

**2015  
MAY**

**P. K. LUHARUKA & CO.**  
CHARTERED ACCOUNTANTS  
MONTHLY NEWSLETTER  
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THIS ISSUE GIVES AN UPDATE ON ASPECTS ON WHICH THE CBDT, CBEC, RBI, WEST BENGAL STATE GOVERNMENT AND MINISTRY OF CORPORATE AFFAIRS THINK NEED CHANGES OR CLARIFICATIONS, A FEW RELEVANT CASE LAWS RELATING TO INCOME TAX AND A DUE DATES CALENDAR FOR THE MONTH OF MAY.

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## DIRECT TAXES

The Central Government has enabled facility to enable taxpayers to pay demand raised by CPC-TDS against TDS on Sale of Property. (Link- <https://onlineservices.tin.egov-nsdl.com/etaxnew/tdsnontds.jsp>)

## INDIRECT TAXES

- a. The Central Government hereby exempts the taxable services provided or agreed to be provided against a Merchandise Exports from India Scheme duty credit scrip issued to an exporter by the Regional Authority in accordance with paragraph 3.04 read with paragraph 3.05 of the Foreign Trade Policy by a person located in the taxable territory from the whole of the service tax leviable thereon under section 66B of the said Act. (Attached Notification No. 10/2015, dated, 8<sup>th</sup> April, 2015)
- b. The Central Government hereby exempts the taxable services provided or agreed to be provided against a Service Exports from India Scheme duty credit scrip issued by the Regional Authority in accordance with paragraph 3.10 read with paragraph 3.08 of the Foreign Trade Policy by a person located in the taxable territory from the whole of the service tax leviable thereon under section 66B of the said Act. (Attached Notification No. 11/2015, dated, 8th April, 2015)
- c. The Ministry has considered the issue of increased interest cost for authorization holders who come forward to the Regional Authority of DGFT for regularization of their cases of bona fide default in export obligation under the Advance Authorization or EPCG Schemes but have to wait for the detailed calculations in this regard before being able to deposit the duty involved. The Board hereby prescribes a procedure that would enable quicker payment thereby reducing the avoidable interest cost for such exporters. (Attached General Circular No. 11/2015, dated, 1<sup>st</sup> April, 2015)
- d. The Central Government has notified the Foreign Trade Policy (FTP), 2015 - 20 on 1.4.2015 and the DGFT has simultaneously issued public notices for the related Handbook of Procedures (HBP) and Appendices and ANF. Insofar as the schemes of reward or incentive / advance authorization or DFIA / EPCG or post export EPCG are concerned, the Customs, Central Excise and Service Tax notifications have been issued for the purposes of implementing the Policy/HBP. CBEC issues salient changes in Schemes of reward or incentive / advance authorization or DFIA / EPCG or post export EPCG. (Attached General Circular No. 14/2015, dated, 20<sup>th</sup> April, 2015)
- e. As a trade facilitation measure, it is decided that importers may file refund claim of 4% SAD refund in terms of notification No. 102/2007- Customs dated 14.09.2007 at the **Customs stations** where imports are made. However, the number of such claims at a Customs station shall be limited to one in a particular month. (Attached General Circular No. 12/2015-CUSTOMS, dated, 9<sup>th</sup> April, 2015)

- f. CBEC hereby clarifies that, since SEZ is deemed to be outside the Customs territory of India, any licit clearances of goods to an SEZ from the DTA will continue to be export and therefore be entitled to the benefit of rebate under rule 18 of CER, 2002 and of refund of accumulated CENVAT credit under rule 5 of CCR, 2004, as the case may be. (Attached Circular No. 1001/8/2015-CX.8, dated, 28<sup>th</sup> April, 2015)
- g. CBEC hereby provides that the credit of Education Cess and Secondary and Higher Education Cess paid on inputs or capital goods received in the factory on or after the 1st day of March, 2015 can be utilized for payment of the duty of excise, the credit of balance fifty per cent Education Cess and Secondary and Higher Education Cess paid on capital goods received in the factory in the financial year 2014-15 can be utilized for payment of the duty of excise and the credit of Education Cess and Secondary and Higher Education Cess paid on input services received by the manufacturer of final product on or after the 1st day of March, 2015 can be utilized for payment of the duty of excise. (Attached Notification No. 12/2015, dated, 30<sup>th</sup> April, 2015)
- h. CBEC hereby determines the rate of exchange of conversion of foreign currency into Indian Currency or vice – versa w.e.f. 17<sup>th</sup> April, 2015. (Attached Notification No. 38/2015-Customs (N.T.), dated, 16<sup>th</sup> April, 2015)

#### COMPANY LAW

- a. The ministry has clarified that there shall be no violation of Section 186(7) of the Companies Act, 2013 in cases where the effective yield (effective rate of return) on tax free bonds is greater than the prevailing yield of one year, three year, five year or ten year Government Security closest to the tenure of the loan. (Attached General Circular No. 06/2015, dated, 9<sup>th</sup> April, 2015)
- b. The ministry, in its circular dated 10.04.2015, released The Companies (Auditor's Report), 2015 and the same shall be applicable from the date of circular. The report has been sliced by excluding points like comments on internal audit system in case of listed companies and/or companies having a paid up capital and reserves exceeding Rs. 50 Lakhs, adequacy of documents in case where company has granted loans on the basis of security. Certain amendments have also been made in retained points. (Attached Circular dated 10<sup>th</sup> April, 2015)
- c. The ministry has clarified in cases where managerial person of a listed company and its subsidiaries meet the conditions specified in para II Para (C), he may continue to receive remuneration for his remaining term in accordance with the terms and conditions approved by the company as per relevant provisions of Schedule XIII of earlier act even if the part of his/her tenure falls after 1<sup>st</sup> April, 2014. (Attached General Circular No. 07/2015, dated, 10<sup>th</sup> April, 2015)

### RESERVE BANK OF INDIA

RBI released its First Bi-monthly Monetary Policy Statement for the year 2015-16 on 07.04.2015 wherein it decided to keep the Repo rate under Liquidity Adjustment Facility and Cash Reserve Ratio unchanged at 7.5 per cent and 4.0 percent respectively. The central bank cited that the Monetary Policy Framework Agreement signed by the Government of India and the Reserve Bank in February 2015 will shape the stance of monetary policy in 2015-16 and succeeding years. The Reserve Bank will stay focused on ensuring that the economy disinflates gradually and durably, with CPI inflation targeted at 6 per cent by January 2016 and at 4 per cent by the end of 2017-18. Although the target for end-2017-18 and thereafter is defined in terms of a tolerance band of +/- 2 per cent around the mid-point, it will be the Reserve Bank's endeavour to keep inflation at or close to this mid-point, with the extended period provided for achieving the mid-point mitigating potentially adverse effects on the economy. (Attached Press Release dated 07<sup>th</sup> April, 2015)

### WEST BENGAL STATE LAWS

Following amendments have been made in various rule(s) under West Bengal VAT Rules, 2005 through Notification No 523- F. T.-Dated 2nd April, 2015

- The taxable quantum to pay tax has been increased from Rs. 5 lacs to Rs. 10 lacs.
- The new proviso has been inserted in Rule 5A which provides that there is no need to submit hard copies of the documents, if registration application has been submitted online under digital signature along with scanned documents and declarations as required.
- The limit of turnover of sales has been increased from Rs. 5 crore to Rs. 10 crore in a year in Rule 44, i.e for submission of P&L A/c and B/S with Audit Report of CA to appropriate assessing authority. The provision has been extended to stock transfer also.
- Every registered dealer, other than those mentioned in sub-section 1(A) or 1(B) of Section 30E, who are required to get his accounts audited under the provisions of the Income Tax Act, 1961, shall within, 31<sup>st</sup> day of December after the end of the year, submit before the appropriate assessing authority a copy of the audit report as required together with a copy of Profit & Loss & Balance Sheet for such year.

### THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

ICAI issues illustrative formats of an auditors' report on CFS, covering some of the clauses of section 143(3) of the Companies Act, 2013 (and where the auditor does not have the responsibility for reporting on internal financial controls over financial reporting under section 143(3)(i) of the Companies Act, 2013), These formats may be applied for the FY 2014-15 and until further announcement. It is reiterated that the auditors of CFS may suitably reword/redraft these formats to suit the circumstances of their audit engagement. (Link to download: [http://icai.org/new\\_post.html?post\\_id=11569&c\\_id=219](http://icai.org/new_post.html?post_id=11569&c_id=219))

### CASE LAWS

- a. Only credits received during the year can be assessed as unexplained cash credits u/s 68. Credits of earlier years, even if unexplained, cannot be assessed– **Rita Stephen Pinto vs. ITO (ITAT Mumbai)**
- b. The notice should not be in a standard format but indicate why s. 147 has been resorted to. The term "failure to disclose material facts" has a specific legal connotation. The non-disclosure has to of a "material fact" to attract s. 147-- **Tata Business Support Services Ltd vs. DCIT (Bombay High Court)**
- c. Addition towards bogus purchases cannot be made solely on the basis of statements of seller before sales-tax authorities. The AO has to conduct own enquiries and give assessee opportunity to cross-examine the seller- **ITO vs. Deepak Popatlal Gala (ITAT Mumbai)**

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**P. K. Luharuka & Co.,**  
**Chartered Accountants Calendar**  
01 May 2015 – 31 May 2015

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**May 2015**

Mo Tu We Th Fr Sa Su

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4	<a href="#">5</a>	<a href="#">6</a>	<a href="#">7</a>	8	9	<a href="#">10</a>
11	<a href="#">12</a>	13	14	<a href="#">15</a>	16	17
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25	26	27	28	29	30	31

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**Details**

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**01 May 2015**



**Subject** May Day

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**06 May 2015**



**Subject** Due Date of payment (latest by 8 P.M.) of Service Tax for services deemed to be provided as per rules in the month of April in case of assesseees, other than individual or proprietorship firm or partnership firm GAR 7 Challan



**Subject** Due Date of payment of Central Excise Duties for the previous month - For non SSI Units - GAR-7 Challan

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**07 May 2015**



**Subject** Due Date of deposit of TDS where income or amount is paid or credited in the month of April (Challan No./ ITNS. 281)



**Subject** Due Date of Monthly payment of TCS in April u/s 206C

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**Subject** Submission of copy of declaration forms (Form 15G and form 15H) received for non deduction of TDS under section 197A before the Chief Commissioner or Commissioner

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#### 10 May 2015



**Subject** Due Date of ER-1 for Non-SSI assesseees and ER-2 for EOU units for the month of April

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#### 12 May 2015



**Subject** Due Date for Half Yearly Return of ESI for Contribution Period October to March

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#### 15 May 2015



**Subject** Due Date for filing TDS Quarterly Statement for Quarter 4 of previous financial year (Form 24Q & 26Q)



**Subject** Due Date of Payment of PF for the month of April (plus grace period of 5 days)

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#### 21 May 2015



**Subject** Due Date of Payment of ESI for the month of April

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[TO BE PUBLISHED IN THE GAZETTE OF INDIA, EXTRAORDINARY, PART II SECTION 3,  
SUB-SECTION (i)]

GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
(DEPARTMENT OF REVENUE)

Notification No. 10/ 2015 – Service Tax

New Delhi, the 8<sup>th</sup> April, 2015.

