



BDO TAX UPDATE

December 2009

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Domestic Taxation

1. M/s MEPCO Industries Ltd v. CIT-2009-TIOL-121-SC-IT-LB

The larger bench of the Supreme Court (SC) has reiterated a well settled law that rectification/s. 154 in case of debatable issues is not permissible

The assessee company was engaged in the business of manufacture of Potassium Chlorates. It received power subsidy for two years which was initially offered as revenue receipt. The assessee, relying on the Supreme court ruling in case of CIT v. P.J. Chemicals limited, filed review petition u/s 264 of the Act and pleaded that the subsidy is in the nature of capital receipt and accordingly not liable to tax. CIT allowed the review petition and treated the subsidy as a capital receipt. Subsequently, the apex court in the case of Sahney Steel Press Works Limited held that, power tariff subsidy is in the nature of revenue receipt and not capital receipt. The CIT relying on the said decision passed a rectification order under section 154. The assessee filed writ petition before the Madras High Court, which confirmed the order of CIT.

On appeal, the Supreme Court observed that the nature of the subsidy will decide whether an income is revenue or not. It further observed that there is no straight jacket principle of distinguishing a capital receipt from revenue receipt. It held that decision on debatable point of law cannot be treated as "mistake apparent from the record". Accordingly, it set aside rectification order passed by the CIT under section 154 of the Income Tax Act.

2. M/S Arihant Tiles & Marbles (P) Ltd-2009-TIOL-127-SC-IT-LB

The larger bench of the SC has held that conversion of marble blocks by sawing into slabs and tiles and polishing amounts to 'manufacture or production of article or thing' and therefore entitled to benefit of Sec 80IA

The assessee was engaged in the business of manufacture/production of polished slabs and tiles. Assessee has been consistently regarded as a manufacturer/producer by various Government Departments and Agencies. Tax authorities rejected the contention of the assessee that its activities of polishing and making tiles from marble block constitute "manufacture" or "production". The Hon'able High Court (HC) accepted the contention of the assessee and held that polished slab and tiles stood manufactured/produced from the marble blocks and, consequently, assessee is entitled for the benefit of deduction under section 80IA of the Income tax Act. Tax authorities filed civil appeal against the order of the HC before the SC.

On appeal the SC observed that conversions of blocks into polished slabs and tiles after undergoing the process certainly result in emergence of a new and distinct commodity and therefore fall within the ambit of "manufacture" or "production".

It further observed that, if the contention of the tax authorities is to be accepted, namely that the activity undertaken by the assessee is not a manufacture, then, it would have serious revenue consequences, since assessee is paying central excise and they would plead that are not liable to pay excise duty etc., as they are not the manufacturer.

In view of this, the SC dismissed the civil appeal filed by the tax authorities and held that activities undertaken by the assessee constitute manufacture or production, and therefore entitled to the benefit of section of 80IA of the Income tax Act.



International Taxation

1. Joint Commissioner of Income- Tax vs. M/s. State Bank Of Mauritius Limited [2009-TIOL-712-ITAT-Mum]

In view of insertion of explanation 1 to section 90 inserted with retrospective effect from 1.4.1962., that higher rate of Income tax in case of non-resident companies cannot be regarded as less favorable, charging of higher rate of tax in the case of non resident cannot be said to be hit by non discriminatory article of the DTAA between India- Mauritius.

For claiming deduction in respect of administrative and entertainment expenses restriction placed under section 37(2) will not apply the non-resident if no restriction prescribed under Article 7(3) of the DTAA between India-Mauritius.

The assessee, a banking company, incorporated under the laws of Mauritius, has permanent establishment ('PE') in India. Assessee company, claims that under the non-discriminatory clause of Article 24 of the DTAA between India-Mauritius, its status is equivalent to that of domestic company, as defined u/s 2(22A) of the Income tax Act ('Act'). Accordingly, the rate of tax applicable to it would be similar to that as applicable to a domestic company and not the higher rate of tax including surcharge. The assessing Officer ('A.O. '), in view of the Authority of Advance Ruling ('AAR') in case of Societe Generale, held that a non domestic company is liable to pay taxes at the given rate in the Finance Act, accordingly he applied tax rate @55% and not at 40%.

