



Newsletter-16

Mysore Chapter

March 2005

Mysore Chapter Celebrated Silver Jubilee Foundation Day

The Mysore Chapter of the ICSI, founded in 1980, has contributed hundreds of professionals to the country, making its existence meaningful. Chapter conducted its 25th Foundation day in Hotel Metropole on 13th March 2005.



Please see the report from Page 3 onwards...



Interactive Session on Budget 2005 and VAT

As a part of the silver jubilee activities, Mysore Chapter Conducted an interactive session on Budget and Value Added Tax on 11th March 2005. Mr. Sivadasan (Second from the left), renowned advocate conducted the session. The session was organized at the seminar hall of the J K Tyres limited. Over 75 delegates attended program from various companies.

Program initiated at 3.15 pm. concluded at 8.15 p.m., with complete strength of audience. Program was also recognized for credit hours.

Lively interactions evidenced the success of the program.



From Chairman's desk...

Dear Friends,

I am sure that March 2005 will be memorable for more reasons than one.

Firstly, students welcomed this month by getting 12% results.

The presentation made by Mysore Chapter & many of the points raised therein were well received at the Meeting of the Chairmen of Southern Region of the Institute at Chennai.

The first half-day program of the Silver Jubilee year was organised in association with the Taxation Executives Association, Mysore, on 11th March, 2005. The topic of the Seminar was, as the members are well aware, "Union Budget, 2005- 06". The Seminar was conducted by reputed faculty and was attended by more than 75 people. 25% of our members attended the Seminar. The Head Office has confirmed that members who attended the aforesaid program are entitled for credit hours as per the Institutes Guidelines.

The Chapter had roped in the Heads of a few local Industry, in line with the consensus which had emerged at the Regional Chapter chairmen's Meeting.

The Silver Jubilee Foundation Day as scheduled was held on 13th March, 2005. I am sure that the whole day programme will remain fresh in the memory of all the members, students & other dignitaries who attended the same.

Shri R. Sridharan, Chairman SIRC & Shri Dattatraya Joshi Vice-chairman SIRC took time off from their tight schedule and attended the Foundation Day. Their participation added grace to the function

The grand success of the Foundation Day programme should go to the students who held the audience spell bound by their presentations on four relevant but diverse topics of Patents Law; Consumer Protection Law; Dividends and Prospectus. The mock Board meeting & the cultural event added further value to the day. I take this opportunity to

convey and record my sincere appreciation for the enthusiasm, involvement and hard work put in by the students for making the Silver jubilee Foundation day worth remembering.



The future months also hold lot of excitement as there are many more events scheduled by the Silver Jubilee Committee and I request the members to make a grand success by giving their suggestion & by contributing their time and support in all areas.

Before closing I would like to draw the attention of the members to two important issues.

1. Some the members might have not noticed that the issues of "Chartered Secretary" were not received from October, 2004 onwards. The reason being, the Institute had implemented yearly subscription of Rs. 500 for 12 issues from October, 2004, and the members whose subscription was not received stopped getting the "Chartered Secretary". I request all the members of our chapter to remit their subscription on priority so as not to miss this informative Journal. I also request each member to get at least one more subscription from their friends, organisation etc to the Journal which will help in visibility enhancement of the profession & the Institute.
2. The members who have not yet joined the "Benevolent Fund" are requested to subscribe before the end of this month as the subscription amount is slated to be revised to Rs. 2500 (from the present Rs. 1500) with effect from 1.4.2005. Please hurry up!

With warm regards,

MYSORE

Sincerely Yours,

16th March, 2005

D D Bhat

Silver Foundation Day - 2005

Sunday, 13th March 2005 was not an usual Sunday for CS families of Mysore. Absolutely it was not a holiday. Rather it was a festival day. Mysore chapter was set to create a history. ACS families of Mysore woke up in the early morning to evidence the daylong event to mark the Silver year of the Foundation of the Mysore Chapter.

The events was set to begin at 9.45 AM. Who can wait till that time? Much before that, by 8.00 AM students started assembling at Hotel Metropole. The lounge was full with future professional arranging for the function, setting up the stage, making a trial run of power point slides.....

