Updates from Professional Development Directorate, ICWAI

1. PUBLICATIONS OF THE INSTITUTE OF COST AND WORKS ACCOUNTANTS OF INDIA

The Institute has brought out the following publications during 52nd National Cost Convention held at Chennai from 6th - 8th January, 2011:

1. Risk based Internal Audit & Concurrent Audit of Commercial Banks
2. Revised 6th Edition of Guidance Note on Valuation Audit under Central Excise Law
3. Revised 3rd Edition of Guidance Note on CENVAT Audit under Central Excise Law
4. Revised 2nd Edition of Guidance Note on Value Added Tax its Accounting & Auditing
5. Members' Handbook (for members in Practice and Employment)

The Institute has brought these publications after incorporating the latest developments with respect to respective Acts and Rules and relevant case laws have also been included under the various chapters of the Guidance Notes to guide the members to understand the intricacies of various issues.

These publications can be purchased from the Institute's Headquarters at Kolkata, Delhi Office and Regional Councils of the Institute.

2. DISCUSSION PAPER ON OUTSOURCING OF ACTIVITIES RELATED TO INTERMEDIATION SERVICES (SECURITIES AND EXCHANGE BOARD OF INDIA)

SEBI has prepared a discussion paper on outsourcing of activities related to the intermediation services. The paper proposes certain principles for outsourcing, and indicates activities presently being outsourced by the intermediaries along with the suggested list of activities which should not be outsourced by them.

Public comments have been invited by SEBI on the discussion paper .Specific comments / suggestions are sought on the following:

a. The principles for outsourcing,
b. The activities which can be outsourced,
c. The activities which cannot be outsourced,
d. To whom the activities can be outsourced,
e. The terms of outsourcing,
f. Responsibilities and obligations of the intermediary and the third party in respect of the outsourced activity towards clients, regulator and market,

The discussion paper is available at http://www.sebi.gov.in/commreport/outsourcing.pdf

3. ADDENDUM TO THE CIRCULAR NO. CIR/IMD/FIIC/1/2011 (SECURITIES EXCHANGE BOARD OF INDIA)

As per Circular No. CIR/IMD/FIIC/2/2011 dated January 18, 2011 SEBI has revised paragraph 4 of the Circular No. CIR/IMD/FIIC/1/2011. The word 'revised' as mentioned in the paragraph 4 subject line and text may be substituted with the word 'additional'. The reports shall now be submitted with such modification. Thus Paragraph 4 is replaced as follows:-

"Additional undertaking:-

"We undertake that the beneficial owner and the person(s) to whom the Offshore Derivative Instrument is issued in compliance with Regulation 15A of SEBI (FII) Regulations. We also

undertake that the KYC compliance norms have been followed for the beneficial owner of the Offshore Derivative Instrument" "

For full text of the Circular: http://www.sebi.gov.in/Index.jsp?contentDisp=Section&sec_id=3

4. SERVICE TAX EXEMPTION FOR JANATA PERSONAL ACCIDENT POLICY – REG. (CENTRAL BOARD OF EXCISE AND CUSTOMS)

The representation seeking clarification arises in the context of customized group insurance policy schemes known as JPAP, floated by various insurance companies as specified by state governments, to extend risk cover to certain specified target populations, under varying terms of insurance. Generally, a standard JPAP is an individual oriented policy with a fixed 'sum assured'. The sum assured in these JPAP policies is often as low as Rs. 25, 000/- , so that even people without regular income can afford to purchase a risk cover for themselves. For the insurers, JPAP offers a vehicle to fulfill the 'rural or social sector' obligation prescribed by the Insurance Regulatory Development Authority (IRDA). Since a description of JPAP Policy is not available in the relevant notification, it is clarified that customized group JPAP insurance schemes floated by various insurance companies as per the specifications of state governments concerned, to extend risk cover to target populations, and to fulfill the prescribed 'rural or social sector' obligation, are covered by the subject service tax exemption.
(Circular No. 133 / 2 / 2011 – ST DATED 18TH January, 2011)

For full text of the Circular: http://www.servicetax.gov.in/circular/st-circular11/st-circ-133-2k11.htm

5. CONSTITUTION OF DISPUTE RESOLUTION PANEL (CENTRAL BOARD OF DIRECT TAXES)

Central Board of Direct Taxes constituted a Dispute Resolution Panel comprising of three Commissioners of Income- Tax/ Directors of Income Tax as members with effect from 12th January, 2011 vide Order No. 1/FT & TR/2011 dated 12th January, 2011.

