

Tax & Corporate News Bulletin

Vol. II, No. 5, December 2006-January 2007



From the Editor's Desk...

Dear Reader,

The New Year 2007 has heralded its arrival with lots of hope and optimism. The Government has demonstrated its resoluteness in making the reform process quick and progressive. In December 2006, the Government introduced some important Bills.

With the introduction of Limited Liability Partnership (LLP) Bill, 2006, the concept of LLP has made some headway. The Government has taken a liberal view to extend the LLP concept to all kinds of professions as well as businesses (so much so foreign LLP). However, the Bill appears to be silent on the taxation of the LLP.

Information Technology (Amendment) Bill, 2006 has been introduced considering the need for protection of data and security, to effectively combat e-crimes and to provide for alternate technology of electronic signature (in place of digital signature) to bring harmonization with the UNCITRAL Model Law.

Foreign Contribution (Regulation) Bill, 2006 seeks to replace the entire existing Foreign Contribution (Regulation) Act, 1976. It is proposed to provide for consolidation of law relating to acceptance and utilization of foreign contribution and hospitality, and prohibit foreign contribution for any activities that are detrimental to the national interests.

Essential Commodities (Amendment) Bill, 2006 has been passed by both the Houses of [Indian] Parliament. According to the new Bill, List of essential commodities has been pruned. New List of essential commodities has been introduced.

Securities Contracts Regulation (Amendment) Bill 2006 has been introduced for limited purpose of enabling listing of 'securitization certificates or instruments' on stock exchanges for trading purposes.

February month has in its fold, host of economic activities as the India Inc. looks toward the Union Budget 2007. Let's keep our fingers crossed.

Warm regards,

Hitender Mehta

HAPPY NEW YEAR 2007

Vaish Associates extends best wishes to all the clients, business partners, associates and staff for a year full of knowledge initiatives, enhancing business values, recognitions and rewards.

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For Private Circulation

CORPORATE LAWS

LIMITED LIABILITY PARTNERSHIP BILL, 2006

On 15th December 2006, Government of India, Ministry of Company Affairs introduced the Limited Liability Partnership Bill 2006. The Bill has been introduced to set up new-age partnership firms which would somewhat be a hybrid structure having features of limited liability companies and conventional partnership firms. Limited Liability Partnership ("LLP") is essentially an **agreement-based business structure**, which combines the limited liability advantage of a company on one hand and flexibility of partnership in internal management, on the other hand.



The salient features of the LLP Bill are as follows:

- ✧ **Separate legal entity distinct from partners.** Two or more persons, associated for carrying on a lawful business with a view to profit, may by subscribing their names to an incorporation document and filing the same with the Registrar, form a LLP. The LLP will have perpetual succession;
- ✧ **'LLP Agreement' to define mutual rights and duties of partners** subject to the provisions of the proposed legislation. In the absence of such agreement, the mutual rights and duties shall be governed by the provisions of proposed legislation;
- ✧ **Limited liability.** Liability of the partners would be limited to their agreed contribution in the LLP. No partner would be liable on account of the independent or un-authorized actions of other partners or their misconduct;
- ✧ **Merger, winding up, dissolution.** The proposed legislation would confer powers on the Central Government to apply such provisions of the Companies Act, 1956 to provide, inter alia, for mergers, amalgamations, winding up and dissolutions of LLPs, as appropriate, by notification with such changes or modifications as deemed necessary.

- ✧ **Other laws.** The [Indian] Partnership Act, 1932 shall not be applicable to LLPs. Other entities may convert themselves to LLP in accordance with provisions of the proposed legislation;

SEBI

Investments in ADRs/ GDRs/ Foreign Securities and overseas ETFs by Mutual Funds

- ✧ SEBI has increased the limits pertaining to investments by mutual funds in ADRs/ GDRs/ Foreign securities within an overall limit of US\$ 3 billion from the earlier limit of US\$ 2 billion.
- ✧ Such investments, with respect to individual mutual funds, not to exceed 10% of the net assets managed by them as on 31st March of each relevant year, subject to a maximum of US\$ 150 million per mutual fund.