G.S.R. 273 (E). In exercise of the powers conferred by sub-section (1) of section 93 of the Finance Act, 1994 (32 of 1994) (hereinafter referred to as the said Act), the Central Government, on being satisfied that it is necessary in the public interest so to do, hereby exempts the taxable services provided or agreed to be provided against a scrip by a person located in the taxable territory from the whole of the service tax leviable thereon under section 66B of the said Act.

2. Application. – This notification shall be applicable to the Merchandise Exports from India Scheme duty credit scrip issued to an exporter by the Regional Authority in accordance with paragraph 3.04 read with paragraph 3.05 of the Foreign Trade Policy.

3. The exemption shall be subject to the following conditions, namely:-

(1) that the conditions (1) to (3) specified in paragraph 2 of the Notification No. 24/2015-Customs, dated the 8<sup>th</sup> April, 2015 are complied and the said scrip has been registered with the Customs Authority at the port of registration specified on the said scrip (hereinafter referred as the said Customs Authority);

(2) that the holder of the scrip, to whom taxable services are provided or agreed to be provided shall be located in the taxable territory;

(3) that the holder of the scrip who may either be the person to whom the scrip was originally issued or a transferee-holder, presents the scrip to the said Customs Authority along with a letter and an invoice or challan or bill, as the case may be, issued under rule 4A of the Service Tax Rules, 1994 by the service provider indicating details of his jurisdictional Central Excise Officer (hereinafter referred to as the said Officer) and the description, value of the taxable service provided or agreed to be provided and service tax leviable thereon;

(4) that the said Customs Authority, taking into account the debits already made under notification number 24/2015-Customs, dated the 8<sup>th</sup> April, 2015, notification No 20/2015-Central Excise, dated the 8<sup>th</sup> April, 2015 and this exemption, shall debit the service tax leviable, but for this exemption in or on the reverse of the scrip and also mention the necessary details thereon, updates its own records and sends written advice of these actions to the said Officer;

(5) that the date of debit of service tax leviable, in the scrip, by the said Customs Authority shall be taken as the date of payment of service tax;

(6) that in case the service tax leviable as per the point of taxation determined in terms of the Point of Taxation Rules, 2011 is prior to date of debit or that the rate of tax determined in terms of rule 4 of the Point of Taxation of Rules, 2011, is in excess of the rate of service tax mentioned in the invoice, bill or challan, as the case may be, the holder of the scrip shall pay such interest or short-paid service tax along with interest, as the case may be;

(7) that the holder of the scrip presents the scrip debited by the said Customs Authority within thirty days to the said Officer, along with an undertaking addressed to the said Officer, that in case of any service tax short debited in the scrip, he shall pay such service tax along with applicable interest;

(8) that based on the said written advice and undertaking, the said Officer shall verify and validate, on the reverse of the scrip, the details of the service tax leviable, which were debited by the said Customs Authority, and keep a record of payment of such service tax and interest, if any;

(9) that the service provider retains a copy of the scrip, debited by the said Customs Authority and verified by the said Officer and duly attested by the holder of the scrip, in support of the provision of taxable services under this notification; and

(10) that the said holder of the scrip, to whom the taxable services were provided or agreed to be provided shall be entitled to avail drawback or CENVAT credit of the service tax leviable under section 66B of the said Act, against the service tax debited in the scrip and validated by the said Officer.

4. Any amount due to the Central Government under this notification shall be recoverable under the provisions of the said Act and the rules made there under.

Explanation. - For the purposes of this notification,-

(A) "Foreign Trade Policy" means the Foreign Trade Policy, 2015-2020, published by the Government of India in the Ministry of Commerce and Industry notification number 01/2015-2020, dated the 1<sup>st</sup> April 2015 as amended from time to time;

(B) "Point of taxation" shall have the same meaning assigned to it in clause (e) of rule 2 of the Point of Taxation Rules, 2011;

(D) "Regional Authority" means the Director General of Foreign Trade appointed under section 6 of the Foreign Trade (Development and Regulation) Act, 1992 (22 of 1992) or an officer authorised by him to grant an authorisation including a duty credit scrip under the said Act;

(E) "Scrip" means Merchandise Exports from India Scheme duty credit scrip issued to an exporter by the Regional Authority in accordance with paragraph 3.04 read with paragraph 3.05 of the Foreign Trade Policy.

[F.No.605/55/2014-DBK]

(Sanjay Kumar)

Under Secretary to the Government of India

[TO BE PUBLISHED IN THE GAZETTE OF INDIA, EXTRAORDINARY, PART II SECTION 3,  
SUB-SECTION (i)]

GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
(DEPARTMENT OF REVENUE)

Notification No. 11 / 2015 – Service Tax

New Delhi, the 8<sup>th</sup> April, 2015.

G.S.R. 274 (E). In exercise of the powers conferred by sub-section (1) of section 93 of the Finance Act, 1994 (32 of 1994) (hereinafter referred to as the said Act), the Central Government, on being satisfied that it is necessary in the public interest so to do, hereby exempts the taxable services provided or agreed to be provided against a scrip by a person located in the taxable territory from the whole of the service tax leviable thereon under section 66B of the said Act.

2. Application. – This notification shall be applicable to the Service Exports from India Scheme duty credit scrip issued by the Regional Authority in accordance with paragraph 3.10 read with paragraph 3.08 of the Foreign Trade Policy.

3. The exemption shall be subject to the following conditions, namely:-

(1) that the conditions (1) and (2) specified in paragraph 2 of the Notification No. 25/2015-Customs, dated the 8<sup>th</sup> April, 2015 are complied and the said scrip has been registered with the Customs Authority at the port of registration specified on the said scrip (hereinafter referred as the said Customs Authority);

(2) that the holder of the scrip, to whom taxable services are provided or agreed to be provided shall be located in the taxable territory;

(3) that the holder of the scrip who may either be the person to whom the scrip was originally issued or a transferee-holder, presents the scrip to the said Customs Authority along with a letter and an invoice or challan or bill, as the case may be, issued under rule 4A of the Service Tax Rules, 1994 by the service provider indicating details of his jurisdictional Central Excise Officer (hereinafter referred to as the said Officer) and the description, value of the taxable service provided or agreed to be provided and service tax leviable thereon;

(4) that the said Customs Authority, taking into account the debits already made under notification number 25/2015-Customs, dated the 8<sup>th</sup> April, 2015, notification No. 21/2015-Central Excise, dated the 8<sup>th</sup> April, 2015 and this exemption, shall debit the service tax leviable, but for this exemption in or on the reverse of the scrip and also mention the necessary details thereon, updates its own records and sends written advice of these actions to the said Officer;

(5) that the date of debit of service tax leviable, in the scrip, by the said Customs Authority shall be taken as the date of payment of service tax;

(6) that in case the service tax leviable as per the point of taxation determined in

terms of the Point of Taxation Rules, 2011 is prior to date of debit or that the rate of tax determined in terms of rule 4 of the Point of Taxation of Rules, 2011, is in excess of the rate of service tax mentioned in the invoice, bill or challan, as the case may be, the holder of the scrip shall pay such interest or short-paid service tax along with interest, as the case may be;

(7) that the holder of the scrip presents the scrip debited by the said Customs Authority within thirty days to the said Officer, along with an undertaking addressed to the said Officer, that in case of any service tax short debited in the scrip, he shall pay such service tax along with applicable interest;

(8) that based on the said written advice and undertaking, the said Officer shall verify and validate, on the reverse of the scrip, the details of the service tax leviable, which were debited by the said Customs Authority, and keep a record of payment of such service tax and interest, if any;

(9) that the service provider retains a copy of the scrip, debited by the said Customs Authority and verified by the said Officer and duly attested by the holder of the scrip, in support of the provision of taxable services under this notification; and

(10) that the said holder of the scrip, to whom the taxable services were provided or agreed to be provided shall be entitled to avail drawback or CENVAT credit of the service tax leviable under section 66B of the said Act, against the service tax debited in the scrip and validated by the said Officer.

4. Any amount due to the Central Government under this notification shall be recoverable under the provisions of the said Act and the rules made there under.

Explanation. - For the purposes of this notification,-

(A) "Foreign Trade Policy" means the Foreign Trade Policy, 2015-2020, published by the Government of India in the Ministry of Commerce and Industry notification number 01/2015-2020, dated the 1<sup>st</sup> April 2015 as amended from time to time;

(B) "Point of taxation" shall have the same meaning assigned to it in clause (e) of rule 2 of the Point of Taxation Rules, 2011.

(C) "Regional Authority" means the Director General of Foreign Trade appointed under section 6 of the Foreign Trade (Development and Regulation) Act, 1992 (22 of 1992) or an officer authorised by him to grant an authorisation including a duty credit scrip under the said Act.

(D) "Scrip" means Service Exports from India Scheme duty credit scrip issued to an exporter by the Regional Authority in accordance with paragraph 3.10 read with paragraph 3.08 of the Foreign Trade Policy.

[F.No.605/55/2014-DBK]

(Sanjay Kumar)  
Under Secretary to the Government of India

**Circular No. 11/2015 - Customs**

F.No. 605/55/2014-DBK  
Government of India  
Ministry of Finance, Department of Revenue  
Central Board of Excise & Customs  
Drawback Division

New Delhi, dated 1<sup>st</sup> April, 2015

To

All Principal Chief Commissioners/Chief Commissioners of Customs / Customs (Prev)/ Central Excise & Customs,  
All Principal Directors General/Directors General of CBEC / Chief Commissioner (AR), CESTAT,  
All Principal Commissioners/Commissioners under CBEC

Ma'am/Sir,

**Subject : Facility for *suo moto* payment of customs duty in case of *bona fide* default in export obligation under the Advance / EPCG authorisations – reg.**

The Ministry has considered the issue of increased interest cost for authorization holders (AH) who come forward to the Regional Authority (RA) of DGFT for regularization of their cases of *bona fide* default in export obligation (EO) under the Advance Authorization or EPCG Schemes but have to wait for the detailed calculations in this regard before being able to deposit the duty involved. It was decided to provide for a procedure that would enable quicker payment thereby reducing the avoidable interest cost for such exporters.

2. After consulting the DGFT, and certain field formations, the Board prescribes the following facilitation procedure –

(a) This procedure may be adopted by an AH who has obtained acknowledgement from the concerned RA of its application for regularization of *bona fide* default in EO. The application must show, inter alia, the AH's own/self-calculation of the duty payable for the default in EO and interest thereon.

(b) During pendency of the detailed calculations by the RA, such an AH may –

(i) Deposit, in cash, the own/self-calculated duty amount, along with interest in cash by challan (showing relevant particulars) in the designated bank at the port where the authorization is registered. One copy of the paid challan shall be submitted to the Customs Authority at the said port which shall update its records; and/or

(ii) produce valid duty credit scrip before the Customs Authority at the port where the authorization is registered for debit of the own/self-calculated duty amount. Such scrip should be one issued under Chapter 3 (excluding SHIS, SFIS and AIIS scrips) in terms of FTP (2009-14) or chapter 3 of FTP (2015-20) or be a Post-export EPCG duty remission scheme scrip. The debit shall only be in respect of goods that are permitted to be imported under the relevant scrip. The Customs Authority shall reflect the debit in Customs records and also suitably endorse it on the scrip. However, the AH shall pay the interest in cash in the designated bank at the port where the authorization is registered. One copy of the paid challan shall be submitted to the Customs Authority at the said port which shall update its records.

