

## From Chairman's desk.....

Dear Friends,

**Good wishes to you all!**

The members might be awaiting the distribution of Souvenir post Three days Mega event. The same is under printing and will reach the delegate members shortly.



The month of February was quite full of activity as far as the students were concerned. Our students in droves participated in "Milaap - 2 Second all Karnataka students meet" a two days event arranged by Bangalore Chapter. The presentations and other items by our students were well received.

The students of Mysore Chapter are getting used to receiving accolades for their presentations and the time is ripe for raising the bar. I request the members to attend study circles on afternoons of Sundays to interact with the students to guide them in this regard.

The members may recall that we had arranged a half day seminar on Union Budget last year relating to Indirect Taxes which was well received. This year we propose to have the program in association with other profession bodies on 7<sup>th</sup> March, 2006. The members will hear on this shortly.

I request all the members to renew their subscription to "Chartered Secretary" if not already done. The members who have not yet subscribed to the "Company Secretaries Benevolent Fund" are requested to subscribe.

With warm Regards,

D D Bhat  
Chairman- Mysore chapter

Dear friends,

With lot of memories of Residential Program, we are back with lot of interesting professional features.

On 12<sup>th</sup> February 2006 Management committee of Mysore Chapter has constituted a formal editorial committee for the newsletter. Now editorial committee consist Mr. Dattatri, Ms. Kasturi and Ms. Sarina. We are sure of bringing better contents to your desk.

In this issue you will find:

- ✦ Article on Limitation of Liability
- ✦ Report on Milaap - 2: All Karnataka Student meet at Bangalore.
- ✦ News of use and
- ✦ Legal roundup

Invest your time and respond. Your responses will encourage us to keep meeting you month after month.

Meet you again...

Editorial Committee

### Events in March 2006:

07<sup>th</sup> March 2006: Review of Indirect Tax amendments in Budget 2006-07

19<sup>th</sup> March 2006: Investor's Clinic

*Program Credit 4 hrs*

# Limitation of Liability

Krishna Jois

M.B.A, L.L.B, ACS Inter Student



## Introduction

Limitation of liability is the rule by which parties to the contract limit their liability arising under the contract in the event of loss or injury to persons or things caused or arising in relation to such contracts. Limitation may vary according to the nature of the contract. Basically the original intention was to encourage commerce and trade. The same was recognized in various legislations of European countries.

It is obvious that the concept of limitation of liability goes against the basic concept in law of *restitutio in integrum*, that is once the level of damages has been assessed then settlement should be in full.

## Judicial View

Lord Blackburn in *Stoomvaart Maatschappij Nederland v Peninsula and Oriental Navigation Company*, agreed that there appeared to be some injustice in reducing liability owed by those who are to blame to those who are not to blame, he questioned whether this was the real intention of the Acts.

Lord Denning, some years later, in a case said that, "...The principle underlying limitation of liability is that the wrongdoer should be liable according to the value of his ship and no more...a small tug has comparatively small value and it should have a correspondingly low measure of liability, even though it is towing a great liner and does great damage. I agree there is not much room for justice in this rule; but limitation of liability is not a matter of justice. It is a rule of public policy which has origins in history and its justification in convenience...".

Kerala High court in *V.K. Kesavan Nambeesan v. K.K. Madhavan and Others*, held that the owner of a motor vehicle involved in an accident is liable for the entire amount of loss caused due to such accident not for the amount of liability limited.

The recent judgments are evident that courts are taking the opinion that Limitation of liability of a party in an agreement is not valid in all the circumstances.

## Few things to be considered at the time of drafting Limitation of Liability Clause

1. Clearly identify the liability limit in the clause and provide a limit that is reasonably proportionate to the risks.
2. If the contract will also include an indemnity clause, keep it separate from the Limitation of Liability clause. This will minimize the likelihood that a court will void the Limitation of Liability clause based on Contract Act or for public policy considerations.
3. It should be prominently featured at least equal to the other terms and conditions of the contract. Refer to the Limitation of Liability clause in subsequent task agreements or work orders etc.
4. Provide an opportunity, either in the clause or in another part of the contract, for the other party to negotiate a higher limit of liability, either for a predetermined sum or otherwise.
5. Identify types of claims to which the clause applies, including negligence, breach of contract and breach of warranty.