[Source: SEBI/IMD/CIR No. 13/83589/07 dated 4th January, 2007]

BSE Common Dissemination Portal goes Live

The Common Dissemination Portal at the Bombay Stock Exchange ('BSE') went live on the first trading day of the year 2007. This will assure easy and quick access to timely information to the retail investors.



Key Features

- ✧ Information mandatorily required in terms of the Listing Agreement will be disseminated in respect of companies listed in BSE and NSE.
- ✧ A company is required to file only once irrespective of whether it is listed on BSE or NSE.
- ✧ Information with regard to such companies will be available at one place.
- ✧ Access will be available for the latest filings by any corporate irrespective of the exchange on which the shares of the corporate are listed.

For details please visit www.bseindia.com

[Source: BSE Media Release dated 2nd January, 2007]

Corporate Bond Market: Launch of Reporting Platform

In order to implement the Union Budget proposal on creation of a unified platform for trading of Corporate Bonds, the Bombay Stock Exchange has set up and is maintaining a corporate bond reporting platform.



Key features

- ✧ “Corporate Bonds” to include all listed debt securities issued by institutions such as Banks, Public Sector Undertakings, Municipal Corporations, body corporate and companies.
- ✧ Transactions of the value of Rs. 1,00,000 or above required to be reported to the corporate bond platform within 30 minutes of closing the deal.
- ✧ Information on settlements to be reported by the parties involved in the transaction within 1 trading day from the completion of the settlement.
- ✧ The connectivity to the non-members of the Exchange to be enabled through Virtual Private Network (VPN).

For details please visit www.sebi.gov.in

[Source: SEBI/CFD/DIL/BOND/1/2006/12/12
dated 12th December, 2006]

SEBI Interpretive Circular on Takeover Regulations

Securities and Exchange Board of India (SEBI) vide its interpretive circular SEBI/CFD/DCR/01/2006 dated 11th December, 2006 has clarified that the expression 'venture capital undertaking' ("VCU") referred to in Regulation 3(1)(ia) of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 ("the Takeover Regulations") is not restricted by the definitions of 'venture capital undertaking' found in regulation 2(m) of the SEBI (Venture Capital Funds) Regulations, 1996 and regulation 2(n) of the SEBI (Foreign Venture Capital Investors) Regulations, 2000 in so far as they require that the shares of VCU should not be listed. It is further clarified that the transfer of shares referred to in regulation 3(1)(ia) is a transfer of the shares of an unlisted venture capital undertaking held by a VCF or FVCI, which

subsequently got listed, in favour of the promoter of the Venture Capital Undertaking pursuant to an agreement between them. Any transfer by a VCF or FVCI to a promoter of a venture capital undertaking of shares of some other listed company will not be entitled to exemption under Regulation 3(1)(ia) of the Takeover Regulations. This exemption is also not intended to cover transfer of shares of an unlisted VCU by a VCF or FVCI to its promoters, as it is anyway exempted under regulation 3(1)(k) of the Takeover Regulations

Securities Contracts (Regulation) (Manner of Increasing and Maintaining Public Shareholding in Recognized Stock Exchanges) Regulations, 2006

SEBI has notified the Securities Contracts (Regulation) (Manner of Increasing and Maintaining Public Shareholding in Recognized Stock Exchanges) Regulations, 2006.

Key features

- ✧ They are applicable to all recognized stock exchanges in respect of which the scheme for corporatisation or demutualization has been approved by the SEBI.
- ✧ A minimum of 51% of the equity share capital of the recognized exchange is to be held by public, either by fresh issue of equity shares to the public or otherwise.
- ✧ No person can either directly or indirectly acquire or hold more than 5% in the paid up equity capital of the exchange.
- ✧ No person can either directly or together with persons acting in concert acquire or hold more than 1% of the paid up capital of the exchange unless he is a fit and proper person (as per these Regulations) and has taken **prior approval of SEBI** for doing so.

