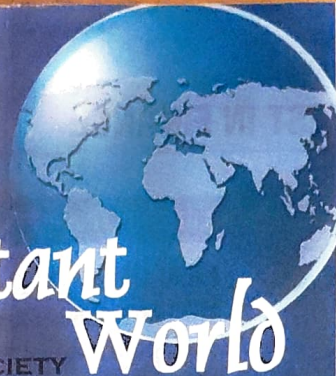


The Chartered Accountant World



EDITORIAL ADVISORY BOARD

Mr. Vinod Jain, FCA, President

Members - Mr. Anil Sharma, FCA; Mr. Avneesh Mittal, FCA; Mr. Naveen Jain, FCA; Mr. Shiv Mittal, FCA; Mr. Sunil Khemka, FCA; Mr. Vijay Gupta, FCA and Mr. Vinod Rustagi, FCA

ANNUAL SUBSCRIPTION

•for Chartered Accountants: Rs. 200/- Single Copy Rs. 25/-
•for Others: Rs. 250/- Single Copy Rs. 25/-

A JOURNAL OF
ALL INDIA CHARTERED ACCOUNTANTS' SOCIETY

VOLUME XVII, No. 1, JANUARY 2006

EDITORIAL VINOD JAIN*

*We Wish all the readers a
Very Happy & Prosperous New Year 2006*

INDIAN STOCK MARKET - IS THE RALLY RELIABLE



The Indian Stock Market has created new records of growth in SENSEX and NIFTY. The market capitalisation has increased by more than 100% in last about one year. Most of the shares are quoting at their highest prices ever. Is rally in the stock market going to sustain?

The Indian economy is doing well and is growing on a cumulative basis @ 7% - 8%.

The Industrial sector is growing @ 10% - 12%. The earning per share growth rate has been 16.2% during last one year. The inflation is in control and is moving in the range of 4.5% - 5%. The Foreign Exchange Reserves are in the range of \$ 120 billion to \$ 130 billion. The economic outlook of the current year is bright and is expected to gain further momentum, in view of major international economies including US and Europe, almost doubling their growth rates.

The investment in the stock market in terms of Section 80C of the Income Tax Act, through mutual fund route, is likely to attract about Rs. 20,000 crore during January - March, 2006. The FII inflow, which was Rs. 3500 crore in the year 2002, has witnessed an inflow of Rs. 39,000 crore in the year 2004 and Rs. 45,000 crore in the year 2005. The 1st week of the year has already seen an inflow of Rs. 2000 crore approximately.

The household savings currently being channelised to the stock market are only 1.1% of total household saving.. This has a scope to grow up to at least 5% to 7% in next 3 years. Currently 79% of investment is being made by top 5 cities and about 14% by next 10 cities. It is a meager 7% of the total investment, which comes from

rest of India. As the awareness and prospects of the stock market set momentum in the minds of Indian households in general the growth will gain further momentum. The potential equity risk taking Indian population is fairly high considering that more than 70% of the population is less than 35 years of age. The retail investment is 34% and institutional investment including FIIs, mutual funds, FIs, banks etc. is 66%. All the aforesaid factors clearly indicate that the stock market is expected to rise further, significantly during next few months.

There are warning signals, one needs to keep a watch. In case the Finance Minister decides to increase the Securities Transaction Tax significantly or levy tax on dividend and / or capital gain arising from the stock market, as is being recommended by various interest groups including the Left Parties, it could be a beginning of a big fall. The risk of increase in oil prices, mounting import bills and **possible Iran-US war** are some other risks to be watched carefully.

There is one more concern area i.e. the liquidity and depth of the stock market. Barring top 50 stocks, it becomes very difficult to buy or sell even a chunk of 10000 - 20000 shares. The impact cost in most of the stocks is high. A stock lending and borrowing mechanism is necessary to be institutionalised, in a transparent manner through stock exchanges and clearing corporations. The derivative market delivery linkage is also necessary. The surveillance mechanism of

Contd. 2



All India Chartered Accountants' Society

MEMBERSHIP OF SOCIETY

For Society's Membership Form and details, please see Page No. 4



All India Chartered Accountants' Society

Announces

36 hours of Intensive Professional Learning

3rd ANNUAL WORKSHOP ON DIRECT TAXES

from concepts to practice

6 DAYS WORKSHOP

from 16th to 31st January 2006
(16th, 19th, 20th, 23rd, 24th & 31st)

TIMINGS:

1.30 p.m. to 8.30 p.m.

VENUE:

India International Centre (IIC), Annexe Building, Lecture Hall, 40, Max Mueller Marg, New Delhi - 110003

for details please see page no.8



Inside

1. LATEST IN FINANCE	2-3
2. AUDIT	4
3. INDIRECT TAX	5
4. TAXATION	6
5. CAPITAL MARKET	7
6. ICAI NEWS	7
7. FEMA	7
8. SITUATION VACANT	7

Contd. from page no. 1

Indian Stock Market

SEBI, as a regular, has significantly improved. The new issues coming to the market are mainly from select good Companies or good projects in advance stages. The demand for new issues is much higher as compared to the supply at this stage.

