

- ✧ Clause 32 of the Equity Listing Agreement which requires listed companies to provide a copy of the complete and full Balance Sheet, Profit and Loss Account and Directors' report to each shareholder and upon application to any member of the Exchange will stand amended accordingly.

[Source: PR No.147/2007 dated 26.04.2007 SEBI]

## FEMA/RBI/FOREIGN TRADE POLICY

### Liberalisation in ECBs



- ✧ The Reserve Bank of India (RBI) has further liberalised the External Commercial Borrowings (ECB) Guidelines for providing greater flexibility to the corporates in managing their liquidity and interest cost. Existing limit for prepayment of ECB has been enhanced from USD 300 million to USD 400 million. However, the enhanced ECB limit is subject to compliance with the average maturity period as applicable to the loan. For details please visit [www.rbi.gov.in](http://www.rbi.gov.in)

[Source: RBI/2006-2007/365 A.P. (DIR Series) Circular No. 17 dated 30.04.2007]

### Amendments in Foreign Exchange Management (Current Account Transactions) Rules, 2000

RBI has introduced the following amendments in the Foreign Exchange Management (Current Account Transactions) Rules, 2000 on 30th April, 2007:

#### A. Remittance towards donation by corporates

[Item No. 4 of Schedule III]

- ✧ Category-I AD banks are permitted to make remittances on account of donations by corporates for the specified purposes only.

- ✧ Remittances are subject to a limit of one per cent of the foreign exchange earnings during the previous three financial years or USD 5 million, whichever is less.

[Source: RBI/2006-2007/366 A.P. (DIR Series) Circular No. 45]

#### B. Remittance for Consultancy Services

[Item No. 15 of Schedule III]

- ✧ The limit for remittance for consultancy service procured from outside India by Indian companies executing infrastructure projects increased from USD 1 million per project up to USD 10 million per project.
- ✧ Infrastructure sector includes power, telecommunications, railways, roads (including bridges), sea port and airport, industrial parks, urban infrastructure (water supply, sanitation and sewage projects).
- ✧ AD Banks to allow remittances on behalf of Indian companies in such cases up to USD 10 million per project after verifying the bonafides of the transaction.

In all other cases, the existing limit of USD 1 million, per project, for any consultancy service procured from outside India, will continue.

[Source: RBI/2006-2007/367 A.P. (DIR Series) Circular No. 46]

#### C. Reimbursement of pre-incorporation expenses

[Item No. 17 of Schedule III]

- ✧ Remittance of foreign exchange towards reimbursement of pre-incorporation expenses incurred in India permitted up to 5 per cent of the investment brought into India or USD 100,000, whichever is higher. Such remittance is, however, subject to certification in this regard from statutory auditor.

[Source: RBI/2006-2007/368 A.P. (DIR Series) Circular No. 47]

## Liberalisation of Overseas Investment by Mutual Funds

RBI vide RBI/2006-2007/381 A.P. (DIR Series) Circular No. 53 dated 8th May, 2007 further liberalised Overseas Investment by Mutual Funds for providing greater opportunity for investment overseas. The following are the salient features:

- ✧ Aggregate ceiling for overseas investment by Mutual Funds registered with SEBI increased from USD 3 billion to USD 4 billion
- ✧ Investments subject to terms and conditions and operational guidelines issued by the SEBI.
- ✧ Monthly reporting requirement to RBI to continue.

For details please visit [www.rbi.gov.in](http://www.rbi.gov.in)

[Source: RBI/2006-2007/381 A.P. (DIR Series) Circular No. 53 dated 8th May, 2007]

## Liberalised Remittance Scheme for Resident Individuals- Enhancement of limit from USD 50,000 to USD 100,000

RBI vide RBI/2006-2007/379 A.P. (DIR Series) Circular No. 51 dated 8th May, 2007 has enhanced the existing limit of USD 50,000 per financial year to USD 100,000 per financial year (April- March) under the Remittance Scheme for Resident Individuals. The following are the salient features of the revised Scheme:

- ✧ Such remittances are allowed under the Scheme only in respect of *permissible current or capital account transactions*. All other transactions which are otherwise not permissible under FEMA and those in the nature of remittance for margins or margin calls to overseas exchanges/ overseas counterparty are not allowed under the Scheme.
- ✧ Banks should not extend any kind of credit facilities to resident individuals to facilitate remittances under the Scheme.

