

Circulars/Notifications

Given below are the important Circulars and Notifications issued by the CBDT, CBEC, FEMA, MCA, SEBI, RBI during the last month for information and use of members. Readers are requested to use the citation/website or weblink to access the full text of desired circular/notification. You are requested to please submit your feedback and suggestions on the column at eboard@icai.in



(Matter on Direct Taxes has been contributed by the Direct Taxes Committee of the ICAI)

A. INCOME TAX I. NOTIFICATION

1. Additional Modes for generation of Electronic Verification Code (EVC) for the purpose of electronic verification of the person furnishing the return of income- Notification No. 1/2016 dated 19-1-2016

Rule 12(3) details the manner of furnishing return of income by different categories of persons. Transmitting the data in the return electronically under electronic verification code is one of permissible modes of furnishing return of income by an individual, HUF, firm, LLP or any other person who is required to file return in Form ITR-5, whose accounts are not required to be audited under Section 44AB. Further, a person required to furnish the return in Form ITR-7 (other than a political party) can also furnish return of income by transmitting the data in the return electronically under electronic verification code.

Electronic verification code has been defined in *Explanation* to Rule 12(3) of the Income-tax Rules, 1962, to mean a code generated for the purpose of electronic verification of the person furnishing the return of income as per the data structure and standards specified by Principal Director General of Income-tax (Systems) or Director General of Income-tax (Systems).

Rule 12(4) of the Income-tax Rules, 1962, empowers the Principal Director-General of Income-tax (Systems) or Director-General of Income-tax (Systems) to specify the procedures, formats and standards for ensuring secure capture and transmission of data. He shall also be responsible for evolving and implementing appropriate security, archival and retrieval policies in relation to furnishing-

- i. the returns in the manners (other than the paper form) specified in column (iv) of the

Table, namely, electronically under digital signature and transmitting the data in the return electronically and thereafter submitting the verification of the return in Form ITR-V; and

- ii. the report of audit or notice referred to in *proviso* to Rule 12 (2) electronically.

In exercise of the powers delegated by the CBDT under Explanation to Rule 12(3) and Rule 12(4) of the Income-tax Rules, 1962, the Principal Director-General of Income-tax (Systems) has laid down the procedures, data structure and standards for additional modes of generation of Electronic Verification Code in addition to EVC prescribed *vide* earlier Notification No. 2/2015 dated 13th July 2015 as under:

Additional Modes of Generation of EVC

Case (5): Where the EVC (Electronic Verification Code) is generated by giving bank details to the e-filing website <https://incometaxindiaefiling.gov.in>

A facility to pre-validate Bank account details will be provided to the assessee under Profile Settings menu in e-Filing website i.e., <https://incometaxindiaefiling.gov.in>. Assessee has to provide the following bank account details: 1. Bank account number 2. IFSC 3. Email ID and 4. Mobile Number. These details provided by the assessee along with PAN and Name as per e-filing database will be validated against the details of taxpayer registered with bank. If the pre-validation is successfully completed, assessee can opt for "Generate EVC using bank account details" option while verifying the Income tax return.

Generated EVC will be sent by e-filing portal to taxpayer's Email ID and/or Mobile Number verified from bank. List of Banks participating in this facility will be as provided in <https://incometaxindiaefiling.gov.in>

Case (6): Where the EVC (Electronic Verification Code) is generated after Demat account authentication using Demat details registered with CDSL/NSDL

A facility to pre-validate Demat account details will be provided to the assessee under Profile Settings menu in e-Filing website i.e. <https://incometaxindiaefiling.gov.in>. Assessee has to provide the following Demat account details:

1. Demat account number
2. Email ID and
3. Mobile Number.

These details provided by the assessee along with PAN and Name as per e-filing database will be validated against the details of taxpayer registered with depository (CDSL/NSDL). If the pre-validation is successfully completed, assessee can opt for "Generate EVC using Demat account details" option while verifying the Income tax return.

Generated EVC will be sent by e-filing portal to Email ID and/or Mobile Number verified from CDSL/NSDL. The Depositories (CDSL/NSDL) participating in this facility will be as provided in <https://incometaxindiaefiling.gov.in>.

Other Conditions:

The additional mode of EVC generation will come into effect from the date of issue of this notification.

All other condition shall remain same as specified in Notification No. 2/2015 dated 13.07.2015 issued by Pr. DGIT (Systems), New Delhi.

The mode and process for generation and validation of EVC and its use can be modified, deleted or added by the Principal DGIT (System)/ DGIT (System).

The complete text of the above Notifications can be downloaded from the link below: <http://www.incometaxindia.gov.in/Pages/communications/notifications.aspx>

II. CIRCULAR

1. Clarification of the term 'initial assessment year' in Section 80IA (5) of the Income-tax Act, 1961–Circular No. 01/2016, Dated 15-2-2016

Section 80IA provides for deduction of an amount equal to 100% of the profits and gains derived by an undertaking or enterprise from an eligible business (as referred to in sub-Section (4) of that Section) in accordance with the prescribed provisions. Section 80IA(2) further provides that the aforesaid deduction can be claimed by the assessee, at his option, for any ten consecutive assessment years

out of fifteen years (twenty years in certain cases) beginning from the year in which the undertaking commences operation, begins development or starts providing services etc. as stipulated therein. Section 80IA(5) further provides as under—

“Notwithstanding anything contained in any other provision of this Act, the profits and gains of an eligible business to which the provisions of sub-section (1) apply shall, for the purposes of determining the quantum of deduction under that sub-section for the assessment year immediately succeeding the initial assessment year or any subsequent assessment year, be computed as if such eligible business were the only source of income of the assessee during the previous year relevant to the initial assessment year and to every subsequent assessment year up to and including the assessment year for which the determination is to be made.”

In the above sub-Section, which prescribes the manner of determining the quantum of deduction, a reference has been made to the term ‘initial assessment year’. It has been represented that some Assessing Officers are interpreting the term ‘initial assessment year’ as the year in which the eligible business/manufacturing activity had commenced and are considering such first year of commencement/operation etc. itself as the first year for granting deduction, ignoring the clear mandate provided under sub-Section (2) which allows a choice to the assessee for deciding the year from which it desires to claim deduction out of the applicable slab of fifteen (or twenty) years.

On examining the matter, it is abundantly clear from sub-Section (2) that an assessee who is eligible to claim deduction u/s 80IA has the option to choose the initial/first year from which it may desire the claim of deduction for ten consecutive years, out of a slab of fifteen (or twenty) years, as prescribed under that sub-Section. It is hereby clarified that once such initial assessment year has been opted for by the assessee, he shall be entitled to claim deduction u/s 80IA for ten consecutive years beginning from the year in respect of which he has exercised such option subject to the fulfillment of conditions prescribed in the section. Hence, the term ‘initial assessment year’ would mean the first year opted for by the assessee for claiming deduction u/s 80IA. However, the total number of years for claiming deduction should not transgress the prescribed slab of fifteen or twenty years, as the case may be and the period of claim should be availed in continuity.

The detailed circular can be downloaded from the link <http://www.incometaxindia.gov.in/Pages/communications/circulars.aspx>

III. Press Releases/Instructions/Office Memorandum

1. Signing of 7 unilateral Advance Pricing

Agreements-Press Release dated January 22, 2016

The APA Scheme was introduced in the Income-tax Act in 2012 and the "Rollback" provisions were introduced in 2014. The scheme endeavours to provide certainty to taxpayers in the domain of transfer pricing by specifying the methods of pricing and setting the prices of international transactions in advance. Since its inception, the APA scheme has attracted tremendous interest from taxpayers for using this mechanism to achieve tax certainty upto nine years.

The Central Board of Direct Taxes (CBDT) entered into 7 more unilateral Advance Pricing Agreements (APAs) with taxpayers on 22nd January, 2016. This takes the tally of APAs signed so far to 39 (38 unilateral and one bilateral). In the current fiscal year, which is the third year of APA programme, 30 agreements have been signed so far. Before the end of the financial year, more such agreements are expected to be signed. The 7 APAs signed pertain to various sectors of the economy like investment advisory services, software development services and IT enabled Services. The agreement so signed also includes one of the few agreements to be reached in the manufacturing sector.

2. Signing of Protocol amending the India-Armenia Double Taxation Avoidance Convention)- Press Release, Dated 27-1-2016

A Protocol to amend the existing Double Taxation Avoidance Convention was signed by the Government of India and the Government of Armenia on the 27th day of January, 2016 in New Delhi.

The Protocol amends the Double Taxation Avoidance Convention between India and Armenia that has been in existence since 9th September, 2004. The Protocol amends the Article on Exchange of Information for tax purposes to bring it in line with the updated provisions in the OECD Model. The Protocol will enable the two countries to exchange information related to financial and banking transactions under the Double Taxation Avoidance Convention, and thereby facilitate them in addressing tax evasion. It

is also expected to further strengthen the efforts of Government of India in curbing generation of black money.

3. Resolution of more than 100 cases of Transfer Pricing disputes with USA Under Mutual Agreement Procedure (MAP)-Press Release, Dated 28-1-2016

One of the significant steps taken by CBDT to boost investment sentiments among MNCs is the landmark Framework Agreement signed with the Revenue Authorities of USA in January, 2015. This agreement was finalised under the Mutual Agreement Procedure (MAP) provision contained in the India-USA Double Taxation Avoidance Convention (DTAC). The agreement seeks to resolve about 200 past transfer pricing disputes between the two countries in the Information Technology (Software Development) Services [ITS] and Information Technology enabled Services [ITeS] segments. More than 100 cases have already been resolved and some more are expected to be resolved before the end of this fiscal.