For details please visit www.sebi.gov.in

[Source: SEBI/LAD/DOP/29/79623/2006
dated 13th November, 2006]

SEBI (Delisting of Securities) Regulations, 2006: Draft Delisting Guidelines

The Securities and Exchange Board of India ('SEBI') has proposed draft SEBI (Delisting of Securities) Regulations, 2006 ('the draft delisting Regulations') to clear the

bottlenecks in the process of delisting companies. The draft delisting Regulations are expected to enable better transition, from a listed entity to a de-listed one. The existing framework of delisting guidelines will be replaced by a set of "Regulations".

✧ The rationale for the change is that the existing reverse book-building process, through which the exit price is arrived at, has been found to be faulty and a new mechanism has been proposed.

The SEBI (Delisting of Securities) Guidelines, 2003 shall stand rescinded upon the commencement of the SEBI (Delisting of Securities) Regulations, 2006.

IPO Grading to be made mandatory

The Securities and Exchange Board of India ('SEBI') is set to make grading of Initial Public Offering ('IPO') mandatory.

In view of increasing disclosures requirements, documents are getting voluminous discouraging investors from entering into the capital market. It is felt that a credit rating agency will be able to capture the risk factors and other important information about the offer in a few paragraphs.

SEBI is expected to take a final decision soon. The onus of getting IPO's grading will not be with the concerned company primarily because it would then become the owner of that information. Instead, the cost will either be borne by SEBI's Investor Protection Fund as and when it is set up or by stock exchange(s).

INCOME TAX

Fee for Data Processing not to be treated as Royalty

Kotak Mahindra Primus Ltd. V. DCIT: 105 TTJ 578 (Mum ITAT)

Facts:

An Indian company ('IC') entered into an agreement with an Australian company ('AC'),



whereby IC had to pay a sum of Australian Dollar 325,000 as follows:

Particulars	Amount (A\$)
Annual maintenance fee for systems updates released by the AC and for having access to main frame computer system situated overseas and its software applications, for running and operating the business operations of IC	93,750
Monthly charges for cost associated with running the business operation of IC on the main frame computer of the overseas AC, based on actual costs relating to machine run time for processing the transaction of IC	231,250

Issue:

IC sought to remit the aforesaid amounts without withholding tax therefrom on the ground that the payments were not chargeable to tax in India in the hands of AC either as business income or as royalties.

IC's contentions:

- ✧ It was contended by IC that the aforesaid payments did not constitute royalty under Article 12(3)(a) of the Indo-Australia Double Taxation Avoidance Agreement ('the DTAA') since no right to use any intellectual property right was granted by AC to IC.
- ✧ It was further submitted by IC that the aforesaid payments did not constitute royalty under Article 12(3)(b) of the DTAA, which covers within its ambit payment for use of industrial, commercial or scientific equipment, as IC did not have any physical access to the main frame computer and it was only utilizing computer processing facility.
- ✧ It was also contended by IC that there was no supply of information by AC to IC to consider aforesaid payments as royalty under Article 12(3)(c) of the DTAA, which covers within its ambit, supply of scientific, technical, industrial or commercial knowledge or information.

Revenue's Contentions:

- ✧ The Revenue contended that IC had access to the main frame computer of AC, which had various

software therein and the payments made by IC to AC was for the use of such software, which was stated to be developed and protected by AC. The Revenue was, therefore, of the view that such payments constituted royalty for use of the copyright, secret formula or process, etc., under Article 12(3)(a) of the DTAA as software is protected by copyright.

- ❖ It was alternatively contended that the payment to AC could be viewed as payment for the use of scientific equipment, i.e., the main frame computer and the fact that the computer was located outside India was immaterial as the information could be accessed and used on line from India.

Decision of the ITAT:

The ITAT analyzed the various clauses of Article 12(3) of the DTAA relating to taxation of royalty and held that the payment made by IC to AC did not fall in any of the clauses of the said Article.

