Message from the Chairman, Board of Studies

Dear Students,

Many of you would be in the midst of preparation for the ensuing May, 2007 examinations. The professional chartered accountancy examinations are considered to be very tough. Being professional course the examinations need to be rigorous enough to fully test the knowledge and skills of the students. Students should not be scared of them rather they should be taken as challenge. The virtues required for passing the examinations are strong willpower and commitment and insatiable yearning for knowledge. Everything else automatically follows. You will put in the desired efforts, practice, read, write and assimilate most difficult of the topics with a lot of ease. Learning will not be forced rather it would be a pleasure. No examination is simple or difficult. Even the simplest of the examinations can be made difficult by an unwilling learner.

ICAI-IGNOU Memorandum of Understanding

The Board of Studies achieved a major milestone this month with signing of Memorandum of Understanding with the Indira Gandhi National Open University. This understanding, first of its kind, is directed to help the

Message from the Vice Chairman, Board of Studies

Dear Students,

It is my pleasure to be associated with the students as Vice-chairman of the Board of Studies immediately after joining the council of the Institute. It would be my endeavour to work closely with the Chairman and other members of the Board of Studies to carry forward the student related activities and other programmes.

With the examinations round the corner, the students who intend to take them up must be really engrossed in their studies. The amalgam of theoretical learning and practical experience has its own pluses and minuses. The important plus being that the knowledge is real, wholesome and useful. However, major drawback is that the students face difficulty in effectively managing their time.

Students who possess natural flair for the process of learning are able to better cope up with the stress and pressures. Others may face some difficulty. In general, I would like to give the following advice to the students especially those who are appearing in the forthcoming examinations:

(Continued on Page 9......)
Members of Board of Studies - 2006-07

CA. Jaydeep Narendra Shah, Chairman, Nagpur
CA. Sunil Talati, President (Ex-Officio), Ahmedabad
CA. Ved Kumar Jain, Vice-President (Ex-Officio), New Delhi
CA. Vijay Garg, Vice-Chairman, Jaipur
CA. Atul C. Bheda, Mumbai
CA. Charanjot Singh Nanda, New Delhi
CA. J. Venkateswarlu, Hyderabad
CA. K. Raghu, Bangalore
CA. Mahesh P. Sarda, Rajkot
Dr. Pritam Singh, Gurgaon
CA. Subodh Kr. Agrawal, Kolkata
CA. V. Murali, Chennai
CA. Vinod Jain, New Delhi

Coopted Members

CA. Ajay Jain, Delhi
CA. Kaushik D. Shah, Ahmedabad
Dr. Nilesh V. Suchak, Ahmedabad
CA. Vinod K. Agarwal, Pune
Contents

♦ Members of Board of Studies - 2006-07 ....4
  – Brief Profile

♦ Economic Survey and Budget ....10

♦ Finance Bill, 2007 - Amendments ....13
  Proposed for Taxpayers in the Corporate
  Sector

♦ Union Budget 2007-08 – Income-tax ....16
  Proposals – An Overview

♦ Service Tax Proposals in Budget 2007-08: ....19
  An Overview

♦ Notification – Examination ....22

♦ ICAI – IGNOU ....24
  Memorandum of Understanding

♦ Glimpses ....27

Invitation to Write Articles

Members, academicians, students and others may send their original articles for inclusion in this newsletter. Typically the length of articles should be between 2000 to 4000 words. Articles written by the students are encouraged. Every year best articles that are written by students are awarded cash prize and a certificate at the annual function of the Institute.

All correspondence in this regard should be done at Board of Studies, ICAI, C-1, Sector – 1, Noida 201301. Please write your complete name, complete address and the membership/registration number in your correspondence. Also send a copy of recent passport size photograph.

Total Circulation: 1,00,300 copies.
Members of Board of Studies - 2006-07 – Brief Profile

Brief profile of CA. Sunil H. Talati, President, CA. Ved Kumar Jain, Vice-president, and CA. Jaydeep Narendra Shah, Chairman, Board of Studies was included in March, 2007 issue. In this issue we are covering the profiles of remaining members of Board of Studies.

Vice-Chairman

CA. Vijay Garg, Jaipur

CA. Vijay Garg, aged 37 years is a fellow member of the Institute. Besides he has done B.Com, LLB (A) and PGDD. Prior to joining council he has been associated with the profession as Chairman of CIRC, Secretary of Regional Council Comprising States of Rajasthan, MP, UP, Bihar, Jarkhand, Uttaranchal & Chattisgarh, Executive Member of Central India Regional Council of ICAI, Chairman of Rajasthan CA Student Association, Secretary and Executive Member of Jaipur Branch of CIRC and Spokesman of Rajasthan Chartered Accountant Association Society, Rajasthan.

CA. Garg has also been active socially and politically. He is associated with NGOs and organizations related to rural development and education.

Members

CA. Atul C. Bheda, Mumbai

CA. Atul C. Bheda is a fellow member of Institute with a degree in law and Information System Audits (ISA). He holds vast experience of 21 years of practising in the areas of tax, audits, computer software development, finance and corporate laws. Earlier he was Chairman of WIRC of ICAI for the year 2001-02. During his chairmanship, WIRC was adjusted as best region. Earlier also he was member of Board of studies for the year 2006-07. He was also a member of Committee on Information Technology for the year 2005-06. He has privilege of working as member of all standing – non standing committee of WIRC.

CA. Bheda has delivered lectures and contributed papers in India and abroad on subjects of direct taxes, indirect taxes, individual development, professional development at various seminars, workshops organized by the institute and other professional bodies. He is a visiting faculty at Indian Education Society’s Management College. He is also a member of various Sub-Committees of The Chamber of Income Tax Consultants, Mumbai. He was member of Regional Advisory Committee Western Region of Company Law Board, Government of India. He was also member of various Sub Committees of The Bombay Chartered Accountants Society. He is also associated with many other Educational & Social Bodies.

CA. Charanjot Singh Nanda, New Delhi

CA. Charanjot Singh Nanda, aged 39 years is a fellow member of the Institute. A meritorious student he secured 35th Position in All India Merit List in CA Intermediate. He passed P.U.Com in First Division from and was placed 2nd in Kurukshetra University Merit List in 1984. In his B.Com he secured first division in 1987 and was placed in Kurukshetra University Merit List during all three years.

Presently, he is also a Chairman of the Committee on Financial Markets & Investors’ Protection. Earlier he has been Chairman of the Continuing Professional Education Committee, Public Relations Committee and Committee on Internal Audit of the Institute. He was also a member of Northern India Regional Council for two terms from 1998 to 2004. During the period he served as its Chairman and Treasurer. Besides he has also been Chairman/ member of several committees of NIRC from time to time.

Has contributed as a Guest Faculty and Program Coordinator at various Seminars and Conferences organized by the Institute. His areas of interest includes capital market, derivatives, abolition of badla, communication & presentation skills, ethics, internal audit and corporate governance. He is also professionally interested in the fields of banking, corporate law, taxation, audit and management consultancy.

CA. J.Venkateswarlu, Hyderabad

CA. J.Venkateswarlu is a Graduate in Commerce from Andhra University (1979) and became an Associate Member of ICAI in July 1983 and Fellow Member in October 1990.

After working for a brief period of 2 years in Private Sector, he started his practice in 1985 in Hyderabad and has been in continuous practice since then. His areas of professional interest are Taxation, Audit, and Management Consultancy.

Has been elected to the SIRC of ICAI for three terms successively from 1998 and he was its Secretary during 2002-03; Vice-Chairman 2003-04 and Chairman 2004-05.

CA. K. Raghu, Bangalore

CA. K. Raghu is a commerce graduate from the University of Bangalore. He is specializing in taxation, business and investment consulting. He is a member of the Executive Committee of ICAI. He is also a member of the Information Technology Committee, Financial Markets and Investors Protection Committee, International Trade Laws and WTO Committee, Committee for Members in Industry and the Editorial Board of the Institute.
CA. K. Raghu was the Chairman of the Southern India Regional Council during 2003-04. He also served as the Vice Chairman and Secretary of the SIRC in its Golden Jubilee Year during which the SIRC was adjudged as the best regional council.

During 1996-97, he was the Chairman of the Bangalore Branch during which the Branch was adjudged the Most Active Branch of the Region. He also served as the Secretary and Vice-Chairman of the Branch and was the Chairman of the Southern India Chartered Accountants Students Association during 1991-92. During 1997-98, he was the Chairman of the Economic Affairs Committee of the Federation of Karnatakata Chambers of Commerce and Industry. He has presented papers on various subjects of professional interest in various all India, regional and state level conferences and seminars.

CA. Mahesh P. Sarda, Rajkot

CA. Mahesh P. Sarda a meritorious individual passed Intermediate and final examinations of Chartered Accountancy respectively in November, 1971 & November, 1972 securing ranks in both. Earlier he graduated from Sydeham College of Commerce & Economics in 1966 and is also qualified in Law. Besides being a member of the Institute he is also a member of The Institute of Company Secretaries of India.

His area of specialization includes corporate taxation & tax appeals. He hails from Jamnagar from where he did his schooling. He did his articleship with M/s P.C. Hansotia & Co., Chartered Accountant, Mumbai. He has also been a member of WIRC.

Dr. Pritam Singh, Gurgaon

Dr Pritam Singh is Professor of Eminence, Management Development Institute, Gurgaon. Having rich experience, he has been Director, IIM, Lucknow. He has also been Professor IIM, Bangalore. Dr Pritam has also been associated with ASCI, Xavier Institute, BHU and University of Rajasthan. Besides academics he has also been associated administratively with different academic institutions. His achievement surpasses national boundaries as he has been associated with Indian University, Bloomington, Indiana, USA and CEPECA International Center for Management Development, Bucharest, Romania.

Often his works and contribution have won him prizes and awards including “Padma Shri” by the President of India on Republic Day in 2003.

He has worked as consultant to ABB, Johnson & Johnson, L&T, NTCP, ONGC, TISCO, Siemens and several other multinationals and big corporations. He has written forty papers and six books in diverse areas concerning management.

CA. Subodh Kumar Agrawal, Kolkata

CA. Subodh Kumar Agrawal, aged 44 years is a fellow member of the Institute. He secured 10th Rank in CA Final Exam held in November, 88. He also qualified DISA (Diploma in Information System Audit), B. Com, LLB. He has been Regional Council Member of Eastern India Regional Council of The Institute of Chartered Accounts of India (2004-07). During the period he served as Secretary, Vice Chairman and then Chairman for the year 2006-07.

His area of interest as speaker include CARO, Bank Audit, Derivative, NGO, Micro Finance, CA Amendment Act(2006), RTI Act. He has also authored a book – ‘A Handbook on Internal Audit’

He is conversant with English, Hindi, Bengali & Marathi. He is also attached with various social and professional organization and also Chamber of Commerce

CA. V. Murali, Chennai

CA. V. Murali is a Fellow Member of the Institute and a Graduate Member of the Institute of Cost &Works Accountants of India. He is a member of Disciplinary Committee. He is also the Vice-Chairman Corporate & Allied Laws Committee and member of Committee on Ethical Standards, Expert Advisory Committee, Research Committee, Committee on Accounting Standards for Local Bodies for the year 2007-08.

Earlier, he has been Chairman of Board of Studies, Public Relations Committee and Committee for Members in Industry. He has also been Vice-Chairman of Research Committee and Committee on Financial Market & Investor’s Protection. He has also been associated as member of several officer committees of the Institute.

