



THE INSTITUTE OF  
CHARTERED ACCOUNTANTS  
OF INDIA  
(Set up by an Act of Parliament)

Nagpur Branch of WIRC of ICAI

# NEWSLETTER

Vol.06 / 2012-13 June 2012



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## Inside this magazine

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- Issues on Communication with CPC Bangalore
- What's in (Finance Act 2012) store for "Construction"
- Past Events – June 2012 / Forth Coming Events
- Quiz # 2
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## NAMASKAAR

कार्षापणं भवेत् दण्डयो यत्रान्यः प्राकृतो जनः ।  
तत्र राजा भवेत् दण्डयः सहस्रमिती धारणा ॥

Dear Professional Colleagues,

For a particular offence if Rs. One is the fine for a common man, for the same offence it should be Rs. One Thousand if the offender is the King ('leader' in today's context).

The maxim laid down by the MANUSMRITI, as above is something that needs to be properly understood by all of us. We are guided by the maxim 'KING CAN DO NO WRONG' which is the opposite of above. What we should believe is that treating two unequals equally, is itself an inequality.

The shloka above highlights the responsibility of the society towards the common man. Leaders, who are supposed to take care of the welfare of the people should be above board. They must be respected persons enjoying high credibility.

The Nagpur branch has been endeavoring for organizing quality programs for members providing value added services and strengthening the training requirements. The All Regions Conference jointly hosted with Baroda Branch was a huge success. This conference was attended by around 1000 members representing more than 60 cities. Workshops and Interactive Meets were appreciated by all. The 'Ek Sham CA Ke Naam' was enjoyed by more than 500 spectators. The Fellowship Meets and other non academic programs added to companionship and friendship amongst the members. Your wholehearted support, cooperation and involvement in various activities of the branch is very important for realizing our vision to be a global leader.

Friends, I believe that honor is to be commanded and not demanded. Should we who want to become global leaders, not offer ourselves to the thousand time higher punishment as is expected by Manusmirti, for any violation of standards and regulations? If we are able to command honour, I am sure not only the recognitions but much bigger role in the growth and development of the nation will come our way.



With kind regards,

CA. Abhijit Kelkar





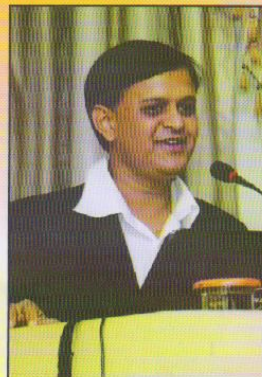
## 2<sup>nd</sup> ICAI All Region Conference at Baroda



### Study Circle Meets

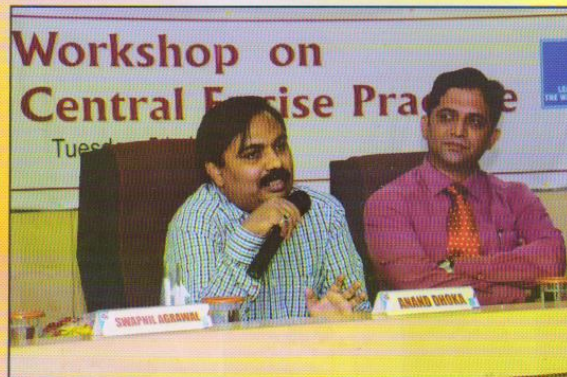


CA. Tusharkanti Dable



CA. Naresh Jakhotia

### Workshop on Enabling Central Excise Practice



CA. Anand Dhoka



Seminar on Intellectual Property Rights



Tax Awareness Program





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## From the Joint Editor



Dear esteemed colleagues

Greetings,

After scorching summer, the city expects respite from oppressive weather. But howsoever repressive the conditions may be, the branch is always enthusiastic about

arranging different programmes on professional, social and family front. Come June and the profession is gearing up for exploring newer avenues before the month of tax returns. I take this opportunity to greet everyone on coming CA foundation day. On this unforgettable day in CA's life, let's join hand together and work hard to acquire inner wealth of building relationships.

"If conversation is the lyrics, laughter is the music; making time spent together a melody that could be replayed over and over without getting stale."

Our branch provides the platform to build, rebuild relationships with each other by lending a platform through staging various programmes.

I humbly urge members to participate in the IT quiz contests published in the newsletter regularly now and sharpen or rediscover your skills. I am sure that this edition of newsletter also encompasses variety of valuable contents to assist members to widen their sphere of knowledge.

With warm regards  
CA. Nitin Aishi



Dear Professional Colleagues,

Recently we all enjoyed and celebrated the Chartered Accountant's day with great zeal and enthusiasm. The flagship event of Nagpur Branch 'Ke Sham CA ke nam' with a new and unique concept was a grand success. We also participated in the noble cause of blood donation on this auspicious day.

Now, its time for us to gear up for the forthcoming season. Starting with 31<sup>st</sup> July, a series of due dates of compliances are lined up to keep us busy. Just like every year, Effective Time Management is the biggest challenge for we professionals during peak season.