Time flew. Clock reached 9.45 A.M. Mr. R Sridharan - Chairman SIRC, Mr. Dattatraya Joshi - Vice Chairman SIRC entered the hall. The waves of 'Vande Maataram' from the fute of Mr. Rakesh brought in the meditating moments for the audience. Mr. Dattatri, Secretary - Mysore Chapter gave an overview of the events for the day. Mr. Sridharan filled in the 'josh' in students. Members, press reporters, parents, lecturers, Company secretaries, co-professionals like Chartered Accountants of Mysore were already present, eagerly waiting for the presentations.

Four teams of two students each conducted symposium for 15 minutes each on four deferent topics of present & future relevance:



1. Controversial issues in patents law
Madhwesh and Omkar



2. How to read prospectus
Prachetha and Rashmi



3. Secretarial standard 3 on Dividends
Pavithra and Sreenivas



4. Consumer Protection Act
Kanchana and Naman

M/s R Sridharan, Dattatrya Joshi and C K Sabareeshan were the judges for the presentation. They had to accept that ranking was really tough. **The presentation on Patents by Mr. Madhwesh and Mr. Onkar won the first prize.**

The next Session was on **“Personal Excellence”**. That was being the need of the time, number of participants grew to bring the feeling that the hall was too small for the program. Mr. Mahana Krishna, professor in prestigious SDM Management College of Mysore conducted the program. Mr. Mohan Krishnan dealt with Value, Focus, discipline and Action, the four essentials to achieve excellence. The level of interaction and involvement shown by the audience made the workshop very lively and a learning experience to all. In fact it was two and a half hours program. At two O’clock, when the delegates should have been too hungry, the situation was totally different. No one could guess that it was 2 PM and even after Mr. Mohan Krishnan concluding the discussion, none was ready to start for lunch. Interaction was continuing.



The first post lunch session was a Mock Board Meeting of the **“Mysore Royal Tyres Limited”**. Ms. Kasturi chaired the meeting. Mr. Chakri acted as Company Secretary. M/s Sriraj, Simon, Krishna Prasad, Naman, Darshan acted as directors. Board members discussed the business strategies like make or out source decisions, fund rising etc, apart from legal formalities, using parallel power point slides.

Formal Foundation day succeeded the Mock Board Meeting.

Mr. Ashoka Rao, President of CII - Mysore and President of M/s Automotive Axles Limited was the chief guest. Mr. Vasu, Chairman of Karnataka State Industrial Co-operative Bank Ltd, Ex Mayor of Mysore and founder of Vidyavardhaka Education Trust was the Guest of Honour. Mr. Vasu and Mr. Ashoka Rao stressed on the importance Company Secretaries in the current scenario of the business world in keeping the corporate consciousness and thereby promoting the better corporate governance.

Mr. R Sridharan agreeing with the views of the distinguished guests, put forward the plans and projects ahead towards this direction.



From the left: H M Dattatri, Secretary - Mysore Chapter, Mr. Dattatraya Joshi, Vice Chairman - SIRC, Mr. Vasu, Chairman - KSICBL, Mr. Ashoka Rao, President - CII, Mr. R Sridharan, Chairman - SIRC and Mr. D D Bhat, Chairman - Mysore Chapter

Smt. Padma Chakravarthy Memorial award

for excellence in ICISI examinations, founded by Adarsh Charitable Trust in the year 2004 was awarded to the students passed from Mysore Chapter with highest marks in Foundation, Intermediate and Final examinations by the honourable guests of the day.

Mysore chapter presented mementoes to students succeeded in the June 2004 and December 2004 examinations. Chapter also awarded the students scoring highest marks in the oral coaching scheme by refunding 50% of the fees paid by the students.



The program succeeded by an interactive session with lectures, students and parents to know the needs better and improve the chapter activities.



That was followed by last highlight event of the day. That was talent show under the Banner **“Spectrum”**.

In memory of Silver Jubilee year, students founded ‘Spectrum’ team for conducting cultural events.

Songs by Kanchana and Prachetha, Dance by Sneha, Martial Art show, by Kanchana, Vocal Drum beats for pop and folk songs by Madwesh, Flute recital by Rakesh, above all Musical Skit showing the importance of ACS Course delighted the audience.

Narrated by:
Madwesh,
Sreenivas and team 5

What students are feeling...

The entire program was "student oriented". The presentations by students gave us an opportunity to learn more and most importantly about topics, which have academic and practical relevance.. The "Personal Excellence" workshop helped to know several facts vital not only for the academics but also for career and life. The prizes awarded to us gave us a lot of encouragement to achieve higher milestones. The cultural hour helped to display several talents hidden

in the students. In short, it was an event "memorable for years to come."