Prior to resolution of disputes under the Framework Agreement the US bilateral APA

programme was closed to India. The success of the framework Agreement in short period of one year has led to the US Revenue Authorities opening up their bilateral APA programme to India. The USA is expected to begin accepting bilateral APA applications shortly.

The MAP programmes with other countries like Japan and UK are also progressing well with regular meetings and resolution of past disputes. The CBDT is confident that a combination of a robust APA programme and a streamlined MAP programme would be helpful in creating an environment of tax certainty and encourage MNCs to do business in India.

4. Procedure to be followed in other cases where notice under Section 245 has been issued for ITRs processed in Financial Year 2015-16-Office Memorandum, Dated 29-1-2016

In order to expedite the process of issue of small refunds, CBDT has directed CPC-Bengaluru and the field units that refunds up to ₹5,000/-, and refunds in cases where outstanding arrears are up to ₹5,000/- may be issued without any adjustment of

outstanding arrears *vide* Office Memorandum F. No. 312/109/2015-OT dated 14th January 2016.

Similarly, the non-CASS cases for these assessment years where the refund amount is more than ₹5,000 but the outstanding arrear is ₹5,000 or less may also be processed for issue of refund without any adjustment under Section 245.

In this regard, the CBDT has further directed that the following procedure is to be adopted in other cases, which are not covered by the aforementioned relaxation, and where notice under Section 245 has been issued to the taxpayer:—

- a) In cases where the taxpayer has contested the demand, CPC would issue a reminder to the jurisdictional Assessing Officers about the contention of the taxpayer, asking them to either confirm, or make appropriate changes, to the demand, within thirty days. In case no response is received from the jurisdictional Assessing Officer, within the stipulated period of thirty days, CPC would issue the refund without any adjustment. The responsibility of non-adjustment of refund against outstanding arrears, if any, would lie with the Assessing Officer.
- b) In cases where there is no response from the taxpayer, CPC would issue a reminder to the taxpayer, asking to either agree or disagree with the demand, and submit response on the e-filing portal, within thirty days. In case no response is received from the taxpayer, within the stipulated period of thirty days, CPC would adjust the demand, along with applicable interest u/s 220(2), against the refund due and issue the balance refund, if any, to the taxpayer.

In view of above, all Assessing Officers have been requested to follow the aforementioned procedure in respect of pending refund cases, not covered by the earlier OM dated 14th January 2016.

5. Signing of bilateral Advance Pricing Agreements (APAs) with United Kingdom-Press Release, Dated 1-2-2016

The Central Board of Direct Taxes (CBDT) has entered into two bilateral Advance Pricing Agreements (APAs) with United Kingdom on 29th January, 2016. With this signing, CBDT has concluded three bilateral APAs the first one being a bilateral APA signed with Japan in December, 2014.

The two bilateral APAs were signed with two Indian group entities of a UK based Multi-National

Company (MNC). The APAs have been entered into soon after the Competent Authorities of India and United Kingdom finalised the terms of the bilateral arrangement under the Mutual Agreement Procedure (MAP) process contained in the India-UK DTAA.

The APAs cover the period 2013-14 to 2017-18 and also have a “Rollback” provision for 2 years (2011-12 and 2012-13). Transfer pricing disputes on the same transaction were recently resolved under MAP for each of these two companies for the years 2006-07 to 2010-11. With the signing of the bilateral APAs, the two Indian companies have been provided with tax certainty for 12 years each (5 years under MAP and 7 years under APA). This is a significant step towards providing a stable and predictable tax regime.

The two APAs are also significant because they address the issues of payment of management & service charges and payment of royalty. These transactions generally face prolonged and multi-layered transfer pricing disputes.

With this signing, CBDT has so far signed 41 APAs out of which 38 are unilateral and 3 are bilateral.

6. Government sets up Tax Policy Research Unit and Tax Policy Council to bring consistency, multidisciplinary inputs, and coherence in Tax Policy-Press Release, Dated 2-2-2016

The Tax Administration Reform Commission (TARC) have in their First Report, identified handling of tax policy and related legislation as one of the areas which needs structural modifications. Observing that currently, this is handled in the two Boards i.e. CBDT and CBEC, independently in the Tax Research Unit (TRU) and Tax Policy and Legislation (TPL) wings, the proposals of the Boards reach the Finance Minister in separate channels. To bring consistency, multidisciplinary inputs, and coherence in policy making, TARC has recommended that a Tax Council supported by a common Tax Policy and Analysis (TPA) unit should be established to cater to needs of both direct and indirect taxes. Comprising tax administrators, economists, and other specialists such as statisticians, tax law experts, operation research specialists and social researchers should be set-up for both the Boards.

Considering the above, the Government has created a Tax Policy Research Unit (TPRU) and Tax Policy Council.

The Tax Policy Research Unit (TPRU) will be a multi-disciplinary body with the objective of carrying out studies on various topics of fiscal and tax policies referred to it by CBDT and CBEC and will provide independent analysis on such topics; It will also prepare and disseminate policy papers and background papers on various tax policy issues, assist Tax Policy Council chaired by FM in taking appropriate tax policy decisions and liaise with State Commercial Tax Departments.

The Tax Policy Council will look at all the research findings coming from Tax Policy Research (TPRU) Unit and suggest broad policy measures for taxation. The Council will be advisory in nature, which will help the Government in identifying key policy decisions for taxation.

7. Steps taken by Income Tax Department for safeguarding taxpayers from Phishing email - Press Release, Dated 5-2-2016

The Income Tax Department has been at the forefront of using technology in implementing its e-Governance initiatives. Most of its routine communication to taxpayers is through email and

SMS. Therefore, the Department is very sensitive and alert to attempts made by fraudsters to spoof the Department's identity to send phishing emails. To ensure that taxpayers are aware that the Department does not seek any confidential or financial information of the taxpayer over email, the below mentioned advisory has been prominently displayed on the national website:

"The Income Tax Department NEVER asks for your PIN numbers, passwords or similar access information for credit cards, banks or other financial accounts through e-mail.

The Income Tax Department appeals to taxpayers NOT to respond to such e-mails and NOT to share information relating to their credit card, bank and other financial accounts."

The Do's and Don'ts to ensure that the gullible taxpayers do not inadvertently play into the hands of fraudsters are clearly mentioned on the website: <http://www.incometaxindia.gov.in/Pages/report-phishing.aspx>. All taxpayer reports of phishing emails are forwarded to incident@cert-in.org.in which is a Government of India agency mandated to fight against such threats.

Further, the Department has implemented best practices such as SPF (Sender Policy Framework), DKIM (Domain Keys Identified Mail) and DMARC (Domain-based Message Authentication, Reporting & Conformance) for its email domains. Use of these protocols enables the e-mail receiver domains such as Gmail, Yahoo, Hotmail *etc.* to determine whether or not a received e-mail is actually from the defined sender such as the Department and block phishing emails from reaching the taxpayer.

Taxpayers are advised to follow these simple checks if they do receive any email purporting to be from the Income Tax Department:

- Check for the domain name carefully. Fake emails will have misspelt or incorrect sounding variants of websites of the Income Tax Department.
- Check the message header—for example in Gmail it can be viewed by selecting the option 'Show Original'.
- Do not open such emails in spam or junk folder and do not reply to such emails.
- Do not open any attachments. Attachments may contain malicious code.
- Do not click on any links. Even if you have clicked on links inadvertently in a suspicious e-mail or phishing website then do not enter confidential information like bank account, credit card details.
- Do not cut and paste the link from the message into your browsers.
- Forward the phishing emails to incident@cert-in.org.in with a request to examine and block the sender.
- Use anti-virus software, anti spyware, and a firewall and keep them updated.

Income Tax Department is committed to encouraging taxpayers to engage with it electronically by following safe and best practices.

8. Following the prescribed time limit in passing order under sub-Section (8) of 154 of Income-tax Act, 1961—Instruction No. 01/2016, Dated 15-2-2016

Section 154(8) of the Income-tax Act, 1961 stipulates that where an application for amendment is made by assessee/deductor/collector with a view to rectify any mistake apparent from record, the income-tax authority concerned shall pass an order, within a period of six months from the end of the month in which such an application is received, by either making the amendment or refusing to allow

the claim. The CBDT has noticed that the said time limit of six months has not been observed in deciding some applications. In such cases, the field authorities often take a view that since no action was taken within the prescribed time-frame, application of the taxpayer is deemed to have lapsed, thereby not requiring any action.

On examining the matter, the CBDT has directed that the aforesaid time-limit of six months is to be strictly followed by Assessing Officer while disposing applications filed by the assessee/deductor/collector under Section 154. The supervisory officers should monitor the adherence of prescribed time limit and suitable administrative action may be initiated in cases where failure to adhere to the prescribed time frame is noticed.

9. Passing rectification order under Section 154 Income-tax Act, 1961—Instruction No. 02/2016, Dated 15-2-2016

The CBDT has noticed that in some cases, rectification order under Section 154 of the Income-tax Act, 1961 is being passed by the Assessing Officer on AST system without giving copy of the order to the taxpayer concerned. This is causing grievance to the taxpayers as they remain unaware of such orders and consequently, are unable to pursue the matter further, either in appeal or rectification, if required.

Section 154(4) mandates that rectification order shall be passed in writing by the Income-tax authorities. Therefore, on consideration of the matter, the CBDT has directed that all rectification applications must be disposed of after passing an order in writing, to be duly served upon the taxpayer concerned and not by merely marking necessary rectification on the AST System.



(Matter on Indirect Taxes has been contributed by the Indirect Taxes Committee of the ICAI)

A. SERVICE TAX

1. Recommendation regarding valuation of flats for levy of Service Tax

Valuation method for flats handed over to land owners by builders/developers as recommended by Education Guide 2012 (Para 6.2.1) and the CBEC Circular No. 151/2/2012-ST dated 10.2.2012 are divergent in nature.

