Southern **I**ndia **R**egional **C**ouncil of
The Institute of Chartered Accountants of India
Set up by an Act of Parliament

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SIRC NEWSLETTER

"The basic purpose of internal audit should be to review the soundness, adequacy and effectiveness of

Hon'ble Dr. M. Veerappa Moily

SMT. LIZAMMA AUGUSTINE Member (Judicial), Company Law Board (Southern Bench, Chennai) delivering the inaugural address at the Seminar on Company Law Settlement Scheme & Easy Exit Scheme-2010.

CHAIRMAN WRITES.............

Dear Members,

Success is a dream for all but a reality for few.

To be successful one has to be SMART, by setting S.M.A.R.T. (Specific, Measurable, Achievable, Realistic, and Time-based.) objectives. Setting objectives without its implementation is futile. Smart one should have a strategy - a structure and a plan of action. This can happen only with our power of imagination; to imagine what your future is going to look like. One may call it as vision which is nothing but the mission statement of your strategy.

........BABU ABRAHAM KALLIVAYALIL

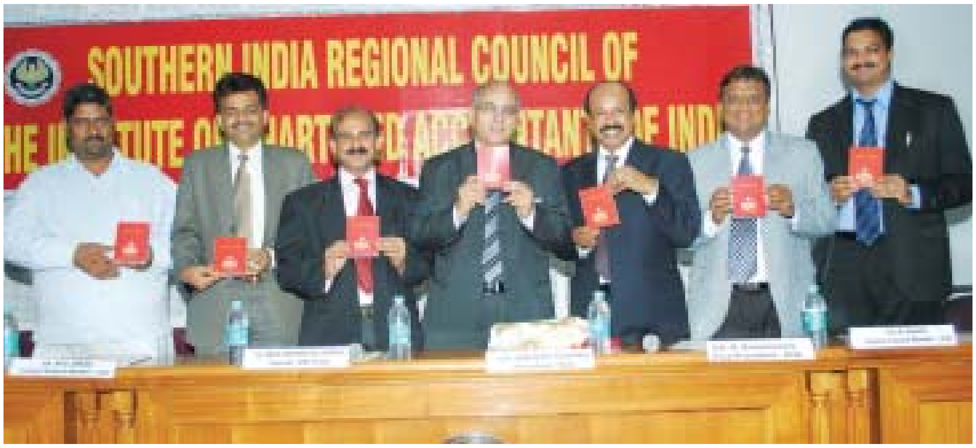
***Honourable Union Minister for Law & Justice Dr. M. Veerappa Moily** inaugurating the Two Day CPE Conference organised by the Branches of SIRC of ICAI in the State of Karnataka hosted by Bangalore Branch of SIRC of ICAI on June 12 & 13, 2010 at Bangalore. (L-R): CA. K. Babu, Secretary, Bangalore Br., CA. K. Viswanath, Member, SIRC, CA. H. Shambhu Sharma, Chairman, Bangalore Branch of SIRC, CA. B.P. Rao, Past President, ICAI, CA. Babu Abraham Kallivayalil, Chairman, SIRC, CA. K. Raghu, Central Council Member, ICAI and CA. Sumermal D. Ostawal, Secretary, SIRC.*

Tax Implications of Section 206AA

DR. VINOD K. SINGHANIA

Service Tax on Renting of Property Services...

CA. SUNIL B. GABHAWALLA



RELEASE OF SIRC DIRECTORY 2010-11

CA. Amarjit Chopra, *President, ICAI releasing the SIRC Directory 2010-11 and first copy received by* ***CA. G. Ramaswamy,*** *Vice-President, ICAI. (L-R): CA. P.R. Aruloli, Treasurer, SIRC, CA. Atul C. Bheda, Central Council Member, ICAI, CA. Babu Abraham Kallivayalil, Chairman, SIRC, CA. K. Raghu, Central Council Member, ICAI, CA. Gopal Krishna Raju, Member, SIRC.*

LAUNCH OF WORKSHOP SERIES ON IFRS ON JUNE 11 & 12, 2010 AT CHENNAI

CA. G. Ramaswamy, *Vice-President, ICAI inaugurating the Workshop on IFRS. (L-R): CA. G.V.V. Satyanarayana, Member, SIRC, CA. Atul C. Bheda, Central Council Member, ICAI, CA. P.R. Aruloli, Treasurer, SIRC, CA. Babu Abraham Kallivayalil, Chairman, SIRC, CA. K. Raghu, Central Council Member, ICAI, CA. Gopal Krishna Raju, Member, SIRC, CA. P.R. Suresh, Member, SIRC and CA. P.R. Ramesh, Resource Person.*

CA. P.R. Ramesh Secunderabad

CA. M.P. Vijay Kumar Chennai

CA. Chinnasamy Ganesan, Chennai

Dr. Avinash Chander, Technical Director, ICAI

Cross Section of delegates

SEMINAR ON COMPANY LAW SETTLEMENT SCHEME & EASY EXIT SCHEME HELD ON JUNE 19, 2010 AT CHENNAI

CA. Babu Abraham Kallivayalil, Chairman, SIRC addressing the members. (L-R): CA. G.V.V. Satyanarayana, Member, SIRC, ***Smt. Lizamma Augustine, Member (Judicial), Company Law Board (Southern Bench, Chennai), Chief Guest,*** *Shri V.C. Davey, Registrar of Companies, Chennai and CS. B.Ravi, Resource Person.*

Shri V.C. Davey, *Registrar of Companies Chennai delivering the Key Note Address.*

CS. B. Ravi Company Secretary Chennai addressing the members.

Chairman writes

Quarterly review is a must not only for listed companies but also for all of us to know whether we have been able to achieve what we have planned, in the way it was planned and to achieve the desired results.

Dear Colleagues,

Success is a dream for all but a reality for few.

SMART OBJECTIVES:

To be successful one has to be SMART, by setting S.M.A.R.T. (Specific, Measurable, Achievable, Realistic, and Time-based.) objectives. Setting objectives without its implementation is futile. Smart one should have a strategy- a structure and a plan of action. This can happen only with our power of imagination; to imagine what your future is going to look like. One may call it as vision which is nothing but the mission statement of your strategy. This should lead to formulation of goals to align with our vision. Let us set clear goals or milestones within our vision. The SMART objectives are more specific than goals. They are specific requiring skill, leading to the tasks we carry out in the pursuit of our goals. Learning and leadership are indispensable to each other. As leaders we need to practice this and success will automatically follow.

Quarterly Review:

We the office bearers took the mantle of leadership of the Institute both at Branch level and Regional level in the month of February 2010. It is time for all of us to take stock of what has happened in the past four months. Quarterly review is a must not only for listed companies but also for all of us to know whether we have been able to achieve what we have planned, in the way it was planned and to achieve the desired results. This will also help us to reframe our objectives and redraw the plan of action. Let us all work unitedly in pursuit of excellence to keep the flag of our Institute high.

Chartered Accountants Day:

1st of July is our foundation day and we all celebrate this day as 'The Chartered Accountants Day'. To make this day as yet another memorable one we at SIRC organized events for members and their families besides showing our commitment to the Society.

- Walkathon by members wearing T shirts with Institute logo from Gandhi Statue at Marina Beach, Chennai.
- Hoisting the flag of the Institute at SIRC by your Chairman.
- Planting of saplings at SIRC in line with Go Green Concept of our Institute.
- C.A. Day special session for Members and Students on Lessons from Movies and Advertisements by CA. V. Pattabhi Ram, Blood Donation camp at SIRC premises with active participation of members and students.
- Friendly Cricket Match between members and officials of Income Tax Department.
- Luncheon Meeting with deaf and dumb inmates of Little Flower convent and destitute children of Sri Ramakrishna Mission.
- Sports and games events for members' family and children.
- Honouring past President and 50 Senior members of the profession by Smt. J M Shanti Sundharam, Chief Commissioner Central Excise, Customs & Service Tax, Chennai and CA. R. Kirlosh Kumar, IAS, Deputy Secretary to Government of Tamilnadu along with CA. G.V. Raman, Past Chairman of the Region.
- Grand gala entertainment and dinner for members and their families.

An Overview of Programmes of SIRC:

CA. G Ramaswamy, Vice President of the Institute launched the IFRS Workshop series in the Southern Region on June 11,2010 at Chennai followed by a two day Workshop which received an overwhelming response. SIRC is conducting another Workshop on August 20 and 21 at Park Sheraton, Chennai.

The Regional Tax Laws Seminar on June 25, 2010 at Image Auditorium Chennai was lauded by all, thanks to best of the speakers in the country on this topic viz. Dr. Girish Ahuja, CA. Padam Chand Khincha , CA. T. Banusekar and CA. K.C. Devdas. Kudos to the speakers, members and to CA. Gopal Krishna Raju, the Chairman of the Direct Tax Committee of the Region who took the lead. The interaction was very lively and enterprising.

On June 26, 2010 a discussion on Revised Draft Direct Tax Code was inaugurated by Shri. K. S. Pathania, Chief Commissioner of Income Tax, Chennai-VI. CA. Sriram Seshadri presented an overview of the DTC followed by panel discussion led by CA. G. Narayanaswamy, CA. G. Subramanian and CA. T Banusekar.

SIRC had the privilege of having the gracious presence of Smt. Lizamma Augustine, Member (Judicial), Company Law Board (Southern Region, Chennai) and Shri V.C. Davey, Registrar of Companies, Chennai at a Seminar on Company Law Settlement Scheme and Easy Exist Scheme led by CS. B. Ravi.

International Tour:

By the time this SIRC Newsletter is in your hands, around 70 members with families would have returned from an International Study Tour to Sri Lanka. Encouraged by the response, SIRC is planning to organise few more international tours. The details of which will be communicated to the members through future issues of SIRC Newsletter and website.

SIRC Newsletter – The Brand Ambassador:

SIRC Newsletter is serving effectively as the Brand Ambassador of the Regional Council and we have consciously taken effective steps to improve the design, readability and contents for which the response was quite heartening and exceeded our expectations. The next milestone for us is the SIRC website. It is our desire to link all the 34 branches of the SIRC with our website which should also a knowledge reservoir and we are happy to inform you that we are working towards this objective.

Annual Registration Scheme (ARS):

The response to the Annual Registration Scheme (ARS) is the testimony for the members desire to learn and assimilate and we cherish it. SIRC request all of you to join under ARS for our mutual benefit. We through this column assure that SIRC would take all efforts to make this year as a **"Year of Knowledge Sharing"** and will be rewarding to all.

V. Sankar Aiyar Memorial Lecture:

The annual V. Sankar Aiyar Memorial Lecture was delivered by Smt. Tara Ramkumar, eminent social worker and was graced by the august presence of Shri V. Mani Shankar Aiyar, MP and former Union Minister. In her address she dwelt at length the relevance of social justice and social development and how the Chartered Accountants can play an effective role in ushering in a new era of social justice.

59th Annual General Meeting of SIRC:

We at SIRC acknowledge the fact that the 59th Annual General Meeting held on June 24, 2010 has turned out to be an occasion for the members to air their views which gave an insight to the needs and expectations of the members including good governance. We have taken note of their views and assure you that the year will be one with difference as far as member and student services are concerned, besides strengthening the brand image.

Visit to Branches:

Chairman had the opportunity to visit Alleppey, Bangalore and Trichur branches during the last month and the interaction with the members was very useful and purposeful.

Forthcoming Programmes:

PD Committee of ICAI jointly with SIRC is organizing Two Day National Seminar at Hubli on July 10 and 11, 2010 and is hosted by the Hubli branch of SIRC. The seminar is bound to act as a platform to learn certain important topics on Direct Taxes and Corporate Laws. We invite all of you to join the seminar and make it a grand success.

SIRC is privileged to host the Two Day Conference on Economic & Commercial Laws and WTO organized by ICAI on July 17 and 18, 2010 at Image Auditorium, Chennai. We are honoured to have the footprints of **Shri Surjit Singh Barnala, His Excellency the Governor of Tami Nadu** who has kindly consented to inaugurate the conference. SIRC invites members to register for this conference in large numbers as it will provide an opportunity to have the broader outlook on the various aspects of Economic and Commercial Laws in the light of the new Companies Bill.

Residential Refresher Courses continue to receive good response and we are organizing such RRC's at Vythiri in Wayanad and Sabarimala in Kerala, besides Coutrallam. The details are published in this Newsletter.

42nd Regional Conference of SIRC:

SIRC is delighted to announce the much awaited dates of the 42nd Regional Conference at **Kochi** on **November 27 and 28, 2010.** We assure the members that this conference would be one of the finest and enjoyable conferences in the annals of SIRC. We heartily welcome the members to Kochi for this mega conference.

We request you to suggest the "Theme of the Conference" by e-mail to sirc@icai.in before July end.

