

The Chartered Accountant

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EDITORIAL VINOD JAIN*

PROFESSION OF CHARTERED ACCOUNTANCY - CHALLENGES AHEAD



The profession of Chartered Accountants, as practicing professionals has been one of the most important and fast growing profession, contributing significantly to the nation building and economic growth. The dynamics of change in economic and business environment over the past few years in significantly visible that has brought in newer and newer challenges before the profession,

specially to small and medium size firms of Chartered Accountants.

- 1) The professional opportunities and the areas of work for which the services of Chartered Accountants are being utilized by the business and the society are increasing rapidly, whereas the small and medium size firms are not able to get an adequate share of the upcoming opportunities, rightly deserved by such firms.
- 2) The regulatory requirements and statutory compliance to be undertaken on behalf of various clients are increasing with great pace, making it fairly complex, time consuming and resulting into relatively higher costs for providing various professional services.
- 3) The plethora of filing various returns, for example, under TDS law, Fringe Benefit Tax, Service Tax, VAT, Companies Act, Capital Markets regulatory framework and other regulatory requirements are increasing. The Government has increased the regulatory compliance burden on the businesses, very significantly. Government need to simplify these requirements and to increase periodicity of filing. The bureaucratic and regulatory intervention in the businesses has to be brought down in a systematic manner.
- 4) The technological upgradation, more particularly, electronic filing of Company Law Returns, Income Tax Returns (now even corporate income tax returns are to be mandatorily filed electronically) as well as Excise Duty Returns and others demand immediate skill upgradation and frequent updation, which proves strenuous specially among senior members in the profession.
- 5) Availability of skilled human resources to undertake various complex assignments in a time bound manner is a major issue. Availability of articled trainees has already reduced drastically, in view of the revised scheme implemented with effect from October, 2001. Even in terms of the newly revised scheme to be implemented from 1st September, 2006, unless the Institute take adequate steps to check dummy training, the inflow of article trainees will continue to be an issue. The availability of qualified Chartered Accountants to work with small and medium size firms has reduced significantly due to ample opportunities and demands from industrial and services sector including BPOs, where an average salary of Rs. 6 lakhs plus per annum is being offered to newly qualified Chartered Accountants. This phenomenon has resulted into lower influx of fresh enrolments in the past. For vibrant growth of the profession in the current phase of economic growth, it is imperative that regular young blood flows in the profession. We need to portray the opportunities available to attract the talent towards our noble profession to make it grow.
- 6) The Chartered Accountants, joining the practicing profession have reduced significantly, as only 15% of the Chartered Accountants qualifying in last 2 years have obtained Certificate of Practice from ICAI, balance opting to be employed.
- 7) The clients are becoming more and more demanding in view of rising businesses complexities, increasing geographical spread and larger size of business. The clients expect expert knowledge, timely delivery and solution to a wide variety of issues under one roof. In the absence of a separate specialist's availability in various areas, the professional delivery becomes more complex and provide lower margins to the smaller practicing firms.

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1.0 GUIDELINES FOR ISSUE OF CP

INTRODUCTION

The Commercial Paper (CP) as a unique investment to raise short term funds has undergone several changes over past few year. CP is an unsecured money market instrument issued in the form of a promissory note. Guidelines for issue of CP are presently governed by various directives issued by the RBI (Reserve Bank of India), as amended from time to time.

ELIGIBLE ISSUERS

Corporates, Primary Dealers (PDs) and the all-India financial institutions (FIs) that have been permitted to raise short-term resources under the umbrella limit fixed by the Reserve Bank of India are eligible to issue CP.

ELIGIBILITY FOR CORPORATES

A corporate would be eligible to issue CP provided:

- ☛ the tangible net worth of the company, as per the latest audited balance sheet, is not less than Rs.4 crore
- ☛ company has been sanctioned working capital limit by bank/s or all-India financial institution/s; and
- ☛ the borrowal account of the company is classified as a Standard Asset by the financing bank's / institution's, and
- ☛ All eligible participants shall obtain the credit rating for issuance of Commercial Paper.