## Conclusion

A major people opinions that Limitation of liability was created in an era when insurance of any sort was not in exists. The concept of companies being separate entities from the private individuals, limitation of liability in an agreement is irrelevant.

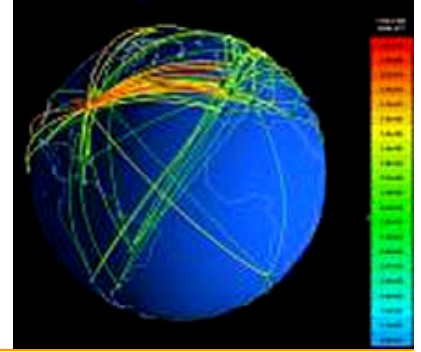
As of now there is no clear law exist in this regard, govt. shall take strong initiative to bring legislature in this regard, keeping the interest of the present trade and commerce at prime.

## Bibliography:

1. Indian Contract Act - Avtar Singh
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4. [www.aecselect.com](http://www.aecselect.com)
5. [www.scu.edu.au](http://www.scu.edu.au)
6. <http://legalpundits.indiatimes.com>
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# NEWS OF USE

Compiled from various sources.



## New SEZ Rules comes into effect:



(Source: Business Line) The Central Government has brought into effect the Special Economic Zones Act, 2005 and has also notified the rules there under providing for simplification of procedures, single

window clearance, easy compliance procedures and documentation and the number of services to be rendered from SEZs and areas governing SEZ all having been put in place.

Announcing this at a news conference here, the Union Commerce & Industry Minister, Mr Kamal Nath, said investment of Rs 1,00,000 crore over the next three years with an employment potential of over five lakh would be likely from the new SEZs, besides indirect employment during the constructing period of the SEZs.

### The new regime

- Procedures simplified; single-window clearance provided
- Documentation cut; stress on self-certification
- No requirement for bank guarantees
- Contract manufacturing for foreign principals allowed
- Import-export of items through personal baggage allowed

Mr. Nath said so far approvals had been granted for setting up 117 new SEZs, including three free trade warehousing zones spread over 15 States and two UTs, of which seven new SEZs have become functional, with the rest of them being in various stages of implementation. He also added that currently, 948 units are in operation in the SEZ, providing employment to more than a lakh.

## Glimpses of SEZ Rules

Among others the new regime provides for.....

- Procedures simplified; Single window clearance provided
- Documentation cut to the barest minimum with a stress on self-certification.
- No requirements for bank guarantees
- Contract manufacturing for foreign principals allowed.
- Import-Export of all items, through personal baggage allowed.

## Minimum Area Requirements

The minimum contiguous land area requirement for establishment of SEZ has been prescribed as -

Multi-product SEZ	1000 hectares
Sector Specific SEZ	100 hectares
Electronic hardware and software including ITES	10 hectares & built-up processing area of 100,000 sq.mtrs
Biotechnology / Gems and Jewellery / Non-conventional Energy	10 hectares
Services SEZ	100 hectares
Port / Airport based SEZ	100 hectares
Free Trade and Warehousing Zone	40 hectares with (FTWZ) built-up area of 100,000 sq.mtrs

## Processing/Non-processing Area

- Minimum Processing Area to be -
- For Multi-product SEZ / Service SEZ- 25%
- For Sector Specific SEZ - 50%
- Developer to give land in processing area on lease basis to approved units/co-developer
- Sale of land in SEZ not permitted



## Free Trade and Warehousing Zone

- 100% area to be processing area
- Can be set-up as part of a multi-product SEZ or sector specific SEZ (in latter case, maximum area not to exceed 20% of processing area)

## Miscellaneous

- Developer / Co-developer to have at least 26% equity in entity/SPV creating business, residential or recreational facilities
- Services defined exhaustively - includes trading warehousing, R&D , ITES, construction and related services, distribution services (excluding retail) etc.

