GM Corporate Solutions

Financial & Strategic Advisors

QUARTERLY BUZZ

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FOREWORD

Global M&A was pegged at USD 2.55 trillion in the first nine months of this year, compared with USD 3.27 trillion during corresponding period last year. Global cross-border M&A over the same period this year has witnessed transactions worth USD 900 bn. Sector-wise, technology, real-estate, healthcare, utility & energy and chemicals lead the charts.

This quarter witnessed deals worth USD 861 bn worldwide. Some of the key deals include SoftBank's USD 32 bn acquisition of ARM Holdings, Enrbidge Inc's USD 37 bn acquisition of Spectra Energy, NextEra Energy's USD 18.4 bn acquisition of Energy Future Holdings, etc.

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In India, M&A skewed by a whopping 240% in value terms backed by two largest deals for this quarter. Some of the top deals include merger of life insurance businesses of Max Financial and HDFC, merger of wireless operations businesses of Reliance Communications and Aircel, acquisition of Lafarge India by Nirma Ltd, etc.

On the regulatory front, DIPP has liberalized FDI policy in non-banking financial services. Providing further fillip to the startup India programme, requirements for issuing equity shares with differential voting rights, sweat equity shares and ESOP have been relaxed for approved startups. Certain key provisions related preferential allotments and convertible securities issued thereunder have been eased to enable greater flexibility for investments.

In Direct Taxes, new rules have been notified for foreign tax credit, determination of income in indirect transfer and information to be furnished by non-resident deductees in the absence of PAN. The Income Computation and Disclosure Standards have been deferred by one year, to be applicable from assessment year 2017-18 onwards.

In Indirect Taxes, provision for revision of excise returns has been made effective from August onwards. CBEC has issued clarifications on exemption of central excise duty in case of goods cleared from EOUs to DTA units holding Advance License / Authorization. CBEC has also relaxed requirements of furnishing deposit and provided a uniform structure for determining security to be provided in the case of provisional assessment of customs duty.

In a groundbreaking move, the Constitution Amendment Bill acting as a pre-requisite for introduction of GST law in India was passed in this quarter. Also, GST council has been constituted and has also held meetings to finalize the model GST law and various modalities thereunder.

This newsletter aims to captures the key investments of Q3 of 2016 as well as the major tax & regulatory developments of this quarter. We hope you find the same an interesting read.

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M&A Trends in India

This quarter saw an interesting trend where the overall deal volume shrank by 8% over the same period last year, the deal value skyrocketed by 240% to USD 25 billion in the wake of the two largest deals of this quarter. Domestic deals continued to dominate, constituting two-thirds of total M&A transactions.

Sector-wise, IT again dominated the charts accounting for a third of the total deals. Consumer discretionary, industrials, financial services and healthcare also gained the top five spots in M&A activity this quarter.

Few M&A deals of Q3 - 2016

In a deal valued at USD 9.73 billion, Max Financial Services Ltd and HDFC Ltd have accorded board approvals to merge their life insurance businesses that will eventually create India's largest listed life insurance company. The transaction is subject to regulatory, High Courts and shareholder approvals and is expected to complete in next 12-15 months.

In the biggest consolidation deal in India's telecom sector, Reliance Communication and Aircel have signed a deal to merge their wireless operations in a deal valued at USD 7.3 billion. The transaction is expected to complete in six to eight months in early 2017 and will need regulatory, court and shareholder approvals.

LafargeHolcim Ltd has agreed to sell Lafarge India's cement business to Nirma Ltd for USD 1.4 billion in a deal that is part of the closure of the 2015 Lafarge-Holcim merger. The deal is subject to approval from Competition Commission of India.

China based Shanghai Fosun Pharmaceutical (Group) Co. has agreed to acquire 86% stake in Gland Pharma, which manufactures a wide range of injectables, for USD 1.2 billion. The deal is subject to approval of FIPB and CCI.

ONGC Videsh Ltd signed definitive agreement with Rosneft, the national oil company in Russia to acquire additional 11% stake in JSC Vankorneft, the owner of Russia's second largest oilfield by production for USD 930 million, taking its total stake in the company to 26%. The transaction is expected to complete by 2016 end after relevant Board, Government and regulatory approvals.