The ITAT held that the payment made by IC for data processing could not be said to be for the use of specialized software with the help of which data is processed in the main frame computer, as IC did not have any independent right to use the computer or physical access to the main frame computer. IC, it was observed, only had control over the transmission of data, and it had got the right to get processed as output data through the telecommunication link. The actual processing of the data, it was further observed, was in the exclusive control of AC and it is for such services that AC was paid by IC.

It was also held that even if the aforesaid payment is considered towards use of software per se, the same does not give rise to the royalty under clause (a) of Article 12(3) of the DTAA because the payment for software is for copyrighted article and not copyrighted right. The ITAT relied upon the decision of the Special Bench of Tribunal in the case of *Motorola Inc. vs. DCIT* : 95 ITD 269 in this regard. The Tribunal further held that the aforesaid payment did not fit within the category of patent, design

or model, plan, secret formula or processes or trade mark or any other like property or right.

As regards, clause (b) of Article 12(3) of the DTAA relating to the use of any industrial, commercial or scientific equipments, the ITAT ruled out its applicability on the ground that IC did not have any control over, or physical access to the main frame computer of AC and the payment made by IC could not, therefore, be said to be for the use for main frame computer, so as to fall within the ambit of the aforesaid clause. It was observed that the use of the main frame computer in the course of processing of data was an important aspect of the whole activity, but that was not the purpose, or the consideration for the

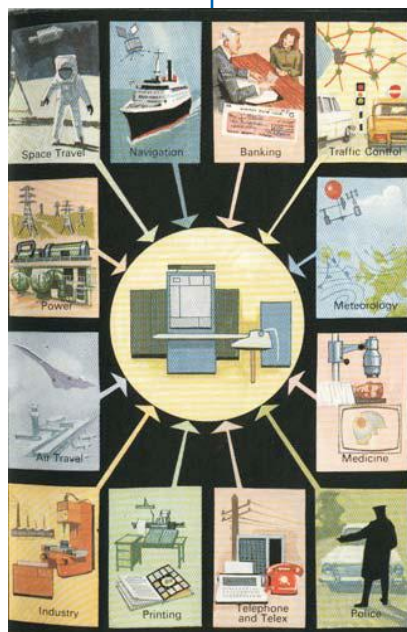
payment made by IC to AC. It was also observed that it is not required to allocate a part of the aforesaid payment to right to use the main frame computer as the payment was mainly for specialized data processing.

The applicability of clause (c) of Article 12(3) of the DTAA, relating to the payment for supply of scientific, technical, industrial or commercial knowledge or information was also ruled out as no information or knowledge was supplied by AC; the information, in fact, was furnished by IC, which was processed by AC and transmitted back to IC.

The ITAT accepted the contention of IC that the aforesaid amounts constituted business income in the hands of AC and as AC did not have a Permanent Establishment ("PE") in India, such business income was not liable to tax in India

Impact:

The aforesaid decision of the ITAT is a far reaching one and would have bearing on a number of cases pending before the various appellate authorities in India relating to the cross border payments for use of software, on-line data processing charges, telecommunication / satellite payment, etc. Physical possession and control over the equipment by the user of the same has been held to be an



essential ingredient, in order to characterize the payment for use of equipment and remote access to the equipment, which is used by the recipient of income for rendering a service to the payer of the income was not held as resulting in the payment being for use of equipment by the payer of income.

CBDT Clarification in respect of section 194C of Income-tax Act

The Central Board of Direct Taxes ('CBDT') has issued Circular No. 13 of 2006, dated 13th Dec 2006, clarifying that where an assessee outsources work relating to fabrication or manufacturing of an article or thing in accordance with assessee's own specifications, the assessee would be required to deduct tax at source under section 194C of the Income-tax Act, 1961 on the payment made to the payee only where the contract between the payer and the payee is a 'contract of work' and not a 'contract of sale'.