(c) On receipt of the excess import letter issued by RA after its detailed calculations (indicating inter alia the reported duty deposited/debited and interest paid on self/own calculation basis, if any), the Customs would confirm the actual amount of duty payable for the default in EO and interest thereon and, taking into account the actual deposits/debits already made, would indicate the balance duty etc., if any. The AH shall pay these by the above modes and the Customs Authority shall endorse all the paid challan(s).

(d) On receipt of the redemption letter (indicating, inter alia, details of payments including amount and mode) from RA, the Customs Authority shall reconcile and initiate the prescribed actions for releasing the Bond / BG.

3. This facilitation procedure may be put in place and publicized through suitable Trade/ Public Notice and officers guided through Standing Order. Difficulties faced, if any, in implementation of the circular may be brought to the notice of the Board.

Yours faithfully,

(Sanjay Kumar)  
Under Secretary (DBK)  
Tele: 23341480

**Circular No. 14 /2015-Cus.**

F.No. 605/55/2014-DBK  
Government of India  
Ministry of Finance, Department of Revenue  
Central Board of Excise and Customs

New Delhi dated 20<sup>th</sup> April 2015

To,  
All Principal Chief Commissioners/Chief Commissioners of CBEC  
All Principal Directors General/Directors General of CBEC  
All Principal Commissioners/Commissioners of CBEC

Ma'am/Sir,

**Subject: Foreign Trade Policy 2015 - 2020 –Salient changes in Schemes of reward or incentive / advance authorization or DFIA / EPCG or post export EPCG - reg**

The Central Government has notified the Foreign Trade Policy (FTP), 2015 - 20 (Policy, for short) on 1.4.2015 and the DGFT has simultaneously issued public notices for the related Handbook of Procedures (HBP) and Appendices and ANF. These documents may be perused for details.

2. Insofar as the schemes of reward or incentive / advance authorization or DFIA / EPCG or post export EPCG are concerned, the Customs, Central Excise and Service Tax notifications have been issued for the purposes of implementing the Policy/HBP. These may also be perused for details. The succeeding paragraphs mention salient features of the changes in these Schemes.

**Reward/Incentive Schemes**

3. Reward in the form of duty credit shall be issued by the DGFT to service providers of notified services located in India under the Service Exports from India Scheme (SEIS) or to export of notified goods (including from SEZs) to notified markets / countries under the Merchandise Exports from India Scheme (MEIS) of the Policy. The MEIS includes reward on specified items that are transacted using e-commerce platforms when their export is made through foreign post offices/courier terminals at Chennai, Delhi and Mumbai for which procedures to be adopted shall be issued separately by concerned wings of CBEC.

4. Simplifications from earlier schemes include that both SEIS and MEIS reward duty credits are freely transferable and may be used to debit customs duty on import of any goods (except appendix 3A items), debit service tax on procurement of services or debit central excise duty on domestic procurement of excisable goods (without exception for appendix 3A items); the basic customs duty debited in SEIS/MEIS duty credit may also be allowed as drawback. The notification Nos. 24 & 25/2015-Customs, 20 & 21/2015-Central Excise and 10 & 11/2015- Service Tax all dated 08.04.2015 may be referred in this regard.

5. The Policy HBP para 3.14 relating to declaration of intent for reward on goods requires the exporter to, for shipping bills filed from 1.6.2015 onwards, mandatorily declare intent for rewards on shipping bill. Till then, the present position of mandatory declaration for certain shipping bills would continue. The changed position shall enable Customs to take more informed decisions.

**Advance Authorization & DFIA schemes**

6. The Policy has now provided for exemption from the transitional product specific safeguard duty of section 8C of CTA 1975. Advance Authorization for Annual Requirement has been restricted to cases of standardised norms (no self-declared norms). Only a post-export transferable DFIA with exemption from basic customs duty is provided for. Fuel cannot be imported under the new DFIA. These aspects are reflected in the notification Nos. 18 to 22/2015-Customs dated 1.4.2015 for Advance Authorization Scheme. Provisions relating to accounting of inputs introduced in the earlier FTP (during 2013 and 2014) which are now

reflected in para 4.12 of the Policy have been incorporated.

7. It may be noted that under the Policy, the import of gold for jewellery sector shall be under Advance Authorisation on pre-import basis with actual user condition. Also, the admissibility of brand rate of drawback shall be as per para 4.15 (Advance Authorisation) and para 4.26 (DFIA) of the Policy.

8. Keeping in view that an Advance Authorization is issued for a resultant product with specified inputs a change is reflected in Notification No. 18/2015-Customs dated 1.4.2015 which is expected to facilitate exporters who rely simultaneously on imported materials and domestic materials, especially those in the exempted goods sectors. The change allows the resultant products to be made by availing facility of rule 18 (rebate of duty paid on materials used) or rule 19{2}(removal of material without payment of duty for use in manufacture of goods exported} of Central Excise Rules subject to the condition that duty free material imported is used for manufacture of dutiable goods.

### **Export Promotion Capital Goods (EPCG) Scheme**

9. To further provide impetus to domestic production, the Policy has increased the lowered export obligation (when capital goods are sourced indigenously) from 10% to 25%. This is implemented by the Regional Authorities.

10. The EPCG authorisation for annual requirement, the provisions for technological up-gradation and for transfer of EPCG capital goods to group companies in certain cases/sectors are discontinued.

11. Amongst the significant simplifications under the Policy, the export obligation for spares for imported/domestically sourced capital good has been rationalized as that for capital goods. Installation Certificates (ICs) for capital goods have been permitted to be from jurisdictional Central Excise or independent Chartered Engineer. In the latter case, a registered unit would send copy to the jurisdictional Central Excise office. Capital goods may be installed at supporting manufacturer's premises if prior to such installation the latter's details are endorsed on the authorization by Regional Authority, who shall also, as per para 5.02 of Policy intimate the change to jurisdictional Central Excise offices and the Customs where authorisation is registered. Extension of period for producing IC by Regional Authority would be dovetailed by the Customs. Certain provisions are added in Policy para 5.04 read with para 5.10 of HBP for ensuring that exported goods are manufactured by authorization holder in the case of third party exports. The Policy/HBP and notification Nos. 16 and 17/2015- Customs and 18/2015-Central Excise all dated 1.4.2015 may be referred in the above regard. It may be noted that the position (effective from 18.4.2013), remains unchanged, that import of motor cars, sports utility vehicles and all purpose vehicles is not permitted under the EPCG scheme at zero duty.

### **Validity of AA/EPCG/DFIA Authorizations for imports and EO period**

12. Policy's HBP para 2.18 mentions that authorizations must be valid on date of import and export obligation period must be valid on date of export. Duty credit scrips issued under the Policy must be valid on date of debit of duty.

### ***Suo moto* payment of customs duty in case of bona fide default**

13. The Policy HBP paras 4.49 read with 4.50 and 5.23 refer to this and the Circular No. 11/2015-Customs dated 1.4.2015 has been issued for *suo moto* payment. Its suitable application to existing authorizations is not barred.

### **Verification and monitoring**

14. The Board's extant Circulars and Instructions on verifications and monitoring remain in force. There have been instances of fabricated export documents (purported to be of Customs

non-EDI ports) being used in obtaining rewards/showing fulfillment of EO. Based on DGFT's suggestion, it is advised that genuineness of shipping bills or bills of export not on Customs EDI may be expeditiously verified while registering scrip or processing EODC based on such document. Insofar as monitoring is concerned, field formations have been recently enabled to view in EDI the authorization-wise all India export details which would assist in identifying actionable cases under Advance Authorization and EPCG schemes. The Board's emphasis on timely action to safeguard revenue is evident from CBEC's Comprehensive MIS formats DGI - Cus 11& 11A which may be referred.

**Facility of exemption from furnishing bank guarantees (BG) or of giving concessional BG under the export promotion schemes subject inter alia to certain conditions (Circular No.58/2004-Cus as amended last by Circular No.15/2014-Cus)**

15. The Board had noticed a practice in one jurisdiction of prescribing BGs of 1% to 5% of the duty saved amount before new authorisations were registered when EODC for an existing authorisation was not produced in the prescribed time. The Board views that such a practice imposes transaction cost on exporters because every case of pending EODC is not a case of default in export obligation determined by the competent authority and even the enforcement of bond executed for such existing authorisation may not be due. Further, choosing varying levels of BGs also creates room for generation of grievances against field officers. The field formations are expected to avoid similar practices.

16. The above instructions may be brought to the notice of exporters through suitable public notice and the officers and staff may be guided through appropriate standing orders. Difficulties faced, if any, in implementation may please be brought to the notice of the Board.

It may be noted that to ensure timely inputs and reports from field formations for Department of Revenue or Board's participation/reporting in inter-Ministerial matters related to policy, compliance and performance issues of the reward, duty exemption schemes and duty remission schemes, the communications are being sent to the official designation based NIC email IDs (initially created for Board's Comprehensive MIS) and the officers are to keep these accounts functional by accessing them many times daily and make response from these email IDs only.

Yours faithfully,

(Rajiv Talwar)  
Joint Secretary  
Tel: 23341079

**Circular No. 12/2015-Customs**

F.No.401/57/2014- Cus III  
Government of India  
Ministry of Finance  
Department of Revenue  
(Central Board of Excise and Customs)

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New Delhi, the 9<sup>th</sup> April, 2015

To,  
All Chief Commissioners of Customs/ Customs (Preventive)  
All Chief Commissioners of Customs and Central Excise  
All Commissioners of Customs/ Customs (Preventive)  
All Commissioners of Customs and Central Excise  
Sir / Madam

**Subject: 4% SAD refund claim – regarding**

I am directed to refer to the Board Circular No 6/2008-Customs dated 28.04.2008 which prescribes the manner of claim and sanction of 4% SAD refund in terms of notification No. 102/2007-Customs dated 14.09.2007. Further, in terms of Para 4.2 of Board Circular No 6/2008-Customs, dated 28.04.2008, it is provided that an importer can file only one refund claim in month in a Commissionerate. However, representations have been received in the Board that this stipulation is not feasible in the Commissionerate having Customs locations widely spread and in situations where imports are made by an importer from more than one Customs location in a Commissionerate. Accordingly, it is requested that the extant provisions be simplified.

2. The matter has been examined by the Board. As a trade facilitation measure, it is decided that importers may file refund claim of 4% SAD refund in terms of notification No. 102/2007- Customs dated 14.09.2007 at the Customs stations where imports are made. However, the number of such claims at a Customs station shall be limited to one in a particular month.
3. Board Circular No. 6/2008-Customs dated 28.04.2008 stands modified to the above extent.
4. Board desires that above guidelines may be brought to the notice of field formation working under their jurisdiction.
5. Difficulty faced if any, in implementation of this Circular may be brought to the notice of the Board at an early date.

Yours faithfully,

(Rajan Lachala)  
OSD (Customs-III)

GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
DEPARTMENT OF REVENUE  
CENTRAL BOARD OF EXCISE AND CUSTOMS

NOTIFICATION  
NO.38/2015-CUSTOMS (N.T.)

Dated the 16<sup>th</sup> April, 2015  
26 Chaitra, 1937 (SAKA)

S.O. (E). – In exercise of the powers conferred by section 14 of the Customs Act, 1962 (52 of 1962), and in super session of the notification of the Government of India in the Ministry of Finance (Department of Revenue) No.35/2015-CUSTOMS (N.T.), dated the 1<sup>st</sup> April, 2015 *vide* number S.O.916 (E), dated the 1<sup>st</sup> April, 2015, except as respects things done or omitted to be done before such super session, the Central Board of Excise and Customs hereby determines that the rate of exchange of conversion of each of the foreign currency specified in column (2) of each of Schedule I and Schedule II annexed hereto into Indian currency or *vice versa* shall, with effect from 17<sup>th</sup> April, 2015 be the rate mentioned against it in the corresponding entry in column (3) thereof, for the purpose of the said section, relating to imported and export goods.