Professional opportunity

The profession of Chartered Accountants has great opportunities in the equity market including equity research, financial analysis and portfolio management advisory services besides advising investors. The compliances and regulatory requirements of SEBI in respect of brokers, mutual funds, merchant bankers, portfolio managers and depository participants are also providing larger opportunities to Chartered Accountants to help these intermediaries in ensuring compliance both in letter and in spirit. The Chartered Accountants are actively working not only as Merchant Bankers but also Strategic Advisors to public issues in India as well as in the international stock markets.

The Securities and Exchange Board of India, the Regulator, needs to track EPS growth vis-à-vis growth of prices in all the scrips; and wherever there is an untoward movement, it may be appropriate to investigate. SEBI need not concentrate only on penny stocks, but on all stocks with unexplainable movement. A financial scam can strike from anywhere. A number of large players in the stock market, who may not even be the stockbrokers themselves, are still active in market manipulation and there is a need to track them and weed them out in the interest of long term growth of the stock market. Some of the most reputed names need closer watch of Economic Intelligence Wing as well as that of SEBI.

LATEST IN FINANCE

1.0 SECURITISED DEBT TRADING

The union cabinet has cleared the way for trading of securitised debts implying that all assets – backed loans such as car and home loans can now be traded on stock exchanges. This move will increase liquidity, help banks to book profits and deepen the money market.

2.0 RELIANCE SIGN MoU WITH HARYANA FOR SEZ

Reliance Industries Ltd. (RIL) and Haryana State Industrial Development Corporation (HSIDC) have signed a memorandum of understanding for setting up a multi-product Special Economic Zone (SEZ) in the State.

RIL has incorporated a company by the name of Reliance Haryana SEZ Pvt. Ltd. to set up a multi-product world class SEZ over an area of 25,000 acres with a capital cost of Rs. 25,000 crore.

3.0 SCOPE OF THE BANKING OMBUDSMAN SCHEME

RBI has enlarged the scope of the Banking Ombudsman Scheme to include customer complaints on certain new areas such as credit card complaints and deficiencies in providing promised services by banks or their sales agents. The scope of the scheme will now also cover levying of service charges without prior notice to the customer. The norms have become effective from January 1. The scheme is available at www.rbi.org.in

4.0 THREE FUNDS FOR FOOD PROCESSING SECTOR

The Exim Bank of India has recommended three development funds for the expansion of the food processing sector. These include the Agro Export Infrastructure Development Fund (AIDF), Export Market Development Fund (EMF) and Fund for Organic Agricultural Products (FOAP).

Exim Bank said that the FOAP could be operated as a grant and soft loan. The grant component could be up to 50 per cent on the expenditure incurred on testing, certification and research and development of products by the organic farmer. Soft loans could be made available to producers at the bank rate.

5.0 NO IMMEDIATE HIKE IN FII LIMIT IN PSU BANKS

The long wait for a hike in foreign institutional investor (FII) investment limit in public sector banks is set to continue for some more time. The Government has clarified that it is not considering any proposal for hike in the cap at present and that any hike could be a long winding process since it would invariably require clearance from the Parliamentary Standing Committee on Finance.

6.0 MAHARASHTRA TO TAX LOANS

The Maharashtra Government has decided to levy 0.25 per cent stamp duty on all loan agreements including corporate loans, term loans, working capital loans and overdrafts, forcing India Inc and individuals to cough up 25 basis points more in duty on all loans raised from banks located in the state. If the state government did not dilute its stance, many companies might look for credit outside Maharashtra.

7.0 STPI GOES ONLINE WITH ORACLE APPLICATIONS

The Software Technology Park of India (STPI) has recently announced that it has implemented Oracle Applications to offer services such as online registration of exporters and online procurement.

8.0 EDC TO FINANCE IMPORTS TO INDIA

The Export Development Canada (EDC), the Canada's exim bank, is planning to finance up to \$600 million of import by Indian companies from Canadian corporations in the calendar year 2006. EDC is also looking forward to double the credit to state electricity utilities which are planning to buy technology or equipments, or both, from Canadian companies.

9.0 HDFC TO LAUNCH REALITY FUND

HDFC will launch its global reality fund of Rs. 1,000 crore in the first quarter of 2006-07. The international fund will enable non resident Indians and foreign institutional investors to invest in real estate projects in India. Originally, HDFC had planned to launch the fund in 2005.

10.0 PROHIBITION ON BANK FINANCE TO ITS EMPLOYEES/TRUSTS

RBI has clarified that banks are not allowed to extend advances including to their employees/ Employee Trusts set up by them for the purpose of purchasing their (banks') own shares under ESOP/ IPO or from the secondary market. This prohibition will apply irrespective of whether the advances are unsecured or secured.