MATURITY PERIOD

CP can be issued for maturities between a minimum of 7 days and a maximum up to one year from the date of issue.

DENOMINATIONS AND FORM

CP can be issued in denominations of Rs.5 lakh or multiples thereof. Amount invested by a single investor should not be less than Rs.5 lakh (face value). CP can be issued in the form of a promissory note in a dematerialized form through any of the depositories approved by and registered with SEBI.

ISSUING AND PAYING AGENT (IPA)

Only a scheduled bank can act as an IPA for issuance of CP. After the exchange of deal confirmation between the investor and the issuer, issuing company shall issue physical certificates to the investor or arrange for crediting the CP to the investor's account with a depository. Investors shall be given a copy of IPA certificate to the effect that the issuer has a valid agreement with the IPA and documents are in order

It may be noted that the concept of blocking a portion of working capital limit has been done away with. The co acceptance of CP by commercial bank is not permissible.

2.0 BAN ON VIRTUAL ACCOUNTS WITH NON-BANKS

The Reserve Bank of India has directed a leading Internet-based financial services provider to stop operating "electronic purse schemes". An electronic purse scheme asks individuals to open accounts and fund them by transferring money from their bank or credit card accounts. In a notification, the RBI has also asked banks to disassociate themselves from electronic purse schemes.

3.0 BANKS NOT TO GIVE, RENEW LOANS LINKED TO MIBOR

With interest rate going up, banks have completely done away with one of the most widely used corporate loan products. These are loans linked to MIBOR (Mumbai interbank offer rate) - an Indian money market benchmark rate similar to LIBOR (London Inter Bank Offer Rate).

MIBOR is not moving up with the interest rates in the market, and has thus ceased to be a benchmark rate for loans to corporates.

4.0 IDBI BANK FORAYS INTO CARBON CREDIT TRADING ADVISORY

The entry into carbon credit trading is part of IDBI Bank's attempt at refurbishing its image as an investment bank by leveraging the strengths of companies, which had received project funding from it as a development bank.

As per the planning commission estimates, India may receive Rs.30,000 crore from carbon credit sales over the next 4 years.

Carbon Credit is usually generated by countries in emerging economies and these are used by developed countries' signatories to the Kyoto Protocol. Under the protocol, countries in Europe and UK are committed to bring down the level of green house gases (GHG) by 8 per cent from the present level. The bank will act as an intermediary for arranging buyers and sellers for carbon credit and also help the companies generating such credits for registration as certified credits eligible for trading within the guidelines framed by the United Nations' Kyoto protocol.

This is an important opportunity for Indian corporates to get carbon credit and then to offload it to European Corporates.

5.0 BANKS RATE HIKE KEPT IN ABEYANCE

As per the Finance Ministry direction, Banks have rushed to call board meets to keep in abeyance Prime Lending Rate (PLR) hike and the effect of the same will be in following form: -

- ◆ New loan contracts are not to be signed till boards meet.
- ◆ No new deposit rate hike over next few days.
- ◆ Deposit rate hike to be rolled back if PLR hike does not go through.
- ◆ Banks planning to hike PLR develop cold feet.
- ◆ Govt nominees may push for roll-back of PLR at board meets, in the case where PLR increase was already announced.



6.0 UNHEDGED FCCBS : HEDGING MUST

The Reserve Bank of India has raised concerns over companies keeping unhedged their foreign currency exposures accrued from the issue of Foreign Currency Convertible Bonds (FCCBs).

The central bank's worries are rooted in the fact that share prices of most of the companies, which issued FCCBs, fell sharply from their - May month rate, and, as a result, the funds raised are expected to remain as debt in records and may not be converted into an equity.

Statistics showed that Indian companies raised over \$9 billion through FCCB issues since January 2004 and over \$7 billion since January 2005.

7.0 PDs ALLOWED TO INVEST IN SHARES

The Reserve Bank of India has allowed Primary Dealers (PDs) in government securities to invest in equity shares, derivatives and mutual funds, and underwrite public issues.

