Significant Circulars and Notifications

(Applicable for Nov. 2010 Exams)

Income Tax

1. Section 194J for deduction of tax at source is applicable on Third Party Administrators (TPAs) who make payment on behalf of insurance companies to hospitals for settlement of medical/insurance claims etc. under various schemes including cashless schemes. [**Circular No. 8/2009 dated 24.11.2009**]
2. Section 194A for deduction of tax at source on interest shall not apply on banks making use of CBSS (Core-Banking Solution Software) where credit is made to provisioning account on daily/monthly basis for the purpose of macro monitoring only. [**Circular 3/2010 dated 2.3.2010**]
3. Qualifications of e-intermediary [**Notification 70/2009 dated 22.9.2009**]
   (1) An e-Return Intermediary shall have the following qualifications, namely:-
      (a) it must be a public sector company as defined in section 2(36A) of the Act or any other company in which public are substantially interested within the meaning of section 2(18) of the Act and any subsidiary of those companies; or
      (b) a company incorporated in India, including a bank, having a net worth of rupees one crore or more; or
      (c) a firm of Chartered Accountants or Company Secretaries or Advocates, if it has been allotted a permanent account number; or
      (d) a Chartered Accountants or Company Secretaries or Advocates or Tax Return Preparers, if he has been allotted a permanent account number; or
      (e) a Drawing or Disbursing Officer (DDO) of a Government Department.
   (2) The e-intermediary shall have at least class II digital signature certificate from any of the Certifying authorities authorized to issue such certificates by the Controller of Certifying authorities appointed under section 17 of the Information Technology Act, 2002.
   (3) The e-intermediary shall have in place security procedure to the satisfaction of e-Return Administrator to ensure that confidentiality of the assessees information is properly secured.
   (4) The e-intermediary shall have necessary archival, retrieval and, security policy for the e-Returns which will be filed through him, as decided by e-Return Administrator from time to time.
   (5) The e-intermediary or its Principal Officer must not have been convicted for any professional misconduct, fraud, embezzlement or any criminal offence.

Circulars/Notifications part of Notes already circulated

1. CII of PY 2009-10 – 632
2. New Rule 3 for valuation of perquisites
3. Rules for Valuation of gifts u/s 56(2)

Service Tax

1. **Definition of vocational training institute** – Under 'commercial training and coaching services', the taxable services provided in relation to commercial training or coaching, by a vocational training institute is exempt. Earlier, the vocational training institute was defined as follows:-
   "Vocational training institute" means a commercial training or coaching centre which provides vocational training or coaching that impart skills to enable the trainee to seek employment or undertake self-employment, directly after such training or coaching.
   Amendment made by the Notification No. 3/2010-ST dated 27.02.2010 – The aforesaid definition of vocational training institute has been substituted by the following definition:-
   "Vocational training institute" means an Industrial Training Institute (ITI) / Industrial Training Centre (ITC) affiliated to the National Council for Vocational Training, offering courses in designated trades as notified under the Apprentices Act, 1961.
   Notes
   (1) The ITI and ITC have equivalent recognition and the certificates/diploma's granted by them have the same recognition. The only difference between ITC and ITI is that ITI are the institutes owned by the Government while the ITC are the institutes owned by the private parties.
   (2) List figuring under Schedule I of the Apprentices Act, 1961 covers engineering as well as non-engineering trades. Few of the designated trades covered are:-
      - cutting and tailoring trades
      - beautician trades
      - agricultural trades
      - electrical trades
      - glass and ceramic trades
      - heat engine trades
      - hi-tech trades

   (3) The above exemption from the service tax has been extended to the commercial training or coaching centre services provided in relation to "Modular Employable Skill courses" provided by a vocational training provider registered under 'Skill Development Initiative Scheme' with the Directorate General of Employment and Training, Ministry of Labour and Employment.
2. **Quantum of service tax reduced for e-payment from Rs. 50 lakh to Rs. 10 lakh** – Proviso to rule 6(2) has been amended to provide that an assessee shall deposit the service tax electronically through internet banking if he has paid the total service tax of Rs. 10 lakh or more (including the amount of service tax paid by utilisation of CENVAT credit) in the preceding financial year.
3. **E-filing of returns made mandatory for assessees paying service tax of Rs. 10 lakh or more in the previous year** – The facility of e-filing of returns was earlier optional for the assessees. Proviso inserted to rule 7(2) has now made the electronic filing of returns mandatory for the assessee who has paid total service tax of Rs. 10 lakh or more including the amount of service tax paid by utilization of CENVAT credit in the preceding financial year.
4. **Definition of "India" substituted** – The definition of "India" has been substituted as follows:-
   "India" includes the installations structures and vessels located in the continental shelf of India and the exclusive economic zone of India, for the purposes of prospecting or extraction or production of mineral oil and natural gas and supply thereof.