

**CS NEWS**

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**2017**



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**2017 – “The year of Transparency”. Substance or Form**

*Initiative by J Sundharesan*

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**BOARD ANATOMY – book authored by J. Sundharesan is now available at amazon.in**

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*[Introduced as **The Constitution (One Hundred and Twenty Second Amendment) Act 2017**]*

### **What is Goods and Services Tax?**

The Goods and Services tax is an Indirect Taxation wherein most of the existing taxes will be merged into a single taxation system. It will allow the Centre and the states to levy indirect tax on manufacture, sale and consumption of goods and services across the country.

The Goods and Services Tax would put all taxes levied by state and Central government in one basket and merge them into a single-tax system, thus doing away with multiple taxation and promoting the concept of a common market for all.

### **GST Bills**

The Central Government enacted four GST Bills:

1. Central GST (CGST)
2. Integrated GST (IGST)
3. Union Territory GST (UTGST)
4. Bill to Compensate States

### **Various Indirect Taxes which will be bound together by the GST**

The following Indirect taxes will be subsumed by the GST:

1. Central Excise Duty
2. Service Tax
3. Commercial Tax
4. Value Added Tax (VAT)
5. Food tax
6. Central sales tax (CST)
7. Octroi
8. Entertainment Tax
9. Entry Tax
10. Purchase Tax
11. Luxury Tax
12. Advertisement taxes
13. Taxes applicable on lotteries

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**GST Rates**

Rate Classification for goods:

<b>Exempt</b>	<b>5%</b>	<b>12%</b>	<b>18%</b>	<b>28%</b>	<b>28% + Cess</b>
Food grains Cereals Milk Jaggery Common Salt	Coal Sugar Tea & Coffee & Drugs & Medicine Edible Oil Indian Sweets	Fruit Juices Vegetable Juices Beverages containing milk Bio-gas fuel Fertilizers	Capital goods Industrial intermediaries Hair Oil Soap Toothpaste	Air conditioner Refrigerators	Small cars (1% / 3% cess)  Luxury cars (15% cess)

**Rate Classification for services:**

<b>Exempt</b>	<b>5%</b>	<b>12% - 18%</b>	<b>28%</b>
Education Healthcare Residential accommodation Hotel/ Lodges with tariff below INR 1000	Goods transport Rail tickets (other than sleeper class) Economy class air tickets Cab aggregators Selling space for advertisements in print media	Works contract Business Class air travel Telecom services Financial services Restaurant services Hotel/ Lodges with tariff between INR 1000 and 5000	Cinema tickets Betting Gambling Hotel/ Lodges with tariff above INR 5000

**Benefits of GST**

- Wider tax base, necessary for lowering the tax rates and eliminating classification disputes.
- Elimination of multiplicity of taxes and their cascading effects.
- Rationalization of tax structure and simplification of compliance procedures.
- Harmonization of Centre and State tax administrations, which would reduce duplication and compliance costs.
- Automation of compliance procedures to reduce errors and increase efficiency.

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## HEADS UP ON EVENTS THAT LED TO HEADS TURN IN JULY 2017

### One nation, one tax department: I-T takes cue from GST

The one-nation, one-tax principle that underlines the goods and services tax (GST), set to be rolled out on July 1, could be adopted in a much more broader sense by the income tax department through a path-breaking initiative on jurisdiction-free assessment. This would mean that a taxpayer in Mumbai could be assessed by an income tax officer located in Patna, a significant leap toward eradicating corruption by reducing the need for face-to-face contact between citizens and tax officials to the absolute minimum besides speeding up processing. The move, which will require a change in the income tax law, would also end the relevance of various geographic divisions in the form of wards and circles with the whole country becoming one jurisdiction. This, it is hoped, will put an end to a system in which bribery is said to be used as a tool to ease processes through human intervention. A high-level internal report of the Central Board of Direct Taxes (CBDT) recommended the move, which is under active consideration, a senior official told ET. “We are looking at it,” the CBDT official said. The government may consider implementing the process in the next financial year. THE CATALYST The key catalyst for such a significant reform is the massive shift toward e-filing of returns, which is already jurisdiction-free with returns going to the Central Processing Centre in Bengaluru. In the last financial year, over 42.1million tax returns had been filed online by February. The number of e-returns processed by then was 43 million, which included some backlog from previous years. **Multiple Benefits** In line with this move towards e-processing, the income tax department may even opt for e-scrutiny for all limited scrutiny cases where assesses can explain the transactions in question over email, the official said. A complete jurisdiction-free environment would make geography redundant and the income tax department completely faceless for taxpayers. Any review or scrutiny of return could happen anywhere in India through an electronic interface, ensuring that the payee is not forced to interact with officials. “A taxpayer would not need to have any physical interface with his assessing officer,” said the official cited above. CBDT had earlier constituted a sevenmember committee to formulate a Standard Assessment Procedure for e-scrutiny to promote greater certainty, transparency and accountability. The board has in recent times taken a number of initiatives to reduce the face-to-face contact between tax officials and assesseees and make the system non-adversarial. These include directing field offices to raise only specific queries in income tax assessment cases picked up for scrutiny. It also directed the expeditious completion of those scrutiny cases

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where income concealed is up to `5 lakh. "Jurisdiction-free assessment will help the tax department plan and allocate assessment work across the country," said Jiger Saiya, partner, direct tax, BDO India.