They are also permitted to undertake non-fund based activities including portfolio management, debt restructuring and consultancy services and distribution of mutual funds and insurance products.

8.0 PSU BANK MERGERS TO GET A PUSH

The government is planning to kick off consolidation by lining up a series of merger and acquisition proposals for the 19 public sector banks, creating 6-7 banks as big as the State Bank of India. The idea behind the exercise is to create large players that can take on the competition when the sector is thrown open in three years.

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PRACTICING CHARTERED....

- 8) The increasing number of Accounting Standards, Auditing Standards, Statements and Guidance Note being issued by the Institute though a laudable step has made the job of practicing professionals still more complex. Efforts are to be made to provide various requirements in a more simple and a lucid manner to enable Indian Chartered Accountants to easily understand and comply with the same.
- 9) The recent directive of the Hon'ble Supreme Court requiring Chartered Accountant Firms to mandatorily operate from commercial locations, except in cases of very small firms operating from their residences, has further increased the capital cost and operating cost of Chartered Accountants. For example, in a place like Delhi most of the commercial centres are available beyond Rs. 8000 per sq. ft. as capital cost, with increased expenses on office maintenance, parking, conveyance and electricity. A number of CA firms will have to shift their offices within next few months to ensure continuation of their services. The heavy capital and recurring costs is a big issue to be addressed by all small and medium size firms. A similar requirement in other parts of the country cannot be ruled out considering active judiciary.
- 10) The decision of the government to dismantle RBI empanelment system for bank branch audit as well as Central Statutory Audit has brought another threat for the professionals to their independence and opportunities.
- 11) The discrimination in relation to service tax on most of the services being rendered by the other professionals and corporates, has resulted in higher costs for the service provided by our profession. Competitive edge therefore is lost in favour of other service providers.

The practicing chartered accountants community is getting geared up to face all

the aforesaid challenges and All India Chartered Accountants' Society stand committed to provide them necessary support. The current challenges are to be met on a war footing basis, in a united manner. The latest concept of networking, merger and corporate form of practice provide only some strength and avenues to meet the new challenges.

Consistent economic growth of 8% per annum has brought a large number of new opportunities for all of us as practicing professionals and we need to systematically plan our affairs in a manner so as to fully reap the benefit of the growth. The demand and supply pendulum is increasingly becoming positive in our favour and now it is upto us to leverage it to the societal expectations. This will be a recipe for achieving new glorious heights. The opportunities are not only increasing nationally but also internationally. Reaping the maximum individual long term benefit out of increasing responsibilities is a professional challenge. Together we will win. The imagination, innovation and capabilities of our fellow brethren are immense and we shall be too glad if you take time out to share your ideas with us. we may be reached at "Team AICAS". E-mail aicas.cfo@gmail.com, vinodjain@inmacsindia.com

CORPORATE LAWS

1.0 NATIONAL ROLLOUT OF MCA-21 COMPLETE

The nationwide rollout of e-filing under MCA-21, an e-governance initiative of the ministry of company affairs to facilitate services like incorporation of new companies and filing of annual statutory returns, has been completed on 30/07/06.

2.0 E-RETURNS MANDATORY FOR COMPANIES

Corporates may do their annual statutory filings under the companies Act as paper returns in physical mode till September 15 only. The Ministry of Company Affairs has made it mandatory to file through electronic mode under MCA-21 beyond the deadline of September 15.

