editorial

At the outset I express my sincere gratitude to the President and all the Committee Members for reposing faith in me by entrusting the responsibility of being the Editor of the E-Newsletter, which is first of its kind published by Calcutta Chamber of Commerce.

As you know, Calcutta Chamber of Commerce is reputedly the country's oldest business association having been established way back in 1830. The membership profile of our Chamber encompasses engineering, textiles, jute, tea, plastics, household products, import and export amongst other business & industries. Besides trade and commerce, our Chamber is also interested in encouraging excellence in different fields and encourages dialogue not just on business issues but on broad ranging subjects relevant as Indian citizens.

Throughout its eventful career covering many turbulent turns in the nation's history, the Chamber has endeavoured to harmonize relations between business interests and governmental authority properly to promote economic development consistently. The Chamber sustains a regular programme of powerful and purposeful representation to various government departments and agencies and maintains intimate and vital links with various bodies. We take pride in declaring that our suggestions, representations and memoranda of various nature have always received government's close attention as well as proper appreciation. In a way, the Chamber has been sincerely trying to serve the business community especially the members of the Chamber.

Since the Chamber has endeavoured to publish e-newsletter and to ensure its success, I request you to extend your patronage to this publication by contributing articles relating to business and economy and also give due publicity to this magazine. As you know, the Chamber holds seminars on a regular basis on the most relevant topics. But, due to lack of e-mail address, we are finding it very difficult to intimate the programmes to members through email. I request you to make your Telephone Numbers, Mobile Numbers and E-mail address available at the Chamber, so that we will be able to contact you at the earliest.

We have planned an eventful year ahead and I would request all members to support our endeavours and make them successful by attending these events. Your views and suggestions on our work and activities, about our e-newsletter in particular would be greatly appreciated.

Alka Jayaswal
jayaswalalka@gmail.com

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E - Newsletter

March, 2008

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from the president desk

I take pleasure in introducing our Chamber as the oldest Chamber in Asia set up in 1830. In pursuance of its progressive role ever since its incorporation, Calcutta Chamber of Commerce has whole-heartedly demonstrated successfully its support to all major issues emerging from time to time. Calcutta Chamber is known for being the voice of entrepreneurs with government leaders about issues involving business communities. The Chamber strives to take a proactive stand on issues that affect the business community.

As you saw, this year's Budget ensured that the growth momentum would continue. The Budget seeks to build on the theme of an expansive, high-growth framework that will benefit large sections of our society, including small and marginal farmers, middle classes, and the corporate sector. The focus on higher investments in social sectors such as education, healthcare and rural economy is commendable. Insofar as the manufacturing sector is concerned, the expectation of the sector for reduction in surcharge rate has been belied. The budget has kept both corporate tax and surcharge rates unchanged. However, some of the indirect tax concessions may help.

On the whole, the Budget 2008-09 would qualitatively enhance the country's position in the world. It will make domestic industry more competitive. It will increase compliance among the middle class and the taxpayers. It will increase the welfare of the citizens and this has indeed set the stage for further growth.

We are proud to announce the newest service to the members of Calcutta Chamber and to our friends. We have created an E-Newsletter that will be sent directly to your inbox every quarter. The E-Newsletter will contain articles on relevant socio-economic issues, business news, government notices and circulars, important updates about Chamber events among other items. We are also offering advertising opportunities in this E-Newsletter to members who wish to promote their products or services.

I request all members to contribute articles of interest that could be published in our newsletter. We welcome your feedback to this e-newsletter. Also, please feel free to suggest topics that you would like us to include in our forthcoming issues. The goal is to make the newsletter more informative, lively and refreshing.

I look forward to your guidance and support to discharge my obligations so that we can together carry forward the rich legacy of the Chamber in the coming year.

May I take this opportunity to extend my very best wishes of the season and for a fruitful and successful year ahead. I thank you all for your continued support.

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executive committee members : 2007-08

OFFICE BEARERS

1. Shri H.V. Patodia
   President, C.C.C.
2. Shri Sushil Kr Agarwal
   Sr. Vice President, C.C.C.
3. Smt. Alka Bangur
   Vice President, C.C.C.

ELECTED MEMBERS

4. Shri K.K. Dalmia
   Quality Tea Producing Co.P.Ltd.
5. Shri G.M. Singhvi
   Sukhsandesh Indl. Investment Co. Ltd.

6. Shri Pramod Chandak
   Texrose Yarns Pvt. Ltd.
7. Shri N.K. Chitlangia
   Indian Chain Pvt. Ltd.
8. Shri S.P. Saharia
   Anandabari Tea Co. P. Ltd.
9. Shri S.S. Keyal
   Mortex India
10. Shri Mahesh Shah
    Survottam Enterprises Ltd.
11. Shri P.K. Agarwal
    G. Chowdhury & Associates
12. Shri Aditya Shroff
13. Shri Rajesh Mohta
14. Shri S.S. Agarwal
15. Shri Shreelal Agarwal

NOMINATED MEMBERS

16. Dr. (Mrs) Alka Jayaswal
17. Shri Rajendra Khandelwal
18. Shri Mayank Jalan
19. Shri B. K. Bagla
20. Shri Vineet Nahata
    Dies & Tools Ltd.
21. Shri Chintan Jhunjhunwala
    Victory Iron Works Ltd

IMMEDIATE PAST PRESIDENT

22. Shri Manoj Mohanka
    Simoco Telecommunications (South Asia) Limited

PAST PRESIDENTS

23. Shri M.L. Bhartia
    J. Boseck & Co.
24. Shri N. K. Jalan
    Jalan Trading Co.
25. Shri I. C. Sancheti
29.. C. Sancheti & Co.
26. Shri Hari Prasad Kanoria
    ShristiInfrastructure Development Corpn. Ltd.
27. Shri S. S. Swaika
    Swaika Group of Industries
28. Shri P. K. Jalan
    Prabhat Agencies,
29. Shri P.M. Singhvi
    P.M. Singhvi & Associates

30. Shri Mahesh Kr Saharia
    Contemporary Industries Ltd
31) Dr. (Ms) Prabha Khaitan
    New Horizons Ltd.
32. Shri Sushil Jhunjhunwala
    La Opala Rg Ltd.
33. Shri B. K. Nahata
    Bhutan Duars Tea Asscn. Ltd.
34. Shri Hemant Kanoria
    SREI Infrastructure Finance Ltd.
35. Shri Satish Kr Jhunjhunwala
    La Opala Rg Ltd.
36. Shri Pradeep Sancheti
    I.C. Sancheti & Co.
    12, Old Post Office Street
37. Shri P.D. Tulsyan
    Tulsyan Group of Companies

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Cover Story Pre-Budget Memorandum – 2008-09

Calcutta Chamber of Commerce has submitted Pre-Budget Memorandum giving suggestions and comments on various fiscal issues (as given below) for consideration of Hon'ble Union Finance Minister, Shri P. Chidambaram in the preparation of the Union Budget 2008-09.

