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FINANCE BULLETIN

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EDITORIAL

Dear friends,

For all professional people who would like to keep a tab on major changes, the coming days are very important. Basically, besides many other changes that are planned to be implemented in a phased manner, four important topics would need to be taken note of. They are Direct Tax code (DTC) which would replace the IT Act 1961, IFRS implementation through convergence mode in a phased manner wef 1.4.2011, Companies Bill 2009 to replace the Companies Act 1956 and of course the fourth one - GST the implementation schedule of which is yet to be decided. DTC, IFRS related amendments and Companies Bill are going to be placed in the winter session of parliament and hence become very important to all of us to acquire in-depth knowledge of these to take care of our day to day operations and for tax planning and compliance etc.

Government had also appointed a committee to review the Transfer pricing rules which are implemented in India from 2001. Similarly major changes have been announced regarding the interest on PFs for non-moving accounts. Further, many operating rules relating to banks, import and exports, insurance businesses etc have been notified by the government/authorities which have impact on business and hence they have been covered in this issue of the Finance Bulletin.
Regards,
R.Satyanarayana

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QUOTES FOR THE MONTH

1. By empowering others, a leader does not decrease his power; instead, he may increase it- especially if the whole organization performs better.

- **ROSABETH MOSS KANTER**

2. The need for recognition, security, and sense of belonging is more important in determining a worker's morale and productivity than the physical conditions under which he works.

- **ELTON W MAYO**

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GENERAL

- **CPA exam outside USA:** In October 2010, the AICPA, NASBA, announced that for the first time in history, the Uniform CPA Examination will be offered outside of the United States. Beginning in the second half of 2011, the Exam will be offered in Bahrain, Japan, Kuwait, Lebanon, and the United Arab Emirates (UAE in view of increasing in demand for CPAs vide www.acpa.org.
- **Tax refunds in USA:** The Treasury Department (IRA) has introduced a Visa prepaid debit card that taxpayers can use to receive direct deposits of tax refunds. Under the pilot program, the Treasury will offer the cards to about 600,000 people as part of its effort to help taxpayers vide JournalofAccountancy.com.
- **Trademark Registration Fees:** The fees for filing application for registration of Trademark for a specification of goods or services included in one class has been increased from Rs 2500 to Rs 3500 wef 29th Dec,2010 vide CG/F/Public Notice/2010-11/128 dated 13.01.2011.
- **Refund on non-refundable air tickets**: Passengers can now cancel their non-refundable air tickets until two hours before departure and get a refund of taxes, fuel surcharge, passenger service fee and user development fee as per the decision taken between Airlines and Civil Aviation Advisory Council vide The Economic Times dated 22nd Jan, 2011.
- **EU visa:** The European Union will soon launch a 'Blue card' that will allow skilled professionals to travel between countries within the EU. "The scheme will be eligible for skilled professional workers around the world, including India. It will allow a skilled professional to move from one job to another across Europe without having to apply for a work visa The Hindu Businesslines dated 22nd Jan, 2011.
- **SSI registrations:** Registration of Small Scale Industrial Units (SSI) - SSI Registration is now replaced with filling of Memorandum(s) and undertaking under the MSMED Act, 2006
- **ICICI Bank New Branches:** ICICI Bank will add 400-500 branches annually over the next three years and focus on financing infrastructure projects in road and power vide ICICI Bank Managing Director and CEO Ms Chanda Kochhar as told to PTI in an interview.
- **Demat trading in agricultural commodities**: The National Spot Exchange Ltd (NSEL) plans to introduce demat trading in small lots of agri-commodities from July 2011. The move would enable farmers to trade directly on the exchange, as against the present system where farmers' cooperatives connected to NAFED, which holds a 1 per cent stake in NSEL, sell their produce on the NSEL platform vide The Hindu Businesslines dated 29th Jan,2011
- **Smart order routing (SOR) on bourses**: Smart order routing has finally taken off in India, with the country's two premier bourses (NSE/BSE) resolving their long-standing dispute over the audit trail of orders. SOR allows brokers' trading engines to automatically choose the best price for stocks from multiple exchanges

vide SEBI circular No.CIR/MIRD/DP/01/2011 dated 27th Jan, 2011.