Thus, where the property in the goods made by a contractor/fabricator, as per the specification of the assessee, passes to the assessee after the goods are delivered by the contractor/fabricator it would be a contract for sale and no tax under section 194C of the Act would be required to be deducted therefrom.

The aforesaid Circular would, hopefully, put an end to the dispute on the above issue which is under litigation at various levels and provide certainty in the matter."

[Source: CBDT Circular No. 13 of 2006]

FOREIGN EXCHANGE LAWS/ FOREIGN DIRECT INVESTMENT (FDI)

Liberalisations in Project and Service Exports

The Reserve Bank of India ('RBI') vide its circular dated 8th January 2007 has made following relaxations with regard to project and service exports:

- ✧ Stipulation regarding recovery of market value (not less than book value) of the machinery, etc., from the transferee project is withdrawn with immediate effect.

- ✧ Exporters may use machinery/equipment for performing any other contract secured by them in any country.
- ✧ Exporters permitted to open, maintain and operate one or more foreign currency account(s) in currency(s) of their choice with inter-transferability of funds in any currency or country.
- ✧ Temporary cash surpluses generated outside India may be deployed by exporters by:
 - ★ investments in certain specified short term paper abroad
 - ★ deposits with branches/ subsidiaries outside India of an AD Category-I bank in India.

For details, please visit www.rbi.org.in

[Source: RBI/2006-07/227 A.P. (DIR Series) Circular No. 26 dated 8th January, 2006]

FDI in Telecom Sector:

Further Extension of Time Limit for Adherence to Prescribed Conditions

Telecom service provider companies have been allowed a further time extension to comply with the conditions set out in Press Note 5 (2005 Series) dated 3rd November 2005 by three



months up to 2nd April 2007. For details, please visit siadipp.nic.in

[Source: DIPP Press Note No. 1 (2007 Series) F. No. 9(1)/2002-FC dated 2nd January 2007]

ECB Guidelines liberalized

The RBI vide its Circular on the captioned subject has permitted corporates to avail an additional amount of USD 250 million with an average maturity period of 10 years under the approval route, over and above the existing limit of USD 500 million under the automatic route, during a financial year.

Key Features:

- ✧ ECB criteria in relation to end use, all-in-cost ceiling, recognized lender, etc need to be complied with.
- ✧ Prepayment and call/put options would not be permissible for such ECB up to a period of 10 years.
- ✧ Prepayment of ECB up to USD 300 million will be allowed by AD Category- I banks without prior approval of the RBI subject to compliance with minimum average maturity period as applicable to the loan.

For details, please visit www.rbi.org.in

[Source: RBI/2006-07/194 A.P. (DIR Series) Circular No. 17 dated 4th December, 2006]

49% Foreign Investment allowed in Infrastructure Companies in Securities Markets

RBI, in consultation with the Government, has decided to allow foreign investment in infrastructure companies in securities markets, namely stock exchanges, depositories and clearing corporations, in compliance with SEBI Regulations and subject to the following conditions:



- i) Foreign investment upto 49 per cent will be allowed in these companies with a separate FDI cap of 26 per cent and Foreign Institutional Investment (FII) cap of 23 per cent;
- ii) FDI will be allowed with specific prior approval of Foreign Investment Promotion Board ('FIPB'); and
- iii) FII will be allowed only through purchases in the secondary market.

For details, please visit www.rbi.org.in

[Source: RBI/2006-07/218 A.P. (DIR Series) Circular No. 25 dated 22nd December, 2006]

FDI enhanced for Investing Companies in Infrastructure/Services Sector

The Government of India, Ministry of Commerce & Industry, Department of Industrial Policy & Promotion has vide press release dated 13th November 2006, further enhanced the FDI limit in respect of companies investing in the infrastructure / services sector excluding the telecom sector from 49% to 100%. Such investment is however under FIPB Approval Route, and would be subject to the following conditions:



- ✧ Where a prescribed cap for foreign investment is in place, only the direct investment will be considered for the prescribed cap; and
- ✧ Foreign investment in an investment company will not be set off against the prescribed cap provided the FDI in such investment company does not exceed 49% and the management of the investment company is with the Indian owners.