(Source: 2005-06/242 / dt. 27.12.2005)

11.0 USE OF RUPEE DEBT FOR RUSSIAN JVs

PM Manmohan Singh has indicated that Russian firms might be given more flexibility to utilise the rupee debt. Russian firms might be allowed to channelise the money into joint ventures in India. The country owes around \$ 2 billion to Russian firms for defence purchases made before the collapse of the Soviet Union.

12.0 SASF TO SELL LOANS ONLINE

The Stressed Assets Stabilisation Fund (SASF) is soon planning to sell its loans online through its website www.sasftrust.com. The trust which is managing the non-performing assets of the erstwhile Industrial Development Bank of India (IDBI), is also planning to conduct online auctions on this website, in a bid to provide a free and fair opportunity for all borrowers, and potential investors to participate in the selling process.

Apart from these, the website also provides updated information on the various assets that are available with SASF, their outstanding book value, the condition of the firm, details regarding the other lenders that have an exposure to the account, etc.

13.0 STANCHART ACQUIRES NPAs FROM ICICI

Standard Chartered Bank recently announced that it has acquired bad loans to the tune of Rs. 1,300 crore from ICICI bank.

INFRASTRUCTURE FINANCE - DEAL OF THE YEAR

Gangavaram Port Limited has been awarded the Asia Pacific region's 'Infrastructure Deal of the Year'.

The port is being developed as an all-weather, deep-water, multi-purpose world-class facility. The development master plan has been finalized keeping in view the design vessel size of 300,000 DWT, flexibility of staged development and room for expansion beyond the master plan period of 30 years. The port will offer major tangible benefits to Indian shippers and receivers through deeper drafts (20m), advanced cargo handling equipment, highly efficient operations, vast storage areas for all types of cargo and extensive ancillary facilities.

The project cost is estimated at about Rs 1700 Cr and long-term non-recourse debt raised through the sole financial advisor and arranger SBI Capital Markets (SBICAP) was Rs 1160 Cr (consisting of Rs 1090 Cr senior debt and Rs 70 Cr sub debt) based on a 70:30 debt-to-equity ratio. The tenor of the loan facilities is around 12 to 15 years excluding a construction period which is estimated at about two years

The project attracted 13 banks for the senior debt and two banks had joined for the sub debt at the deal's financial close in October 2005. Total commitments registered more than 250% of the debt, so there were heavy scaling down of allocations. State Bank of India was the major lender and other participants included IDBI, Punjab National Bank, State Bank of Hyderabad, State Bank of Patiala and Oriental Bank of Commerce.

14.0 EXTENSION OF DEPB SCHEME

The Government of India has decided to extend the validity of the duty entitlement passbook (DEPB) scheme to March 31, 2006.

15.0 RBI GUIDELINE ON BANKS OUTSOURCING

The Reserve Bank of India (RBI) in a recently issued draft guideline has clarified that the banks would require its prior approval for outsourcing services when the service provider is located outside India. This also applies when outsourcing is in relation to doorstep banking.

Banks have been asked to abstain from outsourcing core management functions such as corporate planning, organization, management and control. Also they have to keep away from outsourcing in decision-making functions such as determining compliance with know your customer norms for opening deposit accounts, according sanction for loans and management of investment portfolio.

16.0 RBI DISALLOWS MIFOR EXPOSURE FOR COs

Companies will no longer be able to take exposure in Mifor – a Libor linked interest rate used by money market participants to price fixed income derivative products. RBI has clarified that companies will not be allowed to transact in Mifor even if they have an underlying foreign exposure.

RBI's views on Mifor were communicated to the banks recently by the Fixed Income Money Market & Derivatives Association of India (FIMMDA), the industry body for the money and bond market with a "self regulatory organisation" status. Thus from now, only banks will be allowed to trade in Mifor.

17.0 CORPORATE LOAN RATES UP

Corporate loan rates have shot up by as much as 2 per cent in the last one month. The lending rates have increased to around PLR (prime lending rate) minus 2 per cent from PLR minus 4 per cent till recently.

The PLR of banks is currently in a range of 10.25-10.75 per cent, which translates into lending rates of 8.25 per cent to 8.75 per cent. The current interest level is in sharp contrast to the rate (of around 6 per cent) at which the companies could bargain during the days of high liquidity. The companies could pitch one bank against the other, taking advantage of high liquidity and competition among bankers to take on board the blue chip corporates.



All India Chartered Accountants' Society

APPLICATION FOR FIRM MEMBERSHIP

To,

The Secretary

All India Chartered Accountants' Society

We hereby apply for the membership of the All India Chartered Accountants' Society in accordance with the provisions as contained in the All India Chartered Accountants' Society's Memorandum of Association and Rules. We further declare that we are qualified to be a member of the Society and not subject to any disabilities stated in the Memorandum of Association and Rules of the Society. We understand that the membership of society is subject to acceptance by the National Board of Society. The required particulars are furnished below:

1. Name of the firm _____
(In Block Letters)
2. Firm's No. (as per ICAI) _____
3. Professional Address
Head Office : _____
Branches _____
Telephone No. _____
Fax No. _____ E-mail _____
4. Partners' Details (Please attach separate sheet)

Name	Membership No.	Mobile No./ Resi Ph. No.	Email ID	Residential Address

5. Contact person(s) Telephone No. Email

- 1.
- 2.