He has held the posts of SICASA Chairman, Treasurer, Secretary, Vice-Chairman and also Chairman of the Southern India Regional Council. Under his Chairmanship SICASA bagged the Best Student’s Association Shield for the year 2000-2001. A profile writer CA. Murali has authored many books. CA. V. Murali has the unique distinction of being simultaneously elected to the Executive Committee of all the prominent Chambers of Commerce & Industry at Chennai. He has also been active socially.

CA. Vinod Jain, New Delhi

CA. Vinod Jain is a fellow Member of all the three professional bodies – ICAI, ICSI and ICWAI. Besides he is also a DISA (ICAI) and a Law Graduate (1979). Earlier also he was an elected member of Council for 6 years (1998-2004) He is also the President of All India Chartered Accountants Society. CA. Jain is Convener of National Economic Forum, a NGO undertaking research in micro and macro economic development of the country. He is Chairman of INMACS Limited a member of
National stock exchange, a Depository Participant of NSDL. He is also Chairman of INMACS Management Services Limited, and an IDBI approved Project Consultant and Investment Banker.

CA. Vinod Jain has long experience in Business strategy, corporate structuring, financial structuring, resource mobilization, mergers and acquisitions, corporate law, accounting standards and international tax planning. CA. Jain has been Chairman of Financial Reports Review Board (FRRB), Committee on Commerce Education & Career Counseling, Committee on Financial Markets and Investors’ Protection, Expert Advisory Committee and Professional Development Committee of the Institute of Chartered Accountants of India (ICAI). He has been Chairman of Information Technology Study Group of ICAI. He has served on several committees of SEBI, CBDT and Department of Company Affairs.

CA. Jain was Chairman of Northern India Regional Council (NIRC) of ICAI during the year 1983-84 and held post of Secretary of NIRC during 1982-83 and treasure during the year 1984-85. He has been an elected member of NIRC of ICSI during 1988-91.

Co-opted Members

CA. Ajay Jain, Delhi
CA. Ajay Jain, FCA, aged 30 years, became member of ICAI in May 1998. He has been professionally teaching Indirect Taxes and Income Tax since last 8 years to CA students. He remained meritorious student throughout his academic career. He got 7th rank in B. Com. MD University. He has authored books on Indirect Taxes and Income Tax, read throughout India.

He is advisor of service tax study circle and also Excise study circle of NIRC of ICAI. He has contributed actively in budget proposals and other important matters of fiscal law committee of ICAI. He has been Faculty member of NIRC of ICAI, ICWAI and ICSI. He is visiting faculty of various reputed MBA institutes. Apart from academics he has been excellent in extra curricular activities and sports also. He was also given the youngest cadet award in NCC.

CA. Kaushik D. Shah, Ahmedabad
CA. Kaushik Dhirajlal Shah, aged 59 years is a fellow member of the Institute. He has also done B.COM. and LL.B. He is an expert in the areas of accounts, taxation, corporate laws and audit. He has been Chairman of Ahmedabad Branch of I.C.A.I. for 1986-87 & 1987-88 and was elected member of W.I.R.C. for 1988 TO 91. He has also been Vice chairman of the Western India Regional Council of the ICAI for the year 1989-90.

He has also been President of All Gujarat federation of Tax Consultants for year 1999-2000. He was a member of the executive committee of Gujarat Chamber of Commerce & Industries for the year 1999-2000. He also acted as Secretary and Treasurer and Chairman of its Taxation Committee. He is also President of H.I. college alumni association for 2005-07.

He is a visiting faculty in H.I. College of commerce. He has addressed seminars and conferences on topics of accounts and audit & taxation. He also writes articles in journal of chartered accountants association, Ahmedabad. He is a trustee of the Sadanand Trust, Ahmedabad and India Foundation & India Service Centre, USA. He has also written a book - “controversies in direct tax laws” - published by taxmann.

Dr. Nilesh V. Suchak, Ahmedabad
Dr. Nilesh V. Suchak, aged 42 years passed Chartered Accountancy examination in 1986 in first attempt with 62% marks. Besides being a practising member, he is a Faculty at R. J. Tibrewal Commerce College, Ahmedabad since 1986. Earlier, he passed B.Com. in 1985 securing 2nd Rank in the University with 75% marks. Dr Nilesh is LLB (General) and LLB (Special). He did his doctorate in 2002 in “Corporate Financial Reporting in India and Transparency: A Futuristic Approach”.

He has been associated as visiting faculty at leading professional and management institutes. His areas of research interests are Accounting Standards and Disclosures; Capital Markets; Indirect Taxes, Tax Reforms. He has presented 26 papers at State, National and International level seminars/conferences in the area of accounting, finance, non-performing loans management, etc. Published 14 articles in Indian journals. He has also authored several books in the areas of taxation, accounting & auditing.

He is also currently associated with Gujarat Chamber of Commerce and Industry, Gujarat University Area Accountancy Teachers Association, Gujarat University, North Gujarat University. He is a Life Member at more than 10 accounting, management and professional associations.

CA. Vinod K. Agarwal, Pune
CA Vinod Kumar Agarwal, aged 25 years is actively engaged in providing guidance to CA Students. He has experience of working as M/s A.F. Ferguson & Co. (a member firm of Deloitte Haskins & Sells) for 2 years. He did his articleship with M/s S.B. Billimoria & Co., (a member firm of Deloitte Haskins & Sells)

He has been a meritorious student. He secured 24th rank in CA final examinations in November 1999. In the Intermediate examinations held in May 1998 he secured 4th rank. He also secured 2nd rank in the Foundation examination. He completed M. Com. And SSC in first class. He also attained distinction in B. Com and HSC.
students of the Institute to pursue graduation and post graduation programmes in commerce. Specialised B. Com. and M. Com. courses shall be launched by the IGNOU wherein students will need to study and pass only a very limited number of subjects of IGNOU. The understanding recognises the subjects studied by the students for the purposes of chartered accountancy and grant exemptions in the related subjects of their courses.

Indian Economy

The Indian economy which is on growth path has gained further momentum in last one year. The recent Economic Survey 2006-07 and Budget 2007-08 reflect that Indian economy has decidedly taken off and moved from a phase of tepid growth to a new phase of high growth. The current 9.2% growth on top of 9% growth of last year points to the fact that the overall macroeconomic fundamentals of Indian economy are strong and with an upsurge in investment, the outlook is distinctly upbeat. Industrial and Services sectors with double digit growth rates have placed the economy on a higher pedestal. But the performance of agriculture and infrastructure sectors has not been good. There has been a shortfall in domestic production of various essential and basic goods. As a result, the economy is reeling under spiralling inflation. The country is now facing a challenge- how to handle growth without leading to price pressure? To an extent budget by providing sops to the agricultural and infrastructural sectors has tried to meet the challenge.

Direct Tax

The direct tax proposals in this budget ensure both horizontal equity and vertical equity. On the personal taxation front, the threshold limits of exemption has been increased by Rs.10,000 for all classes of assesses and deduction for mediclaim premium has been increased by Rs.5,000. Corporates with taxable income of up to Rs.1 crore have been exempted from surcharge. The five year tax holiday for hotels set up in NCR is a welcome proposal to create the necessary infrastructure for the Commonwealth games. However, IT companies are likely to feel the pinch of imposition of MAT. Further, Employee Stock Option Scheme would henceforth attract fringe benefit tax. These proposals might have the effect of neutralizing the relief given to companies by way of exemption from surcharge. It may be noted that surcharge exemption is only on income-tax and not fringe benefit tax. The steep increase in dividend distribution tax, especially for dividends distributed by money market mutual funds and liquid mutual funds, is likely to dip the investor’s return on investment.

Indirect Taxes

On the indirect tax front, the increase in the exemption limit for SSIs from 1 crore to 1.5 crores would promote the Small and Medium Enterprises (SMEs). Similarly, the increase in the turnover limit for qualifying as a Small Service Providers (SSPs) from Rs.4 lakhs to Rs.8 lakhs would benefit a large number of SSPs by relieving them of the tax and administrative burden. The reduction in the peak rate of customs duty for non-farm products from 12.5% to 10% is another favourable proposal. However, the levy of additional cess @1% on all taxes to fund higher and secondary education might have the effect of reducing the impact of increase in exemption limits.

Stock Market

Stock markets are often referred to as barometer of Indian economy. After the presentation of budget the stock markets are witnessing a very high volatility. Share prices are nosediving a number of times. Proposals directed towards controlling prices of cements are making cement stocks tumble faster than other stocks. However, at the same time the stocks were highly priced with very high PEs before the budget and a correction was only imminent. It will take some time for the prices to stabilise. The proposals directed in reducing monetary liquidity directed towards controlling inflationary trend should also have a bearing on the stock prices and bring them down.
Virtual Classes

Within the framework of distance education scheme of theoretical education, the Board of Studies has devised various methodologies to provide good education with a feel of classroom environment. An important tool to reach the students spread over large geographical locations is virtual classes which we have been organising through Reliance World. Experts of different subjects deliver lectures on important topics and interact with students. I advise you all to take full advantage of these virtual classes.

SAFA Students’ Exchange Programme

In the era of globalisation, it is important for the students to understand cross-cultural issues and master the practices followed by the accountancy and finance professionals in various countries. A student exchange programme facilitates the students to interact with the members and students. Recently students from Bangladesh, Pakistan and Sri Lanka participated in the SAFA Students’ Exchange Programme organised by us. A thirteen member delegation of students visited Pakistan and participated in SAFA Students’ Exchange Programme held under the aegis of Institute of Chartered Accountants of Pakistan during March 14 – March 21, 2007. Feedback of these students will be incorporated in the next issue of the Newsletter. I wish to strengthen students exchange programme and explore the possibility of organising similar programmes with other countries.

Recent Publications

The Board of Studies has published Suggested Answers of the questions set in the November, 2006 examination and Revision Test Papers for May, 2007 Examination for the benefit of PE-I, PE-II and Final Course students. These publications are available in printed form. Also as soft copies of these publications can be downloaded free of cost from our website www.icai.org. I advise you to take benefit of these publications.

You may also note that study materials are regularly updated and information is released in the Newsletter and also communicated through “BOS Announcement” section of our website. In particular, study materials relating to Taxation subjects are updated once the Finance Bill is passed by the Parliament. It is the practice to release Supplementary Study Materials as well as revised study materials. Students should take benefit of the updated study materials.

Meeting with the Students

I have an interaction session with students at Solapur Branch on March 3, 2007 and at Akola Branch on March 6, 2007. The Vice-President and myself addressed the students at Nagpur Branch on March 8, 2007.

Wrap-up point

Often students are found to be cramming the subjects. It may be on account of individual or the kind of educational system prevailing in the country. “Too often students are given answers to remember, rather than problems to solve” - Roger Lewin. Cramming does not help in long run. Instead of mundane rote learning you need to go deeper into the concepts and understand practical applicability of various topics. Then only education will be wholesome and knowledge real. This knowledge can be applied in practical situations and will help you later in life.

With best wishes,

Yours truly,

Jaydeep Narendra Shah
Chairman, Board of Studies

Opening of reading room

A Reading Room cum Library has been opened for the benefit of CA students in and around Navi Mumbai at the following address:
F/2, C-3, 2nd Floor, Near Vijaya Bank, Sector-10, Vashi, Navi Mumbai-400703. Tel. No. 022-39180272, 022-39123585.
Message from the Vice Chairman, Board of Studies

(Continued from page 1)

♦ **Have positive attitude:** The first thing that is required for preparing is having a positive attitude. You have to feel that you can do it. If you feel that you can not pass examinations your preparations will lose the desired concentration. Remember that there are students like you who not only pass but manage good marks.