SCHEDULE-I

S.No.	Foreign Currency	Rate of exchange of one unit of foreign currency equivalent to Indian rupees	
(1)	(2)	(3)	
		(a)	(b)
		(For Imported Goods)	(For Export Goods)
1.	Australian Dollar	49.10	47.85
2.	Bahrain Dinar	170.40	161.05
3.	Canadian Dollar	51.50	50.35
4.	Danish Kroner	9.10	8.80
5.	EURO	67.65	65.95
6.	Hong Kong Dollar	8.15	8.00
7.	Kuwait Dinar	213.15	201.00
8.	New Zealand Dollar	48.15	46.75
9.	Norwegian Kroner	8.15	7.90
10.	Pound Sterling	93.80	91.65

11.	Singapore Dollar	46.65	45.55
12.	South African Rand	5.35	5.05
13.	Saudi Arabian Riyal	17.15	16.20
14.	Swedish Kroner	7.25	7.10
15.	Swiss Franc	65.55	64.00
16.	UAE Dirham	17.50	16.55
17.	US Dollar	62.95	61.95

SCHEDULE-II

S.No.	Foreign Currency	Rate of exchange of 100 units of foreign currency equivalent to Indian rupees	
(1)	(2)	(3)	
		(a)	(b)
		(For Imported Goods)	(For Export Goods)
1.	Japanese Yen	53.05	51.85
2.	Kenya Shilling	68.75	64.95

[F.No.468/01/2015-Cus.V]

(Akshay Joshi)  
Under Secretary to the Govt. of India

To  
The Manager,  
Government of India Press,  
Mayapuri, Ring Road, New Delhi.

**Circular No.1001/8/2015-CX.8**

F. No.267/18/2015-CX.8  
Government of India  
Ministry of Finance  
Department of Revenue  
Central Board of Excise and Customs

New Delhi, the 28th April, 2015

To,

Principal Chief Commissioners/Chief Commissioners of Central Excise (All),  
Principal Chief Commissioners/Chief Commissioners of Service Tax (All),  
Principal Chief Commissioners/Chief Commissioners of Customs (All),  
Director General, Directorate General of Central Excise Intelligence,  
Web-master, CBEC

Madam/Sir,

**Sub: Clarification on rebate of duty on goods cleared from DTA to SEZ – reg.**

Kind attention is invited to Notifications No. 6/2015-CE (NT) and 8/2015-CE (NT), both dated 01.03.2015, vide which the meaning of export has been elaborated in both rule 5 of CENVAT Credit Rules, 2004 and rule 18 of Central Excise Rules, 2002. Post these amendments, apprehensions have been expressed by the trade as to whether the following benefits would be available after these amendments:

- i. Benefit of rebate of duty on goods cleared from DTA to SEZ.
- ii. Refund of accumulated CENVAT credit when goods are cleared from DTA to SEZ.

2. It is seen that:

- i. Section 2 (m) (ii) of the SEZ Act, 2005 defines export to, inter-alia, mean “supplying goods, or providing services, from the Domestic Tariff Area to a Unit or Developer”.
- ii. Section 26 (1) (d) of SEZ Act, 2005 mentions that subject to the provisions of the sub-section (2), every Developer and entrepreneur shall be entitled to drawback or such other benefits as may be admissible from time to time on goods brought or services provided from the Domestic Tariff Area into Special Economic Zone or Unit or services provided in a Special Economic Zone or Unit by the service providers located outside India to carry on the authorized operations by the Developer or entrepreneur.
- iii. Section 51 (1) of the SEZ Act mandates that “The Provisions of this Act shall have effect notwithstanding anything inconsistent therewith contained in any other law for the time being in force or in any instrument having effect by virtue of any law other than this Act”.
- iv. Section 53 (1) of the SEZ Act mentions that “A Special Economic Zone shall, on and from the appointed day, be deemed to be a territory outside the customs territory of India for the purposes of undertaking the authorized operations”.
- v. Rule 30 (1) of the SEZ Rules, 2006 reads as under-

“The Domestic Tariff Area supplier supplying goods to a Unit or Developer shall clear the goods, as in the case of exports, either under bond or as duty paid goods under claim of rebate on the cover of ARE-1 referred to in Notification number 42/2001-Central Excise (NT) dated the 26<sup>th</sup> June, 2001 in quintuplicate bearing running serial

number beginning from the first day of the financial year”.

3. It can thus be seen that according to the SEZ Act, supply of goods from DTA to the SEZ constitutes export. Further, as per section 51 of the SEZ Act, the provisions of the SEZ Act shall have over riding effect over provisions of any other law in case of any inconsistency. Section 53 of the SEZ Act makes an SEZ a territory outside the customs territory of India. It is in line of these provisions that rule 30 (1) of the SEZ rules, 2006 provides that the DTA supplier supplying goods to the SEZ shall clear the goods either under bond or as duty paid goods under claim of rebate on the cover of ARE-1.

4. It was in view of these provisions that the DGEP vide circulars No. 29/2006-customs dated 27/12/2006 and No. 6/2010 dated 19/03/2010 clarified that rebate under rule 18 of the Central Excise Rules, 2002 is admissible for supply of goods made from DTA to SEZ. The position as explained in there circulars does not change after amendments made vide Notification No. 6/2015-CE (NT) and 8/2015-CE (NT) both dated 01.03.2015, since the definition of export, already given in rule 18 of Central Excise Rules, 2002 has only been made more explicit by incorporating the definition of export as given in the Customs Act, 1962. Since SEZ is deemed to be outside the Customs territory of India, any licit clearances of goods to an SEZ from the DTA will continue to be export and therefore be entitled to the benefit of rebate under rule 18 of CER, 2002 and of refund of accumulated CENVAT credit under rule 5 of CCR, 2004, as the case may be.

5. Any difficulty in the implementation of this circular may be brought to the notice of the Board. Hindi version will follow.

(Shankar Prasad Sarma)

Under Secretary to the Government of India

[TO BE PUBLISHED IN THE GAZETTE OF INDIA, EXTRAORDINARY, PART II, SECTION 3, SUB-SECTION (i)]

GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
(Department of Revenue)

Notification  
No. 12/2015-Central Excise (N.T.)

New Delhi, the 30th April, 2015

G.S.R. (E).- In exercise of the powers conferred by section 37 of the Central Excise Act, 1944 (1 of 1944) and section 94 of the Finance Act, 1994 (32 of 1994), the Central Government hereby makes the following rules further to amend the CENVAT Credit Rules, 2004, namely:-

1. (1) These rules may be called the CENVAT Credit (Second Amendment) Rules, 2015.  
(2) They shall come into force from the date of their publication in the Official Gazette.

2. In the CENVAT Credit Rules, 2004 (hereinafter referred to as the said rules), in rule 3, in sub-rule (7), in clause (b), after the second proviso, the following shall be substituted, namely:-

“Provided also that the credit of Education Cess and Secondary and Higher Education Cess paid on inputs or capital goods received in the factory of manufacture of final product on or after the 1st day of March, 2015 can be utilized for payment of the duty of excise leviable under the First Schedule to the Excise Tariff Act:

Provided also that the credit of balance fifty per cent. Education Cess and Secondary and Higher Education Cess paid on capital goods received in the factory of manufacture of final product in the financial year 2014-15 can be utilized for payment of the duty of excise specified in the First Schedule to the Excise Tariff Act:

Provided also that the credit of Education Cess and Secondary and Higher Education Cess paid on input services received by the manufacturer of final product on or after the 1st day of March, 2015 can be utilized for payment of the duty of excise specified in the First Schedule to the Excise Tariff Act.”.

[F. No. 334/5/2015-TRU]

(Akshay Joshi)  
Under Secretary to the Government of India

Note.- The principal rules were published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i), vide notification No.23/2004-Central Excise (N.T.) dated the 10th September, 2004 vide number G.S.R. 600(E) dated the 10th September, 2004 and last amended vide notification No.6/2015-Central Excise (N.T.) dated 1st March, 2015 published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i), by number G.S.R. 151(E), dated the 1st March, 2015.

File No. 5/3/13-CL.V  
Government of India  
Ministry of Corporate Affairs

5<sup>th</sup> floor, 'A' wing, Shastri Bhavan  
Dr. R P Road, New Delhi.

**Dated 9<sup>th</sup> April, 2015**

All Regional Directors,  
All Registrar of Companies,  
All Stakeholders.

**Subject : Clarification under sub-section (7) of section 186 of the  
Companies Act, 2013**


Sir,

Attention of this Ministry has been drawn to General Circular No 06/2013 dated 14.03.2013 vide which it was clarified that in cases where the effective yield (effective rate of return) on tax free bonds is greater than the yield on prevailing bank rate, there was no violation of Section 372A(3) of Companies Act, 1956. Stakeholders have requested for similar clarification w.r.t. corresponding section 186(7) of the Companies Act, 2013.

2. The matter has been examined in the Ministry and it is hereby clarified that in cases where the effective yield (effective rate of return) on tax free bonds is greater than the prevailing yield of one year, three year, five year or ten year Government Security closest to the tenor of the loan, there is no violation of sub-section (7) of section 186 of the Companies Act, 2013.

3. This issues with the approval of competent authority.

Yours faithfully,

  
(K M S Narayanan)  
Assistant Director  
Phone 23387263

Copy to :

1. All concerned
2. PS to CAM
3. PS to Secretary
4. PS to A.S.
5. PS to Joint Secretaries
6. E-Governance Cell for uploading this Circular in MCA 21.

**General Circular No. 07/2015**

F. No. 1/5/2013-CL-V  
Government of India  
Ministry of Corporate Affairs

5th Floor, A Wing, Shastri Bhavan,  
Dr R.P. Road, New Delhi  
**Dated: 10<sup>th</sup> April, 2015**

To  
All Regional Directors,  
All Registrars of Companies,  
All Stakeholders.

**Subject: Remuneration to managerial person under Schedule XIII of the Companies Act, 1956 – Clarification with regard to payment for period.**


Sir,

Stakeholders have drawn attention to the provisions of Schedule XIII (sixth proviso to Para (C) of Section II of Part II) of the Companies Act, 1956 (Earlier Act) and as clarified vide Circular number 14/11/2012-CL-VII dated 16<sup>th</sup> August, 2012, which allowed listed companies and their subsidiaries to pay remuneration, without approval of Central Government, in excess of limits specified in para II Para (C) of such Schedule if the managerial person met the conditions specified therein. Stakeholders have expressed that since similar provisions are not available in the Schedule V of the Companies Act, 2013, there is a need for a clarification that a managerial person appointed in accordance with such provision of Schedule XIII of Earlier Act may receive relevant remuneration for the period as approved by the company in accordance with such provisions of Earlier Act.

2. The matter has been examined in the light of earlier clarifications on transitional matters issued by the Ministry. It is clarified that a managerial person referred to in para 1 above may continue to receive remuneration for his remaining term in accordance with terms and conditions approved by company as per relevant provisions of Schedule XIII of earlier Act even if the part of his/her tenure falls after 1<sup>st</sup> April, 2014.