Singapore Telecommunications Ltd , the largest shareholder in Bharti Airtel, has agreed to buy out remaining stake of Temasek in unlisted Bharti Telecom, the holding company of Bharti Airtel, to effectively increase its shareholding in Bharti Airtel to over 36% from 33% currently for USD 657 mn.

US-based Synnex Corporation has, under its Concentrix business, acquired the Minacs Group for USD 420 mn. The Minacs Group is one of India's largest BPOs with over 21,000 employees across 35 locations worldwide.

JSW Energy has agreed to acquire a 500MW thermal power plant of Jai Prakash Power Ventures Ltd for USD 400 mn. The deal will increase JSW Energy's power generation capacity to 6,031 MW.

Norwegian company Yara International ASA's Indian subsidiary has agreed to acquire urea and customized fertilizers business of Tata Chemicals for USD 400 mn. The deal is part of Tata Group's efforts to shed assess and reduce its debt.

Sony Pictures has agreed to acquire Zee Entertainment Enterprise Ltd's sports broadcasting business housed under Ten Sports Network for USD 385 mn.

PE Trends in India

Private investment reached USD 2.3 billion this quarter compared with USD 6.3 billion over the corresponding period last year.

Month-wise, July saw 92 deals valued at USD 911 mn while August saw the same volume with a value of USD 806 mn. September saw a decline in the number of deals at 82, however saw a rise in the deal value to USD 836 mn.

Sector-wise, IT accounted for half of the private investments. This was followed by healthcare, financial services and industrials sectors.

Few PE deals of Q3 - 2016

Hike, a four year old messaging app, closed USD 175 mn Series D round of funding led by new investors Chinese internet giant Tencent and manufacturing firm Foxconn. The Series D round values the company at USD 1. 4bn. Existing investors Tiger Global, Bharti and SoftBank also participated in the round

UK's government-owned development finance institution CDC Group has agreed to buy 15% stake in non-banking financial arm of IIFL Holdings Ltd for USD 150 mn. The investment will help in expanding the lending business and address the capital needs of the under-served segment.

TA Associates has invested USD 140mn in TCNS Clothing Co Pvt. Ltd, which owns the 'W' brand of clothing for women marking the biggest ever PE apparel deal in Indian industry.

Warburg Pincus has agreed to invest up to USD 125mn in Stellar Value Chain Solutions Pvt. Ltd, a logistics startup established by former MD and CEO of Supply chain arm of Future group.

Taiwanese Chip Maker Mediatek Inc's Mountain Capital and existing investor Alibaba Group have invested USD 60 mn each in One97 Communications Ltd which runs mobile payments and e-commerce platform Paytm. This round values Paytm at USD 4.8 bn post money.

NBFC Hero FinCorp Ltd has raised USD 105mn from ChrysCapital and Swiss financial services firm, Credit Suisse along with additional funding from its parent Hero Group to expand its operations.

Tata Steels Minerals Canada Ltd has received USD 95 mn equity investment and USD 38 mn as loan from Government of Quebec. It is a JV of Tata Steel and New Millennium Iron Corp. and is developing direct shipping iron project in Canada.

Oyorooms has raised USD 100 mn in a fresh round of funding led by Japanese tech conglomerate SoftBank. Existing investors Lightspeed Venture Partners and Greenoaks capital also participated in this round.

India's largest private dairy firm by revenues Kwality Limited has raised USD 77mn from KKR & Co. as it seeks to shift its business model from B2B to B2C revamping all its business functions across the value chain.

FEMA & FDI – Key Updates

- ***FDI in NBFC:*** the extant FDI policy specifies sectoral policy for various financial services like asset reconstruction, banking, commodity exchanges, credit information companies, insurance, NBFC, etc. Further, for all other financial services, foreign investment is permitted under Govt. approval route.

  In non-banking financial services sector, a list of eighteen activities has been specified for which FDI up to 100% is permitted under automatic route subject to compliance with conditions including minimum capitalization norms.

  To further relax foreign investments in this sector, FDI up to 100% is being permitted under automatic route in all 'other financial services' which are regulated by any of the financial sector regulators (RBI, SEBI, IRDA, PFRDA, NHB, etc.). Further, the capitalization norms have been removed.

  Conditions Applicable:

- All conditions including minimum capitalization norms as per concerned regulator / Govt. agency shall be required to be complied with.
- In the case of activities specifically regulated by an Act, the foreign investment limits if any and to the extent mentioned in such Act shall still be applicable.

