

### Direct Taxes Code Will Come Next Year: Finmin

The government recently expressed optimism that the Direct Taxes Code (DTC) would come into force from the next financial year. Finance Minister Pranab Mukherjee said he was confident of the DTC being recommended by the standing committee in the coming (winter) Parliament session. "I hope that I will get the legislation by the Budget session," he told an economic editors conference recently, answering a question. Mukherjee said he had a good discussion with the pertinent standing committees chairman (Yashwant Sinha) on whether it was possible to pass certain legislations with his help. But that is at the committee level and the chairman's level. What would happen on the floor of the House would be decided by others, he added. The Direct Taxes Code will come. The DTC Bill introduced in Parliament on August 30 last year, proposes to replace the 50-year old Income Tax Act. The Act was initially proposed to come into force at the start of the ongoing financial year. The deadline was then extended to April next year, as the draft Bill has been referred to the Parliamentary Standing Committee. Revenue department officials doubt if they will get sufficient time to get the legislative work completed in the time left for implementation of DTC from 2012-2013.

(Source: <http://www.indianexpress.com/>)

### Firms Get Government Breather on Forex Earnings

The Ministry of Corporate Affairs, or MCA, has given Indian firms another year to spread their liabilities on account of foreign exchange borrowings accruing from fluctuations in foreign exchange, or forex, rates. While getting more time to amortise such liabilities will come as a breather for a large number of companies that have raised loans abroad, it has raised eyebrows of some observers, who say this is the government's way of signaling a delay in the implementation of International Financial Reporting Standards (IFRS). They also contend that the government should refrain from tinkering with IFRS-compliant accounting standards that have been notified, but are yet to be implemented. IFRS guidelines are more stringent and allow accounting for such gains or losses to be charged in the profit and loss account. An observer said that there is a need to take a long-term view on adopting global standards, and that ad hoc changes don't help. The rupee has been weakening against the dollar in the past few months because of global economic turmoil. It has dropped 10.5% against the US currency since July 2011. He said that deferring losses because of forex fluctuation under Indian GAAP (generally accepted accounting principles) will only provide temporary relief, which is neither desirable nor justified. MCA last week extended the date for amortising gains or losses on money raised overseas on or after December 2006 till March 2012, against the previous deadline of March 2011.

(Source: <http://www.thehindubusinessline.com/>)

### RBI Announces Standard Rating Symbols

The Reserve Bank has announced uniform and standard rating symbols to be used for indicating financial health of a bank. The change in rating symbols and definitions, however, does not effect, in any manner, the rating methodology followed by the credit rating agencies (CRAs) for rating such instruments and will have no bearing on the existing ratings assigned by the CRAs under the Basel-II framework, the Reserve Bank of India said in a statement. Under the revised standardised system, there is no change in the long term rating symbols except that they will henceforth display the rating agency's name as a prefix, it said. "In case of short term ratings, a rating scale denoted by 'A' on a scale of '1' to '4' (i.e. A1, A2, A3 and A4) and 'D' has been prescribed," it said.

(Source: <http://timesofindia.indiatimes.com/>)

### SEBI Panel Rejects Plan to Raise MF Net Worth Cap

A SEBI-constituted panel on mutual funds has retained the minimum capital requirement to start a fund house at ₹10 crore, rejecting a proposal to increase the net worth criterion, officials at the stock market regulator said. The move comes as a breather for smaller fund houses and firms planning to enter the asset management business in Asia's third-largest economy. Last year, the mutual fund advisory committee had proposed to raise the capital base of asset management companies to ₹50 crore from ₹10 crore to ward off 'non-serious players' and to ensure higher safety for investors

(Source: <http://www.economictimes.com/>)

### SEBI to Probe High Volatility in IPOs

The high fluctuation in share prices of a number of companies on the listing day has caught the attention of the Securities and Exchange Board of India (SEBI). SEBI had initiated an enquiry into possible price manipulation in the stock price of some of the recently-listed companies, senior officials said. SEBI is looking into the subscription and trading details of these stocks. An enquiry has been initiated. The idea is to find out if there is a trend of systematic manipulation by a set of players in the stock price, confirmed the official. Senior officials said the market regulator would look into the subscription details and trading pattern. The subscription details would help it get cues about the names of investors who subscribed to these issues. If the same people had applied in most issues, there could be a trend. Similarly, looking into the trading pattern would indicate if there was a concentration of volumes from a particular segment of brokers.

