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NMA

to the dawn of New Horizons

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# NEWS ROOM

## Govt may advance date for I-T Returns

The finance ministry is considering a proposal to advance the due date for filing income tax returns by two months for all direct taxpayers, both salaried individuals and companies. For salaried and other individual taxpayers, the proposal is to bring the due date forward to May 31 from July 31. For companies and partnership firms that are subject to compulsory tax audit, the new filing date proposed is August 31, instead of October 31.

## Tatas, Briley in business jet venture

After circling around the aviation business for almost a decade, the steel to salt major has picked up a 'significant stake' in Bjets—a business jet operator that plans to start aircraft charter and fractional ownership programmes. Bjets announced an order for 50 biz-jets, largely Cessna Citation CJ2s and Hawker Xps, worth about Rs 2,400 crore. The Singapore-based Briley Group is the majority shareholder in Bjets with Indian Hotels.

## Disney hikes stake in UTV to 32%

WALT Disney has reached a deal to more than double its stake in Indian TV and movie content maker UTV. Disney will raise its holding in UTV Software Communication to 32.1%, the same level as UTV's founders, from 14.9%, by acquiring 9.35 million shares for Rs 8.05 billion (\$203 million), at Rs 860.79 a share. The sale of shares will be through a preferential allotment

## R-Power plans bonus to win back investors

The Anil Ambani-promoted Reliance Power said it has decided to issue bonus shares to all categories of shareholders, excluding the promoters. It may be for the first time in the history of global capital markets that a company is issuing free shares to its retail and institutional shareholders.

## Tata Capital, Japan's Mizuho join hands

Tata Capital, a wholly owned subsidiary of Tata Sons, and Japan's Mizuho Securities Company Ltd have agreed to jointly offer financial services (including private equity), investment banking, broking and wealth management to Indian Companies. The alliance will see Tata Capital and Mizuho Securities reinforcing the Indo-Japanese financial corridor

## Satyam Computer bets big on Latin America

Satyam Computer Services, which has a strong presence in North America, is now focusing on its presence in Latin America. The firm is expected to be seen in another two countries in Latin America.

## Sabre to exit Centurion BOP; ICICI, HDFC Bank, IDFC may join race

The Centurion Bank of Punjab (CBoP) is back in news. Word is out that the private sector bank, where Rana Talwar's Sabre Capital holds management control, is in talks with financial institutions and large banks for a possible merger. However, indications are that CBoP is in no hurry to complete a deal. Recently, CBoP had a meeting with the Infrastructure Development Finance Corporation (IDFC). New generation banks like ICICI Bank and HDFC Bank are also believed to be interested in CBoP, but this was denied by ICICI Bank and HDFC Bank.

## Pyramid Saimira close to acquiring UK theatre chain company

On the heels of its acquisition of the UK-based Aurora Technologies, Pyramid Saimira Theatres Ltd is on the verge of acquiring another company in that country company to be acquired is a theatre chain that owns 70 screens in the UK without divulging its name. However, the size of the deal is "around \$100 million."

## Coke's Rs. 200 crore FDI plan referred to CCEA

A proposal from American giant Coca-Cola's Indian subsidiary to invest an additional Rs 200 crore (\$52 million) in local operations has been referred to the Cabinet Committee on Economic Affairs (CCEA). The proposal was cleared by Foreign Investment Promotion Board (FIPB) recently and has been referred to CCEA after approval from finance minister P Chidambaram.

## Parsvnath, ITC to manage 50 hotels

Parsvnath Hotels, a subsidiary of Delhi-based Parsvnath Developers, has signed a memorandum of understanding (MoU) with ITC's Fortune Park Hotels to manage 50 hotels across the country in five years.

# RUN UP TO THE BUDGET & WISHLIST

## WHAT TO EXPECT

### **FM looks to Budget for a poll year**

It should be an election budget. So, expect higher exemption limits for income tax, cuts in corporate tax and customs duty, selective cuts in excise duty, and big spending on welfare and social schemes in the coming budget. Expect huge provisions for higher government salaries in anticipation of the next Pay Commission award.

### **India Inc. may get FBT breather**

Bruised by the fringe benefit tax (FBT) on stock option plans for their employees in the previous budget, corporates may expect some good news in the forthcoming one. The finance ministry is toying with a proposal to provide some relief to companies on FBT in the coming budget. The move is in sync with finance ministers concern over slowdown in production of fast moving consumer goods (FMCG).