I. DIRECT TAX (INCOME TAX)

1. CAPITAL GAINS
2. TDS – SECTION 194C
3. FRINGE BENEFIT TAX
4. DEFINITION OF TERM "MANUFACTURE"
5. TIME LIMITS

B. NEW PROPOSALS

1. INCOME HEAD SALARY
2. ACCOUNTABILITY OF THE ASSESSING OFFICER
3. SECTION 143
4. SETTLEMENT COMMISSION (245D)
5. INCOME TAX APPEALS (SEC. 246A)

C. AMENDMENTS IN THE EXISTING PROPOSALS

1. MAXIMUM TAX RATE SHOULD BE 25%
2. INCOME TAX EXEMPTION LIMIT (NIL TAX) BE RAISED
3. AGE LIMIT & NIL TAX SLAB ETC FOR SENIOR CITIZENS
4. TDS LIMITS
5. LEVY OF SURCHARGE AT 10%
6. DIVIDEND DISTRIBUTION TAX
7. SECTION 30 & 31.
8. SECTION 32 : ADDITIONAL DEPRECIATION
9. DEPRECIATION ALLOWABLE U/S 32(1) (iia) OF THE ACT
10. SECTION 36(I)(III)
11. SECTION 40A(3) AND RULE 6DD(J)

The Memorandum in full form is available in Chamber's Website: www.calcuttachamber.com

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feature give the tittle as focus

176TH Annual General Meeting

The 176th Annual General Meeting of Calcutta Chamber of Commerce was held on Sunday, February 3, 2008 at the Park Hotel, Kolkata.

The meeting was inaugurated by the Hon'ble Union Minister of External Affairs, Mr. Pranab Mukherjee. The meeting was attended by the State Bureaucrats, The Consul Generals, Renowned Industrialists, representatives of Chambers of Commerce, members and the press.

In his welcome address, Mr. H. V. Patodia, President, said, “It is a matter of immense pride that to share this moment of joy we have with us today, the Honourable External Affairs Minister of India, Shri Pranab Mukherjee ji. We are honoured, Sir, for your gracing this Annual Session, and we would like to convey our deepest gratitude to you for the continuous encouragement that you personally have given to Calcutta Chamber of Commerce.”

While indicating the challenges before the nation Mr. Patodia, stated, “The 11th Plan has set a target of achieving an average 9 per cent gross domestic product (GDP) growth. The Plan provides an opportunity to restructure policies to achieve a new vision based on faster, more broad-based and inclusive growth. The 11th Plan proposes to focus on social and economic equity. The plan aims at making employment generation an integral part of the growth process.” He also pointed out that India has entered into a high-growth phase, with the growth rate averaging 8.6 per cent per annum in the last four years since 2003-04. During this period, the average inflation rate has been contained at about 5 per cent. As far as India's external sector is concerned, it has become resilient. Going by the data on the Human Development Indicators, India has met reasonable success in the past fifteen years. Poverty has been reduced from around 36 per cent in 1993-94 to 22.0 per cent in 2004-05. He further added Indian industry achieved an impressive growth in the last fiscal 2006-07. The overall industrial production grew at 11.3% in 2006-07 as against the growth of 8.2 per cent in the previous fiscal. The growth was more manufacturing sector led, which grew by 12.3% in 2006-07 as compared to 9.1% a year ago. However, the agriculture growth rate target has turned out to be a mirage. Growth in the agricultural sector has been less than 2% per annum since the middle of the 1990s. According to the Planning Commission, poor agricultural sector performance is responsible for widespread rural distress.

Mr. Patodia spelt out the agenda for action. According to him, optimism about the growth of national economy is rife. However, there is abundant data to show that there are several potholes that could derail the ambitious growth plans of India. In order to provide a more egalitarian society to its mounting population, appropriate measures need to be taken. Reforms and development in agriculture would be one of the most important pillars on which the sustained growth of our economy

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would depend. A new revolution with substantial investment in irrigation and water harnessing projects should be unleashed. Today, we are faced with daunting tasks of increasing investment in the infrastructure and improving the performance of the installed infrastructure facilities. Employment opportunities need to be enhanced through a multipronged strategy. We must train people vocationally so that we create “employables” and not just graduates. In order to meet the Plan's employment goals, the policy imperative is to encourage the use of labour intensive and capital saving technology, in general and to rejuvenate the growth of the unorganized sector in particular.
Bengal is well poised to benefit from the growing trade with China with the volume expected to rise from $40 billion to $60 billion in 2010. But to make the best of the Centre's “Look East Policy”, infrastructure on both sides of the Nathu-la needs to improve, he added. Trade through the Nathu La pass in Sikkim will turn Kolkata and the East into the new hub of the country's trade and commerce. “Now that the Nathula border has been opened for trade, there is immense possibility to increase trade activities with China. We have set a target of $60 billion trade transaction with China by 2010,” he said.

Mukherjee added that West Bengal can play an important role in realising the country's Look East policy. “A direct link between Mizoram and Myanmar could be set up. Kolkata could also be connected to Peshawar through GT Road”.

External Affairs Minister Mr. Pranab Mukherjee stressed on the importance of agreements on civil nuclear cooperation to avoid isolation and possible sanctions. “We are trying open vistas of nuclear deals with France and Russia as well as with the US. Our goal is to increase the total capacity of power to 2,00,000 megawatts by 2020”. Increase in nuclear power will also ensure cleaner energy sources and reduction in green house gases, he added.

India may find itself isolated in the global community and may even have to face sanctions if the country does not go ahead with the civilian nuclear deal with the US, according to the External Affairs Minister, Mr. Pranab Mukherjee. Addressing the 176th Annual General Meeting of the Calcutta Chamber of Commerce here on Sunday, Mr. Mukherjee said India should not remain content with being just a part of the global community but must emerge as an important player in the global polity as well. For this to happen, it would be imperative to ensure food and energy security. “We cannot depend upon our coal reserves alone for our energy security. In view of environmental concerns, we must think of our future generations,” he said. He added that talks with those opposed to the nuclear deal would continue and “all problems on the energy front will be resolved”.

Finally, on behalf of the Chamber, Smt. Alka Bangur, Vice President presented the Memento to Hon'ble Union Minister of External Affairs, Mr. Pranab Mukherjee.