The CIT(A) held that there was no limitation or restriction to the non-discrimination provision provided in DTAA agreement and once some provision was discriminatory then same cannot be applied because provision of DTAA have to prevail and assessee company should be taxed at rate applicable to domestic company.

The Mumbai tribunal confirming the order passed by A.O. and placing reliance on Mumbai Tribunal ruling in case of Chohung Bank v. DIT [102 ITD 45(Mum.)] and Credit liyonns v. Dy.CIT [94 ITD 401(Mum.)] held that charge of higher rate of tax in case of non-resident companies shall not be regarded as less favourable in view of explanation 1 to section 90 inserted vide Finance Act 2001 with retrospective effective from 1.4.1962. Accordingly, a non domestic company is liable to pay taxes at the given rate in the Finance Act, accordingly he applied tax rate @55% and not at 40%.

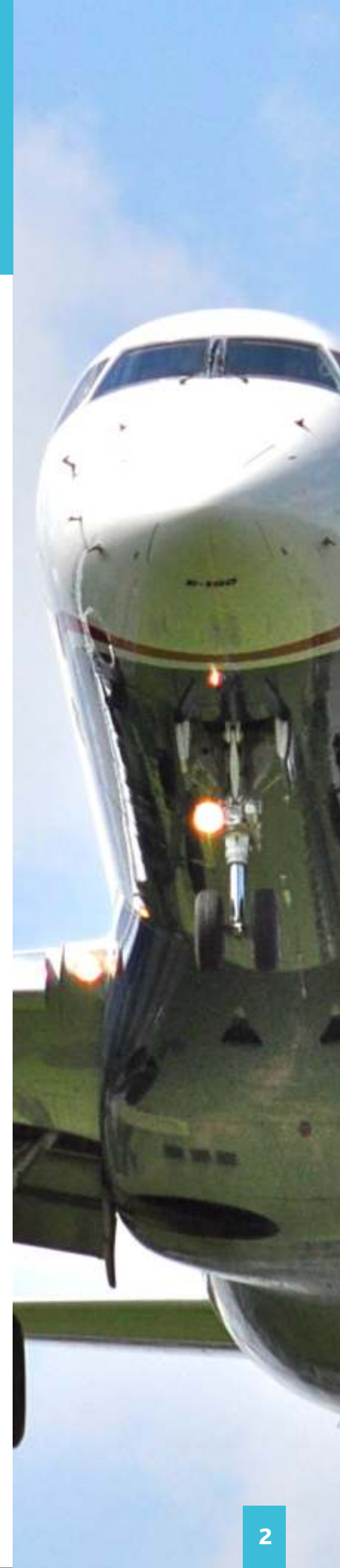
The Assessee company had incurred certain traveling and entertainment expenses. The A.O. restricted the same, relying on the provisions of section 37(2) and Rule 6D of the Act,.

The CIT(A), however upheld the stand taken by the assessee that Article 7(3) does not pose any such restrictions and therefore no disallowance can be made. On departments appeal, the tribunal observed that Article 7 of the India – Mauritius DTAA prescribes the methodology for computation of business income and the deduction allowable under the treaty. If there are no restrictions incorporated in the DTAA with the Mauritius, the restriction provided by section 37(2) of the Income tax Act cannot be enforced.

2. Geofizya Torun SP.ZO.O – AAR .No 813 of 2009 [2009-TIOL-31ARA-IT]

Activities in the nature of onshore seismic data acquisition and other related services to oil and gas industry fall within the ambit of action 44BB of the Act

The applicant is Poland based company. The applicant provides geophysical services to international oil and gas industry. It conducts seismic surveys and provides on-shore seismic data acquisition and other associated services such as processing and interpretation of such data to global and oil companies.



