

CURRENT ISSUE FEATURES

News Room

(Corporate news Highlights of the month)

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(A look into media speculations about the Budget 2007)

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(Helps you keep up-to-date with statutory compliances)

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***They said I live in a wonderful country and should pay my taxes with a smile!
I tried that but they insisted on CASH!!***

--Mel Narvey

NEWS ROOM

TATA WINS BOOSTER FOR CORPORATE INDIA'S CONFIDENCE

The \$12.2-billion buyout has catapulted Tata Steel to the fifth position in the global steel scenario. The acquisition of Corus makes Tata Steel one of the eight steel companies globally that figure in the Fortune 500 list. The combined Tata-Corus entity will be the fifth largest steel maker in the world in terms of turnover as well as capacity.

VAT ON IMPORTS

States may soon impose a 4% value added tax (VAT) on imports. States may be allowed to levy VAT on imports as compensation for the phase-out of central sales tax (CST).

S&P RAISES RATINGS TO INVESTMENT GRADE

For the first time in 15 years that all 3 global ratings agencies — S&P, Moody's and Fitch have upgraded the country's sovereign rating to "investment grade" making it easier for Corporate India to pave the way for international funds.

TATA BLUESCOPE STEEL NEAR CHENNAI COMMISSIONED

Tata Steel is shifting its focus from using steel in buildings into making buildings solutions. Tata BlueScope Steel, the 50:50 JV between Tata Steel and BlueScope Steel is betting high on the market for building solutions and coated steel in the south Asia region.

AMBIT MERGES TAX ADVISORY ARM WITH PWC

RSM Advisory Services Pvt Ltd, the taxation advisory arm of Ambit RSM Pvt Ltd, would merge with PWC's tax practices arm with effect from April 1 to create India's largest accounting firm.

MARRIOTT TO OPEN THREE HOTELS IN PUNE

US-based hospitality major Marriott International plans to open three hotels in Pune.

AV BIRLA SCOOPS UP NOVELIS FOR \$6 BILLION

Aluminium maker Hindalco sealed a \$6 billion all-cash deal to acquire the Atlanta-based Novelis. The buyout will make Hindalco a Fortune 500 company, the third Indian private sector company to join the elite club after Reliance and Tata Steel. Also, now Hindalco has become the largest producer of flat rolled products (FRP).

WIPRO TECHNOLOGIES AWARDED DALE CARNEGIE AWARD

Wipro Technologies is the first Indian organisation to be awarded the Dale Carnegie Global Leadership Award for 2007 in recognition of the development of its human resources, innovation and organizational creativity for the purpose of achieving its business objectives.

ESSAR STEEL BOARD APPROVES DELISTING

Essar Steel Board approved the delisting of the company's shares from Bombay Stock Exchange and National Stock Exchange and decided to seek shareholders' consent of shareholders for the same.

AUSSIE REALTY MAJOR HOOKER ENTERS INDIA

AUSTRALIAN real estate consultancy major L J Hooker, with significant presence in south east Asia through 700 odd franchisees, is foraying into India's realty market, with the first franchisee in Bangalore followed by Mumbai.

NOOYI ELECTED CHAIRPERSON

PepsiCo's board of directors announced that it has elected Indra K Nooyi, chairman of the board as chairperson.

TCS KICKS OFFS CHINA JV WITH MULTI-MILLION DOLLAR DEAL

Tata Consultancy Services has kicked off its jv with the Chinese government with a multi-million dollar contract to implement an international trading system for the Chinese Foreign Exchange Trade System (CFETS). TCS termed the JV as China's first large scale outsourcing technology company.

PRE-BUDGET GOSSIPS

SHORT-TERM CAP GAINS TAX TO GO UP TO 15%

It would increase the tax incidence on the income that domestic investors derive from the capital market. The revenue department is unhappy with the tendency of domestic share traders to declare themselves as investors and lower their tax liability

EXEMPTION CAP FOR INCOME TAX MAY GO UP TO RS 1.5 LAKH

The finance ministry is likely to raise the limit on savings that qualify for income-tax deduction from Rs 1 lakh to Rs 1.5 lakh.

TAX ON SECURITIES TRANSACTIONS COULD BE SCRAPPED

The government is considering the elimination of the securities transaction tax (STT). It could be replaced by the proposed omnibus Goods & Services Tax (GST). This means that instead of taxing individual entities every time they transact in the equity market, the tax system will be oriented towards taxation of the value of the financial services provided

TAX LEVY ON CASH TRANSACTIONS MAY GO

The Centre is examining the possibility of withdrawal of the Banking Cash Transaction Tax in the forthcoming budget. The review follows objections from several quarters, including state governments who have to withdraw large amounts for salary payments.