The 176th Annual General Meeting of Calcutta Chamber of Commerce concluded with a vote of thanks offered by the Senior Vice President, Mr. Sushil Kumar Agarwal.

the press

National

Get that Certificate

THE SECURITIES AND EXCHANGE BOARD OF INDIA HAS MADE IT MANDATORY for all market intermediaries to obtain a qualifying certificate from the regulator going forward. The certification programme hopes to cover stockbroking firms, stock dealers, foreign institutional investors, mutual fund managers, portfolio managers, and those who are involved with the distribution of marketing of equity-related products. As of now, only mutual fund distributors and stock dealers and brokers undergo a certification programme, designed by the Association of Mutual Funds in India (AMFI) and the two exchanges (NSE and BSE), respectively. However, from now on, everyone that deals or interacts with investors and his money will have to pass the certification programme that will be valid for three years and, thereafter, revalidate the certificate once in every three years.

More AMCs Enter India

A NUMBER OF NEW MUTUAL FUNDS OPENED SHOP, WITH JP MORGAN ASSET Management Company and AIG Global AMC launching new funds. Besides, the Shinsei Mutual Fund, Japan and the Korean Mirae Asset Management along with domestic entity Bharti AXA Mutual Fund have flagged off operations, UBS acquired Standard Chartered Mutual Fund for Rs.659 crore, Dutch-based Robeco Groep NV picked up a 49 per cent stake in Canbank MF and US-based hedge fund Eton Park bought a 4.8 per cent stake for Rs.501 crore in Reliance Capital Asset Management.

A New High

AS THE YEAR BEGAN, THE STOCK MARKET STARTED OFF LEISURELY, meandering sideways till early August. But the momentum picked up later in the year as foreign investors started to pour in record sums as the US dollar weakened. On December 13, 2007 the BSE Sensex notched a record all-time high of 20,498.11. For the fifth straight calendar year, the Indian stock markets ended with double-digit gains – up 38.99 per cent. The action, unlike last year, was not limited to he large-cap stocks. Mid- and small-cap companies also surged as investors looked for growth stocks away from the frontliners. Of late, the bellwerther Sensex has turned wobbly as foreign investors have pulled out, but market observers attribute that to part profit booking. All eyes are now on the next year.

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Rupee Touches Record High

FOR THE CURRENCY MARKETS, 2007 WILL GO DOWN AS A RECORD YEAR as the rupee notched the highest ever gains as it surged to 39.31 per dollar. Sustained and robust capital flows and the general weakness in the dollar against major currencies worldwide were the main reasons for the rupee's strength. The rupee surged by around 12 per cent against the greenback so far in the year. Currently, the rupee is trading at around Rs.39.54 to the US dollar. Burgeoning foreign exchange reserves that crossed the $273-billion mark on the back of rising foreign investments contributed to the rupee's strength. But while importers have reasons to smile, it's the exporters who are a worried lot.

GDP on Track

THE SECOND FASTEST GROWING ECONOMY CONTINUES TO MAINTAIN ITS growth momentum in the first half of this year. For the fiscal year 2006-07, the GDP growth clocked an astounding 9.4 per cent growth due to a strengthening of the domestic economy and the rising spending power of its denizens. The Indian economy clocked the 9 per cent plus growth for the second consecutive year running. For the first half of fiscal year 2007-08, the Indian economy is holding steady with a GDP growth of 9.1 per cent. Sustained manufacturing activity and increasing construction and financing businesses have added to the growth momentum. Other sectors like ship building, tourism and telecommunications are showing great potential with heavy investments. This growth juggernaut is unlikely to slow down.

income tax deduction

Section 80C of the Income-tax Act provides for a deduction of up to Rs. One lakh to an individual or a Hindu undivided family (HUF) for:-

(i) making investments in certain savings instruments; or

(ii) incurring expenditure on tuition fee and repayment of housing loan.

With a view to encourage small savings, the Government has taken a policy decision to include the investments made in the following two deposit instruments within the ambit of Section 80C:-

(i) Five Year Post Office Time Deposit Account; and

(ii) Senior Citizens Savings Scheme.

Therefore, the investment by an individual or a Hindu undivided family (HUF) in these two instruments during the previous year 2007-08 (relevant to assessment year 2008-09), and subsequent years, shall be eligible for deduction under section 80C of the Income-tax Act, subject to the overall ceiling of Rs. One lakh in that section. It is further clarified that investments made on or after 1.4.2007 (i.e. from the beginning of the financial year 2007-08) shall be eligible for this deduction.

Drawing and Disbursing Officers (DDOs) may take such investments into consideration while determining the TDS liability of an employee for the previous year 2007-08 (relevant to assessment year 2008-09) and subsequent years.

fdi will help food processing sector

Minister of State for Food Processing Industries, Shri Subodh Kant Sahai said that during the 11th Plan the ministry would launch a revamped comprehensive scheme for creating integrated cold chain infrastructure at different levels – farm level primary processing centers-cum-cold chain, collection/aggregation centers and strategic distribution center. Shri Sahai further said that government will extend a grant of 10 crore for cold chain integration in the country along with subsidies to encourage private players to invest in the cold chain infrastructure. He said organized retail backed by efficient supply chain has the potential of raising the rate of growth of the food processing sector from 13 per cent to 20 per cent in the next three to five years. The government also planned to establish 30 mega food parks across the country. These parks would seek to provide a mechanism to bring together farmers, processors and retailers, thus linking agriculture production to the market.

india and germany sign agreements for development assistance amounting to rs. 1070 crores

The Ministry of Finance, Department of Economic Affairs and the German Government Bank, KfW signed two Loan Agreements for effectuating financial assistance from Germany amounting to Euro 190 millions on 20th December, 2007. The first agreement is for providing soft loan of Euro 140 million for the purpose of revamping the rural co-operatives in India through the project 'Reform of the Rural Cooperative Credit Structure Project' which will be implemented by NABARD. Government of Germany had committed the funds in separate tranches during the Indo-German Annual Negotiations held in 2005 and 2006 respectively. The funding is to be used for financing the cooperative credit structure reforms in the country, which is also being co-financed by the ADB. The project is being implemented by NABARD. In addition, Loan and Financing Agreement for ninth tranche of German assistance amounting to Euro 50 million for Pulse Polio Immunization Programme of the Health Ministry was also signed. Government of Germany has been extending support to Pulse Polio Immunization Programme since 1997 and have so far extended assistance of Euro 106.86 million in eight tranches which have largely been utilized. In addition, Germans have already committed Euro 31 million and Euro 14.08 million as financial support to Pulse Polio Immunization Programme in tenth and eleventh tranches respectively. The Agreements were signed by Shri Kumar Sanjay Krishna, Joint Secretary, Department of Economic Affairs on behalf of Government of India and Mr. Uwe Ohls, Senior Vice President for Asia, KfW on behalf of KfW.