3. This issues with the approval of the competent authority.

Yours faithfully

  
(K.M.S. Narayanan)  
Assistant Director (Policy)  
23387263

Copy to:-

1. e-Governance Section and web contents Officer to place this circular on the Ministry website
2. Guard File.

भारत सरकार  
कारपोरेट कार्य मंत्रालय  
आदेश

नई दिल्ली, 10 अप्रैल, 2015

सा.आ. (अ) - केन्द्रीय सरकार, कंपनी अधिनियम, 2013 (2013 का 18) की धारा 143 की उपधारा (11) द्वारा प्रदत्त शक्तियों का प्रयोग करते हुए और सा.का.नि. 480(अ), तारीख 12 जून, 2003 द्वारा भारत के राजपत्र, असाधारण, भाग-II, खंड-3, उपखंड (i) में प्रकाशित कंपनी (लेखापरीक्षक की रिपोर्ट) आदेश, 2003 को उन बातों के सिवाय जिन्हें ऐसे अधिक्रमण के पूर्व किया गया है या करने से लोप किया गया है, अधिकांत करते हुए, और चार्टर्ड अकाउंटेंट अधिनियम, 1949 (1949 का 38) के अधीन गठित, भारतीय चार्टर्ड अकाउंटेंट संस्थान से परामर्श करके, निम्नलिखित आदेश करती है, अर्थात् -

1. संक्षिप्त नाम, लागू होना और प्रारंभ - (1) इस आदेश का संक्षिप्त नाम कंपनी (लेखापरीक्षक की रिपोर्ट) आदेश, 2015 है।

(2) यह कंपनी अधिनियम, 2013 (2013 का 18) [जिसे यहां इसके पश्चात् कंपनी अधिनियम कहा गया है] की धारा 2 के खंड (42) में यथापरिभाषित किसी विदेशी कंपनी सहित निम्नलिखित के सिवाय प्रत्येक कंपनी पर लागू होगा, -

- (i) बैंकिंग विनियमन अधिनियम, 1949 (1949 का 10) की धारा 5 के खंड (ग) में यथापरिभाषित कोई बैंकारी कंपनी;
- (ii) बीमा अधिनियम, 1938 (1938 का 4) के अधीन यथापरिभाषित कोई बीमा कंपनी;
- (iii) कंपनी अधिनियम की धारा 8 के अधीन प्रचालन हेतु अनुज्ञप्ति प्राप्त कोई कंपनी;
- (iv) कंपनी अधिनियम की धारा 2 के खंड (62) के अधीन यथापरिभाषित कोई एकल व्यक्ति कंपनी और कंपनी अधिनियम की धारा 2 के खंड (85) के अधीन यथापरिभाषित कोई लघु कंपनी; और
- (v) कोई प्राइवेट लिमिटेड कंपनी जिसकी संदत्त पूंजी और आरक्षितियां पचास लाख रुपए से अनधिक है और जिस पर किसी बैंक या वित्तीय संस्थान से पच्चीस लाख रुपए से अधिक का कोई ऋण बकाया नहीं है और जिसका वित्त वर्ष के दौरान किसी समय पर व्यापारावर्त पांच करोड़ रुपए से अधिक नहीं है।

(3) ये राजपत्र में प्रकाशन की तारीख को प्रवृत्त होगा।

2. पैराग्राफ 3 और 4 में विनिर्दिष्ट मामले लेखापरीक्षक की रिपोर्ट में शामिल होंगे - कंपनी अधिनियम की धारा 143 के अधीन लेखापरीक्षक द्वारा प्रत्येक कंपनी के जांच किए गए लेखाओं पर बनाई गई प्रत्येक रिपोर्ट में, जिसके संबंध में 01 अप्रैल, 2014 को या उसके पश्चात् प्रारंभ होने वाले वित्तीय वर्ष के लिए जिसमें यह आदेश लागू है, पैराग्राफ 3 और 4 में विनिर्दिष्ट मामले शामिल होंगे।

3. लेखापरीक्षक की रिपोर्ट में सम्मिलित किए जाने वाले विषय - किसी कंपनी जिसको यह आदेश लागू है लेखाओं के बारे में लेखापरीक्षक की रिपोर्ट में निम्नलिखित मामलों पर कथन सम्मिलित होंगा, अर्थात् -

(i) (क) क्या कंपनी पूर्ण विशिष्टियों जिसके अंतर्गत नियत आस्तियों की स्थिति और मात्रात्मक ब्यौरे भी हैं दर्शित करते उचित अभिलेखों का रखरखाव कर रही है;

(ख) क्या उन नियत आस्तियों की प्रबंध मंडल द्वारा युक्तियुक्त अंतरालों पर भौतिक सत्यापन किया गया है; क्या ऐसे सत्यापन में कोई वास्तविक विसंगति पाई गई है और यदि हां, तो क्या उनका लेखाबहियों में उपयुक्त समाधान किया गया है;

(ii) (क) क्या प्रबंध मंडल द्वारा युक्तियुक्त अंतरालों पर तालिका भौतिक सत्यापन किया गया है;

(ख) क्या प्रबंध मंडल द्वारा तालिका के भौतिक सत्यापन के लिए अपनाई गई प्रक्रिया कंपनी के आकार और इसके व्यवसाय की प्रकृति को देखते हुए युक्तियुक्त और पर्याप्त है। यदि नहीं तो, ऐसी प्रक्रियाओं अपर्याप्तताओं की रिपोर्ट की जानी चाहिए;

(ग) क्या कंपनी तालिका के उपयुक्त अभिलेखों का रखरखाव करती है और क्या भौतिक सत्यापन में कोई वास्तविक विसंगति पाई गई है और यदि हां तो, क्या लेखाबहियों में उनका उपयुक्त समाधान किया गया है;

(iii) क्या कंपनी ने कंपनी अधिनियम की धारा 189 के अधीन रखे गए रजिस्टर में कंपनियों, फर्मों या आने वाले अन्य पक्षों को प्रतिभूति या अप्रतिभूति, कोई ऋण दिया है। यदि हां तो,

(क) क्या मूल रकम और ब्याज की रसीदें भी नियमित हैं; और

(ख) यदि बकाया रकम एक लाख रुपए से अधिक है, क्या कंपनी द्वारा मूल और ब्याज की वसूली के लिए तर्कसंगत उपाय किए गए हैं;

(iv) क्या तालिका और नियत आस्तियों की खरीद के लिए तथा माल और सेवाओं की बिक्री के लिए, कंपनी के आकार और उसके व्यवसाय की प्रकृति के अनुरूप कोई उपर्युक्त, आंतरिक नियंत्रण प्रणाली है। क्या आंतरिक नियंत्रण प्रणाली की प्रमुख कमजोरियों में सुधार करने में लगातार असफलता रही है।

(v) कंपनी के निक्षेप स्वीकार किए जाने की दशा में, क्या भारतीय रिजर्व बैंक द्वारा जारी निदेशों और कंपनी अधिनियम की धारा 73 से धारा 76 के उपबंध या कोई अन्य संगत उपबंध तथा उसके अधीन बनाए गए नियमों, जहां लागू हो, का अनुपालन किया गया है? यदि नहीं तो, उल्लंघनों की प्रकृति कथन किया जाना चाहिए; यदि कंपनी विधि बोर्ड या राष्ट्रीय कंपनी विधि अधिकरण या भारतीय रिजर्व बैंक या किसी अन्य न्यायालय या किसी अन्य अधिकरण द्वारा कोई आदेश पारित किया गया है तो क्या उसका अनुपालन किया गया है या नहीं?

(vi) जहां केंद्रीय सरकार द्वारा कंपनी अधिनियम की धारा 148 की उपधारा (1) के अधीन विनिर्दिष्ट लागत अभिलेखों का रखरखाव किया गया है, क्या ऐसे लेखों और अभिलेख तैयार किए गए हैं और उनका रखरखाव किया गया है;

(vii) (क) क्या कंपनी भविष्य निधि, कर्मचारी राज्य बीमा, आयकर, समुचित प्राधिकरणों को कोई बिक्री कर, संपत्ति कर, सेवा कर, सीमा शुल्क, उत्पाद शुल्क, मूल्यवर्धित कर और उपकर अन्य कानूनी देयताओं सहित निर्विवाद कानूनी देयताएं उपयुक्त प्राधिकरणों को जमा करने में नियमित है और यदि नहीं तो, संबंधित वित्त वर्ष के अंतिम तिथि को ऐसी देयताओं को जमा करने के लिए देय तारीख से छह मास से अधिक अवधि के लिए बकाया कानूनी देयताएं लेखापरीक्षक द्वारा दर्शित की जाएंगी।

(ख) यदि आयकर या बिक्री कर या संपत्ति कर या सेवाकर या सीमा शुल्क या उत्पाद शुल्क या मूल्यवर्धित कर या उपकर के बकाए किसी विवाद के कारण जमा नहीं किए जाने की दशा में, रहने की स्थिति में, उसमें सम्मिलित रकम और उस फोरम का उल्लेख किया जाएगा जहां विवाद लंबित है (संबंधित विभाग को प्रत्यावेदन मात्र को विवाद नहीं माना जाएगा)।

(ग) क्या कंपनी अधिनियम, 1956 (1956 का 1) और उसके अधीन बनाए गए नियमों के संगत उपबंधों के अनुसरण में निवेशक शिक्षा और सुरक्षा निधि में अंतरण के लिए अपेक्षित राशि निर्धारित समय के भीतर ऐसी निधि में अंतरित की गई है।

(viii) क्या किसी ऐसी कंपनी की दशा में, जो पांच वर्षों से अन्यून अवधि के लिए पंजीकृत हो, वित्तीय वर्ष के अंत में इसकी समेकित हानि इसके निवल मूल्य के पचास प्रतिशत से कम नहीं है और क्या इसमें ऐसे वित्त वर्ष में और ठीक पूर्ववर्ती वर्ष में नकद हानि की है;

(ix) क्या कंपनी ने किसी वित्तीय संस्थान या बैंक या प्रतिभूति धारकों के बकायों के पुनर्संदाय में व्यतिक्रम किया है? यदि हां, तो व्यतिक्रम की अवधि और राशि की रिपोर्ट दी जाए;

(x) क्या कंपनी ने अन्यो द्वारा बैंक या वित्तीय संस्थानों से लिए गए ऋणों के लिए कोई गारंटी दी है, जिसकी निबंधन और शर्तें कंपनी के हित के विपरीत हैं;

(xi) क्या उस उद्देश्य के लिए जिसके लिए ऋण प्राप्त किया गया, अवधि ऋण हेतु आवेदन किया गया था;

(xii) क्या वर्ष के दौरान कंपनी के विरुद्ध या कंपनी द्वारा कोई कपट किया गया है; और यदि हां, तो उसकी प्रकृति और अंतर्वलित रकम दर्शित की जाए।

4. अननूकूल या अर्हित उत्तरों के लिए कारण बताएं जाएं - (1) जहां लेखापरीक्षक की रिपोर्ट में, पैरा 3 में उल्लिखित किसी प्रश्न का उत्तर अननूकूल और अर्हित है तो, लेखापरीक्षक की रिपोर्ट में ऐसे यथास्थिति, अननूकूल और अर्हित उत्तर, का कारण भी कथित किया जाएगा।

(2) जहां लेखापरीक्षक किसी विशिष्ट प्रश्न के उत्तर में कोई मंतव्य देने में असमर्थ हो वहां उपरी रिपोर्ट में ऐसे तथ्य को ऐसे प्रश्न का उत्तर नहीं देने के लिए संभावित कारणों के साथ दर्शित किया जाए।

[फा.सं. 17/45/2015-सीएल-V]

अमरदीप सिंह  
10/04/2015

अमरदीप सिंह भाटिया

संयुक्त सचिव, भारत सरकार

[TO BE PUBLISHED IN THE GAZETTE OF INDIA EXTRAORDINARY, PART II,  
SECTION 3, SUB-SECTION (ii)]

GOVERNMENT OF INDIA  
MINISTRY OF CORPORATE AFFAIRS

Order

New Delhi, the 10<sup>th</sup> April, 2015

S.O. \_\_\_\_ (E).- In exercise of the powers conferred by sub-section (11) of section 143 of the Companies Act, 2013 (18 of 2013) and in supersession of the Companies (Auditor's Report) Order, 2003, published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i), vide number G.S.R. 480 (E), dated the 12<sup>th</sup> June, 2003, except as respects things done or omitted to be done before such supersession, the Central Government, after consultation with the Institute of Chartered Accountants of India, constituted under the Chartered Accountants Act, 1949 (38 of 1949), hereby makes the following Order, namely:-

**1. Short title, application and commencement.** - (1) This order may be called the Companies (Auditor's Report) Order, 2015.