The applicant contends that the said services are covered within the ambit of section 44BB of the income tax act. On the other hand revenue contended the said activities will fall within the four corner of section 9(i)(vii) of the Act and therefore the same had to be computed under section 44DA of the Act.

AAR held that services provided by the applicant fall with in phrase 'in connection with' and Section 44BB being more specific will prevail, for the purpose of computation, over section 9(i)(vii). Accordingly, income from activities in the nature of offshore seismic data acquisition and other related services to oil an gas industry will fall within the ambit of section 44BB of the Income tax Act.

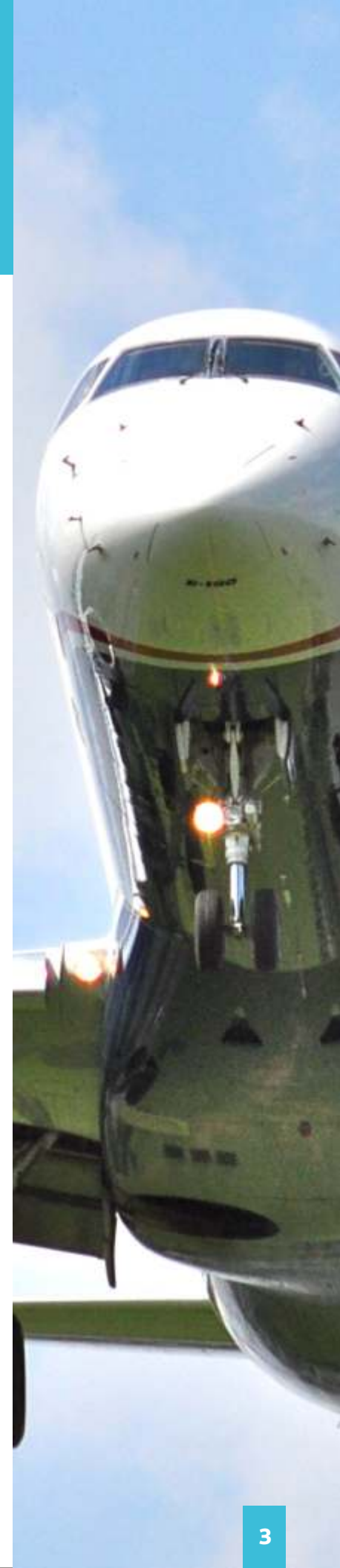
3. M/S Arc Line (Mauritius)[2009-TIOL-764-ITAT-MUM]

The Mumbai tribunal held that non-resident assessee is not liable to pay interest under section 234B of Income tax Act if the assessee had bona fide belief that it was not liable to pay advance tax

The assessee a non-resident Mauritian company is engaged in the business of shipping. The agent of the assessee was granted 100% DIT relief by the AO in respect of foreign income as per Article 8 of the India-Mauritius DTAA and accordingly the return of income was filed declaring Nil income. The assessee's was under an impression that no advance tax is required to be paid and the tax liability is Nil for the specific reason that DIT relief certificate was issued by the AO to the appellant.

While assessing the income of the company for other years the revenue authorities held that the company is not eligible for relief under Article 8 of DTAA entered into between India and Mauritius. AO consequently assessing the income for the relevant year found that no advance tax is paid on its income b the company and held that the company was liable to pay interest u/s 234B.

On appeal tribunal, placing reliance on Uttaranchal High Court decision in the case of Sedco Forex International Drilling Co Ltd, set aside order of AO and held that since the assessee had bona fide belief that the 100% DIT Relief certificate having been issued, the assessee could had not anticipated its liability to pay advance tax and accordingly the liability to pay interest u/s 234B did not arise.