Declaration: We hereby certify that the particulars and information given above are true and correct and we understand that our application for the membership of the society is considered on the basis of correctness of the particulars furnished here-in-above.

We are enclosing herewith a Cheque of Rs. 3000/- in favour of "All India Chartered Accountants' Society" to be adjusted towards our annual membership fee of Rs. 2500/- and Rs. 500/- being the admission fee as a member of the All India Chartered Accountants' Society.

Place:

Date:

Yours Faithfully

Signature

Note: Membership form for Individual is available in December, 2005 issue

AICAS Membership Fee	Annual Membership Fee (January-December) Rs.	Admission Fee Rs.
Individuals (CAs)	1000	100
CA Firms	2500	500

CONGRATULATIONS



The *Ready Reckoner on Service Tax* authored by Shri Atul Kumar Gupta, Chartered Accountant, published by AA Plus Publication House, New Delhi is a very well thought attempt to bring the provisions relating to service tax in a ready to use mode. This book will definitely add great value to the fraternity of professional.

We congratulate **Shri Atul Kumar Gupta, FCA, AICWA** for his great contribution to the fraternity of the professionals and taxpayers. (E-mail: pctl@rediffmail.com)

INMAGS

..... International Corporate & Tax Structuring

AUDIT

1.0 ROTATION OF PARTNERS OF AUDIT FIRMS

The RBI has recently notified that NBFCs (including RNBCs) with public deposits/deposits of Rs 50 crore and above, for rotation of partners of audit firms appointed for auditing the company so that same partner does not conduct audit of the company continuously for more than a period of three years. However, the partner so rotated will be eligible for conducting the audit of the NBFC/RNBC after an interval of three years, if the NBFC/RNBC, so decides. Companies may incorporate appropriate terms in the letter of appointment of the firm of auditors and ensure its compliance.

(Source: RBI/2005-06/ 232/ dt. 12.12.2005)

2.0 RBI LIMITS UCBS EXPOSURE TO UNSECURED ADVANCES

RBI has increased the limit on unsecured advances without surety for Urban Cooperative Banks (UCBs) from the existing limit of Rs. 5,000. RBI asked banks to cap the total unsecured advances (with and without surety) to 15 per cent of their demand and time liabilities (DTL) against the present limit of 33.33 per cent.

The enhanced limit per case for scheduled banks failing in the grades-III and IV stands at Rs. 25,000. For unscheduled banks in the same category, the limit has been upped from Rs. 5,000 to Rs. 10,000. In case of scheduled banks, outside grades-III and IV, the central bank has raised the limit to Rs. 50,000, while for unscheduled banks in this category, the new limit stands at Rs. 20,000.

3.0 IBPCs GET PRIORITY LENDING STATUS

The Reserve Bank of India has allowed private and foreign banks to treat their investments in inter-bank participatory certificates (IBPCs) issued by public sector banks as direct lending to the priority sector.

4.0 NPARECOVERIES LEADING TO HIGHER DIVIDENDS

Public sector banks are preparing to fork out higher dividends this year with bottom-lines boosted by high recoveries of non-performing assets (NPAs).

WORKSHOP ON SERVICE TAX - GLIMPSES

Held on 17th - 24th December, 2005



Ashok Batra, FCA
A.K. Batra & Associates



Sanjiv Agarwal, FCA



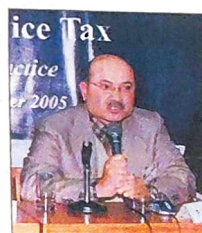
J.K. Mittal, FCA, LL.B.
J.K. Mittal & Co.



V. Lakshmi Kumaran
Sr. Advocate,
Supreme Court of India



Anita Rastogi
PriceWaterhouseCoopers



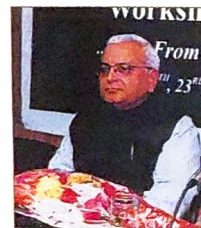
P.K. Sahu, Advocate



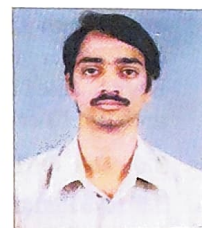
Tapas Mishra, Advocate
RSM & Co.



Nilamber Marawah
Marawah & Associates



S.K. Pahwa
Marawah & Associates



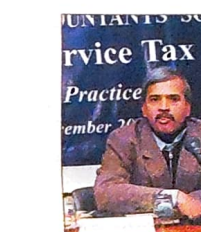
S. Vasudevan, ACA
Lakshmikumaran &
Sridharan



Jatin Arora
RSM & Co.