[Source: DIPP Press Release dated 13th November 2006]

Liberalised Remittance Scheme of USD 50,000 for Resident Individuals

With a view to simplifying the procedures and providing greater flexibility in foreign exchange transactions, the Liberalised Remittance Scheme of USD 25,000 (the Scheme) is further liberalised by enhancing the limit of USD 25,000 per **calendar** year to USD 50,000 per **financial** year (April- March) for any current or capital account transactions or a combination of both. In addition, as a measure of rationalization, it has also been decided that—

- ✧ Limit of USD 50,000 under the Scheme would also include remittances towards gift and donation by a resident individual.
- ✧ Investment by resident individual in overseas companies would be subsumed under the Scheme of USD 50,000. The requirement of 10 per cent reciprocal shareholding in the listed Indian companies by such overseas companies has been dispensed with.

Other key features

- ✧ Existing facility of release of exchange by Authorized Person up to USD 10,000 or its equivalent in **one financial year** on a declaration basis for one or more private visits to any country (except Nepal and Bhutan) will continue to be available on a **self-declaration basis**.
- ✧ All banks, both Indian and foreign, including those not having an operational presence in India should seek prior approval from RBI for the schemes being marketed by them in India to residents either for soliciting foreign currency deposits for their foreign/overseas branches or for acting as agents for overseas mutual funds or any other foreign financial services company.
- ✧ Resident individual seeking to make the remittance have to furnish an Application-cum-Declaration in the revised format.

For details, please visit www.rbi.org.in

[Source: RBI/2006-07/216 A.P. (DIR Series) Circular No. 24 dated 20th December, 2006]

RBI Prior Approval for remittance to purchase Trademark or Franchise in India dispensed with

The RBI has dispensed with the requirement of prior approval for drawing foreign exchange for remittance for purchase of trademark or franchise in India. Necessary notification has been issued to this effect, in the Foreign Exchange Management (Current Account Transactions) Rules, 2000 ("the FEMA Current Account Rules").



Presently, according to Rule 5 of the FEMA Current Account Rules, prior approval of the RBI is required for drawing foreign exchange for remittance for purchase of a trademark or franchise in India.

For details, please visit www.rbi.org.in

[Source: RBI/2006-07/190 A.P. (DIR Series) Circular No. 14 dated 28th November, 2006]

Amendment to NBFC Regulations regarding Creation of Security

The RBI vide its Circular dated 4th January 2007 has specified that NBFC's accepting/ holding public deposits shall have to create the floating charge on the statutory liquid assets maintained in terms of Section 45-IB of the RBI Act, 1934, in favour of their depositors through the mechanism of a "**Trust Deed**".

Key features

- ✧ Charge is required to be registered with the Registrar of Companies and the information in this regard is required to be furnished to the **Trustees** and the **RBI**.
- ✧ The instructions given herein have to be placed before the Board of Directors and the system must be put in place latest by 31st March, 2007.

For details, please visit www.rbi.org.in

[Source: RBI/2006-07/225 DNBS (PD) C. C. No. 87/03.02.004/20006-07 dated 4th January 2007]

Asset Finance Companies given separate classification of Non Banking Financial Companies (NBFCs)

RBI, has vide circular dated December 6, 2006 has provided for a new classification for NBFC's. With a view to provide a separate classification for NBFCs engaged in financing tangible assets, the RBI, has classified companies, which are engaged in financing real/ physical assets for productive/ economic activity, as Asset Finance Companies (AFCs).



AFC has been defined as "a company which is a financial institution carrying on as its principal business the financing of physical assets supporting productive / economic activity, such as automobile, tractors, lathe machines, generator sets, earth moving and material handling equipments, moving on own power and general purpose industrial machines".

To ascertain the principal business of an AFC, the aggregate of financing real/ physical assets supporting economic activity and income arising therefrom should not be less than 60% of the respective total assets and total income of a company.