With warm regards,

Yours in professional service,

CA. BABU ABRAHAM KALLIVAYALIL

chairmansirc@gmail.com

SIRC CALENDAR JULY & AUGUST 2010

Contact ▶ Shri T.V. Srinivasan, Senior Assistant Secretary – ICAI Phone : 044 – 30210320 / 321 – Email: sirc@icai.in

Date and time	Programme details	Resource person	Fee (Rs)	CPE credit
July 1, Thursday	****CHARTERED ACCOUNTANTS DAY CELEBRATIONS**			
July 2 to 6, Fri to Tuesday	**INTERNATIONAL TOUR TO SRI LANKA**			
July 7, Wednesday 06.15 p.m. – 08.30 p.m.	*CPE Study Circle Meeting on **APPELLATE PROCEEDINGS UNDER TAX LAWS**	**CA. K. Ravi** Chennai	150/-	2 hrs
July 10 & 11 Sat & Sunday	**NATIONAL SEMINAR AT HUBLI**	Details at page 33 of June 2010 issue of SIRC Newsletter & Website: www.sircoficai.org		12 hrs
July 14, Wednesday 06.15 p.m. – 08.30 p.m.	*CPE Study Circle Meeting on **NEW IT RETURN FORMS FOR A.Y. 2010-11**	**CA. P. Anand ,** Chennai	150/-	2 hrs
July 17 & 18 Sat & Sunday 09.00 a.m. to 5.30 p.m.	**@TWO DAY CONFERENCE ON ECONOMIC, COMMERCIAL LAWS & WTO**	Details at page 05		12 hrs
July 21, Wednesday 06.15 p.m. – 08.30 p.m.	*CPE Study Circle Meeting on **RISK ASSESSMENT & DEDUCTION OF FRAUDS – ROLE OF AUDITORS**	**CA. K.P. Paulson** Kochi	No Delegate Fee	2 hrs
July 28, Wednesday 06.15 p.m. – 08.30 p.m.	*CPE Study Circle Meeting on **RECENT CONTROVERSIES IN DIRECT TAXES**	**CA. (Ms.) V.G. Aravindanayagi** Chennai	150/-	2 hrs
Aug 4, Wednesday 06.15 p.m. – 08.30 p.m.	*CPE Study Circle Meeting on **CORPORATE GOVERNANCE AUDIT**	**Dr. N.A. Charanthimath** Hubli	150/-	2 hrs
August 6, 7 & 8 Fri, Sat & Sunday	**REGIONAL RESIDENTIAL CPE SEMINAR AT COURTALLAM**	Details at page 18		14 hrs
Aug 11, Wednesday 06.15 p.m. – 08.30 p.m.	*CPE Study Circle Meeting on **MUTUALITY vs. CHARITY** Service for self vs. Service above Self	**CA. M.C. Joseph** Kochi	150/-	2 hrs
Aug 15, Sunday	****INDEPENDENCE DAY CELEBRATIONS**	Details at page 23		

* *Programmes at P. Brahmayya Memorial Hall, ICAI Bhawan, SIRC Premises, Chennai*
** *Programmes at ICAI Bhawan, SIRC Premises, Chennai*
@ *Programmes at IMAGE Auditorium, MRC Nagar, Chennai*

No Delegate Fee for ARS Members for CPE Study Circle Meetings

42nd REGIONAL CONFERENCE OF SIRC

SATURDAY & SUNDAY - NOVEMBER 27 & 28, 2010

JAWAHARLAL NEHRU INTERNATIONAL STADIUM, KALOOR, KOCHI

Do block your dates in advance and plan your visit to Kochi.
All roads to God's Own Country and Queen of the Arabian Sea will host the Mega Conference.
The Conference will have the privelege of receiving
CA. Amarjit Chopra, President, ICAI and CA. G. Ramaswamy, Vice-President, ICAI
ALL ARE CORDIALLY INVITED

THEME for The 42nd Regional Conference - Suggestions INVITED

SIRC invites suggestions from members for the Theme of the ensuing 42nd Regional Conference of SIRC to be held in Kochi. The member sending the best selected theme would be recognized at the Regional Conference.

TWO DAY NATIONAL CONFERENCE

Organised by: **COMMITTEE ON ECONOMIC, COMMERCIAL LAWS & WTO OF ICAI**
HOSTED BY: SIRC OF ICAI

Saturday & Sunday,
July 17 & 18, 2010

IMAGE Auditorium,
MRC Nagar, R.A. Puram, Chennai – 600028

9.00 a.m. to 5.30 p.m.

Inauguration (11.00 a.m. to 12.00 noon)

Chief Guest : **THIRU. SURJIT SINGH BARNALA**
His Excellency Governor of Tamil Nadu

Saturday, July 17, 2010	Sunday, July 18, 2010
Taxation of Special Economic Zones and Units in SEZ **CA. P.V.S.S. Prasad,** Hyderabad	CENVAT Credit & Service Tax **CA. J. Purushothaman,** FCA, Chennai
Goods & Service Tax – How prepared are we? **Shri. R. Sekar,** IRS, Member, Empowered Committee of State Finance Ministers, Government of India Commissioner of Customs, Pune	AML/CFT Compliance under PMLA for Financial Sector **High Ranking Official** from Financial Intelligence Unit, New Delhi
Issues in Tax Deducted at Source **CA. V. Divakar,** Chennai	Tax Audit under 44 AB of Income Tax Act – A Refresher **CA. V. Ramnath,** FCA, Coimbatore
IFRS – Road Ahead **CA. Manoj Fadnis,** Central Council Member, ICAI	Opportunities in Commercial, Economic Laws & WTO **CA. Rajkumar S. Adukia,** Chairman, Committee on Economic, Commercial Laws & WTO of ICAI

CPE CREDIT 12 HOURS

Delegate Fee:
Members: Rs.1800/-
For ARS Members: Rs.900/-
Non-Members: Rs.2500/-
(Delegate fee by cash or by Cheque / DD favouring "SIRC of ICAI" payable at Chennai)

PROGRAMME CHAIRMAN
CA. Rajkumar S. Adukia
Chairman, Committee on Economic, Commercial Laws & WTO of ICAI
09820061049

PROGRAMME CO-ORDINATOR
CA. Babu Abraham Kallivayalil
Chairman, SIRC
09846035333

PROGRAMME CONVENORS
CA. Rajendra Kumar P
Vice-Chairman, Committee on Economic, Commercial Laws & WTO of ICAI - 09444017087
CA. S. Santhana Krishnan
Central Council Member, ICAI
09841073008
CA. V. Murali
Central Council Member, ICAI
09381046952

CA. K. Shanmukha Sundaram
Vice Chairman, SIRC
094433 49727
CA. Sumermal D. Ostawal
Secretary, SIRC
094481 15971
CA. P.R. Aruloli
Treasurer, SIRC
098840 61348

TWO DAY WORKSHOP ON IFRS

Days: **Friday & Saturday** Dates: **August 20 & 21, 2010**
Venue : **Sheraton Park Hotel and Towers, 132, TTK Road, Chennai-18**

CPE Credit 12 HOURS

Objective of the Workshop: The Objective of workshop is to equip the Members of the Institute of Chartered Accountants of India (ICAI), Corporate and other stake holders with the essential knowledge in Indian Accounting Standards converged with the International Financial Reporting Standards (IFRSs).

DELEGATE FEE :
- Members Rs.5,000/-
- For ARS Members Rs.4,000/-
- Non-Members Rs.7,000/-

(The delegate fee may be sent by way of Cash/Cheque/ Demand Draft drawn in favour of "SIRC of ICAI" payable at Chennai)

Registration is strictly restricted to 70 delegates on first come first served basis

Friday, August 20, 2010 09.00 am **Inauguration**

TECHNICAL SESSION – I
A discussion on Model IFRS Accounts and Key differences in IFRS and Indian GAAP
Dr. Avinash Chander, Technical Director, ICAI

TECHNICAL SESSION – II
Accounting for Fixed Assets covering IAS 16, IAS 23 & IAS 38
CA. M.P. Vijay Kumar, Chennai

Saturday, August 21, 2010 - 10.00 am

TECHNICAL SESSION – III
Accounting for Revenue & Income Taxes covering IAS 18 & IAS 12
CA. L. Venkatesan, Chennai

TECHNICAL SESSION - IV
Introduction, Road map to IFRS & Overview of IFRS
IAS-1 Presentation of Financial Statements
CA. S. A. Murali Prasad, Chennai

CA. P.R. Aruloli
Treasurer, SIRC
098840 61348

CA. Sumermal D. Ostawal
Secretary, SIRC
094481 15971

CA. Babu Abraham Kallivayalil
Chairman, SIRC
098460 35333

Dr. Vinod K. Singhania
Delhi
vks@taxmann.com

Tax implications of Section 206AA

Requirement to furnish permanent account number (PAN) [Sec. 206AA]

1.0 In order to strengthen the PAN mechanism, section 206AA has been inserted by Finance (No. 2) Act, 2009, with effect from April 1, 2010. The provisions of section are given below:

1.1 Every person whose receipts are subject to deduction of tax at source (i.e., the deductee) shall furnish his PAN to the deductor. It will be compulsory from April 1, 2010.

1.2 If such person does not furnish PAN to the deductor, the deductor will deduct tax at source at higher of the following rates –

a. the rate prescribed in the Act;

b. at the rate in force, i.e., the rate mentioned in the Finance Act; or

c. at the rate of 20 per cent.

1.3 The provision that TDS would be deductible at the above-mentioned rates, will also apply in cases where the deductee files a declaration under section 197A in Form No. 15G or 15H but he does not provide his PAN.

1.4 No certificate under section 197 will be granted by the Assessing Officer unless the application contains the PAN of the applicant.

1.5 To ensure that the deductor knows about the correct PAN of the deductee, there is a provision for mandatory quoting of PAN of the deductee by both the deductor and the deductee in all correspondence, bills and vouchers exchanged between them.

1.6 The Board has clarified *vide* Circular No. 5/2010, dated June 3, 2010 that the provisions of section 206AA will also be applied to non-residents where TDS is deductible on payments or credits made to them.

Important issues faced by deductors

2.0 There are many issues which are faced by deductors in practical life

No certificate under section 197 will be granted by the Assessing Officer unless the application

while enforcing provisions of section 206AA in different situations. Some of these issues are –

2.1 Whether provisions of section 206AA are applicable in the case of payment to non-resident/foreign company –

a. whether provisions of section 206AA supersede provisions of double taxation agreements;

b. when the payment/credit is otherwise not taxable in the hands of recipient in India;

c. whether grossing up under section 195A should be done after considering the provisions of section 206AA.

2.2 Whether section 206AA is applicable in the case of tax deduction under section 192.

2.3 Whether section 206AA is applicable in the case of payment/credit (other than salary) to a resident when payment/credit does not exceed the threshold limit (given in different sections).

2.4 Whether surcharge and education cess are to be added to the rate of 20 per cent given by section 206AA.

Whether provisions of section 206AA can supersede provisions of double taxation agreements

3.0 Section 206AA is a non-obstante clause. It begins with the words "notwithstanding anything contained in any other provisions of this Act". From this it appears that section 206AA shall be applicable on non-furnishing of PAN by a non-resident/ foreign company and, consequently, tax will be deductible at the minimum rate of 20 per cent. However, because of the reasons given below section 206AA cannot override avoidance of double taxation agreement –

3.1 Section 90(2) provides that one will be governed by the provisions of avoidance of double taxation agreement or the provisions of the Income-tax Act, whichever is more beneficial to him.

3.2 The judicial consensus in India has been that section 90 is specifically intended to enable and empower the Central Government to issue a notification for implementation of the terms of a double taxation avoidance agreement. When that happens, the provisions of such an agreement, with respect to cases to which where they apply, would operate even if inconsistent with the provisions of the Income-tax Act. If it was not the intention of the Legislature to make a departure from the general principle of chargeability to tax under section 4 and the general principle of ascertainment of total income under section 5 of the Act, then there was no purpose in making those sections "subject to the provisions of the Act". The very object of grafting the said two sections with the said clause is to enable the Central Government to issue a notification under section 90 towards implementation of the terms of the DTAs which would automatically override the provisions of the Income-tax Act in the matter of ascertainment of chargeability to income tax and ascertainment of total income, to the extent of inconsistency with the terms of the DTAC – *Union of India* v. *Azadi Bachao Andolan* [2003] 132 Taxman 373 (SC).

3.3 One may argue that tax deduction under Chapter XVII-B is a mode of collection of tax. It does not determine final tax liability. If a non-resident has not furnished his PAN to the payer, tax will be deducted under section 206AA by the payer at the rate of 20 per cent. If the tax treaty provides a lower rate, the non-resident tax payer can claim refund by submitting return of income. To counter these arguments, one may refer to Circular No. 728, dated October 30, 1995 and Circular No. 734, dated January 24, 1996. In these circulars, Central Board of Direct Taxes has directed that tax should be deducted either at the rate given by the Finance Act/Income-tax Act or at the rate given in the treaty, whichever is lower or whichever is more beneficial to the taxpayer. These circulars have not been withdrawn by the Board at the time of insertion of section 206AA.

