NOTIFICATIONS AND CIRCULARS

DIRECT TAXES

1. *Notification No.1/2007 dated 4.1.2007*

Section 10(15)(vii) exempts interest on bonds specified by the Central Government by notification in the Official Gazette. Accordingly, the Central Government has, vide this notification, specified Tax Free Municipal Bonds for an amount of Rs.128 crores to be issued by Nagpur Municipal Corporation during the F.Y.2006-07, interest from which would be exempt under section 10(15)(vii). However, such benefit would be admissible only if the holder of such bonds registers his or her name and the holding with the Nagpur Municipal Corporation.

2. *Notification No.2/2007 dated 11.1.2007*

Deduction under section 80C is available in respect of any sum paid or deposited in the previous year by the assessee as subscription to any such deposit scheme of a public sector company which is engaged in providing long-term finance for construction or purchase of houses in India for residential purposes, as the Central Government may, by notification in the Official Gazette, specify in this behalf. This has been provided in clause (xvi)(a) of section 80C(2). Accordingly, the Central Government has, vide this notification, specified the Public Deposit Scheme of Housing and Urban Development Corporation Ltd. for an amount of Rs.1,000 crores.

3. *Notification No.3/2007 dated 15.1.2007*

The CBDT has notified the Income-tax (First Amendment) Rules, 2007 which has modified certain rules in Part XII of the Income-tax Rules, 1962 relating to recognised provident funds -

(i) Rule 67A relating to "Nomination" has been modified to exclude sisters and minor brothers from the meaning of "family" for the purpose of nomination.

(ii) Rule 71A has been inserted to provide that the conditions stipulated in rules 68, 69, 70 and 71 shall not apply in respect of withdrawals made after 1.4.2007 from a fund which fulfills the conditions stipulated in sub-rule (ea) of rule 4 of Part A of the Fourth Schedule to the Income-tax Act, 1961.

(iii) Rule 74 on "Accounts" and Rule 77 on "Application for recognition" have been amended. Form No.40C has been inserted in Appendix-II to the Income-tax Rules, 1962. The application for recognition should be furnished in Form No.40C and such form shall be verified in the manner specified therein.

(iv) Rule 79 on "Withdrawal of recognition" has been substituted to provide that the Chief Commissioner or Commissioner may withdraw recognition granted to a provident fund if it does not fulfil the conditions specified in part A of the Fourth Schedule to the Income-tax Act, 1961 or subsequent to grant of recognition under the Income-tax Act, the exemption granted under section 17 of the Employees' Provident Fund and Miscellaneous Provisions Act, 1952 is withdrawn. However, the Chief Commissioner or Commissioner should give the employer and the trustees of the fund an opportunity to show cause as to why recognition should not be withdrawn.

INDIRECT TAXES

A. Central Excise

I. Notification:

1. In pursuance of rule 12CC of the Central Excise Rules, 2002, and rule 12AA of the CENVAT Credit Rules, 2004, the Central Board of Excise and Customs has authorized Member (Central Excise), Central Board of Excise and Customs to issue orders in terms of Notification No.32/2006-CE(NT), dated 30.12.2006 **[Notification No. 1/2007-CE (N.T.) 19.01.2007].**

   Please refer Page 1224 of February 2007 issue of the Journal for Notification No. 32/2006 CE(N.T.) dated 30.12.2006.

II. Circulars:

1. **Circular No. 843/1/2007-CX dated 17.01.2007** has clarified that bulk sale of ice

cream in packages to hotel/catering industry etc. is required to comply with the provisions of Standards of Weight & Measures (Packaged Commodities) Rules, 1977, and accordingly, the assesee is required to declare the retail sale price on such packages. The Department of Consumer Affairs, Director (Legal Metrology) has opined that bulk sale of ice-cream in packages to hotel/catering industry etc., is not covered under Rule 34(a) of the Standards of Weight & Measures (Packaged Commodities) Rules, 1977 as ice cream cannot be treated as raw material and therefore the provisions of the standards of Weights and Measures Act and Packaged Commodities Rules, 1977 shall apply.

2. As per new Rule 16C of the Central Excise Rules, 2002, a manufacturer may be permitted to remove excisable goods manufactured by him for carrying out test or any process not amounting to manufacture to any other premises including to a job worker without payment of duty. For example, a manufacturer of HR/CR coil can send the products for cutting/slitting, even though said processes does not amount to manufacture as per the court decision. The said other person or a job worker may be a registered or unregistered person. The rule further provides that after carrying out specified processes, the goods can be cleared from the premises of the said other person or from the premises of the job worker on payment of duty. As per this rule, the Commissioner is empowered to give the said permission by prescribing certain conditions.

   In order to ensure uniformity in the conditions to be imposed by the Commissioner, it has been clarified vide **Circular No. 844/02/2007-CX dated 31.01.2007** that the procedure prescribed under sub-rules (2), (3), (4) & (9) of rule 12AA of the Central Excise Rules, 2002 should broadly be followed in such cases. However, proper records of receipt of goods, its use, nature of activities carried out, goods processed and cleared by the said other person or job worker should be maintained. Further, any waste/scrap arising at the premises of the said other person/job worker while carrying out the test/other processes should either be cleared on payment of duties or it should be returned back to principal manufacturer.