♦ **Study when your mind is cool:** If you or your mind are tired, your assimilation will be low. Make a time table for studying. Allocate maximum time when your mind is fresh.

♦ **Avoid interferences:** A major interference these days with many students interested in cricket is the world cup. Your immediate goal is to pass examination. Movies, going out for long hours, watching television, can be postponed to the time after examinations. Right now study and study.

♦ **Take breaks:** *All work and no play makes jack a dull boy.* Although interferences should be avoided, planned breaks are required for better assimilation. Breaks should be short and followed by rigorous study efforts. Have a short walk or have a brief conversation with your family.

♦ **Use your hand:** If you only read the study material, you will good at reading back. Your examinations are not of viva-voce type. You have to actually write answers in examinations. Thus you have to prepare by writing. Prepare notes or write answers to the questions that have been asked in earlier examinations. Compare what you have written with suggested answers or matter given in study material. In this manner you will realize your drawbacks, improve general writing ability and better prepare for the examinations.

♦ **Practice and revision:** Repeatedly studying something over and over helps you in learning, as in the phrase “practice makes you perfect”. In fact by now you should have completed whole syllabus and started the process of revision. Revision helps in memorizing as well as in better understanding of the concepts.

Lastly I would like to quote Henry Ford who said “Anyone who stops learning is old, whether at twenty or eighty. Anyone who keeps learning stays young. The greatest thing in life is to keep your mind young.” You should not limit yourselves to the examination. Have a basic desire for learning. Prepare for the examination now. But keep your mind open and receptive to the knowledge. Then only you will come out as a better individual and succeed in life.

With best wishes,

Yours truly,

Vijay Garg

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NOTICE

NOTICE is hereby given that the 42nd Annual General Meeting of the members of the Western India Chartered Accountants Students’ Association will be held on 12th April, 2007 from 10.00am at the J S Lodha Auditorium of Western India Regional Council of the Institute of Chartered Accountants of India, 27, ICAI Bhawan, Cuffe Parade, Mumbai- 400 005, to transact the following business:

1. To note and adopt the accounts of the Association for the year ended March 31, 2006
2. To elect twelve members to the Managing Committee of the Association for the year 2007-08
3. To transact any other business with the permission of the Chair.

Place : Mumbai
Date : 2nd March, 2007

CA Ashok Pagaria
Chairman-WICASA

Election will be held from 11.00 a.m to 1.00 pm 12th April, 2007. Nomination Forms are available with Shri Koshy John, Assistant Secretary at the Office of the Western India Regional Council on request.

The Eligibility Form for casting the vote and copy of the Accounts for the year ended 31.3.2006 is available at the WIRC office.

The Detailed Notice can be downloaded from the WIRC website www.wirc-icai.org
**ECONOMIC SURVEY 2006-07**

**OVERALL GROWTH**

The Indian Economy after growing at 7.5% and 9% in 2004-05 and 2005-06 respectively is poised to grow at 9.2% in the current year 2006-07. The overall macroeconomic fundamentals are robust, particularly with a strong balance of payments position and tangible progress towards consolidation. During the Tenth Plan, the economy recorded an annual average growth of 7.6% against the target of 8%. The shortfall is attributable to the disappointing 3.8% growth in the first year and subsequent surge is attributable to 8.6% average growth in the last four years of the Plan.

**Sectoral Growth**

**Agriculture**

The repetition of deficient rainfall in the monsoon of 2002, 2004 and 2006 during the Tenth Plan has led to (a) poor agriculture growth (of 2.3% during the Tenth plan against the target of 4%) (b) reduction in the share of agriculture in GDP (to 18.5%) (c) creating inflationary pressure in some primary products and (d) reduction in the potential growth of other sectors by dampening demand. Low yield per unit area across almost all crops has become a regular feature of Indian economy. The structural weaknesses of the agriculture sector reflected in low level of public investment, exhaustion of the yield potential of new high yielding varieties of wheat and rice, unbalanced fertilizer use, low seeds replacement rate and an inadequate incentive system are manifest in the lacklustre agriculture growth during the Tenth Plan.

**Industry**

The impressive growth of the industrial sector propelled by robust growth in manufacturing has continued unabated during the current year so far. Industrial resurgence will be clear from the fact the growth of industrial sector from a low of 2.7 percent in 2001-02, revived to 7.1% and 7.4% in 2002-03 and 2004-05 respectively and after accelerating to over 9.5% in the next two years touched 10% in 2006-07. With in industry, the manufacturing sector has done remarkably well. Manufacturing sector grew by 9.1% during 2005-06 and is expected to grow by 11.3% during 2006-07. Industrial growth would have been even higher, had it not been for a relatively disappointing performance of the other two sub-sectors, namely mining and quarrying and electricity, gas and water supply which are slated to grow by 4.5% and 7.7% respectively during the current year.

**Services**

Service sector after having a growth rate of 9.8% in 2005-06 is expected to grow at 11.2% in 2006-07. Its growth has continued to be broad-based. Among the three sub-sectors of services, “trade, hotels, transport and communication services” has continued to boost the sector by growing at double –digit rates for the fourth successive year. Growth in financial services comprising banking, insurance, real estate and business services after dipping to 5.6% in 2003-04 bounced back to 8.7% in 2004-05 and further to 10.9% in 2005-06. The momentum has been maintained with a growth of 11.1% in 2006-07.

**Infrastructure**

The overall index of six core industries having a direct bearing on infrastructure and accounting for 27% weight in the index of industrial production registered a growth of 8.3% during April-December 2006, which was higher than the 5.5% registered during the corresponding period last year. Government is actively pursuing Public Private Partnerships (PPPs) to bridge the infrastructure deficit in the country. Several initiatives have been taken during the last three years to promote PPPs in sectors like power, ports, highways, airports, tourism and infrastructure.

**Human Development, Poverty and Unemployment**

Although several programs have been started in the area of human development, the relative rank of India is still static (126 among 177 in 2004, only one position higher than in 2003) in the UNDP’s Global Human Development Report. There is still widespread under-nutrition among women and children. It has also been pointed out the target of achieving universal elementary education by 2007 is impossible.

The survey shows that the annual growth rate of employment, which had declined from 2.1% during 1983-94 to 1.6% during 1993-2000, went up to 2.5% during 1999-2005. While employment has grown faster than before, with the demographic dynamics and higher labour force participation, rate of unemployment also went up marginally from 2.8% to 3.1% during 1999-2000 to 2004-05. Slowing down of the growth of agriculture could be one of the reasons for the growth in the unemployment rate. The incidence of poverty came down from the level of 26.1% in 1999-2000 to about 22% in 2004-05. Meeting the Tenth Plan target of 5 Percentage point reduction in the poverty ratio required about a 1 percentage point further decline in the ratio in 2005-07.

India is likely to achieve a Total Fertility Rate (which is the average number of children a woman produces during her life time) of 2.1 in the decade beginning 2010. The total population is likely to grow for another 25-35 years before stabilising around 2045.

**Foreign Trade**

India’s exports have been growing at a high rate of more than 20% since 2002-03. During 2005-06, with growth of 23.4% India's exports have been growing at a high rate of more than 20% since 2002-03. During 2005-06, with growth of 23.4%
exports crossed the US $100 billion mark. During 2006-07, after a slow start export gained momentum to grow by an estimated 36.3% in the first nine months to reach US $89.5 billion. Buoyancy of exports was driven by the resurgence in the manufacturing sector and sustained demand from major trading partners. In 2005-06, imports had grown by 33.8%. In the first nine months of the current year, imports grew by 36.3%. Overall, the external environment remained supportive with the invisible account remaining strong and stable capital flows seamlessly financing the moderate levels of current account deficit caused primarily by the rise in the international oil prices.

Foreign exchange reserves continued to grow and in February 2007 they were US $185.1 billion.

**Revenue and Fiscal Deficits**

The fiscal deficit declined to 4.1% of GDP in 2005-06 and was budgeted at 3.8% of GDP in 2006-07. The actual fiscal deficit is likely to be 3.7% of GDP in the current year. Revenue deficit which was 2.7% in 2005-06 is likely to be 2% of GDP in the current year. Growing revenues and increasing GDP are responsible for this achievement.

**Inflation**

A mis-match in supply and demand for some primary products (mainly food) and firm international prices have led to inflation in the economy. Higher demand as a result of an accelerated growth in GDP, higher growth in reserve money, the multiplier effect of increase in broad money and credit growth have also exerted pressure on demand side. Starting with a rate of 3.98%, the inflation rate in 2006-07 has been on a general upward trend. In terms of the Wholesale Price Index, annual point to point inflation was 6.11% on January 20, 2007. However, average inflation in the 52 weeks ending February 3, 2007 remained 5%. A number of measures have been taken to control inflation. These include, enhancing imports and controlling exports of essential items, increasing interest on loans, increasing Cash Reserve Ratio and Repo Rates, reducing import duties on certain items, banning future trade in wheat and reducing the prices of petrol and diesel etc. It has been pointed out that unless the supply side constraints—especially food items—are removed inflationary pressure will not be tamed fully.

**Issues and Priorities**

There are two issues and three priorities. The two issues are

- The sustainability of high growth without running into high inflation.
- The inclusive nature of such high growth.

The three priorities are

- Rising to the challenge of maintaining and managing high growth.
- Bolstering the twin pillars of high growth, namely fiscal prudence and high investment.
- Improving the effectiveness of Government intervention in critical areas especially in the social sector.

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**BUDGET 2007-08**

**Agriculture**

Budget 2007-08 agrees that the main challenge facing the economy is the agricultural sector which witnessed an average growth of just 2.3% per annum against the target of 4% during the Tenth Plan. A number of measures have been announced to improve the viability of the farm sector. These are:

- Enhancing farm credit and bringing more farmers into the farm credit net.
- Continuing supporting the distressed districts of the states.
- Introducing special programs to increase production and productivity of pulses.
- Special Purpose Funds for Tea, Coffee, Rubber, Spices, Cashew and Coconut.
- Revamping of Accelerated Irrigation Benefit Programme.
- Increasing allocation to the new Rainfed Area Development Programme.
- Creating of a corpus fund for the institutes providing training to the farmers in water management and harvesting.
- Extending the scope of the Agriculture Technology Management Agency.
- Increasing fertilizer subsidies.
- Continuing with the National Agricultural Insurance Scheme.
- Allowing NABARD to issue rural bonds to enhance its resources.
- Raising the corpus of Rural Infrastructure Development Fund so that more distressed districts may be covered.
- A new insurance policy namely “Aam Admi Bima Yojana” started to provide social security to unorganised workers.

**Infrastructure**

For removing infrastructure bottlenecks following measures are proposed in the Budget:

- Two Ultra Mega Power Projects (UMPPs) have been started in Sasan and Mundra to enhance the power generating capacity. Seven more UMPPs are under process and at least two more will be awarded by the Ministry of Power by July, 2007.
- Other initiatives taken by the Ministry of Power include facilitating setting up of merchant power plants by private developers and private participation in transmission projects.
- The Accelerated Power Development and Reforms Project is being restructured to cover all district headquarters and towns of population more than 50000.
- The allocation under the Rajiv Gandhi Grameen Vidyutikaran Yojana is being increased from Rs 3000 crore in 2006-07 to Rs. 3983 crore in 2007-08.
- The provision for the National Highway Development Programme (NHDP) has been increased from Rs9945 crore in 2006-07 to Rs 10667 crore in 2007-08 in order to facilitate
the timely completion of NHDP-III, NHDP-V, NHDP-VI and North-South, East-West corridor projects.