LEFT TO ASK FOR REMOVAL OF TAX EXEMPTION FOR CORPORATES

The Left will again make its favorite demand of removing tax exemptions given to corporate houses in its budget wish list to the government.

OPEN-ENDED TAX BREAKS MAY GET THE AXE

The government is likely to target open-ended tax exemptions by stipulating a time period for their conclusion in the forthcoming Budget

RAISE WEALTH TAX TO 3%, DEMANDS LEFT

The growing billionaires club is on the Red watch list. The Left wants the government to raise wealth tax from 1% to 3% and bring all urban and rural "crorepatis" into the wealth tax net.

FOOD PROCESSERS WANT TAX SOPS IN COLD STORAGE

The food processing industry has demanded a host of tax and Customs exemptions for Budget 2007. A 10-year tax holiday for cold chain infrastructure for undertakings involved in the complete supply chain, Customs duty and countervailing duty exemption for import of food processing machinery by mega food processing plants, uniform VAT across states and abolishing FBT are some of the key demands

SERVICE TAX NET MAY BE WIDENED

The legal professionals working as solicitors, attorneys and lawyers in law firms providing services of drafting of contracts and advising M&As will be considered as service providers and are likely to be brought under the service tax net

SERVICE TAX EXEMPTION LIMIT MAY BE DOUBLED

The service tax department has recommended that the exemption limit be raised from the current Rs 4 lakh to Rs 8 lakh. This means any service provider who has an annual turnover of less than Rs 8 lakh will not have to pay service tax if the recommendation is accepted.

TDS IN SERVICES SOON, ONUS ON TOP USER COMPANIES

This means service users will have to deduct service tax at source while making payments to service providers. The move is aimed at checking evasion and ensuring better compliance. The proposed scheme will be similar to TDS under the income-tax law.

IMPORTANT DATES

Due Date	Assessee Covered	Obligation / Event
28 th February	ALL	BUDGET 2007-2008
PROVIDENT FUND AND ESI		
20 th February	PF Applicable Units	EPF Deposit
21 st February 25 th January	ESI Applicable Units PF Applicable Units	ESI Deposits EPF Monthly Return.
INDIRECT TAX		
28 th February	VAT	if Turnover > 5 crore, Monthly Return. Payments of January 2007 VAT.
5 th March	Service Tax Assessee	In respect of payment received towards the value of taxable services in February 2007 for Corporate Assessee.
DIRECT TAX		
28 th February	Income Tax Assessee	Issuance of TDS Certificate for tax deducted in previous month.
7 th March	Income Tax Assessee	Deposit of TDS/TCS deducted during the month of February.
15 th March	Income Tax Assessee	Payment of Advance Tax – Last Installment
15 th March	Income Tax Assessee (Other Than Individual & HUF)	Payment of Fringe Benefit Tax – Fourth Quarterly Installment
15 th March	Income Tax Assessee	Payment of Banking Cash Transaction Tax Installment

VALUE CREATION

WEALTH TAX: AN OVERVIEW

Wealth Tax is applicable to individuals/ HUF and Company who files income tax return and whose net wealth exceeds the prescribed limit.

A separate return for the same needs to be filed with the Income Tax Department within the Income Tax Due Date.

The levy of wealth tax aims to achieve the objective of ensuring that persons who possess huge wealth contribute a certain sum to the exchequer. Besides, if certain wealth is kept idle and the owner is imposed with wealth tax levy, he is compelled thereby to ensure that the asset generates sufficient income to meet out the wealth tax liability. Alternatively, he may be compelled to dispose of the property, as he is not in a position to generate income from such asset. This will enable passing of the asset to another person who can exploit the asset to its potential. This ensures, at the macro level, that the wealth of a person is ultimately put to the best possible use.

Wealth Tax is charged on the **net wealth** on the corresponding **valuation date** (31st March of every year)@1% of the amount by which the net wealth exceeds Rs. 15 lakhs. **No education cess is levied on wealth tax.**

NET WEALTH COMPUTATION

'Net Wealth' is the aggregate value on the valuation date of all assets (including assets required to be included) in excess of the debts outstanding on such assets.

WHAT ARE THE INCLUDED ASSETS:

Not all assets are chargeable to wealth tax. **Personal effects** such as wearing apparel, furniture, refrigerators, motorcars, etc., **held for personal use** by the assessee or dependent family members are not considered as wealth. (GOD Bless the lawmakers!)