**As rightly said by Sir Matthew Hale –**

*"The more business a man has to do, the more he is able to accomplish, for he learns to economize his time."*

This applies more particularly to professionals like Chartered Accountants who mostly render personalized and specialized services and our "TIME" is the only quality and precious asset. We must ensure our time is used effectively for our clients; when so used, are reasonably and timely paid for it.

Previous issue of this newsletter mostly highlighted the financials of our vibrant branch whereas this edition is full of diversified knowledge. I invite suggestions from members for future coverage in order to further enhance the quality and content of our newsletter.

With warm regards  
CA. Prateek Palan





## Internal Auditors are Business Partners

■ CA. Jiten Saglani

It was said that auditing began around 1750-1850 at the time of industrial revolution. Understandingly, it began at that period because owners of industries wanted someone to check and review what is happening in their industries, in process, and accounting. Imagine, you have a business and it collapsed. How would you react? You would be keen to find out the root causes of what went wrong? Imagine, you are the head of the department at the ministry, and there is a rumor going around that there is a corruption in your department. How would you feel? Will you wake up and take some actions? Whom do you seek support from to review your business transactions and work activities at ministry? You got it right, they are the auditors. There is a big responsibility on auditors' shoulders. Previously, managements thought that auditors were "policemen". Their duty is to catch mistakes and report. Furthermore, they thought that auditors are a disturbance and work criticizers. They got it wrong. The current studies and practices have shown that; auditors are business partners, independent, risk-based, focused, leaders, sharing knowledge and a motivators. They are there to safeguard your funds and reputations in the market. Do you know what will occur in the organizations in the absence of auditors? There would be many high risk open doors where organizations may collapse effortlessly. It means organizations are inviting internal and external fraudsters to play their role. One of the surveys suggested that if there had been auditors on the Titanic, (which sank during its maiden voyage in 1912 after striking an iceberg off southern Newfoundland) who had done a surprise audit on the cash float or the accounts received from passengers and asked the right questions to right people, then the Titanic wouldn't have sank. Auditors might have discovered the quality of materials from which the ship was made and the findings may have helped save the ship. The Bank of Credit and Commerce International (BCCI), which was established in late sixties, lost most of its funds which were used for Anti-Money Laundering (AML). Finally, it went bankrupt. In the case of BCCI it has been said that the internal control was poor and it

lacked a regulatory policy and process. Both the parties were involved in fraud in BCCI, (internal and external). Another big company namely, "Enron" also went bankrupt. The problem was the same "poor internal controls". In various countries, some small businesses which cannot afford internal auditors, have become bankrupt. In case of one of the shopping centers, which was running well in the late nineties gradually became bankrupt because of not having internal controls. However, all such lessons from history indicate that auditors are not policemen but your business partners. They help you to not to become bankrupt.

As a business owner, it is advisable that you understand the definition of an internal auditor. It has been well defined by the Institute of Internal Auditors (IIA), that; "Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes." Nowadays, it has been noticed that most of the organizations are following the Risk Based Internal Audit (RBIA). In this type of audit, auditors believe that they can better identify risks and present it to the management. They go on risk-based approach, whether, the risk is high, medium or low, and based on the same, management takes appropriate actions to resolve the problems. Since, the doors of new skills, knowledge, education, process, and the way of workings are not limited, can we think of a new type of auditing? I have an opinion on having a Scientific Based Auditing (SCB), under this type of auditing, auditors will be in a position where they can think scientifically. Their findings will be on based on science. Their risks will be measured scientifically. They will ask scientific questions rather than traditional ones. And, whenever, there is a fraud they can scientifically discover the root cause and action taken.





## Issues on Communication with CPC Bangalore

■ CA. Sudhir Baheti

Sr. No	Issues on communication with CPC Bangalore	Procedure to be followed
1.	Reasons for difference in calculation of Tax or Interest under 234A, B or C and Interest on Refund.	<p>There may be a difference in calculation of tax or interest due to the following reasons:</p> <ol style="list-style-type: none"><li>1. The date of tender of cheque is not recorded in 26AS since bank given only date of realisation. Hence the interest is wrongly charged.</li><li>2. Mistake in correctly entering data or code of Income chargeable to tax at special rates such as STCG on sale of shares, LTCG where indexation benefit is claimed, winnings from lottery.</li><li>3. Incorrectly computing special rates of tax</li><li>4. Mistakes in entering or leaving blank, important fields relevant for computation of tax such as date of birth (relevant for senior citizens) or gender (relevant for female taxpayers), resident or non-resident, status (relevant in case of HUF).</li><li>5. In case of any shortfall of tax payment either due to non-payment or due to non-matching of the tax payment or TDS, interest may be charged. Typically, interest till the date of processing under 234A is charged if the return is filed beyond due date, interest under 234B is charged for shortfall in payment of advance tax and interest under 234C is charged for deferment of advance tax.</li><li>6. Interest under 234C is also charged in case advance tax on account of STCG under 111A, LTCG or Winnings from lotteries is not paid, beginning from the next quarter from the quarter in which the income is earned.</li><li>7. Details of quarter wise breakup of STCG, LTCG and Winnings from Lottery as mentioned in Schedule SI after adjustment of Losses and adjustment of basic exemption threshold, if applicable, are used for calculation of advance tax liability and interest under 234C.</li></ol>





