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## INCOME TAX

### + Double Taxation Avoidance Agreement (DTAA) with Malta and Fiji:

The Government of India has notified the DTAA entered into with Government of Malta and the Government of Fiji for the avoidance of double taxation and prevention of fiscal evasion with respect to taxes on income. These agreements were entered into by the Government on 30<sup>th</sup> January 2014 and the notification provides that the same would come into force from 1<sup>st</sup> April 2015.

*(Notification No 34 dated 05.08.2014 and Notification No 35 dated 12.08.2014)*

**Income Tax  
Service Tax  
Central Excise  
CENVAT  
FTP  
FEMA**

### + Extension of due date for furnishing electronic tax audit report (e-TAR) to 30<sup>th</sup> November

**2014:** In light of the recently revised e-TAR format, the Central Board of Direct Taxes (CBDT) has extended the due date, for obtaining and furnishing of the e-TAR for Assessment Year 2014-15 in case of taxpayers who are subjected to tax audit under the Income-tax Act, 1961 (the Act), from September 30, 2014 to November 30, 2014. It has further been clarified that e-TARs report filed between April 1, 2014 and July 24, 2014 in the pre-revised Forms shall be treated as valid e-TARs . It should be noted that, as of date, there is no change in the due date for filing the income-tax returns. The due date for filing of tax returns for taxpayers who are subjected to tax audit continues to be 30<sup>th</sup> September. The due date for filing income tax return in case of taxpayers required to obtain a transfer pricing accountant report continues to be 30<sup>th</sup> November.

*F.No.133/24/2014-TPL - Order u/s 119 of the Act dated 22.08.2014*

## SERVICE TAX

+ **Exchange rate for conversion of transactions in forex:** The Central Government has amended the meaning of "rate of exchange" for valuation of taxable services. Rate of exchange for service tax valuation will be the rate as adopted by the relevant service providers based on generally accepted accounting principles, viz., the conversion rate applied by the service provider based on GAAP on the date when point of taxation arises. This would be effective from 01.10.2014. Hitherto, the conversion rate to be adopted was the rate notified by the Central Government under the Customs laws.

*(Notification No. 18/2014-ST and Notification No. 19/2014-ST both dated 25.08.2014)*

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- + **Levy of Service Tax on (i) radio taxis and (ii) sale of space for advertisement other than in print media:** The Union Budget 2014-15 extended the levy of service tax on these services. In this regard, the effective date for taxability of these services has been notified as 01.10.2014. Accordingly, the following would be the implications:

Date of provision / completion of service	Date of invoice	Date of receipt of money	Taxability
Before 01.10.2014	Before 01.10.2014	Before 01.10.2014	Not Taxable (Negative list)
Before 01.10.2014	Before 01.10.2014	On / after 01.10.2014	Taxable
Before 01.10.2014	On / after 01.10.2014	On / after 01.10.2014	Taxable
On / after 01.10.2014	On / after 01.10.2014	On / after 01.10.2014	Taxable
Before 01.10.2014	Within 14 days from 01.10.2014	Before 01.10.2014	Not Taxable - since invoice issued within 14 days from the date service became taxable
On / after 01.10.2014	After 14 days from 01.10.2014	Before 01.10.2014	Taxable - since invoice issued after 14 days from the date service became taxable

(Notification No. 18/2014-ST dated 25.08.2014)

## CENTRAL EXCISE

- + **Interest on delayed refund of mandatory pre deposit made while preferring an appeal:** The Central Government has made it mandatory for assesseees to make a pre deposit for preferring an appeal before Commissioner (Appeals) and Tribunal. In this regard, it is also provided that if the pre-deposit amount becomes repayable consequent to the order of appellate authorities, such refund must be made along with the interest from the date of deposit till the date of refund. The rate of interest is fixed at the rate of 6% pa. *Similar notification has been issued under Customs Act, 1962.*

(Notification No 24/2014 – CE (N.T) dated 12.08.2014)

## CENVAT

- + **Service tax certificate will be considered as CENVAT document:** Service tax certificate for transportation of goods by rail (referred to as, STCG Certificate) issued by Indian Railways along with photocopies of receipts mentioned in STCG Certificate shall be considered as document for the purpose of availing CENVAT Credit. Hence, assessee can avail the CENVAT Credit based on such service tax certificate/s.