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measures taken in accordance with the provisions of msmed act, 2006

One of the major issues of concern for the promotion and development of the micro and small enterprises has been the delayed payments from the buyers. To address this issue, the erstwhile "The Interest on Delayed Payments to Small Scale and Ancillary Industrial Undertakings Act, 1993" as amended in 1998 was further strengthened and subsumed in the Micro, Small & Medium Enterprises Development (MSMED) Act, 2006, which has since been implemented from 2nd October 2006. Two of the effective measures provided under the provisions of said Act are – (i) "Requirement to specify unpaid amount with interest in the annual statement of accounts" (under Section 22) and (ii) "Interest not to be allowed as deduction from income" under Income-Tax Act, 1961 (under Section 23). The Government has accordingly notified necessary Instructions vide CBDT Instruction No.12/2006 on 14 December 2006 and Ministry of Corporate Affairs Notification No: G.S.R.719 (E) dated 16 November 2007, so that the provisions of the MSMED Act, 2006 providing measures to check delayed payments to micro and small enterprises (MSEs) are implemented in letter and spirit. The measure would go in a long way to minimize the problem being faced by MSEs in respect of delayed payments.

manufacturing sector needs to grow to provide large scale employment opportunities – p. chidambaram

The Finance Minister, Shri P Chidambaram has stressed the need for strengthening the manufacturing sector to provide large scale employment opportunities for the ever increasing youth population. India is set to become the only large country where working population will be higher than the dependent population. He said that since, only 5 per cent of the youth will be vocationally skilled, the services sector, which accounts for 55% of our GDP will not able to absorb them in large numbers. To ensure employment opportunities for the youth, Shri Chidambaram said, the Manufacturing sector, which now accounts for 28 per cent of GDP, will have to grow and expand its activities on a big scale.

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GOVT. CIRCULAR/NOTICES

F.NO.01/94/180/03/AM08/PoL V
Government of India
Ministry of Commerce & Industry
Directorate General of Foreign Trade
Udyog Bhavan, New Delhi

Circular No. 28 /07(2004-09) dated . 22 -01-2008

Subject:-Explanatory note to Public Noitice No.99 (RE-2007) 2004-09 dated 08.01.2008.

In exercise of powers conferred under Paragraph 2.4 of the Foreign Trade Policy 2004-09, the D.G.F.T. hereby makes the following explanatory note in respect of P.No. 99/RE-2007 dated 8.01.2008.

1. (a) Company "A" applies for EPCG licence in 2007-08 with previous exports of Rs 10 Crore, 20 Crore and 30 Crore in 2004-05,2005-06 and 2006-07 respectively. While issuing the first license, (presuming the duty saved amount is Rs.1 Crore), licensing authority will impose average export obligation of Rs.20 Crore and additional export obligation of 8 times of Rs.1 Crore.

(b) However, while issuing the second license, the licensing authority shall impose average export obligation of Rs.20 Crore, "previous additional export obligation "of 8 times of Rs.1.5 Crore (presuming the duty saved amount in the second license is Rs.1.5 Crore).

(C) Similarly, while issuing the third license, the licensing authority shall impose average export obligation of Rs. 20 Crore, "previous additional export obligation "of 8 times of Rs.2.5(Rs.1+ Rs 1.5) Crore and additional export obligation of 8 times of Rs.2 Crore (presuming the duty saved amount in the second license is Rs.2 Crore.)

2. (a) Fulfillment of additional exports obligation against the first license shall also subsume " previous export obligation" of the second and subsequent licenses to that extent. For example, if the license holder fulfill an average export of Rs.20 Crore annually and additional export obligation of 8 times of Rs 1 Crore, it will subsume the "previous additional EO" imposed on the second and subsequent licenses to the extent of 8 times of Rs.1 Crore. The "previous export obligation" on the second license shall stand fulfilled and "previous export obligation"on the third license shall stand reduced to 8 times of Rs.1.5. Crore.

(b) Upon completion of additional EO of 8 times of Rs. 1.5 crore,with maintenance of average of Rs.20 Crore annually, the export obligation imposed on the second license shall stand fulfilled and "previous additional export obligation" imposed on the third licence (after being reduced to Rs.1.5 Crore) shall be subsumed.

(C) Upon completion of additional EO of 8 times of Rs.2 Crore, with maintenance of average of Rs.20 Crore annually, the export obligation imposed on the third license shall stand fulfilled.

3. After redemption of an EPCG license, the exports made against such licenses shall be added to arrive at the average of proceedings three licensing years.

4. All other conditions as given in HBP V 1 shall remain unchanged.

Sd/-
(R.S.GUJRAL)
Director General of Foreign Trade
Ex-Officio Additional Secretary to Govt. of India

notification no. 11/2008, dated 18-1-2008

In exercise of the powers conferred by section 295 read with Explanation (i) to clause (ba) of sub-section (1) of section 115WC of the Income-tax Act, 1961 (43 of 1961), read with section 22 of the General Clauses Act, 1897 (10 of 1897), the Central Board of Direct Taxes hereby makes the following rules further to amend the Income-tax Rules, 1962, namely :

1. (1) These rules may be called the Income-tax (Second Amendment) Rules, 2008.

(2) They Shall come into force with effect from the 1st day of April, 2008.

2. In the Income-tax Rules, 1962, in Part VIIC,

(i) in rule 40C, in sub-rule (4), clause (f) shall be omitted; and

(ii) after rule 40C, the following rule shall be inserted, namely :

40D. Valuation of specified security not being an equity share in the company. For the purposes of clause (ba) of sub-section (1) of section 115WC, the fair market value of any specified security, not being an equity share in a company, on the date on which the option vests with the employee, shall be such value as determined by a merchant banker on the specified date. Explanation. For the purposes of this rule, merchant banker and specified date shall have the meanings assigned to them in clause (b) and clause (e) respectively of sub-rule (4) of rule 40C.

[F. No. 142/25/2007-TPL]

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explanatory memorandum

The Finance Act, 2007 amended the provisions of the Income-tax Act to provide that employers will be liable to pay fringe benefit tax on the value of ESOPs granted to employees as and when the specified security or sweat equity share were allotted or transferred to the employees. The value of ESOPs for the purposes of levy of FBT shall be the fair market value of the specified security or sweat equity share on the date of vesting of the options as reduced by the amount actually paid, or recovered from, the employee.

