

A man in a dark suit, white shirt, and patterned tie stands on the right side of the page. He is pointing his right hand towards a target symbol (three concentric circles) that is positioned at the peak of a jagged line graph. The background is a light gray grid with a large, faint watermark of a copyright symbol (©) in the center. The entire scene is framed by a thin purple border.

NEWS LETTER

UPDATES

15th to 31st DECEMBER, 2010

INDEX

- ***CORPORATE NEWS***
- ***TAX NEWS***
- ***CORPORATE HAPPENINGS OF 2010 AT A
GLANCE***
- ***NOTIFICATIONS, CIRCULARS AND PRESS
RELEASES***
- ***CORPORATE CASE LAWS***
- ***TAX CASE LAWS***

CORPORATE NEWS

(From 15th to 31st December, 2010)

RBI cuts SLR for RRBs by 100 bps to 24%

The Reserve Bank announced reduction of Statutory Liquidity Ratio (SLR) requirement for lenders to keep a portion of deposits in government securities, cash and gold, by one percentage point from 25% to 24% for regional rural banks (RRBs). The new requirement for RRBs is effective from December 18.

Shiv Raj Puri allegedly engineered Citibank Fraud

A major fraud was unearthed at Citibank allegedly engineered by its relationship manager, Shiv Raj Puri, which is estimated to be Rs 300-350 crore. A case of fraud has been registered against the manager and three of his close relatives in whose names he opened joint account and siphoned money. He also forged circular in name of SEBI stating that a high-returns scheme has been floated to win the trust of prospective customers and to convince them to invest, and he was successful in tapping some major players.

Honda to sell stake in India's Hero Honda

Honda Motor has "formally decided" to sell its entire 26% stake i.e in Hero Honda. The Munjal family, owner of the diversified Hero Group in India, also owns a 26 percent stake in the 26-year-old venture to focus on wholly owned unit Honda Motorcycle & Scooter India, set up in 1999.

SAIL FPO in Jan, ONGC in March

The Government on Wednesday said that it has decided to dilute its stake in SAIL IN January followed by Power Finance Corporation (PFC) and oil major ONGC in March. The Cabinet, on December 1, approved sale of government's 5 per cent stake in ONGC, after which it will come down to 69.14 per cent from the current 74.14 per cent.

Tougher Lending Norms for Housing Finance Cos

The National Housing Bank has mandated housing finance firms to keep aside 0.4 per cent of the total outstanding loans, excluding individual housing loans, by September 2011. The new rules also limit the amount a person could borrow against property to 90 per cent where the value of the property is less than 20,00,000 rupees.

Reliance General, Royal Sundaram merger hits roadblock

The proposed merger of Reliance General Insurance and Royal Sundaram Alliance has hit a roadblock, with differences over valuation. According to persons with knowledge of the issue, both firms have failed to reach an agreement on the valuation of Reliance General. Reliance General reckons that its valuation is well over 2000 crore, but this has been disputed by the Chennai-based Royal Sundaram Alliance. Both the companies are likely to inform the regulator that the merger, in the form currently proposed, may not go through as of now.

TAX NEWS

(From 15th to 31st December, 2010)

Karnataka HC tells Wipro to deposit Rs 24 cr in tax case

The Karnataka High Court has directed IT bellwether Wipro Ltd to deposit Rs 24 crore (Rs 240 million) in a case of tax on re-export of software as the company did not comply with the court's order of Dec 10. The vacation bench declined to hear its appeal for a stay on payment of four percent value added tax (VAT) on software re-exported.

I-T asks Satyam to get accounts of 2 yrs audited

Mahindra Satyam said the income tax department has directed it to get its accounts audited for assessment years 2002-03 and 2007-08 as directed by the additional commissioner of income tax. Accounts of the company before 2008-09 are still being reconstructed after the fraud committed by its founder chairman Ramalinga Raju that blew up as a Rs 14,000 crore scam. the I-T department had earlier asked Mahindra Satyam to pay Rs 570 crore that it had illegally claimed as tax credit on fictitious income during the 2003-04 to 2008-09 period.

Goods and Services Tax would be implemented from April 1, 2012

Finance minister Pranab Mukherjee said that Goods and Services Tax (GST) would be implemented from April 1, 2012. Due to some problems in

implementation of the new indirect tax system, constitutional amendments are needed to levy it in states therefore its implementation has been delayed.