(2) It shall apply to every company including a foreign company as defined in clause (42) of section 2 of the Companies Act, 2013 (18 of 2013) [hereinafter referred to as the Companies Act], except -

(i) a banking company as defined in clause (c) of section 5 of the Banking Regulation Act, 1949 (10 of 1949);

(ii) an insurance company as defined under the Insurance Act, 1938 (4 of 1938);

(iii) a company licensed to operate under section 8 of the Companies Act;

(iv) a One Person Company as defined under clause (62) of section 2 of the Companies Act and a small company as defined under clause (85) of section 2 of the Companies Act; and

(v) a private limited company with a paid up capital and reserves not more than rupees fifty lakh and which does not have loan outstanding exceeding rupees twenty five lakh from any bank or financial institution and does not have a turnover exceeding rupees five crore at any point of time during the financial year.

(3) It shall come into force on the date of its publication in the Official Gazette.

**2. Auditor's report to contain matters specified in paragraphs 3 and 4. -**

Every report made by the auditor under section 143 of the Companies Act, on the accounts of every company examined by him to which this Order applies for the financial year commencing on or after 1<sup>st</sup> April, 2014, shall contain the matters specified in paragraphs 3 and 4.

**3. Matters to be included in the auditor's report. -** The auditor's report on the account of a company to which this Order applies shall include a statement on the following matters, namely:-

- (i) (a) whether the company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets;
- (b) whether these fixed assets have been physically verified by the management at reasonable intervals; whether any material discrepancies were noticed on such verification and if so, whether the same have been properly dealt with in the books of account;

- (ii) (a) whether physical verification of inventory has been conducted at reasonable intervals by the management;
- (b) are the procedures of physical verification of inventory followed by the management reasonable and adequate in relation to the size of the company and the nature of its business. If not, the inadequacies in such procedures should be reported;
- (c) whether the company is maintaining proper records of inventory and whether any material discrepancies were noticed on physical verification and if so, whether the same have been properly dealt with in the books of account;
- (iii) whether the company has granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 189 of the Companies Act. If so,
  - (a) whether receipt of the principal amount and interest are also regular; and
  - (b) if overdue amount is more than rupees one lakh, whether reasonable steps have been taken by the company for recovery of the principal and interest;
- (iv) is there an adequate internal control system commensurate with the size of the company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. Whether there is a continuing failure to correct major weaknesses in internal control system.
- (v) in case the company has accepted deposits, whether the directives issued by the Reserve Bank of India and the provisions of sections 73 to 76 or any other relevant provisions of the Companies Act and the rules framed there under, where applicable, have been complied with? If not, the nature of contraventions should be stated; If an order has been passed by Company Law Board or National Company Law Tribunal or Reserve Bank of India or any court or any other tribunal, whether the same has been complied with or not?
- (vi) where maintenance of cost records has been specified by the Central Government under sub-section (1) of section 148 of the Companies Act, whether

such accounts and records have been made and maintained;

(vii) (a) is the company regular in depositing undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, wealth tax, service tax, duty of customs, duty of excise, value added tax, cess and any other statutory dues with the appropriate authorities and if not, the extent of the arrears of outstanding statutory dues as at the last day of the financial year concerned for a period of more than six months from the date they became payable, shall be indicated by the auditor.

(b) in case dues of income tax or sales tax or wealth tax or service tax or duty of customs or duty of excise or value added tax or cess have not been deposited on account of any dispute, then the amounts involved and the forum where dispute is pending shall be mentioned. (A mere representation to the concerned Department shall not constitute a dispute).

(c) whether the amount required to be transferred to investor education and protection fund in accordance with the relevant provisions of the Companies Act, 1956 (1 of 1956) and rules made thereunder has been transferred to such fund within time.

(viii) whether in case of a company which has been registered for a period not less than five years, its accumulated losses at the end of the financial year are not less than fifty per cent of its net worth and whether it has incurred cash losses in such financial year and in the immediately preceding financial year;

(ix) whether the company has defaulted in repayment of dues to a financial institution or bank or debenture holders? If yes, the period and amount of default to be reported;

(x) whether the company has given any guarantee for loans taken by others from bank or financial institutions, the terms and conditions whereof are prejudicial to the interest of the company;

(xi) whether term loans were applied for the purpose for which the loans were

obtained;

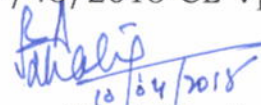
(xii) whether any fraud on or by the company has been noticed or reported during the year; If yes, the nature and the amount involved is to be indicated.

**4. Reasons to be stated for unfavourable or qualified answers.- (1)**

Where, in the auditor's report, the answer to any of the questions referred to in paragraph 3 is unfavourable or qualified, the auditor's report shall also state the reasons for such unfavourable or qualified answer, as the case may be.

(2) Where the auditor is unable to express any opinion in answer to a particular question, his report shall indicate such fact together with the reasons why it is not possible for him to give an answer to such question.

[File No. 17/45/2015-CL-V]



Amardeep Singh Bhatia

Joint Secretary to the Government of India



**भारतीय रिज़र्व बैंक**  
**RESERVE BANK OF INDIA**

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April 07, 2015

**First Bi-monthly Monetary Policy Statement, 2015-16 By  
Dr. Raghuram G. Rajan, Governor**

**Monetary and Liquidity Measures**

On the basis of an assessment of the current and evolving macroeconomic situation, it has been decided to:

- keep the policy repo rate under the liquidity adjustment facility (LAF) unchanged at 7.5 per cent;
- keep the cash reserve ratio (CRR) of scheduled banks unchanged at 4.0 per cent of net demand and time liability (NDTL); and
- continue to provide liquidity under overnight repos at 0.25 per cent of bank-wise NDTL at the LAF repo rate and liquidity under 7-day and 14-day term repos of up to 0.75 per cent of NDTL of the banking system through auctions; and
- continue with daily variable rate repos and reverse repos to smooth liquidity.

Consequently, the reverse repo rate under the LAF will remain unchanged at 6.5 per cent, and the marginal standing facility (MSF) rate and the Bank Rate at 8.5 per cent.

**Assessment**

2. Since 2014-15's sixth bi-monthly monetary policy statement of February, a moderate and uneven global recovery is emerging, with economies being buffeted (or supported) by currency fluctuations and commodity prices. Growth in the United States is likely to have been weak in the first quarter of calendar 2015, partly because of US dollar appreciation, but is expected to strengthen. The Euro area has started to show modest improvement, supported by a boost to demand from lower crude prices and the depreciation of the euro as well as easing financial and credit conditions following the commencement of quantitative easing. With the waning of the impact of the consumption tax increase, growth turned positive in Japan in Q4 of 2014 and consumer confidence and exports picked up. However, retail sales and industrial production contracted, indicating that the outlook is still weak. Growth continues to slow in China amidst financial fragilities and macroeconomic imbalances. This will have regional and global ramifications, although the softness in international commodity prices is providing some offset for net importers while adversely impacting net exporters. Global growth is likely to firm up through 2015 and 2016, supported by stronger recovery in the advanced economies (AEs) and soft energy prices. Downside risks mainly emanate from the slowdown in China, geopolitical risks surrounding oil prices and the uneven effects of currency and commodity price movements.

3. Global financial markets have been boosted by expectations of normalisation of US monetary policy being pushed back into late 2015, monetary policy stances turning highly accommodative in other AEs, and several emerging market economies (EMEs) easing policy rates to address growth concerns. Long-term yields have declined to all-time lows on weak inflation expectations, compression of term premiums and the safe haven allure of US Treasuries. Ultra low interest rates and reduction in risk premia have raised most asset prices to record highs, and have pushed investors to riskier assets such as equity and lower rated debt instruments. Exchange rates have experienced large and volatile movements, with the US dollar strengthening against most currencies. Among EMEs, markets have tended to discriminate against those with relatively weaker fundamentals and/or oil exporters. Nevertheless, with high portfolio flows to EMEs, risks from sudden shifts in market sentiment have increased.

4. Domestic economic activity is likely to have strengthened in Q4. Second advance estimates of the Ministry of Agriculture suggest that the contraction in food grains production in 2014-15 may turn out to be less than earlier anticipated. However, the adverse impact of unseasonal rains and hailstorms in March is still unfolding. Initial estimates indicate that as much as 17 per cent of the sown area under the *rabi* crop may have been affected though the precise extent of the damage remains to be determined. The growth in allied activities is likely to remain strong as in the recent past, though it remains to be seen whether it will fully compensate the decline in food grains output.

5. The industrial sector, and in particular, manufacturing appears to be regaining momentum, with the growth of production in positive territory for three consecutive months till January. While basic goods production has been expanding steadily since November 2013, capital goods output has been relatively lumpy and volatile, and more positive readings are needed to be confident about a durable pick-up in investment demand. The persisting contraction in consumer durables production for over two years could be reflecting the underlying weakness in consumption demand as well as higher imports.

6. Mixed signals are coming from the service sector. While the national accounts statistics seem to suggest that consumption demand for services is robust relative to the demand for goods, and purchasing managers perceive activity expanding on new orders, various coincident indicators of services sector activity including railway and port traffic, domestic and international passenger traffic, international freight traffic, tourist arrivals, motorcycle and tractor sales as well as bank credit and deposit growth remain subdued.

7. Retail inflation measured by the year-on-year changes in the revised consumer price index (CPI) firmed up for the third successive month in February as favourable base effects dissipated, despite the price index remaining virtually flat since December. The still elevated levels of prices of protein-rich items such as pulses, meat, fish and milk kept food inflation from following the seasonal decline in prices of vegetables and fruits. The prices of items such as sugar and edible oil moderated in

consonance with the downturn in global commodity prices. Fuel inflation edged up for the second month in a row due to the increase in prices of electricity and firewood.

8. Inflation excluding food and fuel fell successively in the nine months till February. A large part of this disinflation has been on account of the slump in international crude oil prices feeding through into domestic prices of petrol and diesel that are included under the category transport and communication. Inflation in respect of housing has also eased in the revised CPI, in part reflecting methodological and coverage improvements. Furthermore, upside pressures affecting prices of services such as education, health and other services have also fallen on account of weak demand conditions. The rate of growth of rural wages has come off substantially from the double digit levels that prevailed up to November 2013. Firms are also reporting a substantial easing of input price pressures, barring the most recent purchasing manager surveys. Reflecting past disinflation, inflation expectations of households are in single digits, although they too exhibit some firming up in Q4 in response to the turning up of food and fuel inflation during January-February.