Service Tax

Notifications/ Circulars

Service Tax under Business Auxiliary Services

Notification No. 42/2009-Service Tax dated November 12, 2009

Business Auxiliary Services provided in relation to the specified processes of electroplating, zinc plating, anodizing, heat treatment, powder coating, painting including spray painting or auto black, utilized during the course of manufacture of parts of cycles or sewing machines will be exempt from Service Tax subject to the prescribed conditions given in the notification.

No recovery of Service Tax for processors of alcoholic beverages

Notification No. 43/2009-Service Tax dated December 2, 2009

The Central government has directed that Service Tax in respect of "Business Auxiliary Services" provided by service provider during the course of manufacturing or processing of alcoholic beverages by the service provider for or on behalf of the service receiver, would not be payable in for the period from September 1, 2009 to September 22, 2009.

Judicial Rulings

Import of services liable to Service tax with effect from April 18, 2006

Commissioner of Central Excise, Hyderabad v. M/s TFL Quinn India Pvt Ltd.

[2009 - TIOL - 1904 - CESTAT - BANG]

The "Scientific and Technical Consultancy services" received from a service provider outside India and received by a service receiver in India will be liable to Service Tax in the hands of recipient of service with effect from April 18, 2006.

Cargo handling services

M/s Jet Airways (India) Pvt. Ltd. v. Commissioner of Central Excise

[2009 - TIOL - 1982 - CESTAT - BANG]

The appellant entered into contract for transportation of their cargo by air and for which they may get cargo collected and delivered as integral part of transportation services. The Tribunal observed that since the appellant neither collected cargo from consignor's premises nor delivered cargo to consignee's premises, the mere transportation of cargo from one place to another would not amount to "Cargo Handling Services".

Clearing and Forwarding Agent Services

M/s Vijay Traders v. Commissioner of Central excise

[2009 - TIOL - 1963 - CESTAT - BANG]

The activity carried out on behalf of principal for receiving of goods, storing and selling them to the customer, maintaining records thereof and thereby receiving remuneration in the form commission would not amount to taxable service provided as "Clearing and Forwarding Agent's Services" since the agent does not clear the goods from the premises of the principal. An activity should include both clearing as well as forwarding of goods to be covered under the taxable service of "Clearing and Forwarding Agency Services".



Commercial Training and coaching services

M/s IVL India (P) Ltd. v. Commissioner of Central Excise and Customs

[2009-TIOL-1932-CESTAT-BANG]

The appellant were providing induction-training programme which provided training on certain topics to their prospective employees and collected certain fees as "joining fees" from recruits who gain knowledge and skills for their job.

The Tribunal observed that induction training program conducted by the company for training of their own employees as per the terms and conditions entered into with them in appointment letter, cannot be considered as providing services in the nature of "Commercial Training or Coaching Centre"



Central Excise & Customs

Notifications/Circulars

Exemption to certain assessee from submission of Annual Installed Capacity Statement

Notification No. 26/2009 – Central Excise dated November 18, 2009

Exemption has been granted to following assesses from filing statement of Annual Installed Capacity:

- Biris manufactured without aid of machines;
- Matches manufactured without the aid of power;
- Reinforced cement concrete pipes

Reversal of CENVAT credit on WIP/ Finished goods written off in the books of accounts

Circular No. 907/27/2009 – Central Excise dated December 7, 2009

If the value of the finished goods is written off, then excise duty is payable and reversal of CENVAT credit on inputs used is not required. However, if the duty is remitted under Rule 21 of the Central Excise Rules, 2002 then reversal of CENVAT credit on inputs used is required.