Explanation (i) to clause (ba) of sub-section (1) of section 115WC of the Income-tax Act defines fair market value to mean the value determined in accordance with the method as may be prescribed by the Board. Earlier, rule 40C was inserted in the Income-tax Rules which prescribed guidelines for valuation of specified security or sweat equity shares being an equity sahre in the company. The said rule 40C has been amended to omit the definition of equity share as the same was not necessary in view of the term having been used in the charging section of the Income-tax Act without a definition, thereby allowing it to take its natural meaning. Further, a new rule 40D has been inserted in the Income-tax Rules for the purposes of valuation of specified security not being an equity share in the company.

The amended rule 40C and the new rule 40D will take effect from the 1st April, 2008 and will, accordingly, apply in relation to the assessment year 2008-09 and subsequent years.

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notification no. 2/2008, dated 8-1-2008

In exercise of the powers conferred by section 295 read with clause (iii) of sub-section (4) of section 80-IA of the Income-tax Act, 1961 (43 of 1961), the Central Board of Direct Taxes hereby makes the following rules further to amend the Income-tax Rules, 1962, namely:-

1. (1) These rules may be called the Income-tax (First Amendment) Rules, 2008.

(2) They shall come into force on the date of their publication in the Official Gazette.

2. In the Income-tax Rules, 1962, for rule 18C, the following shall be substituted, namely:-

Eligibility of Industrial Parks for benefits under section 80-IA (4)(iii)

18C. (1) The undertaking shall begin to develop, develop and operate or maintain and operate an industrial park any time during the period beginning on the 1st day of April, 2006, and ending on the 31st day of March, 2009.

(2) The undertaking and the Industrial Park shall be notified by the Central Government under the Industrial Park Scheme, 2008.

(3) The undertaking shall continue to fulfill the conditions envisaged in the Industrial Park Scheme, 2008.

[F.No.149/278/2006-TPL]

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events

February 27, 2008, The Conclave
Talk & Interactive Session on

INDUSTRIAL INFRASTRUCTURE DEVELOPMENT IN WEST BENGAL: TOWARDS A PUBLIC-PRIVATE PARTNERSHIP” WITH SHRI SUMANTA CHAUDHURI, CHIEF EXECUTIVE OFFICER, WEST BENGAL INDUSTRIAL INFRASTRUCTURE DEVELOPMENT CORPORATION

Mr. Sumanta Chaudhuri, CEO of West Bengal Industrial Infrastructure Development Corporation, while speaking on the subject stressed on the need of increasing collaboration in the development of industrial as well as social infrastructure in West Bengal. He gave lot of importance to the role of infrastructural initiatives in attracting various industrial initiatives in the state of West Bengal. According to him the maintenance of existing growth centres has become a major issue of late and the Corporation is keen to get private participation for development of the growth centres to go ahead with full steam.

Mr. Sumanta Chaudhuri further said that the development of industrial parks, which came up with 100 per cent government assistance, has now given way to the public-private partnership model. Along with industrial development, the corporation wishes to develop social infrastructure like hospitals, housing etc, and the model project being developed by WBIDC in collaboration with a private entity in 200 acres of land at Shantiniketan is one such model project.

Citing the many problems in the state on the land acquisition front, Mr. Chaudhuri, said today two major infrastructure projects were on the anvil for the state as public-private partnership project ~ an auto SEZ and park in Jhargram, Midnapore (West) and an industrial hub in Fatapukur, Jalpaiguri. The auto park will have an auto SEZ and house automobile components manufacturers. The Corporation requires 500 acres that will be acquired by direct purchase and it would take not more than eight to nine months for the purchase to come through.

Mr. H. V. Patodia, President, speaking at the Interactive Session

Mr. T. K. Chatterhee, Chief Commissioner, Income Tax, addressing the Interactive Session

Mr. Pranab Mukherjee, Hon’ble Union Minister of External Affairs, delivering his inaugural address

Dr. Jagdish Shettigar, Convenor, Economic Cell, BJP, delivering his speech

Mrs. Alka Bangur,Vice President, presenting Memento to the Hon’ble Minister

Mr. H. V. Patodia, gives his welcome speech

Mr. Sumanta Chaudhuri, CEO, WBIIDC, making his presentation

Mr. H. V. Patodia, President, delivering his welcome speech

Mr. Manoj Mohanka, Past President, presenting bouquet to the Hon'ble Minister, Mr. Pranab Mukherjee

Mr. P.K Jalan, Past President, Offering vote of thanks

March 4, 2008, The Conclave
Talk & Interactive Session on

"UNION BUDGET 2008-09 – AN ANALYSIS" WITH JAGDISH SHETTIGAR CONVENOR, ECONOMIC CELL, BHARATIYA JANATA PARTY SHRI T. K. CHATTERJEE CHIEF COMMISSIONER OF INCOME TAX, KOLKATA & SHRI AMITAV KOTHARI, CHARTERED ACCOUNTANT

Dr. Jagdish Shettigar said that the budget was not at all 'far-sighted'. The budget has neither spelt out the next phase of economic reforms nor has set long-term goals for the rural economy, or for industry. The Economic Survey clearly spelt out the challenges before the government. The Finance Minister has completely ignored the policy prescriptions encapsulated in the Economic Survey. He remarked that the high interest rates will have a dampening effect on the overall growth. There is nothing big in terms of infrastructure, project or industry, so investment demand will slow down and this will lead to a further slowdown in the economy. The Finance Minister has not provided any growth impulses for the economy. Merely increasing the expenditure will add to the inflation.

On the proposed farm outlays, Dr. Shettigar said no clear steps have been announced to safeguard against rural distress. The FM remained silence on how funds would be garnered for the proposed waiver of loans for small and marginal farmers that he has mentioned in the budget. It is also a fallacy to believe that credit or its waiver alone can mitigate the problems of the afflicted farmers. Timely availability of the right kind of fertilisers, genuine and quality seeds is very important.

He also criticized the hike in short-term capital-gains tax and said it might have a negative impact on the equity market. Moreover, there is clear disparity to the extent that FIIs are already exempt from taxes on capital gains. Dr. Shettigar however appreciated the tax sops for women and senior citizens and higher allocation on health and education.