   As regards, the valuation of the goods cleared from the job worker's premise, it has been clarified that in such cases, the value at which the principal manufacturer (person who has sent the goods for test/carrying out processes) sells the final goods to the customer should be taken for payment of appropriate duty. This aspect would also be incorporated in the permission. Further, such permission would be given only in deserving cases and only for one financial year at a time.

B. Customs

I. Circulars:

1. **Circular No. 01/2007-Cus dated 03.01.2007** has clarified that the term "export of software" used in Notification No. 153/93-Cus includes all the activities of manufacture or development of software, data entry and conversion, data processing, data analysis and control data management or call center services for export as permitted under Notification No. 52/2003-Cus dated 31.03.2003.

   Goods are imported under Notification No. 153/93-Cus dated 13.08.2003 to create telematic infrastructure facility for Software Technology Park (STP). Units in STP operate under Notification No. 52/2003-Cus dated 31.03.2003, which permits duty free import of specified goods for setting up a STP unit for manufacture or development of software, data entry and conversion, data processing, data analysis and control data management or call center services for export.

2. **Circular No. 3/2007-Cus. dated 10.01.2007** has prescribed the following time limits for completion of adjudication of customs cases related to search/seizures:
   (i) for cases to be adjudicated within the competence of Commissioner of Customs or an Addl./ Joint Commissioner of Customs, one year from the date of service of the show cause notice;
   (ii) for cases to be adjudicated within the competence of Assistant Commissioner of Customs or Deputy Commissioner of Customs, six months from the date of service of the show cause notice;
   (iii) for cases to be adjudicated within the competence of a Gazetted Officer of Customs lower in rank than an Assistant Commissioner of Customs, three months from the date of serving of the show cause notice.

This time frame would apply to such cases which relate to seizure alone and not to those cases, which involve seizure as well as demand of duty under section 28, as such cases would be governed as per indicative time frame indicated under section 28(2A) of the Customs Act. In case the above time period cannot be observed in a particular case, the adjudicating officer shall keep his supervisory officer informed regarding the circumstances which prevented the observance of the above time frame, and the supervisory officer would fix an appropriate time frame for disposal of such cases and monitor their disposal accordingly.

3. **Circular No. 4/2007-Cus. dated 10.01.2007** has been issued with regards to monitoring of de novo customs adjudication cases. It prescribes that the field formations should take into account de novo cases remanded for re-adjudication by various appellate authorities as fresh receipts in the relevant records/register maintained for monitoring adjudication, and the competent authority should pass orders in such cases within six months/one year, as the case may be, in accordance with the guidelines prescribed under Section 28(2A) of the Customs Act, 1962.

   In case the above time period cannot be observed in a particular case, the adjudicating officer shall keep his supervisory officer informed regarding the circumstances which prevented the observance of the above time frame, and the supervisory officer would fix an appropriate time frame for disposal of such cases and monitor their disposal accordingly.

4. **Circular No. 5/2007-Cus. dated 10.01.2007** has clarified that the instructions contained in Circular No. 788/21/2004-CX dated 25.05.2004 issued from F. No. 208/41/2003-CX.6 regarding initiation of coercive action for the recovery of central excise duties would apply mutatis mutandis for the recovery of customs arrears as well.

5. **Circular No. 06/2007-Cus dated 22.01.2007** has prescribed the transshipment procedure between any two Customs Airports.

6. **Circular No. 08/2007-Cus dated 22.01.2007** has been issued regarding export of perishable cargo. Expeditious clearance of perishable export cargo is absolutely essential to maintain its quality, marketability and competitiveness in the international market. The Circular prescribes that no routine examination of perishable export cargo should be conducted by the field formations. Customs should resort to examination of such cargo only on the basis of credible intelligence or information. Whenever, on intelligence or information, it is considered necessary to open and examine a consignment, prior permission of Assistant/ Deputy Commissioner in charge of Airport/ Air Cargo Complex must be obtained. Thus, most of the perishable cargo would not require examination at the time of export. The cargo which is required to be taken up for examination should be given Customs clearance on the day itself, unless there is contravention of Customs Laws.

Ministry of Company Affairs

Notification – Accounting Standards

In exercise of the powers conferred by clause (a) of Sub-section (1) of section 642 of the Companies Act, 1956 (1 of 1956), read with sub-section (3C) of Section 211 and sub-section (1) of Section 210A of the said Act, the Central Government, in consultation with National Advisory Committee on Accounting Standards has notified the Companies (Accounting Standards) Rules, 2006 vide Notification No. G.S.R. 739(E) dated December 7, 2006.

By these rules, Central Government prescribes Accounting Standard 1 to 7 and 9 to 29 as recommended by the Institute of Chartered Accountants of India. Every Company as defined in Section 3 of the Companies Act, 1956 and its auditors are under an obligation to comply with the Accounting Standards in the manner specified in the notification.