LABOUR LAWS

- **Interest rate on PF**: Labour secretary Mr.Chaturvedi of Govt. of India informed Economic Times that Central Board of Trustees of Provident Fund Organization has already taken a decision to pay 9.5% interest on PF for 2010-11 vide The Economic Times dated 18th Jan, 2011.
- **Labour reforms**: Prime Minister Manmohan Singh has set up an expert panel to rework the archaic Factories Act of 1948, giving a big push to labour reforms to ensure the safety of workers. The committee led by Planning Commission member Narendra Jadhav has chief economic advisor Kaushik Basu as a member. The panel will submit its recommendations within the next four weeks. "The main thrust of the recommendations would be on welfare and safety of the labour," Mr Jadhav told reporters vide The Economic Times dated 22nd Jan, 2011.
- **EDLI benefits raised:** The government has raised the ceiling on life insurance benefits for organized sector workers to 1,30, 000 from . 1,00,000 under the Employees' Deposit Linked Insurance (EDLI) scheme vide The Times of India dated 22nd Jan,2011.
- **Norms for withdrawal of PF:** International workers from countries not covered by Social Security Arrangement will now be eligible to withdraw accumulated balances in PF fund only on attainment of 58 years of age or on medical grounds as prescribed. The Government had decided to stop interest payments on non-operative PF accounts (which is currently at 9.5%) in India. In summary, this amendment will inflate the cost structure of Indian assignment of International Workers and the employers will have to factor this additional cost in their financial budget vide Notification No F.No.R-11011/1/2007-SS-II(Vol-II) dated 3 September 2010 of The Ministry of Labour and Employment (the Ministry) as per the amendments made to the Provident Funds Scheme.

RESERVE BANK OF INDIA

- **System Audit report from CISA**: RBI advised that all authorized entities are required to furnish their respective system audit reports from a CISA qualified auditor on an annual basis. Authorized entities which follow an April-March financial year, the system audit report should be submitted within two months i.e. by 1st June of that year. Authorized entities, which follow a calendar year annual closing, are advised to submit their system audit reports by 1st March of the following year. vide RBI/2010-11/340 DPSS.CO.OSD. No. 1444 /06.11.001/2010-2011 dated 27th Dec, 2010.
- **Certificate of balance in Escrow Account:** RBI had advised that All authorized entities are advised to furnish a quarterly certificate on the balances held in the Escrow account from an auditor within a fortnight from the end of the quarter to which it pertains vide RBI/2010-11/341 DPSS.CO.OSD. No. 1445 /06.12.001/ 2010-2011 dated 27th Dec, 2010.
- **Base rate method:** RBI has now advised that all banks should switch to the format of computing the base rate, below which lenders are now allowed to extend loans, by 30th June,2011 vide RBI/2010-2001/361/DBOD.No.Dir.BC.73/ 13.03.00/2010-11 dated 6th Jan,2011.