Let's have a look at the taxable assets:

- Any building or land appurtenant thereto used as residential, commercial, guest or a farm house situated within 25 kilometers from the local limit of any municipality, but does not include
 - Residential house of a company allotted to its employee or a whole-time director with a gross annual salary of under Rs. 5 lakhs.
 - Houses forming part of stock-in-trade.
 - Houses used for business or profession.
 - Residential property let out for minimum of 300 days in a year.
 - Commercial establishments and complexes.
- Motor cars, yachts, boats, aircrafts and also jewellery, bullion, furniture, utensils or any other article made wholly or partly of precious metals other than those used in the business of running them on hire or as stock-in-trade used for commercial purposes.
- Urban land; except land
 - On which construction is not permissible under any law.
 - Unused for industrial purposes held for less than 2 years.
 - Held as stock-in-trade for 10 years.
 - Occupied by a building constructed with the approval of an appropriate authority.
- Cash in hand, above Rs.50,000/-in case of individuals and HUF's and any amount not recorded in the books of account in case of companies.

Keeping the objective of wealth tax levy in mind, tax is levied only on unproductive assets and therefore investments in shares, debentures, Units of mutual funds etc., are exempt from wealth tax.

EXEMPTIONS IN RESPECT OF CERTAIN ASSETS.

Certain assets are exempt from being included in the list of taxable assets. These are:

- Money/ assets brought by persons of Indian origin /citizen of India (returning to India for permanent residence) into India and assets acquired by him out of such moneys within one year prior to the date of his return and at any time thereafter. Such an exemption is available for a period of 7 successive assessment years from the date of arrival in India.
- Moneys standing to the credit of such a person in a Non-resident (External) Account in any bank in India shall be similarly exempted.
- In case of an individual or a HUF, one house or part of a house or a plot of land or comprising an area of 500 sq. metres

EXCLUSION OF ASSETS AND DEBTS OUTSIDE INDIA. –

The value of the assets and debts located outside India is excluded in case of

1. an individual who is not a citizen of India,
2. an individual or HUF not ordinarily resident in India or non resident in India,
3. a company not resident in India during the year

PENALTIES:

Wealth Tax is also administered by the Income Tax Department. Thus the penalties levied for non compliance with wealth tax are more or less similar to those applicable on non compliance with Income Tax provisions.

CONCLUSION:

Unlike the income tax act, there are hardly any amendments to the wealth tax act in recent times. In the world of expensive lifestyle, the tax net should be spread to cover certain high value assets e.g. expensive art paintings etc.

Of course, if the long-term view of the tax pundits is to be believed, then in the light of a unique and single comprehensive tax, wealth tax may fade into oblivion.

SO!! HAVE YOU FILED YOUR WEALTH TAX RETURNS ☺

FROM THE JUDICIARY

RECENT COURT DECISIONS

REGISTRATION OF TRUST

Medical Accident Prevention Society Vs. C.I.T.

Held by the Hon`ble Court that the objects should not be considered independently, these should be understood in their entirety. As the defending of the members against initiated actions was only one of the objects apart from indulging in charitable activities, the rejection of application for registration u/s 12A was not valid.

DEEMED PROFIT

Narayanan Chettiar Industries Vs. I.T.O

Held by the Hon`ble Court that no addition can be made on account of remission of trading liability unless any allowance or deduction in respect of such trading liability, loss or expenditure has been allowed in any assessment of the assessee for earlier year.

CAPITAL GAIN

C.I.T. Vs. Mopen and Machines

Held by the Hon`ble Court that unless the gain has arisen from the transfer of capital asset within section 2(47) no capital gain arises. The firm has dissolved upon the death of one of the two partners, however distribution of assets of a dissolved firm is not a sale, exchange, relinquishment of asset or the extinguishment of any right therein, thus no capital gain will arise in the hands of the firm.

CHARITABLE PURPOSE

C.I.T. Vs. Sacred Heart Church

Held by the Hon`ble Court that the amounts written off during the year under consideration due to their chances of recovery becoming remote were advanced for the purpose of trust`s charitable objects during past year. Hence the said amount written off during the year would be excluded from the income of the trust u/s 11(1)(a).

INVESTMENT IN NSC

Raj Kumar Dewan and Sons Vs. C.I.T.

Held by the Hon`ble Court that the Act does not require the investment to be made out of income earned during the year to claim deduction u/s 80C of the Income Tax Act 1961, it is open to the assessee to make the investment from any other source not being income of the assessee.