On behalf of all the students, I would take this opportunity to congratulate the Mysore Chapter and all the people associated with this Chapter for their wonderful step towards enhancement of student performance and complete moulding the personality.

**Students represented by
Ms. M. R. Rashmi**



Forthcoming events...

3 rd week of May 2005:	Half day Seminar on Alternative Dispute Resolution
3 rd week of July 2005:	Half day Seminar on Patents and Copy Rights
August 14 th - 16 th 2005:	State Level Seminar on SEBI Updates and Corporate Governance
September 2005:	Professional Development programs for Members
October 2005:	Professional Development programs for Members
November 2005:	Half Day program- Right to information Act
December 2005:	Half Day program - Competition Act

Legal Roundup

A. Sales Tax

Indemnity bond supporting duplicate Form C is not sufficient

The Supreme Court has held that the production of original copies of C Forms is mandatory for the purpose of availing concessional rates of tax under the Central Sales Tax Act, 1956 and that submission of duplicate copies of C Forms along with indemnity bonds in support of the claim for concessional rate is not sufficient.

Indian Agencies Vs. ACCT [(2005) 139 STC 329]

Karnataka Value Added Tax is passed in Assembly. Implementation of VAT has become more certain.

C. Excise

The Tribunal has held that MODVAT credit can be availed of the duty paid on the pipeline used to carry water from the reservoir to the factory, where such water was for use in the manufacture of final product and one end of the pipeline was within the factory.
Jaypee Bela Plant Vs. CCE (2005) (119) ECR 333)

D. Customs

Online Payment of Customs Duty

The Central Board of Excise and Customs (CBEC) has chosen the Bangalore Air Cargo Complex as a pilot site for implementing the process of online payment of customs duty. In this regard, the Bangalore Commissionerate has issued a trade notice detailing the procedure for online payment of customs duty at the complex.

(Commissioner of Customs, Bangalore-1, Trade Facility No. 8/2005, dt 12/01/05)

Defective goods Imported can be abandoned

The Tribunal has held that where goods imported by a 100% EOU are found defective/damaged or otherwise unfit for use and the supplier of such goods does not insist on its re-export, the importer has the option to abandon the said goods.

(Pure Rice (I) Ltd. Vs. CC (2005) (119) ECR 145)

E Cess & Duty Free Replenishment Certificate

The Central Government has clarified that the education cess would be payable on imports under the Duty Free Replenishment Certificate Scheme and under the Export Promotion Capital Goods Scheme, since imports under these schemes are chargeable to either of the basic or the additional duty of customs. Similarly, imports under the Duty Entitlement Passbook (DEPB) Scheme would be charged with the cess, in the form of a debit in the passbook. However, imports under Advance Licences, being entirely free of duties, would be exempted from the cess.

(Circular No.5/2005 dt 31/01/05)

Duty Draw Back

Central Government has clarified that all supplies from the Domestic Tariff Area (DTA) to a unit in the Special Economic Zone (SEZ) shall be eligible for duty drawback w.e.f. 11/05/2004, being the date of operationalization of the SEZ Scheme.

(Circular No.6/2005 3/02/05)



Project Imports & contract Registration

The Tribunal has held that the registration of a contract with the customs authorities under the Project Import Regulations, prior to clearance of the imported goods, is a prerequisite for availing the benefit of the concessional rate of duty.

Hindustan Aeronautics Ltd. Vs. CC (2005 (119) ECR 75)

E. Service Tax

Service Tax Exemption on payment in foreign currency rescinded

Notification No. 21/2003, dated the 20th November, 2003 which had exempted the service charges paid in foreign currency from service tax is rescinded from 15th March 2005 vide Notification 10/2005 dated 03rd March 2005.

D. Miscellaneous

RBI

Foreign Exchange Management (Guarantees) (Amendment) Regulations, 2005

Further amending the Foreign Exchange Management (Guarantees) Regulations, 2000, the RBI has brought forward the Foreign Exchange Management (Guarantees) (Amendment) Regulations, 2005. With these amendments coming to effect, an 'Authorised Dealer' would be able to give guarantee, Letter of Undertaking or Letter of Comfort in respect of any debt, obligation or other liability incurred by a person resident in India and owed to a person resident outside India, for import of goods.