Request for re-classification must be supported by the Statutory Auditors' certificate as on 31st March, 2006, indicating the asset/ income pattern of the company, as per the new re-classification, latest by 30th June every year.

For recognition of classification as AFCs, companies satisfying the conditions of AFCs would be required to approach the Regional Jurisdictional Office of RBI according to the location of the registered office along with the original Certificate of Registration.

For details, please visit www.rbi.org.in

[Source: RBI/2006-07/200 DNBS.PD.CC No.85/03.02.089/2006-07 dated 6th December, 2006]

Lock-in period on remittance of sale proceeds from immovable property dispensed with

The RBI vide its Circular dated 16th November 2006 has dispensed with the lock-in period of 10 years for remittance of sale proceeds of immovable property out of the balances in NRO accounts provided the amount does not exceed USD 1 million per financial year (April-March).

For details, please visit www.rbi.org.in

[Source: RBI/2006-07/180 A.P. (DIR Series) Circular No. 12 dated 16th November, 2006]

Foreign Contribution (Regulation) Bill, 2006

On 18th December 2006, the Government of India, Ministry of Home Affairs, introduced the Foreign Contribution (Regulation) Bill, 2006. The Bill seeks to regulate the acceptance, utilization and accounting of foreign contribution and acceptance of foreign hospitality by a person or an association and repeal the existing Foreign Contribution (Regulation) Act, 1976.



It is expected that the new law and its effective implementation thorough utilization of tools of information and communication technology will put in place a more efficient system to regulate the acceptance, utilization and accounting of foreign contribution in the country by ensuring greater accountability, transparency and simplification.

Press Release/ Announcement

Labour Department, Government of NCT of Delhi

The following Annual/ Half yearly Returns are required to be submitted under the respective Acts:-

S. No.	Name of Act	Return Form No.	Last date of submission of Return, in respect of preceding year/half year
1	The Factories Act 1948 (Annual)	34	15 January
2	The Payment of Wages Act, 1936	IV	15 February
3	The Maternity Benefit Act, 1961	L, M, N & O	31 January
4	The Minimum Wages Act, 1948	III	1 February
5	The Workmen's Compensation Act, 1923	Annexure 7.1	1 February

The return forms may be downloaded from the website <http://labour.delhigovt.nic.in> of the department. The aforesaid returns in the prescribed format are to be submitted to the Office of the Labour Commissioner, Planning & Statistics Section, 'C' Block, III Floor, Room No. 56, 5 Sham Nath Marg, Delhi-110054 within the time schedule prescribed under various labour laws.

EMPLOYEES PROVIDENT FUND

Private Provident Fund Trusts

- ✧ Recognition to all Private Provident Fund Trusts by Income Tax Department beyond 31/03/07 would be discontinued unless the Trusts are exempted under Section 17 of the Employees Provident Fund and Miscellaneous Provisions Act, 1952.
- ✧ Withdrawal of recognition by Income Tax Department will result in taxation of the contributions made by both Employees and Employers to such Private Provident Fund Trusts.
- ✧ Employees Provident Fund Organization (EPFO) has simplified procedures and formalities for grant of exemption by putting in place a single window system. The Private Trusts may avail the simplified procedure for coverage and exemption.

For further details, please contact the Regional Provident Fund Commissioner-in-charge of the areas or visit website www.epfindia.org or write to Central Provident Fund Commissioner, Employees Provident Fund Organization, 14-Bhikaiji Cama Place, New Delhi -110066 or email: rcexemption@rediffmail.com.

ACCOLADES

Vaish Law Firm continues to receive recognitions from various quarters. Vaish Associates takes pride in being closely associated with the following transactions/ events, which hit news headlines in The Economic Times on 29th December 2006.