♦ In order to speed up project preparation under Public Partnership Project (PPP), a corpus fund of Rs 100 crore is being set up.

♦ The budget allocations for the National Rural Employment Guarantee Scheme, Swaran Jayanti Gram Swarozgar Yojana, Sampoorna Gramin Rozgar Scheme and Swaran Jayanti Shahari Rojgar Yojana have been raised.

Industry

♦ In order to ensure energy security, 162 production sharing contracts and 23 coal bed methane blocks have been awarded for exploration.

♦ In order to further rejuvenate textile industry the provision for Integrated Textiles Parks has been increased from Rs 189 crore in 2006-07 to Rs 425 crore in 2007-08.

♦ Provision under the Technology Upgradation Fund has been increased from Rs 535 crore in 2006-07 to Rs 911 crore in 2007-08.

♦ For further development of the handloom sector, the cluster approach introduced last year has been extended to additional 100-150 clusters. The allocation for this sector has also been raised from Rs. 241 crore in 2006-07 to Rs 321 crore in 2007-08.

♦ For the benefit of the small and medium enterprises (SMEs), banks have been asked to have regard to the credit rating acquired by an SME while fixing the interest rate.

♦ A special scheme is being launched for the technology upgradation and modernisation of the Coir industry.

Foreign Trade

♦ Foreign trade is growing more than twice the growth rate of GDP. Budget promises to continue to follow export friendly policies.

♦ The provision for building tourist infrastructure has been increased from Rs 423 crore in 2006-07 to Rs 520 crore in 2007-08.

Financial Sector

♦ Under the differential rate of interest scheme loans are provided to the weaker sections of people at a rate of 4% per annum. Budget has increased the limits of simple loan under the scheme from Rs 6500 to Rs 15000 and of housing loan from Rs 5000 to Rs 20000.

♦ Regional Rural Banks (RRBs) will undertake expansion programme and in 2007-08 they will open at least one branch in the 80 uncovered districts.

♦ The Securitisation and Reconstruction of Financial Assets and Enforcement Act will be extended to the loans extended by RRBs.

♦ The RRBs having negative worth will be recapitalize. RRBs will also be permitted to accept NRE/FCNR deposit.

♦ A novel product for senior citizen called ‘reverse mortgage’ is being proposed. Under the scheme, a senior citizen who is the owner of a house can avail of a monthly stream of income against the mortgage of his house, while remaining the owner and occupying the house throughout his lifetime, without repayment of the loan.

♦ Senior citizens will be offered exclusive health insurance schemes soon.

♦ To ensure regular funds to the infrastructure, mutual funds will be permitted to launch and operate infrastructure funds.

♦ Two wholly owned subsidiary companies of India Infrastructure Finance Limited are proposed to be set up for the purpose of financing infrastructure partly through the accumulated foreign exchange reserves.

Budget Estimates

♦ The planned expenditure for 2007-08 has been placed at Rs 205100 crore. As a proportion of total expenditure, plan expenditure will be 32%.

♦ Non-plan expenditure in 2007-08 is estimated at Rs 435421. The increase over 2006-07 is only 6.5%.

♦ The revenue deficit which is the difference between revenue receipts and revenue expenditure is estimated to be Rs 71478 crore (in 2007-08) which is 1.5% of the GDP. In 2006-07, the actual revenue deficit was 2% against a target of 2.1% of GDP.

♦ The fiscal deficit which is difference between total expenditure and total revenue receipts and capital receipts but excluding borrowings and other liabilities is estimated at Rs 150948 crore (in 2007-08) which is 3.3% of the GDP. In 2006-07, the actual fiscal deficit was 3.7% of GDP against a target of 3.8% of GDP.

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**Announcement for Professional Education (Course-II) Students appearing in May 2007 Examination**


The Study Material (June 2005 edition) contains the amendments made by notifications/circulars/other legislations up to 30.04.2005 and the Supplementary Study Paper – 2006 contains the amendments made by the Finance Act, 2006 (relevant for A.Y.2007-08) as well as amendments made by notifications/circulars/other legislations between 1.5.05 and 30.04.2006. Further, the amendments made between 1.05.2006 and 31.10.2006 have been published in the Revision Test Papers for May 2007 examination. All these amendments are relevant for May 2007 examination.

The Supplementary Study Paper-2006 is available for sale in all offices of the Institute and may be obtained by post from the Noida Stores, ICAI Bhawan, Institute of Chartered Accountants of India, C-1, Sector I, Noida – 201 301. Students may send their request to noidastores@icai.org.

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**Price of Supplementary Study Material of Income-tax Central Sales Tax**

<table>
<thead>
<tr>
<th>Courses</th>
<th>Rs</th>
<th>Rs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professional Education (Course –II)</td>
<td>30</td>
<td>40</td>
</tr>
</tbody>
</table>

Supplementary study materials are also available for free download from our website: www.icai.org>students>Courses(Old Curriculum)>Supplementary Study Materials>Income-tax and Central Sales Tax.
Object of the article

1. This article examines some of the proposed amendments in the Finance Bill, 2007 (hereinafter referred to as Finance Bill) pertaining to corporate sector.

Corporate tax rate

2. There is no change in the corporate tax rate. However, for the assessment year 2008-09, surcharge would be applicable only if taxable income of a company exceeds Rs. 1 crore. Moreover, secondary and higher education cess at the rate of 1 per cent of income-tax and surcharge will be levied for the assessment year 2008-09 in addition to education cess of 2%. Consequently, the effective corporate tax will be as follows:

<table>
<thead>
<tr>
<th></th>
<th>AY 2007-08</th>
<th>AY 2008-09</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic company if total income does not exceed Rs. 1 crore</td>
<td>33.66%</td>
<td>30.9%</td>
</tr>
<tr>
<td>Domestic company if total income exceeds Rs. 1 crore</td>
<td>33.66%</td>
<td>33.99%</td>
</tr>
<tr>
<td>MAT - domestic company (irrespective of quantum of book profit)</td>
<td>11.22%</td>
<td>11.33%</td>
</tr>
<tr>
<td>MAT - foreign company (irrespective of quantum of book profit)</td>
<td>10.455%</td>
<td>10.5575%</td>
</tr>
</tbody>
</table>

2.1 Marginal relief - In the case of a corporate taxpayer if taxable income for the assessment year 2008-09 is higher than Rs. 1 crore but within the range given below, the taxpayer can claim the benefit of marginal relief –

<table>
<thead>
<tr>
<th></th>
<th>Rs. 100 lakh – Rs. 104.4776 lakh</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreign company</td>
<td>Rs. 100 lakh – Rs. 101.6949 lakh</td>
</tr>
</tbody>
</table>

For instance if a domestic company reports a taxable income of Rs. 104 lakh, the tax liability will be calculated as follows –

Tax on the assumption that income of the company is Rs. 100 lakh
Add: Surcharge (not applicable if income does not exceed Rs. 100 lakh) Nil
Total 30,00,000
Add: Tax at the rate of 100 per cent on income exceeding Rs. 100 lakh 4,00,000
Total 34,00,000
Add: Education cess (2 per cent of Rs. 34,00,000) 68,000
Total 35,02,000

Add: Secondary and higher education cess (1 per cent of Rs. 34,00,000) 34,000
Total tax liability 35,34,960 (i.e., 33.99 per cent of Rs. 104 lakh).
Marginal relief = 35,34,960 – 35,02,000 = 32,960

Fringe benefit tax

3. The following amendments are proposed in the scheme of fringe benefit tax –

3.1 Employees’ stock option plan - Employees’ stock option plans are generally offered to employees keeping in view any one or more of the following objectives –

a. retain and attract quality people;
b. motivate employees to remain in continued employment of the company;
c. compensate employees without attracting any tax; and
d. induce employee as stakeholders of the company.

3.1-1 TAX LIABILITY BEFORE THE PROPOSED AMENDMENT - There is no tax liability in respect of employees’ stock option plan in the hands of employer. The table given below highlights the tax incidence in the hands of employees –

<table>
<thead>
<tr>
<th>Different stages</th>
<th>If the plan is in accordance with the guidelines issued by the Central Government</th>
<th>If the plan is not in accordance with the guidelines issued by the Central Government</th>
</tr>
</thead>
<tbody>
<tr>
<td>At the time of offer</td>
<td>No tax</td>
<td>No tax</td>
</tr>
<tr>
<td>At the time of exercise of option by the employees</td>
<td>No tax</td>
<td>It is taxable as perquisite under section 17(2) in the hands of employees (taxable value of the perquisite being fair market value on the date of exercise of option less amount paid by the employee)</td>
</tr>
</tbody>
</table>

In the above case, tax liability without marginal relief will be Rs. 35,34,960 (i.e., 33.99 per cent of Rs. 104 lakh).
3.1-2 TAX LIABILITY AFTER THE PROPOSED AMENDMENT-
The Finance Bill has proposed to change the aforesaid scheme of
taxation of Employees’ stock option plan on the following lines –
1. Employees’ stock option benefit will be taxable in the hands
of employer under fringe benefit tax.
2. It will be taken as a fringe benefit provided by the employer
to its employees. Section 115WB(1)(d) shall be inserted for this
purpose from the assessment year 2008-09.
3. The aforesaid clause (d) shall be applicable if any specified
security or sweat equity shares are allotted or transferred
by the employer directly or indirectly to its employees or
former employees. Clause (d) will be applicable regardless
of the fact whether stock option plan is offered to the employees
free of cost or concessional rate.
4. For the purpose of section 115WC, value of fringe benefits
would be 100 per cent of fair market value of the specified
security or sweat equity on the date of exercise of option as
reduced by the amount actually paid by the employee.
5. The aforesaid fringe benefit would be taxable at the rate of
33.99 per cent.
6. Rules for computation of fair market value of the specified
security or sweat equity on the date of exercise of option will
be determined in accordance with the method as may be
prescribed by the Board after the enactment of Finance Bill.
7. Employees will be taxable at the time of transfer of the
aforesaid securities. Capital gain would be computed by
deducting the value of fringe benefits from the sale
consideration. In the case of stock option plan which has been
issued in accordance with the guidelines issued by the Central
Government, the aforesaid tax liability would be attracted even
at the time of gift of specified securities by the employee.
3.1-3 CERTAIN ISSUES WHICH REQUIRE CLARIFICATION -
The following issues require clarification –
1. Fringe benefit tax will be applicable in the case of specified
security or sweat equity at the time of exercise of option by the
employee. In the case of stock appreciation rights, restricted
stock units, share purchase scheme, share awards, there is no
exercise of option. Consequently, the stage at which fringe
benefit tax incidence is attracted becomes debatable.
2. The proposed amendment does not make any distinction
between the following cases –

<table>
<thead>
<tr>
<th>Case 1</th>
<th>Case 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stock option plan is offered to the employees of Indian subsidiary by its foreign holding company. The foreign holding company does not charge anything from the Indian subsidiary company</td>
<td>Stock option plan is offered to the employees of Indian subsidiary by its foreign holding company. The foreign holding company recovers the market value of the specified security/sweat equity from the Indian subsidiary company</td>
</tr>
</tbody>
</table>

3. At the time of transfer of specified security/sweat equity by
the employee, tax liability would be calculated on the capital
gains as per example given below –

| Market value of shares on the date of exercise of option | Rs. 8 lakh |
| Amount recovered from employee at the time of allotment | Rs. 2 lakh |
| Value of fringe benefit on which FBT is payable by employer | Rs. 6 lakh |
| Sale consideration of shares transferred within 2 months | Rs. 20 lakh |
| Short-term capital gain in the hands of employee | Rs. 14 lakh |

What is deductible from the sale consideration is the value of
fringe benefit tax on which FBT is paid by employer. Consequently, Rs. 6 lakh in the above example will be deducted
from the sale consideration of Rs. 20 lakh. Consequently, short-
term capital gain in the hands of employee will be Rs. 14 lakh.
In such a situation, short-term capital gain should be Rs. 12 lakh (i.e., Rs. 20 lakh being sale consideration minus Rs. 6
lakh being value of fringe benefits minus Rs. 2 lakh being the consideration paid by the employee).