(Source : Notice No. HQ/82/2006, dated 31-7-2006)

1.0 INCOME TAX DECISIONS

1.1 Acceptance and repayment of loan in cash-No Penalty:

Hon'ble Madras High Court in the matter of Commissioner of Income Tax Vs. Ratna Agencies held that penalty for acceptance of loans in cash exceeding the specified limit if transactions entered in books of account and amount involved was not very high, penalty u/s 271D and 271E cannot be imposed. [284 ITR 609]

1.2 Hon'ble Mumbai High Court in the matter of CIT Vs. Mahindra & Mahindra Limited held that notification of Central Board of Direct Taxes cannot curtail deduction granted by Income Tax Act. In the same case Hon'ble Court also held that if there was no deliberate understatement of advance tax, interest under section 216 cannot be charged. [284 ITR 679]

1.3 Sub-letting of Building taken on Lease : Hon'ble Andhra Pradesh High Court in the matter of Mrs. Seetha Kamraj Vs. Commissioner of Income Tax held that difference between cost of acquisition of leased building and thereafter subletting it within 36 months is assessable as short-term capital gain. [284 ITR 54].

1.4 Hon'ble Authority for Advance Ruling in the matter of ABC Limited given a ruling that payment received by UK Company for permission to download the business related information is not royalty or fees for technical service and as such not taxable in India. [284 ITR 1]

2.0 NEW I T RETURN FORMS

Income Tax (IT) Return Forms have changed to include

FBT (Fringe benefit Tax) Returns with effect from July 24, 2006. New Forms summary is as under:

Type of Assessee	Form Number
Companies	Form 1*
Non- Corporates (who are required to file combined returns for IT & FBT)	Form 2
Assessee : ☞ who have already filed IT Returns for A.Y. 06-07 and who are required to file FBT Return, or ☞ who opts to file Form 2D	Form 3B for FBT
Assessee who are not required to file IT Return but are required to file FBT Return	Form 3B

* It is mandatory to file Form 1 electronically without digital signature as well as its hard copy with signature.

3.0 BANK TERM DEPOSIT : A NEW TAX SAVING INCENTIVE

The Central Government has come out with the BANK TERM DEPOSIT SCHEME, 2006 under section 80 C. The salient features of the same are as under :

- Investment in Term Deposit has to be with a Schedule Bank.
- The investment shall not exceed Rs. 1 Lac.
- Term Deposit can be in joint names, however in case of joint holder, first holder would be entitled to deduction benefit u/s 80C.
- No term deposit shall be encashed before the expiry of five years from the date of its receipt.
- However, in the event of the death of the holder of a term deposit in respect of which a nomination is in force, the nominee or nominees shall be entitled at any time before or after the maturity of the term deposit to encash the term deposit.
- Term Deposit can be transferred from one branch to another branch.
- Term deposit shall not be pledged to secure loan or as security to any other asset.

- Only an individual or a HUF can invest.
- The rate of interest on the term deposit shall be in accordance with the rate fixed by the scheduled bank from time to time.
- Interest on these term deposits shall be liable to tax under the IT Act.

RATE OF INTEREST (ROI) ON FDs

Bank	Tenure	ROI (in %)	w.e.f.
HDFC	More than 5 yrs to 8 yrs.	7.25	14/06/06
SBI	5 yrs and upto 10 yrs.	7.0	01/05/06
ICICI Bank	More than 5 yrs upto 5 yrs 3 months	7.5	24/07/06
	More than 5 yrs 3 months upto 10 yrs	7.0	
Bank of Baroda	5 yrs & above less than 8 yrs	7.5	01/08/06
	8 yrs upto 10 yrs	8.0	
Bank of India	5 yrs & above upto 8 yrs	7.0	10/04/06
	6 yrs to 8 yrs	7.5*	
	Over 8 yrs to 10 yrs	8.0**	
Union Bank of India	5 yrs & above	7.25	24/06/06
IDBI Ltd.	5 yrs	8.0	04/08/06

* Available under Shatabdi deposit scheme upto September 2006.

** Available under Shatabdi deposit scheme.

4.0 CLARIFICATION REGARDING DEDUCTION OF INTEREST U/S 43B

CBDT issued a circular no. 7 dated 17th July, 2006 clarifying the position of explanation 3C and 3D to Section 43B as such interest payable to any bank or financial institutions, if converted to loan and paid by the assessee shall be allowed as deduction in the year of actual payment.