Conclusion - Section 206AA cannot override provisions of tax treaties. If a tax treaty provides a tax rate which is lower than 20 per cent, tax will be deducted at the lower rate, even if PAN is not furnished by the recipient. One can consider the following cases (see Figure 1) –

Whether tax is deductible under section 206AA when recipient non-resident is not chargeable to tax in India

4.0 Section 195 is applicable only in the case of a payment/credit when it is taxable (wholly or partly) in the hands of recipient non-resident in India. Section 206AA does not have any role to play to decide whether income is taxable in the hands of non-resident/foreign company in India. To put it differently, to find out whether (or not) section 195 is applicable, furnishing or non-furnishing of PAN to the deductor is absolutely irrelevant.

Á For instance, X Ltd. is an Indian company. It has business operations in India as well as in Hong Kong. For its Hong Kong business, a consultancy fees is paid to Y, a non-resident consultant. The payment is made outside India but it is remitted on instructions issued by New Delhi office of X Ltd. Y has received the payment outside India. Under section 9(1)(*vii*)(*b*), this income is deemed to accrue in the hands of Y outside India. Nothing is taxable in the hands of non-resident Y in India. Tax is, therefore, not deductible under section 195. Even if Y does not furnish his PAN to X Ltd., nothing is deductible at source by applying provisions of section 206AA.

Grossing up of income when PAN of non-resident recipient is missing

5.0 Role of section 206AA in the case of grossing up of income is illustrated in the case study given below –

A manufacturing company wants to pay royalty to a foreign company. Under section 115A read with section 195, tax is deductible at the rate of 10 per cent (effective rate is 10.5575 per cent after including surcharge and education cess). The recipient foreign company does not have PAN. The entire tax liability will be borne by the payer company. Find out quantum of tax deduction if –

Situation 1 - *India has a tax treaty with the foreign country. This income can be taxed in India but not at a rate higher than 10 per cent.*

Situation 2 - *India does not have tax treaty with the other country.*

Á Since payer company will have to bear the tax liability of the recipient, the amount of payment will be grossed up under section 195A. This section is applicable if the following conditions are satisfied –

1. It covers any payment other than that refer to in section 192(1A).

2. Tax chargeable on such income is to be borne by the person by whom income is payable.

3. Such liability is to be borne by the payer under an agreement or other arrangement.

If these conditions are satisfied, then for the purposes of deduction of tax under those provisions such income shall be increased to such amount as would, after deduction of tax thereon at the rates in force for the financial year in which such income is payable, be equal to the net amount payable under such agreement or arrangement.

If tax is to be borne by the payer, under section 195A grossing up is required. For this purpose, the amount of payment shall be increased by such amount as would after tax deduction at the rates (in force for the financial year), become equal to the net amount payable. In other words, for the purpose of grossing up the rate

Section 206AA cannot override provisions of tax treaties. If a tax treaty provides a tax rate which is lower than 20 per cent, tax will be deducted at the lower rate, even if PAN is not furnished by the recipient.

(Figure 1)

	Consultancy fees payment of Rs. 10 crore to a foreign company by an Indian company (foreign company does not have PAN)			
	Case 1	*Case 2*	*Case 3*	*Case 4*
Date of agreement under which payment is made	May 30, 2008	May 30, 2008	May 30, 2008	May 30, 2008
Tax rate given by section 115A or the Finance Act, 2010	10%	10%	10%	10%
Above rate after adding SC and EC	10.55755%	10.55755%	10.55755%	10.55755%
Whether Indian has tax treaty with the other country	Yes	Yes	Yes	No
What is the provision in tax treaty	Income is taxable in foreign country, not in India	Income may be taxed in India but at the rate of 10%	Income may be taxed in India but at the rate of 15%	Not applicable
At what rate tax is deductible under section 195 read with section 206AA	*Nil*	10%	15%	20%

which is applicable is "rates in force". Rates in force is defined by section 2(*37A*). For the purpose of section 195, sub-clause (*iii*) of clause (*37A*) of section 2 defines "rates in force" as follows –

"(iii) for the purposes of deduction of tax under section 195, the rate or rates of income-tax specified in this behalf in the Finance Act of the relevant year or the rate or rates of income-tax specified in an agreement entered into by the Central Government under section 90, or an agreement notified by the Central Government under section 90A, whichever is applicable by virtue of the provisions of section 90, or section 90A, as the case may be;"

For the purpose of grossing up, either the rate given by the Finance Act or the rate specified in double taxation avoidance agreement, whichever is lower is applicable. Nowhere section 195A requires for the purpose of grossing up the rate given by section 206AA. Suppose, the amount of payment to the foreign company is Rs. 5 crore. Tax will be deducted as follows (see Figure 2) –

There is no doubt that this rule is applicable in those cases where salary income is above to exemption limit.

(Figure 2)

	Situation 1 Rs.	*Situation 2* Rs.
Net payment	5,00,00,000	5,00,00,000
Rate in force as per section 2(*37A*)	10.5575%	10.5575%
Rate given by tax treaty	10%	N.A.
Effective rate	10%	10.5575%
Grossed amount [Rs. 5,00,00,000 × 100 ÷ (100 – 10)] (*Situation 1*), [Rs. 5,00,00,000 × 100 ÷ (100 – 10.5575)] (*Situation 2*)	5,55,55,555	5,59,01,836
Tax deductible under section 195 read with section 206AA	20%	20%
Tax as per tax treaty : 10%	10%	N.A.
Tax deductible at the rate of 10% (*Situation 1*) or 20% (*Situation 2*)	55,55,555	1,11,80,370

Applicability of education cess and surcharge when tax is deductible under section 206AA

6.0 Surcharge is applicable when recipient is a foreign company and the payment or credit subject to TDS is more than Rs. 1 crore. This is imposed by sub-sections (5)/(6) of section 2 of the Finance Act, 2010 read with Part II of the first schedule to the Finance Act. These sub-sections read as follows –

"(*5*) In cases in which tax has to be deducted under sections 193, 194, 194A, 194B, 194BB, 194D and 195 of the Income-tax Act, at the rates in force, the deductions shall be made at the rates specified in Part II of the First Schedule and shall be increased by a surcharge, for purposes of the Union, calculated in cases wherever prescribed, in the manner provided therein.

(*6*) In cases in which tax has to be deducted under sections 194C, 194E, 194EE, 194F, 194G, 194H, 194-I, 194J, 194LA, 196B, 196C and 196D of the Income-tax Act, the deductions shall be made at the rates specified in those sections and shall be increased by a surcharge, for purposes of the Union, in the case of every company, other than a domestic company, calculated at the rate of two and one-half per cent of such tax, where the income or the aggregate of such incomes paid or likely to be paid and subject to the deduction exceeds one crore rupees."

There is no reference of section 206AA in the two sub-sections of section 2 of the Finance Act, 2010. Likewise, a reference of section 206AA is missing in the First Schedule to the Finance Act.

Education cess is imposed by sub-sections (11) and (12) of section 2 of the Finance Act, 2010. Even in these sub-sections, one fails to find out a reference of section 206AA. Consequently, the rate of 20 per cent under section 206AA cannot be increased by surcharge and education cess.

Applicability of section 206AA in those cases wh ere salary income is below exemption limit

7.0 Tax is deductible under section 192 as follows –

a. Find out estimated taxable salary.

b. Include other incomes disclosed by employee. Losses cannot be disclosed except loss from house property.

c. Give deductions under Chapter VI-A.

d. Find out taxable income.

e. Find out normal tax (by applying slab rate of 0% up to Rs. 1,60,000, 10% between Rs. 1,60,000 and Rs. 5,00,000, 20% between Rs. 5,00,000 to Rs. 8,00,000 and 30% above Rs. 8,00,000). Add education cess at the rate of 3%.

f. Find out tax for the purpose of section 206AA at the rate of 20% of taxable salary (*i.e.*, estimated taxable salary after deducting house property loss and deductions under Chapter VI-A).

If the employee has not furnished his PAN, tax deductible under section 192 will be either the amount computed under *Step 5* or *Step 6*, whichever is more.

There is no doubt that this rule is applicable in those cases where salary income is above to exemption limit. However, problem arises in those cases where estimated taxable survey income of an employee is less than exemption limit.

This rule is applicable in all cases whether income of the recipient employee is less than exemption limit or more than exemption limit. Nowhere section 192 states that tax is deductible only when income is above exemption limit. Tax is deductible on estimated salary income. If the employee has furnished his PAN, tax is deductible at the normal slab rate. Conversely, if the employee has not furnished his PAN, tax will be deductible at the normal slab rate (*plus* education cess at the rate of 3 per cent) or at the rate of 20 per cent described by section 206AA, whichever is higher. It is not correct to state that Rs. 1,60,000 is exempt from tax. Under normal slab rate, first Rs. 1,60,000 is chargeable to tax. However, the tax rate is *nil*.

In the case of employees (not having PAN), tax will be deductible at the minimum rate of 20 per cent because of activation of section 206AA, even if salary income is below the exemption limit of Rs. 1,60,000. This hardship arises because of the drafting of section 192 which nowhere mentions that this section is not applicable in those cases where income is less than exemption limit. However, the Central Board of Direct Taxes can provide relief in this matter. Every year, the Board issues an annual TDS circular in the matter of tax deduction at source under section 192 for the guidance of employers. The last circular in this series was Circular No. 1 of 2010, dated January 11, 2010. This circular was applicable for the purpose of tax deduction at source from salary during the financial year 2009-10. In such circular (and even in earlier circulars of similar nature) in para 3.1 the Board has given the following explanation about the method of tax calculation –

"Every person who is responsible for paying any income chargeable under the head "Salaries" shall deduct income-tax on the estimated income of the assessee under the head "Salaries" for the financial year 2009-10. The income-tax is required to be calculated on the basis of the rates given above and shall be deducted on average at the time of each payment. No tax will, however, be required to be deducted at source in any case unless the estimated salary income including the value of perquisites, for the financial year exceeds Rs. 1,60,000 or Rs. 1,90,000 or Rs. 2,40,000, as the case may be, depending upon the age and gender of the employees."

It is not clear whether the Board will issue similar instruction in the forthcoming TDS circular under section 192 for the financial year 2010-11 after insertion of section 206AA. If similar instructions are issued in the next TDS circular under section 192, then no tax will be deducted (if salary is below exemption limit), even in those cases where the employees do not have PAN. In the absence of such instructions, tax will be deductible at the rate of 20 per cent, if an employee (having salary below exemption limit) does not disclose his PAN.

When payment or credit of rent (or any other sum covered by sections 193 to 194LA) is less than threshold limit

8. Payment of rent to a resident is covered by section 194-I. Proviso to section 194-I states as follows –

"**Provided** that no deduction shall be made under this section where the amount of such income or, as the case may be, the aggregate of the amounts of such income credited or paid or likely to be credited or paid during the financial year by the aforesaid person to the account of, or to, the payee, does not exceed one hundred and twenty thousand rupees (or with effect from July 1, 2010 one hundred and eight thousand rupees)"

Tax is not deductible under section 194-I if the payment (or credit) of rent during the financial year does not exceed Rs. 1,20,000 (or with effect from July 1, 2010 : Rs. 1,80,000). When tax is not deductible under section 194-I, section 206AA cannot be activated even if the recipient does not furnish his PAN. No tax is, therefore, deductible when payment or credit does not exceed the threshold limit given under section 194-I (or under sections 193 to 194LA). Â

WORK DISPOSAL POSITION

The position of disposal of various matters relating to Members and Students of Regional Offices, Chennai as on **25.06.2010** is under:

Particulars	Disposal of records received upto
Members	
Enrolment of Members	23.06.2010
Fellow Admission	23.06.2010
Grant of COP	22.06.2010
Restoration of Name – Recommended upto	24.06.2010
Restoration of Name – Cleared upto	22.06.2010
Constitution of Firms	22.06.2010
Reconstitution of Firms	14.06.2010
Paid Assistant	21.06.2010
Change of Address – Members	23.06.2010
Change of Address – Firms	25.06.2010
Students	
Registration of Articles	22.06.2010
Re-registration of Articles	11.06.2010
Industrial Training	15.06.2010
Termination of Articles	15.06.2010
Completion of Articles	14.06.2010
Permission to pursue Other Course	24.06.2010
Change of Address – Students	24.06.2010
Despatch of Materials – CPT	24.06.2010
Despatch of Materials – Final	24.06.2010
Despatch of Materials – IPCC	24.06.2010
Despatch of Materials – ATC	24.06.2010
Despatch of Materials – ITT (By Post)	24.06.2010

OBITUARY

Mem. No.	Name	Status	Place	Date of Death
004383	MR. PATTABIRAMAN V S	ACA	CHENNAI	03/05/2010
004726	MR. RAJAGOPALAN A R	FCA	ANDANALLUR	12/03/2010
006516	MR. MATHEW T I	FCA	THRISSUR	30/04/2010
016088	MR. PRAKASH S	FCA	CHENNAI	08/05/2010
205087	MR. SATYANARAYANA VENKATA SIVA JILLA	FCA	VISAKHAPATNAM	26/03/2010
205354	MR. SUDHAKAR K	ACA	BANGALORE	13/05/2010

May the Almighty Architect of the Universe rest their souls in peace

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Mumbai
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Service Tax On Renting Of Property Services

– A Roller Coaster Ride

The levy of service tax on renting of immoveable property for commercial purposes has been a subject matter of intense debate. This article analyses in detail the developments in this regard

Notification 23/2007-ST dated 22.05.2007 introduced the levy of service tax on renting of immoveable properties with effect from 01.06.2007 by bringing into effect the provisions of Section 65(105) of the Finance Act, 1994. The relevant provisions are reproduced below for ready reference:

Taxable Service defined u/s 65(105)(zzzz)

Taxable service means any service provided or to be provided to any person, by any other person in relation to renting of immovable property for use in the course or furtherance of business or commerce.