According to the CBEC Education Guide on Taxation of Services, 2012 value of construction

service provided to land owner will be the value of the land when the same is transferred and the point of taxation will also be determined accordingly. However, *Circular No. 151/2/2012-ST* dated 10.2.2012 states that value of land/development rights in the land may not be ascertainable ordinarily and therefore, value, in the case of flats given to the land owner, is determinable in terms of section 67(1) (iii) read with rule 3(a) of Service Tax (Determination of Value) Rules, 2006. Accordingly, the value of these flats would be equal to the value of similar flats charged by the builder/developer from the other of service receivers. Service tax is liable to be paid by the builder/developer on the 'construction service' involved in the flats to be given to the land owner, at the time when the possession or right in the property of the said flats are transferred to the land owner by entering into a conveyance deed or similar instrument(e.g. allotment letter).

Thus, CBEC *vide Instruction F.No.354/311/2015-TRU Dated 20th January 2016* has clarified that in valuing the service of construction provided by a builder/developer to a landowner, who transfers his land/development rights to builder, for getting,

in return, constructed flats/dwellings from builder/developer, the Service Tax assessing authorities should be guided by the said Board Circular dated 10.2.2012 and not the Education Guide.

[Instruction F.No.354/311/2015-TRU Dated 20th January 2016]

2. Exports-Rebate by way of refund of Service Tax– Notification No. 41/2012–ST amended

CBEC *vide* Notification No. 01/2016-Service Tax, Dated: February 03, 2016 has amended Notification No. 41/2012 - ST, Dated: June 29, 2012 so as to allow refund of service tax on services used beyond the factory or any other place or premises of production or manufacture of the said goods for the export of the said goods and to increase the refund amount commensurate to the increased service tax rate.

The schedule of rebate has been revised as follows:

S. No.	Old Rates	New Rates
i.	0.04	0.05
ii.	0.06	0.07
iii.	0.08	0.09

Legal Update

S. No.	Old Rates	New Rates
iv.	0.12	0.14
v.	0.18	0.21
vi.	0.20	0.23

[Notification No. 01/2016-Service Tax, Dated: February 03, 2016]

3. Refund of Swachh Bharat Cess to a unit located in a SEZ or Developer of SEZ

CBEC vide Notification No. 02/2016-Service Tax, Dated: February 03, 2016 has provided that the SEZ Unit or the Developer will be entitled to refund of the Swachh Bharat Cess paid on the specified services on which *ab-initio* exemption is admissible but not claimed. The refund of amount would be determined by multiplying total service tax distributed to SEZ/developer by effective rate of Swachh Bharat Cess and dividing the product by rate of service tax specified in section 66B of the Finance Act, 1994 i.e. 14%.

[Notification No. 02/2016-Service Tax, Dated: February 03, 2016]

4. Service Tax & Cess for the purpose of Rebate of Service Tax to include Swachh Bharat Cess

CBEC vide Notification No. 03/2016-Service Tax, Dated: February 03, 2016 has amended the meaning of "service tax and cess" so as to include Swachh Bharat Cess therein for the purpose of Rebate of Service Tax paid for providing service exported in terms of rule 6A of the Service Tax Rules, 1994, to any country other than Nepal and Bhutan, subject to the conditions, limitations and procedures specified.

[Notification No. 03/2016-Service Tax, Dated: February 03, 2016]

B. CENTRAL EXCISE

5. Amendments in CENVAT Credit Rules

The CENVAT Credit Rules have been amended vide Notification Nos. 01/2016- CX (N.T) and 02/2016- CX (N.T), both Dated: February 03, 2016 as follows:

- For the purpose of definition of Input Services, **sales promotion** would include services by way of sale of dutiable goods on commission basis.
- The condition of allowing only 85% of CENVAT credit of the additional duty of customs paid under Section 3(1) of the Customs Tariff Act, on ships, boats and other floating structures for breaking up falling under tariff item 8908 00 00 of the First Schedule to the Customs Tariff Act has been done away with.

- It has been provided that CENVAT Credit of any duty specified in Rule 3(1) will not be utilised for payment of the Swachh Bharat Cess levied under sub-section (2) of section 119 of the Finance Act, 2015.

[Notification Nos. 01/2016- CX (N.T) and 02/2016- CX (N.T), both Dated: February 03, 2016]

[Instruction F.No.390/Misc./163/2010-JC dated February 04, 2016]

C. CUSTOMS

6. All Industry Rates of Duty Drawback notified w.e.f. 11.02.2016

CBEC vide Notification No. 22/2016-Cus., (N.T.), Dated: February 8, 2016 has notified the All Industry Rates of Duty Drawback effective from 11.02.2016 subject to the notes and conditions specified therein. The detailed rates and explanations can be obtained from www.cbec.gov.in.

[Notification No. 22/2016-Cus., (N.T.), Dated: February 8, 2016;

Circular No. 06/2016-Customs, Dated: February 09, 2016]

D. VALUE ADDED TAX

NAGALAND VAT:

7. Road Permits (RP) to be mandatorily issued online w.e.f. 26.01.2016

With a view to further expand the e-Services for better service delivery, Nagaland Government has notified that all Road Permits (RP) shall be mandatorily issued online w.e.f. 26th January, 2016. The Road Permit shall be issued for the purpose of importing goods into the state as under:

- Personal use/consumption;
- Use in setting up of an industrial unit;
- Use as raw materials directly in the manufacture of goods in an industrial unit;
- Use in operation of an industrial unit;
- Others: To be compulsorily specified by the applicant.

[Notification No. CT/M/5/69(Pt) Dated 15th January, 2016]

ODISHA VAT:

8. Composition Scheme for works contractor effecting sales by way of transfer of property in goods

Odisha Government vide Notification No. 1457-FIN-CT1-TAX-0035-2015 dated 16th January, 2016 has provided a composition scheme for a dealer who

has effected sales by of transfer of property in goods under a works contract. Subject to the conditions specified in the notification, such dealer may in *lieu* of amount of tax (VAT), pay by way of composition as specified below:-

Nature of Works Contract	Composition tax rate (As % of turnover)	
	Scheme A	Scheme B
Every registered dealer engaged in execution of works contract of following categories and incidental or ancillary activities in connection with or thereto: • Civil Contracts; • Repair & maintenance of any movable Property, including vehicles, AMCs & other similar contracts; • All other types of works contracts, including those involving moveable goods, not specified elsewhere in this notification.	3%	6%

Nature of Works Contract	Composition tax rate (As % of turnover)	
	Scheme A	Scheme B
Every registered dealer engaged in,- • Printing and/or book-binding; • Textile processing such as dying, fabrication, tailoring, embroidery and other similar activities; • Electro plating, electro galvanising, anodising, powder coating and other similar activities; • Re-treading of old tyres.	2%	4%

Scheme A: A registered dealer, at any time during the period for which he opts to avail this Scheme, shall not purchase or procure goods from any place outside Odisha and not sell or supply goods to any place outside Odisha.

However, he may procure his own Plant & Machinery and Equipments from outside Odisha, meant exclusively for use in execution of works

Legal Update

contract by him or for inward transfer of stocks from other States or by way of imports.

Scheme B: A registered dealer opting to pay composition tax shall be entitled to purchase goods required for works contract in course of inter-State trade or commerce on the strength of his registration certificate or by inward transfer of stocks from other States or by way of imports from other countries solely for the purposes of utilising the same in works contract in Odisha only.

Provided the dealer shall use the material or goods imported or procured from outside Odisha strictly for use in execution of the works contract.

[Notification No. 1457-FIN-CT1-TAX-0035-2015 dated 16th January, 2016]

9. Composition Scheme for the registered dealer who undertake construction of flats, dwellings or buildings etc.

Odisha Government *vide* Notification No. 1461-FIN-CT1-TAX-0035-2015 dated 16th January, 2016 has provided a composition scheme for the registered dealer who undertake the construction of flats, dwellings or buildings or premises and transfer of property along-with land or interest underlying the land. Subject to the conditions specified in the notification, such dealers may, in lieu of VAT, pay tax at the rate of 3.5% of the aggregate amount determined in the agreement or value determined for the purpose of Stamp Duty in respect of said agreement under the Odisha Stamp Rules, 1952, whichever is higher.

[Notification No. 1461-FIN-CT1-TAX-0035-2015 dated 16th January, 2016]

10. Amendment, omission and insertion of rules in Odisha Value Added Tax Rules, 2015

Following changes have been made in Odisha Value Added Tax Rules, 2015:

- Rules 6, 9, 27, 27A, 30, 33, 40, 41, 45, 59, 65, 86 have been amended;
- Rule 8, 28, 32, 48 have been omitted;
- Rules 1A, 49A, 49B, 59A, 66A have been inserted.

[Notification No. 1465-FIN-CT1-TAX-0001-2013 dated 16th January, 2016]

MADHYA PRADESH VAT:

11. Amendment in Madhya Pradesh Value Added Tax Act, 2002.

The following amendments will come into force

from the date of its publication in the Madhya Pradesh Gazette.

- Levy of Additional Tax:** A new Section 9AA has been inserted to levy additional tax at rate as may be notified by the State Government. It will be based on weight, volume, measurement on unit, on the sales of such goods specified in Schedule II, other than declared goods.
- Waiver from submitting Affidavit and proof of registration fees:** Section 17 (Registration) have been amended so as to give waiver from submitting affidavit and proof of payment of registration fees.