## All directors need online IDs

Directors of nearly 700,000 companies, including all listed, unlisted and private firms, will have to obtain a director identification number (DIN). This is required for the ministry of company affairs' e-governance project that will be implemented across the country in April. "If directors do not have a DIN, they will not be recognized and their companies will not be able to file documents online," Company Affairs Minister Prem Chand Gupta said today. Gupta added that the "MCA 21 e-governance" project required directors to submit an application with a certified proof of identity, including their permanent account number (PAN).

## Company law tribunal issue to get a shake-up

The company affairs ministry will take up the issue of the stalemate over setting up of the National Company Law Tribunal with the law ministry. "The tribunal has been stuck in the court for over a year. This is delaying the overhaul of the legal system related to corporate laws. We are taking up the matter with the law ministry to ensure that it is set up at the earliest," Company Affairs Minister Prem Chand Gupta told Business Standard.

## IT returns from anywhere, anytime

The coming Budget is likely to propose a facility for anywhere, anytime filing and processing of income tax returns. By a click of the mouse, tax assesseees will be able to file their returns from anywhere in the country with the setting up of a single national database linked through computers with all 742 income tax offices in 510 cities. This is part of a slew of IT measures that the department has initiated to make interface with tax payers convenient and improve tax administration, official sources said. Towards setting up of national database, migration of existing application software from 2-tier to 3- tier and consolidation of 36 regional databases into single database is under progress, the sources said. Setting up of national database will introduce jurisdiction-free filing and processing of returns, all India data matching and centralised MIS reporting, they added.

## India, Serbia sign double tax avoidance treaty

India and Serbia & Montenegro have signed a double taxation avoidance convention (DTAC) to promote trade and investment between the two countries. The Convention provides for moderate rates of taxes on certain categories of income in line with the recently concluded tax treaties. While the Union Finance Minister, Mr. P. Chidambaram, signed the DTAC on behalf of India, Dr Predrag Ivanovic, Minister for International Economic Relations, signed on behalf of the Council of Serbia & Montenegro.

## Worker entitled to subsistence allowance during suspension

An employee is entitled to get subsistence allowance during the period of suspension even if he or she is dismissed from service later, the Madurai Bench of Madras High Court has ruled. Allowing a writ petition filed by a former employee of an Agriculture Cooperative Bank in Dindigul district, Justice P.Jyothimani said that



as per the Tamil Nadu Payment of Subsistence Allowance Act 1981, an employee has the right for the said allowance though he was terminated after suspension.

## Secrets of China's spectacular growth

1. The first secret is the decent burial given to the common impression that companies in China are more concerned with turning out low-cost items, earning returns more from volumes than from variety or versatility.
2. Second secret is a hotbed for innovation and a beehive of professionals engaged in exploring new frontiers in R&D and boldly experimenting with new technologies. Its investment in R&D is the world's third largest.
3. The third is the enormous contribution being made by executives with diverse talents and skills who attracted to China not both for opportunities it provides and the fascinating cross-fertilization of modes of governance and management practices.
4. The fourth is the shedding of cultural outgrowths like guanxi or connections, a euphemism for influence peddlers and door openers.
5. Finally, China is consciously bringing within its cultural and economic fold a number of countries like Africa, Central Asia, Latin America and emerging markets elsewhere by luring them with offers of its business models and strategies.

## European Funds Increasingly Interested In India

By Francoise Medgyesi, Agence France-Presse  
[www.industrweek.com](http://www.industrweek.com)

Feb. 3, 2006 -- Investors in Europe are showing increasing interest in India which achieved economic growth of 8% last year. There are only about a dozen continental European investments funds dedicated to Indian companies, Asian market analysts say, three of them recently set up by the finance company of Edmond de Rothschild, the fund manager Comgest and the French bank Delubac. These funds have made healthy profits over the past year, a reflection of the buoyancy of the Mumbai stock exchange.