5.0 GOVT. TIGHTEN NOOSE ON CASH GIFT

Exemption limit for gift increased to Rs.50,000/-. Provision of Section 56(a)(v) revised, whereby any sum of money received without consideration by an individual or HUF is considered as income in the hands of recipient, if the aggregate value of money received exceeds Rs.50,000/- during the year irrespective of the fact whether the same has been given on different dates or from different persons. The above amendment shall be effective in respect of the sum of money/gift received on or after the 1st day of April, 2006.

6.0 TDS PROVISIONS EXTENDED

The scope of Section 194-I in respect of tax to be deducted on payment of rent is being extended by including payment of rent for machinery, plant, equipment, furniture or fittings also. The liability to deduct tax shall be irrespective of the fact whether any or all of these assets are owned by the payee or not. The above amendment shall be effective from the date when the bill receives the assent of the President. Expenditure on account of rent and royalty to be disallowed on failure to deduct tax at source Provision of Section 40(a)(ia) is being extended to include payment of rent and royalty also.

7.0 I-T DEPT WANTS CO-OP BANKS IN TAX NET

The Income Tax Department wants to bring all cooperative banks into the tax net so that they furnish annual information return (AIR) of high value financial transactions.

8.0 10(23C) INSTITUTIONS MANDATORY FILING

All educational and medical institutions claiming exemption under Section 10(23C) shall be required to file the income tax return in case the total income exceeds (before claiming exemption under Section 10(23C)) the maximum amount not chargeable to tax, i.e., Rs. 1 lac at present. All educational and medical institutions claiming exemption under Section 10(23C) shall be required to get the accounts audited by a Chartered Accountant in case the annual receipt exceeds Rs. 1 crore and total income exceeds the maximum amount which is not chargeable to tax (presently Rs. 1 lac) and submit the audit report in Form 10BB.

9.0 GOVT. TRYING TO RENEGOTIATE TAX TREATY WITH MAURITIUS

The Government is trying to renegotiate the double taxation avoidance agreement with Mauritius to check misuse, even while making it clear that there cannot be a unilateral decision on this matter given the diplomatic and political sensitivities.

EXCISE DUTY & SERVICE TAX

1.0 CVD TO BE CENVATABLE NOT REFUNDABLE

The Central Board of Excise & Customs (CBEC) has stated that exporters cannot claim exemption from the special 4% countervailing duty (CVD) on imports. The CVD cannot be debited through the duty-free credit entitlement scrips under export promotion schemes namely DEPB, Serve-from-India, Target Plus, visesh krishi upajyojana etc.

The CVD was imposed on most imports in Budget 2006-07, in lieu of value added tax (Vat) on domestic goods.

Exporters, however, will be free to take credit for the duty paid, in keeping with the principle of Cenvat chain.

2.0 NEW AUDIT NORMS REGARDING SELECTION OF CENTRAL EXCISE AND SERVICE TAX AUDITS

The revised guidelines of finance ministry regarding selection of cases for central excise audit and service tax audits are as follows: -

For Central Excise Audits: -

S. No.	Payment of Duty (In Cash + through CENVAT Credit)	Frequency of Audit
1	More than 3 crores	Every Year
2	Between 3 crores to 1 crore	Once in 2 Years
3	Between 1 crore to 50 Lacs	Once in 5 Years
4	Less than 50 Lacs	10% of total nos. of such units to be audited every year.

For Service Tax Audits: -

S. No.	Payment of Duty (In Cash + through CENVAT Credit)	Frequency of Audit
1	More than 50 Lacs	Every Year
2	Between 50 Lacs to 25 Lacs	Once in 2 Years
3	Between 25 Lacs to 10 Lacs	Once in 5 Years
4	Less than 10 Lacs	2% of total nos. of such units to be audited every year.

Central Board of Excise and Custom (CBEC) also specifies that 500 Export Oriented Units are to be audited mandatorily all over the country.