  Government Approval:

  In the following cases, foreign investment up to 100% will be allowed under Government approval route, subject to conditions including minimum capitalization requirement as may be decided by the Government:

- Financial services which are not regulated by any Financial Sector Regulator
- Financial services where only part of the financial service activity is regulated
- Financial services where there is doubt regarding regulatory oversight.

Impact:

The amendment is expected to relieve fund managers in following areas:

- Asset management activity which is technically a fee based activity was being treated as fund-based activity and attracting higher capitalization. This is now relaxed.
- Fund managers who also act as sponsors for AIFs could hitherto be regarded as restricted activity requiring FIPB approval. The amendment eliminates doubts on this.
- Downstream investments like step down JV or subsidiary, also attracted minimum capitalization norms. With the amendment, the capitalization for each activity would be governed only be relevant Financial Sector Regulator instead of FDI policy.

Key Regulatory Highlights

Companies Law key updates

- ***Changes in Incorporation Rules:*** Key highlights of changes made effective from 27th July, 2016:
- Self attested copies of signature and photographs of first directors are not required to be submitted for incorporation in a separate form.
- In the subscriber sheets of memorandum and articles of association, the type written or printed particulars of subscribers and witnesses would also suffice, instead of handwritten particulars.
- Companies with websites are required to mention their name, address of registered office, CIN, telephone number, fax number if any, email and name of person who could be contacted for queries on home page of website.
- ***Amendments in Share Capital and Debenture Rules:*** These are effective from 19th July, 2016. Key highlights:
- *Equity shares with differential voting rights:* These cannot be issued in case of defaults on payment of dividend on preference shares, repayment of term loan from bank, statutory dues relating to employees, etc. It is now provided that such shares can be issued after 5 years from end of financial year in which default was made good.
- *Sweat Equity Shares:* A company can issue sweat equity shares up to 25% of its paid up capital. This limit has now been extended to 50% in the case of approved startups, for a period of 5 years from their incorporation.
- *ESOP:* These cannot be issued to employees who are promoters / part of promoter group or to directors who directly or indirectly hold more than 10% of subscribed equity capital. Approved startups have been permitted to do so for up to 5 years from their incorporation.
- *Relaxations in preferential allotment*: Securities need not be fully paid at the time of allotment. Also, for valuing the resultant shares for securities convertible into equity shares, an option has been provided to value such shares 30 days before date of conversion.
- *Issue of secured debentures*: Besides creation of charge on assets of the issuer company or its holding company, the issue can also be secured by creating charge on assets of its subsidiaries and associate companies.
- ***Directors remuneration in case of inadequate or no profits without Central Govt. approval :*** The relevant Schedule V of Companies Act, 2013 has been amended with effect from 12-Sep-2016:
- All the limits of remuneration, as specified with respect to effective capital, have been doubled.
- For managerial persons working in professional capacity, certain conditions like absence of direct / indirect interest in capital or directors, requisite qualification (at least graduate level) and limit in case of shares allotted ESOP, etc. have been specified. Upon fulfillment of these conditions, the limits are not applicable in their case.
- ***Amendment in Companies (Accounts) Rules:*** These amendments are effective from 27th July, 2016 onwards:
- Exemption from preparing consolidated financial statements is now extended to partially-owned subsidiaries as well. To avail this exemption, additional conditions have also been specified viz. eligibility only for unlisted companies, consent of members and filings by intermediate / ultimate holding company.
- In Board's report, contribution of company's subsidiaries, JVs and associates to the company's overall performance shall also be required to be specified.
- A body corporate can also be appointed as internal auditor of a company.
- ***Mediation and Conciliation Rules:*** MCA has notified rules for these on 9th Sept, 2016 which specify constitution of panel of mediators and conciliators by Regional Directors, their role, matters that shall not be referred to them, maximum time limit, legal principles to be followed by them, confidentiality obligations, distribution of expenses among parties, reporting to Central Govt., NCLT or NCLAT, etc.
- ***Rupee Denominated Bonds:*** MCA has clarified that in compliance with ECB policy, Rupee denominated Bonds cannot be issued to a non-resident without approval from RBI. It has also been provided that in such cases ECB provisions shall prevail over company law provisions.
- ***Date of Annual Filings Extended:*** The last date of filing financial statements and annual return has been extended to 29-Oct-2016 where due date for holding AGM is on or after 01-Apr-2016.