2.	Reasons for mistakes in Credit for tax payments or TDS	<p>A major reason for difference in refund amount during processing is that the details of tax payment or TDS do not match the data available with the Department.</p> <p>1. Tax deduction Account Number (TAN) of the Employer or other deductor is the unique identifier for matching TDS claims made against TDS reported by Employers or Banks. <b>The TAN number is mentioned on the Form 16 given by the Employer or on the Form 16A given by other deductor.</b> In case the TAN of the Employer or other deductor is not correctly mentioned, no matching is possible and TDS credit will not be given. The correct structure of TAN is mentioned below:</p> <table><tr><td>N</td><td>G</td><td>P</td><td colspan="3">G</td><td>7</td><td>6</td><td>2</td><td>9</td><td>8</td><td>K</td></tr><tr><td colspan="3">RCC Code: Nagpur</td><td colspan="3">First Alphabet of Organization Name</td><td colspan="5">Numeric (5 places)</td><td>Alphab- bet</td></tr></table> <p>2 If the TAN has been correctly entered but the Employer or other deductor does not report the same TDS details to the Department, especially the taxpayer Permanent Account Number (PAN), then also the TDS cannot be matched. The taxpayer should confirm from the Employer or other deductor that TDS details have been reported to the department by filing TDS return in electronic forms.</p> <p>3 Without a valid PAN the tax payment received from the bank would be in suspense and cannot be matched with tax payment claim as entered in the return.</p>	N	G	P	G			7	6	2	9	8	K	RCC Code: Nagpur			First Alphabet of Organization Name			Numeric (5 places)					Alphab- bet
N	G	P	G			7	6	2	9	8	K															
RCC Code: Nagpur			First Alphabet of Organization Name			Numeric (5 places)					Alphab- bet															
3.	Adjustment of current year and brought forward losses- Schedules CYLA, BFLA and CFL	<p>1. Only positive values need to be entered. No negative value is required to be entered in CYLA, BFLA &amp; CFL.</p> <p>2. Carry forward of Current year losses though computed and shown in intimation will not be allowed if the return is not filed with due date applicable.</p> <p>3. No value should be entered in the 'Greyed out'</p>																								





		boxes.
		4. Loss from House Property should be entered in the row 'Loss to be adjusted' under Column 2 of Schedule CYLA
3.	Online filing of Rectification U/s 154.	<p><b>Reason for Rectification:-</b></p> <ol style="list-style-type: none"> <li>1. TDS not match with 26AS form.</li> <li>2. Advance Tax, Self Assessment tax and other payment details not match with the 26AS.</li> <li>3. Depreciation details not fill up in schedule of depreciation in ITR 4,5,6.</li> <li>4. Wrongly claim expenses which were disallowed in the income tax act.</li> <li>5. Refunds adjust of previous year.</li> <li>6. Wrongly calculation of interest.</li> </ol> <p><b>Procedure for online Rectification U/s 154:-</b></p> <ol style="list-style-type: none"> <li>1. First Login the Account.</li> <li>2. Go to Rectification upload option in my account.</li> <li>3. Select assessment year.</li> <li>4. Enter Communication reference number for latest CPC Order.</li> <li>5. Enter CPC Order Date.</li> <li>6. Enter Aggregate Income Tax Liability as per CPC.</li> <li>7. Enter Tax credit Allowed as per CPC.</li> <li>8. Submit the page.</li> <li>9. Select the Rectification request type.</li> <li>10. Enter the reason.</li> <li>11. Select the schedule being changed.</li> <li>12. Select and upload the Rectification XML File.</li> </ol> <p>"In case of refund adjust of previous year, kindly file the rectification U/s 154 for that previous year".</p>
4.	Updating of refund failure reason code.	<p><b>Condition for the same</b></p> <p>Refund was sanctioned by the CPC and forward to the SBI for payment and while payment by SBI found them bank account details are not proper or wrong, then procedure to be followed.</p> <p><b>Email to <a href="mailto:itro@sbi.co.in">itro@sbi.co.in</a> with the following details.</b></p> <ol style="list-style-type: none"> <li>1. Name of the Assessee.</li> <li>2. PAN of the Assessee.</li> <li>3. Assessment year for which refund is related.</li> </ol> <p>After this process send a Response sheet to CPC for refund reissue.</p>