9. Since the shift in the monetary policy stance in January towards accommodation, the Reserve Bank has moved to ensure comfortable liquidity conditions through pro-active liquidity management, including fine-tuning operations on week days and access to the MSF and fixed rate reverse repo on Saturdays. This has helped to smooth the liquidity frictions that characterise events such as advance tax payments and balance sheet dates, keeping the money market rates anchored to the repo rate. In order to alleviate the pressures that build up in March on account of frictional factors, the Reserve Bank augmented its liquidity management instruments by engaging in repos of maturities ranging from 8 to 28 days cumulating to an outstanding amount of ₹1430 billion (including support from the MSF of ₹416 billion) at end-March in addition to regular 14-day term repo auctions and fixed rate overnight repos. The availability of liquidity can be gauged from the fact that in March, average daily liquidity returned by market participations through variable/fixed rate reverse repos amounted to ₹293 billion.

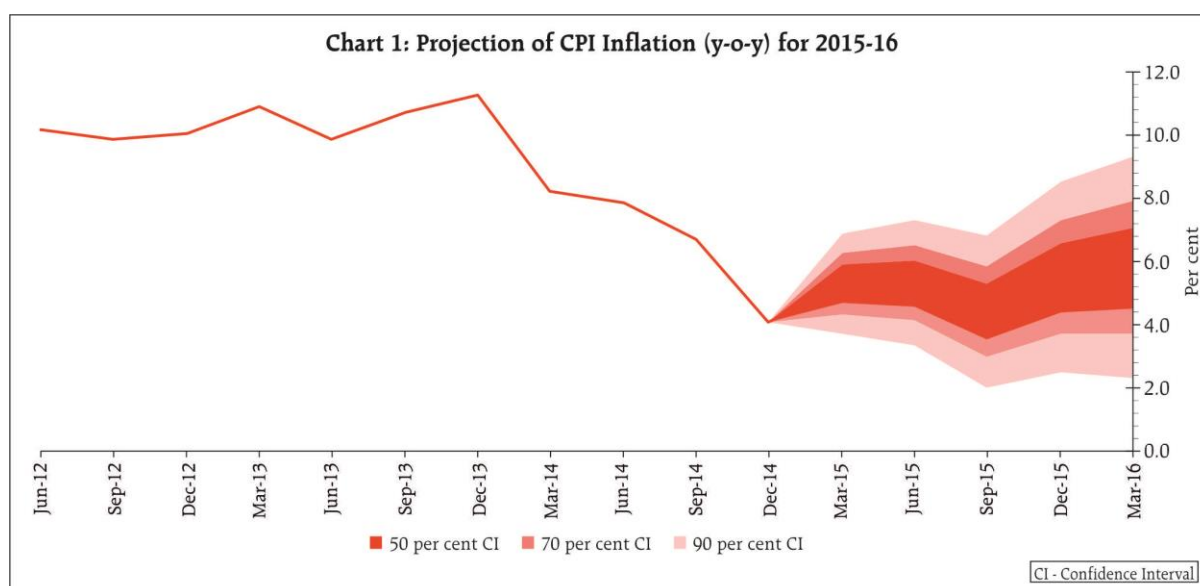
10. Export performance has been progressively weakening and contraction set in on both non-oil and petroleum product exports since December 2014. Fragile external demand conditions and the softness in international commodity prices have taken a heavy toll, as in several other EMEs in Asia. In particular, price realisations have been eroded, despite export volumes going up. With the Indian rupee gaining in real effective terms, export margins are coming under pressure for those exporters without substantial imported inputs. Net terms of trade gains and compression in imports of petroleum products have narrowed the trade deficit in the last three months to its lowest level since 2009-10. Gold imports remained contained; although non-oil non-gold imports grew at a modest pace in these months, they may be reflecting substitution effects in view of the sluggishness in domestic manufacturing.

11. Exports of services, particularly, software and travel have provided a silver lining and have helped to hold down the current account deficit (CAD) which has narrowed in Q3. This improvement has likely extended into Q4. As a result, capital

inflows – mainly portfolio flows into domestic debt and equity markets and foreign direct investment – have exceeded the external financing requirement and enabled accretion to the foreign exchange reserves which reached an all-time peak of US\$ 343 billion as on April 3, 2015. These reserves, including forward purchases that will be delivered over the next few months, provide some buffer against potential capital outflows when monetary policy normalisation in AEs commences. Good macroeconomic policy will, of course, be the critical first line of defence in retaining investor confidence.

## Policy Stance and Rationale

12. In 2015 so far, the inflation path has evolved along the projected path after a sizable undershoot of the January 2015 target. CPI inflation is projected at its current levels in the first quarter of 2015-16, moderating thereafter to around 4 per cent by August but firming up to reach 5.8 per cent by the end of the year (Chart 1). There are upside risks to the central projection emanating from possible intensification of *el niño* conditions leading to a less than normal monsoon; large deviations in vegetable and fruit prices from their regular seasonal patterns, given unseasonal rains; larger than anticipated administered price revisions; faster closing of the output gap; geopolitical developments leading to hardening of global commodity prices; and spillover from external developments through exchange rate and asset price channels. However, at this juncture, these upside risks appear to be offset by downsides originating from global deflationary/disinflationary tendencies, the still soft outlook on global commodity prices; and slack in the domestic economy.

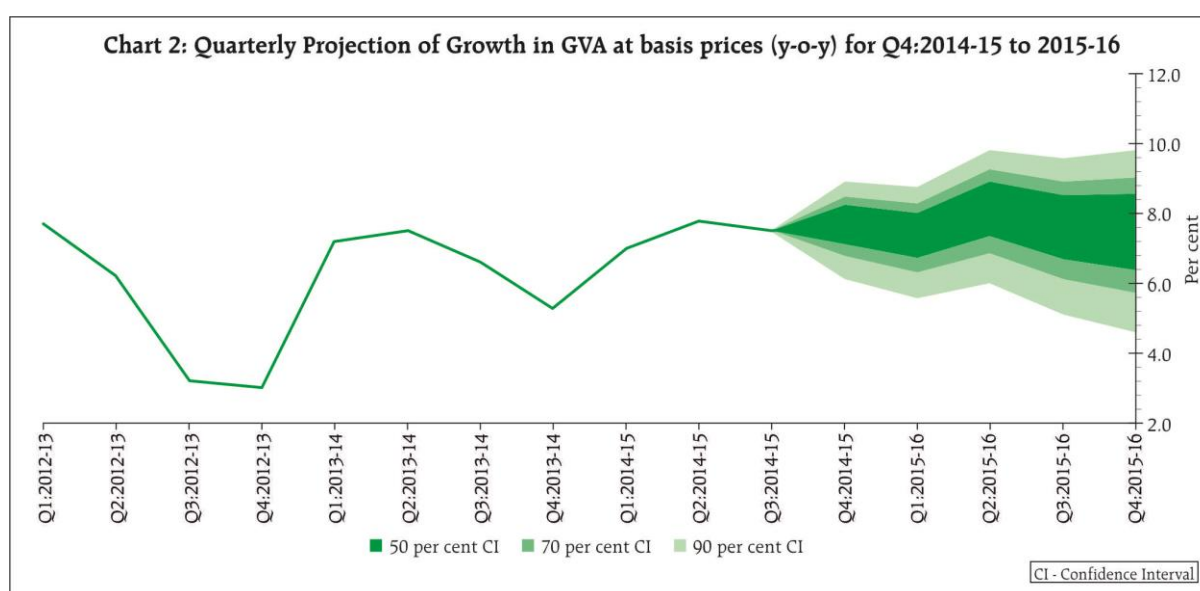


13. Transmission of policy rates to lending rates has not taken place so far despite weak credit off take and the front loading of two rate cuts. With little transmission, and the possibility that incoming data will provide more clarity on the balance of risks on inflation, the Reserve Bank will maintain *status quo* in its monetary policy stance in this review.

14. The Monetary Policy Framework Agreement signed by the Government of India and the Reserve Bank in February 2015 will shape the stance of monetary policy in 2015-16 and succeeding years. The Reserve Bank will stay focussed on ensuring

that the economy disinflates gradually and durably, with CPI inflation targeted at 6 per cent by January 2016 and at 4 per cent by the end of 2017-18. Although the target for end-2017-18 and thereafter is defined in terms of a tolerance band of  $\pm 2$  per cent around the mid-point, it will be the Reserve Bank's endeavour to keep inflation at or close to this mid-point, with the extended period provided for achieving the mid-point mitigating potentially adverse effects on the economy. As outlined above, several favourable forces are at work, consistent with the change in the monetary policy stance towards accommodation effected from January. The Reserve Bank's intent is to allow the disinflationary momentum to spread through the economy, but remain vigilant about any resurgence of inflationary pressures that may destabilise the progress towards the inflation objectives set in the Agreement.

15. The outlook for growth is improving gradually. Comfortable liquidity conditions should enable banks to transmit the recent reductions in the policy rate into their lending rates, thereby improving financing conditions for the productive sectors of the economy. Along with initiatives announced in the Union Budget to boost investment in infrastructure and to improve the business environment, these factors should provide confidence to private investment and, together with the conducive outlook on inflation, deliver real income gains to consumers and lower input cost advantages to corporates. GDP growth estimates of the CSO for 2014-15 already project a robust pick-up, but leading and coincident indicators suggest a downward revision of these estimates when fuller information on real activity for the last quarter becomes available. Uncertainty surrounding the arrival and distribution of the monsoon and unanticipated global developments are the two major risks to baseline growth projections. Assuming a normal monsoon, continuation of the cyclical upturn in a supportive policy environment, and no major structural change or supply shocks, output growth for 2015-16 is projected at 7.8 per cent, higher by 30 bps from 7.5 per cent in 2014-15, but with a downward bias to reflect the still subdued indicators of economic activity (Chart 2).



16. Going forward, the accommodative stance of monetary policy will be maintained, but monetary policy actions will be conditioned by incoming data. First, the Reserve Bank will await the transmission by banks of its front-loaded rate

reductions in January and February into their lending rates. Second, developments in sectoral prices, especially those of food, will be monitored, as will the effects of recent weather disturbances and the likely strength of the monsoon, as the Reserve Bank stays vigilant to any threats to the disinflation that is underway. The Reserve Bank will look through both seasonal as well as base effects. Third, the Reserve Bank will look to a continuation and even acceleration of policy efforts to unclog the supply response so as to make available key inputs such as power and land. Further progress on repurposing of public spending from poorly targeted subsidies towards public investment and on reducing the pipeline of stalled investment will also be helpful in containing supply constraints and creating room for monetary accommodation. Finally, the Reserve Bank will watch for signs of normalisation of the US monetary policy, though it anticipates India is better buffered against likely volatility than in the past.

## **Part B: Developmental and Regulatory Policies**

17. This part of the Statement reviews the progress on various developmental and regulatory policy measures announced by the Reserve Bank in recent policy statements and also sets out new measures to be taken for strengthening the banking structure; broadening and deepening financial markets and extending the reach of financial services to all.

