

From the Desk of Chairman



Dear Professional Colleagues,

The much awaited event for the economy under the new government took place on 6th July, 2009 when Hon'ble Finance Minister-Shri Pranab Mukherjee presented his budget proposals for 2009-10. One of the proposals under the Excise Chapter is to widen the scope of audit under 14A/14AA to also include Chartered Accountants. This came as a bolt out of blue to the profession of Cost Accountants, as, at a time when all of us were expecting a greater role in the industry but to the contrary, whatever exclusive was given to us under these provisions has been diluted. I am aware of the concern and frustration this has caused amongst the members of ICWAI. The issue deserves immediate reconsideration by the government because the Cost Accountants are well versed with the manufacturing costs related issues, utilisation of material and all input costs in the value chain till the product passes the gate of the manufacturer, therefore were rightly placed as the professionals eligible for audit under 14A/14AA.

The NIRC is in touch with the Central Council and a coordinated effort has been initiated to make our voice known in the right places. The time has come when government decides that for all direct and indirect taxation audits, practices and certifications, members of both the Institutes will be eligible to take up the same. Such a move will facilitate a meaningful utilisation of the professional talent available with the Cost Accountants. This fits well with the thinking of the government by which they have widened the scope of the eligible professionals for audit under 14A/14AA.

A gist of other key budget proposals is included in this newsletter.

The 50th AGM of NIRC was held on 3rd July, 2009. Presence of large number of members including

members from various chapters under Northern Region was a matter of great satisfaction and this facilitated increased interaction amongst the members. Shri D.K. Saraf, Director Finance of ONGC and an esteemed member of our profession was the Chief Guest to distribute prizes to various awardee members, faculties and meritorious students. Patronisation of the institute by such senior members was an encouragement for the NIRC team and other members.

As you are aware, the term of the present office bearers will come to an end soon and as a Chairman of NIRC this is my last communication with you. I am grateful to all the members and to my colleagues in the NIRC for giving me the opportunity to serve the profession. The strength of the Institution of ICWAI, always encouraged me to put my best efforts in continuing the journey of growth and development of our Institute, its members and industry. The year gone by was eventful and shall remain memorable for me personally. The NIRC has seen a record number of admissions this year and we are running 28 batches of oral coaching, which is the highest so far. We need to improve the infrastructure for oral coaching and also involve more members in imparting professional knowledge to the students. Interested members are requested to respond to an advertisement which appears in this newsletter in this regard.

There is a lot which has to be done to position our profession in the commanding heights and I look forward to your suggestions in this regard. Every effort will be made to implement the same in the remaining term of this Council.

With warm regards,

Yours sincerely,



(Rajeev Mehrotra)
Chairman/NIRC

July 13, 2009

NORTHERN INDIA REGIONAL COUNCIL 2008-09

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Secretary's Communique



Our Institute is celebrating Golden Jubilee year. It's a proud moment for all of us. The journey was undoubtedly tough but confidence and zeal of our predecessors have made this mission a success.

CWA profession started its growth almost simultaneously with the igniting of economic engine of the country with public sector industry at the driver's seat. **I take proud in sharing the fact that Cost Accountants have dominated the management of public sector industry in all these years.**

At the same time, profession has seen some lows especially in the practicing side which primarily due to step motherly treatment given by the Government that too in spite of our proven record of professional Excellency. Despite this, my friends on practicing side have shown enough courage in carting the show and just due to their sheer intelligence and hard work have able to get hold of many areas in addition to Costing. Still lot is required to be done on this front and it is high time that collective representation should be made to demand our due share

The other important area of review is the level of education, which ultimately defines the quality of our profession. **I am privileged to make the statement that our level of education today is matching with the best in the Globe. Particularly, with the recent amendments in curriculum & introduction of three year mandatory training, our members are best equipped for handling any assignment be it in Cost, Financials, Audit, Taxation, Foreign exchange, Treasury and definitely the management of Corporate Affairs.**