5.	<b>Refund was rejected due to wrong bank details or changes in the bank details.</b>	<p>Send a Response sheet to CPC with following details.</p> <ol style="list-style-type: none"> <li>1. Name of The Assessee</li> <li>2. PAN of the Assessee</li> <li>3. Assessment year for which refund is related.</li> <li>4. Account Number.</li> <li>5. Types of account.</li> <li>6. Bank MICR Code</li> <li>7. Address details (if change)</li> <li>8. Duly signed Cancelled cheque.</li> </ol> <p><b>Link for response sheet:</b> <a href="#">Login Account /my account/ Response sheet for CPC refund failure status.</a></p>
6.	<b>Request for 143(1) intimation, Order U/S 154 or refund reissue.</b>	<p>You can file the application online or call to CPC.</p> <p><b>Link for the application:</b> <a href="#">Login Account /my account/ 143(1) refund reissue 154 service request.</a></p>
7.	<b>ITR V not received by the CPC within 120 Days from the date of E-Filing.</b>	File original return within time allowed in u/s 139(1).
8.	<b>Forget password or unable to reset the Password.</b>	<p>If you are forget the password then you can reset the password through following details.</p> <ol style="list-style-type: none"> <li>1. By Acknowledgement Number Or</li> <li>2. By secret questions answer.</li> </ol> <p>if you are unable to reset the password kindly send a mail to <a href="mailto:validate@incometaxindia.gov.in">validate@incometaxindia.gov.in</a> along with the following details:</p> <p>PAN, First Name, Middle Name , Last Name, Date of Birth/Date of Incorporation, Father's First Name, Father's Middle Name, Father's Last Name, Address as per PAN database, Mobile No., Registered email id.</p> <p>"Reply will be received after 24 hours"</p>
9.	<b>Non Colum in ITR.</b>	<p>Some of the Expenses head are not given in ITR forms.</p> <ol style="list-style-type: none"> <li>1. Gross Profit.</li> <li>2. Manufacturing Expenses.</li> <li>3. Packing Material Expenses.</li> <li>4. Repair &amp; Maintenance of Other. (For Vehicle, Furniture &amp; Fixtures, Computers, other Fixed assets)</li> <li>5. Insurance of Vehicle.</li> <li>6. Security Service Charges.</li> </ol>





10.	<b>Special Rate of Tax.</b>	<b>Schedule SI</b> Income chargeable to income tax at special rate. Some of the examples are as follows. <ol style="list-style-type: none"> <li>1. Short term capital gain u/s 111A @ 15%</li> <li>2. Long term capital gain (With Indexation) u/s 112 @ 20%</li> <li>3. Long term capital gain (Without Indexation) u/s 112 @ 10%</li> <li>4. Dividend interest and income from unit purchase in foreign currency u/s 115A(1)(a) @ 20%</li> </ol>
11.	<b>Change in GTI or fresh claim the deduction under chapter VIA</b>	File revised return with the time allowed in section 139(5). <b>You can file revised return, even if the original return file after the time allowed in section 139(1)</b>
12.	<b>Some of the important Contact details.</b>	CPC Bangalore : 18004252229 (Toll Free)  Aykar Sampark Kendra : 01242438000  SBI Refund Related Enquires : 18004259760 (Toll Free) : 02226814820 : 02226814824  Email : itro@sbi.co.in



## ● Snooker / Pool Competition ●

Event	Winner	Runner-up
Pool	CA. Manish Jain	CA. Abhijit Kelkar
Pool Doubles	CA. Ashwin Agrawal & CA. Pushpak Bakliwal	CA. Abhijit Kelkar CA. Swastik Jain
Snooker	CA. Manish Jain	CA. R.S. Temurnikar





## Foreign Direct Investment in a Company

■ CA. Alok S. Agrawal

### Introduction

As the world turned to a global village, India leaped ahead of its peer countries due to its several investment opportunities, huge growth potential and favorable business environment and become hub of Foreign Investment. The steady growth of foreign investment in the country since the past few years has become one of the pivotal factors in determining the pace of growth of Indian economy. The foreign Investment in India is not only a growth driver for India Inc. but it also it plays a vital role in granting confidence and trustworthiness to the present as well as potential stakeholders of the organization besides earning International repute and recognition for the country. Infusion of foreign funds in the veins of Indian economy has largely stimulated the growth of Indian economy and with the government further liberalizing and streamlining the foreign investment policies and procedures, is hopefully supposed to play a crucial role even for the times to come.

**FDI Policy** FDI is primarily governed by the Foreign Exchange Management Act, 1999 (FEMA) which lays down the broad framework under which Government of India through various regulatory bodies create, review and regulate the detailed provisions. The Government of India through Department of Industrial Policy & Promotion (DIPP) releases two comprehensive FDI policy in an year vide its circulars which are effective from April 1 and October 1 of each year, the said FDI Policy combines all the prior policies/regulations relating to FDI in India in a single document. Every consolidated FDI policy circular, substitutes the last policy circular. The policy can be downloaded from [www.dipp.nic.in](http://www.dipp.nic.in).

### Modes of Foreign Investment in the Company

'Foreign investment' refers to an investment in an enterprise by a non-resident whether it involves new capital or re-investment of earnings. Foreign

investment is of two kinds – (i) Foreign Direct Investment (FDI) and (ii) Foreign Portfolio Investment. Any non-resident entity (other than a citizen of Pakistan or an entity incorporated in Pakistan) can invest in India, subject to the FDI Policy. The government of India has also specified the class of entities in which the Foreign Investment can be made and with respect to each set of entities there are separate guidelines and criteria to be followed. Indian Company being one of the recognized entities for receiving Foreign Investment, FDI in such entities flows under two routes – (a) Automatic Route and (b) Approval Route.

**Automatic Route** All Foreign Direct Investment proposals which do not require the approval of Foreign Investment Promotion Board are said to be investment under Automatic Route. This route is available to all sectors or activities that do not have a "sector cap" i.e. where 100% foreign ownership is permitted or where investment up to sectoral cap is allowed without approval.