Key Tax Highlights

Direct Tax key updates

- ***Rules for Indirect Transfer:*** Any capital gains arising to a non-resident on indirect transfer of shares or interests in a foreign company or entity is taxable in India if such shares or interests derive their value substantially from assets located in India. The Finance Act, 2015 provided clarification by specifying the meaning of substantial derivation of value from assets located in India and exemptions therefrom. It also broadly provided how such value would be calculated, the date on which such valuation shall be carried out.

  Accordingly, CBDT has now notified the necessary rules regarding the following matters:

- Income attributable to assets in India is that proportion of total income from indirect transfer which bears to the FMV of Indian assets bears to FMV of global assets of foreign company.
- Method for determination of FMV of Indian assets has been specified for listed shares conferring managerial rights or control, other listed shares, unlisted shares, interest in partnership firm or AOP and other assets. Also, all assets and business operations of Indian company / firm / AOP, including those outside India, shall be required to be considered for this.
- For determining FMV of assets of foreign company, methods have been specified with respect whether transaction takes place between connected persons or not. In the case of connected persons, separate methods are prescribed for listed and unlisted shares.
- For clarity, various terms have been defined in the rules, viz. 'observable price', 'accountant', 'book value of liabilities', 'valuation report', 'connected person', 'rights of management and control', etc.
- Reporting obligations for transferor and Indian entity holding assets in India has been specified with format in which information is to be filed.
- ***Acceptable range in Transfer Pricing for AY 2016-17:*** Range concept of calculating arm's length price (ALP) was introduced last year in Oct, 2015. For AY 2015-16, it was also notified that where most appropriate method is profit split method or other specified method, the acceptable range of variation with ALP shall be: 1% of transaction price in case of wholesale trading and 3% in other cases. The same limits are made applicable for AY 2016-17.

- ***Rules for Foreign Tax Credit:*** India's tax treaties with various countries provide for credit of taxes paid in those countries on doubly taxed income. Where tax treaties do not exist, the Income tax act provides for unilateral relief. CBDT has now provided separate rules to specify computation mechanism, operational clarity and procedural requirements. Key highlights are:

- **Eligibility**: Foreign tax must have been paid and credit of such tax may be claimed for the year in which income is offered to tax in India.
- **Timing Mismatch**: Where income is taxable across more than one year, credit of foreign tax shall be proportionality distributed across those years.
- **Taxes Covered**: Credit shall be available against the amount of Indian income tax, surcharge and cess payable under the Income Tax Act but not against interest, fee or penalty in respect of tax payable.
- **Disputed Tax**: No credit shall be available for any amount of foreign tax which is disputed in any manner by the taxpayer. However, credit shall be allowed upon final settlement of dispute upon furnishing evidence in this regard and an undertaking that no refund is / will be claimed.
- **Computation**: Tax credit shall be aggregate of the amounts of credit computed separately for each source of income, arising from a particular country / territory.
- **MAT Credit**: Credit of foreign tax can be availed against MAT / AMT liability, to the extent of such liability.
- **Documentation**: A statement (in specified Form) in respect of income and foreign tax credit to be filed on or before due date of filing ITR. Along with the statement:

- A certificate or statement specifying nature of income and amount of tax deducted, and
- A proof of deduction where tax is deducted or acknowledgment of online payment where taxpayer has made the payment

Direct Tax key updates contd…

- ***Relaxation from higher TDS in the absence of PAN:*** Finance Act, 2016 introduced a provision for relaxation from higher TDS while making payments to non-resident deductees in the absence of PAN. For this purpose, CBDT has now notified a new rule specifying the following:

  Eligible payments: Payment of interest, royalty, fees for technical services and payments on transfer of capital assets made to non-resident deductees.

  Documents / information of deductee to be furnished:

- *Name, e-mail ID, contact number*
- *Address in country of residence*
- *Tax residency certificate, if the law of country of residence provides for such certificate*
- *Tax identification number in country of residence or unique identification number of the deductee in country of residence*

- ***Income Computation and Disclosure Standards:*** Last year, CBDT had notified the applicability of ICDS from AY 2016-17 onwards for computing business income and income from other sources for taxpayers following mercantile accounting system. CBDT has now extended the applicability of ICDS by one year, to be applicable from AY 2017-18 onwards.