**3.2 Sales promotion expenditure** - The Finance Bill has proposed the following changes in the scheme of fringe benefits which will be applicable from the assessment year 2008-09 –

1. Expenditure on advertisement by way of bill boards and display of products will not be subject to FBT.
2. Expenditure on distribution of samples (free or concessional) will not be subject to FBT.

**3.3 Advance fringe benefit tax** - The scheme of payment of advance fringe benefit tax will be revised with effect from June 1, 2007. Advance fringe benefit tax will be payable by a company in four instalments as follows –

<table>
<thead>
<tr>
<th>Date</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>On or before June 15</td>
<td>15%</td>
</tr>
<tr>
<td>On or before September 15</td>
<td>45%</td>
</tr>
<tr>
<td>On or before December 15</td>
<td>75%</td>
</tr>
<tr>
<td>On or before March 15</td>
<td>100%</td>
</tr>
</tbody>
</table>

For non-payment/short payment of advance fringe benefit tax, interest at the rate of 1 per cent per month or part thereof shall be levied. It shall be levied for the period for which default continues. However, the scheme of calculation of interest for short payment or non-payment of advance fringe benefit tax as proposed in section 115W(3) does not provide any relief in the case of a tax payer whose first and/or second instalment of advance fringe benefit tax is slightly lower than the specified quantum. This section has not been drafted to give a relief in such cases as is given in section 234C –

<table>
<thead>
<tr>
<th></th>
<th>Advance income-tax</th>
<th>Advance fringe benefit tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>First instalment</td>
<td>No interest if advance income-tax paid is not less than 12 per cent</td>
<td>No such provision</td>
</tr>
<tr>
<td>Second instalment</td>
<td>No interest if advance income-tax paid is not less than 36 per cent</td>
<td>No such provision</td>
</tr>
</tbody>
</table>

**Tax deduction at source**

4. Rates for tax deduction under sections 194H and 194J will increase from 5 per cent to 10 per cent will effect from June 1, 2007. Consequently, the following would be TDS rates under these sections –

<table>
<thead>
<tr>
<th>TDS up to March 31, 2007</th>
<th>5% (+ SC + EC)</th>
</tr>
</thead>
<tbody>
<tr>
<td>TDS between April 1, 2007 and May 31, 2007</td>
<td>5% (+ SC + EC + SHEC)</td>
</tr>
<tr>
<td>TDS after May 31, 2007</td>
<td>10% (+ SC + EC + SHEC)</td>
</tr>
</tbody>
</table>

*Note - SC = Surcharge, EC = 2 per cent of tax and surcharge, SHEC = 1 per cent of tax and surcharge.*

TDS rate under section 194-I in the case of rent of plant and machinery will be reduced 10 per cent under section 194-I with effect from June 1, 2007.

**Dividend tax**

5. The dividend tax under section 115-O will be increased to 15 per cent with effect from April 1, 2007. It will be increased by surcharge at the rate of 10 per cent (irrespective of the quantum of dividend or income). It will be further increased by education cess and secondary and higher education cess. Consequently, the effective dividend tax rate will be 16.995 per cent from April 1, 2007. This tax incidence will record an increase of approximately 21 per cent as compared to the rate applicable during 2006-07.

**Minimum alternate tax**

6. With effect from the assessment year 2008-09, minimum alternate tax would be applicable even in respect of income which is exempt under section 10A or section 10B. However, income exempt under section 10AA will continue to be outside the purview of minimum alternate tax.

**Settlement Commission**

7. The provisions regulating Settlement Commission will undergo drastic changes which are briefly narrated under –

1. Application to Settlement Commission only be made during the pendency of the proceedings before AO.
2. No application to Settlement Commission will be possible in case of proceedings under section 148 or 153A, fresh assessment where original assessment was satisfied under section 254, 263 or 264.
3. Application can be made only when additional tax payable exceeds Rs. 3 lakh.
4. Additional tax along with interest should be paid before making the application.
5. If application is made before June 1, 2007, additional tax should be paid by July 31, 2007.
6. Within 7 days from the receipt of application, a notice will be issued to the applicant to explain as to why his application should be admitted.
7. Within 14 days from the receipt of application, the order rejecting or otherwise of the application shall be passed.
8. Within 30 days from the receipt of application, a notice shall be issued to CIT.
9. CIT shall send the report within 30 days from the receipt of communication from the Settlement Commission.
10. Settlement Commission shall pass order within 9 months.
11. The aforesaid time-limit shall be calculated from the end of the month in which application is received.
12. No immunity from prosecution will be granted under any law other than Income-tax Act or Wealth-tax Act.
13. Settlement Commission shall not reopen completed proceedings.
14. Assessee can apply for settlement only once during his lifetime.
The Finance Minister, Mr. P. Chidambaram, before commencing his proposals on the direct taxes front, commended the tax payers for better tax compliance. He has proposed to reward the individual assesses with an increase of Rs. 10,000 in the basic exemption limit and the firms and corporates with a threshold limit of Rs. 1 crore for applicability of surcharge. While admitting that such relief to individuals was marginal, he stated that the comprehensive review would be taken up in the proposed Income-tax code which would be introduced in the Parliament this year.

The budget proposals on the income-tax front are briefed hereunder:

**Personal Taxation**

- **Increase in basic exemption limit** - The threshold limit of exemption is proposed to be increased by Rs. 10,000 in the case of all assesses. Consequently, the basic exemption limit is proposed to be raised from Rs. 1,00,000 to Rs. 1,10,000 in the case of individuals, HUFs, AOPs and BOIs, from Rs. 1,35,000 to Rs. 1,45,000 in the case of women assesses and Rs. 1,85,000 to Rs. 1,95,000 in the case of senior citizens. The relief in tax burden would be Rs. 1,000 plus surcharge, if applicable, plus education cess in all cases except for senior citizens, in whose case a higher relief of Rs. 2,000 plus surcharge, if applicable, plus education cess would be available. However, an additional surcharge called “Secondary and higher education cess on income-tax” @1% of such income-tax plus surcharge, if any, is proposed to be levied to fulfill the Government’s commitment to provide and finance secondary and higher education.

- **Deemed concession in the matter of rent** - *Explanation 1* is proposed to be inserted in section 17(2)(ii) to deem the difference between 20% of salary (10% of salary up to 31.3.2006) in case of cities having population exceeding 4 lakhs and 15% of salary (7.5% of salary up to 31.3.2006) in case of other cities and the amount of rent recovered from the employee as concession in the matter of rent in case of accommodation owned by the employer. In case of accommodation taken on lease or rent by the employer, the difference between the actual lease rent or 20% of salary (10% of salary up to 31.3.2006), whichever is lower, and rent recovered/recoverable from the employee would be deemed to be the concession in the matter of rent.

- **Deduction in respect of contribution to pension scheme notified by the Central Government extended to other employees also** – Section 80CCD provides for deduction of employee’s and employer’s contribution to pension scheme notified by the Central Government. However, if the amount contributed exceeds 10% of salary, then the deduction would be restricted to 10% of salary. This restriction is applicable both in the case of employee’s contribution and employer’s contribution to such scheme. The benefit of deduction under this section is currently available only to individuals employed by the Central Government on or after 1.1.2004. This deduction is proposed to be extended also to individuals employed by any other employer on or after 1.1.2004. The entire employer’s contribution would be included in the salary of the employee. However, deduction under section 80CCD would be restricted to 10% of salary.

- **Increased deduction for medical insurance premium** – The deduction under section 80D in respect of medical insurance premium is proposed to be increased to Rs. 15,000. For senior citizens, the quantum of deduction is proposed to be increased to Rs. 20,000. Further, premium paid by any mode other than cash would qualify for deduction.

- **Deduction in respect of interest on loan for higher education of spouse/children** – The deduction under section 80E available to an individual in respect of interest on loan taken for his higher education is now proposed to be extended also to include interest on such loan taken for higher education of his relative i.e. his or her spouse and children.

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This deeming provision is proposed to be made applicable to employees other than Government employees. In case of furnished accommodation provided to such employees, the excess of 10% p.a. of cost of furniture or hire charges paid, as the case may be, over and above the charges paid or payable by the employee would be added to the perquisite value.

In case of Government employees, the excess of licence fees determined by the employer as increased by the value of furniture and fixture over and above the rent recovered/ recoverable from the employee and the charges paid or payable for furniture by the employee would be deemed to be the concession in the matter of rent.

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The author is Senior Education Officer, ICAI.
Corporate & Business Taxation

- **Threshold limit for applicability of surcharge** - Surcharge @ 10% for corporate assesses would be attracted only if their taxable income exceeds Rs. 1 crore. Therefore, Small and Medium Enterprises (SMEs) would be exempt from the applicability of surcharge. The same would be applicable in the case of firms also. However, an additional surcharge called “Secondary and higher education cess on income-tax” @ 1% of tax plus surcharge, if any, is proposed to be levied in case of all assesses.

- **Increase in time limit for availing weighted deduction in respect of scientific research expenditure** - Section 35(2AB) provides for a weighted deduction of one and a half times of the expenditure on in-house research and development incurred up to 31.3.2007 by a company engaged in the business of biotechnology or manufacturing or production of any drugs or pharmaceuticals etc. The benefit is proposed to be continued in respect of such expenditure incurred up to 31.3.2012.

- **Levy of minimum alternate tax on units claiming exemption under section 10A and 10B also** - MAT is proposed to be leviable on income eligible for deduction under section 10A and 10B also. The Information Technology Enabled Services sector as well as the Information Technology sector, which presently enjoy a tax holiday up to 31.3.2009, will now be hit by the MAT provisions, under which they would have to pay a tax of 10% of book profits plus surcharge 10%, if applicable, plus education cess @ 2% plus secondary and higher education cess @ 1%. The effective rate would be 11.33% of book profit.

- **Disallowance of entire expenditure in respect of which payments exceeding Rs. 20,000 have been made otherwise than by account payee cheque or account payee bank draft** - Under section 40A(3), 20% of the expenditure in respect of which payment exceeding Rs. 20,000 has been made by account payee cheque or account payee bank draft is disallowed. It is now proposed to raise the disallowance from 20% to 100% of the expenditure. In case of an assessee following mercantile system of accounting, if an expenditure has been allowed as deduction in any previous year on due basis, and payment exceeding Rs. 20,000 has been made in the subsequent year otherwise than by account payee cheque or account payee bank draft, then the payment so made shall be deemed to be the income of the subsequent year in which such payment has been made. However, no disallowance would be made in such cases and under such circumstances as may be prescribed, having regard to the nature and extent of banking facilities available, considerations of business expediency and other relevant factors.