**Approval Route** All Foreign Direct Investment proposals, wherein the proposed investment in Indian Company is above the prescribed sector caps or where the proposed investment is in such sectors where investment is allowed only pursuant to approval, falls under the approval route.

### Instruments for receiving Foreign Investment

The investment as aforesaid may be made in the Indian companies in any of the following modes: • Equity shares,

- Fully, compulsorily and mandatorily convertible debentures and
- Fully, compulsorily and mandatorily convertible preference shares In case any Unlisted company issues, any of the aforesaid instrument, than their pricing shall be determined by Discounted Cash Flow (DCF)





method of valuation and in case of any listed company, according to method provided in SEBI (ICDR) Regulations. In case of convertible instrument the price or conversion formula of such instruments should be determined upfront at the time of their issuance.

The price at the time of conversion should not in any case be lower than the fair value worked out, at the time of issuance of such instruments, in accordance with the valuation method as provided aforesaid. Inwards remittance through the issuance of Depository Receipts and Foreign Currency Convertible Bonds (FCCB) are also counted towards FDI.

#### **Sectoral caps with reference to Foreign Investment**

The government of India has, for the purpose of ensuring maximum economic growth and at the same time maintaining National interest divided the business activities into three different sectors. Each of the sectors has specified industries and procedures under its purview and specifies conditions to be followed with a view to infuse Foreign Investment in such specific industry of the sector. Such Sectors includes:-

1. Prohibited Sectors – Sectors wherein Foreign Investment is strictly prohibited i.e wherein no application for approval can be made.
2. Restricted Sector – Sectors wherein Foreign Investment is permitted under automatic approval up to a specified percentage and for a n y increase beyond such specified percentage, approvals is required or per se there are certain sectors wherein foreign investment is allowed only pursuant to approvals.
3. 100% Automatic Sectors – Sectors under Automatic Route means such sectors wherein 100% investment is allowed without seeking a n y governmental approvals.

#### **Foreign Investment – Overview of implications involved**

As and when the question regarding infusion of

Foreign Funds arise, the first criteria to be verified is regarding which sectors such industry falls. In case of Automatic Route, the non-resident investor or the Indian company does not require any approval from Governmental authority, whereas, under the Restricted Sectors, prior approval of the Government of India through Foreign Investment Promotion Board (FIPB), Department of Economic Affairs (DEA), Ministry of Finance may be required. With specific reference to certain specified sectors, Foreign Equity should be infused after seeking approval and abiding by the policies & regulations of concerned authority as well such as SEBI, TRAI, IRDA, MIB etc.

#### **Cases requiring approval**

For proposals involving FDI under the Government route the following approval levels operate within the Foreign Investment Promotion Board i.e. though the requisite application would be filed by the applicant to the FIPB, it would be disposed of following the specified manner:-While granting approval to any application filed with the FIPB the FIPB takes into consideration and scrutinize various important aspects therein a brief flow chart of the procedure followed therein is specified below:-The FIPB is instructed not to change or impose additional conditions in any specific letter of approval pursuant to grant of such letter of approval to any Non-resident investor, Guidelines for e-filing of applications, filing of amendment applications and instructions to applicants are available at FIPB's website (<http://finmin.nic.in/>) and (<http://www.fipbindia.com>).

#### **Procedural implications with reference to Foreign Investment**

In seeking foreign Investment under automatic route or under approval route post acquiring requisite approval, the following issues must be taken care of:-

- The Indian company receiving foreign investment should report the details of the amount of consideration to the Regional Office of concerned RBI through its Category 1





Authorized Dealer not later than 30 days from the date of receipt. Such report should be accompanied with copy of FIRC/s evidencing the receipt of the remittance and the KYC report on the non-resident investor from the overseas bank remitting the amount, upon submission of which a Unique Identification Number (UIN) for the amount reported would be allotted to the entity.

- The Capital Instrument must be issued within 180 days of the date of receipt of the inward remittance or by debit to the NRE/FCNR (B)

account of the non-resident investor. In case the same is not done within the specified time frame the amount should be refunded to such non-resident shareholder.

- The Capital Instrument must be priced in accordance with the valuation methodology provided.
- After issue of shares (including shares issued on rights basis and shares issued under ESOP)/fully, mandatorily & compulsorily convertible debentures / fully, mandatorily &

compulsorily convertible preference shares, the Indian company has to file Form FC-GPR, to the Regional Office of concerned RBI through its Category 1 Authorized Dealer not later than 30 days from the date of issue of Shares along with requisite annexure.

- Separate forms are prescribed for reporting of non cash issuance and FCCB/ADR/GDR issues.

#### Conclusion

One of the main element which could lead to the improvement in the economic condition of the Country is the increase in the inflow of foreign investment. Towards such initiative, the Government has time and again being simplifying procedural aspects and making its guidelines user friendly whether such user be a Foreign investor or the investee company seeking any approval. Though such steps are steadily taken by the Government however it's essential that a steady flow of such policies is maintained so that foreign investment for future also continues to rise.