(Notification No 26/2014 – CE(N.T) dated 27.08.2014)

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- + **Imposition of restrictions on service provider in case of misuse of CENVAT Credit:** In case of misuse of CENVAT Credit, the law enables imposition of restrictions on utilization of utilization of CENVAT credits in the subsequent period/s and other restrictions on manufacturers, first stage and second dealer. However, this was not applicable to service providers. The Central Government has now extended these powers to impose restrictions on service providers. Accordingly, in case of any mis-use of CENVAT credits, the tax office may impose restrictions (including restricting utilization of CENVAT credits for the subsequent periods) on service providers.

*(Notification No 25/2014 – CE(NT) dated 25.08.2014)*

## FOREIGN TRADE POLICY:

- + **Deferment of effective date of implementation of secondary level packing:** Currently, Mono cartons are treated as part of Secondary Level Packaging and accordingly the requirement of affixing bar-codes on Mono-carton was made effective from 26.06.2014. The effective date is now deferred to 01.04.2015.

*(Public Notice No. 68 (RE-2013)/2009-2014 date: 06.08.2014)*

- + **Standard Input Output Norm (SION) in case of Advance Authorisation:** In respect of any SION, it is provided that if single quantity has been indicated against number of inputs, then the quantities of such inputs permitted for import will be in proportion to the quantity of these inputs actually used/consumed in production, but within the overall quantity against such group of inputs. Proportion of these inputs actually used/consumed in production of export product should be clearly indicated in the relevant shipping bills. The Regional Authority at the time of issue of export obligation discharge certificate (EODC) or at the time of redemption will allow only those inputs which have been indicated in the shipping bill.

*(Notification No. 90 (RE-2013)/ 2009-2014 date: 21.08.2014)*

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## FEMA

- + **Clarification on Liberalized Remittance Scheme:** The RBI vide A.P. (DIR Series) Circular No. 5 dated July 17, 2014, increased the limit from USD 75,000 to USD 1,25,000 under the Liberalised Remittance Scheme (LRS) for resident individuals. Further, it clarified that the scheme can be used for acquisition of immovable property outside India. In light of the above clarification the requirement of post facto reporting of such transactions to the Authorised Dealers or Banks stands withdrawn.

*(Circular No.19 dated 11.08.2014)*

- + **Purchase or sale of securities other than shares or convertible debentures of an Indian Company:** Under the present rules, (Schedule 5 to the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000) eligible investors, viz., SEBI registered Foreign Institutional Investors (FIIs), Qualified Foreign Investors (QFIs), registered Foreign Portfolio Investors (RFPIs) and long term investors registered with SEBI, may purchase eligible government securities directly from the issuer of securities or through registered stock broker on a recognised Stock Exchange in India, subject to prescribed terms and conditions. The purchase and sale of such securities was also subjected to certain stipulations. In order to provide flexibility in regard to the manner in which government securities can be acquired by eligible investors, the RBI has now been decided to remove any stipulation as to the manner of acquisition of the securities under these Regulations. Consequently, the eligible investors can acquire such securities in any manner as per the prevalent / approved market practice.

*(Circular No.22 dated 28.08.2014)*

- + **Refinancing of ECB at lower all-in-cost:** The RBI had permitted refinancing of existing External Commercial Borrowings (ECB) by raising fresh ECB at lower all-in-cost subject to the condition that the outstanding maturity of the original loan is maintained. Further, where the Average Maturity Period (AMP) of the fresh ECB is more than the residual maturity of existing ECB, such cases were required to be examined by the Reserve Bank under the approval route.

Now, in order to simplify the procedure, the powers have been delegated to the AD Category – I banks to approve even those cases where the AMP of the fresh ECB is exceeding the residual maturity of the existing ECB under the automatic route. However, the same is subject to certain prescribed conditions, such as (a) both the existing and fresh ECBs being in compliance with the applicable guidelines, (b) all-in-cost of fresh ECB should be less than that of the all-in-cost of existing ECB, (c) consent of the existing lender is available, (d) refinancing is undertaken before the maturity of the existing ECB, apart from other stipulations provided in the circular..

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This facility will be available even in those cases where existing ECBs were raised under the approval route subject to the amount of new ECBs being eligible to be raised under the automatic route. All other aspects of the ECB policy like eligible borrower, recognized lender, permitted end-use, amount of ECB, all-in-cost, average maturity period, reporting arrangements, etc. shall remain unchanged.

*(Circular No.21 dated 27.08.2014)*



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