### **Infosys founders looking to sell their stake in company**

An era in Indian corporate history might be drawing to a close. The much-celebrated co-founders of Infosys. BSE -0.54 % are exploring a sale of their entire 12.75% stake in the company worth about Rs 28,000 crore, people familiar with the development said. This stunning move is said to have been triggered by the promoters' unhappiness over the manner in which the company has been run since their exit three years ago. Instead of a war of attrition with the company's board and management, the promoters appear to have veered around to the view that it might be better to make a complete break from the company they founded in 1981 and took public in 1993. The promoter group, led by N R Narayana Murthy and Nandan Nilekani, have long been seen as the original flagbearers of a new breed of engineer-entrepreneurs who grew up in middle class homes, but instead of getting steady salaried jobs - as almost everyone from such a background did before liberalization - decided to start a business, which helped spread the story of Indian software around the world. Any stake sale is most likely to take place through stock market block deals, and in tranches. A single, block deal is thought to be unlikely. Large private equity or sovereign wealth funds (SWFs) won't be enthused to write \$4-5 billion cheques to be minority investors without any rights," said a top banker who spoke on condition of anonymity. When contacted, Narayana Murthy denied there was any move to sell the promoter holding in the company. "It is not true at all," he said. His family and he are the largest promoter shareholders with a stake of 3.44%. Nandan Nilekani, who took over the reins of the company from Murthy—before going on to launch Aadhaar—said, "I do not comment on Infosys," and refused to take any more questions on the issue. Infosys co-founders— Murthy, Nilekani, Kris Gopalakrishnan, SD Shibulal and K Dinesh— hold neither executive nor non-executive roles in the company anymore. Still, their exit moves, coming at a time when the sector is facing business uncertainties, could act as an overhang on the stock price. The deal is unlikely to be a rushed affair given the implications it could have on the price the promoters would get and also for the stock in general. Large blocks of shares are usually offloaded at a discount. Sources said chances are that the founders and the management would work on a joint narrative to stave off deep discounts. "In fact, there will be investors who may see the exit of founders as a positive for the company, as this removes the conflict factor," said a banker

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who is not involved with exit discussions, but is aware of analyst calls to confirm persistent rumours in recent weeks. The spat between Infosys CEO Vishal Sikka and Narayana Murthy played out very publicly in February this year with Murthy raising serious concerns over corporate governance and the changing cultural ethos of the company. He was particularly upset at the high compensation packages drawn by Sikka and other senior Infosys executives, the outsized severance package offered to former CFO Rajiv Bansal, and by acquisition strategies of Infosys. He believed the board led by R Seshasayee had failed in its duty to guide the management in the right direction. When asked whether it was his unhappiness at Sikka's style of functioning that was making him want to exit the company he co-founded 36 years ago, Murthy said, "Whatever I had to say about Sikka and Infosys I have said some months back. I have nothing to add to that." (He was on his way to London to be with his daughter Akshata and son-in-law Rishi Sunak, who is the Conservative parliamentary candidate from Richmond, on counting day.) Private equity firms and sovereign wealth funds have been sniffing around for big buyout opportunities in the sector despite the fact that business outlook—driven by automation and digital disruption— has remained under pressure. But they aren't sure if the Infy stake would give them enough clout to steer a widely-held company. "It doesn't even guarantee a board seat," a prominent fund manager said. None of the founders are on the board of Infosys at the moment. This makes it imperative for any long-term investor to engage with the management and the board as well. In December 2014, Infosys founders pared a collective 2.8% of their stake for \$1 billion, which was the single largest promoter selloff in the Indian technology sector. This came not long after Sikka took over as CEO. The founders had then said they were partially encashing ownership for charitable activities, as they were no longer strategically involved with Infosys. Earlier, some members of the founders' families had offloaded small stakes for personal reasons. Shortly before that sale, Sikka had told TOI in an interview that the Infosys founders were free to offload their shares. "I know Mr Murthy and the other founders very well. They are incredible individuals. Their sense of integrity, responsibility.... I'm totally confident that no matter what they do, it will be the right thing. I don't need to know that in advance," he had said. Infosys was started by seven mostly engineering professionals who were working together at Patni Computers. At Murthy's farewell at the Infosys Campus —when he retired the first time in 2011 — his wife Sudha jokingly said that she must rank among the world's most successful venture capitalists because it was the Rs 10,000 she had saved from her salary and household expenses that bank-rolled her husband's dream to start a software services company. Today, Infosys has a market capitalisation of Rs 2,20,000

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crore (\$32.2 billion). The one decision that planted Infosys in the imagination of the general public and went on to become part of business folklore was the offer of generous stock options (ESOPs) at the time of listing, which made millionaires of almost all the early employees, numbering in the thousands, and emboldened many to quit their jobs to start their own firms. It also played a role in catapulting sleepy Bengaluru into a humming hub for young tech professionals.

