



Calcutta Chamber of Commerce

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Circular No : 7
Taxation : 4

January 30, 2008

To : All Members

We reproduce below copy of 'Press Release' published by Central Board of Direct Taxes, Ministry of Finance, Government of India for your kind information and record.

Tapa Roy
Secretary

No.402/92/2006-MC (05 of 2008)
Government of India / Ministry of Finance
Department of Revenue
Central Board of Direct Taxes

New Delhi dated the 23rd January 2008

PRESS RELEASE

The optional scheme of electronic payment of taxes for income-tax payers was introduced in 2004. With a view to expand the scope of electronic payment of taxes, it is proposed to make the scheme mandatory for the following categories of tax-payers:-

- (i) All corporate assesses;
- (ii) All assesses (other than company) to whom provisions of section 44AB of the Income Tax Act are applicable.

2. The scheme of mandatory electronic payment of taxes for income-tax payers is proposed to be made applicable from 1st April, 2008.

3. Tax-payers can make electronic payment of taxes through the internet banking facility offered by the authorized banks. They will also be provided with an option to make electronic payment of taxes through internet by way of credit or debit cards.

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Circular No : 6
Taxation : 3

January 24, 2008

To : All Members

We reproduce below a circular released by Director General of Foreign Trade (DGFT), Ministry of Commerce, Govt. of India and a Notification on 'Income Tax' released by Central Board of Direct Taxes, Ministry of Finance, Govt. of India for your kind information and record.

Japa Roy
Secretary

1.

NOTIFICATION NO. 11/2008, DATED 18-1-2008

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

1. (1) These rules may be called the Income-tax (Second Amendment) Rules, 2008.
- (2) They Shall come into force with effect from the 1st day of April, 2008.

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

- (i) in rule 40C, in sub-rule (4), clause (f) shall be omitted; and
- (ii) after rule 40C, the following rule shall be inserted, namely :

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

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

EXPLANATORY MEMORANDUM

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

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

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

2.

F.NO.01/94/180/03/AM08/Pol V
Government of India
Ministry of Commerce & Industry
Directorate General of Foreign Trade
Udyog Bhavan, New Delhi
Circular No. 28 /07(2004-09)

dated . 22 -01-2008

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

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

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

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

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

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

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

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

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

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

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