[Madhya Pradesh Act No. 4 of 2016]

JHARKHAND VAT:

12. Extension of date for applying and making payment under Karasamadhana Scheme, 2015.

Karasamadhana Scheme was introduced to allow partial waiver of arrears, penalty and interest payable upto the Assessment Years 2005-06. The Jharkhand Government has extended the following mentioned dates:

Last dates under the Scheme for	Extended Date	Earlier Dates
Filing application	15.03.2016	31.12.2015
Making payment	31.03.2016	28.02.2016

[Order No. 98 dated 7th January, 2016]

ANDHRA PRADESH VAT:

13. Generation of e-CST Waybills/ CST statutory forms only for commodities which are mentioned in CST Registration Certificate

Andhra Pradesh Government has developed a system from 01.02.2016 by which a dealer would be able to generate e-CST Waybills only for commodities which are registered in the VATIS. Similarly, the dealers cannot generate e-Waybills (VAT) for sensitive commodities, if the same are not registered in the VATIS.

All the dealers are required to follow the procedure mentioned in the given Circular for registering the additional Commodities by 31.01.2016, failing which they will not be able to generate CST e-Way Bills and Statutory forms.

[Circular No. CCTs Ref No. CCW/152/2015, dated 19th January, 2016]

14. Person/authority notified for deducting tax

Andhra Pradesh Government *vide* Notification (Commercial Taxes) dated 30th January, 2016 has notified a list of persons/authority for deducting

tax from amounts payable to a dealer in respect of sale of any taxable goods effected by him and also on the amounts payable towards lease/hiring charges at rates of taxes prescribed in the notification.

[Notification (Commercial Taxes) dated 30th January, 2016]

15. Online registration to facilitate ease of doing business.

Andhra Pradesh Government has introduced online registrations by the prospective dealers, thereby dispensing with the manual filing of Registration applications in the offices of the CTO for ensuring ease in doing business.

Further to obtain registrations in a hassle free manner, the practice of pre-registration visits is required to be dispensed with. However, in order to check the bogus registrations particularly in hypersensitive and sensitive commodities, the timelines will be prescribed for conducting post registration advisory visits by the department officers.

[Circular No. CCTs Ref No.CCW/CS(1)/128/2015 dated 8th February, 2016]

16. Earlier guidelines for detention of goods by check post officials withdrawn

Earlier guidelines states that whenever check post officials notice irregularities in consignments in parcel lorries, they were directed to transfer the goods along with detention notice and other documents to the assessing authority for verification of documents and to take appropriate action. The above instruction has been withdrawn. Now, they have to take action duly following the procedure prescribed under Section 45 (establishment of check-post) of APVAT Act, 2005.

[Circular No. CCTs Ref No.ENFT/D2/611/2007 dated 9th February, 2016]

BIHAR VAT:

17. Amendment in Bihar Value Added Tax Rules, 2005.

Sub-rule (2)(b) of **Rule 14** has been substituted. Now, the value of stock transfers outside the State shall be arrived at after applying the following Formula-

$$R2 = [B \times I / P]$$

{Earlier formula was: $R2 = [4 \times B \div 100]$ }

Where,

R2 = reverse credit on account of stock transfers outside the state

B = total value of stock transfers outside the state

I = input tax paid by the dealer on purchase of inputs, other than those specified in Schedule I, during the month

P = value of goods, other than goods specified in Schedule I, purchased during the month from within the State

Rule 17 (Refunds) has been omitted.

[Notification No. S.O. 12 Dated 13th January, 2016]

18. Amendment in Rate of surcharge, tax & time limit for interest on delayed refunds

Following Sections have been amended by the Ordinance No. 1, 2016 which shall come into force at once.

Increase in rate of Surcharge (Section 3A): Every dealer liable to pay tax shall in addition pay a surcharge not exceeding 30% (earlier it was 20%) of the total amount of tax payable by him.

Increase in rate of tax (Section 14): Tax shall be payable at the rate of 14.5% (earlier it was 13.5%) on the sale price of any goods which are not specified in Schedules I, II, III, IIIA and IV.

Interest on delayed refund (Section 27): Now where the refund is not made within a period of 60 days (instead of 90 days) of the amount having become refundable then authority shall pay a simple interest of 6% p.a. or part thereof from the date immediately following the expiry of the period of 60 days to the date of the refund.

[Ordinance No. 1, 2016]

PUNJAB VAT:

19. Launching of Pilot Project for online issuance of 'C' forms in SAS Nagar, Mohali

The Department has launched a pilot project for online issuance of 'C' forms for Quarter-1 and Quarter-2 of financial year 2015-16 for District Mohali for the convenience of the dealers. Now onwards, dealer can simply enter his login ID and click on the link "Apply for Statutory Forms" to apply for 'C' forms.

[Public Notice by Department of Excise & Taxation]

RAJASTHAN VAT:

20. Amnesty Scheme 2016 to be effective upto 15.03.2016

Rajasthan Government vide Notification No. F. 12(16) /FD/ TAX /2009-116 dated 21st January, 2016 has introduced Amnesty Scheme 2016 which provide for waiver of interest & penalty. To avail the benefit under the Scheme, the applicant is required to submit an application in Form AS-I appended to this Scheme to the assessing authority, along with detail of deposit of tax and/or penalty and/or interest, as the case may be, and proof of withdrawal of case from the concerned Court, Tax Board, or Appellate Authority, if applicable, up to 15.03.2016.

[Notification No. F. 12(16) /FD/ TAX /2009-116 Dated 21st January, 2016]

21. Information to be submitted by e-commerce companies

The e-commerce companies, transporters/courier companies (effecting delivery) or intermediaries (receives any amount) who sold or purchased goods in the State through e-commerce is liable to furnish information in Form EL-1, EL-2 and EL-3 to AC/ Commercial Tax Officer within 15 days from the end of relevant month. In this regard, detailed process of functionality has been made available on the website www.rajtax.gov.in. It may be mentioned that the information for the month of January, 2016 is to be filed latest by 15.02.2016.

[Circular- No. 10/2015-16- No. F.16 (95)/Tax/ CCT/14-15/2171 to 2178 Dated 28th January, 2016]

DELHI VAT:

22. Ratio for auto-downloading of central statutory forms has been revised from 60% to 45%.

Delhi Government has prescribed that the facility of auto-downloading of the forms shall not be available for the tax period where the ratio of sale to purchase, (including stock transfer and local transactions) falls below 45%. The purchase of capital goods has been kept out of the proposed mechanism which shall be available only to eligible dealers. The download of forms shall also be further subject to the following conditions:

- (i) Items should be allowed on the R.C.
- (ii) The dealer for whom forms are obtained should not be cancelled dealer.
- (iii) There is no adverse material on record.

[Circular No. F.3(556)/Policy/VAT/2015/1366-71 Dated 27th January, 2016]

23. Amendment in Rule 28 (Dealer's periodic Returns) of Delhi Value Added Tax Rules, 2005.

Sub-rule (3) of Rule 28 states that return DVAT-16 & DVAT-17 shall be furnished by transmitting the data in the return electronically on www.dvat.gov.in and thereafter submitting the Return Verification Form in Form DVAT-56, in duplicate. Such return and form shall be furnished within 28 days from the end of the tax period. On submitting of Form DVAT-56, the Commissioner shall issue the acknowledgement with signature and stamp on one copy of the said Form.

Now, a proviso has been inserted in above sub-rule stating that Commissioner may by a notification require a dealer or class or classes of

dealer to furnish return with digital signatures. Such dealers will not be required to submit Form DVAT-56 for acknowledgement of the return separately.

[Notification No. F.3(28)/Fin(Rev-I)2015-2016/dsvi/42 dated 11th February, 2016]

TAMIL NADU:

24. Exemption from tax on sale of goods to units located in SEZ

Tamil Nadu Government hereby makes an exemption of tax payable by any dealer on the sale of goods made to a registered dealer for the purpose of-

- setting up, operation and maintenance of a unit located in a SEZ in Tamil Nadu or
- for development, operation and maintenance of SEZ by a developer if such registered dealer is authorised to establish such units or establishments within SEZ or
- to develop, operate and maintain such SEZ by the Authority specified by the Government of India, subject to the following conditions, namely:-

The dealer should obtain and furnishes a Certificate and the goods purchased are used only for the aforesaid purposes.

[Notification IV No. G.O. Ms.No. 15, Dated 29th January, 2016]

25. Amendment in Rules of Tamil Nadu Value Added Tax Rules, 2007.

Tamil Nadu Government vide Notification No. G.O. Ms.No. 18 dated 29th January, 2016 has amended following rules of Tamil Nadu Value Added Tax Rules, 2007:

- Rule 4 - Application for Registration
- Rule 5 - Certificate of Registration
- Rule 6 - Accounts
- Rule 7 - Filing of Returns
- Rule 9 - Tax deduction at source
- Rule 10 - Input Tax Credit
- Rule 11 - Refunds
- Rule 12A - Authority for Clarification and Advance Ruling
- Rule 14 - Appeal & Revision
- Rule 15 - Check Post
- Rule 16A - Procedure for Filing Audit Report
- Rule 17 - Appearance by Authorised Representative
- Rule 19 - Service of notices summons or orders
- Rule 23 - Mode of Payment

- Rule 25 - Forms & their manners of filing
[Notification No. G.O. Ms.No. 18, Dated 29th January, 2016]

MAHARASHTRA VAT:

26. Modification in the list of documents required to be submitted along with the registration application

Maharashtra Government has given following relaxation in the documents to be uploaded at the time of online registration:

Scanned copy of	Relaxation
PAN Card	If not available, details of PAN obtained from www.incometaxindiaefiling.gov.in may be accepted as a proof of PAN.
MOA or AOA in case of Company	• Copy of Form No. DIR 12 or list of present directors obtained from www.mca.gov.in; and • Copy of Certificate of Incorporation issued by registrar of Companies.
Proof for permanent residence address	Following shall also be allowed as a proof: • Latest copy of MTNL/ BSNL landline bill. • 1st page of saving bank accounts' passbook or certificate issued by nationalised bank showing applicant's address. • Latest copy of bill of domestic gas connection.
Proof of place of business	A new category has been added for the <u>online sellers working for online selling portals</u> shall submit a copy of Agreement with main company (online platform).