  The suggestions of expert committee on issues / areas where clarifications could be required in ICDS is under consideration by the Ministry of Finance. Also, the format of Tax Audit Report for AY 2017-18 is revised for ensuring compliance with ICDS, capturing the disclosures as per ICDS and impact on profits.

- ***New PAN and TAN applications:*** DSC based PAN and TAN applications have been introduced to allot PAN within one day after completion of valid online application for company applicants. A new Aadhaar e-signature based application process has been introduced for individual PAN applicants to help in seeding of Aadhaar in PAN to reduce the problem of duplicate PAN.

- ***Further clarifications on Income Declaration Scheme 2016:*** Key highlights of the clarifications issued in this quarter are:

- The Income Tax Act specifies a time limit within which a notice can be issued for assessment or reassessment of income that has escaped assessment. It has been provided that regardless of this time limit, a notice can still be issued for an undisclosed income not declared under the scheme and represented in the form of an asset pertaining to a year falling beyond this time limit.
- Declarant will not be selected for scrutiny under the CASS (Computer Assisted Scrutiny Selection) provided that there is increase in the capital in the balance sheet as per the declaration made under the scheme.
- When the declarant gets a benami asset transferred in his name without payment of any monetary consideration to the benamidar, capital gains would not be chargeable in the hands of benamidar as the consideration has already been paid by the beneficial owner (i.e. the declarant) and fair market value already declared by him under the scheme. Further, TDS would not be deducted in such case.
- Payments under the Scheme cannot be made out of undisclosed income without including the same in the income declared.
- Immunity to the directors or the partners shall be available in respect of undisclosed income declared by the company or partnership firm.
- Public servants have been prohibited to produce any document/data/record to any person/authority (including Income Tax department) during the discharge of his official duties, in respect of a valid declaration made under the Scheme.
- Period of holding of asset declared under the Scheme shall be based on the actual date of acquisition of such asset. However, the indexation benefit in respect of the amount declared under the Scheme shall be available from 1st June, 2016 only.
- Revised dates for payment of tax, surcharge and penalty under the scheme:

- 30th Nov, 2016 for at least 25% of the amount
- 31st Mar, 2017 for at least 50% of the amount
- 30th Sept, 2017 for the whole of the amount

Key Tax Highlights

Indirect Tax key updates

- ***DSC and Manually signed Invoices:*** CBEC has clarified now that manufacturers / service providers who opt to authenticate invoices using DSC can simultaneously also provide a manually signed physical copy to their customers who are unable to accept or receive digitally signed invoices.
- ***Revision of excise returns:*** Manufacturers are required to file monthly returns within ten days of the next month. However, no provision existed for revision of such returns.

  Budget 2016 introduced furnishing of an annual return by specified manufactures and also provided for revision of excise returns. The provisions of revision of returns have been made effective from 17th Aug, 2016. Returns can be revised by the end of the calendar month in which original return is filed.
- ***Goods manufactured by EOUs supplied to Advance License Authorization:*** Advance License / Authorization is provided to manufacturers in Domestic Tariff Area to allow for duty free imports for the purpose of exports.

  Goods cleared into DTA: Exemption from central excise duty on inputs is denied where goods are cleared into DTA and are either non-excisable or in case of imports attract Nil rate of customs duty and additional customs duty. Similar provision exists for denying exemption from customs duties on similar grounds.

  Goods cleared from EOU into DTA: Central excise duty is exempted when such goods are supplied to an Advance License / Authorization holder.

  CBEC has clarified that clearance from EOU or DTA unit to Advance License / Authorization holder are cases of 'import substitution' and hence exempt from central excise duty. In such cases, export obligation are cast upon the holder of Advance License / Authorization. Hence, the provision for denial of central excise duty shall not be applicable in this case.
- ***Clarifications under Service Tax:*** During this quarter, clarification on following matters have been issued:
- **Meaning of 'precincts' of religious place**: All immovable property of the religious place located within the outer boundary walls of the complex (of buildings and facilities) in which the religious place is located. It would also include other immovable property located in immediate vicinity and surrounding of the religious place and owned by religious place or under the same management as the religious place.
- **Service Tax on Freight Forwarders on transportation of goods outside India**: Where the freight forwarders deal with exporters only as agents of airline / carrier / ocean liner, bearing no liability with respect to transportation, the service of transportation is being provided by the airline / carrier / ocean-liner. In such case, freight forwarder shall be considered as intermediary and hence service of freight forwarder will be liable for service tax.