## REQUIRED

### HALDIRAM FOODS INTERNATIONAL PVT. LTD.

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Having 1 to 2 years of experience in relevance field. Fresher's can also apply.  
Job entails audit of outstation Depo's of company, (he best among all can avail the opportunity. Interested candidates may send their resume at:

Email id : [hr@haldirams.com](mailto:hr@haldirams.com) Contact Person : Mr.Pawan Agrawal/ Rahul Gupta  
Address : Haldiram House, Plot No. 145/146. Old Pardi Square, Bhandara Road.  
Nagpur-440008(M.S). Phone No. : 0712-2681091/2681191





### PAST EVENTS - June 2012

Date	Topics
01/06/2012	Career Expo-2012
02/06/2012	Study Circle Meet on Audit Classification of Co-operative Societies
03/06/2012	Fellowship Meet on Adding Life to Years
03/06/2012	Snooker /Pool Competition
05/06/2012	Workshop on Enabling Central Excise Practice
08/06/2012	CPE Teleconferencing Programme on "Definition of Service covering Negative List"
08/06/2012	ICAI All Regional Conference Jointly with Baroda Branch.
10/06/2012	WICASA CUP-2012 Cricket Tournament
13/06/2012	WICASA Quiz Contest
14/06/2012	WICASA Elocution Contest
16/06/2012	Study Circle Meet on Deemed Dividend
17/06/2012	Fellowship Meet on Effective Parenting
22/06/2012	CPE Teleconference "Exemptions, Abatements, Reverse and Joint charge"
23/06/2012	Interactive Meet on Changing Banking Scenario-Opportunities & Challenges
23/06/2012	Half day Seminar on Intellectual Property Rights
25/06/2012	General Management & Communication Skills Course(33rd Batch)
29/07/2012	Tax Awareness Programme
30/06/2012	Cultural Programme - Ek Shaam CA Ke Naam.

### FORTH COMING EVENTS

01/07/2012	CA. Day Celebration
02/07/2012	IPCC Orientation Programme
07/07/2012	Annual General Meeting
07/07/2012	Study Circle Meet on Tally Schedule VI
13/07/2012	WICASA International CA Students Conference
21/07/2012	Certification Course on Concurrent Audit of Banks
16/07/2012	WICASA SAFA Students Exchange Programme WICASA
21/07/2012	ICON Award Distribution & Fun & Food Fete
21/07/2012	Interactive Meet
23/07/2012	General Management and Communication Skills Course (GMCS)

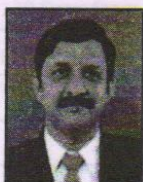




## HEARTIEST CONGRATULATIONS TO MEMEBRS CO-OPTED IN CENTRAL COUNCIL OF ICAI

Name of Member	Committee
CA. Anil Dani	Editorial Board
CA. Ajit Gokarn	Ethical Standard Board
CA. Rajesh Loya	Professional Development Committee
CA. V.N. Chari	Professional Development Committee
CA. J.M. Ranade	Economic&Commercial Laws and Trade Laws & WTO committee
CA. Harish Waghela	Economic&Commercial Laws and Trade Laws & WTO committee
CA. Yash Verma	Committee for Members in Industry
CA. Nitin Alshi	Internal Audit Standard Board
CA. Aparna Sankaran	CCBFCMB

### ● Members at Helm ●



**CA. Girish Deodhar**  
Appointed as the Chairman  
of HRD Forum of VIA



**CA. Kamal Taori**  
Elected as President  
of Rotary Club of Nagpur Ishanya



**CA. Milind Patel**  
Elected as Secretary  
of Rotary Club of Nagpur Ishanya



**CA. Ashish Mukim**  
Appointed as "President,  
CA Cell, BJP, Nagpur"

### QUIZ # 2

■ CA. Jaee Jog

1. What is the name given to a flock of geese ?

- A) Herd
- B) Gaggle
- C) Pride

2. The art of influence of the stars on human affairs,  
is called

- A) Astrology
- B) Astronomy
- C) Teleology

3. What is single blessedness?

- A) Single child
- B) Bachelorhood
- C) Sole heir

4. What is the earliest known English language that was  
spoken by people in Great Britain?

- A) Anglo
- B) Celtic
- C) Gothic

5. The term used for forming another word with the initial  
letters of other words is

- A) Antonym
- B) Synonym
- C) Acronym

**Surprise gift for lucky winner**

Send your reply at Nagpur Branch Office latest by 9th August  
2012 upto 5 pm. One lucky winner will be chosen by draw of lots  
amongst members submitting correct entries.

● Name of winners of this Quiz along with winner of Quiz #1 will be published in the next issue ●





## WHAT'S IN (FINANCE ACT 2012) STORE FOR "CONSTRUCTION"

■ CA. Hemant Rajandekar

We have seen in general, the change which finance bill 2012 has brought in service tax liability of our clients and not to forget ourselves, the chartered accountants. Here is a comparative study of present position and proposed position for various construction contractors and builders.

### CONSTRUCTION CONTRACTOR/BUILDERS.

Service providers in construction industry can mainly be classified into following

1. Construction Contractor providing services of construction to industrial units i.e. factory or to a builder for construction of residential or commercial or mixed (commercial+residential) complex.