[Trade Circular No. 4T of 2016 dated 5th February, 2016]

27. Guidelines for granting refund to the certain class of dealers within stipulated time limit

Maharashtra Government has provided following time limit for granting refund to Dealers eligible to file Audit Report in Form e-704, Dealers not eligible to file Audit Report and PSI cases:

Time Limit	Condition
Within 45 days from due date for filing of Audit Report.	Dealer is eligible to file Audit Report & refund application is filed before due date of filing Audit Report.

Legal Update

Time Limit	Condition
Within 45 days from the due date for filing of Audit Report.	Dealer is not eligible to file Audit Report.
Within 45 days from the due date for filing of refund application in Form e-501.	Dealer is eligible to file Audit Report and refund application is filed after due date of filing of Audit Report.

[Trade Circular No. 5T of 2016 dated 6th February, 2016]

KARNATAKA VAT:

28. Electronically submission of appeal on <http://vat.kar.nic.in>

Karnataka Government has notified, with immediate effect, that any person objecting to any order or proceedings affecting him shall submit an appeal electronically through the website <http://vat.kar.nic.in> as per the instructions contained in the user manual hosted onto the website available under "Reports and Help".

[Notification No. EG1.CR-23/2015-16 dated 20th January, 2016]

TELANGANA VAT:

29. Date of mandatory usage of e-waybills by VAT dealers extended to 1st April, 2016

Telangana Government has extended the date for mandatory usage of e-waybills from 01.02.2016 to 01.04.2016. It has also been specified that no more further extension will be given and all dealers should make necessary arrangements for use of e-waybills mandatorily w.e.f. 01.04.2016.

[Circular-CCT's Ref No. Enft/D2/172/2010 dated 3rd February, 2016]



(Matter on FEMA has been contributed by CA Manoj Shah, Mumbai and CA. Hinesh Doshi, Mumbai)

A. Issue of Master Directions by RBI Press Release dated January 4, 2016

Beginning January 2016, the Reserve Bank has started issuing Master Directions on all regulatory matters. The Master Directions issued will consolidate instructions on rules and regulations framed by the Reserve Bank under various Acts including banking issues and foreign exchange transactions. The process of issuing Master

Directions involves issuing one Master Direction for each subject matter covering all instructions on that subject. Any change in the rules, regulation or policy will be communicated during the year by way of circulars. The Master Directions will be updated suitably and simultaneously whenever there is a change in the rules/regulations or there is a change in the policy. All the changes will get reflected in the Master Directions available on the RBI website along with the dates on which changes are made. Explanations of rules and regulations will be issued by way of Frequently Asked Questions (FAQs) after issue of the Master Directions in easy to understand language wherever necessary. The existing set of Master Circulars issued on various subjects stand withdrawn with the issue of the Master Direction on the subject.

So far, the following Master Directions have been issued:

- Master Direction– Money Changing Activities
- Master Direction– Opening and Maintenance of Rupee/Foreign Currency Vostro Accounts of Non-resident Exchange Houses
- Master Direction– External Commercial Borrowings, Trade Credit, Borrowing and Lending in Foreign Currency by Authorised Dealers and Persons other than Authorised Dealers.
- Master Direction– Miscellaneous
- Master Direction– Reporting under Foreign Exchange Management Act, 1999
- Master Direction– Import of Goods and Services
- Master Direction– Export of Goods and Services
- Master Direction– Direct Investment by Residents in Joint Venture (JV)/Wholly Owned Subsidiary (WOS) abroad
- Master Direction– Remittance of Assets
- Master Direction– Acquisition and transfer of immovable property under Foreign Exchange Management Act, 1999
- Master Direction– Establishment of Liaison/Branch/Project Offices in India by Foreign Entities
- Master Direction– Insurance
- Master Direction– Other Remittance Facilities
- Master Direction– Liberalised Remittance Scheme

- Master Direction– Borrowing and Lending in Indian Rupee between Persons Residents in India and Non-Resident Indians/Persons of Indian Origin
- Master Direction– Compounding of Contraventions under FEMA 1999.

The detailed directions can be read at https://rbi.org.in/Scripts/BS_ViewMasterDirections.aspx

B. Foreign Direct Investment–Reporting under FDI Scheme, mandatory filing of form ARF, FCGPR and FCTRS on e-Biz Platform and discontinuation of physical filing from February 8, 2016

A.P. (DIR Series) Circular No. 40 dated February 01, 2016

With a view to promote the ease of reporting of transactions relating to Foreign Direct Investment (FDI), RBI under the aegis e-Biz project of Government of India has enabled online filing of Advance Remittance Form (ARF) which is used by companies to report FDI inflows to RBI, FCGPR Form for reporting issue of eligible instruments to overseas investor against FDI inflows, FCTRS Form which is submitted to RBI for transfer of securities between resident and person outside India.

Presently both options i.e. online and manual filing were available to the users for above mentioned forms. However, from February 8, 2016 the physical filing of Forms ARF, FCGPR and FCTRS is discontinued and forms submitted in online mode only through e-Biz portal will be accepted.

C. Settlement of Export/Import transactions in currencies not having a direct exchange rate

A.P. (DIR Series) Circular No. 42 dated February 4, 2016

To facilitate settlement of export and import transactions where the invoicing is in a freely convertible currency and the settlement takes place in the currency of the beneficiary, which though convertible, does not have a direct exchange rate, it has been decided that AD Category-I banks may permit settlement of such export and import transactions (excluding those put through the ACU mechanism), subject to conditions as under:

- Exporter/Importer shall be a customer of the AD Bank,
- Signed contract/invoice is in a freely convertible currency,

- The beneficiary is willing to receive the payment in the currency of beneficiary instead of the original (freely convertible) currency of the invoice/contract/Letter of Credit as full and final settlement,
- AD bank is satisfied with the bonafide of the transactions, and;
- The counterparty to the exporter/importer of the AD bank is not from a country or jurisdiction in the updated FATF Public Statement on High Risk & Non Co-operative Jurisdictions on which FATF has called for counter measures.

The Master Direction 16 of 2015-16 and 17 of 2015-16 have been updated accordingly to incorporate above changes.

D. Foreign Exchange Management (Acquisition and Transfer of Immovable Property outside India) Regulations, 2015

Notification No. FEMA.7(R)/2015-RB dated January 21, 2016 and A.P. (DIR Series) Circular No. 43 dated February 04, 2016

On a review, it is felt necessary to revise the regulations issued under the Foreign Exchange Management (Acquisition and Transfer of Immovable Property outside India) Regulations, 2000, as amended from time to time. Accordingly, in consultation with the Government of India, the said regulations have been repealed and replaced by the Foreign Exchange Management (Acquisition and Transfer of Immovable Property outside India) Regulations, 2015.

In terms of these Regulations, acquisition or transfer of any immovable property outside India by a person resident in India would require prior approval of Reserve Bank except in the following cases:

- Property held outside India by a foreign citizen resident in India;
- Property acquired by a person on or before 8th July, 1947 and held with the permission of the Reserve Bank;
- Property acquired by way of gift or inheritance from:
 - persons referred to in (b) above;
 - persons referred to in Section 6(4) of the Act;
- Property purchased out of funds held in Resident Foreign Currency (RFC) account held in accordance with the Foreign Exchange Management (Foreign Currency Accounts by a

- e. person resident in India) Regulations, 2015;
- e. Property acquired jointly with a relative who is a person resident outside India provided there is no outflow of funds from India;
- f. Property acquired by way of inheritance or gift from a person resident in India who acquired such property in accordance with the foreign exchange provisions in force at the time of such acquisition

Further, an Indian company having overseas offices can acquire immovable property outside India for its business and residential purposes provided total remittances do not exceed limits prescribed for initial expenses (15% of average annual sales/income or turnover of Indian entity for last two financial years or up to 25% of net worth, whichever is higher) and recurring expenses (10% of average annual sales/income or turnover of Indian entity for last two financial years).

The regulations also define relative as 'relative' in relation to an individual means husband, wife, brother or sister or any lineal ascendant or descendant of that individual.

The new regulations have been notified *vide* Notification No. FEMA 7(R)/2015-RB dated January 21, 2016 c.f. G.S.R. No. 95(E) dated January 21, 2016 and shall come into force with effect from January 21, 2016. The Master Direction No. 12 of 2015-16 (Acquisition and Transfer of Immovable Property under Foreign Exchange Management Act, 1999) has been updated accordingly to incorporate the above changes.

(Note: One of the important changes in the new notification is allowing person resident in India to acquire property outside India jointly with relative who is a person resident outside India. However, in such cases there must not be any outflow of funds from India. The new notification has also covered general permission to Indian companies having overseas offices to acquire immovable property outside India for their business or residential purposes)

E. Foreign Exchange Management (Foreign currency accounts by a person resident in India) Regulations, 2015

Notification No.FEMA.10(R)/2015-RB dated January 21, 2016 and A.P. (DIR Series) Circular No. 44 dated February 04, 2016

On a review, it is felt necessary to revise the regulations issued under the Foreign Exchange

Management (Foreign Currency Accounts by a person resident in India) Regulations, 2000, as amended from time to time. Accordingly, in consultation with the Government of India, the said regulations have been repealed and replaced by the Foreign Exchange Management (Foreign Currency Accounts by a person resident in India) Regulations, 2015.

According to the revised regulations, a '*Foreign Currency Account*' means an account held or maintained in currency other than currency of India or Nepal or Bhutan.