Explanation 1.—For the purposes of this sub-clause, "immovable property" includes—

(*i*) building and part of a building, and the land appurtenant thereto;

(*ii*) land incidental to the use of such building or part of a building;

(*iii*) the common or shared areas and facilities relating thereto; and

(*iv*) in case of a building located in a complex or an industrial estate, all common areas and facilities relating thereto, within such complex or estate,

but does not include—

(*a*) vacant land solely used for agriculture, aquaculture, farming, forestry, animal husbandry, mining purposes;

Taxable service means any service provided or to be provided to any person, by any other person in relation to renting of immovable property for use in the course or furtherance of business or commerce.

(*b*) vacant land, whether or not having facilities clearly incidental to the use of such vacant land;

(*c*) land used for educational, sports, circus, entertainment and parking purposes; and

(*d*) building used solely for residential purposes and buildings used for the purposes of accommodation, including hotels, hostels, boarding houses, holiday accommodation, tents, camping facilities.

Explanation 2.—For the purposes of this sub-clause, an immovable property partly for use in the course or furtherance of business or commerce and partly for residential or any other purposes shall be deemed to be immovable property for use in the course or furtherance of business or commerce;

Service defined u/s 65(90a)

"renting of immovable property" includes renting, letting, leasing, licensing or other similar arrangements of immovable property for use in the course or furtherance of business or commerce but does not include —

(*i*) renting of immovable property by a religious body or to a religious body; or

(*ii*) renting of immovable property to an educational body, imparting skill or knowledge or lessons on any subject or field, other than a commercial training or coaching centre;

Explanation.—For the purposes of this clause, "for use in the course or furtherance of business or commerce" includes use of immovable property as factories, office buildings, warehouses, theatres, exhibition halls and multiple-use buildings;

At the time of introduction of service tax, Notification No. 24/2007-ST dated 22.05.2007 was issued t exempt the property tax levied by the local bodies from the gross value of rent for the purpose of chargeability of service tax. Also Circular No. 98/1/2008-ST dated 04.01.2008 clarified that the "right to use immovable property is leviable to service tax under the renting of immovable property service".

The above provisions led to widespread protest, especially from the retail sector since service tax charged to them resulted in additional non CENVAT available tax cost. The protest also found support from the doubts raised by legal experts on the correctness of the levy of service tax on such rentals. Time and again, people raised a basic question: is there a service when a landlord permits a tenant to occupy his premises and charges a rent for the same?

Various writ petitions were therefore filed challenging the validity of the said provisions. The broad grounds of the challenge were as under:

¿ Merely allowing use of land or building does not amount to provision of a service.

¿ The grant of lease or license amounts to transfer of rights

¿ Levy of Service tax on renting of Immovable Property amounts to levy of tax on land/ buildings where in the Central Government does not have the right to levy tax on land/buildings as the same falls within the State List (List II 49) of the Constitution of India.

An interim stay was granted in the following cases:

¿ Bombay High Court - W.P No. 1263 of 2007 - Stay Order dated 30.07.2008

¿ Andhra Pradesh High Court - W.P. No. 6572 of 2008 - Stay Order dated 27.03.2008

¿ Gujarat High Court - Special Civil Application No. 5269 of 2008 - Stay Order dated 28.03.2008

¿ Delhi High Court - W.P.(C) No. 1659 of 2008 - Stay Order dated 03.03.2008

¿ Madras High Court - W.P. No. 30276 of 2007 - Stay Order dated 09.10.2007

In view of the stake involved, the Union of India filed a transfer petition in the Hon'ble Supreme Court of India for transferring the service tax petitions to the Supreme Court. The Hon'ble Supreme Court accordingly transferred all the cases to the Delhi High Court

Thereafter the Hon'ble Delhi High Court in the matter of Home Solution Retail India Ltd and Others vs. Union of India and others 2009 (14) STR 433 (Del) held that mere renting of immovable property for furtherance of business or commerce by itself cannot be regarded as a taxable service and held that such renting per se is not exigible to service tax. The essence of the said judgement can be summarized as under

The Supreme Court admitted the Revenue Appeal against the aforesaid decision but refused to grant a stay against the operation of the said decision.

¿ Service in relation to renting of immovable property means a service which is distinct and different from mere renting of immovable property itself.

¿ The transaction of renting of immovable property by itself is not taxable.

¿ Service tax is Value Added Tax and hence only the '"value added" is liable to be taxed by way of service tax.

¿ The Act of renting of immovable property by itself does not provide any value addition to any person.

¿ The Hon'ble Court has not given judgment on validity of Section 65 (105) (zzzz) of the Finance Act but quashed or set aside the operative part of the subject notification and circular which entails levy of service tax on renting of immovable property

The Supreme Court admitted the Revenue Appeal against the aforesaid decision but refused to grant a stay against the operation of the said decision.

The abovementioned decision resulted in substantial uncertainty in the industry. Apart from the revenue loss caused to the exchequer, the judgement placed the landlords in a very precarious situation. In view of this judgement, the commercial tenants stopped reimbursing the tax element. However, the landlords received regular demand notices from the department issued to protect government's revenue for the interim period.

In order to clarify the legislative intent and also bring in certainty in tax liability the relevant definition of taxable service is being amended to clarify that the activity of renting of immovable property per se would also constitute a taxable service under the relevant clause. This amendment is being given retrospective effect from 01.06.2007.

The said amendment is carried out by defining the taxable service as under:

"Taxable Service means any service provided or to be provided to any person, by any other person, by renting of immovable property or any other service in relation to such renting, for use in the course of or, for furtherance of, business or commerce."

This amendment was further challenged in the Delhi High Court[3] which once again granted a specific stay to the operation of the provisions of this section by quoting thus:

Prima facie, it appears that renting of immoveable property itself has been regarded as a service by virtue of the recent amendment even though this Court by virtue of the said decision on 18.04.2009 had categorically concluded that renting of immoveable property by itself cannot be regarded as a service

The retrospective applicability is also stayed by the Andhra Pradesh High Court in the case of Trent Limited vs. Union of India 2010-TIOL-402-HC-AP-ST though the Court has not granted a stay against the prospective applicability of service tax on renting per se.

The above stay has come as a welcome relief to both landlords as well as tenants. Of course, since the Court has not granted a stay against the prospective applicability of service tax, it may be prudent for the landlords to collect and pay service tax on rents with effect from 01.07.2010 Â

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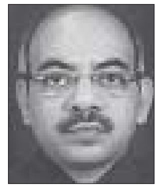
3 Home Solutions Retail Limited vs. Union of India and Others (WP 3398/2010 dated 18.05.2010)



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Levy on new services notified– Expanding the net in an opaque manner....!

The Board has finally issued the Notification announcing the date on which the levy of service tax on new services as well as the amended provisions relating to certain existing taxable services in terms of the provisions of the Finance Act, 2010 would come into force. Simultaneously, the Board has also issued a slew of Notifications providing exemption from payment of service tax to certain specified taxable services (Notification Nos. 24/2010-ST to 35/2010-ST all dated 22.06.2010 refers).

The scope and effect of a few of these Notifications is briefly discussed in this article.

(1) Not. No. 24/2010-ST dated 22.06.2010:

Vide this Notification, the provisions of clauses (A) and (B) of Section 76 of the Finance Act, 2010 have been made effective from **1st July, 2010.**

Consequently, service tax will now be leviable from 01.07.2010 on the following new services which have been brought under the levy through the Finance Act,2010:

Similarly, the scope of certain existing taxable services have been modified/ widened vide the finance Act, 2010 and the amended provisions would also become effective from 01.07.2010.

Comments:

The announcement of '**1st July, 2010'** as the notified date is on expected lines. However, why such an undue delay in notifying the effective date when the Finance Bill, 2010 ('the Bill') was already enacted on 8th May, 2010 ? Why can't the Board overcome the tendency to keep everybody guessing and then notify the date at the last minute ? Is the Board wary of the people resorting to last-minute tax planning if the effective date is announced well in advance? Some habits really die hard!

(2) Not. No. 25/2010-ST dated 22.06.2010 relating to 'Transport of Passengers by Air Service':

Vide the above Notification, the exemption from the payment of service tax to air transport of passengers referred to in Section 65 (105) (zzzo) of the Act has been provided in respect of the following persons:

An exemption to the in-transit passengers passing through India, who do not pass through immigration and do not leave customs area has been provided.

(a) a person who has arrived at a Customs airport from a place outside India and is in transit through India, provided that he does not pass through immigration and does not leave customs area and continues his journey to a place outside India; and

(b) a person employed or engaged by the Aircraft operator in any capacity on board the aircraft.

The Notification shall come into force on 1st July, 2010.

Comments:

Vide the Finance Act, 2010, the sub-clause (zzzo) of Section 65 (105) has been substituted by a new sub-clause (zzzo) and the services of transport of all passengers by air for domestic as well as international journey and irrespective of the class of travel have been comprehensively brought under the levy. This levy was hitherto restricted only to 'international journey for travel by a class other than economy class'.

Vide the above Notification, an exemption to the in-transit passengers passing through India, who do not pass through immigration and do not leave customs area has been provided.

Incidentally, similar exemption from levy, by way of exclusion, is provided, vide clause (77c) of Section 65 of the Act, to any person boarding, at any customs airport, an aircraft for performing an international journey.

Since the exclusion carved out in Clause (77c) covers the in-transit passengers on an international journey, a separate notification has been issued to provide exemption to in-transit passengers in respect of domestic journey undertaken as a part of a single composite international journey.

Thus, if a person is on an international journey from Singapore to New York and on the way, makes a stop-over at New Delhi and Mumbai, the benefit of exemption will be available to him on his domestic lag of the journey between New Delhi and Mumbai as 'in-transit passenger' provided he does not pass through the immigration and does not leave customs area at either of these two airports.

(3) Not. No. 26/2010 dated 22.06.2010 relating to 'Transport of Passengers By Air Service':

This notification provides for the levy of service tax at specific rates in respect of the domestic air travel in any class and international air travel in economy class as under:

(a) In case of passengers travelling **in any class,** within India, the service tax will be leviable on 10% of the gross value of the ticket or Rs.100/- per journey, **whichever is less;**

(b) In case of passengers embarking in India for an international journey in **economy class,** the service tax will be leviable on 10% of the gross value of the ticket or Rs.500/- per journey, **whichever is less.**

The benefit of Notification is subject to non-availment of credit of duty paid on inputs used for providing such taxable service i.e. air passenger transport service under the provisions of the Cenvat Credit Rules, 2004 ('CCR, 2004').

The Explanation appended to the Notification defines the 'economy class in an aircraft' as –

(i) where there is more than one class of travel, the class attracting the lowest standard fare; or

(ii) where there is only class of travel, that class.

Comments:

It may be recalled here that while moving the Bill for discussion in Lok Sabha on 29.04.2010, the Finance Minister had announced certain concessions in respect of service tax proposed to be levied on new services or the existing taxable services, the scope of which was sought to be widened through the Bill.

In case of 'Transport of Passengers by Air Service', the Finance Minister had announced a cap on service tax on domestic air flight at Rs.100/- per travel and on international travel by economy class, at Rs.500/- per travel. The issue of the above Notification now fulfills the promise made by the Finance Minister during the debate on the Bill in Lok Sabha.

It shall be noted that the benefit of concessional rate of service tax is available in case of international travel only if the same is undertaken in 'economy class' and not to the travel in first class or business class etc.

'If a person can travel business class on international journey, he can certainly bear the burden of service tax also' – or , so goes the logic of the Board, isn't it?

The benefit of concessional rate of service tax is inter-alia, subject to non-availment of Cenvat Credit on inputs. It therefore means that the Aircraft operators shall be entitled to avail Cenvat Credit, inter alia, on 'input services' as defined vide Rule 2 (l) of CCR. Is this well-thought out policy or an inadvertent lapse? One may have to wait with the bated breath !