I strongly condemn the recent gift given by the Government to our profession on the occasion of Golden Jubilee by withdrawing our exclusive right to conduct Special Audit under Section 14A & 14AA of the Central Excise Act. We would have definitely appreciated this move had it been result of unbiased thinking of Government. It may be the case that our fellow professionals are capable of handing Central Excise matters but at the same time the other side Government must appreciate the fact that CWA professionals are also capable of handling financial audits, Income tax matters and other host of related areas. Moreover, the exclusive rights of handling indirect tax (Including VAT) matters promised to our members as other side was handling exclusively direct taxes. This current action has almost betrayed that approach. This biased view of the Government has dragged our practicing colleagues on the

back seat despite of proven capabilities. Well, show must Go on & we have to perform & prove our self with much more Zeal enabling the few people with closed eyes notice our capabilities

Though I am personally optimistic that Government might be working in line with giving free hand in all available avenues including financial & Direct Tax to members of our Institute. Let us hope for the good and better times ahead . I am sure our Institute under the able leadership of H'ble President Sh. Kunal Benerjee & Sh Durga Prasad & other CCMs & Senior colleagues must be taking all necessary steps to remove discrimination.

The Union budget is otherwise encouraging. The **abolition of FBT is surely a welcome step** but **taxing such benefits in the hands of employees has dampened the sentiment of salaried class**. The continuing approach of keeping lower excise duties and service tax shall prove good for the manufacturing and service tax. At the same time, **it may be difficult for the Government to continue such concessions for long in the light of increasing fiscal deficit**.

With the conclusion of 50th Annual General Meeting of NIRC on 3rd July 2009, **the present team in NIRC has completed 2nd Year of its 4 year term. I have also completed my two years as Secretary and Treasurer of most vibrant region of our Institute. The period has proved to be most encouraging and learning experience of my life. The fellow members and staff of NIRC have given whole hearted support in day to day affairs as well as in devising the strategies for future for which I am thankful to one and all from the deep bottom of my heart.**

On activity front, the **Chandigarh Chapter** in association with local units of Chartered Accountants & Company Secretaries **organised a seminar on Union Budget. Sh Girish Ahuja & Sh J.K Mittal leading Consultants gave lively presentations.**

Similarly our Jaipur Chapter conducted AGM wherein besides other formal business members elected new Managing Team for the Year 2009-10. I along with my colleagues in NIRC wish all the best to New Team with a hope that they will continue with the excellent work done by their predecessors

With Warm Regards & Jai Hind,



(Rakesh Bhalla)

ACTIVITY REPORT

NIRC ACTIVITIES

Seminar on Tax Deducted at Source

The NIRC of ICWAI organized a Seminar on Tax Deducted at Source on 5th June, 2009 at ICWAI Bhawan, New Delhi from 6.30 p.m. onwards. Shri Rajender Kapoor, FCS, LLB was the Speaker of the Seminar. Shri Rajeev Mehrotra, Chairman, NIRC of ICWAI gave the welcome speech and Shri Rakesh Bhalla conducted the proceeding of the seminar. Shri Balwinder Singh, Central Council Member, ICWAI, Sanjay Gupta, Vice Chairman, Shri Vijender Sharma, Jt. Vice Chairman, and Shri B.L. Jain, Member, NIRC of ICWAI were also present in the seminar. Shri Kapoor explained intricate points of the TDS. And the amendments proposed by CBDT, which will be effective from 1st July, 2007. For example, to quote TRN with each deduction and new form of return etc. Members raised their various working difficulties in handling TDS.

50th Annual General Meeting of the NIRC held on 3rd July, 2009

50th AGM of NIRC was held on 3rd July, 2009 at Lok Kala Manch, Lodi Road, New Delhi. All the Regional Council Members (S./Shri Rajeev Mehrotra, Chairman, Shri Sanjay Gupta, Vice Chairman, Shri Vijender Sharma, Jt. Vice Chairman, Shri Rakesh Bhalla, Secretary & Treasurer, and Shri B.L. Jain, Member, NIRC of ICWAI and Central Council Member Shri Chander Wadhwa, Shri Hari Krishan Goel, and Shri Balwinder Singh were present on the occasion. Shri D.K. Saraf, Director (Finance) ONGC, was the Chief Guest to distribute prizes to various awardees and felicitate senior members of the profession. The meeting had a galaxy of icons of our profession who spared their valuable time to grace the occasion, Shri D.C. Bajaj, Addl. Chief Advisor Cost (Govt. of India) and Past President of ICWAI, Shri J.K. Puri, and Dr. G.B. Rao, former president ICWAI. Members from various chapters under NIRC also attended the AGM.