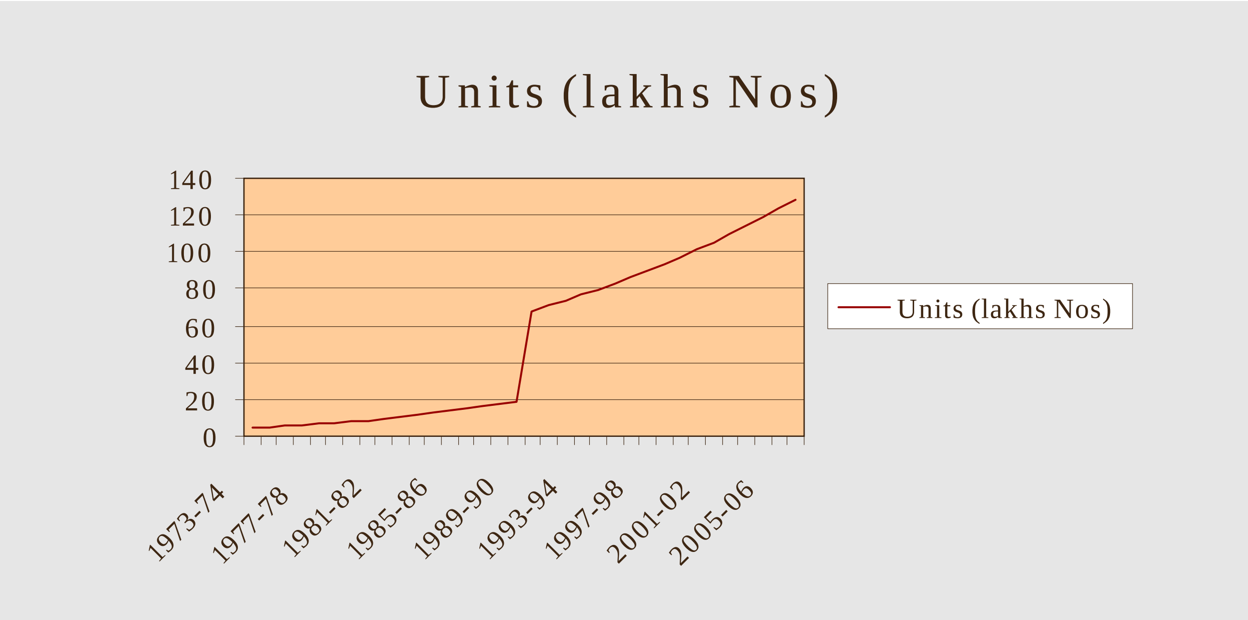
Shri T. K. Chatterjee, Chief Commissioner of Income Tax, Kolkata stated that India has witnessed high growth rate in the recent past, coupled with burgeoning foreign exchange reserves and phenomenal increase in the direct tax collections, which is higher than indirect tax collection for the first time and a Tax—GDP ratio of 12.5 per cent in 2007-08 from 9.2 per cent in 2003-04. Shri Chatterjee said that the bonanza that the last budget has conferred on individual taxpayers has surpassed expectations. The exemption limit for attracting income-tax has gone up from Rs 1.10 lakh to Rs 1.50 lakh. The corporate tax rates, however, have not been changed. Further, the Finance Minister introduced innovative new tax measures. The Commodities Transactions Tax (CTT) will henceforth be applied vigorously. This will be the fourth new tax measure introduced by the Finance Minister. The Banking Cash Transactions Tax (BCTT) was an irritant. It has been abolished. The Budget granted indirect tax incentives like reduction in excise duty to boost the industry sentiment.

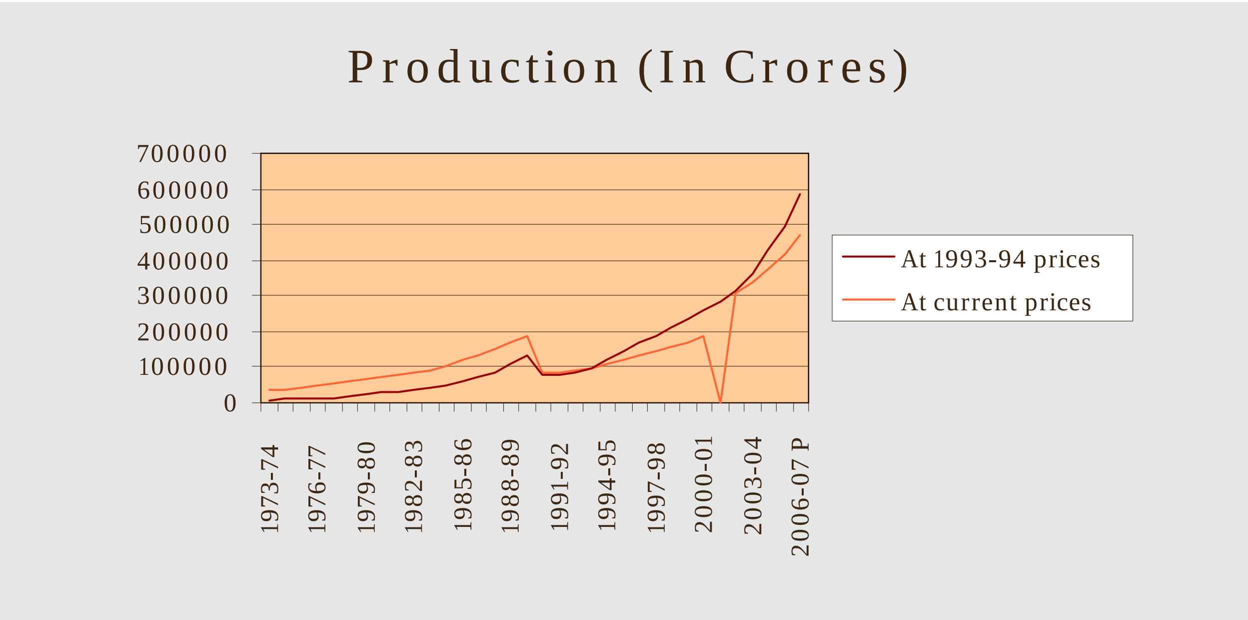
Shri Amitav Kothari, Senior Tax Consultant describing the Budget as bold and innovative said that the budget has raised the tax exemption limit considerably to allow more money to be pumped into the system. He added this move would see around 10 million assesees going out of the tax net while an estimated Rs 40,000 crore would be there in the hands of the people as every individual could save significant sums of money on account of tax exemption. This and excise duty cuts gave impetus to the manufacturing sector. Shri Kothari further pointed out that similar to the past practice, certain amendments have been made with retrospective effect for example, addition of deferred tax and DDT in book profits for the purpose of MAT, clarification regarding