INTEREST ON BORROWED CAPITAL

Elmer Havell Electrics and others Vs. C.I.T. and another

Held by the Hon`ble Court that as no nexus could be found between the borrowing and the interest free advance to sister concern and with clear finding that there was no element of commercial expediency, the interest paid on borrowed fund is not deductible.

RECTIFICATION OF MISTAKES

Golden Meadows Properties (p) Ltd. Vs. ITO

Held that failure to consider vital facts brought on record and omission to consider decisions of various courts will constitute a mistake apparent from record. Hence, Tribunal can rectify the mistakes u/s 254(2).

BALANCING CHARGE U/S 41(2)

C.I.T Vs. J.K.Cotton Spinning And Weaving Mills Pvt.Ltd.

Held by the court that as per section 41(2) of the act, the difference between the sale price and written down value of the depreciable asset is to be treated as the profit chargeable to tax. In case the written down value of asset is not ascertainable the entire sales proceed treated as the profit for the year in which the asset is sold.

CORPORATE WATCH

Infosys Technologies Ltd.

Infosys was incorporated on July 2, 1981, as a private ltd company. It became public limited company in June 1992 and subsequently the name was also changed to Infosys Technologies Ltd. It boasts to be the first Indian company to be listed on the American Stock Exchange.

Infosys is mainly engaged in outsourced application & Infrastructure Services, Enterprise Services, Product R&D Services and Consulting Services. The company also develops and markets certain owned software products. Infosys provides its services to various industries like Aerospace & Defence, Automotive, Banking & Capital Markets, Communication Services, Energy, Insurance, Healthcare, Media, Transportation Services etc., Infosys Technologies came out with an IPO in Feb. 1993 at a premium of Rs 95 for a face value of Rs 10 per share. Since then, it has issued three bonus issues (each in the ratio of 1:1) and split its face value to Rs 5 each.

Chairman of the Company	N R Narayana Murthy
Face Value of the Share	Rs. 5.00 each
52 week High	Rs. 2,401.00
52 week Low	Rs. 1,225.00

(Amount in Rs. Crore)

Particulars	Dec 05	Sept 06	Dec 06
Sales Turnover	2,398.00	3,273.00	3,454.00
Other Income	53.00	66.00	79.00
Total Income	2,451.00	3,339.00	3,533.00
Total Expenses	1,620.00	2,219.00	2,324.00
Operating profit	778.00	1,054.00	1,130.00
Gross Profit	831.00	1,120.00	1,209.00
Interest	Nil	Nil	Nil
PBDT	831.00	1,120.00	1,209.00
Depreciation	109.00	110.00	129.00
PBT	722.00	1,010.00	1,080.00
Tax	80.00	114.00	122.00
Net Profit	642.00	896.00	958.00
Dividends (%)	Nil	100	Nil
Earnings Per Share	23.43	16.15	17.20
Equity	137.00	278.00	279.00
Face Value	5.00	5.00	5.00

Details as on 15th February 2007

Top 3 Shareholdings in the Company (%)

Total Domestic	40.12
Total Foreign	37.13
Total Others	19.85

Top 3 Mutual Fund Holding

Scheme Name	No. of Shares
HDFC Equity Fund (G)	1,532,838
Reliance Equity Fund (G)	1,526,595
Franklin (I) Flexi Cap (G)	961,844

Comparative Data of Infosys Technologies with its Peer Companies

Company Name	Last Traded Price	EPS (TTM)	PE Ratio	Face Value of Share	Market Capitalization
Infosys	2,374.35	59.47	39.93	5.00	132,450.74
TCS	1,290.30	35.04	36.82	1.00	126,268.76
Wipro	676.00	18.55	36.44	2.00	97,394.70
Satyam	485.45	20.01	24.26	2.00	31,940.18

BUSINESS GAGS

The work qualification test

Murphy applied for an engineering position at an Irish firm based in Dublin. An American applied for the same job and both applicants having the same qualifications were asked to take a test by the Department manager. Upon completion of the test both men only missed one of the questions. The manager went to Murphy and said

Manager: "Thank you for your interest, but we've decided to give the American the job"

Murphy: "And why would you be doing that? We both got nine questions correct. This being Ireland and me being Irish I should get the job!"

Manager: "We have made our decisions not on the correct answers, but on the question you missed."

Murphy: "And just how would one incorrect answer be better than the other?"

Manager: "Simple, the American put down on question #5, "I don't know.", You put down "Neither do I."

Queries/Feedback/Suggestions on this newsletter may be addressed to:

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