Saint-Honore Inde, which belongs to Rothschild, progressed by 45% last year and Comgest Growth India went up by 41%. Apius Avenir Inde, owned by Delubac, was set up in September and in four months progressed by more than 12%. BNP Paribas has just announced that it has teamed up with Sundaram, one of the top 10 managers of Indian stocks, to launch Parvest India.

The U.S. investment bank JPMorgan Chase was a trailblazer. In 1995 it launched an Indian fund whose value more than tripled during the past 10 years.

The global banking giant HSBC and the private Swiss bank have also had funds dedicated to Indian companies for the past decade.

"[Many] factors led us to invest in India. First the boom in consumption. Today there are 70 million people with incomes of \$18,000 (the equivalent of the average French annual income) and that will rise to 140 million by 2011. Expenses will rise by more than 60% between 2004 and 2007 and will reach \$150 billion within 10 years," said Ludovic Vauthier, manager of Saint-Honore Inde.

Fund managers also like the dynamism of India's foreign trade. Exports have doubled in the last five years, going from \$36 billion in 1999 to \$76 billion in 2004. Another trump card for India, said Comgest's Stanislawski Wojciech, is "the quality of its banking system and the transparency of its companies that enables us to build up quality portfolios, which is not the case in other emerging countries."

## HC stays setting up of national tax tribunal:

Bombay High Court clamped a stay on setting up a National Tax Tribunal (NTT). The Bombay HC's order was preceded by interim stay orders from other high courts, including Calcutta, Punjab & Haryana, Madras and Orissa.

Earlier the Government had enacted The National Tax Tribunal Act, 2005 which will come into force on the date to be notified. The important features of the legislation are as under:

- an appeal against the order of the CESTAT, involving substantial questions of law, will lie before the National Tax Tribunal (NTT) instead of with the High Court/Supreme Court.
- an appeal will be required to be filed within a period of 120 days from the date of receipt of the order of the CESTAT by the assessee.
- an appeal against the order of the NTT will need to be filed in the Supreme Court within a period of 60 days from the date of receipt of the order of the NTT by the assessee.
- all pending cases in High Courts relating to indirect taxes are proposed to be transferred to the NTT from the date to be notified. However, the Punjab and Haryana High Court has recently stayed the operation of the relevant section which enabled the above.

# Milaap 2 - A report

Report by:  
**Omkar N G** (LLB & ACS Final)  
**Pavitra P.** (ACS Inter)

Photos from 'CS Elite Team'

## Congratulations to Bangalore students... They have done it!!

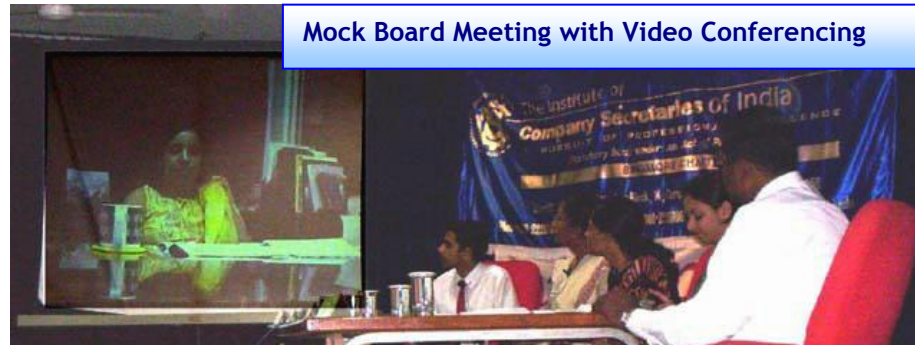
Milaap- 2006 Meeting of minds, a 2- day State Level Student Conference was organized by "CS elite", a student team of Bangalore Chapter of ICSI on 11<sup>th</sup> and 12<sup>th</sup> of February 2006 at Institute of Agricultural Sciences, Bangalore. It was well attended by around 150 students from Bangalore, Mysore and Cochin Chapters.