#### The contract is mainly of two types

**a. With Material :-** In this case contractor is also required to bring all the material like steel and cement. In some case, steel and cement is supplied by the service receiver free of cost.

#### Present Position :-

**Service tax liability till enactment of finance act.:-** The service tax is paid at the rate of 10.3% (till 3/3/12) and (thereafter) 12.36% on the 33% of the gross amount billed. The abatement of 67% was available as per notification 1/2006. The gross amount includes cost of free material supplied or provided by service recipient. Some contractors have opted for Works contract composition scheme thereby paying service tax @4.12% along with applicable VAT to state government.

This settled position is now going to change as proposed notification abatement 13/2012 does not have any reference to 67% abatement provided by similar existing notification 1/2006.

#### The issue of Cenvat credit :-

No Cenvat credit was available, either in respect of service tax paid on input services like that of a sub constructor, architect, structural consultant

**The change :-** The contractors paying tax after taking abatement of 67% will have to shift to service tax valuation for seeking deduction for the value of material.

(i) A new valuation Rule 2A is being introduced to substitute existing Rule 2A which defines the methodology of how to arrive at the value under Works Contract. This is now proposed to tax only service portion of the total contract value. Thus option of opting for composition scheme can be exercised only if assessee has opted for composition scheme in VAT while calculating VAT liability in respect of that particular contract. Where assessee has not opted for composition scheme, he himself happens to declare the value of material in his VAT computation. Same value of material shall be accepted as deduction from the gross amount billed and balance amount shall be subjected to service tax at full rate

The value of the Works Contract will be the total contract value less,

(1) Value which is declared under VAT / Sales Tax rules under respective state laws for the value of property transferred in goods.

OR

(2) If value of goods is not intimated to State VAT, the assessee can still calculate the actual value of goods and the same will be relevant to reduce the value of the service involved in the works contract; This may create some difficulty, where in department may not treat it second option.





(3) The last option is only available if value cannot be determined as above, then the value shall be determined as under,

a. for original works: 40% of the total amount;

b. other contracts: 60% of the total amount;

Original works will include all new constructions and all types of additions and alterations to abandoned or damaged structures to make them workable.

The option 3 appears to be available only when assessee has opted for composition scheme under VAT thereby rendering it impossible to calculate value of material involved in execution of works contract.

#### **The change in cenvat credit scenario: -**

Cenvat credit of excise duty paid on capital goods and service tax paid on input services will be available.

#### **b. Only labour :-**

In this case contractor does not use any of his own material and hence charges Service tax at full rate.

There is no change in calculating service tax liability in respect of these contracts. Service tax shall be calculated at full rate on gross amount. Even if some contractors use sundry own material like binding wires etc and do not keep record of same, it is advisable to pay tax at full rate.

2. Builders constructing residential complex. Builders constructing residential complex have been brought into service tax net from 1/7/2010 requiring them to pay service tax on 25% of gross amount which also includes cost of land.

#### **Present Position:**

Most of the builders have registered themselves under category construction of residential complex. They are paying service tax on 25% of gross amount from 1/6/2010. The abatement of 75% is being enjoyed under notification 1/2006. Some builders are also paying VAT under composition

scheme @ 1% from 1/5/2010. The residential complex was explained as having more than 12 dwelling units and sharing common facilities

#### **The issue of cenvat credit:**

As benefit of abatement notification 1/2006 was availed, no benefit of cenvat on input services, capital goods or input was available

#### **The change:**

Notification 13/2012 does not contain abatement of 75% in respect of residential construction. The concept of categorization has gone. Thus the only option for builders paying tax under category of residential construction is to shift to new valuation Rule 2A.

The new valuation rule 2A allows abatement of 75% for the value of material where the same has not been computed separately by assessee while calculating his VAT liability. As most of the builders are paying composite VAT of 1%, the benefit of this adhoc abatement is available without any complications.

The change in cenvat credit scenario: The benefit of cenvat credit in respect of services and capital goods shall be available as 75% abatement is available as per service tax valuation rules and not as per abatement notification 13/2012 (earliest 1/2006). Thus builders can now pay service tax freely to their sub contractors, architects, structural designers and claim cenvat credit in respect of service tax paid to these input service providers.

3. Construction contractors providing services to Government for repair renovation construction of roads and buildings or other civil structures.

#### **Present Position:-**

Only construction of new road was exempt along with bridges, dams, tunnel, etc. Department was demanding tax on repairs of road even though the roads were property of





government. The demand was being made from financial year 2005-06

**The change :**

Sec 97 and 98 have been introduced by Finance Bill 2012 to exempted repairs of roads and government building retrospectively from June 2005.