3.0 LARGE SERVICE TAX PAYERS WILL GO ONLINE

The revenue department has taken a decision that service tax assesseees who pay Rs. 50 lakh or more will have to pay online from September onwards. As per the present norms, corporates have to pay service tax on a monthly basis while non-corporates have to pay the tax quarterly. A challan would be generated online in which each tax-payer would have to fill his registration or code number followed by online payment.



4.0 INDUSTRY BODIES TO BE TAXED

In a move that has stumped the four industry chambers - CII, FICCI, Assocham and PHDCCI - the service tax department has sought details of services offered and the amount of subscription charged by them, to ascertain their liability to pay service tax.

Services provided by a club or an association to its members have been brought under the service tax net from June 2005. It has been pointed out that a "club or association" did not include any person or body of persons engaged in activities which were in the nature of a public service, and were of a charitable, religious or political nature.

5.0 NO SERVICE TAX ON REPRESENTATION SERVICES OF CAs

The Government recently issued an exemption notification whereby no service tax will be levied on the CAs (Chartered Accountants), company secretaries and cost accountants, if they appear before statutory authorities as a representative of the client in the course of proceedings initiated under any law for the time being in force, by way of issue of notice. Other Services will be taxed as earlier.

The discrimination against CAs continue for tax advising, return filing, opinions, due diligence and other legal services. Even accounting and internal audit services by corporates will remain out of the service tax net, whereas CA firms will have to pay service tax on such services. Why the finance ministry is discriminating against the CAs is now to be answered by the Government during the writ petitions pending before several courts.

6.0 DEMAND FOR NEGATIVE LIST REJECTED

The Government has turned down industry's demand for a negative list of services for tax purposes. A negative list of services would complicate the matters further. Having a positive list would be a better idea.

7.0 STATES TO TAX ALL SERVICES

States, in a note to the finance ministry, has demanded that they be empowered to levy tax on 67 services currently being taxed by the Centre, including advertising, airport, internet café, consulting engineers, management consultancy, chartered accountants, cable operators, customs house agents, real estate agents and rail travel agents.

In addition, they proposed to tax another 57 "intra-state" services including legal advisory, legal documentation and certification, hospital, primary medical, dental and veterinary.

The empowered committee of state finance ministers has made this proposal as part of a formula to set off the states' anticipated revenue losses from the proposed phasing out of the Central Sales Tax (CST).

OTHER INDIRECT TAXES

1.0 GOODS AND SERVICE TAX

The proposed model of GST being considered by the Government includes:

- ♦ The Kelkar committee had mooted a new legislation called the Indian Goods and Services Act to replace the Central Excise Act and the service tax levied under the Finance Act.
- ♦ Since the deadline for GST (Goods and Service Tax) is 2009-10, the tax may be introduced within the existing framework.
- ♦ A draft paper on the proposed outline for GST is likely to be ready within the next one month.
- ♦ It is also expected that the GST rate will be at 20 per cent or more.

COMMODITY MARKET

1.0 NO MOVE TO BAN COMMODITIES FUTURES TRADING

The futures trading has helped to stabilise the volatility in prices of wheat and other essential commodities and there is no proposal to scrap them from the system according to the Union Government.

2.0 MCX LAUNCHES FUTURE TRADING IN NATURAL GAS

The Multi Commodity Exchange of India Ltd (MCX) has announced the introduction of futures trading in natural gas.

The MCX and the University of Petroleum & Energy Studies (UPES) have entered into a mutually cooperative agreement to provide professional training resources in the field of energy trading in commodity markets. MCX will set up a web training based simulated trading session to simulate real trading situations and supplementing students academic knowledge with practical experience. Employment opportunities in member organizations to successful program participants may also be offered.

EXIM/FEMA

1.0 DUTY DRAWBACK RATES HIKED

The highlights of revised duty drawback rates are: -

- ♦ The drawback schedule includes new items.
- ♦ Drawback cap (limit on value of maximum duty drawback) have been revised upwards for most products on account of rise in raw material prices and to promote export of higher value items and labour intensive goods.
- ♦ The Service Tax paid on inputs used in production of Export commodities along with Education cess and duty paid on Diesel and Furnace oil have been included in Drawback rates.
- ♦ The new rates will be effective from July 15, 2006.