### **ED says Vijay Mallya created 20 shell companies: will confiscate more assets**

Liquor baron Vijay Mallya had allegedly floated 20 shell companies, directors of which were either his personal staff or those who retired, the ED has said in its recent charge sheet filed in the KFA-IDBI money laundering case. The central probe agency, meanwhile, is set to confiscate a coffee estate in Coorg in Karnataka and other assets in Bengaluru which it had attached under the Prevention of Money Laundering Act (PMLA), as it did with a Rs 100 crore farm house in Maharashtra's Alibaug recently. The Enforcement Directorate had registered a criminal case in this deal last year and has attached assets worth over Rs 9,600 crore till now. "Mallya was holding directly or indirectly movable and immovable assets, in the form of shares of public listed companies, by way of creating a web of shell companies. The assets were being in shell/dummy companies created by Mallya," the ED said in its charge sheet filed in Mumbai yesterday. The over 5,000-page charge sheet or prosecution compliant, with 57 pages of the main report and rest annexures, has been filed before a special PMLA court in Mumbai. The charge sheet said Mallya had "formed a complex web structure of his group companies so as to indirectly control their affairs." "He has nominated directors in those companies who were either his personal staff, retired company official or a third person," it said. The agency identified the alleged shell firms as Ms PE Data Centre Resources Private Limited, Ms Pharma Trading Limited, Ms Kingfisher BSE 3.03 % Finvest Limited, Devi Investment Private Limited, Ms Mallya Investment Private Limited, Ms Explicit Consultancy Private Limited, Ms Ambitious Computech BSE 1.23 % Private Limited and Vilora Consultancy Private Limited among others. Shell companies are defined as those firms which are set up by nominal paid-up capital, high reserves and surplus on account of receipt of high share premium, investment in unlisted companies, no dividend income or high cash in hand among others. It added "there were unencumbered (free of debt) properties more than Rs 1,760.03 crore in addition to the properties mentioned in the personal guarantee submitted by Mallya to the IDBI bank BSE 0.42 %", indicating that these assets were not pledged as collaterals towards security of the bank loan. Describing how the alleged siphoning off the funds happened in this case, the agency

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said, "It is suspected that major portion out of amount of Rs 417.29 crore was remitted out of India to overseas parties from IDBI bank." It mentioned a transaction made to a firm which allegedly had fake or dummy directors. "An amount of Rs 63.10 crore (approximately) was paid to UBICS Technologies Pvt Ltd (controlled by Mallya). Directors are dummy directors acting on behalf of Mallya. "This company was used as a special purpose vehicle to route the funds of KFA as no other transaction from any other company has been noticed in this," it said. "Thus, the acts of Mallya, UBHL and others, establish that a criminal conspiracy was hatched for obtaining or sanctioning of bank loan to KFA in gross violations of established procedures and the airline had no intention for repayment of loan of Rs 900 crore since beginning. "The said loan amount along with interest totalling Rs 1,301.67 crore therefore falls within the sweep of the proceeds of crime in terms of section....of the PMLA," the charge sheet said. Thus, it said, the accused have been "actually involved" with the concealment, possession, acquisition and use of the proceeds of crime and therefore knowingly and intentionally in the activity of money laundering as defined under section 3 of the PMLA and are liable for punishment under section 4 of the PMLA. A total of 9 accused have been named in the charge sheet by the ED including Mallya, Kingfisher Airlines BSE 3.03 % (KFA), United Breweries (Holding) Limited and senior employees and executives of the now-defunct airline and the IDBI (Industrial Development Bank of India) bank. The agency, in the charge sheet, has called Mallya the "prime mover of the entire plot" and has described how funds obtained from the bank loan were allegedly routed illegally including "substantial payments" being diverted by the beleaguered businessman to the Formula-1 car racing event abroad and others. The total loan sanctioned and disbursed by the IDBI bank to KFA was Rs 860.92 crore.