On 1<sup>st</sup> day of Milaap there were four presentations from Spectrum student team of Mysore Chapter on various topics of professional interest:

- (1) "Securities Market and its Regulations" by Ms Pavitra & Mr Harish
- (2) "LLP-an alternative corporate business vehicle" by Mr Shrinivas & Mr Chakri
- (3) "Foreign Institutional Investors" by Ms Rashmi & Mr Raghuvra
- (4) "Revised Clause 49 " by Ms Pracheta & Mr Madhwesh

Further a power point presentation "Incredible India" covering historical, social, cultural heritages and technological advancements of India evoked the sense of patriotism among all the delegates present.

Mr. Gopalkrishna Hegde, Mr. J Sundharesan, Mr. Srinivasa Murthy , Mr. Santhosh and other members of the Bangalore Chapter opined that the topics of the presentation were needs of the day and were highly educative. Mr. Santhosh said that students should participate in such presentations which help them to perform better in the examinations and also contribute for their growth.



Mock Board Meeting with Video Conferencing

A musical skit was presented by the Spectrum which highlighted the importance of the CS Course. The team received a standing ovation from the delegates.

Business Quiz(written), Know the Institute, A presentation



"Spectrum" Mysore Team at Milaap - 2

on CS elite( a student organization of the Bangalore Chapter),

Anthakshari were some of the events of the day.

The 2<sup>nd</sup> day of the Milaap started with a Mock Board Meeting. It was very well conducted by the students of the Bangalore Chapter with Video Conferencing. The systematic Board Meeting was a model for many companies.

The Board Meeting was followed by the Business Quiz-Final, Mock Interview, Musical concert by the Bangalore chapter students.

Milaap-2006 blend of both technical sessions as well as cultural events ended with a Valedictory session.



CS elite Team



# LEGAL ROUNDUP...

Compiled from different sources.



## Income Tax

### Case Laws:

#### ***Allow ability of Provision for Warranty Expenses***

Held by Hon'ble Court that warranty is a part of sale agreement and the assessee is liable to discharge his obligation to his clients during the period of warranty though the actual quantification and discharge is transferred to a future date. Thus provision made for warranty period liability is an allowable expenditure.

CIT Vs. Vinitec Corporation Pvt. Ltd. 05/05/2005  
(2005) 278 ITR 337 (Delhi)

## Customs

### ***Notifications / Circulars/ Trade Notices***

The Central Government has notified the Customs (Compounding of Offences) Rules, 2005 effective December 30, 2005, to discourage litigation and encourage early settlement of disputes. The Central Government has also issued detailed guidelines clarifying the provisions of the said Rules.

*(Notification No. 114/2005 - (N.T.) dated 30/12/2005 and Circular No. 54/2005 dated 30/12/2005)*

The Central Government has extended the period of exemption from payment of customs duty on imports effected under the Duty Entitlement Pass Book (DEPB) Scheme till 31/3/2006.

*(Notification No. 104/2005 dated 26/12/2005)*

### ***Case laws***

The Tribunal, in SRF Ltd. Vs. CC (2006 (72) RLT 210), has held that the doctrine of unjust enrichment is applicable to imported capital goods captively consumed in the manufacture of excisable goods. Further, the Tribunal has held that uniformity in prices before and after assessment does not lead to the conclusion that the incidence of duty has not been passed on to the customers.

The Tribunal, in TTK LIG Ltd. Vs. CC (2006 (130) ECR 326), has held that the additional duty of customs leviable under Section 3(1) of the Customs Tariff Act, 1975 is not restricted to the excise duty which is leviable under the Central Excise Act, 1944, but will also include excise duties leviable under other laws.

In Overseas Traders Vs. CC (2006 (193) ELT 42), the Tribunal has held that an importer can only relinquish title to the goods before the authorities pass an order for clearance of such goods for home consumption.

□□The Tribunal, in i2 Technologies Software Pvt. Ltd. Vs. CC (2006 (193) ELT 341), has held that where the importer has relinquished title to the goods prior to the order of clearance of such goods for home consumption, no duty can be demanded and consequently the imposition of interest and penalty is unwarranted.