Notification No. GSR61(E) Dated 20.01.2005

FDI Ceiling Increased to 74 per cent in Telecom Sector

Dated 02.02.2005: The Union Cabinet has approved a proposal to enhance composite foreign holding in

Telecom sector to 74 per cent. With this development, the current FDI ceiling in the Telecom Sector would increase from 49 per cent to 74 per cent

Labour

The workman found sleeping in the workplace had been dismissed from service:

Labour Court decided the dispute in favour of the workman, with a finding that the inquiry had been unduly harsh and sentence was disproportionate, a single judge bench of the High Court upheld the order, however it was reversed by a division bench. The employer challenged the said order before the Apex Court on the ground that the concerned workman prevaricated his stand from court to court, he failed to turn up for the domestic enquiry despite several opportunities, this was a case of proved misconduct and the question of victimization did not arise.

It was held that in view of the past record of the workman and absence of material to prove as to why the dismissal was disproportionate, the judgment of the High Court was unsustainable, moreover no plea of legal victimization was taken in the complaint petition. It was observed that, a proved misconduct is anti thesis of victimization in industrial relations, **the court opined that there was no cogent reason for taking a lenient view, an offence of this nature needed to be curbed.**

Bharat Forge Co. Ltd. Vs. Uttam Manohar Nakate

E. UNION BUDGET 2005-06

High lights of the Union Budget put before the parliament on 28th February 2005

Income Tax Act

- a. Rate of income tax reduced from 35% to 30%.
- b. Change in Depreciation rates:

	Assets	Old Rate	New Rate
1	Plant & Machinery	25%	15%
2	Factory Buildings	10%	10%
3	Other Buildings	5%	5%
	Furniture and Fittings	15%	10%
4	Vehicles	20%	15%
5	Office equipments	25%	15%

c. Additional Depreciation:

Cont...

- Initial depreciation on new machinery and plant is increased to 20 per cent from the existing 15 per cent.
- The requirement of creating a minimum increase of 10 per cent in installed capacity for availing the initial depreciation is also eliminated.

d. No additional depreciation is allowed in case of second hand equipments.

e. MAT Credit

- Allowing tax credit for MAT under section 115JB against tax liability in subsequent years.
- No credit will be allowed in respect of MAT paid in any assessment year prior to 2006-07.

f. Surcharge applicable on TDS:

- 10% Surcharge :If total payments are more than Rs.1.0 Mio per annum.
- 2.5% Surcharge: In case of foreign company.

g. New provisions for levy of Banking Cash Transaction Tax:

- Tax Rate: 0.1% of the follow:
- Withdrawal of cash exceeding ten thousand rupees on any single day by a person from any scheduled bank; or
- Purchase of a bank draft or a banker's cheque or any other financial instrument on payment of cash exceeding ten thousand on a single day by a person from any scheduled bank; or

- Receipt of cash from a scheduled bank exceeding ten thousand rupees on any single day by a person on encashment of term deposit, whether on maturity or otherwise, from that bank

h. Fringe Benefit Tax:

- Perquisites which can be directly attributed to the employees will continue to be taxed in their hands in accordance with the existing provisions of section 17(2) of the Income-tax Act and subject to the method of valuation outlined in rule 3 of the Income-tax Rules.

- In cases, where attribution of the personal benefit poses problems, or for some reasons, it is not feasible to tax the benefits in the hands of the employee, it is proposed to levy a separate tax known as the fringe benefit tax on the employer on the value of such benefits provided or deemed to have been provided to the employees.

- 1) Entertainment - 50%
- 2) Festival celebration - 50%
- 3) Gifts - 50%
- 4) Use of club facilities - 50%
- 5) Provision of hospitality of any kind except food or beverages provided to employees in office or factory - 50% (For hotel 5%)
- 6) Maintenance of guest house accommodation - 50%
- 7) Conference - 50%
- 8) Employee welfare - 50%
- 9) Use of health club, sports and similar facilities - 50%
- 10) Sales promotion including publicity - 50%
- 11) Conveyance, tour and travel including foreign travel - 20%
- 12) Hotel, boarding and lodging- 20%
- 13) Repair, running and maintenance of motorcars- 20% (5% for travel guy in car)
- 14) Repair, running and maintenance of air crafts- 20% (5% for travel guy in aircraft)