2.0 NEW SYSTEM FOR ISSUANCE OF IEC NUMBER : DGFT

An applicant may now choose one of the two options for submission of application for Importer Exporter Code (IEC) Number: -

- ♦ File an online application and submit a physical copy by taking a printout of that online application.
- ♦ Submit a physical copy of the application directly at the regional DGFT office.

Process of online application :-

- ♦ Applicants can file an on-line application at the DGFT web-site <http://dgft.gov.in>.
- ♦ Applicant has to submit scanned copies of PAN and bank certificate along with their application.

There are 2 options for payment of fees: -

- ♦ By Demand Draft, IEC will be generated only after receipt of the physical copy of the application.
- ♦ If paid through Electronic Fund Transfer facility, IEC number will be generated by the licensing office automatically which can be viewed online by the applicant.

On the receipt of physical copy of the application, the same IEC will be printed in 24 hours time and dispatched to the firm.

(Circular No 15 (RE-2006)/04-09 Dt. 27/07/06)

CAPITAL MARKET

1.0 PAN MUST FOR CM TRANSACTIONS

The market regulator has asked all stock exchanges to make PAN mandatory for all the entities / persons trading in the Cash Market (CM) w.e.f. October.

(Source : MRD /Dop SE/Cir -8 /2006 13/07/06)

2.0 REVISED BSE LISTING NORMS FOR IPOs & FPOs

Revised eligibility criteria for listing of companies on the BSE, through Initial Public Offerings (IPOs) & Follow-on Public Offerings (FPOs), has come into effect from August 1, 2006. This would be in addition to the conditions prescribed under SEBI (Disclosure and Investor Protection) Guidelines, 2000.

1. In respect of Large Cap Companies

- ♦ Minimum post-issue paid-up capital of the applicant company shall be Rs. 3 crores;
- ♦ Minimum issue size shall be Rs. 10 crores; and
- ♦ Minimum Market Cap (M-Cap) of the Company shall be Rs. 25 crores

2. In respect of Small Cap Companies

- ♦ Minimum post-issue paid-up capital of the Company shall be Rs. 3 crores;
- ♦ Minimum issue size shall be Rs. 3 crores;
- ♦ Minimum Market Cap of the Company shall be Rs. 5 crores;
- ♦ Minimum income/turnover of the Company should be Rs. 3 crores in each of the preceding three 12-months period; and
- ♦ Minimum number of public shareholders after the issue shall be 1000.
- ♦ **A due diligence study may be conducted by an independent team of Chartered Accountants or Merchant Bankers appointed by the Exchange, the cost of which will be borne by the company.** This requirement may be waived if a financial institution or a scheduled commercial bank has appraised the project in the preceding 12 months.

3. For all companies :

- ♦ The applicant, promoters and/or group companies, should not be in default in compliance of the listing agreement.

- ♦ In respect of the requirement of paid-up capital and M-cap, the issuers shall be required to include in the disclaimer clause forming a part of the offer document that in the event of the M-cap (product of issue price and the post issue number of shares) requirement of the Exchange not being met, the securities of the issuer would not be listed on the Exchange.

3.0 SEBI BREATHES FOR PAN CARD

Upon careful consideration of the representations and discussions with the market participants, the SEBI has decided to give some concession for mandatory requirement of PAN Cards for trading in secondary market. The clarifications regarding these are as under:

- ♦ All entities registered with SEBI, may open a Beneficiary Owner (BO) account without producing the PAN card. However, such entities would be required to submit the PAN card to the Depository Participants (DPs) within 30 days from the date of opening of such for verification, failing which the DPs shall freeze such accounts as "Suspended for Debit" till it is produced for verification.
- ♦ Any investor who has PAN but not having the PAN card may be permitted to open BO Accounts subject to producing the PAN allotment letter. The card has to be produced within 30 days.
- ♦ A copy of the Power of Attorney given by the FIIs/FII sub-accounts to the Custodians (which are duly notarized and/or apostilled or consularised) can be accepted as proof of address.
- ♦ The NRIs/PIOs may be permitted to open a "limited purpose BO account" without PAN. The operation of such BO accounts shall be subject to the following conditions :
 - ♦ The account holders shall be permitted to sell the securities lying in these accounts only through a registered broker on the stock exchange.