(4) Not. No. 27/10-ST dated 22.06.2010 relating to 'Transport of Passengers by Air Service':

The Notification grants total exemption from payment of service tax in respect of taxable service viz. 'transport of passenger by air service' referred to in sub-clause (zzzo) of clause (105) of Section 65 of the Act, 1994 as amended in respect of the passengers embarking on a journey originating or terminating in an airport located in the North-Eastern States and the Airport of Baghdogra located in the State of West Bengal. :

The Notification shall come into force on 1st July, 2010.

Comments:

The Notification is in pursuance of the announcement made by the Finance Minister during the course of debate on the Bill moved in Lok Sabha on 29.04.2010. The Finance Minister had announced that the air travel to the North-East States will be wholly exempt from the levy of service tax.

However, the grant of exemption may create difficulties for the 'aircraft operators' from an unexpected quarter and that is, Rule 6 of the CCR, 2004. The Aircraft Operators are entitled to avail the Cenvat Credit of service tax paid on various 'input services' as defined in Rule 2 (l) of CCR, 2004. However, they may find it difficult to comply with the requirements of sub-rule (2) or sub-rule (3) or sub-rule (3A) of Rule 6 of CCR, 2004 in case common input services are utilized for providing the 'taxable' output service and the 'output service' exempted in terms of the above Notification. Consequently, the very purpose of the Notification may stand defeated.

(5) Not. No. 28/10-ST dated 22.06.2010 relating to 'Construction of Complex Service':

The Notification exempts the taxable service of 'Construction of Complex' referred to in sub-clause (zzzh) of Clause (105) of Section 65 of the Act when provided to Jawaharlal Nehru National Urban Renewal Mission and Rajiv Awaas Yojana from the whole of the service tax leviable thereon.

The Notification comes into force on 1st July, 2010.

Comments:

The Finance Act, 2010 has significantly expanded the scope of the taxable service viz. 'Construction of (residential) Complex Service' and also 'Commercial or Industrial Construction Service' by inserting an Explanation to Section 65(105) (zzzh) and Section 65 (105)(zzq) of the Act, as the case may be.

However, the Finance Minister, during his debate on the Bill in Lok Sabha on 29.04.2010, had announced that low cost housing schemes for the urban poor under JNNURM & RAY would be wholly exempt from the levy of service tax.

The above Notification has been issued in keeping with the announcement made by the Finance Minister.

The drafting of the Notification however, leaves much to be desired. The Notification grants exemption to the taxable service of construction of complex when **provided to** JNNURM & RAY. But then 'JNNURM' and 'RAY' are the schemes announced by the Ministry of Urban Development & Ministry of Housing & Urban Poverty Alleviation respectively for the purpose of fast track planned development of identified cities and for the slum dwellers and the urban poor, as the case may be. These schemes are implemented at the State level by the designated nodal agency within the framework and subject to the guidelines and conditions prescribed by the concerned Ministry. The contract for the construction of low cost housing for economically weaker section in terms of JNNURM would generally be between the contractor i.e. the builder and the said nodal agency. Also, the work may be sub-contracted by the contractor to various agencies. The houses will be allotted to the eligible candidates who are generally selected through draw or lottery system and there will be a separate contract between such candidate i.e. the prospective buyer and the concerned nodal agency.

Under these circumstances, the issues relating to availability of exemption in terms of the Notification to the sub-contractors and/or in respect of the agreement between the nodal agency and the prospective buyer may arise since it cannot be said that the taxable services in such cases have been **provided to JNNURM & RAY**. The department may even question the applicability of exemption to the main contractor himself on the ground that he provides services to the nodal agency and not to JNNURM & RAY!

The language of the Notification therefore needs a re-look and what ought to be prescribed is the grant of exemption to taxable service in relation to construction of complex provided by any person to another person in terms of or under JNNURM & RAY.

(6) Not. No. 29/2010-ST dated 22.06.2010 relating to 'Commercial or Industrial Construction Service' and 'Construction of Complex Service':

Vide this Notification, Notification No. 1/2006-ST dated 01.03.2006 has been amended and separate entries have been inserted therein so as to provide the abatement of 75% from the gross value charged for the taxable service viz. 'Commercial or Industrial Construction Service' or 'Construction of (Residential) Complex Service' provided by any service provider to any person.

The benefit of abatement of 75% shall be admissible subject to the following conditions:

(a) The exemption will not apply in case of services which are entirely in the nature of 'completion and finishing services' referred to in Section 65 (25b) (c) of the Act in relation to 'Commercial or

The benefit of concessional rate of service tax is available in case of international travel only if the same is undertaken in 'economy class' and not to the travel in first class or business class etc.

Industrial Building or Civil Structure' or Section 65 (30a)(b) of the Act in relation to 'Residential Complex';

(b) The gross amount charged shall include the value of goods and materials supplied or provided or used for providing the taxable service by the service provider;

(c) The exemption or abatement shall be subject to non-availment of Cenvat credit of duty paid on inputs or capital goods or of service tax paid on input services, used for providing the said taxable service and also non-availment of the benefit of Notification No. 12/2003-ST dated 20.06.2003;

(d) The exemption shall not apply where the cost of land has been separately recovered from the buyer by the builder or his representative.

The Notification shall come into force on 1st July, 2010.

Comments:

The Notification, in effect, provides a higher abatement of 75% in case of the aforesaid two taxable services viz. 'Commercial or Industrial Construction Service' and 'Construction of Complex Service' subject to the fulfillment of the prescribed conditions. In other words, the service tax would be leviable on 25% of the gross amount charged for providing such construction service.

This marginal relief had been announced by the Finance Minister while replying to the debate on the Bill moved in Lok Sabha on 29.04.2010 and the Notification has been issued in keeping with the said announcement.

What is however, significant to note here is that the benefit of higher abatement will be admissible only if the cost of land is also included in the gross amount charged by the builder or his representative to the prospective buyer of the unit in the commercial/industrial/residential complex. This is going to hurt the realty sector real hard as the cost of land undisputedly forms a major component of cost of the construction on which stamp duty is also paid. In case, the cost of land is separately recovered by the builder, then the abatement of 67% will only be available in terms of Notification No. 1/2006-ST (Sr. No. 7 and 10 refers) subject to the fulfillment of the specified conditions. By implications, the Board has assumed cost of land to be 8% which is not only absurd, but also abysmally low. Such marginal increase in the percentage of abatement may not greatly benefit the sector.

Moreover, the issue about levy of service tax, directly or indirectly, on the cost of land is also highly debatable. Viewed in the context of the provisions of Section 67 of the Act relating to 'valuation of taxable service', the inclusion of cost of land in the 'gross amount charged' and levy of service tax thereon appears to be improper and without authority of law.

Here, the reference can be made to the clarification issued by the Board, vide its earlier Circular F. No. B1/6/2005-TRU dated 27.07.2005 as under:

"13.6 The taxable service is the service provided in relation to construction of a residential complex. Service tax would be payable only on the gross amount charged by the service provider for the construction service provided and it would not include the cost of land and stamp duty paid for the registration of land….".

The Board has now taken a neat summersault in the matter and mandated the inclusion of cost of land in the value of taxable service presumably on the pretext of higher percentage of abatement. This is not only unjustified, but also unconstitutional since it is only the States who have the powers to levy any tax on 'land and buildings'.

One may have to wait and see whether the realty sector falls for this dangling carrot of higher percentage of abatement or would merely say 'Sorry, we are not amused!' and knock the doors of the Courts challenging the levy.

(7) Not. No. 30/2010-ST dated 22.06.2010 relating to 'Sponsorship Service':

The Notification exempts the taxable service viz. 'Sponsorship Service' referred to in sub-clause (zzzn) of sub-section (105) of Section 65 of the Act, when provided for certain specified tournaments or championships organized by the specified bodies.

The Notification comes into force on 1st July, 2010.

Comments:

The 'Sponsorship Service' in relation to 'sports' was hitherto excluded from the scope of 'taxable service' as defined vide sub-clause (zzzn) of Section 65 (105) of the Act.

The said sub-clause (zzzn) has been substituted by a new sub-clause (zzzn) vide the Finance Act, 2010 and the exclusion provided to sponsorship pertaining to sports has been removed.

The Board has however, identified certain tournaments or championships organized by certain bodies for the purposes of exemption and vide the aforesaid Notification, exemption has been granted to the same. The names of 'Board of Control for Cricket in India' (BCCI) and 'Indian Premiere League' (IPL) are 'conspicuous by its absence' in the Notification. But then, the whole idea behind removing the exclusion hitherto provided to 'sports sponsorship' is to bring these two bodies earning substantial profits from their respective activities under the levy, isn't it ?

(8) Not. No. 31/2010-ST dated 22.06.2010 relating to 'Port Service' and 'Airport Service':

The Notification grants total exemption from payment of service tax to certain specified services when provided within a port or an airport.

The Notification comes into force on 1st July,2010.

Comments:

The statutory provisions of the Act relating to 'Port Service', 'Other Port Services' and 'Airports Services' have been comprehensively amended vide the Finance Act, 2010.

Under the amended provisions, the pre-condition that the service provider, to attract the levy, should either be port authority or other port or airports authority or any person authorized by such authority has been removed. Any person providing services in a port area or other port area or Airport or a civil enclave will be considered as a 'service provider' and liable for payment of service tax under 'Port Services' or 'Other Port Services' or 'Airport Services', as the case may be.

The amendments, however, have some unintended consequences. The taxability of service is now based on the 'place of rendering service' i.e. whether 'Port area' or 'other port area' or 'Airport or Civil Enclave' and not the 'nature of service rendered'. Consequently, a service, otherwise not covered by the provisions of Section 66 of the Act and hence, 'not taxable' at all, will still attract the levy under 'Port Services' or 'Other Port Services' or 'Airport Services' only for the reason that such service is provided in port area or other port area or Airport or civil enclave. For instance, medical services provided by a Dispensary or Fire Brigade Services etc. may have attracted the levy of service tax under 'Port Services' if such services are provided in 'Port area'.

The aforesaid Notification seeks to address this problem by granting exemption to certain specified services provided within a port or an airport. However, the Notification is quite restrictive in nature and provides exemption to only selected services provided within a port or an airport.

Further, the provisions of Section 65A relating to classification of taxable service have been made inapplicable to the 'Port Services', 'Other Port Services' and 'Airport Services' under the amended provisions. Consequently, any service which is otherwise taxable under a particular category will be taxable as 'Port Services' or 'Other Port Services' or 'Airport Services' if rendered within 'Port area' or 'Other Port area' or 'Airport or Civil Enclave'. For instance, the taxable services of cargo handling, maintenance or repair, clearing and forwarding etc., if provided in a 'Port area' will be taxable as 'Port Services' and not under its respective taxable head. This would mean that a person will be required to discharge his tax liability under two different taxable categories merely on the basis of the 'place of rendering service' i.e within the 'Port area' or 'Other Port Area' or 'Airport' or outside it !

(9) Not. No. 32/2010-ST dated 22.06.2010 relating to 'Distribution of Electricity':

The Notification grants total exemption from payment of service tax to taxable service provided to any person, by a distribution licencee, a distribution franchisee or any other person by whatever name called, authorized to distribute power under the Electricity Act, 2003 (36 of 2003), for distribution of electricity.

The Notification has come into effect immediately i.e. from 22.06.2010.

Comments:

A unique thing about this Notification is that though it wholly exempts the 'taxable service' provided for 'distribution of electricity' from the payment of service tax, the relevant sub-clause of Section 65 (105) of the Act has not been specified under which such 'taxable service' falls.

In **M. P. Power Transmission Co. Ltd. V/s. CCE, Bhopal, 2008-TIOL-940-CESTAT-DEL.**, the issue of levy of service tax on the charges recovered by the Appellant-company for providing services by arranging transmission of electric energy had arisen.

The Appellate Tribunal, while hearing the stay application of the Appellant and ordering the partial pre-deposit, made the following prima facie observations:

"***12.*** *As mentioned above, there is no dispute that the appellant is providing service by arranging the transmission of electric energy in the manner that the transmission losses are minimal and energy of suitable voltage reaches the distribution points owned by DISCOMS and they are ultimately sold to various consumers. It is to be kept in mind that unlike other goods, electricity cannot be stored and, therefore, has to be instantly transmitted to various points to facilitate distribution.*

13. *Having considered the nature of the functions performed by the appellant within the frame work of the agreement and in the light of the provisions of the Electricity Act, we are clearly of the view that the services provided by the appellant are services in relation to support service of business or commerce. It may be noted that the expression "in relation to" occurs not only in sub-clause (zzzq), it also occurs in clause (104c). The words 'in any manner' in sub-clause (zzzq) also signify the legislative intent to include services provided "in any manner" by the provider of service.*

14. *The expression 'in relation to' is used by the legislature to widen the scope and dimension of the subject, in order to establish a greater nexus between the activity and the service implicit in the activity. …*

15. *We are of the view that the service provided by the appellant has a very close nexus with the activities of TRANSCO and DISCOMS; indeed, without the support of the appellant the business of generation and sale of electricity cannot be completed. The conclusion is, therefore, irresistible that the appellant is providing support service and is, therefore, liable to pay Service Tax."*

(10) Not. No. 33/2010-ST; Not. No. 34/2010-ST and Not. No. 35/2010-ST all dated 22.06.2010 relating to 'Transport of Goods by Rail Service':

Vide Notification No. 33/2010-ST, the Budgetary Notification No. 7/10-ST dated 27.02.2010 has been amended so as to continue the exemption provided to transportation of goods, in any manner by Indian Railways upto '1st January, 2011'.