Finance ministry exempts service tax on retail sale

The finance ministry has exempted service tax on retail sale of packaged computer software to address the problem of double taxation on it. The objective is to streamline taxation of packaged software, said an official dealing with service tax matters. The 10% exemption on service tax is, however, conditional to payment of excise on the retail price if the software has been manufactured or imported, according to a notification issued by the Central Board of Excise and Customs.

Government mandates cost audits for over 100 companies

The government has mandated cost audits for over 100 companies, covering a host of sectors including pharmaceuticals, fertilizers, steel and petroleum to scrutinize into a company's production cost and profit margins. The Cost Audit Branch (CAB), a department under the ministry of corporate affairs, in an order issued last week, has asked 115 companies to file their cost audit report for the year ending March 31, 2011.

Direct tax of Apr-Dec collections approach Rs. 3 trillion mark

Direct tax collections for the current fiscal to the middle of December rose 18% to nearly Rs.3 trillion, driven by robust corporate tax payments, including from advance tax. The net direct tax collection stood at Rs.2.96 lakh crore from 1 April to 15 December this year, a growth of 18% over the year-ago period.



**A GLANCE AT THE
CORPORATE WORLD IN
2010**

Before entering into a new decade.....2011

**Let us have a quick recall about the major
happenings in the Corporate Arena in the
past year of 2010...**

*from:
Pankaj Onval & Co.
Chartered Accountants*

❖ **Sensex starts 2010 on a solid note [Jan 4, 2010]**

The BSE Sensex rose 0.5 percent on Jan 4 to its highest close in 20 months on the first trading day of 2010, with auto majors Mahindra & Mahindra and Tata Motors rallying on robust December sales.

❖ **RBI lifts Reserve Ratio [Jan 29, 2010]**

The Reserve Bank of India (RBI) surprised markets by raising banks' cash reserve requirements by more than expected on Friday and warned of mounting inflation, setting the stage for raising interest rates in the coming months.



❖ **Budget raises borrowing to new record; bonds hit [Feb 26, 2010]**

The government plans to increase market borrowing by 1.3 percent in his \$239 billion budget, pushing bond prices lower as investors anticipated a flood of fresh debt supply.

❖ **Mukesh Ambani wins gas ruling in Supreme Court [May 7, 2010]**



Mukesh Ambani scored a win against his estranged brother with the Supreme Court ruling they must renegotiate a private natural gas supply contract between Mukesh's RIL and the younger Anil's RNRL over the country's largest gas field, giving the government control over setting gas prices.

❖ **BSE Sensex at 3-1/2-mth low as Europe rattles [May 25, 2010]**

The BSE Sensex skidded 2.7 percent to its lowest close in three-and-a-half months on Tuesday as Europe's debt worries led to fear of larger foreign fund outflows. The 30-share BSE index shed 2.71 percent, or 447.07 points, to 16,022.48, its lowest close since Feb. 10

❖ **Rupee gets symbol [July 15,2010]**

The Indian rupee has achieved parity with major currencies such as the dollar, euro, pound sterling and yen in one respect: it now has its own symbol.



❖ **Vedanta in \$9.6 billion deal to control Cairn India [Aug 16,2010]**

Vedanta Resources plans to spend up to \$9.6 billion clinching control of Cairn India .India-focused Vedanta to buy between 40 and 51 percent of Cairn India from Cairn Energy, holder of a 62.4 percent stake, and offer to buy up to 20 percent from other shareholders to give it a stake of between 51 and 60 percent.

❖ **SKS Microfinance IPO's strong market debut [Aug 16,2010]**

SKS, India's largest micro lender after raising about \$358 million rose as much as nearly 18 percent to become country's first micro finance institution to tap the market.

❖ **Vedanta mining plan rejected on green worries[Aug24,2010]**

India rejected a \$9.6 billion plan by UK-based mining group Vedanta Resources Plc to mine bauxite in an eastern state over environmental concerns as there were major violations of Environmental Laws.

❖ **Obama wins over India Business Sector [Nov 6,2010]**

President Barack Obama announced \$10 billion in business deals as he arrived in India to boost U.S. exports and 54,000 jobs after a mauling in mid-term polls.



❖ **Coal India IPO – the Biggest ever[Nov 5,2010]**

Shares in Coal India surged 40 percent on debut after a record \$3.4 billion IPO that was 15 times oversubscribed making it the country's' largest ever IPO and thus gave Coal India a market value of 2.16 trillion rupees.