- ✧ The Citigroup's strategic acquisition in HDFC has been listed as one of the '**Key Events of 2006**'. It has been one of the landmark deals for Vaish Associates, Mumbai.
- ✧ In '**People To Watch Out For**' in 2007, ET has listed Arvind Dham of Amtek Auto Limited and Vijay Agrawal of Action Construction Equipment Limited (ACE). Vaish Associates, Delhi has been actively involved in Amtek's FCCB/GDR Offerings and ACE **Initial Public Offering (IPO)** in 2006.

LEGAL 500 LISTING

LEGAL500, a leading legal portal has evaluated the tax practice of Vaish Associates in the following words:

Tax ★ New Delhi ★ Ranking: No.1 ★

"Quality tax advice is what is most commonly associated with Vaish Associates' Delhi office. Under the guidance of Ajay Vohra, widely recognised as one of the nation's leading authorities on direct tax, the group has advised in fields ranging from structuring salaries for overseas employees, transfer pricing, tax advice related to the structuring of corporate transactions, and tax-related litigation. Highlights in recent years include successfully handling an Rs.8-billion tax dispute before the Income Tax Appellate Tribunal for HCL Group."

Sincerely Yours ...

I read your newsletter and found it very useful and well structured. Kindly start sending the copy of your newsletter to me on regular basis.

....Sanjay Gupta
General Manager (Secretarial)
Reliance Industries Limited

--X--

It's a wonderful compilation of the amendments.

....P. Janardhan
AVP (Compliance) & C.S.
Bajaj Capital Limited

--X--

It is well designed, drafted and compiled News Bulletin.

....Dinesh Kumar Gupta
Sr. Manager (Finance)
Hero Honda Motors Limited

--X--

IMPORTANT DATES WITH REGULATOR (S)

COMPLIANCE CHECKLIST

January - February 2007

Sr. No	PARTICULARS	Sections/ Rules/ Clauses, etc	Acts/Regulations, etc.	Compliance Due Date	To whom to be submitted
A. COMPANY LAW AND SEBI RULES/ REGULATION(S)					
1	Filing of Form No. DIN 3 ¹	Section 266E / Clause 6	The Companies Act, 1956 / Companies (Director Identification Number) Rules, 2006	Within one week of receipt of information from the directors in Form No. DIN 2	Registrar of Companies (ROC)
2	Submission of quarterly Shareholdings Pattern	Clause 35	Listing Agreement with Stock Exchange(s)	Within 21 days of from the end of quarter	Concerned Stock Exchange(s)
3	Submission of quarterly (Unaudited) Financial Results	Clause 41	Listing Agreement with Stock Exchange(s)	Within one month of from the end of quarter	Concerned Stock Exchange(s)
B. INCOME TAX					
4	Deposit TDS on Salaries/ Payments made to/ for Contractors/ Advertising/ Professional Services/ Rent	Section 192 / 194C / 194J / 194I	Income-tax Act, 1961	Within 7 days of the following month	Income Tax Authorities
C. EXCISE & SERVICE TAX					
5	Submission of monthly CENVAT Return	Rule 9(7)	CENVAT Rules, 2004	Within 10 days of the following month	Excise Authorities
6	Deposit Service Tax in Form No. TR-6, collected during the previous month (Corporate assesseees)	Rule 6	Service Tax Rules, 1994	Within 5 days of the following month	Service Tax Authorities

1 Filing of Form No. DIN 3 with ROC on or before 31st March, 2007 is exempted from payment of the prescribed fee.

CONGRATULATIONS



Ajay Vohra has been elected to the Managing Committee of PHD Chamber of Commerce and Industry (PHDCCI). Besides, he has been appointed as Chairman of the Direct Taxes Committee of PHDCCI for the year 2007.



Satwinder Singh has been elected as **Chairman** of the Northern India Regional Council (NIRC) of the Institute of Company Secretaries of India (ICSI) for the year 2007. He has been re-elected to NIRC of the ICSI for four year's term from 2007-10



Hitender Mehta has been elected as **Vice-Chairman** of the Northern India Regional Council of the Institute of Company Secretaries of India for the year 2007. He has been re-elected to NIRC of the ICSI for four year's term from 2007-10

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