These accounts will be "suspended for credit".

- It can remain operational only for a limited period of 6 months from the date of opening of the account. If the Account holder fails to produce the PAN card within the stipulated time, the DPs shall freeze such BO accounts.
- In case of HUF, Association of Persons (AoP), Partnership Firm, Unregistered Trust, etc. - though the BO account would be in the name of natural persons, PAN of the respective HUF, AoP, Partnership Firm, Unregistered Trust, etc shall be obtained.

(Source: MRD/DoP/Dep/Cir-09/06 dt. July 20, 2006)

ICAI NEWS

REVISION OF RECOMMENDED SCALE OF FEE CHARGEABLE FOR THE WORK DONE BY THE MEMBERS OF THE INSTITUTE

The Council has revised the existing recommended fees as under (effective from 12th May 2006):

	Existing		Revised w.e.f. 12/05/06	
	Between (Rs.)	And (Rs.)	Between (Rs.)	And (Rs.)
1. For giving expert evidence in courts of law in the Union of India according to Professional standing of the witness	5,000	10,000	7,500	15,000
	<i>[For each day or part thereof, spent in attendance and/or travelling]</i>			
2. Other works:				
(a) Statutory Audit, Internal Audit, Tax Audit, Secretarial and Accounting Work:				
♦ Principal	600	1200	900	1800
♦ Qualified Assistants	300	600	450	900
♦ Semi Qualified / Other Assistants	100	200	150	300
	<i>(per hour)</i>		<i>(per hour)</i>	
(b) Taxation Work:				
♦ Principal	1,000	2,000	1,500	3,000
♦ Qualified Assistants	500	1,000	750	1,500
♦ Semi Qualified / Other Assistants	200	400	300	600
	<i>(per hour)</i>		<i>(per hour)</i>	
(c) Investigation, Management Services or Special Assignments:				
♦ Principal	1,500	3,000	2,250	4,500
♦ Qualified Assistants	750	1,500	1,125	2,250
♦ Semi Qualified / Other Assistants	250	500	375	750
	<i>(per hour)</i>		<i>(per hour)</i>	

Note:

1. Office time spent in travelling would be chargeable. In case of outstation work, travelling and out-of-pocket expenses would also be chargeable.

2. The Council issues for general information the above revised recommended scale of fees which it considers reasonable under present conditions. It will be appreciated that the actual fees charged in individual cases will be a matter of agreement between member and the client.

2.0 NEW ACCOUNTING NORMS FOR TANGIBLE ASSETS

The Institute of Chartered Accountants of India (ICAI) governing council has approved a Revised Accounting Standard (AS) 10 for property, plant and equipment. The new standard would merge the existing AS 10 and AS 6 to bring it in line with international practices. The norm will be effective from accounting year beginning April 1, 2008.

The overhaul costs are to be capitalized as a part of the cost of the respective asset. The capitalized costs to be charged to the profit and loss account over a number of years by way of a depreciation charge.

An entity should not nullify the impact of revaluation in profit and loss account by withdrawing an equivalent amount from the revaluation reserve. An entity which revalue its property, plant and equipment should revalue the same on a regular basis so that the carrying amounts of the items do not differ materially from their fair value at the balance sheet date.

3.0 AUDITORS CAN BE CONSULTANTS

Indian auditors can head companies carrying out management consultancy business and audit firms simultaneously. The concession will be granted to Indian auditors without depriving them of their right to carry out audit practice. Move will provide level-playing field with foreign audit firms which have sister concerns offering management consultancy. Indian audit firms' consultancy business can now hire domain experts.

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