Further, in terms of Regulation 4, a person residing in India may open, hold and maintain with AD the following accounts subject to conditions specified in the regulations:

- (a) Exchange Earner's Foreign Currency (EEFC) Account subject to the terms and conditions of the Exchange Earner's Foreign Currency Account Scheme (Schedule I to the regulations);
- (b) Resident Foreign Currency (RFC) Account out of sources of receipt of foreign exchange mentioned in sub-regulation (B) of the regulations;
- (c) Resident Foreign Currency (Domestic) [RFC(D)] Account with an authorised dealer in India out of sources of receipt of foreign exchange mentioned in sub-regulation (C) of the regulations;
- (d) Diamond Dollar Account (DDA)- firms and companies who comply with the eligibility criteria stipulated in the Foreign Trade Policy of Government of India, subject to the terms and conditions of the DDA Scheme (Schedule II to the regulations)

In addition, in terms of Regulation 4, the following types of persons can open foreign currency accounts with AD subject to conditions specified in the regulations:

- (a) A unit in a Special Economic Zone;
- (b) An exporter who is exporting services and engineering goods on deferred payment terms or has undertaken a turnkey project or a construction contract abroad;
- (c) Indian agents of foreign airline or shipping companies;
- (d) Ship-manning/crew managing agencies in India;
- (e) Project offices set up in India in terms of

Foreign Exchange Management (Establishment in India of Branch or Office or other Place of Business) Regulations, 2000 dated May 3, 2000, as amended from time to time;

- (f) Indian companies receiving Foreign Direct Investment.
- (g) Organisers of international seminars, conferences, conventions *etc.*

In terms of Regulation 5 the following persons resident in India can open foreign currency accounts outside India subject to conditions specified in the regulations:

- (a) An authorised dealer in India with its branch/head office/correspondent outside India;
- (b) A branch outside India of a bank incorporated or constituted in India;
- (c) An India firm/company/body corporate in the name of its foreign office/branch or its representative posted outside India;
- (d) An exporter who is exporting services and engineering goods on deferred payment terms or has undertaken a turnkey project or a construction contract abroad;
- (e) An Indian Party [as defined in Foreign Exchange Management (Transfer or Issue of any Foreign Security) Regulations, 2004, as amended from time to time] for making overseas direct investment provided the overseas regulator requires the maintenance of such an account;
- (f) A person raising ECB or ADR/ GDR;
- (g) Indian shipping or airline companies;
- (h) Life Insurance Corporation (LIC) of India or General Insurance Corporation (GIC) of India and its subsidiaries for the purpose of carrying on life/general insurance business;
- (i) A resident individual under the Liberalised Remittance Scheme;
- (j) A person going abroad to participate in an exhibition/ trade fair;
- (k) A person going abroad for studies;
- (l) A person who is on a visit to a foreign country provided the balances are repatriated on return to India;
- (m) A foreign citizen resident in India, being an employee of a foreign company, or an Indian citizen, being an employee of a foreign company, in either case on deputation to the office/branch/subsidiary/joint venture/group company in India;

- (n) A foreign citizen resident in India employed with an Indian company.

In terms of Regulation 6, unless otherwise specifically stated, a Foreign Currency Account with AD in India may be opened, held and maintained in form of current or savings or term deposits in cases where account holder is individual and in all other cases in form of current and term deposits only. Further, the account can be held singly or jointly in the name of person eligible to open, hold and maintain such account.

The new regulations have been notified vide Notification No. FEMA 10(R)/2015-RB dated January 21, 2016, c.f. G.S.R. No.96 (E) dated January 21, 2016 and shall come into force with effect from January 21, 2016. The Master Direction No. 14 of 2015-16 (Deposits and Accounts) has been updated accordingly to incorporate the above changes.

F. Foreign Exchange Management (Export and Import of Currency) Regulations, 2015

Notification No. FEMA.6(R)/2015-RB dated January 21, 2016 and A.P. (DIR Series) Circular No. 45 dated February 04, 2016

The new Foreign Exchange Management (Export and Import of Currency) Regulations, 2015 notified *vide* Notification No. FEMA.6(R)/ 2015-RB dated December 29, 2015, c.f. G.S.R. No.1004 (E) dated December 29, 2015, supersedes the Foreign Exchange Management (Export and Import of Currency) Regulations, 2000 and all amendments thereto.

Synopsis of the new regulations is given as under:

A. Export and Import of Indian currency and currency notes

- a. Any person resident in India
 - i. May take outside India (other than to Nepal or Bhutan) currency notes of amount not exceeding ₹ 25,000 per person
 - ii. May take or send outside India (other than to Nepal or Bhutan) commemorative coins not exceeding two such coins

Explanation:

'Commemorative Coin' includes coin issued by Government of India Mint to commemorate any specific occasion or event and expressed in Indian currency.

- iii. Who had gone outside India on a temporary visit, may bring in India at time of his

return (other than from Nepal or Bhutan) currency notes of amount not exceeding ₹25,000 per person.

- b. Any person resident outside India, not being citizen of Pakistan or Bangladesh and visits India
 - i. May bring to India currency notes not exceeding ₹25,000 per person
 - ii. May take outside India currency notes not exceeding ₹25,000 per person.

B. Import of Foreign Exchange into India

A person

- i. may send into India without limit foreign exchange in any form other than currency notes, bank notes and travelers cheques;
- ii. may bring into India from any place outside India without limit foreign exchange (other than unissued notes) subject to the condition that such person makes, on arrival in India, a declaration to the Customs authorities in Currency Declaration Form (CDF). It shall not be necessary to make such declaration where the aggregate value of the foreign exchange in the form of currency notes, bank notes or travelers cheques brought in by such person at any one time does not exceed US\$10,000 (US Dollars ten thousand) or its equivalent and/or the aggregate value of foreign currency notes brought in by such person at any one time does not exceed US\$ 5,000 (US Dollars five thousand) or its equivalent.

C. Export of Foreign Exchange and Currency Notes

- i. An authorised person may send outside India foreign currency acquired in normal course of business
- ii. Any person may take or send out of India
 - a. Cheques drawn on foreign currency account maintained in accordance with Foreign Exchange Management (Foreign Currency Accounts by a person resident in India) Regulations, 2000;
 - b. foreign exchange obtained by him by drawal from an authorised person in accordance with the provisions of the Act or the rules or regulations or

directions made or issued thereunder;

- c. currency in the safes of vessels or aircrafts which has been brought into India or which has been taken on board a vessel or aircraft with the permission of the Reserve Bank;

- iii. Any person may take out of India, -
 - a. foreign exchange possessed by him in accordance with the Foreign Exchange Management (Possession and Retention of Foreign Currency) Regulations, 2000;
 - b. unspent foreign exchange brought back by him to India while returning from travel abroad and retained in accordance with the Foreign Exchange Management (Possession and Retention of Foreign Currency) Regulations, 2000;
- iv. Any person resident outside India may take out of India unspent foreign exchange not exceeding the amount brought in by him and declared in Currency Declaration Form (CDF).

D. Export and Import of currency to or from Nepal and Bhutan

A person may-

- i. take or send out of India to Nepal or Bhutan, currency notes of Government of India and Reserve Bank of India notes (other than notes of denominations of above Rs.100 in either case) provided that an individual travelling from India to Nepal or Bhutan can carry Reserve Bank of India currency notes of denomination ₹500/- and/or ₹1,000/- up to a limit of ₹25,000/- ;
- ii. bring into India from Nepal or Bhutan, currency notes of Government of India and Reserve Bank of India notes (other than notes of denominations of above ₹100 in either case) ;
- iii. take out of India to Nepal or Bhutan, or bring into India from Nepal or Bhutan, currency notes being the currency of Nepal or Bhutan.

E. Prohibition on Export of Indian Coins

No person shall take or send out of India the Indian coins which are covered by the Antique and Art Treasure Act, 1972.

The new regulations have been notified *vide* Notification No. FEMA. 6 (R)/2015-RB dated

December 29, 2015, c.f. G.S.R. No.1004 (E) dated December 29, 2015 and shall come into force with effect from December 29, 2015.

G. Foreign Exchange Management (Realisation, repatriation and surrender of foreign exchange) Regulations, 2015

Notification No. FEMA.9(R)/2015-RB dated January 21, 2016 and A.P. (DIR Series) Circular No. 46 dated February 04, 2016

The new Foreign Exchange Management (Realisation, repatriation and surrender of foreign exchange) Regulations, 2015 notified *vide* Notification No. FEMA. 9(R)/2015-RB dated December 29, 2015, c.f. G.S.R. No.1005(E) dated December 29, 2015, supersedes the Foreign Exchange Management (Realisation, repatriation and surrender of foreign exchange) Regulations, 2000 and all amendments thereto.

Synopsis of the new regulations is given as under:

A. Duty of persons to realise foreign exchange due.

A person resident in India to whom any amount of foreign exchange is due or has accrued shall, in terms of rules and regulations made thereunder, or with the general or special permission of the Reserve Bank, shall take all reasonable steps to realise and repatriate to India such foreign exchange, and in no case do or refrain from doing anything, or take or refrain from taking any action, which has the effect of securing -

- (a) that the receipt by him of the whole or part of that foreign exchange is delayed; or
- (b) that the foreign exchange ceases in whole or in part to be receivable by him.

B. Manner of Repatriation.

- (1) On realisation of foreign exchange due, a person shall repatriate the same to India, namely bring into, or receive in, India and -
 - (a) sell it to an authorised person in India in exchange for rupees; or
 - (b) retain or hold it in account with an AD in India to the extent specified by the Reserve Bank; or
 - (c) use it for discharge of a debt or liability denominated in foreign exchange to the extent and in the manner specified by the Reserve Bank.

- (2) A person shall be deemed to have repatriated the realised foreign exchange to India when he receives in India payment in rupees from the account of a bank or an exchange house situated in any country outside India, maintained with an authorised dealer.