In case WIP is written off in the books of accounts, and if the same has reached the stage where it can be considered as manufacture then it would be liable to duty of excise and reversal of CENVAT credit on inputs used is not required. However, if it does not amount to manufacture, then the same should be treated as inputs and reversal of CENVAT credit would be applicable as given under Rule 3(5B) of CENVAT Credit Rules, 2004

Excise duty leviable on capital goods cleared as waste and scrap even after put to use for 10 years

Board's Instruction No. 267141/2009 – CX8 dated December 8, 2009

Central Board of Excise and Customs has clarified through this instruction that, capital goods on which CENVAT credit has been taken as per the provisions of Rule 3(5A) of the CENVAT Credit Rules, 2004 are cleared as waste and scrap even after being put to use for 10 years, will be liable to duty of excise on the transaction value.

Judicial Rulings

Interest on differential duty paid on supplementary invoices

Commissioner of Central Excise, Pune v. M/s SKF India Ltd.

[2009–TIOL–82–SC–CX]

Appellant issued supplementary invoices to its customers demanding balance amounts, thus at the time of sale the goods carried higher value and were therefore cleared on short payment of duty. Being the case of short payment of duty and payment of differential duty under section 11A (2B), interest is attracted under section 11AB of the Central Excise Act, 1944 on the differential duty paid on supplementary invoices.

Interest on differential duty paid on supplementary invoices

Commissioner of Central Excise, Madurai v. M/s Aruna Alloy Steels Pvt. Ltd.

[2009-TIOL-1911-CESTAT-MAD]

The Tribunal observed that in view of the ruling by the Supreme Court in CCE, Pune v. M/s. SKF India Limited [2009-TIOL-82-SC-CX], interest will be payable on differential duty paid on Supplementary Invoices.

Interest on refund entitled to assessee along with pre-deposited amount

Commissioner of Central Excise, Pune-II v. Helios Food Additives Pvt. Ltd.

[2009-TIOL-1912-CESTAT-MUM]

In cases where any appeal of assessee is allowed by the Tribunal or Lower Authorities, the assessee is entitled to refund of amount pre-deposited under Section 35F along with interest at the rate as given under section 11BB, for the period immediately succeeding the period of 3 months from the date of appellate order to the date of refund of pre-deposit.

Removal of waste and scrap without payment of duty – does not call for reversal of CENVAT credit

Commissioner of Central Excise, Nagpur v. Indorama Synthetics (I) Ltd.

[2009-TIOL-1913-CESTAT-MUM]

The assessee is a manufacturer of polyester chips, partially oriented yarn, fully drawn yarn and Polyester Staple Fibre. While processing of inputs and packaging material, which are used for the manufacture of finished products there arises certain waste and scrap. Assessee has removed such waste and scrap without payment of duty as it is not excisable goods. Tribunal held that removal of such waste and scrap does not call for reversal of CENVAT credit.

CENVAT Credit

Credit of plastic Bhusa consumed as fuel or generation of steam is admissible

Commissioner of Central Excise, Aurangabad v. Shayona Pulp Conversion Mills Private Limited

[2009 (243) E.L.T. (Tri.-Mumbai)]

The appellants are engaged in manufacture of Kraft Paper and were availing CENVAT Credit on duty paid plastic bhusa and which was used as fuel in marine boiler to generate steam for manufacturing Kraft Paper. Accordingly, CENVAT Credit of plastic bhusa consumed as fuel or generation of steam is admissible.

Credit admissible of inputs used in manufacture of products which are exported

M/s. Techno Economic Services Pvt. Ltd. v. Commissioner of Central Excise, Mumbai – III

[2009-TIOL-1970-CESTAT-MUM]

CENVAT Credit is admissible in respect of inputs used in manufacture of final products which are exported irrespective of the fact that the final products are otherwise exempt.