- **Core Investment Companies (CIC)**: CIC means a NBFC carrying on the business of acquisition of shares and securities and which satisfy the conditions stipulated in RBI's circular on the subject. RBI had issued circular indicating the regulatory framework for CIC vide Circular No.DNBS (PD) CC No.206/03.10.2010-11 and notification No.DNBS (PD) 220/CGM (US)-2011 dated 5th Jan, 2011.
- **Enhancing the scope of speed clearing**: RBI has now issued instructions to apply the scope of speed clearing of all outstation cheques to 2-3 days wef 1st Feb,2011, excepting those relating to Government Cheques which was hither to applied for limited types of cheques vide RBI/2010-11/352/DPSS.CO.CHDNo.1514/03.01.03/2010-2011 dated 4th Jan,2011.
- **FIRC**: RBI has clarified that FIRC should not be issued against remittance for credit to NRE account through RTGS / NEFT / NECS / ECS. However, when banks convert the foreign currency into rupees, at that time of conversion the Bank need to issue FIRC vide DPSS (CO) EPPD No. 1309 / 04.03.01 / 2010-11 dated 15th December, 2010
- **NBFC's to make general provision**: To create a financial buffer to protect NBFCs from the effect of economic downturns, RBI instructed NBFCs to make a general provision at 0.25 per cent of the outstanding standard assets. The provisions on standard assets should not be reckoned for arriving at net NPAs vide RBI/2010-11/370 DNBS.PD.CC.No.207/ 03.02.002/2010-11 dated 17th Jan, 2011.
- **Service charges for cheques collection**: RBI had revised the service charges for clearing local, outstation and speed clearance of cheques by banks and as per the revised circular the presenting and drawing banks can charge Rs 1 and Rs 1.50 respectively for Local clearing at MICR-CPCs wef 1st April, 2011. For other details refer to RBI/2010-11/377 DPSS.CO.CHD.No. 1671 / 03.06.01 / 2010-11 dated 19th Jan, 2011.
- **RBI hikes rates**: With a view to rein in high inflation, the Reserve Bank of India raised its key short-term lending and borrowing rates by 0.25 per cent each with immediate effect. The short-term lending (repo) rate has been hiked to 6.50 per cent and the borrowing (reverse repo) to 5.50 per cent, a move that will make funds expensive for banks and may lead to a hike in interest rates vide RBI/2010-11/388FMD.MOAG o.56/01.01.01/2010-11 dated 25th Jan,2011.
- **Branch conversion by Foreign Banks:** Foreign banks converting their branches into wholly-owned subsidiaries will not be required to pay capital gains tax from the transfer of assets and properties during this procedure. The finance ministry has resolved the tax tangle in the issue and wants the Reserve Bank of India (RBI) to go ahead and allow foreign banks to convert themselves into wholly-owned subsidiaries at the earliest vide The Business Standard dated 29th Jan, 2011.
- **Centralized Funds Management system-timings:** RBI had revised the CFMS timings, wef 24th Jan, 2011, as during Monday to Friday-1000 hours to 1700 hours and on Saturdays-1000 hours to 1500 hours vide RBI/2010-11/372 DPSS (CO) RTGS No.1654/ 04.08.002/ 2010 – 11 dated 18th Jan, 2011.
- **Accounting in Government Securities by banks:** In order to bring uniformity RBI has decided that banks should follow "Settlement Date" accounting for recording both outright and ready forward purchase and sale transactions in Government Securities vide RBI/2010-11/373 UBD. (PCB).Cir. No. 34/09.80.00/2010-11 dated 18th Jan, 2011.
- **Malegam Report on Microfinance Institutions:** RBI appointed Malegam committee on

Microfinance Institutions has submitted the report on 19th Jan, 2011 recommending capping the interest to 24% and for small loans and also recommended that loans up to Rs 25,000 to be given to families having an income up to Rs 50,000 per annum With the option for repayment on weekly, fortnightly or monthly return of the loan. RBI is seeking comments from public on the recommendations of the Malegam Report vide The Business Standard dated 28th Jan, 2011.

- **Special Liquidity Measures:** , in view of the current liquidity situation The Reserve Bank of India extended its special measures for easing the monetary supply till April 8, 2011 vide RBI/2010-11/387 Ref. DBOD.No.Ret.BC. 76 /12.02.001/2010-11 dated 25th Jan, 2011.