### **Lanco Infratech first from 'Blacklist' to face bankruptcy action**

Lanco Infratech BSE -9.57 %, the power and roads builder, became the first company to face bankruptcy proceedings among the dozen identified by the regulator as IDBI Bank BSE 0.09 % has decided to recover its dues by taking the resolution to insolvency courts, said a person familiar with the matter. The bank has fund based exposure of Rs 7,799 crore and non-fund based exposure of Rs 3,349 crore as on March 2016, while the overall dues from the company are more than Rs 17,000 crore even as the company's market capitalisation is just a fraction of it. Lanco Infratech, Amtek Auto BSE -3.62 %, Alok Industries BSE -0.85 % and Bhushan Steel BSE -9.08 %, which were trading like penny stocks, tumbled further as investors are factoring in no equity value in the dozen companies identified by the Reserve Bank of India to be taken to

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bankruptcy courts. Power and road producer Lanco Infra tumbled to limit, or 20 per cent, and Amtek Auto which is not in the current list but is hanging precariously, also crashed 20 per cent to Rs 1.80 and Rs 23.45, respectively, a share as investors fret that after reorganising debt and new equity investments, the current value of shares may be nothing. Banks led by IDBI Bank has initiated insolvency proceeding against Lanco Infratech, the first among the 12 stressed accounts that were identified by the RBI after they were empowered to direct banks to take action against defaulting borrowers. The company controlled by a former Congress party Parliamentarian owes banks Rs 18,000 crore and its market value is at Rs 613 crore. Alok which owes Rs 13,000 crore is valued at Rs 325 crore and its promoter holdings has fallen to 29 per cent from 33 per cent two quarters ago, BSE filings show. "For the next six months, lenders and the promoters will be on their toes to arrive at an amicable resolution," said a bank official from SBI who did not want to be named. "The joint lenders forum will be meeting regularly to arrive at consensus among lenders before approaching the NCLT," he added. Investors who have been trading in these stocks for years hoping that there could be a restructuring of loans and existing shareholders would benefit are losing hope. With the RBI mandating bankruptcy proceedings, many believe that new set of investors would have to invest equity and existing ones will be wiped out even if promoters managed to hang on by bringing in more funds. Meanwhile, shares of Jyoti Structures, which is one of the 12 accounts identified by RBI, hit the upper circuit as it rose 20 per cent to Rs 11.76 a share. Among others, Alok Industries was down 10 per cent while Monnet Ispat was down 13 per cent. Government in talks with RBI to defer Basel-III norms for banks. The government is in discussion with the Reserve Bank of India to explore ways to defer the full implementation of international capital norms or Basel-III norms for Indian banks which are floundering in bad debt. An extended timeline to meet the capital needs would provide the necessary breather to banks to lend more while they grapple with bad loans and raise capital. It is imperative for banks to meet the Basel-III regulatory norms by March 2019. According to the norms laid down by RBI, Indian lenders have to maintain a minimum common equity ratio of 8% and total capital ratio of 11.5% by 2019. As of March 2017, state-run banks maintain an average common equity ratio of 8.5%. Some public sector banks (PSBs) are however struggling and already four lenders are under the prompt corrective action plan of the regulator. According to RBI estimates, state-run banks would require Rs 1 lakh crore while the entire banking sector would require an additional capital requirement of Rs 5 lakh crore to meet the norms by 2019. Banks may not be able to raise the required capital, which would curtail their ability to lend. This comes at a time when stressed assets of banks rose to Rs

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7.4 lakh crore at the end of March 2017 from Rs 7 lakh crore a year ago. A senior finance ministry official said that some discussion has been held on this issue and the regulator is also open to the suggestion. It would support banks as they are all set to tackle bad loans under the new norms approved by the government and RBI, the official said. An email sent to RBI did not elicit any response till the time of going to press. "This also needs to be looked at from the Indian scenario, where our regulator already has more stringent norms compared with Basel-III," this official, said adding that some advanced economies are already looking to defer the full implementation of the global banking regulatory norms. Ratings agency Moody's in a report had said that 11 PSBs will require external equity capital of about Rs 70,000-95,000 crore, to meet requirements under Basel-III as against the government's budget of Rs 20,000 crore for capital infusion till 2018-19. The finance ministry is of view that some leeway can help banks recover quickly. "Recently, the US Treasury in its report has also suggested some flexibility in the implementation of norms," said the finance ministry official quotes above. In a report published this month, the US Treasury has suggested that the capital regime for community banks having total assets of less than \$10 billion should be simplified, which can be achieved by providing for an exemption from the US Basel-III risk-based capital regime. In 2014, RBI had agreed to extend the transitional period for the full implementation of Basel-III Capital Regulations in India by a year.