### **Service tax rate may remain unchanged**

Budget 2008 is likely to spare people a hike in the service tax rate. Under considerable pressure to deliver a people-friendly Budget, the government may leave the service tax rate unchanged, though some more services like business class domestic air travel and toll-plazas may have to pay service tax. The current service tax rate is 12%. Sources said policy makers at the highest level were against any tinkering with the service tax rate.

### **Sportspeople to be brought under TDS net**

Professional sportspeople may soon have to pay at least 10.3 per cent as tax on their match fees and money for endorsing corporate logos on their apparel and other gear. The finance ministry is considering a proposal to bring sportspeople under the ambit of tax deducted at source (TDS).

### **FM may introduce single rate of excise duty**

Finance Minister P Chidambaram has made an option to introduce a single rate of excise duty for all goods, reports Economic Times. Way back in the mid-nineties, finance minister P Chidambaram had an option to introduce a single rate of excise duty for all goods.

## BUDGET WISHLIST

### **IT ministry seeks duty reduction on computer peripherals**

In its recommendations, the Ministry of IT and Communications has sought for scrapping the 16 per cent excise duty on chipsets, memory modules for motherboards, peripherals and LCD/flat panel displays for monitors.

### **Real Estate Industry wants tax sops**

The real estate industry, the second-largest employment generator in India after agriculture, is awaiting the Union Budget with a list of expectations. This includes simplification of income tax structure, reduction in service tax and clarifications in the FDI-related issues. The industry would be tracking FM's policy announcements for ushering in sectoral concepts such as rental housing, and real estate investment trusts (REITs) to make housing more affordable for common man and help the industry raise more funds.

### **IT body seeks extension of STPI scheme**

Indian technology sector trade body has sought the extension of the Software Technology Park of India (STPI) scheme beyond 2009, especially for the benefit of small and medium firms. Among other benefits, the STPI scheme which is set to expire in 2009, provides a 10-year income tax exemption for units situated in software technology parks. "We have sought a blanket continuation," said the chairman.

### **Infrastructure**

The government's action towards reducing the existing sales tax on fuel (average is 27 per cent to 30 per cent) to a 4 per cent declared goods tax will go a long way in fuelling future growth of the aviation sector and make low fare models more profitable in India, enabling them to offer even lower fares than what they are offering at present

### **Withholding Tax**

We need to replace the concept of business connection with 'permanent establishment' as threshold for taxing business income. The concept of Participation Exemption in the Indian context should also be introduced". here is a need to review all the 70 tax treaties India has entered with reference to withholding tax rates in terms of royalty, dividend, interest etc and to fit into the developments which have taken place worldwide.

# VALUE CREATION

## Capital Gains Account Scheme, 1988

As the end of the financial year draws near, a feeling of anxiety of tax planning and looming tax liability creeps in. It is difficult to address all the planning issues at one go and hence we have chosen to hit on one of the most important planning aspects available to a tax payer who has sold any long term capital asset during the year.

In this issue, we will discuss about the 'Capital Gains Account Scheme, 1988'. Though it is a 20 year old scheme but still many tax payers are not aware of the exemptions it makes available to them. The capital gains account scheme comes in very handy for saving tax on capital gains in the case of specified property transactions. The scheme provides that the amount remaining unutilised in respect of the capital gains or the sale proceeds of capital assets as the case may be, could be deposited in a bank account under a scheme to enable the taxpayer to obtain the benefit of exemption from income tax on the capital gains under certain sections of the Income Tax Act, 1961

The benefits under the scheme are available for following Sections:

**Section 54(2):** Exemption of long-term capital gains on transfer of a residential house by purchase or construction of a new residential house.

**Section 54 B(2):** Exemption of capital gain on transfer of land used for agricultural purposes.

**Section 54 D(2):** Exemption of capital gain on compulsory acquisition of lands and buildings.

**Section 54 F(4):** Exemption of long-term capital gain by investment in a new residential house in certain cases.

**Section 54 G(2):** Exemption of capital gain on transfer of assets in case of shifting of industrial undertaking from urban area.

It is only in respect of the above five sections that the scheme contains provisions for deposit of the unutilised amount in a bank account to enable the taxpayer to claim exemption from income tax.

The above section also state that the deposit under this scheme has to be made by the taxpayer before the due date of furnishing the return of income voluntarily under Section 139(1), as is applicable in the case of individual taxpayer.

**Bank Account under the Scheme:** Under this scheme; two types of accounts can be opened by a taxpayer, namely Deposit Account A and Deposit Account B.