□□In Pride Foramer Vs. CC (2006 (193) ELT 449), the Tribunal has observed that the principle of unjust enrichment would not apply with regard to leased capital goods, in the absence of a sale of goods and in view of the fact that lease rentals would be of amounts unrelated to the costs/duties relating to the capital goods.

### ***FTP Policy Circular/ Public Notices***

The Central Government has issued guidelines for disposal of cases of Advance Licences issued before 31/3/2002 where the licensee is unable to produce the logged DEEC books.

*(Public Notice No. 79/RE -2005) 2004-09 dated 02/01/2006)*

The Director General Foreign Trade (DGFT) has extended the automated process of submission of DEPB applications and issuance / transmission of the DEPBs to 10 more EDI customs ports w.e.f. 16/01/2006.

*(Policy Circular No. 44/2005-09 dated 10/01/2006)*

## **Antidumping Duty**

Antidumping duty has been imposed on the following goods:

Phenyl-3-Methyl-5-Pyrazolone originating in or exported from China PR  
(Notification No. 1/2006 dated 10/1/2006)

Sodium Nitrite originating in or exported from China PR  
(Notification No. 3/2006 dated 17/1/2006)

## **Excise/CENVAT**

### **Circular**

The Government has notified the rules and procedures for compounding of offences committed under Section 9 of the CE Act.

(Notification no. 37/2005-CE (N.T.) dated 30-12-2005)

### **Case Laws**

#### **Manufacture/Dutiability**

The Supreme Court, in CCE Vs Pan Pipes Resplendents Ltd (2006 (193) ELT 129), has held that the process of printing and decorating glazed ceramic tiles does not amount to manufacture under excise law.

In Voltas Ltd Vs CCE (2006 (130) ECR 106), the Tribunal has held that no duty is payable on the fabrication and installation of ducting system for air conditioning/refrigeration at customers' sites.

The Tribunal, in ITC Ltd Vs CCE (2005 (129) ECR 401) and CCE Vs Madura Coats Ltd (2006 (193) ELT 290), has held that no duty is payable on product samples which are destroyed during the process of testing in the course of manufacture of goods.

The Tribunal, in Rocket Engineering Corporation Ltd Vs CCE (2006 (193) ELT 33), has held that in the absence of a specific provision to that effect, the principal is not liable to pay duty on the dutiable waste and scrap generated at the jobworker's factory.

In Tejo Engineering Services Pvt. Ltd Vs CCE (2006 (193) ELT 100), the Tribunal has held that the process of mere cutting of endless conveyer belting to specific sizes does not amount to manufacture under excise law.

The Tribunal, in Blow Plast Ltd Vs CCE (2006 (72) RLT 63), has held that customized permanent fixtures such

as workstations/office furniture systems erected at site are not excisable.

In Andhra Cements Vs CCE (2005 (71) RLT 715) & CCE Vs Gujarat Reclaim & Rubber Products Ltd (2006 (104) ECR 398), the Tribunal has held that the process of mere grinding or crushing, not resulting in the emergence of a new commodity, does not amount to manufacture under excise law.

The Tribunal, in CCE Vs Srinivas Trading Company (2006 (72) RLT 227), has held that waste and scrap emerging out of dismantling of equipment/structures is not excisable.

### **Valuation**

The Supreme Court, in CCE Vs Beacon Neyrpic Ltd (2006 (72) RLT 103), has held that the fact of the buyer of excisable goods being related to the subsidiary of the manufacturing company does not result in the buyer becoming a related person to the manufacturing company.

In Garden Cotton Yarns Ltd Vs CCE (2006(193) ELT 291) and FMC India Ltd. Vs CCE (2006 (193) ELT 57), the Tribunal has held that the profit margin and expenses of the principal are not includible in the value of goods manufactured by a jobworker.

The Tribunal, in Hanil Era Textiles Ltd Vs CCE (2005 (71) RLT 777), has held that the valuation of DTA clearances from an EOU is required to be determined under Section 14 of the Customs Act and not under Section 4 of the Central Excise Act.