#### **Cairn moves international arbitration panel against dividend freeze**

UK's Cairn Energy plc has petitioned an international arbitration tribunal against billionaire Anil Agarwal-led Vedanta Ltd withholding its dividend for last three years despite tax authorities saying there is no attachment in force. The Hague, the Netherlands-based three-member tribunal, which was constituted to decide on Cairn's plea against India slapping a Rs. 10,247 crore retrospective tax demand and freezing its assets, will hear the petition this week. Income Tax Department officials are however cut up with Cairn Energy for taking up the issue with the arbitration panel as there is no longer any attachment order and the dividend payment is a matter between Vedanta and the British firm. "Cairn India/Vedanta approached the tax department, both verbally and in writing, on multiple occasions seeking a written order so that they can continue to withhold dividend due to Cairn Energy. We did not respond to them," a senior official said. E-mails sent to Cairn India and Vedanta Ltd for comments remained unanswered. Officials said they had lifted the freeze on dividend payment by Cairn India (now Vedanta) on March 31, 2016 when its 281B Order ceased to be in effect. The same has been

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communicated in writing to the arbitration panel. Cairn India is the erstwhile subsidiary of Cairn Energy which it sold to Vedanta in 2011. The British firm still holds holds 9.8 per cent stake in Cairn India but has not been paid shareholder dividend for last three years totalling about USD 100 million. Officials said there was a provisional freeze on Cairn Energy receiving dividend as also selling its residual stake in Cairn India during the pendency of assessment proceedings after a draft tax demand of Rs. 10,247 crore was raised on January 22, 2014 using retrospective tax legislation. “After passing of the final assessment order on January 25, 2016, the provisional attachment of these assets was extended up to March 31, 2016, whereupon the order under section 281B expired,” the official said. Cairn Energy, which is the only company whose assets have been frozen for a retrospective tax demand, had previously approached SEBI against Cairn India/Vedanta Ltd not paying dividend for last three financial years. The official said besides order on dividend, Cairn Energy is also seeking an injunction from the arbitration panel against the income tax department initiating proceedings to recover Rs. 10,247 crore in retrospective tax. Within weeks of tax tribunal ITAT upholding levy of retrospective tax on 2006 transfer of shares by the UK firm to a newly created Indian unit Cairn India, the department had on March 31 issued a fresh demand notice of Rs. 10,247 crore and set June 15 as the time to pay the tax, failing which it would initiate recovery proceedings. Cairn Energy is contesting the tax demand through the international arbitration and has not participated in the amnesty scheme the government floated last year by promising to waive interest and penalty if the principal tax is paid. Fearing that the tax department will proceed to takeover or sell its residual 9.8 per cent stake in Cairn India (now Vedanta Ltd), confiscate Rs. 1,500 crore of income tax refund due and USD 100 million of dividend income after June 15, the British firm approached the same arbitration tribunal seeking a stay on Indian government action, they said. The official said the tax department is contesting the very jurisdiction of the panel to give direction to a sovereign nation. India, they said, is contesting that the tax cannot be arbitrated under the bilateral investment protection treaties and no international arbitration panel can decide on the legislative power of Indian Parliament to frame tax laws. Cairn has resorted to arbitration under the India-UK bilateral investment protection treaty.

### **Cyber firms warn of malware that could cause power outages**

Two cyber security firms have uncovered malicious software that they believe caused a December 2016 Ukraine power outage, they said on Monday, warning the malware could be easily modified to harm critical infrastructure operations around the globe. ESET, a Slovakian

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anti-virus software maker, and Dragos Inc, a US critical-infrastructure security firm, released detailed analyses of the malware, known as Industroyer or Crash Override, and issued private alerts to governments and infrastructure operators to help them defend against the threat. The US Department of Homeland Security said it was investigating the malware, though it had seen no evidence to suggest it has infected US critical infrastructure. The two firms said they did not know who was behind the cyber-attack. Ukraine has blamed Russia, though officials in Moscow have repeatedly denied blame. Still, the firms warned that there could be more attacks using the same approach, either by the group that built the malware or copycats who modify the malicious software. “The malware is really easy to re-purpose and use against other targets. That is definitely alarming,” said ESET malware researcher Robert Lipovsky said in a telephone interview. “This could cause wide-scale damage to infrastructure systems that are vital.” The Department of Homeland Security corroborated that warning, saying it was working to better understand the threat posed by Crash Override. “The tactics, techniques and procedures described as part of the Crash Override malware could be modified to target US critical information networks and systems,” the agency said in an alert posted on its website. The alert posted some three dozen technical indicators that a system had been compromised by Crash Override and asked firms to contact the agency if they suspected their systems were compromised by the malware. Dragos founder Robert M. Lee said the malware was capable of attacking power systems across Europe and could be leveraged against the United States “with small modifications.” It is able to cause outages of up to a few days in portions of a nation's grid, but is not potent enough to bring down a country's entire grid, Lee said by phone. With modifications, the malware could attack other types of infrastructure including local transportation providers, water and gas providers, Lipovsky said. Power firms are concerned there will be more attacks, Alan Brill, a leader of Kroll's cyber security practice, said in a telephone interview. “You are dealing with very smart people who came up with something and deployed it,” Brill said. “It represents a risk to power distribution organizations everywhere.” Industroyer is only the second piece of malware uncovered to date that is capable of disrupting industrial processes without the need for hackers to manually intervene. The first, Stuxnet, was discovered in 2010 and is widely believed by security researchers to have been used by the United States and Israel to attack Iran's nuclear program. A spokesman for Ukraine's state cyber police said it was not clear whether the malware was used in the December 2016 attack. Ukraine's state-run Computer Emergency Response Team did not immediately respond to requests for comment. The Kremlin and Russia's Federal Security Service did not reply to