Exemption notification 12/2012 (applicable from enactment of FB 2012) specifically exempts.

a) Services provided to the Government or local authority by way of erection, construction, maintenance, repair, alteration, renovation or restoration of -

- A civil structure or any other original works meant predominantly for a non-industrial or non-commercial use;
- A historical monument, archaeological site or remains of national importance, archaeological excavation, or antiquity specified under Ancient Monuments and Archaeological Sites and Remains Act, 1958 (24 of 1958);
- A structure meant predominantly for use as (i) an educational, (ii) a clinical, or (iii) a cultural establishment;
- Canal, dam or other irrigation works;
- Pipeline, conduit or plant for (i) drinking water supply (ii) water treatment (iii) sewerage treatment or disposal; or
- A residential complex predominantly meant for self-use or the use of their employees or other persons specified in the Explanation 1 to clause 44 of section 65 B of the said Finance Act; (i.e. only government quarters)
- Services provided by way of erection, construction, maintenance, repair, alteration, renovation or restoration of,-
- Road, bridge, tunnel, or terminal for road transportation

for use by general public;

- (thus exemption to construction of private roads enjoyed by TRU letter of 2005 is now gone)
- Building owned by an entity registered under section 12 AA of the Income tax Act, 1961 (43 of 1961) and meant predominantly for religious use by general public;
- Pollution control or effluent treatment plant, except located as a part of a factory; or

- Electric crematorium;

General exemption to all construction or erection services provided in respect of Services by way of erection or construction of original works pertaining to,-  
airport, port or railways;

- Single residential unit otherwise as a part of a residential complex;
- Low-cost houses up to a carpet area of 60 square metres per house in a housing project approved by competent authority empowered under the 'Scheme of Affordable Housing in Partnership' framed by the Ministry of Housing and Urban Poverty Alleviation, Government of India;
- Post-harvest storage infrastructure for agricultural produce including a cold storage for such purposes; or
- Mechanised food grain handling system, machinery or equipment for units processing agricultural produce as food stuff excluding alcoholic beverages

Thus apart from above, services provided to government shall also be taxable.







## MONSOON AND OUR HEALTH

**DR MILIND R. MANDLIK**

Consulting Paediatrician and neonatologist

### COLOURS CHILDREN HOSPITAL, NAGPUR

After scorching summer, all of us eagerly wait for the monsoon. But with the cloudy weather and beautiful rains enter various ailments. Because of rise in humidity, rapidly changing weather conditions and stagnation of rain water at various places, the microbiological world gets a chance to enter our lives.

We have a potential threat of suffering from various minor ailments and some life threatening diseases in this period. Amongst the minor ailments most of the times the causative organism is virus ( almost 90% ). Diseases of viral origin are usually self limiting and hence need only symptomatic treatment.

#### MINOR AILMENTS :

Acute conjunctivitis, upper respiratory tract infections, Acute bronchitis, acute otitis media (ear infection), Gastroenteritis, enteric fever (typhoid) Multiple boils over skin, fungal infections etc.

#### SERIOUS AILMENTS :

Complications of simple viral ailments, epidemics of serious viral infections, some bacterial and parasitic infections. These diseases are potentially life threatening. Vulnerable population: Extremes of age, pregnant women, immunocompromised hosts

#### Namely:

Dengue fever, Malaria Enteric fever (typhoid), Cholera Viral encephalitis (brain fever), Swine flu, Leptospirosis Meningitis, pneumonias.

#### TRANSMISSION OF DISEASE AGENTS:

These organisms which cause various diseases are transmitted to human beings through water (cholera), or air ( URI), or person to person contact (skin inf), or a vector (malaria).

#### HOW DO WE PROTECT :

ourselves from acquiring these diseases. To protect against

#### AIR BORNE DISEASES :

Avoid visiting crowded places Maintain personal hygiene Wash hands before you eat anything Do not spit in the open and use special masks in case you are going to disease affected area. To protect against

#### WATER BORNE DISEASES :

Do not eat or drink water outside Use proper filters for drinking water, if not, then use other conventional methods of purification. Use of proper toilets and sewer disposals. To protect against

#### VECTOR BORNE DISEASES :

Vector is like a vehicle which carries the agent which causes infections. Mosquitoes namely anopheles which transmits malarial parasite and aedes which transmits dengue virus Usually open clean water storages like coolers ; overhead tanks ; utensils , stagnated rain water, open drainage systems are the breeding sites for the mosquitoes.

Hence properly covering our water storage facilities , removal of stagnated rain water from our surroundings , personal protection against mosquitoes give us protection against acquiring these diseases. Flies also transmit various food and water borne diseases. Hence stored food must be covered properly. Rats do transmit leptospirosis.

When you are suffering from any illness you should personally take precaution that you do not behave like a vector. Prevention is better than cure.

One can use simple techniques of personal hygiene and stay healthy during this monsoon.



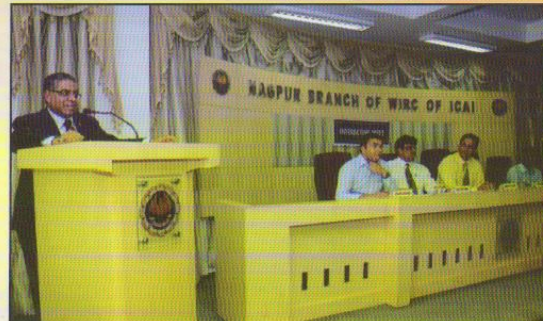




**Felicitaiton**



**Interactive Meet**



**Snooker / Pool Competition**



**Fellowship Meets**



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