For details please visit [www.rbi.gov.in](http://www.rbi.gov.in)

[Source: RBI/2006-2007/379 A.P. (DIR Series) Circular No. 51 dated 8th May, 2007]

## FDI in Telecom Sector

### Enhancement of the FDI ceiling from 49 per cent to 74 per cent in the Telecom sector Revised Guidelines

- ✧ The Ministry of Commerce and Industry, Department of Industrial Policy and Promotion (“DIPP”) has issued Press Note No.3 (of 2007 Series) on 19th April 2007 whereby it has reviewed the policy on the enhancement of the Foreign Direct Investment (FDI) ceiling in telecom sector and introduced certain conditions relating to FDI and security conditions, viz. Chief Officer In-charge of technical work, the Chief Security officer and all officials of the Licensee Company dealing with lawful interception of messages to be Indian residents; the positions of Chairman, Managing Director, CEO and CFO of the Licensee Company, if foreign nationals to be security vetted by the Ministry of Home Affairs; and Licensee Company should not transfer outside India any accounting or user information relating to subscribers (except for international roaming/ billing); etc.
- ✧ The FDI and Security conditions, as notified, will be applicable to Basic, Cellular, Unified Access Services, National/ International Long Distance, V-Sat, Public Mobile Radio Trunked Services (PMRTS), Global Mobile Personnel Communications Services (GMPCS) and other value-added services.
- ✧ The relevant provisions of FDI policy for 'investment companies', as given in Press Note 2 (2000 series) dated 11.2.2000 will no longer be applicable to telecom sector.
- ✧ Press Note 15 (1998 series) and Press Note 2 (2000 series) issued by Department of Industrial Policy & Promotion stand modified accordingly.
- ✧ Press Note No. 5 (2005 Series) dated 3.11.2005 stands superseded by this Press Note.



For more information please visit -

<http://siadipp.nic.in/policy/changes.htm>

[Press Note No.3 (of 2007 Series) dated 19.04.2007]

## Corporate Governance Guidelines for NBFCs

RBI, with a view to encourage Non-Banking Financial Companies (NBFCs) to adopt best practices and greater transparency in their operations, has by proposed guidelines on "Corporate Governance" for consideration of the Board of Directors of all Deposit taking NBFCs with deposit size of Rs 20 crore and above and all non-deposit taking NBFCs with asset size of Rs.100 crore and above.



### ✧ Constitution of Audit Committee

- ★ NBFC having assets of Rs. 50 crore and above as per its last audited balance sheet is already required to constitute an Audit Committee. NBFCs with deposit size of Rs.20-crore may similarly consider constituting an Audit Committee.

### ✧ Constitution of Nomination Committee

- ★ NBFC with deposit size of Rs. 20 crore and above and NBFC-ND-SI may form a Nomination Committee to ensure 'fit and proper' status of proposed/existing Directors.

### ✧ Constitution of Risk Management Committee

- ★ The *market risk* for NBFCs with Public Deposit of Rs.20 crore and above or having an asset size of Rs.100 crore or above as on the date of last audited balance sheet is addressed by the Asset Liability Management Committee constituted to monitor the asset liability gap and strategize action to mitigate the risk associated.
- ★ To manage the *integrated risk*, a risk management committee may be additionally formed.

### ✧ Disclosure and transparency

- ★ The following information should be put up by the NBFC to the Board of Directors at regular intervals as may be prescribed by the Board in this regard:
  - ★ progress made in putting in place a *progressive*

*risk management system, and risk management policy and strategy* followed.

- ★ *conformity with corporate governance standards* viz. in composition of various committees, their role and functions, periodicity of the meetings and compliance with coverage and review functions, etc.

### ✧ Connected Lending

- ★ Companies should comply with the instructions on connected lending relationships relating to credit facilities to the Directors, loans and advances to relatives of the NBFC's Directors or to the Directors of other companies and their relatives and other entities, timeframe for recovery of such loans, etc.
- ★ NBFCs may frame internal guidelines on corporate governance, enhancing the scope of the guidelines without sacrificing the spirit underlying the above guidelines and it shall be published on the company's web-site, if any, for the information of various stakeholders.

For details please visit [www.rbi.gov.in](http://www.rbi.gov.in)

[Source: RBI/2006-2007/385 DNBS.PD/CC  
94/03.10.042/2006-07 dated 08.05.2007]

## Revised Form FC-GPR (for reporting details of FDI)

In terms of para 9 (1) B of Schedule I to the Notification No. FEMA 20/2000-RB dated May 3, 2000 Indian companies are required to report the details of FDI in Form FC-GPR to the Regional Office of RBI within whose jurisdiction the Registered Office of the Company operates, within 30 days of issue of shares.

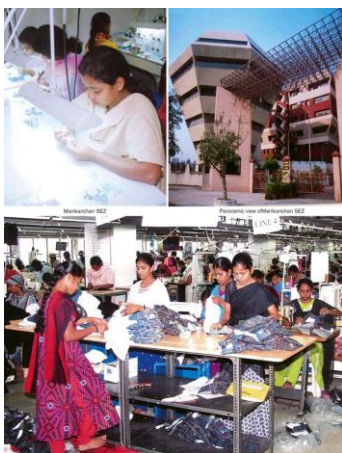
In order to capture the details of FDI in a comprehensive manner, Form FC-GPR has been revised. As per the revised format, details of FDI are required to be furnished in Part A and B. Part A has to be filed by the Company, through AD Category I bank, to the concerned Regional Office of RBI. Part B, which is an annual report of all investments made by the company during a financial year, is required to be submitted directly by the Company to the RBI, Mumbai by 30th June every year.