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requests for comment. Crash Override can be detected if a utility monitors its network for abnormal traffic, including signs the malware is searching for the location of substations or sending messages to switch breakers, according to Lee, a former US Air Force cyber warfare operations officer. Malware has been used in other disruptive attacks on industrial targets, including the 2015 Ukraine power outage, but in those cases human intervention was required. ESET said it had been analysing the malware for several months and had held off on going public to preserve the integrity of investigations into the power system hack. ESET last week provided samples with Dragos, which said it was able to confirm the malware was used in the Ukraine grid attack.

### **Cairn Energy tax dispute: I-T dept orders recovery of Rs. 10,247 cr.**

The Income-Tax Department has ordered coercive action against Cairn Energy Plc to recover Rs. 10,247 crore of retrospective tax after the British oil firm lost a challenge to the move before an international arbitration panel. The department ordered taking away \$104 million dividend due to it from its remaining stake in the erstwhile subsidiary Cairn India (now called Vedanta Ltd) and another Rs. 1,500 crore of tax refund due to it, a top source said. This follows an international arbitration panel's decision last week not to entertain a plea by Cairn Energy seeking injunction against the coercive action to recover the tax. The source said the tax department will now move to take over the 9.8 per cent shareholding Cairn Energy had in Cairn India. In an emailed statement, Cairn Energy confirmed the tax department's move. "On June 16, 2017 the Indian Income-Tax Department (IITD) issued an order to Vedanta India Ltd (VIL) directing it to pay over any sums due to Cairn. Sums due to Cairn from VIL now total \$104 million, including historical dividends of \$53 million and a further dividend of \$51 million after the merger of CIL and VIL," it said. The company said however that it will continue with the international arbitration proceedings against the retrospective tax demand. "Cairn is seeking full restitution for (UK-India Bilateral Investment Treaty) Treaty breaches resulting from the expropriation of its investments in India in 2014, the attempts to enforce retrospective tax measures and the failure to treat the company and its investments fairly and equitably," it said. The company said it has a high level of confidence in its case under the Treaty and, in addition to resolution of the retrospective tax dispute, its claim seeks damages equal to the value of the Group's residual shareholding in Cairn India at the time it was attached (approximately \$1 billion).

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**Apex court grants Subrata Roy 10 more days to deposit Rs. 709.82 cr**

The Supreme Court today granted Sahara chief Subrata Roy 10 more working days to deposit Rs. 709.82 crore out of the promised Rs. 1,500 crore and extended its interim order granting him bail till July 5. A bench comprising Justices Dipak Misra and Ranjan Gogoi considered the submissions of senior advocate Kapil Sibal, appearing for Roy, that Rs. 790.18 have been already been deposited with the SEBI-Sahara account and 10 more working days be granted for submission of the remainder. Roy had earlier deposited two cheques of Rs. 1,500 crore and Rs. 552.22 crore to be paid to the Securities and Exchange Board of India (SEBI) on June 15 and July 15 respectively. Irked over non-submission of money, the Supreme Court had on April 17 decided to sell property worth Rs. 34,000 crore belonging to the Sahara group in Maharashtra's Aamby Valley and had sought Roy's presence before it. The court had on November 28 last year asked Roy to deposit Rs. 600 crore more by February 6 in the refund account to remain out of jail and warned that failure to do so would result in his return to prison. It had on May 6, 2016 granted Roy four-week parole to attend his mother's funeral. His parole has been extended by the court ever since. Roy was sent to Tihar jail on March 4, 2014. Besides Roy, two other directors, Ravi Shankar Dubey and Ashok Roy Choudhary, were also arrested for the failure of two group companies, Sahara India Real Estate Corporation (SIRECL) and Sahara Housing Investment Corp Ltd (SHICL), to comply with the court's August 31, 2012 order to return Rs.24,000 crore to their investors. Director Vandana Bhargava was not taken into custody.

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## Corporate Development Judicial

<b>CASE LAW</b>	Govt. Of NCT of Delhi v. Manav Dharam trust & ANR [SC]
<b>DECIDED ON</b>	May 04, 2017
<b>LEGISLATION</b>	The Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013 –section 24(2)
<b>BRIEF FACTS</b>	Lapse of acquisition under the 1894 Act - subsequent purchasers/assignees/power of attorney holders, etc. approaching the court to set aside the acquisition whether they have locus standi- Held, Yes.