- 15) Consumption of fuel other than industrial fuel - 20% (5% for travel guy in any mode of transport)
 - 16) Use of telephone - 10%
 - 17) Scholarship to employees' children - 100%
- FBT does not include [sec 115WB(3)]
 - Perks on which employee has paid tax under sec 15
 - Free or subsidized transport or any such allowance for journeys by employees from their residence to place of work or such place of work to place of residence
- i. Banking cash transaction tax (BCTT)
- It applies to all persons including an office or establishment of the Central/State Government
 - BCTT to be charged
 - In respect of every taxable banking transaction (TBT)
 - Of value exceeding Rupees Ten Thousand
 - Entered into on or after 01.06.2005
 - At the rate of 0.1%
 - Of value of every such TBT
- Customs**
- Clause 72 - levy of additional duty for counter balancing the sales tax, value added tax, local tax or any other charges. Notification No.19/2005-Cus dated 1.3.2002 has levied 4% additional duty levied on certain specified items.
 - Peak rate of Customs reduced to 15%
 - Duty reduced to 'nil' on all ITA bound items and goods required to manufacture ITA bound items.
 - Additional duty of customs of 4%, on all ITA items and inputs required to manufacture ITA bound items, imported into India.
 - Duty on copper reduced from 15 to 10%, Duty on lead reduced from 15% to 5%.
- Reduction of Duty on Petroleum Products:
 - Crude oil: 10% to 5%
 - HSD: 15% to 10%
 - Others(FO): 20% to 10%.
 - Additional customs Duty on HSD increased from Re.1.50 to 2.00 per liter.
 - The following capital goods considered for zero duty:
 - (Item 42) Layup Station
 - Black Oxide System
 - Cam Station
 - Copper Thickness Tester
 - Crystal Formation Unit
 - Densitometer
 - Digital Hole Check Gauge
 - Digital V-Score Checker
 - Electroless Nickel Gold & Entek Line
 - Copper Recovery System
 - Fluidised Sandbath
 - Fluke Multimeter
 - Automatic Film Processor
 - Gold Plating Line
 - Grinding And Polishing Machine
 - Desoldering Station
 - Soldering Station
 - Hydraulic Depinner
 - Im Dnc System
 - Immersion Tin Line
 - Impedance Tester
 - Humidity / Temperature Chamber
 - Ionic Contamination Tester
 - 2 out of 3 recommendations for correction of tariff headings considered.
- Excise**
- Excise duty has been raised on iron and steel from 12% to 16%.
 - Excise duty on cement is increased from Rs.250MT to Rs.350 MT.
 - Excise duty has been reduced from 24% to 16% on air conditioners.

- Excise duty has been reduced from 23% to 8% +Rs.5.00/litre on Petrol.
- Excise duty has been raised from 8% to 8% +Rs.1.25/litre on Diesel.
- Additional duty of excise on motor spirit and high-speed diesel oil has been increased from Re.1.50 per liter to Rs.2 per liter.
- National Calamity Contingent Duty (NCCD) of Rs.50 Per Metric Tonne On Domestic Crude Oil Is Charged.
- Service Tax exemption on payment in foreign currency rescinded.
- Invoice is to be issued within 14 days from date of completion of provision of service or receipt of payment, whichever is earlier [Rule 4A(1)];
- All service tax payments should be made before 5th of the following month or quarter, as the case may be (Rule 6);
- **Exemption scheme for small service providers:** Service providers, whose aggregate value of taxable services provided during the preceding financial year up to Rs. 4 lakhs, have been exempted from service tax up to an aggregate value of taxable services of Rs. 4 lakhs in a financial year.

Service Tax

- Following Nine new services are proposed to be introduced into Service Tax net vide Clause 88 of Finance Bill, 2005
 - Site preparation and clearance, excavation, earth moving and demolition services, other than those provided to agriculture, irrigation and watershed development;
 - Survey and map making other than by Government Departments;
 - Cleaning services other than in relation to agriculture, horticulture, animal husbandry or dairying;
 - Membership of Clubs or Associations;
 - Packaging services;
 - Mailing list compilation and mailing
 - Construction of residential complexes having more than twelve residential houses or apartments together with common areas and other appurtenances.

- Definitions of existing services have been expanded



G. KARNATAKA STATE BUDGET:

Announced on 11th March 2005

VAT was declared to be implemented from 1st April 2005

Entry Tax modifications indicated