For full text of the Order:
http://www.irsofficersonline.org/Documents/OfficalCommunique/1114201140102.PDF

6. EXCHANGE TRADED DERIVATIVES (SECURITIES EXCHANGE BOARD OF INDIA)

SEBI issued a Master Circular vide Circular No. CIR/DNPD/7/2010 dated 31st December, 2010 consolidating all the applicable circulars issued on matters relating to Exchange Traded Derivatives as on 31st December, 2010. The Master Circular has been issued with a sunset clause of one year.

For full text of the Circular: http://www.sebi.gov.in/Index.jsp?contentDisp=Section&sec_id=3

7. EASY EXIT SCHEME, 2011 (MINISTRY OF CORPORATE AFFAIRS)

The Ministry of Corporate Affairs has re-launched the Scheme "Easy Exit Scheme, 2010" as **"Easy Exit Scheme, 2011"** which will be effected from 1st January, 2011 and shall remain in force upto 31st January, 2011.

Any defunct company having active status on Ministry of Corporate Affairs portal or any defunct company which is a Government Company may apply. However, the Scheme specifically excludes certain categories of companies from its ambit.

For full text of the Circular: F. No. 2/7/2010-CL V dated 3rd December, 2010 available at http://www.mca.gov.in/Ministry/latestnews/CircularEES_3dec2010.pdf)

8. ADDITIONAL FEES FOR DELAY IN FILING FORMS REVISED (MINISTRY OF CORPORATE AFFAIRS)

Ministry of Corporate Affairs (MCA) has revised additional fees levied for delays in filing Forms prescribed under Section 611(2) of Companies Act, 1956 vide Circular No. 2/7/2010-CL.V dated 22nd Nov. 2010. This Circular has been effected from 5th Dec. 2010. The additional fees is applicable according to the following table for delays in filing forms other than Form 5:-

Period of Delay	Fixed rate of additional fee
Upto 30 days	Two times of normal fee
More than 30 days and upto 60 days	Four times of normal fee
More than 60 days and upto 90 days	Six times of normal filing fee
More than 90 days	Nine times of normal filing fees

For full text of the Circular:
http://www.mca.gov.in/Ministry/latestnews/CircularFEE_22nov2010.pdf

9. APPLICATION OF PROVISIONS OF SECTION 5A(1A) OF THE CENTRAL EXCISE ACT, 1944-REG. (CENTRAL BOARD OF EXCISE & CUSTOMS)

It is clarified vide Circular No. 940/01/2011-CX dated 14th January, 2011 that in case the assessee pays any amount as Excise duty on unconditionally fully exempted goods, the same cannot be allowed as "CENVAT Credit" to the downstream units, as the amount paid by the assessee cannot be termed as "duty of excise" under Rule 3 of the CENVAT Credit Rules, 2004. The amount so paid by the assessee on exempted goods and collected from the buyers by representing it as "duty of excise" will have to be deposited with the Central Government in terms of Section 11D of the Central Excise Act, 1944 . Moreover, the CENVAT Credit of such amount utilized by downstream units also needs to be recovered in terms of the Rule 14 of the CENVAT Credit Rules, 2004.

For full text of the Circular: http://www.cbec.gov.in/excise/cx-circulars/cx-circulars-11/940-2k11cx.htm

NEWS ITEMS

10. NEW LAWS FOR MICRO FINANCE INSTITUTIONS (MFIs) UNLIKELY

The Goverment may not bring in a law to regulate Micro Finance Institutions (MFIs) in country, as a panel appointed by Reserve Bank of India has already proposed a roadmap for the sector.''If the RBI accepts its internal report and creates a special category for MFIs, there is no point in bringing a law'' the official said...

Source : The Economic Times dated 21st January 2011, New Delhi Edition, Section – Economy, http://epaper.timesofindia.com/Daily/skins/ETNEW/navigator.asp?Daily=ETD&showST=true&login=default&pub=ET&AW=1295605611890

11. RBI LIKELY TO RAISE INFLATION TARGET

The Reserve Bank of India (RBI) is certain to increase its inflation target in the third quarter review of the monetry policy next week. With food prices unlikely to moderate soon the country may see March-end inflation at eight per cent...

Source : Business Standard dated 21st January 2011, New Delhi Edition, Money & Markets (Section II)