Atul Gupta
Deloitte Haskins & Sells



N. Mathivanan, Advocate
Lakshmikumaran &
Sridharan



VALEDICTORY SESSION OF "WORKSHOP ON SERVICE TAX"
(L-R) Mr. R. Shri Ram, Director, Ministry of Finance, Mr. R. Sekar, Jr. Secretary (TRU), Department of Revenue, Ministry of Finance, Govt of India, Mr. Manmohan Khemka, FCA, Mr. Rajiv Kohli, FCA, Mr. Vinod Jain, FCA



Cross section with Panel of Experts - Panel Discussion



INAUGURAL SESSION OF "WORKSHOP ON SERVICE TAX"
(L-R) Mr. Rajiv Kohli, Chairman, Service Tax Committee; Mr. Rajesh Gosain, Vice Chairman, Service Tax Committee; Mr. Vinod Jain, President, AICAS; Mr. Manmohan Khemka, Vice Chairman, Service Tax Committee



Cross section of participants attending the workshop

1.0 EXCISE, CUSTOMS GET POWER TO ATTACH PROPERTY

The parliamentary Standing Committee on Finance has backed the finance ministry's proposal to arm Excise and Customs authorities with powers to provisionally attach assets, including property, when assessments are pending.

2.0 VAT RATES SLASHED IN PUNJAB

The Punjab Government has approved bringing down VAT on more than 70 items, including diesel engines up to 10BHP, valves & cocks, iron hardware, etc. to be taxed now at 4%, instead of the earlier 12.5%.

3.0 COMPOUNDING OF EXCISE, CUSTOMS OFFENCES

The Finance Ministry has introduced the facility of compounding of Central Excise and Customs offences through the Customs and Central Excise (Compounding of Offences) Rules, 2005. Under these rules, chief commissioners have been empowered to offer compounding facility as an option before launching prosecution.

This facility would, however, not be available for serious offences such as narcotics, arms, chemical weapons etc. This facility would also not be available to those persons who had in the past already exercised the option of compounding of an offence in respect of goods of value exceeding Rs. 1 crore.

4.0 HIGHEST INDIRECT TAX RATE IN INDIA

According to a survey, the cumulative indirect tax burden in India works out to over 30% - a VAT rate of 12.5% on most goods plus the excise duty burden of 16.32% - assuming that there is no cascading VAT or excise duty which can happen due to complexities or gaps in credit rules. In most other countries, the indirect tax burden ranges between 5% to 25%.

The overall average VAT rate in 62-countries surveyed is 16.4%. The highest standard VAT rate of 25% is levied in Denmark, Hungary, Norway and Sweden. The lowest standard VAT rate in the countries surveyed is 5% - applied in Panama, Singapore in Japan.

MEMORANDUM OF SUGGESTIONS RELATING TO SERVICE TAX GIVEN BY ALL INDIA CHARTERED ACCOUNTANTS' SOCIETY TO MINISTRY OF FINANCE, GOVT. OF INDIA AT THE LAST DAY OF SERVICE TAX WORKSHOP i.e. ON DECEMBER 24, 2005

1. CAs to conduct audit: At present, a service tax payer whose annual service tax payment Rs. 10 lakhs or more in the preceding financial year is subject to mandatory audit each year. This limit of Rs. 10 Lacs was requested to be revised to at least Rs. 100 Lacs. Further, services of Chartered Accountants were requested to be utilized to conduct such audits.

2. Annual Master Circular: A master circular (service-wise and on procedures) should be issued on yearly basis, as is done by Reserve Bank of India.

3. Exemption of Services by CAs: The Government w.e.f. 16.10.1998 has exempted all the taxable services provided by a Practising Chartered Accountant in his professional capacity to a client except those specified in Notification no.59/98 dt.16.10.98. However, even after this notification there remain some services that are taxable if provided by Chartered Accountants but non-taxable if provided by any other person such as:

- Accounting
- Audits other than audits required under specific Laws such as internal audit, environmental audit, etc.

Necessary amendments were requested to be made to exempt these services also from the ambit of taxable services provided by a Practising Chartered Accountant.

4. Registration Certificate: Provision of amendment in the Registration Certificate should be brought in.

5. Revised Return Provision: Provision of revised returns should be introduced.

6. Export of services: It would not be practically possible to prove that services have been used or delivered outside India or have been used in business outside India. These conditions will only lead to the litigation. It is suggested that once a service is rendered to a person who does not have any office or place of business in India and payment of such services is received in convertible foreign exchange then such services should be treated as export of services. Necessary clarification should be issued in this regard.

7. Import of services - taxing even when not imported - needs re-look: Explanation to clause (105) of section 65 inserted by the Finance Act 2005, has created a lot of confusion. As per the said explanation, the services provided by the person who is not having any permanent or fixed establishment in India, but if such services are to be received by a person who has place of business in India, then such services shall be deemed to be import of services taxable in India. Necessary clarification should be issued in this regard.