Deposit Account A is in the form of a savings deposit account. Withdrawals under this account can be made from time to time by the depositor as per provisions of the scheme. Deposit Account B has to be in the form of term deposits with an option to the taxpayer to keep the deposit as a cumulative or non cumulative deposit. The deposit account can be opened with any of the branches of the 28 designated nationalised banks, like the State Bank of India, Oriental Bank of Commerce, UCO Bank, UBI, Punjab National Bank, Vijaya Bank, etc.

Deposits made under this account in the form of saving deposits are entitled to interest payable as in case of other savings account. Though the interest is to be credited every six months.

**Opening the Account:** The taxpayer (called the depositor under the scheme) has to apply to the bank in Form A in duplicate. The deposit can be made in one lump sum amount or in installments at any time on or before the due day for furnishing the voluntary return of income as mentioned above. The deposit can be made either in cash or by a crossed cheque or by a bank draft. Interest is to be calculated from the date of deposit in cash or the date of realisation of the proceeds of the cheque or draft. However, the effective date of deposit for exemption under the I.T. Act is the date on which the cheque or draft is received by the deposit office along with the application in Form A. The taxpayer can also transfer his money standing on this account to Deposit Account B by making an application in Form B. Any amount can be withdrawn from this account by furnishing an application in Form C together with the passbook to the deposit office. No special formality is required for the initial withdrawal. But for every subsequent withdrawal the depositor has to furnish an application in Form D (in duplicate) by giving the details showing the manner/purpose for which the previous withdrawal has been utilized.

If these particulars are not furnished the bank can refuse to permit the withdrawal from the deposit account. Where the amount to be withdrawn exceeds Rs. 25,000, the bank will make the payment only by crossed demand draft.

Where a taxpayer finds that the amount to be utilised by him is not required immediately, he may open a fixed Term Deposit Account B by making an application (in duplicate) in Form A for each of the sections separately. Withdrawals from this account are normally permitted after the expiry of the term of the deposit. However, where the money is required by the taxpayer before the expiry of the term, he is required to do so by converting Deposit Account B to Deposit Account A by suffering 1% penal interest.

# VALUE CREATION

## Capital Gains Account Scheme, 1988 (contd....)

### Transfers

A taxpayer is entitled to transfer his account from one deposit office to another deposit office of the same bank. A taxpayer can also make an application in Form B and transfer the money standing to his credit in Deposit Account B to his Deposit Account A. If the depositor does not have any account under Account A, he will have to request for opening a new Account A in his name. A taxpayer may apply in Form B together with his passbook for opening an Account B in his name by way of transfer of the whole or part amount standing to his credit in Account A. However, it will have to be done under the same section of the I.T. Act under which Account A has been opened.

**Withdrawals:** The amount withdrawn by the taxpayer from Account A has to be utilised by him within 60 days from the date of such withdrawal for the purpose mentioned in the relevant section. If any amount or any part thereof is not so utilised he will have to re-deposit the balance amount in Account A immediately thereafter. If he does not follow this rule, he will forfeit the benefit of exemption under the relevant section.

**Nomination :** A depositor may nominate in Form E one or more persons but not exceeding three to receive the amount standing to his credit in Account A or B, as the case may be, in the event of his premature death. A nomination made by the taxpayer may be cancelled or varied by a fresh nomination on Form F. If the nominee is a minor, the taxpayer may appoint any person to receive the amount due in the account in the event of his death during the minority of the nominee. Where the nomination is in favour of more than one person, the nominee first named shall alone have the right to receive the amount. In the case of death of the first nominee, the second nominee and so on shall have the right to receive the amount.

**Closing the Account:** If the taxpayer desires to close his account, he would be required to make an application with the approval of the Assessing Officer (A.O.) in Form G. In the case of the death of the depositor the nominee who desires to close the account may obtain the balance amount by making an application in Form H with the approval of the A.O. The A.O., before granting the approval for closure of the account, shall obtain from the legal heir a succession certificate or a probate of will or letter of administration as the case may be.

### Non Utilization of Amount deposited under the

**Scheme:** If the amount so deposited is not utilized fully for the purchase/construction of the new house within the stipulated period, the proportionate amount shall be treated as long term capital gain of the previous year in which the period of three years from the date of transfer of the original asset expires. In such case, the assessee shall be entitled to withdraw the unutilized amount in accordance with the scheme

Thus, the Capital Gains Account Scheme is a good tax planning tool for a persons with long-term capital gains. However, if normal short-term gains have accrued to such assessee, there is no advantage in making investment in Capital Gains Account Scheme except under Section 54B or 54G which do specifically deal with long term capital gain exemption.