Customs

Notifications/Circulars

New ports added in the notifications issued under Export Promotion Schemes

Notification No. 123/2009 – Customs dated November 10, 2009

Addition has been done of more ports for the purpose of import/ export in the notifications issued under the Export Promotions Schemes. The new ports are namely:

- Talegoan (District Pune)
- Dhannad Rau (District Indore)
- Kheda (Pithampur, District Dhar)
- Patli (Gurgaon)

Withdrawal of allowance of License to Private/Public bonded warehouse for diamonds and gemstones for import and re-export

Circular No. 31/2009-Customs dated November 24, 2009

A scheme was prevalent in terms of Foreign Trade Policy, 2004-09 for setting up private/public bonded warehouse in SEZ/DTA for import and re-exports of cut & polished diamonds, cut & polished colored gemstones, uncut & unset precious & semi precious gemstones. However, the said facility was discontinued in the new Foreign Trade Policy, 2009-14.

In view of withdrawal of the said scheme, no new private/ public bonded warehouse license can be allowed for bonding of diamonds and gemstones for import and export purposes. Accordingly, the Department has provided a clarification in respect of transitory arrangement for the existing warehouses to surrender the bonding license within a period of three months from the date of the Circular. However, during this period for the purpose of regulatory control, diamonds and gemstones may be deemed as dutiable and procedure of ex-bonding of dutiable goods shall be followed.

Revised norms for execution of Bank Guarantee under specified Export Promotion Schemes - Modifications in Circular No.17/09-Customs dated May 25, 2009

Circular No. 32/2009 – Customs dated November 25, 2009

The Circular clarifies that under the new Foreign Trade Policy, 2009-14, the benefit of "NIL" Bank Guarantee in respect of imports made under Advance Authorization/Export Promotion Capital Goods/Duty Free Import Authorization Scheme is extended to categories of Status Holders which includes Export Houses, Star Export Houses, Trading House, Star Trading House and Premier Trading House.

Foreign Trade Policy

Status Holder not mandatorily required to get RCMC from FIEO

D.G.F.T. Public Notice No. 19/2009-14, dated 10-11-2009

An amendment is made in Para 2.63(ii) of the Handbook of Procedures (Vol. I) relating to Registering Authorities issuing RCMC, which provide that Status Holder has an option to obtain RCMC from Federation of Indian Exporter's Organization (FIEO).



All-India Value-Added Tax

Notifications/ Circulars/Trade Notices

State	Notification/Circular/ Trade Notice	Description
Kerala	Notification S.R.O.No. 922/2009 G.O.(P) No. 197/2009/TD Dated, 5th Nov., 2009	Additional requirement in VAT registration. Dealer to submit a certificate as under - <ul style="list-style-type: none"> - Certificate stating that copy of license from Corporation/Municipality would be produced within a year of date of commencement of business.
	Notification No. S.R.O. No.1029/2009 GO(P) No. 215/2009/TD Dated, 30th Nov. 2009	Insertion of New Rule 21AA <ul style="list-style-type: none"> - Filing of electronic returns in Form 10 Rule 30 amended - <ul style="list-style-type: none"> - Last day for filing options for the year 2007-08 & 2009-10 extended up to 31st July, 2007 & 30th June, 2009 respectively.
Rajasthan	Order No. F.12(123)FD/Tax/09 Dated 26th Nov., 2009	Introduction of Rajasthan Privilege Card Scheme - 2009 in order to motivate the compliances and to provide special status to dealers complying with provisions of act and rules. Scheme applicable subject to fulfillment of conditions specified.
	Notification No. F.12(124)FD/Tax/09- 61 Dated 26th Nov., 2009 & Notification No.F.12(124)FD/Tax/09- 62 Dated 26th Nov. 2009	Exemption to tax on Purchase of Opium effected by the Department of Narcotics, amended by substituting the rate exceeding 25% by rate exceeding 14% w.e.f 01.01.2010
Puducherry	Notification No. G.O. Ms. No. 139/F2/2009, Dated 7th Nov., 2009	Reduction in Rate of tax on Petrol from 20% to 15% & Diesel from 20% to 14%
	Notification No. G.O. Ms. No. 140/F2/2009, Dated 7th Nov., 2009	Reduction in rate of Electrical and Electronic Home Appliances other than Television, Refrigerator, Washing machine, Air conditioner and Microwave oven from 12.5% to 8%
	Notification No. G.O. Ms. No. 141/F2/2009, Dated 7th Nov. 2009	Electrical Energy consumed by GOI, Railways, Domestic and Agriculture use exempted from tax and electrical energy consumed by commercial consumers up to 300 units per month exempted from tax. Electrical energy consumed by other than those mentioned above taxable @4%.
Tamilnadu	Notification No. G.O. Ms. No. 157 Dated 3rd Nov. 2009	Vide Notification VAT on right to use of Cinematographic equipments as prescribed under entry 17 of Part C of First Schedule Exempted between the period from 29th Sep 2007 till 29th Sep 2010.
Karnataka	Notification No. KSA. CR.142/09-10, Dated 18th Nov. 2009	w.e.f 25th Nov 2009 Delivery Note to be issued in Form 505 by the dealer in case of following commodities whether as a result of sale or other wise <ul style="list-style-type: none"> - Pepper - Slabs and tiles of granite - Slabs and tiles of marble
Uttar Pradesh	Notification No. K.A.NI.-2-2372/XI- 7(103)/91-U.P.Act-5-2008-Order (51)- 2009 Dated: 24th November 2009	w.e.f. 24th Nov 2009, no VAT on turnover of sale of Motor cycle, Scooter, Moped including such vehicles operated by battery instead of petrol. No Vat on Light motor vehicles including S.U.V. having maximum capacity of seven seats for personal use to the members of Arm Forces of India/other Defence Establishments or Defence Ex-Servicemen