**Facts:** Whether the subsequent purchasers/assignees/power of attorney holders, etc., have locus standi to file a petition for a declaration of lapse of acquisition proceedings under Section 24(2) of The Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013 (hereinafter referred to as “the 2013 Act”), is the only issue arising for consideration in these cases.

The High Court has taken the view in favour of such people. Thus, aggrieved the NCT of Delhi and Delhi Development Authority are in appeals before this Court.

**Decision: Appeals dismissed**

<b>CASE LAW</b>	M/s Palam Gas Service v. Commissioner of Income Tax [SC]
<b>DECIDED ON</b>	May 3, 2017
<b>LEGISLATION</b>	Income Tax Act, 1961 – Section 40(a)(ia)
<b>BRIEF FACTS</b>	Whether the term ‘payable’ includes the amount paid also- Held, Yes.

**Facts:** The neat question which arises for consideration in this appeal relates to the interpretation of Section 40(a)(ia) of the Income Tax Act, 1961 (the Act). Section 197C of the Act has also some bearing on the issue involved.

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Section 40 of the Act enumerates certain situations wherein expenditure incurred by the assessee, in the course of his business, will not be allowed to be deducted in computing the income chargeable under the head ‘Profits and Gains from Business or Profession’. One such contingency is provided in clause (ia) of sub-section (a) of Section 40(a) (ia). As per clause (ia), certain payments made, which includes amounts.

**Decision: Appeal dismissed**

<b>CASE LAW</b>	Sarla performance Fibers Ltd v. C.C.E.C., VAPI. [SC]
<b>DECIDED ON</b>	April 27, 2017
<b>LEGISLATION</b>	Central Excise Act
<b>BRIEF FACTS</b>	Polyester Covered Yarn and Nylon Covered Yarn classification of goods- whether the products fall under Chapter 56 as claimed by the assessee- Held, No.

**Facts:** All these appeals involve identical dispute, which pertain to classification of the goods known as Polyester Covered Yarn and Nylon Covered Yarn. Whereas the appellants/assesses argue that these products are covered by Chapter No. 56 and come under CSH No. 5606.06, the Revenue has taken the position that the aforesaid goods fall in CSH No. 5402.62/61. The stand of the Revenue has been accepted by the Customs Excise & Service Tax Appellate Tribunal (for short ‘CESTAT’) which is challenged by the assesses in these appeals. For the sake of convenience, we shall take note of the facts from Civil Appeal Nos. 5805-5807 of 2009.

**Decision: Appeals dismissed**

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## From the Government

### Position limits for cross-currency futures and options contracts (not involving Indian Rupee) on exchanges in International Financial Services Centres (IFSC)

*[Issued by the Securities And Exchange Board of India vide Circular SEBI/HO/MRD/DRMNP/CIR/P/2017/43] dated 17.05.2017.]*

1. Securities and Exchange Board of India (International Financial Services Centres) Guidelines, 2015 were notified on March 27, 2015, which came into force on April 01, 2015 wherein currency derivatives were specified as permissible securities in which dealing may be permitted by stock exchanges in IFSC.
2. It has been decided that for cross-currency futures and options contracts (not involving Indian Rupee), the position limits for eligible market participants, per currency pair per stock exchange, shall be as follows:
  - a) **Trading Members (positions on proprietary basis as well as clients' position)** - Gross open position across all contracts not to exceed 15% of the total open interest or USD 1 billion equivalent, whichever is higher.
  - b) **Institutional Investors** - Gross open position across all contracts not to exceed 15% of the total open interest or USD 1 billion equivalent, whichever is higher.
  - c) **Eligible Foreign Investors (as referred to in SEBI Circular IMD/HO/FPIC/CIR/P/2017/003 dated January 04, 2017)** – Gross open position across all contracts not to exceed 15% of the total open interest or USD 1 billion equivalent, whichever is higher.
  - d) **Other Clients** – Gross open position across all contracts not to exceed 6% of the total open interest or USD 100 million equivalent, whichever is higher.
3. Stock exchanges shall impose appropriate penalties for violation of position limits by eligible market participants.

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4. This circular is being issued in exercise of powers conferred under Section 11 (1) of the Securities and Exchange Board of India Act, 1992 to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.

#### **Digital mode of payment**

*[Issued by the Securities And Exchange Board of India vide Circular SEBI/HO/GSD/T&A/CIR/P/2017/42] dated 16.05.2017.]*

1. SEBI has notified the SEBI (Payment of Fees and Mode of Payment) (Amendment) Regulations, 2017 on March 06, 2017 to enable digital mode of payment (RTGS/NEFT/IMPS etc.) of fees/penalties/remittance/other payments etc.
2. Pursuant to above, SEBI has been receiving direct credit of amounts from various intermediaries / other entities.
3. In order to identify and account such direct credit in the SEBI account, it has been decided that the various intermediaries/other entities shall provide the information as mentioned in Annexure–I to SEBI once the payment is made.
4. The above information should be emailed to the respective department(s) as well as to Treasury & Accounts division at [tad@sebi.gov.in](mailto:tad@sebi.gov.in).
5. This circular is issued in exercise of powers conferred under Section 11(1) of the Securities and Exchange Board of India Act, 1992 to protect the interests of investors in securities and to promote the development of, and to regulate the securities markets.
6. This Circular is available on SEBI website at [www.sebi.gov](http://www.sebi.gov). in under the categories “Circulars”.