The utilisation of the net capital gain or consideration by the date of furnishing the income tax return under Section 139 is a must for exemption under Sections 54 & 54F respectively. Hence, the unutilised amount of the sale consideration in respect of long-term capital gains for Section 54F has to be deposited under the Capital Gains Account Scheme. The amount to be deposited under Section 54F is not the amount of capital gain but the amount of net consideration which in most of the cases would mean the net selling price of the asset on which capital gains have accrued. Let us take an example to make things more clear; if certain assets held for more than three years are sold on 10 April 2007, and the assessee has only salary income, the income tax return for the financial year 2007-2008 relevant to the assessment year 2008-2009 is to be filed on 31st July 2008. Let us presume that the sale consideration of the property sold is Rs. 6 lakh which he can invest in any mode as he likes from 10 April 2007 up to 31st July 2008. However, the full amount of the sale consideration to save the long-term capital gains under Section 54 F must be invested in the Capital Gains Account Scheme latest by 31st July 2008. As regards the exemption under Section 54 only the net capital gain has to be so invested in the C G A Scheme.

# CORPORATE WATCH

## Sesa Goa Limited

Sesa Goa Limited, the flagship company of Sesa Group is India's largest exporter of iron ore in the private sector. For the past five decades, the Group has been involved in iron ore mining, beneficiation and exports, with a group turnover of around Rs. 2000 crores. Over the last decade, it has diversified into the manufacture of pig iron and metallurgical coke. The Group operates a 280,000 TPY metallurgical coke plant and a 220,000 TPY pig iron plant. Sesa Goa Limited has mining operations in Goa, Karnataka and Orissa.

Sesa Goa Limited was established in 1954. Currently, the company exports approximately 5 million tons of iron ore, fines and lumps to customers in Japan, China and Europe from ports on both the east and west coasts of India. Besides the mining activities in Goa, the Company also has mining operations in Karnataka and Orissa. Ore from Karnataka is exported through the ports at Goa and Chennai while ore from Orissa is exported through the ports of Haldia and Paradeep.

Chairman of the Company	S.D.Kulkarni
Face Value of the Share	10.00
52 week High	3,969
52 week Low	1,460

*Amount in Rs. (Crores)*

Particulars	Dec 06 (9 months)	Dec 07 (9 months)	Mar 07 (12 months)
Sales Turnover	1254.01	1847.14	2005.12
Other Income	32.05	44.76	44.33
Total Income	1277.05	1891.90	2049.44
Total Expenses including Depreciation	732.84	831.37	1117.19
Gross Profit	<b>544.22</b>	<b>1060.53</b>	<b>932.26</b>
Depreciation	22.18	29.08	31.28
PBT	521.71	1031.43	900.60
Tax	167.63	337.73	294.04
Net Profit	354.08	693.70	606.56
Equity	39.36	39.36	39.36
Face Value	10	10	10

# CORPORATE WATCH

DETAILS AS ON 22 nd February 2008

## Top 3 Shareholdings in the Company

Promoters	51.18
Total Institutions	31.37
Indian Public	12.13

## Top 3 Mutual Fund Holding

Scheme Name	No. of Shares
DSP-ML India T.I.G.E.R (G)	1,83,141
Franklin India Prima Fund (G)	1,58,843
Sundaram Select Midcap (G)	1,47,114

## Comparative Data of Sesa Goa Ltd. with its Peer Companies

*(in Rs. Crore)*

Company Name	Last Traded Price	EPS (TTM)	PE Ratio	Face Value of Share	Market Capitalisation
Sesa Goa	3345.05	240.38	13.92	10.00	13,176.24
NMDC	10,200.00	222.84	45.77	10.00	1,34,800.34
Guj Minerals	415.00	15.99	26.01	10.00	6613.60
Ashapura Mine	263.20	18.82	14.00	10.00	2,061.79

# NOTIFICATIONS AND PRONOUNCEMENTS

## Norms for filing TDS/TCS Returns

The Finance Ministry has tightened the norms for filing tax deduction at source (TDS) and tax collection at source (TCS) returns. The Central Board of Direct Taxes (CBDT) has now enhanced the threshold limit for PAN quoting, without which TDS/TCS returns would not be accepted. As against the earlier specified norm that required TDS returns on salaries to have at least 90 per cent Permanent Account Number (PAN) data, it has now been decided to raise this threshold limit to 95 per cent.