  Where freight forwarder acts as principal, providing the transportation service directly and undertaking all legal responsibility for the transportation and all attendant risks, the freight forwarder will not be regarded as an intermediary. On transportation of goods from a place in India to outside India, freight forwarder shall not be liable for service tax.
- **Service Tax on hiring of goods without transfer of right to use goods**: Transfer of right to use goods for a consideration is deemed to be a sales. In case of transfer of goods under hiring, leasing, licensing, etc. without transfer of right to use such goods, service tax is levied. CBEC has clarified that the terms of each contract should be examined to determine whether right to use of goods is transferred or not. It has also reiterated the criteria laid down in this behalf by Supreme Court in a judgment. A list of case laws has been provided in the circular for reference.

Key Tax Highlights

Indirect Tax key updates contd…

- ***Duty Free Shops:*** As per extant provisions, passengers can purchase goods at duty free shops in Indian rupees upto INR 5,000. Last year, RBI had in December permitted export from or import in to India of Indian currency up to INR 25,000. CBEC has in consonance with the same, now permitted passengers to purchase goods at duty free shops up to INR 25,000. Further, Duty Free Shop operators have been instructed to display rate of exchange, display prices of goods in INR and keep their websites accurately updated with regard to facility and limit in use of Indian currency for making purchases.

  CBEC has further prescribed that the operators are required to maintain digital records in prescribed forms for all goods received on or after 14th May, 2016. They shall also file monthly returns in relation to warehoused goods. Procedure for removal of goods from warehouse and accounting thereof, permissibility and procedure for in-flight duty-free sales by Airlines, recovery of costs of special warehouses and administrative arrangements have also been prescribed.

- ***E-commerce exports through foreign post offices:*** Foreign Trade policy provides for exports of goods through Foreign Post Offices (FPOs) at Delhi, Mumbai and Chennai. CBEC has now prescribed procedure for export of goods sold through e-commerce.

- Any exporter having valid IEC can export a maximum of 10 shipments using a single Postal Bill of Export (PBE).
- PBE shall be filed in duplicate with customs, along with invoices, declaration for claiming MEIS benefit and other specified information.
- It shall be processed by the customs and goods shall be presented to postal department which shall acknowledge the same and process it for shipment.
- Thereafter, PBE shall be brought back to Customs for grant of 'Let Export Order'.
- Original PBE will be retained by Customs and duplicate will be handed over to the exporter.

- ***Drawback of customs and rebate of excise duties on exports:*** For raw material / inputs used in manufacture or processing of goods exported, input rebate of excise duties and drawback of customs portion is allowed.

  However, a declaration which is part of the form used to claim rebate of excise duties was at variance with the legal position. This has now been rectified.

  It has also been clarified that in such case, drawback shall be allowed as per lesser rates and caps as are applicable when Cenvat credit facility has been availed, except in the case of diesel for which no drawback shall be admissible.

- ***Warehousing requirements in case of EOU, STPI, EHTP and BTP:*** CBEC has exempted the mandatory warehousing requirements for these units in line with Government's objective of ease of doing business. Effective 13th Aug, 2016, these units shall stand de-licensed as warehouses and shall not be required to maintain warehoused goods register. However, units shall be required to maintain at least the specified particulars in digital form.

  Further, re-warehousing certificate procedure and inter-unit transfer process involving bond-to-bond movement stand withdrawn now. In such cases, procurement certificates and invoice / bill of entry / delivery challan as applicable shall be required to be provided.

- ***Abatement for air transport of passengers under Regional Connectivity Scheme:*** Regional connectivity scheme is part of the new civil aviation policy commencing from second quarter of FY 2016-17 and aimed at INR 2,500 per passenger for a one-hour flight. To further incentivise the scheme for airline operators, abatement of 90% is being provided for transport of passengers with or without accompanied belongings, embarking from or terminating in an Airport established under the scheme. The abatement is available for a period of one year only from the date of commencement of operations of such Airport and is subject to non-availing of Cenvat credit on inputs and input services.