The AD (Category I bank) in India, receiving the remittance should obtain a KYC report in respect of the foreign investor from the overseas bank remitting the amount. If the AD receiving the remittance is different from the AD forwarding Form FC-GPR, the latter should file Form FC-GPR along with a certificate from the former of having received the inward remittance and the KYC report.

## Special Economic Zones (Second Amendment) Rules, 2007

The Ministry of Commerce and Industry, Department of Commerce has notified the Special Economic Zones (Second Amendment) Rules, 2007 ("SEZ Rules 2007").



❖ Amongst the major amendments, a "Check List" has been added to Form-A (proposal for formal approval by Developer). The developer while submitting the proposal for setting up of SEZ is required to ensure that the requisite information as provided in the check list has been provided.

❖ A new Form B-1 has been introduced in the SEZ Rules 2007 relating to "in-principle" approval to proposal for development, operation and maintenance of a Special Economic Zone (SEZ),

For details, please visit [sezindia.nic.in](http://sezindia.nic.in)

[Source: Notification no. SO 393 (E), dated 16.03.2007 - Ministry of Commerce and Industry]

## Guidelines for Foreign Investment in Preference Shares

On 30th April 2007, the Ministry of Finance has through a Press Note issued guidelines for foreign investment in preference shares in supersession of Press Note dated 31st July, 1997 (containing the guidelines for Indian Companies for mobilizing foreign investment through issue of

preference shares for financial projects/ industries), the following guidelines are prescribed with immediate effect:

1. Foreign investment coming as fully convertible preference shares would be treated as part of share capital. This would be included in calculating foreign equity for purposes of sectoral caps on foreign equity, where such caps have been prescribed.
2. Foreign investment coming as any other type of preference shares (non convertible, optionally convertible or partially convertible) would be considered as debt and shall require conforming to ECB guidelines/ ECB caps.

Any foreign investment as non-convertible or optionally convertible or partially convertible preference shares as on and up to 30th April 2007 would continue to be outside the sectoral cap till their current maturity.

Issue of preference shares of any type would continue to conform to the guidelines of RBI/ SEBI and other statutory bodies and would be subject to all statutory requirements.

[Press Note dated 30.04.2007 issued by Ministry of Finance, Deptt. of Economic Affairs]

## ACCOLADES

### 2007 Asia Law Leading Lawyers Survey

**Ajay Vohra adjudged "one of the most highly-acclaimed legal experts in the Asia-Pacific region" in the field of Taxation, for the second year in succession**

Vaish Associates takes pride to announce that Mr. Ajay Vohra, Managing Partner has been recognized by 2007 Asia Law Leading Lawyers Survey, as one of the most highly acclaimed legal experts in Asia Pacific Region in the field of Taxation, for the second year in succession. This prestigious endorsement is in recognition of his work and is based on the recommendations of approx. 16,000 in-house legal counsels, senior corporate executives and lawyers at international firms.

## IMPORTANT DATES WITH REGULATOR (S)

### COMPLIANCE CHECKLIST

May - June 2007

Sr. No	PARTICULARS	Sections/ Rules Clauses, etc	Acts/Regulations, etc.	Compliance Due Date	To whom to be submitted
<b>A. COMPANY LAW AND SEBI REGULATION(S)</b>					
1	Filing of Balance sheet and Profit & loss a/c together with Directors' and Auditors' Report	Section 220	Companies Act, 1956	Within 30 days from the date of when the same are laid before the AGM	Registrar of Companies
2	Secretarial compliance certificate for companies having paid-up capital of more than INR 1-Mn and less than INR 20-Mn	Section 383A	The Companies Act, 1956 read with Companies (Compliance Certificate) Rules, 2001	Within 30 days from the date on which its annual general meeting was held	Registrar of Companies
<b>B. INCOME TAX</b>					
3	Deposit TDS on Salaries paid for the previous month (May-2007)	Section 192	Income-tax Act, 1961	7th June	Income Tax Authorities
4	Quarterly return for TDS deducted on salaries in Form 24Q ( if computer media is used then Form No. 27A) for quarter ended on 31st March 2007	Section 192	Income-tax Act, 1961	15th June	Income Tax Authorities
5	Deposit TDS on payments made to/ for Contractor's / Advertising/ Professional service [TDS collected in the previous month]	Section 194C, Section 194J	Income-tax Act, 1961	7th June	Income-tax Authorities
6	Deposit of TDS on payments /credits to Contractor's/ Advertising/Professional service on 31st March 2007	Section 194C, Section 194H, Section 194J	Income-tax Act, 1961	31st May	Income-tax Authorities
7	Deposit TDS on Rent paid during May 2007	Section 194I	Income-tax Act, 1961	7th June	Income-tax Authorities
8	Deposit of TDS on credit for rent made on 31st March 2007	Section 194I	Income-tax Act, 1961	31st May	Income-tax Authorities
9	Issue certificate in prescribed form for TDS from amounts credited as on the date up to which accounts are made (If the amount is credited to the payee's account on last day of the financial year)	Section 194C, Section 194J	Income-tax Act, 1961 and Income-tax Rules, 1962	within one week after the expiry of two months from the end of the month in which such amount is credited	Payee in respect of whom tax has been deducted
10	First Instalment of advance income-tax and fringe benefit in case of a company for the assessment year 2008-2009	Section 208	Income-tax Act, 1961	15th June	No statement/ estimate is required to be submitted