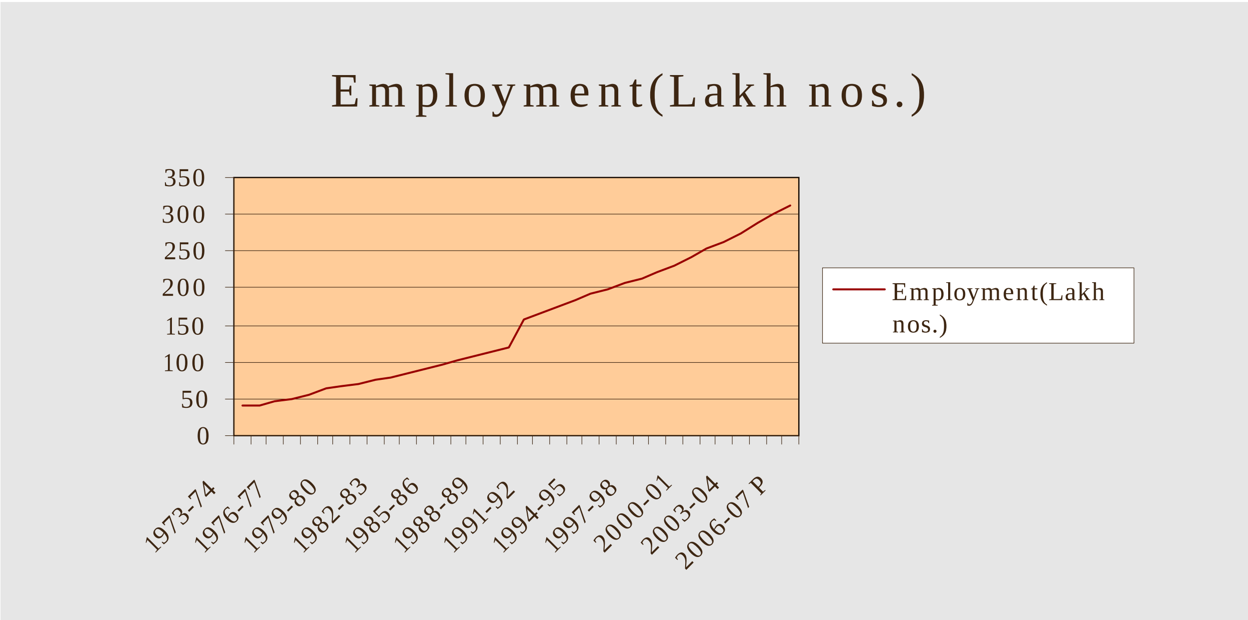
written down value of assets for the purpose of computation of depreciation, penalty provisions etc., which annul the impact of certain judicial precedents. Some of these amendments are harsh and inequitable — a case in point being the one to curb the powers of the Income-Tax Appellate Tribunal.