TAXATION

1.0 NO SERVICE TAX ON PRINT ADVT.

Advertisers in newspapers and other printed medium can now relax, as the cost of inserting an advertisement in newspaper will not go up. The finance ministry recently dropped a proposal to bring print media indirectly into the service tax net.

2.0 LEVY OF TAX ON SEARCH SITES

The Authority for Advance Rulings (AAR) has clarified that Google Online India Pvt. Ltd., a wholly owned subsidiary of US-based Google International LLC, will have to pay service tax for selling advertisement space on its search site to Indian entities. The advance ruling noted that the proposed activity of Google India to sell space on its site tantamount to providing a service to advertisers and clients.

DIRECT TAX

1.0 NATIONAL TAX TRIBUNAL ACT, 2005 PASSED

The National Tax Tribunal Act 2005, which provides for the adjudication of disputes relating to the levy, assessment, collection and enforcement of direct taxes as well as those relating to the customs and excise duty rates, by the National Tax Tribunal has been passed. The Act is applicable to the whole of India and has come into force through notification no. SO 1826 (E) dtd. 28 December, 2005 by Central Government.

2.0 SEC. 28, SEC. 80HHC AMENDED

Section 28 and Section 80HHC of the Income Tax Act, 1961 has been amended with retrospective effect from A.Y 1998-99 to provide for adjustment of negative profit from export with Duty Entitlement Pass Book (DEPB) income of the assessee. This relaxation is applicable only for exporters with turnover upto Rs. 10 cr per annum.

3.0 INCOME TAX DECISIONS

3.1 No Penalty for Cash Loans on Sunday
Hon'ble Madras High Court in the matter of Commissioner of Income Tax Vs. T. R. Rengarajan held that penalty u/s 271D cannot be levied when loans are accepted in cash exceeding prescribed limit u/s 269SS from relatives on a Sunday. [279 ITR 587].

3.2 Agreement - not sufficient proof

Hon'ble Karnataka High Court in the matter of CIT vs. Premier Breweries Ltd. held that where the assessee was not able to prove that there was actually service rendered for liaison and corporate management work for which charges were paid, merely because the payment was in pursuance of an agreement, the deduction claimed could not be allowed. [279 ITR 51]

3.3 Ex-gratia payment received

Ex-gratia payment received by an Assessee on completion of his contract of service with Company on understanding that he would not engage himself directly or indirectly in any business activities which were competitive to Company and also not join any service in similar type of trade was capital receipt in lieu of profit earning source and therefore, there was not accessible to tax. [97 ITD 517 (Chandigarh)]



CAPITAL MARKET

1.0 SEBI UNCOVERS SCAM IN IPO ALLOTMENT

The capital market regulator, SEBI, has unearthed a large-scale multiple application case in the recent YES Bank IPO and banned 13 investors from trading in the bank's shares with immediate effect.

These investors have manipulated allotment of shares by opening more than 7,500 'benami' depository accounts. They have gained Rs. 1.7 crore by this manipulation on the first trading day of the IPO.

2.0 SEBI YEAR END DHAMAKA

SEBI has recently made the following announcements

(a) Hike in promoters stake – Permission has been granted to promoters to increase their shareholdings beyond 55% to 75% through market purchases subject to open offers.

(b) Optional rating of IPOs – SEBI also introduced optional grading of public issues of unlisted companies by credit rating agencies registered with SEBI.

(c) Position limits revised – Enhancement of trading limit for members in equity derivatives.

(d) Unique Identification must – Investors transacting over Rs. 5 lakh need to obtain UIN with biometric impressions under Mapin, others require PAN.

(e) Electronic Clearing System – Expansion of network to facilitate refunds of public offers through electronic clearing system. Also working on integrated common platform for electronic filing and dissemination of corporate information.

(f) Gold Exchange Traded funds – Permission to mutual funds to bring out Gold Exchange Traded funds.

3.0 NEW SAT PRESIDING OFFICER

The Union Government has appointed Mr. Justice Nauvdiv Kumar Sodhi as the Presiding Officer of the Securities Appellate Tribunal (SAT). Mr. Justice Sodhi, a former Chief Justice of Karnataka High Court, replaces Mr. Justice Kumar Rajaratnam, who had earlier tendered his resignation.

4.0 FOREIGNERS OWN 30% OF INDIA INC.

The collective foreign shareholding through foreign promoters, foreign institutional investors (FIIs), overseas corporate bodies, non-resident Indians and holders of global depository receipts and American depository shares in Indian companies was 29.70 per cent on September 30, 2005.

5.0 FMC ISSUES UMC

Forward Markets Commission (FMC), has registered 2626 members trading on 21 commodity exchanges and has assigned Unique Member Code (UMC) to them. FMC reiterated its stand that no member will be allowed to trade beginning January 2006 without UMC.

6.0 NCDEX TO LAUNCH TRADING IN PERISHABLE COMMODITIES

The National Commodity and Derivatives Exchange (NCDEX) is in the process of launching futures contracts for perishable commodities beginning with potatoes and onions.