ACCOUNTS & AUDIT

- **SAFA president:** Sri A.N.Raman of ICWAI takes over as the President of South Asian Federation of Accountants (SAFA) and he is a Central Council Member of the ICWAI.
- **ICWA Exam June 2011:** For June 2011 examination of Direct Tax papers, The Assessment year will be 2011-12 with the amendments carried out through the Finance Act 2010 vide notification No.DS-3/1/1/11 dated 10th Jan, 2011 issued by the ICWAI.
- **IFRS wef 1st April, 2011:** At last the Central Government has confirmed that IFRS convergence in India would be given effect wef 1st April, 2011 as per the plan chalked out earlier. Hence listed companies having a net worth of Rs 1000 crore and above are required to compile their accounts under IFRS converged accounting standards wef 1st April, 2011 vide The Economic Times dated 4th Jan, 2011.
- **Private Banks Licensing:** The government has indicated to the Reserve Bank of India (RBI) that well-capitalized industrial houses should be permitted entry into the banking sector subject to appropriate safeguards, The finance ministry officials indicated that minimum capital of Rs 1,000 core would be required for a corporate entity applying for a banking licence vide the Financial Express dated 18th Jan,2011
- **Mr.Chatele to chair NACAS:** The Centre has reconstituted the National Advisory Committee on Accounting Standards (NACAS), a panel whose advice forms the basis for deciding the accounting standards and policies to be followed by companies. The reconstituted NACAS will be chaired by Mr M.M.Chitale, chartered accountant, and will have eleven members besides the chairman. Mr Chitale, who is past President of ICAI, will be NACAS Chairman for a period of one year with effect from February 1 this year vides the Hindu Business lines dated 22nd Jan, 2011.
- **Unique code numbers for CAs:** The Institute of Chartered Accountants of India (ICAI) will introduce Unique Code Numbers (UCD) from next month for Chartered Accountants (CAs) to help them check increasing incidents of fraudulent practices, including forged attestations, ICAI President Amarjit Chopra said. Once this is introduced, ICAI would ask banks to insist on UCD, as people file different balance sheets for various purposes without the knowledge or approval of CAs vide The Business Standard dated 24th Jan, 2011.
- **ICAI virtual coaching classes:** The ICAI has taken initiative to start coaching classes for the students through virtual classrooms. To begin with, the classes would be in some of the metros but subsequently measures would be taken to spread it to the smaller cities as well vide The Deccan Herald dated 27th Jan, 2011.

INCOME TAX

- **Goodwill on Merger & Acquisition:** Delhi High Court regarded the definition of intangible assets as having a wider expanse. The Court held that where two views were possible, it was not appropriate on the part of the Commissioner of Income-tax to exercise his revisionary powers in disallowing the depreciation of the amount classified in the books as goodwill which had been paid for commercial rights in the form of knowhow, technical information, etc vide Delhi High court in the case of Hindustan Coca Cola Beverages Pvt. Ltd ITA No.1391,1394 & 1396 all 2010 decided on 14th Jan,2011
- **Transfer pricing determining markups**: Pass through costs that are incurred (back to back expenses incurred by an agent on behalf of principal) for non-value added purposes should not form part of the cost base while determining the mark-up for comparables vide ITAT Delhi in the case of Cheil Communications India Pvt Ltd Vs DCIT ITA No.712/Dec/2010
- **Withdrawals from Revaluation Reserves**: The amount withdrawn from Revaluation Reserve and credited to Profit and Loss Account cannot be reduced from book profits if such amount had not increased the book profits at the time of creation of reserve vide Supreme Court decision in the case of Indo Rama Synthetics (P) Ltd., Vs CIT New Delhi arising out of SLP (c) 35133 of 2009..
- **Transfer pricing**-TNMM: TNMM requires comparison of net profit margins realized by an enterprise from an international transaction or an aggregate of international transactions and not comparing operating margins of enterprises vide ITAT Mumbai in the case of (2011) 9 Taxmnann.com 29.
- **Transfer pricing –No adjustments:** In case international transactions have demonstratively boosted profits of the assessee, it is obvious that the transactions are at arm's length and no adjustments are called for in operating margin of assessee - [2011] 9 taxmann.com 27 (DELHI - ITAT).
- **Tax Deduction from Salaries FY 2010-11**: CBDT has issued circular regarding Deduction of tax at source from salaries during the financial year 2010-11(AY2011-12) vide circular No.8/2010 dated 13th Dec,2011.
- **Additional contribution to superannuation fund:** **A**additional contributions to a superannuation fund, not being in the nature of initial or ordinary annual contribution would be allowed as a deduction vide Mumbai ITAT in the case of ACIT Vs GlaxoSmithKline ITA 6444/Mum/2007 decided on 28th Jan, 2011.
- **MAT Computation:** Net profit should be increased by the provision for doubtful debts for arriving at book profits for the purpose of MAT vide Bank International Indonesia 2010-Tll-196.
- **Goodwill on acquisition:** consideration paid for goodwill on acquisition of running business is eligible for depreciation vide ITAT Mumbai in the case of Kochi Chemical Technology Group India Ltd ITA 2680/MUM/09 decided on 26th Jan, 2011.
- **Review of Transfer pricing regulations:** At the behest of Finance Minister, the Finance Ministry has set up a committee to look into the issue of revising the transfer pricing regulations. This committee will submit its report by end March 2011. The existing transfer pricing provisions, which were introduced in 2001, do not have detailed provisions as compared to the regulations of developed countries. There is a need to upgrade these transfer pricing provisions to meet the challenges of growing intangible economy and various complex cost-sharing arrangements vide the Hindu Business lines dated 27th Jan, 2011.