Shri Rajeev Mehrotra, Chairman NIRC of ICWAI welcomed the members and briefed about the activities of the NIRC during the year 2008-09 and made a presentation about the performance of NIRC. Member unanimously adopted the annual Report for the year ended 31st March, 2009 and approved accounts for the Financial year 2008-09.

Extract of the speech of Chairman at the AGM

It is my pride privilege to welcome you to the AGM of NIRC of ICWAI for the year 2008-09. This is a special occasion as our Institution completes 50 years of its dedicated service to our beloved nation. The year 2008-09 has been very satisfying in terms of the initiatives taken by the council members of NIRC.

Our approach for the growth of profession was two folded – one for increasing the student base and their quality of professional knowledge – second – for increasing professional activities for members. We have been updating you every month about key activities taken up by us. From time to time, we receive inputs from members about the types of programme to be taken up and based on such feedback, we organised programmes.

On the students' side, the growth in the increase of number of students at NIRC has continued at faster pace and last year we had 10918 students, which has almost doubled in five years. This puts us under further responsibility to ensure that their output level is so good that they are able to face the competition after qualifying ICWA. We also take pride in sharing with you that in view of the large number of students coming from East Delhi side, we started a study centre in Laxmi Nagar in November, 2008. Looking at the success of the centre, we are planning to hire bigger premises. With this background of students growth and need to improve quality of education, initiative was taken to hold monthly conference for students where they make presentations on various topics under guidance of seniors. This was further increased to the level of a regional conference on 5th October, 2008 where students from various chapters in North

India organised a one day conference and made several presentations combined with the other soft skills of music and dance. This has become a memorable event for the students and I wish we can continue with such initiatives with your full support and guidance.

On the professional side also, several programmes were organised. We are going to share couple of slides on key programmes organised by us. Our efforts have been to cover latest developments in the programmes and involve as many members as possible. In a landmark programme organised on 12th May, 2009, directors, CEOs and CFOs of leading Delhi based corporates and senior govt. officials were invited in an interactive programme on key recommendations of the Expert Group on Cost Accounting Records, Cost Audit and Standards. Some glimpses of this programme have been shared by us in the newsletter for June 2009. This enabled ICWAI to initiate dialogue at senior most level in the industry and govt. and we hope on other matters also, we shall be able to maintain such interactions.

Another very satisfying event was a Regional Conference titled "Management Accounting for Corporate Competitiveness" held at Chandigarh in the beginning of this year on 3rd and 4th January, 2009. The programme covered many contemporary challenges before management accountants. The programme was inaugurated by Shri Pawan Bansal, Union Minister of State for Finance and Shri Randeep Singh Surjewala, Minister of Power & PWD, Govt. of Haryana. On this occasion, the President of ICWAI, Shri Kunal Banerjee and many CCMs were also present. All this helped us to increase interaction with the level of central and state ministers and senior functionaries in the government, in addition to enrichment of professional knowledge of participating members who were present in good numbers.

Looking at the new challenge of adoption of IFRS by India from 1st April, 2011, we all professionals have to prepare a lot to facilitate smooth transition not only for financial accounting but also from the point of view of cost and management accounting with this background, we organised a seminar on

IFRS on 21st March, 2009 which was well attended by middle and senior finance executives from various companies.

As you are aware, an Expert Group was set by Govt. of India examining the whole issue of maintenance of cost records, the legal and regulatory mechanic etc. The group submitted its report in March 2009 and feedback from various stakeholders was solicited. Accordingly, a workshop for members in NIRC region was organised regarding recommendations of the Expert Group on CARR on 13th April, 2009. The President of ICWAI-Shri Kunal Banerjee, Vice President-Shri A.S. Durgaprasad, Chairman of the Expert Group-Shri B.B. Goyal along with large number of members attended the programme.

On the financial management front of NIRC, we have been able to manage the operations with very moderate cost of operations. As a result, surplus from operations during 2008-09 has been Rs.52.16 lacs which is more than double of the amount of Rs. 23.48 lacs we had in 2007-08. All the council members and staff of NIRC deserve to be complemented for this exercise. Also, the deposits with Banks have increased from Rs. 63 lacs as on 31.3.2008 to Rs. 1.67 crores as on 31.3.2009. We hope with the money available, we will be able to invest more amount in improving the facilities for members and students.