For the benefit of uninitiated, it may be pointed out that vide Finance (No.2) Act, 2009 presented by the Finance Minister on 07.07.2009, the transportation of goods by rail in any manner was brought under the levy of service tax by substituting the existing sub-clause (zzzp) of Clause (105) of Section 65 of the FA with the new sub-clause (zzzp).

The amendment effectively meant that the transportation of goods by Indian Railways also attracted the levy. The amendment came into effect on 01.09.2009.

However, the Babus sitting in 'Rail Bhavan' were not really perturbed as they knew that their 'boss' – the indomitable Railway Minister – would not allow the levy see the 'light of the day'!

And that was what exactly happened ! 'Didi' prevailed upon 'Dada' and an exemption Not. No. 33/09-ST was issued on 01.09.2009 i.e. the date on which the provision came into force, exempting the service of transportation of goods by rail, in any manner, provided by government railways.

Through the Finance Bill, 2010, the Finance Minister once again made an attempt, albeit in an unobtrusive manner, to bring the transportation of goods by Indian Railways under the service tax net. This was done by rescinding Notification No. 33/2009-ST by Budgetary Notification No. 7/2010-ST effective from 01.04.2010. This would mean that effective from 01.04.2010, the transport of goods, in any manner, by Indian Railways would have attracted the levy of service tax.

'Dada' – a seasoned politician – obviously, did not announce this proposal in his Budget speech and quietly turned the table on 'Didi'! However, when the realization dawned upon 'Didi' – who was already smarting under the additional financial burden due to hike in the price of Diesel after the excise hike –, she started 'fuming' and 'fretting'! There was an instant demand for restoring the exemption though, 'Dada' initially was not in the mood to oblige.

However, the 'Didi' – probably being plodded and goaded by 'Babus' in Rail Bhavan – remained belligerent in her demand and finally 'Dada' relented. Vide Notification No. 20/10-ST dated 30.03.2010, Notification No. 07/10-ST was amended and the date of rescinding of Notification No. 33/09-ST was extended from '1st April, 2010' to '1st July, 2010'.

But then only a novice would have believed that the 'Didi' would allow the enforcement of levy from 1st July, 2010. The 'North Block' has once again given to the demand of 'Rail Bhavan' and the date has now been further pushed to '1st January, 2011'.

The moot question, however, here is - does the Finance Ministry expect to bring the 'Didi' in conciliatory mood in another six months over the issue of levy of service tax on Indian Railways ? And what is the revenue expected in two months if the levy is enforced on Indian Railways from 1st January, 2011? Isn't it better that the Finance Ministry 'throws in towel' and looks forward to bring the Indian Railways within GST fold in future ?

Interestingly, Dr.Vijay Kelkar, Chairman, Thirteenth Finance Commission, while addressing the ASSOCHAM 3rd National Conference on **"GST for Accelerated Economic Growth and Competitiveness"** had strongly suggested the inclusion of the rail sector as a possible step to expand the GST tax base. According to Dr. Kelkar, this will be necessary if a level playing field is to be provided to the road and air transportation sectors which will be subject to GST. The inclusion of rail sector, so goes the argument of Dr. Kelkar, will also ensure that all Interstate transportation of goods can be tracked through the proposed IT network. On the other hand, the railways themselves will benefit from this by availing input tax credit on the significant purchases being made by them, avers Dr. Kelkar.

Consequential amendments have also been made to Notification No. 8/2010-ST dated 27.02.2010 (exemption to transport of specified goods by rail) and Notification No. 9/2010-ST dated 27.02.2010 (providing abatement of 70% of the gross value of the freight) extending the effective date from '1st July, 2010' to '1st January, 2011'.

(11) MF (DR) Order No. 1/2010 dated 22.06.2010 relating to 'Commercial or Industrial Construction Service' and 'Construction of Complex Service':

This Order called as 'the Service Tax (Removal of Difficulty) Order, 2010' has been issued by the Central Government in exercise of the powers conferred on it under Section 95 (1) of the Act.

Vide this Order, the Central Government has notified, besides any Government authority, the following persons namely:

(1) Architects registered with the Council of Architecture constituted under the Architects Act, 1972;

(2) Chartered Engineers registered with the Institution of Engineers (India); or

(3) Licensed Surveyor of the respective local body of the city or town or village or development or planning authority

- who is authorized under the law to issue a Completion Certificate in respect of residential or commercial or industrial complex, as a pre-condition for its occupation.

Comments:

As stated above, the scope of the taxable service viz. 'Construction of Complex Service' and 'Commercial or Industrial Construction Service' has been significantly expanded vide the Finance Act, 2010 through the insertion of an Explanation to Section 65 (105)(zzzh) and Section 65 (105) (zzq) of the Act, as the case may be.

Through this Explanation, it has been provided that unless the entire consideration for the property is paid after the completion of construction (i.e. after issuance of completion certificate by the competent authority), the activity of construction would be deemed to be a taxable service provided by the builder/promoter/developer to the prospective buyer and the service tax would be charged accordingly.

The levy of service tax on the builders, promoters, developers etc. in this oblique manner instantly created 'hue and cry' throughout the country. The realty sector and the buyers have also been worried lot since the issue of completion certificate by the competent authority i.e. Government Agencies takes eternity. The Board was flooded with representations on this count and it also probably had dawned upon the Board the very impracticality of this condition and the serious consequences it may lead to.

The Board then promised, during the debates over the proposals of the Bill, to simplify the condition relating to issue of completion certificate by the competent authority.

The purpose is now sought to be achieved by the Board by notifying three independent professionals i.e. Architects, Chartered Engineers and Licensed Surveyors as 'competent authority' for the purposes of issue of completion certificate in respect of residential or commercial or industrial complex, as a pre-condition for its occupation, if authorized under any law.

But then will this 'Removal of Difficulty Order' remove the difficulties which would be experienced by the buyers buying the flat etc. during construction stage?

For instance, when a residential complex is under construction, an Architect may issue certificate regarding progressive completion of the work to facilitate the payment of prescribed installment by the buyer of the flat in such complex. In fact, such certificate is insisted upon by the Bank who has advanced the housing loan to the buyer and before releasing any installment in terms of the Agreement to the builder. It is only on the completion of the project that the Architect would issue a completion certificate which would be submitted by the builder to the concerned authorities, say MCGM in Mumbai, for the purpose of grant of 'completion certificate'.

In such a case, the prospective buyers would still end-up paying the service tax on the progressive payments being made by them to the builder as the 'completion certificate' would be issued by the Architect only on the completion of the entire project. Therefore, notifying Architect and other two professionals as 'competent authority' may not really serve any purpose. At best, it would only avoid the necessity of waiting for the grant of completion certificate by the Municipal authorities once the project is completed and nothing more beyond that. Â

"Is there any human activity that isn't taxed, licensed, regulated or restricted?" (Anon)

FOR THE ATTENTION OF MEMBERS

Membership and Certificate of Practice Fee for the year 2010-2011

Annual Membership Fee and Certificate of Practice Fee for the year 2010-2011 is payable on 1st April 2010. The schedule of fee is as under :

For Members **below** age of 65 years	**Rs.**
Associate Membership Fee	600
Fellow Membership Fee	1800
Certificate of Practice Fee	1600
For Members **above** age of 65 years	**Rs.**
Associate Membership Fee	450
Fellow Membership Fee	1300
Certificate of Practice Fee	1200

Payment by DD (cheque for only local clearing) favouring 'Secretary, The Institute of Chartered Accountants of India', payable at Chennai or if remitted to decentralized office payable at such locations. No direct remittance to New Delhi office. Members are advised to remit the fee at the earliest, For more details visit our website: www.icai.org

Regional Residential CPE Seminar at Courtallam

FRIDAY TO SUNDAY, AUGUST 6 TO 8, 2010

Organised by SIRC of ICAI – Host: Tirunelveli Branch of SIRC of ICAI

9.30 am – **Inauguration** by **Shri. A. Soorya Narayanan,** Chief Commissioner of Income-tax, Madurai

Topic	Speaker
Information systems risks and Cyber crime	**CA. R. Vittal Raj,** Chennai
LLP - Over view and Multi Disciplinary firms	**CA. Gopal Krishna Raju,** Chennai
Cenvat credit in Service Tax and Road Map to GST	**CA. Rajendra Kumar P.,** Chennai
Issues on TDS and Capital Gains	**CA. T. Banusekar,** Chennai
Audit and Assurance Standards	**CA. N. Ramesh Natarajan,** Coimbatore
Accounting Standards in Tax Audit	**CA. P.R. Suresh,** Bangalore
LLP - Practical Aspects of incorporation	**CS. S. Dhanapal,** Chennai
Company Law Settlement Scheme 2010 and Easy Exit Scheme 2010 - Panel Discussion	**CA. Gopal Krishna Raju** and **CS. S. Dhanapal**

FEE STRUCTURE

	Non A/c (Twin sharing basis)	A/c (Twin sharing basis)
Members	Rs.4,000	Rs.4,750
Accompanying person	Rs.3,250	Rs.4,000

- Children above 12 years full payment
- Children above 6 years and below 12 years - Rs.1,000 per Child
- Children below 6 years no payment

Restricted to 50 Resident Delegates

Non Residential Member	Rs 2,500
Non Residential Student	Rs.2,000

CPE Credit 14 Hours

Cheque/DD should be drawn in favour of 'Tirunelveli Branch of SIRC of ICAI' payable at Tirunelveli and sent to Tirunelveli Branch of SIRC of ICAI, 38-A, Angu Vilas Building, V.K. Road, Tirunelveli – 627001. Phone: 0462-2339554 – Email: tirunelveli@icai.org; Mobile: 94880 64060

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For further details please contact
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Shri. S. Ram Kumar at 044-30210321 – Email: sirc@icai.in

(Check in August 6, 2010 8.00 a.m.– Check out August 8, 2010 2.00 p.m.)
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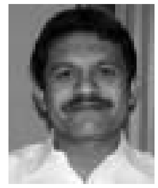
IMPORTANT ICAI ANNOUNCEMENT

(Please visit the link for full details)

EXAMINATION – Online Examination Application Form – ***For the attention of the Candidates who aspire to appear in various Chartered Accountancy (CA) Examinations scheduled during November, 2010.*** - In order to reduce the time taken in processing the OMR application forms and also to ensure accuracy in the data pertaining to Name, Registration No., Group/Centre/Medium opted, it has been decided to make the filling of Examination Application Forms **Online** at the url **http://icaiexam.icai.org/** as the only mode of application for various CA examinations with effect from May, 2011.The OMR format of exam application form will be discontinued effective from May, 2011 examinations. In other words from May, 2011 onwards application forms are required to be filled compulsorily and online. However for November, 2010 CA examinations submission of hard copies of the examination application forms will continue to be an option.

TO KNOW THE PROCESS OF E-FILING INCOME TAX RETURNS IN BULK

visit DIT's website http://www.incometaxindiaefiling.gov.in/ and refer DIT web services developer's guide .



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Auditors or Articles
– Effective Listening / Learning

Audit is a word derived from the latin word – auditus which means hearing which in the past was analogous to listening. In ancient times in India, Egypt audit existed. The accounts would be heard by a competent, highly regarded confidant of the king. The auditor would listen for inconsistencies, aberrations, mathematical accuracy, past and present comparison and the credibility of the person offering the statement and pass the accounts or require further investigation.

Our experience in the recent past is that most of the time most of us do not listen whether in professional areas or otherwise. It is not uncommon to hear the spouse complaining that nobody listens to her/him. In the work place the boss berates one for not listening. The principal feels that the articles do not listen. The client feels that the auditor has not considered his explanations at all inspite of explaining a number of times. The lecturer says that now a days student do not listen in class and are distracted. In this state of affairs a deeper look at this basic important aspect of life may provide some learning for all of us in our academic, professional and personal lives.

Objectives of listening

The objectives of listening in different circumstances could be different for different people. Some of the common ones are:

< To understanding what others are saying
< To respond appropriately to questions/ observations
< To fulfill the informational/ knowledge needs
< To learn (seminar, classes)
< To enjoy oneself (great inspirational speaker, music)

Suggested methodology for Listening Fully

The possible steps to more effective listening could be: undivided focus/ attention; appearance of listening; avoiding judgments; and respond appropriately.

The objectives of listening in different circumstances could be different for different people.