### **I. Monetary Policy Framework**

18. Steps taken to revise the monetary policy framework are documented in the accompanying [Monetary Policy Report](#).

### **II. Banking Structure**

19. The Basel Committee on Banking Supervision issued the final rules on the Net Stable Funding Ratio (NSFR) in October 2014. The Reserve Bank has already started phasing in implementation of the Liquidity Coverage Ratio (LCR) from January 2015 and is committed to the scheduled implementation of NSFR from January 1, 2018 for banks in India. The Reserve Bank proposes to issue draft guidelines on NSFR by May 15, 2015.

20. Guidelines on Countercyclical Capital Buffers (CCCB) were issued on February 5, 2015. They advised that the CCCB would be activated as and when circumstances warrant, and that the decision would normally be pre-announced with a lead time of four quarters. The framework envisages the credit-to-GDP gap as the main indicator which may be used in conjunction with other supplementary indicators such as the incremental credit-deposit (C-D) ratio for a moving period of three years, the industrial outlook survey (IOS) assessment index and the interest coverage ratio. A review and empirical testing of these indicators was carried out to assess whether activation of the CCCB is warranted. It was concluded that the overall situation does not warrant imposition of CCCB at this point of time.

21. In July 2014, banks were allowed to issue long term bonds (LTBs), with exemptions from certain regulatory pre-emptions, for lending to (i) long-term projects in infrastructure sub-sectors, and (ii) affordable housing. However, cross-holding of such bonds amongst banks is currently not permitted. On a review, it has been decided to allow banks to invest in such bonds issued by other banks, subject to the following conditions:

- i) banks' investment in these bonds will not be treated as 'assets with the banking system in India' for the purpose of calculation of NDTL; and
- ii) any single bank's holding of bonds in a particular issue will be subject to certain limits in relation to the bond issue size. Its aggregate holding of such bonds will also be subject to certain limits in relation to its own assets.
- iii) LTBs held for trading will reduce the bank's priority sector and liquidity benefits obtained from its own issuance of LTBs.

Detailed guidelines in this regard will be issued shortly.

22. For monetary transmission to occur, lending rates have to be sensitive to the policy rate. With the introduction of the Base Rate on July 1, 2010 banks could set their actual lending rates on loans and advances with reference to the Base Rate. At present, banks are following different methodologies in computing their Base Rate – on the basis of average cost of funds, marginal cost of funds or blended cost of funds (liabilities). Base Rates based on marginal cost of funds should be more sensitive to changes in the policy rates. In order to improve the efficiency of monetary policy transmission, the Reserve Bank will encourage banks to move in a time-bound manner to marginal-cost-of-funds-based determination of their Base Rate. Detailed guidelines will be issued shortly.

23. The Financial Benchmarks India Pvt. Ltd., jointly floated by the Fixed Income Money Market and Derivatives Association of India (FIMMDA), the Foreign Exchange Dealers' Association of India (FEDAI) and the Indian Banks' Association (IBA), has been established as an independent benchmark administrator. This administrator will start operations by end-May 2015. Once it starts publishing various indices of market interest rates, the Reserve Bank will explore the possibility of encouraging banks to use the indices as an external benchmark for pricing bank products.

24. The Reserve Bank has been prescribing a comprehensive 'Calendar of Reviews' to be deliberated by the boards of banks, with significant additions to the calendar over the years. Time spent on reviews reduces the leeway for the board to discuss issues of strategic importance for banks such as product market strategy and risk management. The Committee to Review Governance of Boards of Banks in India (Chairman: Dr. P.J.Nayak) recommended that discussions in the boards of banks need to be upgraded and greater focus should be on strategic issues. It is, therefore, proposed to do away with the mandatory calendar of reviews and instead, replace it with the seven critical themes prescribed by the Nayak Committee namely, business strategy, financial reports and their integrity, risk, compliance, customer protection, financial inclusion and human resources, and leave it to the banks' boards to determine other list of items to be deliberated and periodicity thereof.

25. The need to bring in professionalism to the boards of banks cannot be overemphasized. In order to attract and retain professional directors, it is essential that they are appropriately compensated. Public sector banks follow guidelines issued by the government in this regard. The remuneration of the part-time Chairmen of private sector banks are approved specifically for each bank under the current statutory provisions. However, there is no guidance on remuneration to other non-executive directors of private sector banks. Therefore, it is proposed:

- i) to issue guidelines to private sector banks on a policy on remuneration for the non-executive directors (other than part-time Chairman) that will reflect market realities and will be within the parameters specified in the Banking Regulation Act 1949 and the Companies Act, 2013; and
- ii) to discuss with the Government the adoption of a similar remuneration policy for the non-executive directors of the public sector banks.

26. With a view to enlarging the scope of urban co-operative banks for expanding their business, it has been decided to allow financially sound and well managed (FSWM) scheduled urban co-operative banks, which are CBS-enabled and having minimum net worth of ₹100 crore, to issue credit cards. Detailed guidelines in this regard will be issued separately.

27. Similarly, with a view to providing greater freedom to state co-operative banks to expand their business and to provide technology-enabled services to their customers, it has been decided to permit state co-operative banks satisfying certain eligibility criteria to set up off-site ATMs/mobile ATMs without obtaining prior approval from the Reserve Bank. Detailed guidelines in this regard will be issued separately.

### **III. Financial Markets**

28. Several steps have been taken by the Reserve Bank to promote liquidity in the government securities (G-sec) market as recommended by the Working Group on Enhancing Liquidity in the Government Securities and Interest Rate Derivatives Markets (Chairman: Shri R. Gandhi). These include, *inter alia*, a) conduct of G-sec auctions at both uniform price and multiple price formats; b) change of the settlement cycle of primary auctions for treasury bills (T-bills) from T+2 to T+1 basis; and c) re-issuance of state development loans.

29. As part of continuing measures to promote liquidity, the Reserve Bank will formulate a scheme for market making by primary dealers in semi-liquid and illiquid government securities. Details of the scheme will be worked out and implemented in consultation with market participants within the next three months.

30. Although the G-sec market is predominantly institutional in nature, the Reserve Bank has initiated several steps to promote retail/individual investments, such as the non-competitive bidding scheme, and enabling access to the Negotiated Dealing System-Order Matching (NDS-OM). To increase participation of the retail and mid-segment investors in the G-sec market, gilt account holders (GAHs) were also extended web-based access to NDS-OM (secondary market trading platform) and

NDS-auction platform (primary market platform) earlier. Auctions of G-secs have since moved to a more robust CBS platform (e-Kuber). Accordingly,

- i) it is now proposed to introduce a similar web-based solution for participation of all mid-segment / retail investors having gilt accounts on the e-Kuber platform. The facility is expected to be made available within the next three months.
- ii) Considering the need to tap private savings through G-secs, retail investors/individuals could be provided direct access to both primary and secondary market platforms without any intermediary. Hence, it is proposed to explore the creation of alternate channels of distribution (e-Distribution Channels) for G-secs by the Reserve Bank.
- iii) The Reserve Bank has been in consultation with all stakeholders to enable seamless movement of securities from subsidiary general ledger (SGL) form to demat form and *vice versa* to promote trading of G-secs on stock exchanges. Concomitantly, it has also been decided to provide demat account holders a functionality to put through trades on NDS-OM. As implementation of these reforms involves multiple agencies, it is proposed to constitute an Implementation Group with representatives from all stakeholders to roll out the measures within a period of six months.
- iv) The non-competitive bidding facility available to retail investors is currently applicable only to auctions of dated securities other than Treasury Bills. In the case of Treasury Bills, a different type of non-competitive bidding is permitted only for State governments, eligible provident funds, select foreign central banks and sovereign wealth funds. It is proposed to allow non-competitive bidding facility in Treasury Bills to individuals as well. Details of the facility will be worked out and implemented in consultation with the Government of India.

31. A few international financial institutions were permitted to issue rupee bonds in overseas markets, subject to certain conditions. These issues have been received with interest. The appetite for rupee debt amongst international investors is a welcome development. In view of this, it is proposed to expand, in consultation with the Government of India, the scope of such bond issues by the international financial institutions as also to permit Indian corporates eligible to raise external commercial borrowing (ECB) through issuance of rupee bonds in overseas centers with an appropriate regulatory framework.

32. Under the present regulatory framework governing foreign exchange derivatives contracts under the Foreign Exchange Management Act, 1999 (FEMA), writing of options by the users on a standalone basis is not permitted. However, end-users can enter into option strategies of simultaneous buying and selling of plain vanilla European options, provided there is no net receipt of premium. With a view to encouraging hedging of forex exposures and enhancing the liquidity of the currency options market, it is proposed to permit Indian exporters and importers to write covered options on the basis of actual contracted forex exposure, subject to conditions. Detailed operating instructions shall follow separately.

#### IV. Access to Finance

33. The Reserve Bank had constituted an Internal Working Group to revisit the Priority Sector guidelines. The Working Group has since submitted its report, which was placed on the Reserve Bank's website for comments/suggestions. The Working Group has, *inter alia*, recommended specific sub-targets for small and marginal farmers and micro enterprises and inclusion of certain specific types of social infrastructure within the ambit of priority sector lending. The working Group has also recommended introduction of tradable Priority Sector Lending Certificates as another instrument to manage deficit/surplus amongst the players within the system. The Reserve Bank will take a view on the recommendations in the light of feedback received and the guidelines in this regard will be issued shortly.

34. Taking into consideration the improvement in the Micro-Finance Institutions (MFI) sector and recommendations of the Committee on Comprehensive Financial Services for Small Businesses and Low Income Households (Chairman: Dr. Nachiket Mor), there is a need to revise upwards the limit relating to total indebtedness of the borrower, eligible rural and semi-urban household annual incomes and loan amounts to be disbursed in the first cycle and in subsequent cycles as follows:

- i) Total indebtedness of a borrower, excluding educational/ medical expenses, not to exceed ₹1,00,000 (raised from the current limit of ₹50,000).
- ii) Loan disbursed to a borrower with a rural household annual income not exceeding ₹1,00,000 (enhanced from ₹60,000) or urban and semi-urban household income not exceeding ₹1,60,000 (enhanced from ₹1,20,000).
- iii) Disbursement of the loan amount not to exceed ₹60,000 (enhanced from ₹35,000) in the first cycle and ₹1,00,000 (enhanced from ₹50,000) in subsequent cycles.

*Detailed guidelines will be issued shortly.*

35. Several measures have been taken to ensure the timely flow of funds to the infrastructure sector. One of them was to create a separate category of non-bank finance companies (NBFCs) called NBFC-infrastructure debt fund (NBFC-IDF). These NBFCs were allowed only to provide take-out finance for infrastructure projects in the Public Private Partnership (PPP) segment under a tripartite agreement involving, among others, the project authority. Certain regulatory dispensations were also given to these NBFCs. With a view to expanding the nature of projects to which they can lend, it is proposed to allow NBFC-IDFs to provide take-out finance for infrastructure projects that have completed one year of operation in the PPP segment without a tripartite agreement and to the non-PPP segment, subject to certain conditions. Detailed guidelines are being issued separately.

36. Looking ahead, the Reserve Bank's developmental and regulatory policies will continue to be guided by the five-pillar approach to improve the efficacy of monetary and liquidity management, expand financial inclusion and carry forward banking

sector reforms by adapting the best international practices to country-specific requirements.

37. The second bi-monthly monetary policy statement will be announced on June 2, 2015; the third bi-monthly monetary policy statement on August 4, 2015; the fourth bi-monthly monetary policy statement on September 29, 2015; the fifth bi-monthly monetary policy statement on December 1, 2015; and the sixth bi-monthly monetary policy statement on February 2, 2016.

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