C. Period for surrender of realised foreign exchange.

A person not being an individual resident in India shall sell the realised foreign exchange to an authorised person, within the period specified below:

- i) foreign exchange due or accrued as remuneration for services rendered, whether in or outside India, or in settlement of any lawful obligation, or an income on assets held outside India, or as inheritance, settlement or gift, within seven days from the date of its receipt;
- ii) in all other cases within a period of ninety days from the date of its receipt.

D. Period for surrender in certain cases.

- (1) Any person not being an individual resident in India who has acquired or purchased foreign exchange for any purpose mentioned in the declaration made by him to an authorised person under sub-Section (5) of Section 10 of the Act does not use it for such purpose or for any other purpose for which purchase or acquisition of foreign exchange is permissible under the provisions of the Act or the rules or regulations or direction or order made thereunder, shall surrender such foreign exchange or the unused portion thereof to an authorised person within a period of sixty days from the date of its acquisition or purchase by him.
- (2) Notwithstanding anything contained in sub-regulation (1), where the foreign exchange acquired or purchased by any person not being an individual resident in India from an authorised person is for the purpose of foreign travel, then, the unspent balance of such foreign exchange shall, save as otherwise provided in the regulations made under the Act, be surrendered to an authorised person-
 - (i) within ninety days from the date of return of the traveller to India, when the unspent foreign exchange is in the form of currency notes and coins; and

- (ii) within one hundred eighty days from the date of return of the traveller to India, when the unspent foreign exchange is in the form of travellers cheques.

E. Period for surrender of received/realised/unspent/unused foreign exchange by Resident individuals.

A person being an individual resident in India shall surrender the received/realised/unspent/unused foreign exchange whether in the form of currency notes, coins and travellers cheques, *etc.* to an authorised person within a period of 180 days from the date of such receipt/realisation/purchase/acquisition or date of his return to India, as the case may be.

F. Exemption.

Nothing in these regulations shall apply to foreign exchange in the form of currency of Nepal or Bhutan.

The new regulations have been notified vide Notification No. FEMA. 9(R)/2015-RB dated December 29, 2015, c.f. G.S.R. No.1005 (E) dated December 29, 2015 and shall come into force with effect from December 29, 2015.

H. Foreign Exchange Management (Possession and Retention of Foreign Currency) Regulations, 2015

Notification No. FEMA.11(R)/2015-RB dated January 21, 2016 and A.P. (DIR Series) Circular No. 47 dated February 04, 2016

The new Foreign Exchange Management (Possession and Retention of Foreign Currency) Regulations, 2015 notified *vide* Notification No. FEMA. 11(R)/2015-RB dated December 29, 2015, c.f. G.S.R. No.1006 (E) dated December 29, 2015, supersedes the Foreign Exchange Management (Possession and Retention of Foreign Currency) Regulations, 2000 and all amendments thereto.

Synopsis of the new regulations is given as under:

A. Following are the limits for possession or retention of foreign currency or foreign coins, namely :-

- i. possession without limit of foreign currency and coins by an authorised person within the scope of his authority ;
- ii. possession without limit of foreign coins by any person;
- iii. retention by a person resident in India of foreign currency notes, bank notes and

foreign currency travellers' cheques not exceeding US\$ 2,000 or its equivalent in aggregate, provided that such foreign exchange

- a. was acquired by him while on a visit to any place outside India by way of payment for services not arising from any business in or anything done in India; or
- b. was acquired by him, from any person not resident in India and who is on a visit to India, as honorarium or gift or for services rendered or in settlement of any lawful obligation; or
- c. was acquired by him by way of honorarium or gift while on a visit to any place outside India; or
- d. represents unspent amount of foreign exchange acquired by him from an authorised person for travel abroad.

B. A person resident in India but not permanently resident therein may possess without limit foreign currency in the form of currency notes, bank notes and travellers cheques, if such foreign currency was acquired, held or owned by him when he was resident outside India and, has been brought into India in accordance with the regulations made under the Act.

Explanation: for the purpose of this clause, 'not permanently resident' means a person resident in India for employment of a specified duration (irrespective of length thereof) or for a specific job or assignment, the duration of which does not exceed three years.

The new regulations have been notified *vide* Notification No. FEMA. 11(R)/2015-RB dated December 29, 2015, c.f. G.S.R. No.1006 (E) dated December 29, 2015 and shall come into force with effect from December 29, 2015.

I. Definition of "Currency", 2015

Notification No. FEMA.15(R)/2015-RB dated January 21, 2016 and A.P. (DIR Series) Circular No. 48 dated February 04, 2016

The new Notification No. FEMA. 15(R)/2015-RB dated December 29, 2015 notified *vide* G.S.R. No.1008 (E) dated December 29, 2015, supersedes the Notification No. FEMA 15/2000-RB.

Synopsis of the new regulations is given as under:

Debit cards, ATM cards or any other instrument which can be used to create a financial liability may be defined as currency.

The new regulations have been notified *vide* Notification No. FEMA. 15(R)/2015-RB dated December 29, 2015, c.f. G.S.R. No.1008 (E) dated December 29, 2015 and shall come into force with effect from December 29, 2015.

J. Post Office (Postal Orders/Money Orders), 2015

Notification No.FEMA.18(R)/2015-RB dated January 21, 2016 and A.P. (DIR Series) Circular No. 49 dated February 04, 2016

The new Notification No. FEMA. 18(R)/2015-RB dated December 29, 2015 notified *vide* G.S.R. No.1009 (E) dated December 29, 2015, supersedes the Notification No. FEMA. 18/2000-RB.

Synopsis of the new regulations is given as under:

General permission has been given to any person to buy foreign exchange from any post office in India in the form of postal order or money order.

The new regulations have been notified *vide* Notification No. FEMA.18(R)/2015-RB dated December 29, 2015, c.f. G.S.R. No.1009 (E) dated December 29, 2015 and shall come into force with effect from December 29, 2015.

K. Compilation of R-returns: Reporting under FETERS

A.P. (DIR Series) Circular No. 50 dated February 11, 2016

In order to enhance the security-level in data submission and further improve data quality, the following modifications shall be effected in the guidelines for submission of data under the FETERS from 1st fortnight of April 2016 (i.e., reporting of those transactions which take place from April 1, 2016):

- The present email based submission to be replaced by web portal based data submission. There is however no change in periodicity, file layout, delimiter, checks and inter relationship among BOP6.TXT and QE.TXT files as well as their naming convention.
- Nodal offices of banks have to access the web-portal <https://bop.rbi.org.in> with the RBI-provided login-name and password, to submit data.
- Banks may download RBI-provided validator template from this portal on their computer and perform off-line check of their FETERS data-file for error, if any, before its submission on the portal. Both Java-based and Excel-based validators are provided: Use of

Java-based validator is advised for larger files. This portal also gives relevant master files (e.g., country, currency, AD code, purpose code masters).

- On uploading validated files, banks will get acknowledgment. They can view the data-files submitted by them during the previous two fortnights, with download facility. They can also revise the purpose codes for transaction submitted earlier, if required, which will be authenticated by RBI in the system.
- Banks may report (a) addition of AD code for their bank and (b) update AD category, which will be incorporated in the AD-master database by RBI after due authentication.
- With the discontinuation of ENC.TXT and SCH3to6.TXT files in FETERS, the purpose codes P0105 [*Export bills (in respect of goods) sent on collection—other than Nepal and Bhutan*] and P0107 [*Realisation of NPD export bills (full value of bill to be reported)—other than Nepal and Bhutan*] have become defunct and are, therefore, discontinued.

Revision of Form A2:

Further, in-order to streamline the reporting of the transactions relating to the Liberalised Remittance Scheme (LRS) in FETERS and On-line Return Filing System (ORFS), it has been decided that transactions relating to LRS may be reported under respective FETERS purpose codes (e.g. travel, medical treatment, purchase of immovable property, studies abroad, maintenance of close relatives; *etc.*) instead of reporting collectively under the purpose code S0023. This would help AD banks in classification of transactions for similar activity under single purpose code. Therefore, the purpose code S0023 would be revised as follows to enable reporting of '*Opening of foreign currency account abroad with a bank*':

Purpose Code	Description as per the A.P.(DIR Series) Circular No.84 dated February 29, 2012 and in Form A2	Revised Description
S0023	Remittances made under Liberalised Remittance Scheme (LRS) for Individuals	Opening of foreign currency account abroad with a bank

- For facilitating the existing monthly reporting of LRS transactions under ORFS, AD banks may use the following purpose codes only:

Legal Update

Sr. No.	Items under LRS	Corresponding FETERS purpose codes, if transaction is identified under LRS
1	Opening of foreign currency account abroad with a bank under LRS	S0023
2	Purchase of immovable property	S0005
3	Investment in equity, debt, JV, WoS, ESOPs, IDRs	S0001, S0002, S0003, S0004, S0021, S0022
4	Gift	S1302
5	Donations	S1303
6	Travel (business, pilgrimage, medical treatment, education, employment, personal)	S0301, S0303, S0304, S0305 & S0306
7	Maintenance of close relatives	S1301
8	Medical Treatment	S1108
9	Studies abroad	S1107
10	Emigration	S1307
11	'Others' such as loan to NRI close relatives and health insurance	S0011, S0603

- ii. AD banks should also ensure that the data pertaining to LRS transactions reported by them in FETERS tallies with that reported by them in ORFS.
- iii. The Form A2 is also being revised (as per Annex) by introducing a check-box for LRS transactions in the relevant block as follows:

Sr. No.	Whether under LRS (Yes/No)	Purpose Code	Description
As per the Annex			

Online submission of Form A2 by the remitter.