How to Focus / Provided undivided attention

a. Look at the speaker directly while listening: This limits the possible distractions of others / views.
b. Have an inviting body language to encourage the speaker to feel free to communicate.
c. Be open minded and willing to listen.
d. Do not side talk to people next to you and do not encourage that from others.
e. Listen to the body language of the speaker and many unsaid personal views (may be relevant or not) would be observed.
f. Avoid circumstantial disturbance. { Cell phone, telephone, visitors, simultaneous appointments, people walking into room etc.}

Appearance of Attention

Normally human beings follow signals indicating some action. For example puffing up the chest and looking up gives us a feeling that things are great. Once we appear to be listening, automatically real listening would follow.

a. Have a positive body posture
b. Nod occasionally
c. Don't interrupt
d. Agree to listen to the speaker even if you have different views
e. Have a smiling countenance
f. At end ask clear and open ended questions and avoid argumentative ones.

Avoid Judgment

All human being are essentially judging at almost all times either positively or negatively. This leads to conclusions which may not be what the speaker intended to convey. The possible ways to avoid this are:

a. Don't start from beliefs / past knowledge
b. Don't assume knowledge of what is being spoken (may be there is something I can learn today could be the thought)
c. Postpone judgment or defer or drop the judgments as they come up (normally this in instinctive and invariable for all of us) during the time when other is speaking

Responding Appropriately

Most often our agreement / and more specifically disagreement clouds our listening. Some tips could be:

a. Show respect – avoid holier than thou attitude
b. Involve with the speech and avoid ignoring
c. Acknowledge the contribution

In conclusion listen to people the way you would like to listened to i.e. fully, respectfully and in an interactive manner. The benefits of listening would be ease in passing exams, great relationships with people whether at home/ office or friends. Great leader whom we meet would exhibit this quality which leads to them having a equally great listening in the society. Wish you all great listening for an empowered and joyous communication. Â

CA. M.C. Joseph
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Mutuality v/s Charity

Service for self v/s Service above Self

MUTUALITY:-

Where the services of a Mutual Concern (Club) are given to the members only and the sources of revenue arise from the members, there cannot be a tax on the excess of income on the principle that a person cannot make income from a transaction with himself.

Under the Income Tax Act what is taxed is "income, profits and gains-earned or arising, accruing to a "person". In the case of a members' club in rendering various services to its members which result in a surplus, the club can be said to "have earned income or profits". Whether such income is chargeable to tax?

In Halsbury's Laws of England it is stated as follows:-

"Where a number of persons combine together and contribute to a common fund for the financing of some venture or object and will in this respect have no dealings or relations with any outside body, then any surplus returned to those persons cannot be regarded in any sense as profit. There must be complete identity between the contributors and the participators. If these requirements are fulfilled, it is immaterial what particular form the association takes. Trading between persons associating together in this way does not give rise to profits which are chargeable to tax.

Where the trade or activity is mutual, the fact that, as regards certain activities, certain members only of the association take advantage of the facilities which it offers does not affect the mutuality of the enterprise.

Members' clubs are an example of a mutual undertaking; but, where a club extends facilities to non-members, to that extent the element of mutuality is wanting…." Refer 226 ITR Page 101GH, 102A.

In CIT V BANKIPUR CLUB LTD (SC) 226 ITR 97, it was observed:

Now, we turn to the main question canvassed by the Revenue in the appeals coming under Groups-A to D, namely, whether the assesses -mutual club, are entitled to exemption for the receipts or surplus arising from the sales of

As a person cannot make income from a transaction with himself, a mutual concern cannot be taxed in respect of its income.

drinks, refreshments, etc., or amounts received by way of rent for letting out the buildings or amounts received by way of admission fees, periodical subscriptions and receipts of similar nature, from its members? In all these cases, the Appellate Tribunal as also the High Court have found that the amounts received by the clubs were for supply of drinks , refreshments or other goods as also the letting out of building for rent or the amounts received by way of admission fees, periodical subscription, etc; from the members of the clubs were only for /towards charges for the privileges, conveniences and amenities provided to the members, which they were entitled to as per the rules and regulations of the respective clubs. It has also been found that different clubs realized various sums on the above counts only to afford to their members the usual privileges, advantages, conveniences and accommodation. In other words, the services offered on the above counts were not done with any profit motive, and were not tainted with commerciality. The facilities were offered only as a matter of convenience for the use of the members (and their friends, if any, availing of the facilities occasionally).

In the light of the above findings, it necessarily follows that the receipts for the various facilities extended by the clubs to their members, as stated hereinabove, as part of the usual privileges, advantages and conveniences, attached to the membership of the club, cannot be said to be "a trading activity". The surplus-excess of receipts over the expenditure-as a result of mutual arrangement, cannot be said to be "income" for the purpose of the Act." Refer 226 ITR Page 109M 110 A to E.

As a person cannot make income from a transaction with himself, a mutual concern cannot be taxed in respect of its income. This is because such income does not come from an outside source. For income from mutual activity to be exempt from tax, the following conditions should be satisfied :{CIT v. Bankipur Club Ltd. [1997]226 ITR 97 (SC and Chelmsford Club v. CIT [2000] 243 ITR 89 (SC);}.

(a) There should be complete identity of the contributors to the fund and the recipients from the fund.

(b) The treatment of the company, though incorporated, should be as a mere entity for the convenience of the members. In other words, the entity should be treated as an instrument obedient to the mandate of its members.

(c) The contributors should not derive profits from contributors made by themselves.The surplus should only be either expended or returned to them.

(d) The arrangement between the concern and its members should be non-trading in character.

If these requirements are fulfilled, income from such activity is not taxable and it is immaterial what particular form the association takes. Where the activity is mutual, the fact that, as regards certain activities, certain members only of the association take advantage of the facility it offers, does not effect the mutuality of the enterprise.

In the following cases, however, income from a mutual activity is taxable under the specific provisions of the Act:

(a) Profits and gains of any insurance business carried on by a mutual insurance company/co-operative society 2(24)vii.

(b) Income from trade, professional or similar association from specific services performed for its members, even if the income is from mutual activity[clause(iii) of Section 28].

CHARITY:-

"Charitable Purpose"

[S.2 (15) "Charitable purpose" includes relief of the poor, education, medical relief, [preservation of environment (including watersheds, forest and wildlife) and preservation of monuments or places or objects of artistic or historic interests,] and the advancement of any other object of general public utility:

Provided that the advancement of any other object of general public utility shall not be a charitable purpose, if it involves the carrying on of any activity in the nature of trade, commerce or business, of rendering any services in relation to any trade, business or business, for a cess or fee or any other consideration, irrespective of the nature of use or application, or retention, of the income from such activity;]

[Provided further that the first proviso shall not apply if the aggregate value of the receipts from the activities referred to therein is ten lakh rupees or less in the previous year;]

S.11 (4A) Sub-section (1) or sub-section (2) or sub-section (3) or sub-section (3A) shall not apply in relation to any income of a trust or an institution, being profits and gains of business, unless the business is incidental to the attainment of the objectives of the trust or, as the case may be, institution, and separate books of account are maintained by such trust or institution in respect of such business.

That means the restrictions contained in proviso to S 2(15) is applicable only to business activity conducted under the object of "advancement of any other object of general public utility".

S.11 of the Income Tax Act grants exemption for the income of charitable / religious trusts if registered with the commissioner of income tax and the accounts are audited as given in S.12A 1(a) & (b).

Income Exempt:-

a) Income derived from property held under trust wholly for charitable or religious purposes, to the extent to which such income is applied in to such purposes in India.

b) Option exercised under clause 2 of explanation to Section 11(1) for income deemed to have been applied for charitable / religious purposes.

c) Income accumulated not in excess of 15 per cent.

d) Income in the form of voluntary contributions made with a specific direction that they shall form part of the corpus of the trust or institution.

e) Capital gains on sale proceeds of capital asset invested in a new capital asset.

f) Income accumulated for specified purposes under Section 11 (2) etc. etc.

Thus it can be noted that only such income derived from the property held under trust wholly for charitable or religious purposes is exempt. If the property is held in part only for such purposes, it is necessary that such a trust must have been created before the commencement of the I.T Act, 1961. In both the cases, the exemption is limited to the extent such income is applied in India for such specified purposes.

The definition of "Charitable purpose" includes "any other object of general public utility". The question arises as to what is an object of "general public utility". The expression has not been defined anywhere in the act.

The supreme court in the case if CIT v. Andhra Chamber of Commerce [1965] 55 ITR 722(SC) held that the advancement or promotion of trade, commerce and industry leading to economic prosperity ensured for the benefit of the entire community. That prosperity would be shared also by those who were engaged in a trade, commerce and industry. But on that account the property was rendered anything less than an object of general public utility. So, when the principal object of a chamber of commerce was to promote and protect the trade, commerce and industry in India or any part thereof, the Supreme Court held that the said object was of general public utility.

The expression "objects of general public utility", however, is not restricted to objects beneficial to the whole of mankind. An object beneficial to a section of the public could also be treated as an object of general public utility.

The Bombay High Court held in Bar Council of Maharashtra v. CIT [1980] 126 ITR 27 (Bom.) that the word "general" in Section 2 (15) means pertaining to a whole class, the word 'public' means the body of people at large and the word "utility" means usefulness. Thus the advancement of any object beneficial to the public or section of the public as distinguished from an individual or group of individuals would be a charitable purpose. The State Bar Council was held to be body constituted for general public utility and its income would be entitled to exemption under Section 11.The Supreme Court affirmed decision of the High Court when the case came up in appeal in CIT v. Bar Council of Maharashtra [1981] 130 ITR 28 (SC).

Thus it can be seen that because of Mutuality income of a Club is not taxable and being a public charity registered u/s 12AA of the Income Tax Act a charitable trust gets exemption for its income. Â

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Legal Decisions Update – Direct Taxes

Ranjit Narang v. CIT – 317 ITR 332 All

An assessee deposits net sale consideration received for transfer of a long term capital asset, into prescribed capital gain scheme. He fails to utilize the deposited amount for acquiring a required new asset, within the stipulated period of three years. Capital gain becomes chargeable not in the year of sale, but only in the year, in which the specified period of three years expires.

Risal Singh and another v. Union of India & Others – 321 ITR 251 P&H

Section 194 LA does not permit income tax to be deducted at source paid out of compensation for acquiring an agricultural land. In a case where the concerned official made such deduction, the High Court held it as illegal and directed the Income-tax department to refund the amount within a month's time. Department's request for time till completion of assessment proceedings was negatived.

CIT vs. Nalwa Investment Ltd – 322 ITR 233 Del

An assessee furnishes a return of income within the statutorily allowed time, claiming a loss. An increased amount of loss is claimed later during the assessment proceedings. Assessing Officer is not correct if he restricts the loss only to the amount originally claimed in the Return.

G K Ramamurthi vs. JCIT – 129 TTJ at 486 Visaka

An assessee derived Long Term Capital Gain on sale of listed shares, which was exempt under section 10(38). He also incurred a Long Term Capital Loss. Whether to set off the two against each other, and consider the net loss for being carried forward to succeeding years, was a point of dispute. The department's claim for such set off was negatived and the gross loss allowed to be carried forward, after considering provisions of Sections 70(3) and 74(1).

Chennai AT in Smt Susila Ramasamy vs. ACIT – 130 TTJ 363

In the case of investments made in India out of funds brought from abroad through banking channels, the onus on the assessee under section 69 stands discharged (claims of gifts from abroad through banking channels have however been rejected in many cases).

130 TTJ 42 Ahd

Deeming provisions of Section 132(4A) regarding presumption of ownership of seized materials, their true nature etc. apply only when they are seized from the assessee and not from any other person. Â

CHANGE OF OFFICE & IIT LAB ADDRESS OF
RAJAMAHENDRAVARAM BRANCH

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Near Gokavaram Bus Stand
Rajamahendravaram - 533104
Telephone: 0883 - 2472488
E-mail: rajamahendravaram@icai.org; riyicai@yahoo.co.in

NEW BRANCH OF SICASA AT **NELLORE**

Council of the Institute has notified the setting up of a Branch of Southern India Chartered Accountants Students' Association (SICASA) at Nellore w.e.f. March 27, 2010 and the Branch shall be known as Nellore Branch of Southern India Chartered Accountants Students' Association. The address of Nellore SICASA is as under:

Nellore Branch of SICASA
16-2/126, Kasturidevi Nagar
Upstairs "Ravi Diabetes Research Centre"
Pogathota
Nellore - 524001

INDEPENDENCE DAY CELEBRATIONS

SUNDAY, THE 15TH AUGUST 2010

National Flag Hoisting (8.15 a.m.)
at the Lawns of the Institute's Premises (ICAI Bhawan, Chennai)
by
CA. Babu Abraham Kallivayalil, Chairman, SIRC of ICAI

Special Address for CPT, PCC and Final Students (7.30 a.m.)
by Eminent Personalities / Faculty
at P. Brahmayya Memorial Hall, ICAI Bhawan, Chennai

Prof. N.S. Govindan
Chennai
nsgovindan@hotmail.com

Legal Decisions Update – Indirect Taxes

VAT – "Export" Refund – Sara Leather – 2009-10 (15) TNCTJ 201 Madras HC

VAT paid on purchases [ITC – Input Tax Credit] is refundable if the goods are sold in the course of export. The seller charged the exporter VAT @ 12.5% instead of at the correct rate of 4%. Accordingly the exporter took credit (ITC) @ 12.5%. - **Issue:** Is the exporter eligible for refund of tax actually paid @ 12.5% or refund of the tax correctly payable @ 4%. – **Held:** Refund the amount of tax paid @ 12.5% - Do not limit the refund to 4% - For excess charging, take action against the seller [Do not punish the buyer] – **Effect**: Exporter can get full refund of tax paid (ITC) - Principle applies to all States.