7.0 LISTED COs TO STICK TO CLAUSE 49 DEADLINE

The National Stock Exchange (NSE) and Bombay Stock Exchange (BSE) have directed all the listed companies to strictly comply with the revised Clause 49 of the listing agreement, popularly known as the corporate governance clause, from January 1, 2006.

FEMA

1.0 LIAISON OFFICES OF FOREIGN INSURERS

The existing procedure for grant of permission by RBI for opening of an office by an insurance company registered outside India has been revised in consultation with the Government of India. In the revised policy, the centre has decided that henceforth such permission would be granted by Insurance Regulatory and Development Authority (IRDA).

ICAI NEWS

1.0 ICAI GUIDANCE NOTE ON RISK-BASED BANK AUDIT

The Institute of Chartered Accountants of India (ICAI) has recently issued a guidance note on risk-based auditing for banks, a tool which the audit committee of a bank can use in gauging the relative health of its various businesses.

2.0 CAs, LAWYERS CAN FORM PARTNERSHIPS, ADVERTISE

Chartered Accountants and lawyers can now form partnership firms which can respond to tenders and advertise in a limited manner as per Chartered Accountants (Amendment) Bill, 2005.

The proposed laws would also allow partnership with foreign professionals, if the professional bodies of the respective countries have a mutual recognition agreement. Also, limited advertising through write-ups, setting out services provided by the professionals and other particulars about the partnership firm, would be allowed.

CONGRATULATIONS

The *Treatise on Service Tax* by Shri Sunil B. Gabhawalla, Chartered Accountant, published by Bharat Law House Pvt. Ltd., New Delhi is an excellent professional work in the professional area of service tax and will add great value to the readers. The simple style in which various provisions of law are presented in the book, referring to it becomes very-very easy and fruitful.

Society congratulate Shri Sunil B. Gabhawalla, FCA for his nice & visioned task and for his contribution to the fraternity of the professionals and taxpayers. (E-mail: sbgco@vsnl.com)

SITUATION VACANT

INTERNAL/ MANAGEMENT AUDITOR

Required dynamic and self driven Chartered Accountant having over 5 years experience in internal/ management audit of medium and large Companies, seeking all round growth with a reputed firm in Delhi, may apply to bga@bgjhi.com

CERTIFICATE COURSE



All India Chartered Accountants' Society

36 HOURS
of an intensive professional learning

3rd ANNUAL WORKSHOP ON DIRECT TAXES

from concepts to practice



DATES:

from 16th January, 2006 to 31st January, 2006
(16th, 19th, 20th, 23rd, 24th & 31st January 2006)

TIME:

1.30 p.m. to 8.30 p.m.

VENUE:

India International Centre (IIC), Annexe Building,
Lecture Hall, 40, Max Mueller Marg, New Delhi.

(Lunch: 1.30 p.m. to 2.00 p.m.)

THE COMPREHENSIVE REFRESHER COURSE ON DIRECT TAXES

A Comprehensive Refresher Course/ Workshop on Direct Taxes is being conducted spread over 6 days with the active participation of eminent speakers and professionals. The MAIN THRUST is to carry out an indepth study of the basic concepts, critical issues and their practical applications including tax planning of the laws, rules and regulations and recent case laws relating to Direct Taxes.

6 DAYS WORKSHOP COVERAGE

Day 1 - 16/01/2006 (Monday)

- Basic framework / Overview of Income Tax Law • Basic of charge • Interpretation of statutes (Practical aspects)
- Scope of total income • Residential Status • Income of Charitable Trusts, NGOs, Societies, Section 25 Cos., Mutual benefit Societies, Not for profit Organisations and Institutions • FCRA • Exempted Incomes • Disallowability of expenses u/s 14A • Income from House Property • Income from other sources

Day 2 - 19/01/2006 (Thursday)

- Salary, expatriate salary, posting outside India • Corporate Taxation, MAT, Deemed dividend • TDS / TCS • Clubbing of incomes • Certain Deemed incomes • Aggregate of income • Set off and Carry forward of losses • Taxation issues related to conversion of proprietorship/partnership into Company

REGISTRATION FORM

- By Fax - Fax Form to : 91-11-2622 3014
- By email - email Form to : aicas.cfo@gmail.com
- By Mail - Mail to The Secretariat:

All India Chartered Accountants' Society
422, Okhla Industrial Estate, Phase III, Behind Modi Flour Mills,
New Delhi - 110 020.