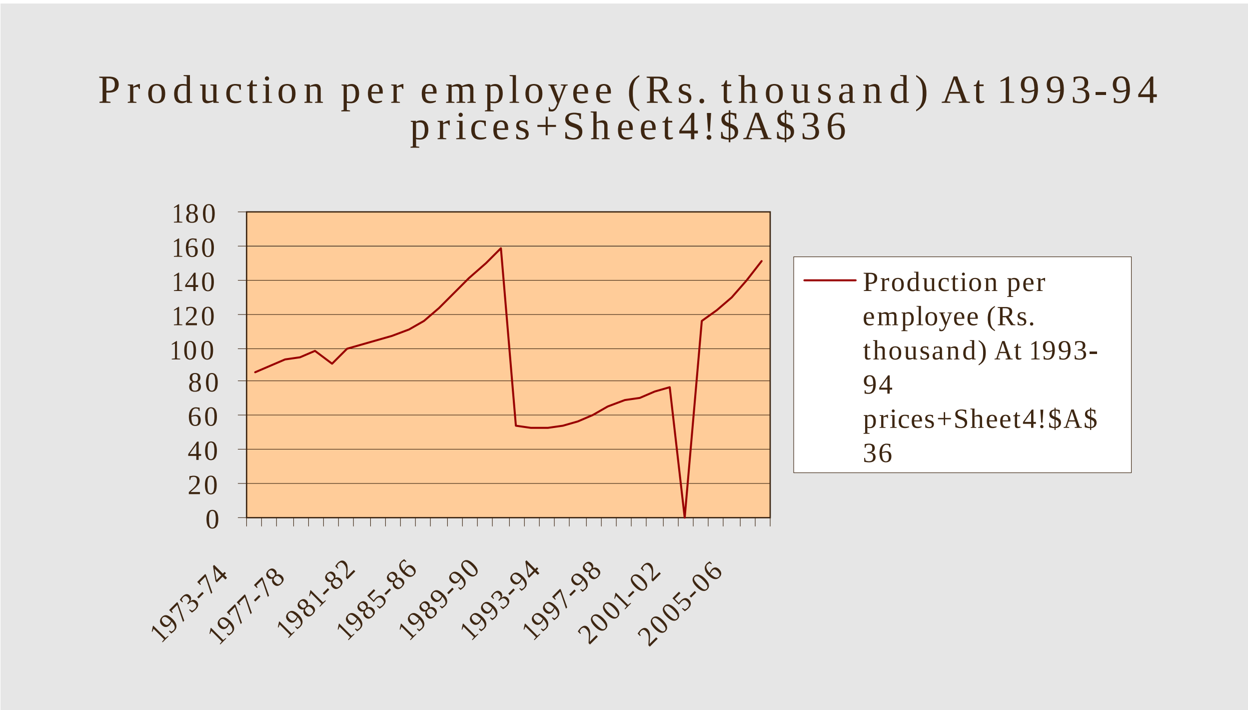
statistics

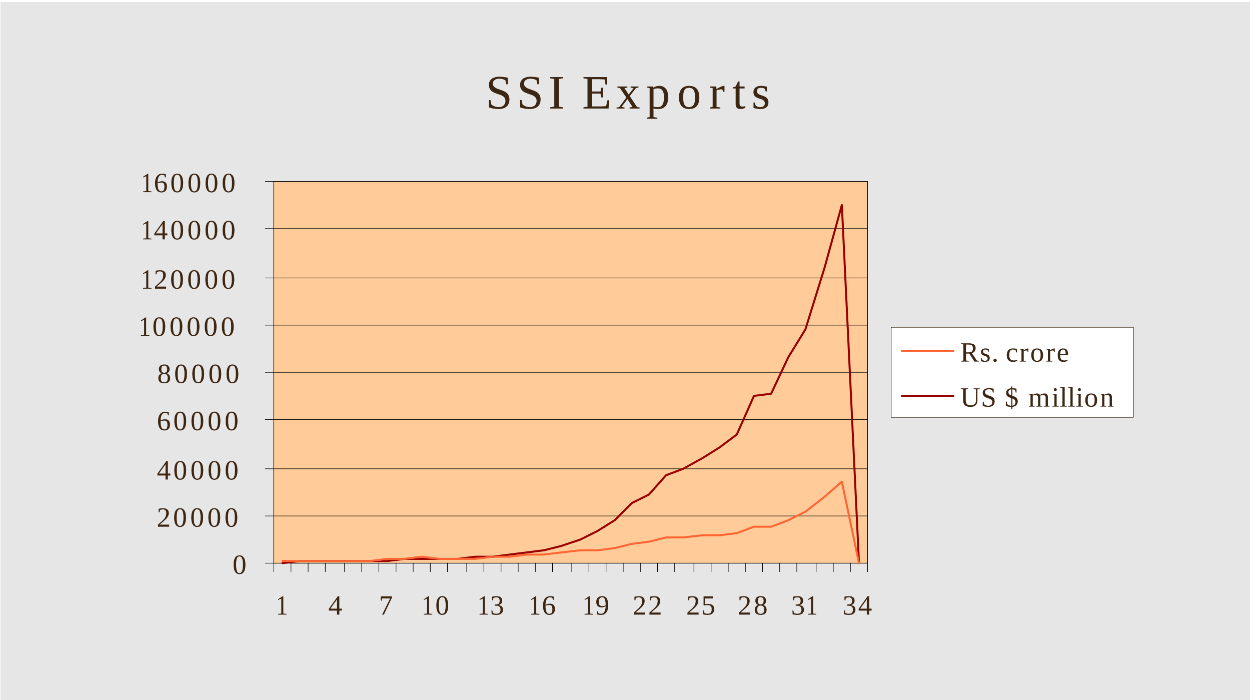
performance of ssi sector





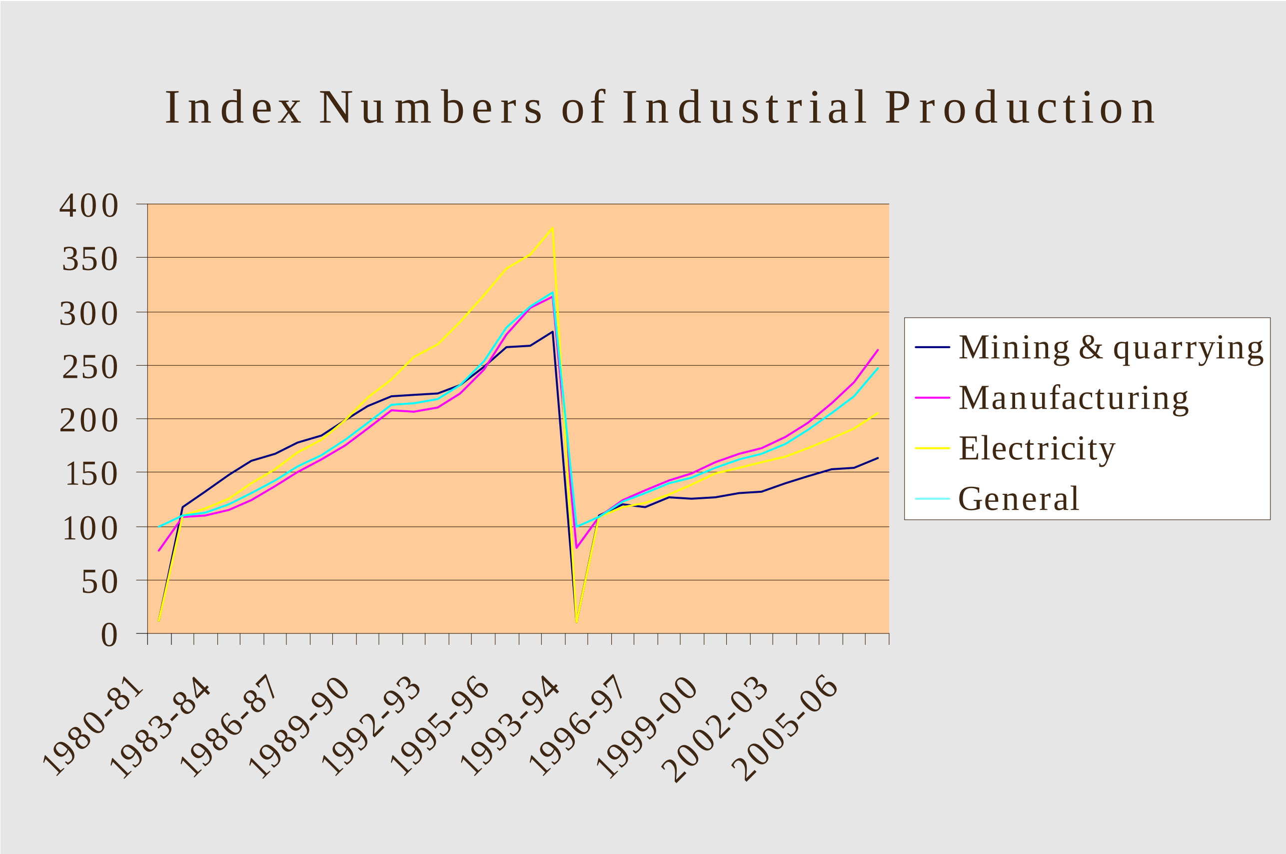

Employment(Lakh nos.)
350
300
250
200
150
100
50
0
1973-74
1976-77
1979-80
1982-83
1985-86
1988-89
1991-92
1994-95
1997-98
2000-01
2003-04
2006-07 P
Employment(Lakh nos.)


Production per employee (Rs. thousand) At 1993-94 prices+Sheet4!$A$36
180
160
140
120
100
80
60
40
20
0
1973-74
1977-78
1981-82
1985-86
1989-90
1993-94
1997-98
2001-02
2005-06
Production per employee (Rs. thousand) At 1993-94 prices+Sheet4!$A$36



* : Since 2001-02, production figures are at 2001-02 prices.
Note :
1. The estimates of employment for the period 2002-03 to 2005-06 have been revised. The Third All-India Census surveyed the units registered upto 2000-01, while its reference period was 2001-02. Adjustments have been made in the estimates
using the number of units registered with State/UTs Government after 31.3.2001.
2. The estimates of production for 2006-07 have been calculated from the previous year's growth by assuming that a 13 percent growth would be achieved in 2006-07.
Source :
Ministry of Micro, Small & Medium Enterprises, Government of India.

index numbers of industrial production



P : Provisional.Also see Notes on Tables. Source :Central Statistical Organisation, Government of India.	