## **Service Tax**

### **Notification/Circulars**

#### **Leviability of service tax on maintenance or repair of software**

Supreme Court in the case of Tata Consultancy Services vs State of Andhra Pradesh (Civil Appeal no 2582 Of 1998) has observed that all the tests required to satisfy the definition of goods are possible in the case of software and in computer software the intellectual property has been incorporated on media for the purpose of transfer and software and media cannot be split up. Therefore, sale of computer software falls within the scope of sale of goods. Supreme Court has also observed that they are in agreement with the view that there is no distinction between branded and unbranded software.



Software, being goods, any service in relation to maintenance or repair or servicing of software is leviable to service tax under section 65(105)(zzg) read with section 65 (64) of the Finance Act, 1994.

CIRCULAR NO 81/2/2005-ST, dated 7-10-2005

The Authority for Advance Rulings, in Google Online India Private Limited Vs. CST (2006 (3) STT 44), has ruled that the services of **providing/selling space for display/exhibition of advertisement on a website** and also the activity of assisting in the preparation and display of such advertisement are covered within the ambit of the definition of advertising agency under service tax law.

The Tribunal, in Bangalore Commercial Corpn. Vs. CCE (2006 (3) STT 12), has held that the activity of **providing assistance in appointing and training of staff** is taxable as manpower recruitment agency services. Further, the service of conducting an all India survey for products falls under the taxable category of market research agency services.

The Tribunal, in Indrad Auto Components Vs. CCE (2006 (3) STT 82), has held that **transfer of technical know-how** is not a rendition of consulting engineering services and is hence not chargeable to service tax. Also, the service recipient, receiving services from a foreign service provider not having an office in India, is not liable to pay service tax for the period upto 16th August, 2002.

The Tribunal, in NRC Ltd. Vs. CCE (2006 (4) STJ 277), has held that different terms of payment for services rendered by a **clearing and forwarding agent** does not change the character of the service rendered and thus commission paid is chargeable to service tax.

## Sales Tax

The Supreme Court, in State of Punjab Vs. Chhabra Rice Mills [(2006) 144 STC 1], has held that the market fee payable by the buyer is not part of the sale consideration, even if the seller were to collect the fee from the buyer and deposit it with the Government.

The Gauhati High Court, in B.L Roy Vs. State of Tripura [(2006) 144 STC 134], has held that where the dealer was required to pay additional tax by virtue of a retrospective amendment of law, he could not be debarred from collecting it from the customer, even if it were to be the Government itself.

## Company Law

### Info- MCA 21 Launched

THE Ministry of Company Affairs' (MCA) project to facilitate on-line filing of company documents, a part of the Government's e-governance plan, is off the ground with the formal launch of 'MCA-21', the pilot project of electronic filing, at the registrar of companies (RoCs) office here on Saturday.

The MCA's e-filing facility would be extended to 20 other RoCs across the country including Delhi, Mumbai, Kolkata, Chennai and Hyderabad by April 24, 2006. Tata Consultancy Services Ltd (TCS) is the implementing agency for the project under build-operate-own-transfer (BOOT) basis agreed with the Union Government and the project cost is put at Rs 345 crore

## IT Act

### Notification/Circular

Central Government has amended the Information Technology (Certifying Authorities) Rules, 2000. The same shall come into force on the date of their publication in the Official Gazette. The same shall come into force on the date of their publication in the Official Gazette. Vide this notification in rule 31, sub-rule (2), the following shall be substituted "**the Certifying Authority shall conduct half yearly internal audit of the security policy, physical security, planning of its operations and the repository.**"

No: GSR 32(E) Dated 18.01.2006

## Insurance

### Time limit to open branches

IRDA has mentioned that some of the insurance companies take an unduly long time to open new places of business after obtaining the sanction for the same from the Authority, defeating the objective of expeditious opening of branch offices to provide better reach to the customer. It has therefore been decided that effective from 1st January 2006, new places of business should be opened within a period of one year from the date of approval letter from the Authority and after the expiry of the time limit, insurers have to apply afresh

Circular No: 035/IRDA/LIFE/JAN-06 Dated 20.01.2006