- Name: Mr./Ms.
- CA Membership No. :
- Designation :
- Company Name :
- Address :
- Pin :
- Phone : (O) (R)
- Fax : Mobile :
- E-mail :

payable to "All India Chartered Accountants' Society"

Via DD/Cheque (Delhi only) No. :

Date : Bank :

Amount :

Signature :

Day 3 - 20/01/2006 (Friday)

- Profits and gains of business or profession -Section 28, 30, 32, 35D, 40, 40A & 43B • Section 37 & precaution to be taken for disallowances by Assessing Office • Presumptive Incomes u/s 44AD, 44AE & 44AF • Special provisions for computing profits of foreign companies and non-residents regarding turnkey projects, head office expenses and royalties • Special deductions for certain priority sectors locationwise / industrywise • Deductions available under Chapter VI-A • Deductions under Sections 10A, 10B

Day 4 - 23/01/2006 (Monday)

- Relevancy of other laws in Tax assessments and practical aspects • Taxation issues related to mergers, demergers, amalgamation and restructuring • Fringe Benefit Tax • Implication of Accounting Standards on Taxable income - allowances and disallowances • Taxation of agriculture assets and agriculture incomes

SPEAKERS

Experts invited to address the participants at the workshop are:

- Sh. Ajay Vohra, FCA
- Sh. Girish Ahuja, FCA
- Sh. Krishan Malhotra, FCA
- Sh. Manish Kapoor, FCA
- Sh. Pramod Jain, FCA
- Sh. Pradeep Dinodia, FCA
- Sh. R. Santhanam, FCA
- Sh. R.N. Lakhotia
- Sh. Rahul Garg, FCA
- Sh. Rakesh Gupta, FCA
- Sh. Ravi Gupta
- Sh. Rohit Jain, FCA
- Sh. Rupesh Jain, FCA
- Sh. S.K. Khurana, FCA
- Sh. Sandeep Chauha, FCA
- Sh. Sanjay Agarwal, FCA
- Sh. Sanjeev Choudhary, FCA
- Sh. Ved Jain, FCA
- Sh. Vinod Jain, FCA

Note: Certain speakers are under confirmation.

AICAS DIRECT TAXES COMMITTEE

- Sh. Pramod Jain, FCA, Chairman (9811073867)
- Sh. Yatinder Khemka, FCA, Vice Chairman (9810693421)
- Sh. Manoj Pahwa, ACA, Vice Chairman (9811066276)
- Sh. D.C. Garg, FCA, Member Secretary (9811039211)
- Sh. Amit Khosla, FCA (9810268150)
- Sh. Ajay Kumar Matta, FCA (9811277781)
- Sh. Vinod Jain, FCA, Adviser (9811040004)

Day 5 - 24/01/2006 (Tuesday)

- Concept of 'Transfer' • Capital Gains on House property, Collaboration, Securities, compulsory acquisition, depreciable assets/other assets & Investment options • Taxation of Mutual Fund Incomes and Venture Capital Funds • Transfer Pricing - Determination of appropriate method, practical issues, TP Study and documentation • Special provisions relating to certain income of Non-residents • DTAA & Implications of variations in treaties • Advance rulings, withholding tax • Taxation of family/private Trusts

Day 6 - 31/01/2006 (Tuesday)

- Survey, search and seizure • Reassessments, offences, penalties & prosecution, TRO powers • Appeal to CIT, ITAT, High Court & Supreme Court • Wealth Tax

Valedictory Function (8.00 p.m. to 8.30 p.m.)

PARTICIPATION FEES

- NON CAs/CORPORATE Rs. 4750/- per person
- CAs/CA FIRM Rs. 4250/- per person
- AICAS MEMBERS* Rs. 3750/- per person
- CFO WORLD MEMBERS Rs. 3750/- per person

* For All India Chartered Accountants' Society's (AICAS) Membership please see, AICAS Membership form at page no. 4.

For further details please contact:
Kanika (9350503880) / Medha (9899600345)
Office - 39478997

**RESTRICTED TO ONLY 100 PARTICIPANTS
ON FIRST COME FIRST SERVE BASIS**

NOTE:

- Participation fees covers high tea, lunch and background material to the participants.
- Alternative nominee for specific session(s) or day(s) could be permitted.
- A Voluntary Appraisal Questionnaire to judge the understanding of the workshop is proposed.
- A Certificate of satisfactory completion of workshop will be issued.
- Participants are expected to share their own practical experiences and raised queries during interactive session.
- All participants should bring their copy of Income Tax Act and Income Tax Rules for ready reference.

• **EDITOR** - Pankaj Gupta, LL.B, FCS E-mail: pankajguptafcs@gmail.com • **PUBLISHED & PRINTED** - At New Delhi by Satish Chandra, Administrative Officer, on behalf of All India Chartered Accountants' Society, 4696, Brij Bhawan, 21A, Ansari Road, Darya Ganj, New Delhi - 110 002 Phone : 23265320, 23288101 E-mail: cfoworld@gmail.com Printed at: Elh Limited Unit: Printing Press No. 7, Chakraborty Road, New Delhi - 110054. For address change/queries: Dharampal - 2622 6933 / 2622 8410 / 3947. Views expressed by contributors are their own and the Society does not

If undelivered, please return to :

All India Chartered Accountants' Society
Brij Bhawan 21A, Ansari Road,
Darya Ganj, New Delhi - 110 002