Judicial Rulings

Construction of taxing statutes- Construction that ensures validity to be preferred

MES Builders Association of India V/s Union of India and Others

[2009] 26VST 140(Gauhati)

The legislative competence of the state of Meghalaya to enact section 106 of the Meghalaya Value Added Tax Act, 2003 was called into question by thirteen petitioners in the bunch of writ petitions. As the writ petitions involved identical questions of law and facts, they were heard together, and disposed of by a common judgment.

Section 106 of the Meghalaya Value Added Tax Act, 2003 is the mechanism section and is ancillary to the charging section, namely, section 5. Section 106 provides for deduction in advance of tax from the bill of the contractor at the rate of 12.5% after allowing a percentage of deduction from the work value as prescribed in Schedule IVA of the Act. The permissible deduction prescribed in schedule IVA to the Act is referable only to the proviso to section 5(2)(c) of the Act, namely, where the amount of charges towards labour, services and other like charges in such act are not ascertainable from the terms and conditions of the contract.

The charging section, namely, section 5(2) clearly provides that the taxable turnover must be arrived at after deducting from the gross turnover (a) sales of goods declared as exempted under Sec 8(1)(a), (b) sales of goods in the course of inter state trade or commerce, (c) sales outside Meghalaya, (d) sales in the course of import or export and (e) charges towards labour services and other like charges if they are ascertainable from the terms and conditions of the contract. When the liability to tax under section 5 is on the taxable turnover, the deduction of tax at source should also be in terms of the taxable turnover.

It was held by the Honorable High Court that the State Legislature cannot tax goods under the guise of tax deduction at source, which is forbidden by article 286 of the constitution read with sections 14 and 15 of the Central Sales Tax Act, 1956 and promise to refund the amount at the time of final assessment. Thus prima facie section 106 of the Act is ultra virus entry 92A of List I of the Seventh Schedule to the constitution read with article 286, and is liable to be struck down as unconstitutional.

It was further held by the Honorable High Court that if, on giving one interpretation, the statute becomes unconstitutional and, on another interpretation, constitutional, then the court should prefer the latter on the ground that Legislature is presumed not to have intended to have exceeded its legislative powers. Sometimes a restricted or extended interpretation of the statute has to be given to save a provision from the vice of unconstitutionality.