- **Foreign branch software operations:** Tax holiday under section 10A of the Income-tax Act, 1961 would not be available in respect of the income of a foreign branch of an Indian company carrying on-site software development and full-fledged marketing operations vide The Delhi High court in the case of CIT Vs Interra Software India Pvt. Ltd Appeal Nos. ITA 507 and 260 both of 2008 decided on 24th Dec, 2010.
- **PF regulations amended:** PF account, will be regarded as inoperative if no application is made for withdrawal or transfer of balance within thirty six months from the date on which it became payable to the member and no interest is payable on such inoperative PF accounts vide GOI EPF (Amendment) Scheme 2011-GSR 25(E) dated 15th Jan,2011 issued by Labour Ministry.
- **Write back of provision for doubtful debts**: A write back of amount from provision for bad and doubtful debts which was not allowed as a deduction in full in an earlier assessment, cannot be taxed as income of the year of write back vide ITAT Delhi in the case of ADIT Vs Bank of Tokyo Mitsubishi UFJ Ltd 2011-TII-03-ITAT-DEL-INTL
- **Depreciation on unused assets**: Depreciation was admissible on assets forming part of Block of Assets even if the same were not used during the year vide the decision of The Delhi High court in the case of CIT Vs Oswal Agro Mills ITA No.161 of 2006 decided on 24th Jan,2011.
- **Premium paid on securities**: The premium paid in excess of the face value of the security held under 'Held to Maturity' ('HTM') category which has been amortised over the period remaining till maturity is allowable as a business expenditure vide ITAT Mumbai in the case of ACIT Vs The Bank of Rajasthan Ltd 2011-TIOL-35

CENTRAL EXCISE

- **Interest on refund**: Interest would be payable on the amounts refunded after the expiry of three months from the date of filling of refund claim with the department vide CCE Vs. Reliance Industries Ltd. (2010 (259) ELT 356)

SERVICE TAX

- **Renting of Immovable property:** In the Finance Act 2010, government had amended the tax entity of Renting immovable property retrospectively wef 1.6.2007 and the same was stopped on account of interim order of the Delhi High Court order dated 18.5.2010. However Supreme Court vide order dated 13th Jan,2011 stayed the order of the Delhi High court which stopped the centre from recovering service tax on renting of immovable property for commercial use including shops and malls, form some firms.
- **Service tax on electricity charges:** The CG has clarified that hire charges levied by electricity transmission and distribution companies for electricity meters installed at the premises of the consumers are exempted from levy of service tax vide CBEC Circular No. 131/ 13/ 2010 dated 07.12.2010.
- **Reverse charge mechanism:** Taxable service received from outside India prior to 18.4.2006 is not liable to service tax under the reverse charge mechanism vide Maharashtra Seamless Ltd. Vs. CCE (2010-TIOL-1563.
- **CENVAT on debit notes:** The provisions of the CENVAT Credit Rules do not envisage availment of credits on the strength of debit notes vide Godrej Consumer Products Ltd. Vs. CCE (2010 (20) STR 609.
- **Service tax on transportation:** CENVAT credit of the service tax paid on outward transportation of goods is eligible if the ownership of goods

remains with the seller until the goods are delivered to the customer vide Priya Industrial Packaging (P) Ltd Vs. CCE (2010 (29) STT 311,

- **Transportation of goods by Rail:** Abatement of 75% on transportation of goods by Rail allowable vide CBEC Notification No. 57/2010 – dated 21-12-2010.
- **Janata Personal Accident policy**: CBEC issued circular indicating that no service charge to be levied on Janata Personal Accident policies vide circular No. **Circular No. 133 / 2 / 2011 – ST dated 18th Jan, 2011.**