- **Increase in rate of tax on distributed profits** - It is proposed to raise the rate of tax on distributed profits from 12.5% to 15% in respect of any amount declared, distributed or paid by a domestic company by way of dividends. The rate of tax on distributed profits in respect of income distributed by a money market mutual fund or a liquid fund is proposed to be increased to 25%.

- **Restrictive conditions to apply for units in SEZ also for availing benefit under section 10AA** – Benefit under section 10AA is proposed to be denied to those units which are formed by splitting up or reconstruction of a business already in existence, or formed by transfer to a new business, of plant and machinery previously used for any purpose exceeding 20% of the total value of machinery and plant used in the business. These restrictive conditions are already contained in sections 10A and 10B. These conditions are now proposed to be introduced in section 10AA to prevent misuse of benefit available thereunder by merely shifting the location of an existing unit to a SEZ, since the same would mitigate the objective of encouraging industrial development, employment generation etc.

- **Widening of scope of benefit and extension of time limit under section 80-IA**
  - Benefit under section 80-IA is proposed to be extended to an undertaking which lays and begins to operate a cross country natural gas distribution network - Deduction under this section is proposed to be extended to an undertaking which lays and begins to operate a cross country natural gas distribution network, provided it satisfies the following conditions-
    - it is owned by a company registered in India or a consortium of such companies or a board or corporation established or constituted under any Central or State Act;
    - it is approved by the Petroleum and Natural Gas Regulatory Board;
    - one-third of its total pipeline capacity is available for use on common carrier basis by any person other than the assessee or an associated person;
    - it starts functioning on or after 1st April, 2007;
  - Deduction under section 80-IA(4)(v) is available to an undertaking owned by an Indian company and set up for reconstruction or revival of a power generating plant if such undertaking begins to generate or transmit power before 31.3.07. The time-limit is proposed to be extended up to 31.3.08.
– Navigational sea channels are proposed to be included within the scope of the term “Infrastructure facility” for the purpose of deduction under section 80-IA(4)(i) to an enterprise carrying on the business of developing or operating and maintaining or developing, operating and maintaining any infrastructure facility fulfilling the conditions prescribed therein.

♦ **Denial of transfer of benefit of deduction under section 80-IA to the amalgamated/resulting company** – The transfer of benefit of deduction under section 80-IA to the amalgamated/resulting company by virtue of sub-section (12) of section 80-IA is proposed to be denied in respect of amalgamation or demerger effected on or after 1.4.2007.

♦ **Works contractor not entitled to benefit of deduction under section 80-IA** – The benefit provided under section 80-IA to an undertaking engaged in development of infrastructure facility like highways, ports, etc. would not be available to a person who merely executes a works contract entered into with the undertaking or enterprise referred to in that section. The amendment is proposed to take effect retrospectively from 1.4.2000.

♦ **Extension of time limit for industries in the State of Jammu and Kashmir for the purpose of tax holiday under section 80-IB** – Section 80-IB(4) provides for deduction of 100% of profits and gains for the first five assessment years and 25% (30% in case of a company) of profits and gains for the next five assessment years in case of profits derived from an industrial undertaking set up in the State of Jammu and Kashmir. However, such industrial undertaking should begin to manufacture or produce articles or things or operate a cold storage plant on or before 31.3.2007. This deduction is now proposed to be extended to all such industrial undertakings set up in Jammu and Kashmir which begin to manufacture or produce articles or things or operate a cold storage plant on or before 31.3.2012.

♦ **Tax holiday proposed in respect of profits and gains from the business of hotel or business of building, owning and operating a convention centre in NCR** – New section 80-ID is proposed to be inserted to provide a deduction of 100% of profits and gains from the business of hotel or business of building, owning and operating a convention centre in NCR for a period of 5 consecutive assessment years beginning from the year in which such hotel starts functioning or convention centre starts operating on a commercial basis. However, such hotel or convention centre should be constructed at any time during the period from 1.4.2007 to 31.3.2010. This proposal is to boost the construction activity in NCR in view of the upcoming Common Wealth Games in 2010.

### Capital Gains Taxation

♦ **Transfer of drawings, paintings, sculptures etc. to attract capital gains tax** – Section 2(14) is proposed to be amended to include archaeological collections, drawings, paintings, sculptures or any work of art within the meaning of the term “Capital assets”. This proposal is to be effected by excluding the above from the ambit of “personal effects”, which are not included within the meaning of the term “Capital assets”.

♦ **Quantum of exemption under section 54EC in respect of investment of capital gains in long-term specified assets restricted** – Section 54EC provides exemption in respect of capital gains arising from transfer of long-term capital assets if such capital gains are invested in long-term specified assets, namely, bonds redeemable after three years issued by NHAI or RECL, within a period of 6 months from the date of such transfer. This exemption is proposed to be restricted, by limiting the maximum investment on or after 1.4.2007 in such long-term specified assets to Rs.50 lakhs during any financial year.

(.... Continued in next issue)
In India, the presentation of budget is always awaited with great anticipation. Equivalent zest and zeal is then employed in meticulously analyzing and dissecting the budget proposals through various brain storming sessions, open foras, round table discussions, post budget conferences etc. This year too, the Union Budget 2007 has been tabled by the Finance Minister P. Chidambaram in the Parliament on 28th of February 2007 in the background of sound economic fundamentals with the exception of rising inflation. In this article an attempt has been made to summarise the amendments made in the area of service tax by the Budget 07-08.

I. AMENDMENTS RELATING TO TAXABLE SERVICES

♦ Seven services individually specified as taxable services (Effective from a date to be notified after the enactment of the Finance Bill, 2007)

This year seven services have been brought under the tax net. However, all these services are not new. Some of the old services have been merged together under one separate category. The seven services are:

– Telecommunication service (would include individual services in respect of telephone, pager, leased circuit, telegraph, telex and facsimile communication);
– Mining services;
– Services provided in relation to renting of immovable property, other than residential properties and vacant land, for use in the course or furtherance of business or commerce;
– Services provided in relation to the execution of a works contract;
– Development and supply of content for use in telecommunication services, advertising agency services and on-line information and database access or retrieval services;
– Asset management services including portfolio management and all forms of fund management service provided by any person, except a banking company or a financial institution including a non-banking financial company or any other body corporate or commercial concern;
– Design services.

♦ Scope of certain existing services expanded (Effective from a date to be notified after the enactment of the Finance Bill, 2007)

– Sale of space or time for advertisement, other than in print media

The scope of this service is proposed to be expanded by amending the explanation defining the print media. The proposed explanation states that print media would not include business directories, yellow pages and trade catalogues which are primarily meant for commercial purposes thereby bringing sale of space in such mediums chargeable to service tax under the category of sale of space or time for advertisement service.

– Rent-a-cab service

The scope of this service has been proposed to be widened by including renting of motor vehicles capable of carrying more than twelve passengers under rent-a-cab service. This has been done by amending the definition of the “cab”. Therefore, henceforth, hiring of bus would also attract service tax. However, motor vehicle or maxicab rented to an educational body, other than a commercial training or coaching centre, would be excluded from the scope of this service.

– Mandap keeper service, pandal or shamiana service and event management service

The Finance Bill, 2007 has proposed to clarify that services provided in relation to marriage functions would fall within the scope of the social functions covered under the ambit of all the above three services.

– Consulting engineer’s services

It has been proposed to include consultancy in the field of computer hardware engineering within the scope of taxable services provided by a consulting engineer.

– Banking and financial services

The Finance Bill, 2007 has proposed to substitute the words “any other person” with “commercial concern” in the definition of taxable banking and other financial services. Further, the service of cash management has been proposed to be included in the definition to widen the scope of this service. An explanation has been proposed to be inserted at the end of the definition to clarify the meaning of the financial lease.

– Management consultancy service

Management consultancy service has been proposed to be renamed as management or business
consultancy. Further, management or business consultant has been redefined so as to explicitly include business consultancy within its scope.

- **Manpower recruitment or supply agency's services**
  The Finance Bill, 2007 has proposed to clarify that recruitment or supply of manpower service would include following services:
  - pre-recruitment screening,
  - verifying the credentials and antecedents of the candidate, and
  - authenticity of documents submitted by the candidates.

- **Management, maintenance or repair service**
  It is proposed to clarify that for the purpose of management, maintenance or repair service “goods” would include computer software. Therefore, henceforth, maintenance, repair or management of computer software would attract service tax.

### II. NEW EXEMPTIONS

#### Increase in the threshold limit of service tax exemption for small service providers (Effective from 01.04.2007)
Notification No.6/2005 has been amended in order to raise the exemption limit in case of small service providers from the current Rs.4,00,000 to Rs.8,00,000. Thus, taxable services of aggregate value not exceeding Rs.8,00,000 in any financial year would be exempt from service tax if the aggregate value of taxable services rendered by a provider of taxable service from one or more premises does not exceed Rs.8,00,000 in the preceding financial year. Consequently, the limit for obtaining service tax registration has also been increased from Rs.3,00,000 to Rs.7,00,000.

#### Exemption to resident welfare associations (RWA) (Effective from 01.03.2007)
The taxable services provided by a resident welfare association to its members have been exempted from whole of the service tax leviable thereon subject to certain prescribed conditions.

A TBI is a recent initiative which has already been experimented successfully the world over to bolster economic development by stimulating growth of technology and knowledge based enterprises and generation of value added employment. A TBI helps in incubating knowledge based start-ups into sustainable businesses by providing specialized guidance, critical support services, innovative financing and networking support within a well equipped work space.

Science parks and similar initiatives create an atmosphere for innovation and entrepreneurship for active interaction between academics & industries, for sharing ideas, knowledge, experience and facilities for the development of new products and services and their rapid transfer to the end users.

The scheme of TBI and STEP is operationalised by the Department of Science and Technology through National Science and Technology Entrepreneurship Development Board.

#### Exemption to entrepreneur (incubatee) located within the premises of a Technology Business Incubator (TBI) or Science and Technology Entrepreneurship Park (STEP) (Effective from 01.04.2007)
Incubatees are entrepreneurs working with the incubator to develop their ideas into a commercially viable venture. Taxable services provided by an entrepreneur located within the premises of a TBI/STEP recognized by the National Science and Technology Entrepreneurship Development Board (NSTEDB) have been exempted from whole of the service tax leviable thereon if the total business turnover of such entrepreneur does not exceed Rs.50,00,000 during the current or previous financial year.

#### Exemption to clinical trial of new drugs (Effective from 01.03.2007)
Testing and analysis of newly developed drugs, including vaccines and herbal remedies, on human participants so as to ascertain the safety and efficacy of such drugs on human participants undertaken by Clinical Research Organisation (CRO) has been exempted from whole of the service tax leviable thereon. In order to claim the exemption, the Clinical Research Organisation should be approved to conduct clinical trials by the Drugs Controller General of India.