Input tax credit cannot be denied for absence of some ancillary items of importance in tax invoice

Prabir Ranjan Roy V/s Commercial Tax Officer, Jalpaiguri Charge and Others

[2009] 26VST 172 (WBTT)

The dealer, who purchased timber from the West Bengal Forest Development Corporation was assessed to tax under the West Bengal Value Added Tax Act, 2003, disallowing the claim of input-tax credit on the ground that the dealer failed to produce the tax invoices and did not pay the purchase price by account payee cheque or account draft as required under rule 19(8) of the West Bengal Value Added Tax Rules, 2005. The Dealer filed an appeal against that order before the Deputy Commissioner of appeals but did not succeed.

On a petition to the Taxation Tribunal the appeal was allowed and it was held that (i) that the tax invoice in fact meant an invoice in which tax had been charged by the selling dealer on the purchasing dealer. Other particulars which a tax invoice was required to contain were necessary for purpose of ascertaining the tax

charged, establishment of identity of the selling dealer and buying dealer and some information was ancillary information for facilitating an enquiry, if necessary. Rule 91(7) prescribed a format for the sake of administrative convenience and absence of one or some ancillary items of information could not make the tax invoice liable to be rejected for the purpose of allowing input-tax credit, if otherwise allowable.

It was further held that where material information was available, mere deviation from the prescribed format ipso facto could not make the tax invoice unacceptable. In the present case the selling dealer was the West Bengal Forest Development Corporation, a state Government undertaking. The Forest Development Corporation had raised bills on the basis of which the petitioner deposited amount in bank. The prescribed condition in rule 19(8) of the West Bengal Value Added Tax Rules, 2005 was directory and not mandatory. Thus if a dealer could show reasons why he could not make payment by account payee cheque and establish the genuineness of transaction and payment of monetary consideration, input-tax credit cannot be denied.

RBI allows 100% repatriation of salary accrued or received by the foreign expat for the services rendered in India [Notification no. FEMA 199/2009-RB dated 30th September, 2009].

RBI has clarified that foreign national, resident in India, employed with a company incorporated in India can open, hold and maintain a foreign currency account with a bank outside India and can remit whole salary received in India in Indian rupees to foreign currency account, for the services rendered to such Indian company, provided that tax chargeable under Income tax Act, is paid on the entire salary in India.

Marketing / distributing of mutual fund / insurance product etc., product by banks-[RBI/2009-10/225-DBOD.No.FSD.BC.60/24.01.001/2009-10]

Banks were allowed to enter inter agreements with mutual funds for marketing mutual funds, banks were also allowed to offer purely referral services on non-risk participation basis to their customers, for financial products subject to certain conditions. In addition to above, banks were also allowed to provide non-discretionary investment advisory services to their client for which approval are granted on cases to case basis. Keeping in view the need for transparency in the interest of the customers, RBI has advised the banks should disclose to the customers, details of all the commissions / other fees (in any form) receive, if any, from the various mutual fund / insurance/ other financial companies for marketing/referring their products.

RBI with exemption in the all-in-cost ceiling External Commercial Borrowing (ECB) Policy –[RBI/2009-10/252-A.P(DIR Series)Circular No.19, dated 9th December 2009]**All in Cost Ceiling:**

RBI has decided to withdraw the existing relaxation in the all-in-cost ceiling under the approval route with effect from 1st January. Further, it has clarified that eligible borrowers proposing to avail of ECB after December 31, 2009, where the loan agreement has been signed on or before December, 31, 2009 and where the all-in-cost exceeds the prescribed ceiling, should furnish a copy of the loan agreement.

ECB for NBFC sector:

RBI has decided with immediate effect to allow NBFC's exclusively involved in financing the infrastructure projects to avail of ECB from the recognized lender category including international banks under the approval route, subject to complying with the prudential standards prescribed and borrowing entities fully hedging their currency risk. Further, AD Category-I band should certify the compliance with the prudential norms by the borrowing NBFC's.

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