CUSTOMS

- **Detained goods**: CBEC issued guidelines for provisional release of goods detained for investigations vide F.No.401/179/2009-Cus.III dated 4th Jan, 2011.
- **Problems in export goods:** In case of problems associated with export of goods, they should be provisionally released on submission of bonds and there is no requirement for filing of bank guarantees vide Rajguru Enterprises Private Limited Vs CC (2010 (260) ELT 108.
- **Tax facilitation centres:** Customs department would take the help of ICAI, ICWAI and ICSI to set up facilitation centres at points called certified facilitation centre (CFC). This will help tax-payers, who have little understanding and access to information technology to make use of ACES (Automation in Customs, Excise and Service Tax) facility vide The Times of India dated 19th Jan,2011
- **Security standards for International Trade:** In a move to secure international trade from terrorist exploitation, the government is planning to introduce a system wherein various entities involved in the global movement of goods, including importers, exporters, warehouse owners and custom-house agents would be tagged "safe" and "compliant" with security standards. The concept, called Authorized Economic Operator or AEO, will help these entities get speedy clearance while reducing customs intervention along with simplified customs procedures vide Financial Express dated 29th Jan, 2011.
- **Trasnfer/Transhipment of Cargo**: CBEC issued revised procedure for Transfer and Transshipment of Cargo vide Circular No.8/2011-Customes dated 28th Jan, 2011.

SALES TAX / GST

- **Sales against concessional rate of tax**: Sales made at concessional rate of tax against Forms E1 and C and deduction granted based on those forms and later on found those Forms were not genuine does not attract penalty on Selling Dealer vide Sastha Enterprises v. Appellate Authority, Commissioner (CT) II (FAC), Chennai (Mad)

COMPANY LAW

- **Companies Bill 2009:** The Companies Bill 2009 will be presented at the Budget session of Parliament for consideration next month as announced by the Union Minister for Corporate Affairs, Mr.Murli Deora at a at a largely attended meeting under the auspices of Indian Merchants Chamber on January 25 vide http://www.indiainf oline.com.
- **Filing of Annual Accounts with ROC**: a company cannot lay more than one set of annual accounts for a particular financial year unless it has Re-opened/Revised such annual accounts after their adoption in the Annual General Meeting on the grounds specified in Ministry's circular Number 1/2003 vide MCA General Circular No.5/2010.

- **Winding up petition for non-payment:** Winding up petition filed by supplier for winding up of the buyer company, for non payment of dues against supplies and the said dues confirmed by the buyer, the petition filed by the supplier was allowed by the court vide Guangdong Fuwa Engineering Manufacturing Co Ltd Vs ANG Auto Limited (Delhi) Company petition No.409 of 2009 decided on 15.11.2010.
- **Amalgamation- STAMP DUTY:** Order of the Court approving amalgamation is a "conveyance" and is an "instrument" on which stamp duty is payable Vide Delhi Towers Ltd. V. G.N.C.T. of Delhi [2010] 159 Comp Cas 129 (Del)

SEBI

- **Master circular on Mutual Funds:** SEBI issued Master circular on Mutual Funds covering all the circulars issued earlier vide SEBI/IMD/MC.No.2/836/2011 dated 7th Jan,2011
- **Details of Participatory notes:** The market regulator SEBI said that FIIs issuing offshore derivative instrument (ODI) and participatory note (PN) were required to provide trade-wise details of their activities in India by the 10th of every month with a six- month lag (April data by October 10). FIIs are also expected to provide a monthly scrip wise PN/ODI activity summary by the seventh of next month. These reports would have to be submitted by FIIs from April 2011 vide The Hindu Business lines dated 17th Jan, 2011.