#### Exemption to services provided in relation to delivery of content of cinema in digital form after encryption electronically (Effective from 01.03.2007)
In digital cinema, cinematograph film is transferred to a magnetic tape and thereafter converted into digital form.
Digitised content of the cinema after encryption is stored in servers and transmitted to servers located in the cinema hall. Transmission is either through satellite or other wired or wireless mode. Digital cinema projector in the theatre decodes the signal and exhibits the cinema on the screen. Producer or distributor of a cinematograph film, who has the right to authorise any other person to exhibit the cinema, enters into an agreement with the digital cinema service provider for delivery of the content of the cinema, as per his instruction, in digitised and encrypted form to the cinema theatre owner for exhibition.

Exemption has been granted to taxable services, provided or to be provided, under an agreement, by any person to other person who has the right to authorise any person to exhibit cinematograph film from whole of the service tax leviable thereon. The exemption is subject to the following conditions:

– the service provided or to be provided is in relation to the delivery of the content of the cinematograph film; and
– the content of such film, being in digitized form, after its encryption, is transmitted directly to a cinema theatre for exhibition through the use of satellite, microwave or terrestrial communication line.

The exemption would not be available if the content is transmitted by any physical means including CD and DVD.

### III. AMENDMENTS IN THE PROCEDURES IN THE FINANCE ACT, 1994

**Late fee for delayed filing of return** *(Effective from the date of enactment of the Finance Bill, 2007)*

Section 70(1) has been proposed to be amended to provide filing of periodical return after the due date with the prescribed late fee of not more than Rs.2,000. Till now filing of a return after the due date has been treated as a violation and is liable for penal action under 77. Accordingly, section 94 has also been amended to empower Central Government to make rules regarding the form, manner and frequency of the returns to be furnished under sub-sections (1) and (2) and the late fee for delayed furnishing of return under sub-section (1) of section 70.

**Cost audit introduced for CENVAT credit of service tax** *(Effective from the date of enactment of the Finance Bill, 2007)*

Section 83 has been proposed to be amended to extend the applicability of section 14AA of the Central Excise Act, 1944 to service tax matters so as to order cost audit to study abnormal utilization of CENVAT credit. Further, provisions of section 38A of the Central Excise Act, 1944 have also been proposed to be made applicable in respect of service tax matters so as to protect actions under rules and notifications that existed prior to changes in the rules and notifications.

**Powers of review to be exercised by the Committee of Chief Commissioners/Commissioners** *(Effective from the date of enactment of the Finance Bill, 2007)*

Section 86 has been proposed to be amended so as to empower the Central Board of Excise and Customs to constitute Committees comprising of two Commissioners of Central Excise for the purposes of reviewing the order passed by a Commissioner of Central Excise (Appeals). The Committee reviewing the adjudication orders passed by a Commissioner of Central Excise would constitute two Chief Commissioners of Central Excise.

**Indian joint venture not eligible to apply for advance ruling clarified** *(Effective from the date of enactment of the Finance Bill, 2007)*

It has been proposed to clarify vide an explanation in section 96A(b) that in a ‘joint venture in India’ one or more of the participants or partners or equity holders would be a non resident having substantial interest in such arrangement. Thus, purely Indian joint ventures would not be eligible to apply for advance ruling. It may be noted that the term ‘substantial’ needs to be defined for more clarity.

*(.... Continued in next issue)*
In partial modification of the Institute’s Notification No. 13-CA (EXAM)/M/2007 dated 16th January 2007, it is notified for general information that the Chartered Accountants Professional Education – I, Professional Education – II, Professional Competence (PCE) and Final examinations, Post Qualification Courses in Management Accountancy Course (MAC Part-I), Corporate Management Course (CMC Part-I), Tax Management Course (TMC Part-I), Insurance and Risk Management (IRM) and International Trade Laws and World Trade Organisation (ITL&WTO) examinations scheduled earlier to be held from 3rd May to 11th May 2007 have now been rescheduled to commence from 4th May 2007 and will be held upto 12th May 2007. The revised examination-wise date schedule is as given below:

PROFESSIONAL EDUCATION– I EXAMINATION
[As per syllabus contained in the scheme notified by the Council under Regulation 25-B (4) of the Chartered Accountants Regulations, 1988.]
4th, 5th, 7th and 8th May, 2007 (Morning Session – 8.00 a.m. to 11.00 a.m.) (IST)

PROFESSIONAL EDUCATION– II EXAMINATION
[As per syllabus contained in the scheme notified by the Council under Regulation 28-B (5) of the Chartered Accountants Regulations, 1988.]

PROFESSIONAL COMPETENCE COURSE EXAMINATION (PCE)
[As per syllabus contained in the scheme notified by the Council under Regulation 28 C (3) of the Chartered Accountants Regulations, 1988.] AND

Group-I: 4th, 5th and 7th May, 2007
Group-II: 8th, 9th and 10th May, 2007 (Afternoon Session – 12.30 p.m. to 3.30 p.m.) (IST)

FINAL EXAMINATION
[As per syllabus contained in the scheme notified by the Council under Regulation 31 (2) since revised as Regulation 31 (i) of the Chartered Accountants Regulations, 1988.]

Group -I: 4th, 5th, 7th and 8th May, 2007
Group -II: 9th, 10th, 11th and 12th May, 2007 (Morning Session – 8.00 a.m. to 11.00 a.m.) (IST)

MANAGEMENT ACCOUNTANCY COURSE (MAC Part-I), CORPORATE MANAGEMENT COURSE (CMC Part-I), TAX MANAGEMENT COURSE (TMC Part-I) EXAMINATIONS
[As per provision contained in “Schedule C”, “D” and “E” of Chartered Accountants Regulations, 1988]

Group-I: 9th and 10th May, 2007
Group-II: 11th and 12th May, 2007 (Morning Session – 8.00 a.m. to 11.00 a.m.) (IST)

INSURANCE AND RISK MANAGEMENT (IRM) COURSE EXAMINATION
[As per provisions contained in “Schedule G” of Chartered Accountants Regulations, 1988]

Modules I to IV 9th, 10th, 11th and 12th May, 2007 (Morning Session – 8.00 a.m. to 11.00 a.m.) (IST)

INTERNATIONAL TRADE LAWS AND WORLD TRADE ORGANISATION (ITL&WTO) COURSE EXAMINATION
[As per provisions contained in “Schedule H” of Chartered Accountants Regulations, 1988]

Group A: 4th, 5th and 7th May, 2007
Group B: 8th, 9th and 10th May, 2007 (Afternoon Session – 12.30 p.m. to 3.30 p.m.) (IST)

COMMON PROFICIENCY TEST (CPT)
[As per provisions of Regulation 25 D (3) of the Chartered Accountants Regulations, 1988 and the syllabus as published in the pages 291-293 of the journal the Chartered Accountant August 2006 issue and pages 12-13 of Chartered Accountants Students’ Newsletter August 2006 issue.]

First Session (i.e. Morning Session)
9.00 AM to 11.00 AM (IST) on 6th May 2007
Section - A Fundamentals of Accounting
Section - B Mercantile Law

Second Session (i.e. Afternoon Session)
12.30 PM to 2.30 PM (IST) on 6th May 2007
Section - C General Economics
Section - D Quantitative Aptitude

The Centres of examinations and other conditions shall remain the same.

(G. SOMASEKHAR)
JOINT SECRETARY (EXAMS.)

In view of the Election to the Uttar Pradesh Legislative Assembly in the month of April/May 2007, the Chartered Accountants Professional Education – I, Professional Education – II, Professional Competence (PCE) and Final examinations, Post Qualification Courses in Management Accountancy Course (MAC Part-I), Corporate Management Course (CMC Part-I), Tax Management Course (TMC Part-I), Insurance and Risk Management (IRM) and International Trade Laws and World Trade Organisation (ITL&WTO) examinations scheduled earlier to be held from 3rd May to 11th May 2007 have now been rescheduled to commence from 4th May 2007 and will be held upto 12th May 2007. The revised examination-wise date schedule is as given below:

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[As per syllabus contained in the scheme notified by the Council under Regulation 25-B (4) of the Chartered Accountants Regulations, 1988.]
4th, 5th, 7th and 8th May, 2007 (Morning Session – 8.00 a.m. to 11.00 a.m.) (IST)

PROFESSIONAL EDUCATION– II EXAMINATION
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PROFESSIONAL COMPETENCE COURSE EXAMINATION (PCE)
[As per syllabus contained in the scheme notified by the Council under Regulation 28 C (3) of the Chartered Accountants Regulations, 1988.] AND

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Group -I: 4th, 5th, 7th and 8th May, 2007
Group -II: 9th, 10th, 11th and 12th May, 2007 (Morning Session – 8.00 a.m. to 11.00 a.m.) (IST)
under Regulation 28-B (5) of the Chartered Accountants Regulations, 1988.] AND

PROFESSIONAL COMPETENCE COURSE EXAMINATION (PCE)
[As per syllabus contained in the scheme notified by the Council under Regulation 28 C (3) of the Chartered Accountants Regulations, 1988.]

Group-I: 4th, 5th and 7th May, 2007
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MANAGEMENT ACCOUNTANCY COURSE (MAC PART-I), CORPORATE MANAGEMENT COURSE (CMC PART-I), TAX MANAGEMENT COURSE (TMC PART-I) EXAMINATIONS
[As per provisions contained in “Schedule C”, “D” and “E” of Chartered Accountants Regulations, 1988.]

Group-I: 9th and 10th May, 2007
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(Morning Session – 8.00 a.m. to 11.00 a.m.) (IST)

INSURANCE AND RISK MANAGEMENT (IRM) COURSE EXAMINATION
[As per provisions contained in “Schedule G” of Chartered Accountants Regulations, 1988.]

Modules I to IV 9th, 10th, 11th and 12th May, 2007
(Morning Session – 8.00 a.m. to 11.00 a.m.) (IST)

INTERNATIONAL TRADE LAWS AND WORLD TRADE ORGANISATION (ITL&WTO) COURSE EXAMINATION
[As per provisions contained in “Schedule H” of Chartered Accountants Regulations, 1988.]

Group A 4th, 5th and 7th May, 2007
Group B 8th, 9th and 10th May, 2007
(Afternoon Session – 12.30 p.m. to 3.30 p.m.) (IST)

COMMON PROFICIENCY TEST (CPT)
[As per provisions of Regulation 25 D (3) of the Chartered Accountants Regulations, 1988 and the syllabus as published in the pages 291-293 of the journal the Chartered Accountant August 2006 issue and pages 12-13 of Chartered Accountants Students’ Newsletter August 2006 issue.]

9.00 AM to 11.00 AM (IST) on 6th May 2007
First Session (i.e. Morning Session)
Section - A Fundamentals of Accounting
Section - B Mercantile Law
12.30 PM to 2.30 PM (IST) on 6th May 2007
Second Session (i.e. Morning Session)
Section - C General Economics
Section - D Quantitative Aptitude

The Centres of examinations and other conditions shall remain the same.

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EXAMINATION

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Procedure for Granting of Facility of Writer’s Help/Extra Time to Physically/Visually Challenged Candidates in the Chartered Accountants Examinations

Physically/Visually Challenged candidates appearing in the Chartered Accountants Examinations requiring writer’s help/extra time are requested to adopt the following procedure:

- To send an application in candidate’s own hand writing if he can write. In respect of candidates who can not write, their representatives may write and forward the application.
- To enclose a certified true copy of the certificate issued by the Doctor of not less than the level of Civil Surgeon of Government Hospital to the effect that the disability is of permanent nature and specifying clearly the nature and extent of Permanent disability (in terms of %age).
- To enclose certified true copies of the permission, if any, granted by the State Higher Secondary Board/University in candidate’s 10th, 10+2 or degree examinations in which he/she had appeared.
- To enclose an attested full size latest photograph indicating name of the candidate on the photograph itself.
- Any other document in support of request for grant of the facility of a writer and/or extra time as aforementioned.