## CASE LAWS

### WEALTH TAX

**Building-Partially let out partially used for business**

**C.I.T ( Wealth Tax) Vs. Fagun Estates (P) Ltd. 22/09/2004, (2005) 272 ITR 472 (Madras)**

#### **Decision:**

Held that, let out portion not exempted, only part used for the business is exempted.

### SALES TAX

**Sale of Computer Software off the Shelf Tata Consultancy Services Vs. State of Andhra Pradesh, (2004) 271 ITR 401 (SC)**

#### **Decision:**

Held by the Court that the computer software sold off the shelf comes under the purview of definition of Goods under section 2(h) of the Andhra Pradesh General Sales Tax. Therefore these can be termed as sale of goods and hence sales tax is leviable.

### SERVICE TAX

#### **Nature of Receipts**

**C.K. Jidheesh Vs. Union of India 27/10/2005, (2005) 149 Taxman 446(SC)**

#### **Decision:**

Held by hon'ble court that business of developing and printing of photographic films is only a service contract and does not include any element of sale of goods. Hence, question of bifurcating receipts into sales and service elements does not arise.

### INCOME TAX

#### **Appeal**

**Mehsana Ice And Cold Storage P.Ltd. Vs. C.I.T. 15/03/2005, (2005)275 ITR 601 (Gujarat)**

#### **Decision:**

Held by the court that proviso to section 139(1) lays down that on an application made in the prescribed manner the ITO may extend the date for furnishing the return. There is corresponding duty on the ITO to consider the application and render his decision. The authority cannot refuse to exercise the same by ignoring an application. This is a jurisdictional error.

#### **Unexplained Investments**

**Jagmohan Ram Ram Chandra & Girish Narain Vs. C.I.T 25/08/2004, (2005)274 ITR 405 (Allahabad)**

#### **Decision:**

Held by the court that the firm and partners are treated as the separate assessee under the act and are assessed separately under the different provisions of the act. Hence, the income from undisclosed sources should be assessed separately in the hands of firm and partners.

# DUE DATES

Due Date	Assessee Covered	Obligation / Event
<b>PROVIDENT FUND AND ESI</b>		
25th February	PF Applicable Units	EPF Monthly Return.
20th February	PF Applicable Units	EPF Deposit for January 2008
21 <sup>st</sup> February	ESI Applicable Units	ESI Deposits for January 2008
<b>INDIRECT TAX</b>		
25th February	DVAT Assessee	Electronic return for those who have been prescribed to file monthly returns under DVAT for the month of January 2008.
28 <sup>th</sup> February	DVAT Assessee	Monthly Return of VAT for the month of January 2008
5th March	Service Tax Assesses	In respect of payment received towards the value of taxable services in February for corporate assesses
<b>DIRECT TAX</b>		
29 <sup>th</sup> February	Income Tax Assesses	Issue TDS certificate for tax deduction in previous month
7th March	Income Tax Assesses	Deposit of TDS/TCS deducted during the month of February 2008.
15 <sup>th</sup> March	Income Tax Assesses	Advance Income Tax for Companies (Quarter IV) as well as non corporate assesseees.
15 <sup>th</sup> March	Income Tax Assesses	Advance Fringe Benefit Tax

# BUSINESS GAGS

## **Eager To Impress The Boss**

*A young executive was leaving the office late one evening when he found the CEO standing in front of a shredder with a piece of paper in his hand.*

*"Listen," said the CEO, "this is a very sensitive and important document here, and my secretary has gone for the night. Can you make this thing work?"*

*"Certainly," said the young executive. He turned the machine on, inserted the paper, and pressed the start button.*

*"Excellent, excellent!" said the CEO as his paper disappeared inside the machine.  
"I just need one copy."*

## **All Is Fair In Business**

*A shopkeeper was dismayed when a brand new business much like his own opened up next door and erected a huge sign which read 'BEST DEALS.'*

*He was horrified when another competitor opened up on his right, and announced its arrival with an even larger sign, reading 'LOWEST PRICES.'*

*The shopkeeper panicked, until he got an idea. He put the biggest sign of all over his own shop. It read: 'MAIN ENTRANCE'*



*The man of virtue makes the difficulty to be overcome his first business, and success only a subsequent consideration.*

**Confucius**

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