Other Buzz

Other Buzz

- ***GST:*** This quarter saw a lot of major breakthroughs and activity on the ongoing formulation of GST law.

  To start with, the Constitution Amendment Bill which had been passed by Lok Sabha was passed by Rajya Sabha with few amendments which were also ratified by the Lok Sabha. The amendments were on following points:

- Deletion of 1% additional tax which had earlier been proposed on all inter-state supply of goods
- Full compensation to states for first five years towards the losses, if any, incurred by the states due to implementation of GST
- Establishing a mechanism for adjudicating any dispute between Centre and States or between the States, arising out of recommendations of GST council

  After the passage of the bill by the Parliament, the bill was ratified by various State assemblies to fulfill the requirement of ratification by assent of minimum 50% of the states. Post that, the President accorded his assent to the Constitution Amendment Bill on 8th September, 2016.

  The amendment in the Constitution paved the way for constitution for GST Council, constituted on 12th Sept, 2016 to make recommendations to Centre and the States on various issues: goods and services that may be subjected to or exempted from GST, model law, principles of Place of Supply, threshold limits, GST rates, etc.

  The first meeting of GST Council was held on 22nd and 23rd Sept, 2016 wherein several issues were discussed and concluded, some of which are as follows:

- Businesses in North-Eastern and hill states with annual turnover of INR 1 million and in rest of India with annual turnover of INR 2 million would be out of GST net
- Consensus on jurisdiction of existing 1.1 million service taxpayers, presently assessed by the Centre

  The council reconvened on 30th Sept, 2016 and approved draft rules on registration, payments, returns, returns and refunds under GST. The council would next meet on October 18-20 to fix GST rates, service tax assessments, compensation for states, among others.

- ***Permanent Residency Certificate to Foreign Investors:*** The Union Cabinet, Govt. of India has approved a scheme for granting PRS to foreign investors. Highlights:

- Applicability: individual investors, his / her spouse and dependents
- Tenure: 10 years, extendable for another 10 years
- Benefits to investors:

  a) multiple entry, without any stay stipulation

  b) exemption from registration requirements

  c) can purchase one residential property for dwelling

  d) spouse / dependents of PRS holder can undertake:

  - employment in private sector in India

  (with relaxed salary stipulations for employment visa)

  - studies in India

- Eligibility:

  a) invest in India:

  - minimum INR 100 million within 18 months; or

  - minimum INR 250 million within 36 months

  b) the investment should result in generating employment to at least 20 resident Indians every financial year

- ***Free Annual Credit Report:*** Effective 1st Jan, 2017 Credit Information Companies (CIC) shall provide access, upon request and after due authentication of requester, to a free full credit report once in calendar year to individuals whose credit history is available with the CIC. The report shall show the latest position of the credit institutions' exposure to the individual as per records available with the CIC.

Glossary

Abbreviation	Description	Abbreviation	Description
AGM	Annual General Meeting	GST	Goods and Services Tax
AIF	Alternative Investment Fund	IFSC	International Financial Service Center
AMT	Alternate Minimum Tax	INR	Indian National Rupees
AOP	Association of Persons	IRDA	Insurance Regulatory and Development Authority
BTP	Bio-Technology Park	JV	Joint Venture
CBDT	Central Board of Direct Taxes	MAT	Minimum Alternate Tax
CBEC	Central Board of Excise and Customs	MCA	Ministry of Corporate Affairs
CCI	Competition Commission of India	MEIS	Merchandise Exports from India Scheme
DIPP	Department of Industrial Policy and Promotion	NBFC	Non-Banking Financial Company
DSC	Digital Signature Certificate	NCLAT	National Company Law Appellate Tribunal
DTA	Domestic Tariff Area	NCLT	National Company Law Tribunal
ECB	External Commercial Borrowing	NHB	National Housing Bank
EHTP	Electronic Hardware Technology Park	PAN	Permanent Account Number
EOU	Export Oriented Unit	PFRDA	Pension Fund Regulatory and Development Authority
ESOP	Employee Stock Option Plan	RBI	Reserve Bank of India
FDI	Foreign Direct Investment	SEBI	Securities and Exchange Board of India
FIPB	Foreign Investment Promotion Board	STPI	Software Technology Parks of India
FMV	Fair Market Value	TAN	Tax Deduction and Collection Account Number
FY	Financial Year	TDS	Tax Deducted at Source

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