❖ **Hero to buy Honda stake in motorcycle JV[Dec 16,2010]**

The Hero Group is to buy Honda Motor's 26 percent stake in their motorcycle venture Hero Honda Motors, paving the way for the Japanese company to focus on its wholly-owned Indian unit.

NOTIFICATIONS, CIRCULARS AND PRESS RELEASES

[Till 31st December, 2010]

❖ *Securities and Exchange Board of India*

[Dtd 16.12.2010]

CIR/CFD/DIL/10/2010

SEBI has decided to give effect to certain amendments to the Equity Listing Agreement with respect to various continuous disclosures made by listed entities namely:

- Disclosures regarding Shareholding pattern one day prior to listing of securities under Clause 35.
- Disclosures regarding change in Shareholding pattern of listed entities wherein the change exceeds +/- 2% of the paid up share capital of the entities, the listed entities shall file a revised shareholding pattern with the stock exchanges within 10 days from the date of allotment of shares.
- Disclosure in respect of Depository Receipts issued overseas, details shall be disclosed regarding issue to 'promoter group' or 'Public'.
- Other amendments as to:
 - Clause 40A-Minimum Public Shareholding
 - Clause 5A-Uniform procedure for dealing with unclaimed

Shares

- Clause 20&21- Corporate Announcement
- Clause 22- Notice period
- Clause 53- Disclosures regarding agreements with the media
Companies
- Clause 54- Maintenance of a website

CORPORATE CASE LAWS
[Till 31st December, 2010]

K. R. SUBRAMANIAN V. OFFICIAL LIQUIDATOR, HIGH COURT OF KERALA [(2009) 147 COMP CAS 123 (KER)] J.B. KOSHY & K.P. BALACHANDRAN JJ. [DECIDED ON 15.10.2008]

Brief Facts:

Upon failure of the company to file statement of affairs within the stipulated time, complaints were filed against ex-managing director and some ex-directors of the company in liquidation. The official liquidator contended that even though some of the accused were not directors at the time of winding up, they could be issued notice and that the Board resolution showed that after they resigned from the Company they had not handed over the documents, and therefore notice issued to them was in order. The notices issued to the directors were held valid and the erstwhile managing director and the erstwhile directors were convicted and sentenced. They appealed to the High Court.

Decision:

Appeal allowed

Reason:

The official liquidator can demand a statement of affairs from the officers or erstwhile officers of the company in liquidation as mentioned in clauses (a) to (d) of Section 454(2) of the Companies Act, 1956, only by getting orders from the

court. By mere non-filing of statement of affairs as required it cannot be deemed that it was not filed without any reasonable excuse.

TAX CASE LAWS

[Till 31st December, 2010]

INDO TECH ELECTRIC CO VS. DCIT (MADRAS HIGH COURT)

Brief Facts:-

The assessee, a partnership firm comprising of father & son, sold its business as a going concern to a limited company. The partners of the firm were the directors of the company. The company paid the assessee Rs. 1.25 crores towards “technical know-how”, Rs. 36 lakhs as “non-compete compensation for pending orders” and Rs. 33 lakhs as “non-compete compensation for future orders”. The entire amount of Rs. 1.94 crores was claimed to be a non-taxable capital receipt. However, the AO held the entire sum to be assessable as consideration for transfer of “goodwill” u/s 55. On appeal, the CIT (A) upheld the assessee’s stand with regard to the technical know-how & “non-compete compensation for pending orders” and rejected the balance. On cross appeals, the Tribunal upheld the stand of the AO on the ground that the arrangement to pay technical know-how etc was a “colorable device to evade tax” and the entire amount was assessable as “goodwill”. On appeal by the assessee,

Decision:-

The appeal was dismissed.

Reason:-

The assessee was taken over as a going concern which could not have been taken over without technical know-how and the compensation for non-competing fees are nothing but a part of composite receipt to diminish the value of the assets of the assessee. The assessee has clearly attempted to evade tax by claiming the amount received as goodwill into one of technical know-how in order to evade tax. When an attempt is made by a company to evade tax it is the bounden duty of the authorities to lift the corporate veil and find out the real intention behind the same.

HAPPY NEW YEAR



Pankaj Oswal & Co.

Chartered Accountants

LGF-54,

NRI Complex, Mandakini,

Greater Kailash - IV

New Delhi-110019

Ph: +91-11-26277030, 26270070

Fax: +91-11-26272011

Email: - pankajos@airtelmail.in

Website: - www.capoc.in