It is clarified that cases of injuries or disablement of temporary nature such as fracture of the right or left arm, forearm or dislocation of a shoulder, elbow or wrist or any other illness etc. are not entitled for extending the facility of writer/extra time.Kindly note that half/one hour (for PEE-I, PEE-II, PCE and Final Examination) 20/40 minutes (for CPT) extra time and/or writer’s help will be granted depending on the nature and extent of Permanent disability and in accordance with the guidelines prescribed by the Institute in this regard.The request for extra time/writer’s help should be sent as a separate request and not be enclosed to the examination application form. The request should be sent preferably with the details of registration no. and complete postal address of the candidate. The candidate will be informed about the grant of extra time/writer’s help by way of separate communication normally about 15 days prior to the commencement of examination. The request along with the requisite documents must be sent to:

Shri G. Somasekhar
Joint Secretary (Exams)
The Institute of Chartered Accountants of India
ICAI Bhawan
Indraprastha Marg
New Delhi-110002
For furtherance of commerce and management education, the Institute of Chartered Accountants of India and Indira Gandhi National Open University have deliberated and reached the following understandings:

- Recognizing subjects studied in the entry level course of chartered accountancy, by whatever name called, and subjects of study in the first stage of chartered accountancy course, by whatever name called under the approved scheme of education and training of the ICAI, as well practical training component, IGNOU shall launch a specialized B.Com Course majoring in Accountancy and Finance for the students of chartered accountancy course by which exemption be granted in certain common subjects such that these students can improve their learning process by acquiring knowledge in new areas rather than concentrating in the same subject, which are covered in the theoretical education scheme of the chartered accountancy.

- To facilitate the collaborative learning process, a student admitted in the first stage of chartered accountancy after passing 10+2 standard examination and entry level test of the chartered accountancy shall be admitted to special B.Com. course of IGNOU.

- A student admitted under this special B.Com. course shall complete study modules of IGNOU as per the scheme given in Annexure-I and shall be awarded B.Com. degree on qualifying first stage of chartered accountancy examination as well as subjects of study in special B.Com. course of IGNOU.

- The IGNOU shall offer appropriate scheme of transition for these category of students in case any student have joined this special programme opts for studying B.Com. of IGNOU exclusively.

- The ICAI and the IGNOU agree to constitute a Coordination Committee to facilitate exchange of students records and monitor their progress on continuous basis.

- The ICAI and the IGNOU also agree to carry out research jointly for improvement in the pedagogy for commerce and management students and to jointly organize seminars on contemporary issues relevant for commerce and management students.

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**Annexure –I**

**BACHELOR OF COMMERCE (B.Com.) WITH MAJOR IN ACCOUNTING AND FINANCE**

**Eligibility:** Candidates who fulfill the following three conditions are eligible for admission to this programme.

1. 10+2 or its equivalence
2. Common Proficiency Test (CPT) certificate from ICAI
3. Registration in Professional Competence Course (First Stage of Chartered Accountancy) of ICAI

Application form shall contain relevant registration details of the student with the ICAI.

**Course Structure:** The special B.Com. with Major in Accountancy and Finance course is offered by IGNOU to the students of ICAI like any of its regular programmes. To complete this programme successfully, a candidate is expected to complete 32 credits worth selective courses from IGNOU along with CPT, PCC and 3 years Articleship of ICAI.
The detailed course structure from IGNOU is as follows:

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<thead>
<tr>
<th>Sr. No.</th>
<th>Name of the Course</th>
<th>Credit</th>
<th>Equivalence</th>
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<tbody>
<tr>
<td></td>
<td><strong>Part A – Courses Offered by IGNOU</strong></td>
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<tr>
<td>1.</td>
<td>FEG-1 Foundation Course in English-1</td>
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<td></td>
<td>FEG-2 Foundation Course in English-2</td>
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<td></td>
<td>FHD-1 Foundation Course in Hindi-1</td>
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<td>FHD-2 Foundation Course in Hindi-2</td>
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<td>2.</td>
<td>EEG –4 English for Practical Purposes</td>
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<td>EHD-8 Prayojan Mulak Hindi</td>
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<td>3.</td>
<td>FHS-1 Foundation Course in Humanities and Social Sciences</td>
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<td>FST-1 Foundation Course in Science and Technology</td>
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<td>4.</td>
<td>ECO-13 Business Environment</td>
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<td>AED-1 Export Procedures and Documentation</td>
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<td><strong>Part B – Courses offered by ICAI at the First Stage of</strong></td>
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<td>Chartered Accountancy i.e. PCC</td>
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<td>Advanced Accounting</td>
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<td>6.</td>
<td>Auditing &amp; Assurance</td>
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<td>7.</td>
<td>Law, Ethics &amp; Communication</td>
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<td>8.</td>
<td>Cost Accounting and Management</td>
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<td>9.</td>
<td>Taxation</td>
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<td>10.</td>
<td>Information Technology &amp; Strategic Management</td>
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<td>11.</td>
<td>100 Hours of IT Training through Accredited Institutions</td>
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<td><strong>Part C - Completion of 3 years Articleship of ICAI</strong></td>
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**Medium of Instruction:** This programme shall be offered in the English medium as well as Hindi medium. However, the students have to study language courses under Part A in the respective language (English or Hindi language) only.

**Fees:** The fee for this programme shall be the same as the fee applicable to B.Com. programme of IGNOU. A student shall be charged the entire fee of all the 3 years at the time of admission. Thus, as per the fee structure of Bachelor Degree Programme applicable currently, the student has to pay Rs. 4000/- which covers Rs. 100 admission fee and Rs. 3900 programme fee for all the three years together. There is no additional fee or charges for credit transfer.

**Duration of the Programme:** The duration of this programme shall be the same as the existing B.Com. programme i.e. minimum 3 years and maximum 6 years with a provision for 2 years readmission after completing maximum period of study. The student once admitted will be deemed to be registered for all 3 years. There will be no need to reregister in 2nd and 3rd year as in case of other Bachelor’s Degree students.

**Delivery of the Programme:** Once admitted to this programme, a student shall simultaneously pursue the Part A courses from IGNOU, and Part B and Part C courses from the Institute of Chartered Accountants of India.

Course materials of all the Part A courses shall be delivered to the students in the first year of admission to this programme. Regarding student support, counselling, examination, etc. are concerned, these students shall be treated at par with Bachelor Degree Programme students.

Part B courses and Part C shall be delivered by the Institute of Chartered Accountants of India at par of Chartered Accountancy course.

**Evaluation System:** The student has to complete Part A courses as per the IGNOU evaluation system applicable for Bachelor Degree Programme. Similarly, evaluation systems of Chartered Accountancy of ICAI is applicable for Part B courses. There will be continuous evaluation and term end examination for Part A courses as per IGNOU system and for Part B courses as per the ICAI system. The student should also complete 3 years of Articleship as per the requirement of Chartered Accountancy course of ICAI. At the end, the student is awarded the B.Com degree as per the following scheme on the basis of marks obtained in Part A courses as per the IGNOU evaluation system:

- Below 35%    Unsuccessful
- 35% - 49.99%  III Division
- 50% - 59.99%  II Division
- 60% and above I Division

The students who successfully complete this programme will receive B.Com. with Major in Accountancy and Finance from IGNOU.

**Annexure -II**

**MASTER OF COMMERCE IN FINANCE AND TAXATION**

**Eligibility:** Graduate in any discipline or equivalence from a recognized university and joined Final Stage of Chartered Accountancy of ICAI.

**Course Structure:** In order to be eligible for the award of the Master of Commerce with specialization in Finance and Taxation, a student has to complete the following Part A and Part B courses:

**Part A – Core courses offered by IGNOU**
- MCO-1 Organisation Theory and Behaviour
- MCO-3 Research Methodology and Statistical Analysis
- MCO-4 Business Environment
- MCO-6 Marketing Management
- IBO - 6 International Business Finance
Part B – Specialization courses offered at Final Stage of Chartered Accountancy (i.e. PCE) by ICAI

Paper 1 Financial Reporting
Paper 2 Strategic Financial Management
Paper 3 Advanced Auditing and Professional Ethics
Paper 4 Corporate and Allied Laws
Paper 5 Advanced Management Accounting
Paper 6 Information Systems Control and Audit
Paper 7 Direct Tax Laws
Paper 8 Indirect Tax Laws

Medium of Instruction: M.Com. programme shall be offered in the English medium from the academic session commencing in June, 2007 and in Hindi medium from the academic session commencing in June, 2008.

Fees: The fee for this programme shall be a consolidated amount of Rs. 5000.

Duration of the Programme: The student may complete this programme, just like the existing M.Com. programme, within a minimum period of 2 years and a maximum period of 5 years, with provision for readmission as applicable for PG programmes of the University.

Delivery of the Programme: Once admitted to this programme a student can simultaneously pursue Part A courses from IGNOU and Part B courses from ICAI as part of final stage Chartered Accountancy. Course materials of part A courses shall be delivered to the students by IGNOU as per IGNOU system applicable for the existing M.Com. IIInd year while Part B courses shall be delivered by ICAI as per its system. Regarding student support counselling and examination are concerned, these students shall join existing IGNOU M.Com. students Part A courses. Similarly, Part B courses shall be delivered by ICAI as part of Chartered Accountancy Course.

Evaluation System: For Part A courses, the evaluation system applicable to core courses of existing M.Com. programme of IGNOU. Similarly, for Part B courses the evaluation system of Final Stage Chartered Accountancy course of ICAI is applicable. At the end, the student is awarded the degree of Master of Commerce with specialization in Finance and Taxation by IGNOU as per the following scheme on the basis of marks obtained in Part A courses as per the IGNOU evaluation system:

Below 40% Unsuccessful
40% - 49.99% III Division
50% - 59.99% II Division
60% and above I Division
G L I M P S E S

ICAi - IGNU MOU Signing Ceremony

A view of the dais. Seen in picture (L to R): Dr T P Ghosh, Director of Studies, Shri Dalip Kumar Tetri, Registrar, IGNOU, CA. Jaydeep Narendra Shah, Chairman, BOS, CA. Sunil Talati, President, Prof. V.N. Rajasekharan, Pillai, Vice-Chancellor, IGNOU, CA. V Murali, Immediate past Chairman, BOS, Prof N V Narasimham, Director, School of Management Studies

CA. Sunil Talati, President, ICAI discussing a point with Prof. V.N. Rajasekharan Pillai

Exchange of MOU between Dr. T.P. Ghosh, Director of Studies and Mr. Dalip Kumar Tetri, Registrar, IGNOU

President, CA. Sunil Talati addressing the Press. Others seen in the picture CA. Jaydeep Narendra Shah, Chairman, BOS and CA. V. Murali, Immediate Past Chairman, BOS

SAFA - Students' Exchange Programme

President, CA. Sunil Talati discussing a point with the student delegates

Student delegates with dignitaries
GLIMPSES

Virtual Classes

CA. Sunil Talati, President delivering inaugural address. Also seen in picture Director of Studies and CA. Jaydeep Narendra Shah, Chairman Board of Studies.

Nagpur Branch, WICASA

CA. Ved Jain, Vice President addressing the students.

CA. Jaydeep Narendra Shah delivering a talk.

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