CENTRAL EXCISE – Cenvat [(Cr. Rule 2(k)) – Vandana Global Ltd. 2010 – TIOL – 624 – T – Delhi (LB)

According to Notification No. 16/2009-CE(NT) Dt. 7-7-09, amending Explanation – 2 under Credit Rule 2(k), input "shall not include cement, angles, channels, CTD bars, TMT bars and other items used for construction of factory shed, building or laying of foundation or making of structures for support of capital goods". - **Issue:** Is the amendment prospective or retrospective in effect? – **Held:** Retrospective? Why? Because the explanation (including the amendment) is **clarificatory** in nature. – **Effect:** No credit for such goods purchased before 7-7-2009 (D/o Notification) also.

Penalty u/s 11AC

Explanation 3 u/s 11A(2B) of Central Excise, Act, 1944 (Introduced through Finance Act, 2010). What is the need for this new explanation? According to ***Rajasthan Spinning and Weaving Mills [2009 (238) ELT 3 (SC)]***, penalty u/s 11AC is leviable, even if the differential duty is paid before issue of SCN. - Though this judgement is favourable to Revenue, yet the "penalty" provision has been deleted to lure assessees engaged in "suppression and evasion" (Hereafter referred to as "bad boys" for easy reference) to come forward to pay duty - **Note:** According to Explanation 1 u/s 11A(2B), the benefit of *suo motu* payment i.e., paying duty before issue of SCN is not available to "bad boys". - As long as this preventive provision against the interest of "bad boys" exists, the new provision making the "bad boys" not suffer penalty becomes meaningless. - Central Government may make a *de novo* review of these provisions and make suitable amendments.

SERVICE TAX – Cenvat (Cr. Rule 6(3)) – Orion Appliances Ltd (T. Ahmedabad) [Appeal No. ST/120/09 – D/o orders 7-5-2010]

Assessee uses rented premises for providing taxable service as well as for trading activities. - **Issue:** Is it necessary to reverse Cenvat Credit availed on the premises, as no Service Tax is paid on the trading activities? – **Held:** Credit need not be reversed! Why? Reversal is called for only in respect of exempted services (Trading is not a service at all. Credit Rule 6(3) has no application).

S. 65(105(zzzz) Renting of immovable property (1-6-07)

This provision was struck down by Delhi High Court in Home Solution Retail India Ltd [2009 (237) ELT 209 (Delhi). Government has gone on appeal to Supreme Court. However, to bring "renting of immovable property" under tax-net the definition was suitably amended retrospectively wef 1-6-07, through Finance Act, 2010. In Trent Ltd [WPMP No. 15963 of 2010 in WP12681 of 2010] the Andhra Pradesh High Court has granted temporary stay for the retrospective effect sought to be given through Finance Act, 2010. - **Note:** Matter is pending in Supreme Court. AP High Court stay is temporary. Stay applies to AP HC jurisdiction only. Let us sit fingers crossed looking for the verdict of Apex Court.

e-governance in indirect taxes

e-governance is the order of the day in any area. Paper work has now come to minimum. Government is keen on bringing e-governance. From the current financial year, a major leap has been taken by Government in the administration of indirect taxes. The table below (see Figure 1) is meant to drive home the point in Central Excise and Service Tax. **Note:** Earlier the limit was Rs. 50 lakhs. The limit has been brought down to Rs. 10 lakhs. Now most of the assessees have been brought under e-governance. Â

(Figure 1)

Sl No.	Rule No.	Nature of assessee	Prescription	From what date	Authority
1	CE Rule 8	Duty paid last year (Cenvat A/c plus PLA) = Rs. 10 lakhs or more	e-payment of duty	1-4-2010	N. 4/2010 dt. 19-2-2010
2	CE Rules 12	Duty paid last year (Cenvat A/c plus PLA) = Rs. 10 lakhs or more	e-filing of returns (monthly / Quarterly)	1-4-2010	N. 4/2010 dt. 19-2-2010
3	CE Rule 12(2)(a)	Duty paid last year (Cenvat A/c plus PLA) = Rs. 10 lakhs or more	e-filing of Annual Financial Information Statement	1-6-2010	N. 20/2010 dt. 18-5-2010
4	CE Rule 17(3)	Duty paid last year (Cenvat A/c plus PLA) = Rs. 10 lakhs or more (EOU, EHTP, STP etc.)	e-filing of monthly returns	1-6-2010	N. 20/2010 dt. 18-5-2010
5	Cr. Rule (9)(8)	All I/II stage dealers	e-filing of Quarterly returns	1-6-2010	N. 2/2010 dt. 18-5-2010
6	Cr Rule 9A(1)	Duty paid last year = Rs. 10 lakhs or more	e-filing of principal inputs statement	1-6-2010	N. 2/2010 dt. 18-5-2010
7	Cr Rule 9A(3)	Duty paid last year = Rs. 10 lakhs or more	e-filing of monthly returns	1-6-2010	N. 2/2010 dt. 18-5-2010

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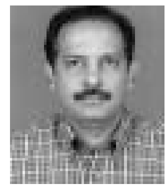
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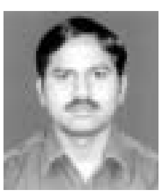
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CA. M.V. Prasanna
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CA. K. Lakshman Rao
Shimoga
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CA. Karunakar Tota
Warangal
0 98498 00707

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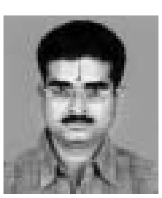
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CA. KR Veerappan
Karaikudi
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CA. CH. Srinivas
Khammam
0 98855 18569


CA. R. Muralee Mohanan
Pandalam
0 94470 42077


CA. S.Chandrashekhar Patel
Raichur
0 94483 03339


CA. K.C.Anantharaman
Udumalpet
0 94430 62363

REGIONAL RESIDENTIAL SEMINAR AT ALLEPPEY HELD FROM JUNE 18 TO 20, 2010

CA. Babu Abraham Kallivayalil, *Chairman, SIRC inaugurating. (L-R): CA. Biju Narayanan, Secretary , Alleppey Br., CA. R. Sreenivasan, Past Treasurer, SIRC, CA. K.P. Paulson, CA. R. Krishnan, Resource Persons, CA. P.R. Aruloli, Treasurer, SIRC, CA. R. Udayavarma, Chairman, Alleppey Br., CA. VX Jose, Member, SIRC, Adv. Vaitheeswaran, Resource Person, CA. Gopal Krishna Raju, Member, SIRC.*

OFFICIAL VIST OF CHAIRMAN, SIRC TO TRICHUR BRANCH ON JUNE 21, 2010

CA. Babu Abraham Kallivayalil, *Chairman, SIRC addressing the Members. (L-R): CA. Geo Job, Secretary , Trichur Br., CA. Gopal Krishna Raju, Member, SIRC, CA. VX Jose, Member, SIRC, CA. P. Satheesan, Chairman, Trichur Branch, CA. K. Shanmukha Sundaram, Vice-Chairman, SIRC and CA. P.R. Aruloli, Treasurer, SIRC.*

NEWLY CONSTITUTED TIRUPATI BRANCH

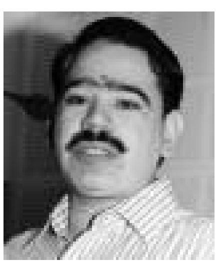
(34th Branch)

CA. V. Kamalakar, Chairman
098661 46702

BLOOD DONATION CAMP AT CHENNAI HELD ON JUNE 30 & JULY 1, 2010

CPE STUDY CIRCLE MEETING HELD IN THE MONTH OF JUNE 2010 AT CHENNAI.

June 2, 2010



CA. V. Ramnath
Coimbatore

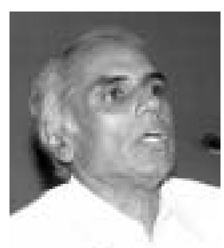
June 9, 2010

CA. Jomon K. George
Ernakulam

June 16, 2010

CA. S.D. Packiaraj
Madurai

June 23, 2010



CA. R. Murali
Chennai

June 30, 2010

CA. B. Prabhakar
Chennai

EXPORT OF GOODS AND SOFTWARE – REALISATION AND REPATRIATION OF EXPORT PROCEEDS – LIBERALISATION

RBI issued A.P.(DIR Series) Circular No.70 dated June 30, 2009 increasing the period of realisation and repatriation to India of the amount representing the full export value of goods or software exported, **from six months to twelve months** from the date of export, subject to review after one year. The issue has since been reviewed and it has been decided, in consultation with the Government of India, to extend the above relaxation up to March 31, 2011 vide A.P. (DIR Series) Circular No.57 dated June 29, 2010. ***Full text of the Circular is available at http://www.rbi.org.in/scripts/NotificationUser.aspx?Id=5749&Mode=0***

RAPID REVISION CLASSES

FOR PCC/IPCC & FINAL COURSES FOR NOVEMBER, 2010 EXAMINATIONS

The next Rapid Revision Classes for PCC/IPCC and Final Course students appearing November, 2010 Examinations will commence in **August, 2010.**

The details of dates and fees for the Rapid Revision Classes will be hosted in the SIRC website **www.sircoficai.org** very shortly. Phone: 044/30210322 - email: sircclasses@icai.in

REGIONAL TAX LAWS SEMINAR ON TAX PLANNING HELD ON JUNE 25, 2010 AT IMAGE AUDITORIUM, CHENNAI

CA. Babu Abraham Kallivayalil, *Chairman, SIRC inaugurating. (L-R): CA. E. Phalguna Kumar, Member, SIRC, CA. Jose Pottokaran, Past Chairman, SIRC, CA. G.V.V. Satyanarayana, Member, SIRC, CA. R. Balakrishnan, Past President, ICAI, CA. K. Shanmukha Sundaram, Vice-Chairman, SIRC, CA. Gopal Krishna Raju, Member, SIRC, CA. P.R. Aruloli, Treasurer, SIRC, CA. S. Murali, Member, SIRC, CA. C.S. Srinivas, Member, SIRC, CA. Sumermal D. Ostawal, Secretary, SIRC and CA. V.X. Jose, Member, SIRC.*

Resource Persons

CA.H.Padamchand Khincha
Bangalore

Dr. Girish Ahuja
New Delhi

CA. T. Banusekar
Chennai

CA. K.C. Devdas
Hyderabad

Chairman of Sessions

CA. R. Balakrishnan
Past President, ICAI

CA. R. Bupathy
Past President, ICAI

CA. S. Santhanakrishnan
Central Council Member, ICAI

CA. Rajendra Kumar P
Central Council Member ICAI

HALF DAY SEMINAR ON DIRECT TAX CODE HELD ON JUNE 26, 2010 AT CHENNAI

Shri K.S. Pathnia, *IRS, Chief Commissioner of Income Tax, Chennai –VI delivering inaugural address. (L-R): CA. P.R. Aruloli, Treasurer, SIRC,* ***CA. G. Ramaswamy,*** *Vice-President, ICAI and CA. Babu Abraham Kallivayalil, Chairman, SIRC.*

PANEL DISCUSSION: Panalists: (L-R): CA. T. Banusekar, Chennai, CA. Sriram Seshadri, Chennai, CA. G. Narayanaswamy, Chennai, Shri K.S. Pathnia, IRS, Chief Commissioner of Income Tax, Chennai –VI and CA. G. Subramanian, Chennai.

V. SANKAR AIYAR MEMORIAL LECTURE MEETING HELD ON JUNE 17, 2010 AT CHENNAI

(L-R): CA. Rajendra Kumar P, Central Council Member, ICAI, CA. Babu Abraham Kallivayalil, Chairman, SIRC, CA. P.R. Aruloli, Treasurer, SIRC, ***Shri Mani Shankar Aiyar,*** *Former Union Minister of Panchayati Raj and Development of the North Eastern Region, Member of Parliament,* ***Smt. Tara Ramkumar,*** *Eminent Social Worker, Bangalore and CA. Gopal Krishna Raju, Member, SIRC.*

Smt. Tara Ramkumar, *Eminent Social Worker, Bangalore delivering the Lecture on "Relevance of Social Justice & Social Development in India.*