(Source: <http://www.hindustantimes.com/>)

### Revised Tax Treaty with Switzerland Will Help Seek Specific Information on Illegal Funds

In a statement, the Swiss Federal Department of Finance said the revised agreement contains provisions on the exchange of information in accordance with

international standards applicable at present. As per the latest data from the Swiss National Bank, the total deposits of Indian individuals and companies in Swiss banks at the end of 2010 is pegged at about \$ 2.5 billion. Curiously, while the Swiss government has said that India can seek tax information on cases dating from January this year, the Central Board of Direct Taxes pointed out that information can be sought in specific cases starting from 1<sup>st</sup> April, 2011. Also, while the treaty will be applicable in Switzerland on income originating in tax years starting on or after 1<sup>st</sup> January, 2012, in matters pertaining to exchange of information, the provisions in the treaty will apply to information referring to tax years which start on or after 1<sup>st</sup> January, 2011, the Swiss statement said. Under the revised accord with the Alpine tax haven, India will be allowed to seek information on tax evasion cases whereas, under the earlier agreement, the country could only seek bank details in relation to tax fraud cases.

(Press Trust of India)

#### Services Negative List Likely in Next Budget

The Finance Ministry may announce a negative list for services in the next Budget, despite suggestions from the industry it be introduced alongside the Goods and Services Tax (GST). Currently, the Centre has a positive list of services, in which a detailed description is provided for each taxable service. Services not specified are not liable to be taxed. In a negative list approach, barring a few services listed by the government, all others will be taxed. The idea behind moving to a negative list is to ensure there are no unintended tax exemptions. The ministry is of the view that moving towards a negative list by next year itself will prepare the government as well as the industry for a new system before the GST is introduced. The industry, on the other hand, has told the government it is in favour of a negative list, but introducing it only at the Central level will defeat its purpose. States do not have the power to tax services in the existing regime. But, the Constitutional Amendment Bill for the introduction of GST being vetted by a Parliamentary Standing Committee will empower states to do so.

(Source: <http://www.business-standard.com/india/>)

#### Suspicion No Basis for Invoice Rejection, Says Supreme Court

The Supreme Court has ruled that the customs department cannot reject the authenticity of the invoice produced by the importers of the consignment on the basis of a mere suspicion. Any doubt about the value of such invoice has to be based on some material evidence and not on a mere suspicion or speculation of the authorities, the apex court said. "A mere suspicion upon the correctness of the invoice produced by an importer is not sufficient to reject it as evidence of the value of imported goods. The doubt held by the officer concerned has to be based on some material evidence and is not to be formed on a mere suspicion or speculation," said a bench comprising Justice

DK Jain and Justice SJ Mukhopadhaya in its judgement. The court said, "Where the department has a 'reason to doubt' the truth or accuracy of the declared value, it may ask the importer to provide further explanation to the effect that the declared value represents the total amount actually paid or payable for the imported goods. Needless to add that 'reason to doubt' does not mean 'reason to suspect'." (Source: <http://www.economictimes.com>)

#### EC Ropes in I-T Dept to Check Poll Funding

In a bid to check suspicious transactions, the Election Commission has rolled out fresh guidelines for monitoring of poll funding during the forthcoming elections in five states, including Uttar Pradesh, and has roped in the income tax department and the financial intelligence unit for this purpose. The directives to create a database of doubtful transactions and dubious movement of cash were recently issued by the EC to chief electoral officers of the five states that go to the polls. "The EC guidelines on poll expenditure monitoring have been operationalised," a senior official privy to the development said. This is for the first time that the EC has asked the elite financial intelligence unit, functioning under the finance ministry, to sift through their records for any instance of information about the assets and liabilities of candidates participating in the polls. "Besides, the I-T (investigation) and FIU will download from EC website the copies of affidavits declaring assets and liabilities by the candidates. The FIU will also verify the information available with them pertaining to the candidates and send the report to the director general of income tax (investigation) of the state through the Central Board of Direct Taxes," the EC said.

(Source: <http://beta.profit.ndtv.com/news>)

#### E-filing of Excise, Service Tax Returns Mandatory

Assistant Commissioner of Central Excise Customs and Service Tax G. Sudhakar has said that all the service tax and central excise assesses, who were filing their ST-3 returns manually, will have to file online from now onwards. This new rule is implemented as per the instructions of the Central Board of Customs and Central Excise as on October 1, 2011, he added. Mr. Sudhakar said a hassle-free procedure for filing the returns online has been prescribed. The assesses have to create a user ID for them in ACES website and can proceed to file through the website. Those who have already given their e-mail ID to the concerned Central Excise or Service Tax Range Officers are provided with a TPIN number through e-mail. They can log on to the ACES website using the said TPIN number and create a user ID, he said. He said the assesses who have not given their active or new e-mail to the concerned officers should give them immediately so that e-mails containing TPINs can be sent to them for enabling them to create user ID. Everyone should file only online as the manual filing has been dispensed with.

(Source: <http://www.thehindubusinessline.com/>)