DG&FT

- **DEPB extended**: The Central Government vide Notification no.124/2010-Cus, dated 15/12/2010 has extended the DEPB from 31st December 2010 to 30th June 2011.
- **Export incentives pruned**: The list of services eligible for duty credits under the 'Served From India Scheme (SFIS) has been pruned by removing important areas such as computer consultancy services, software implementation, data processing and database services which were hither to earning export incentives under the SFIS. Exporters of services will be given duty credit equivalent to 10 per cent of foreign exchange earned during the current financial year vide The Economic Times dated 22nd Jan, 2011.
- **Manual filing of shipping bills:** On receiving the complaints about problems of on-line filing of shipping bills, DGFT had issued clarifications and indicated that the exporters shall use the manual Shipping Bill filing option on the DGFT's server to file their application under Export Promotion Schemes (Chapter 3, 4 and 5 for the FTP). Moreover, necessary documents in original including Shipping Bills will need to be submitted to jurisdictional Regional Authority of DGFT by the exporter. However, EDI Shipping Bills which are not transmitted properly will need to be EDI cleared and transmitted to DGFT's Server for grant of benefits. EDI Shipping Bill will not be accepted through manual option mode vide Policy Circular No.11 RE (2010) /2009-14 dated 4th Jan, 2011..
- **Mandatory bar coding medicines export:** The commerce ministry has mandated bar coding on all medicine packs meant for exports from July 1, 2011 to trace and track these medicines to its source of origin vide The Business Standard dated 13th Jan, 2011.
- **Amendments to Exim policy:** CG notified amendments to the Foreign Trade Policy 2009-14 which have impact on eligibility and entitlements in respect of served from India scheme (SFIS) - Indian Service Providers of services which are listed in Appendix 41 of HBP

v1 and who have free foreign exchange earning of at least Rs. 10 Lakhs in current financial year will be eligible for Duty Credit Scrip. For Individual Indian Service Providers, minimum free foreign exchange earnings would be Rs 5 Lakhs and the eligibility would be equal to Duty Credit Scrip equivalent to 10% of free foreign exchange earned during current financial year vide Exim policy Notification No.17/2011 dated 18th Jan, 2011.

- **Duty procedure for goods imported:** The Director General of Foreign Trade (DGFT) has simplified the procedure for utilization of duty re-credits in cases where goods imported under the Duty Entitlement Pass Book (DEPB) scheme or under any other duty credit scheme such as Focus Product Scheme and Focus Market Scheme and found defective or unfit for use are re-exported vide The Business Standard dated 24th Jan, 2011.

INSURANCE

- **Group Insurance policies**: IRDA had issued clarification on Guidelines for Group Insurance policies where in it is indicated that Group Manager needs to mention separately the service charges to be collected from members and should not club the same with the premium vide IRDA/LIFE/CIR/MISC/001/01/2011 dated 4th Jan,2011.
- **Group products –ULIPs:** IRDA issued clarifications on the regulation of Group products linked UPLIPs wherein it is indicated that all non-fund-based group unit linked products where the master policy was issued before 1-9-2010 should be revised to comply with the ULIP Circulars and Regulations issued earlier. The clarificatory circular also clarifies various issued raised for implementation of the ULIP circulars and regulations issued earlier by IRDA vide CIRCULAR NO. IRDA/ACTL/ULIP/124(2)/10/2010 dated 27th Oct, 2010.
- **IRDA relaxes solvency norms:** The solvency margin norms for general insurance companies offering health insurance schemes of the Government have been relaxed by Insurance Regulatory and Development Authority (IRDA).it would allow a maximum period of 180-days if the solvency margin falls below the stipulated 1.50 per cent on account of delay of receivables from Central/State Government vide The Hindu Businesslines dated 29th Jan,2011

FEMA

- **Import of duty free samples**: The CG has extended the limit of duty free import of samples for all exporters from INR 1,00,000 to INR 3,00,000 vide Public Notice No. 17/2009-14 (RE -2010) dated 06/12/2010..
- **Interest rates on rupees exports**: RBI notified that interest subvention will be allowed of 2% on pre-shipment rupee export credit upto 270 days and post shipment rupee export credit upto 180 days on the specified export sectors / sub-sectors with effect from April 1, 2010 to March 31, 2011 as contained in the RBI circular No. RBI/2010-11/367 UBD.BPD.(PCB) Cir. No 5/13.05.000/2010-11 dated 11th Jan, 2011.