<b>C. EXCISE &amp; SERVICE TAX</b>					
11	Submission of monthly CENVAT Return for May 2007	Rule 9(7)	CENVAT Rules, 2004	10th June	Excise Authorities
12	Deposit Service Tax in Form TR-6, collected during May 2007	Rule 6	Service Tax Rules, 1994	5th June	Service Tax Authorities
<b>D. LABOUR LAWS</b>					
13	Payment of monthly Provident Fund dues	Paragraph 38 of Employees' Provident Funds Scheme, 1952	Employees' Provident Funds and Misc. Provisions Act, 1952	Within 15 days of the close of every month	Provident Fund Authorities
14	Declaration in Form 2 and monthly return in Form 5 for qualifying employees joining during the previous month	Paragraph 36(2)(a) of Employees' Provident Funds Scheme, 1952	Employees' Provident Funds and Misc. Provisions Act, 1952	Within 15 days of the close of every month	Provident Fund Commissioner
15	Payment of ESI contribution for the previous month	Regulation 31	Employees' State Insurance Act, 1948 read with Employees' State Insurance (Gen) Regulations, 1950	Within 21 days of the last day of the calendar month in which the contribution fall	ESIC Authorities

## VAISH EVENTS

Vaish annual excursion at Hong Kong



Skywalk at Macau Tower



To celebrate yet another rewarding year, Vaish Law Firm took its professional associates to Hong Kong for a vacation from 4th April to 8th April 2007. The associates had a great time doing the heart-stopping skywalk 233-metres above the ground at Macau Tower at Macau to touristy sight seeing in central Hong Kong. The associates also visited Shenzhen (China).



## IACC Conference on "Business In and Between India and the US: Legal and Regulatory Framework"

Indo-American Chamber of Commerce (IACC) along with Center for American and International Law (CAIL) and American Bar Association (ABA) organized a conference on 'Business In and Between India and The US: Legal and Regulatory Framework' at New Delhi from May 4-6, 2007.



❖ **Ajay Vohra**, Managing Partner, Vaish Associates chaired the session on sub-theme '*Overview of Taxation Regimes and their Impact on Foreign Investment in India and US*' at the Conference. Presentations were made by legal experts both from India and US. The session was well attended and was highly interactive and educative for the participants.



❖ **Satwinder Singh**, Senior Associate, Vaish Associates delivered a keynote presentation on '*Buying or Operating Environmentally Polluted Real Estate and other Environmental issues in India*' at the conference. Mr. Singh, during his presentation raised certain crucial issues regarding environmental concerns and highlighted importance of environmental due diligence for all real estate and construction companies.

## ASSOCHAM course on "Independent Directors" for Senior Defence Officers

ASSOCHAM, one of the apex Indian Chamber of Commerce and Industry, organized a unique six days 'Independent Directors Course' for senior defence officers from 7th to 12th May 2007 at New Delhi.



❖ **O P Vaish**, Senior Advocate addressed the participants on the topic "*How independent are the independent directors?*" on 10th May 2007. Mr. Vaish dealt in detail with the requirements relating to independent directors under Companies Act and Listing Agreement. He shared various practical tips with the participants.



❖ **Hitender Mehta**, Head, Vaish Associates (Gurgaon) addressed the participants on the topic "*Disclosures*" on 8th May 2007. Mr. Mehta dealt in detail with the disclosure requirements in the financial statements under Companies Act and the Listing Agreement. He also explained the statutory requirements relating to the Directors' Report and the Auditors' Report.



### DISCLAIMER:

While every care has been taken in the preparation of this News Bulletin to ensure its accuracy at the time of publication, Vaish Associates assumes no responsibility for any errors which despite all precautions, may be found herein. Neither this bulletin nor the information contained herein constitutes a contract or will form the basis of a contract. The material contained in this document does not constitute/substitute professional advice that may be required before acting on any matter.

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