It has been decided that Authorised Dealer banks, offering internet banking facilities to their customers may allow online submission of Form A2. They may also enable uploading/submission of documents, to establish the permissibility of the remittances under the extant rules or regulations framed under the Foreign Exchange Management Act, 1999 (FEMA). Remittances that do not require any documentation (e.g. certain transactions under the LRS) may be put through on the basis of the Form A2 alone. To start with, remittances on the basis of online submission alone will be available for transactions with an upper limit of USD 25,000 (or its equivalent) for individuals and USD 100,000 (or its equivalent) for corporates. It may be noted that the remittance will be subject to satisfaction of the Authorised Dealer banks as laid down in Section 10 (5) of FEMA. Accordingly, Authorised Dealer

banks are advised to frame appropriate guidelines for customer interface personnel to ensure ease of transactions for the customers within the ambit of the statutory/regulatory provisions. It may be further noted that reporting of transactions in FETERS shall continue, as hitherto, by the Authorised Dealer banks.

Appropriate changes in technology and/or operating procedure may be carried out by Authorised dealer banks immediately and compliance in this regard furnished to RBI.

The changes introduced through this circular may be implemented with immediate effect and in any case not later than April 1, 2016.

L. Start Up India: Action Plan

Start up India is a flagship initiative of Government of India, intended to build a strong eco-system for nurturing innovation and Start-ups in the country that will drive sustainable economic growth and generate large scale employment opportunities has announced an Action Plan that addresses all aspects of the Start-up ecosystem. The Action Plan is divided across the following areas

- (a) Simplification and Handholding
- (b) Funding Support and Incentives
- (c) Industry-Academia Partnership and Incubation.

Features of Action Plan rolled by the Government are as follows:

- Compliance Regime based on Self Certification–To reduce the regulatory burden on Start Ups thereby allowing them to focus on their core business and keep compliance cost low
- Start Up India Hub–To create a single point contact for the entire Start Up ecosystem and enable knowledge exchange and access to funding
- Rolling out of Mobile App and Portal–To serve as the single platform for Start Ups for interacting with Government and Regulatory Institutions for all business needs and information exchange among various stakeholders
- Legal support and Fast tracking patent examination at lower costs–To promote awareness and adoption of IPRs by Start Ups and facilitate them in protecting and commercializing the IPRs by providing access to high quality Intellectual Property Services and resources, including fast track examination of patent applications and rebate in fees.

- Relaxed norms for public procurement for Start Ups–To provide an equal platform to Start Ups (in the manufacturing sector) *vis-à-vis* the experienced entrepreneurs/companies in public procurement.
- Faster exit for Start Ups–To make it easier for Start Ups to wind up operations.
- Providing fund support through a Fund of Funds with a corpus of INR 10,000 crore–To provide funding support for development and growth of innovation driven enterprises.
- Credit Guarantee Fund for Start Ups–To catalyse entrepreneurship by providing credit to innovators across all sections of the society.
- Tax exemptions on Capital Gains–To promote investments into Start Ups by mobilising the capital gains from sale of capital assets.
- Tax exemption for Start Ups for 3 years–To promote the growth of Start Ups and address working capital requirements.
- Tax exemption on investment above Fair Market Value–To encourage seed-capital investment in Start Ups.
- Organising Start Up Fests for showcasing innovation and providing collaboration platform–To galvanise the Start Up ecosystem and to provide national and international visibility to the Start Up ecosystem in India.
- Launch of Atal Innovation Mission (AIM) with Self Employment and Talent Utilization (SETU) program–To serve as a platform for promotion of world class innovation hubs, grand challenges, Start Up businesses and other self-employment activities, particularly in technology driven areas.
- Harnessing private sector expertise for incubator set up–To ensure professional management of government sponsored/funded incubators. Government will create policy and framework for setting up of incubators across the country in public private partnership.
- Building innovation centres at National Institutes–to propel successful innovation through augmentation of incubation and R&D efforts.
- Setting up 7 New Research Parks Modeled on the Research Park Set up at IIT Madras–to propel successful innovation through incubation and R&D efforts between academia and industry.
- Promoting Start Ups in the Biotechnology

Sector–to faster and facilitate bio-entrepreneurship.

- Launching of Innovation focused programs for students–To foster a culture of innovation in the field of Science and Technology amongst students.
- Annual Incubator Grand Challenge – to support creation of successful world class incubators in India.

M. Regulatory relaxations for Start Ups – Clarifications relating to acceptance of payments

A.P. (DIR Series) Circular No. 51 dated February 11, 2016

Reserve Bank of India vide Press Release dated February 2, 2016, had announced that in case of start-ups, to facilitate ease of doing business, certain permissible transactions under the existing regime shall be clarified. One of the issues relate to the start-ups accepting payment on behalf of overseas subsidiaries.

In this connection, it is clarified as under:

- a. A start-up in India with an overseas subsidiary is permitted to open foreign currency account abroad to pool the foreign exchange earnings out of the exports/sales made by the concerned start-up;
- b. The overseas subsidiary of the start-up is also permitted to pool its receivables arising from the transactions with the residents in India as well as the transactions with the non-residents abroad into the said foreign currency account opened abroad in the name of the start-up;
- c. The balances in the said foreign currency account as due to the Indian start-up should be repatriated to India within a period as applicable to realisation of export proceeds (currently nine months);
- d. A start-up is also permitted to avail of the facility for realising the receivables of its overseas subsidiary or making the above repatriation through Online Payment Gateway Service Providers (OPGSPs) for value not exceeding USD 10,000 (US Dollar ten thousand) or up to such limit as may be permitted by the Reserve Bank of India from time to time under this facility; and
- e. To facilitate the above arrangement, an appropriate contractual arrangement between the start-up, its overseas subsidiary and the customers concerned should be in place.

Legal Update

N. Regulatory Relaxations for Start Ups – Clarifications relating to Issue of Shares

A.P. (DIR Series) Circular No. 52 dated February 11, 2016

Reserve Bank of India *vide* Press Release dated February 2, 2016, had announced that in case of startups, certain permissible transactions under the existing regulatory framework shall be clarified. One of the issues related to issue of shares without cash payment by the investor through sweat equity or against any legitimate payment owed by the company remittance of which does not require any permission under FEMA, 1999.

Accordingly, the following is clarified:

Issue of Shares without cash payment through Sweat Equity:

Reserve Bank of India *vide* Notification No. FEMA.344/2015 RB dated June 11, 2015 has permitted Indian companies to issue sweat equity, subject to conditions, *inter-alia*, that the scheme has been drawn either in terms of regulations issued under the Securities Exchange Board of India Act, 1992 in respect of listed companies or the Companies (Share Capital and Debentures) Rules, 2014 notified by the Central Government under the Companies Act 2013 in respect of other companies.

Issue of shares against legitimate payment owed:

RBI *vide* its Notification No. FEMA 315/2014-RB dated July 10, 2014 has permitted Indian companies to issue equity shares against any other funds payable by the investee company, remittance of which does not require prior permission of RBI subject to FDI related conditions of Schedule 1 of FEMA 20.

CORPORATE LAWS



(Matter on Corporate Laws has been contributed by CA. Rahul Joglekar)

MCA (www.mca.gov.in)

MCA circular no. 2/2016 dated 15th

January 2016 – HUF / Karta as partner in LLP

MCA has clarified that HUF or its Karta cannot become a partner or designated partner in an LLP. For complete text of the circular, please refer the link: http://www.mca.gov.in/Ministry/pdf/General_Circular_2_2016.pdf

SEBI (www.sebi.gov.in)

SEBI notification no. SEBI/LAD-NRO/GN/2015-16/034 dated 12th February 2016-Securities and Exchange

Board of India (Mutual Funds) (Amendment) Regulations, 2016

SEBI has amended clause 1 of Seventh Schedule of Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 with respect to the investments permissible to mutual funds. It has specified that a mutual fund scheme shall not invest more than 10% of its NAV in debt instruments comprising money market instruments and non-money market instruments issued by a single issuer which are rated not below investment grade by a credit rating agency. Certain exceptions have also been carved out in this regard. For a complete text of the notification, please refer the link: http://www.sebi.gov.in/cms/sebi_data/attachdocs/1455513505225.pdf

RBI (www.rbi.org.in)

RBI circular no. DBR.BP.BC.No.76/21.07.001/2015-16 dated 11th February 2016-Implementation of Indian Accounting Standards (Ind AS)

RBI had directed all scheduled commercial banks (excluding RRBs) to follow the Indian Accounting Standards as notified under the Companies (Indian Accounting Standards) Rules, 2015, subject to any guideline or direction issued by it. This implementation shall be for financial statements for accounting periods beginning from April 1, 2018 onwards, with comparatives for the periods ending March 31, 2018 or thereafter. Ind AS shall be applicable to both standalone financial statements and consolidated financial statements. Early application of the Ind AS is not permitted. Certain other incidental preparatory steps have also been prescribed by RBI viz:- analysis of differences between existing GAAP and Ind AS, systemic changes required, Business impact analysis *etc.* Banks also need to be in preparedness to submit proforma Ind AS financial statements to the RBI from the half-year ended September 30, 2016, onwards. For a complete text of the circular, please refer the link: <https://rbi.org.in/Scripts/NotificationUser.aspx?Id=10274&Mode=0>

RBI circular no. DBS.CO.CFMC.

BC.No.007/23.04.001/2015-16 dated 21st January 2016-Fraud Reporting and Monitoring

RBI has taken a review of the fraud reporting mechanism and revised guidelines in this regard have been issued. It has also been decided that henceforth banks/FIs need not send the hard copies of the FMR-1 returns. For a complete text of the circular, please refer the link: <https://rbi.org.in/Scripts/NotificationUser.aspx?Id=10235&Mode=0> ■