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**SAVE OUR ENVIRONMENT****SALT LAMP BY SALT**

The SALT Lamp is a cost-effective light source that is changing people's lives in the Philippines. This revolutionary invention was developed by engineer Aisa Mijeno as an asset for the many households that are unable to access or afford electricity. Rather than having residents rely on oil lamps (which can cause fires) or expensive battery-powered lights, Mijeno's device provides them with a safe and economical source of illumination.



SALT is a revolutionary tool that requires only one glass of water and two tablespoons of salt to supply a night's worth of light. Even if salt isn't readily available to mix with water, the product is able to run on nearby ocean water—a feature that will most definitely come in handy during a crisis. The lantern's electrodes are also exceptional because they can work for one year without needing to be replaced.

This safe and harmless lighting alternative is currently being designed for non-profit organizations and for those in need. Soon, it will be made available to all consumers. As they begin to develop and produce this product, SALT hopes to distribute another version that can charge cell phones and other portable electronic devices.

Source: <http://mymodernmet.com/salt-lamp/>

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**UPDATES**

**RBI UPDATES**

- RBI Clarification on Banks under Prompt Corrective Action
- Second Bi-monthly Monetary Policy Statement, 2017-18 on at 2.30 pm on June 07, 2017
- Statement on Developmental and Regulatory Policies, Reserve Bank of India
- Issuance of Rupee denominated bonds overseas
- Section 24 and Section 56 of the Banking Regulation Act, 1949 - Maintenance of Statutory Liquidity Ratio (SLR)
- RBI releases Data on India's International Trade in Services: April 2017
- Developments in India's Balance of Payments during the Fourth Quarter (January-March) of 2016-17
- Sources of Variation in Foreign Exchange Reserves in India during 2016-17
- RBI identifies Accounts for Reference by Banks under the Insolvency and Bankruptcy Code (IBC)

**SEBI UPDATES**

- Options on Commodity Futures- Product Design and Risk Management Framework
- Comprehensive Review of Margin Trading Facility
- Comprehensive guidelines for Investor Protection Fund, Investor Service Fund and its related matters at National Commodity Derivatives Exchanges
- Recording of Non-Disposal Undertaking (NDU) in the Depository System
- Non-compliance with certain provisions of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009
- Interest and Dividend information reporting in case of Custodial Accounts-Rule 114G(1)(e) of the Income Tax Rules, 1962
- Continuous disclosures and compliances by issuers under SEBI (Issue and Listing of Debt Securities by Municipalities) Regulations, 2015.

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- Participation of Category III Alternative Investment Funds(AIFs) in the commodity derivatives market.

### **MCA UPDATES**

- DIR-5 (Application for surrender of Director Identification Number) will be deployed as an e-form for filing purposes w.e.f 21st June 2017. Stakeholders who wish to surrender DINs shall be required to file this e-form instead of it being filed as the attachment to form RD-1. Please plan accordingly.
- Form GNL-3 and INC-22 are likely to be revised on MCA21 Company Forms Download page w.e.f 17th Jun 2017. Stakeholders are advised to check the latest version before filing.
- Exemption to Government Companies under section 462 of CA, 2013 - [http://www.mca.gov.in/Ministry/pdf/ExemptionGovernmentCompanies\\_14062017.pdf](http://www.mca.gov.in/Ministry/pdf/ExemptionGovernmentCompanies_14062017.pdf)
- Exemption to Private Companies under section 462 of CA, 2013 - <http://www.mca.gov.in/Ministry/pdf/ExemptionPrivateCompanies.pdf>
- Exemption to Section 8 Companies under section 462 of CA, 2013 - [http://www.mca.gov.in/Ministry/pdf/ExemptionSection8Companies\\_14062017.pdf](http://www.mca.gov.in/Ministry/pdf/ExemptionSection8Companies_14062017.pdf)
- Form 23AC is likely to be revised on MCA21 Company Forms Download page w.e.f 10th June 2017. Stakeholders are advised to check the latest version before filing.
- SPICe form is likely to be revised on MCA21 Company Forms Download page w.e.f 7th June 2017. Stakeholders are advised to check the latest version before filing.
- Form INC-1 is likely to be revised on MCA21 Company Forms Download page w.e.f 3rd June 2017. Stakeholders are advised to check the latest version before filing.

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