The above is brief summary of activities taken up by NIRC and with your permission, we will now make a small presentation about the same.

I am thankful to all of you for your kind attention and guidance from time to time and look forward to your participation in the activities of NIRC of ICWAI in future also.

Shri B.L. Jain, Member NIRC of ICWAI presented a vote of thanks

The AGM was followed by Prize Distribution. Following prizes were awarded :

1. Late AVM MRITUNJAI SINGH MEMORIAL PRIZE-

Mr. Manjesh Porwal for Securing highest marks in ICWAI final Exam in December,2008 Examination in North India.

2. Vishan Devei Ahuja Memorial Prize

Mr.Sachin Jain for Securing Maximum Marks in Management Accounting, Paper of ICWAI Final Exam in December,2008 in North India.

3. Nanak chand Ahuja Memorial Prize:-

Mr. Sudhanshu Sinha for securing maximum Marks in Advanced Financial Management & International Finance Paper of ICWAI Final Exam. In December, 2008 examination in North India.

4. S.K. Gupta Memorial Prize

Ms.Kaumudi Singhal for securing highest marks in ICWAI Intermediate in December,2008. Examination in North India.

5. K.G., Goyal Prize

Mr.Sunnay Mogia for securing the maximum Marks in Cost & Management Accounting Paper orf ICWAI Intermediate Exam in December,2008 /

6. S.K. Mittal Memorial Prize

Ms. Yashika Soni for Securing the highest marks in Cost Audit & management Audit Paper of final Examination.

Valuable contribution to Profession

Shri J.K. Puri
Shri S.C. Dhingra
Shri M.K. Anand
Shri D.C. Bajaj
Shri D.C. Arya
Shri R. Nagarajan
Shir P.S. Rathore
Shri Arun Garg
Shri R.B.L. Gupta
Shri Avtar Singh

Best Chapter Award

Jaipur
Lucknow
Allahabad

Best Speaker Award

Mr. S.K. Bhatt
Mr. Pankaj Jain

Award for Contribution in NIRC News Letter

Mr. Kailash Naugain
Mr. Neeraj Arora

Best Faculty Award

Mr. C.J. Bhatiani
Mr. R.P. Singh
Mr. S.K. Taneja
Mr. Rajesh Kumar
Mr. Amitab Banerjee
Ms. Shraddha Arora
Mr. K.D. Taneja

Best conference Award

Chandigarh – Panchkula Chapter

Best employee Award

Shri H.S. Sharma
Shri Ravi Shankar
Shri Ram Babu Sharma

Best Up coming Chapter

Ludhiana Chapter
Faridabad Chapter
Udaipur Chapter

The Meeting was attended by large number of Members.

At the end, Chief guest, Shri D.K. Saraf expressed his views about the growth of profession and challenges before the members in view of competition from various professions. Shri Chander Wadhwa, immediate Past President and CCM also expresses his views about the recent development affecting profession.

Seminar on Union Budget, 2009

The Institute of Chartered Accountants of India, The Institute of Cost & Works Accountants of India, The Institute of Companies Secretaries of India jointly organized Seminar on “UNION BUDGET 2009” at Hotel Shivalik View, Chd. on 8th July,2009

The Key Speaker of the seminar were CA. DR. Girish Ahuja, the renowned speaker on Income Tax across the country as well as CA. LLB. J.K. Mittal, an expert on Indirect Taxes The dignitories who addressed the seminar included:-

CA. CMA. Balwinder Singh, All India Council Member (ICWAI)

CA. Baldev Garg, Vice chairman-North Region (ICAI)

CMA. Rakesh Bhalla Secretary-North Region (ICWAI)

CS. Atul Sood, Secretary-North Region (ICSI)

CA. Raman Seth, Chairman-ICAI, welcomed the participants and said Every year Govt. of India presents Budget anchoring its policies for the financial year for the overall betterment of the people of India, including both direct tax & Indirect Tax proposals. The fine Understanding of Proposals of budget will help professionals to better cater to their clients and listening from the tax Guru-Dr. Girish Ahuja as well as Sh. J.K Mittal will definitely enrich all professionals”

Dr.Grish Ahuja, the Key speaker welcomed the abolition of Fringe Benefit Tax which was most sought after relief by non-Individual tax payers. The limit of allowability of remuneration of partners has been increased to Rs.1,50,000

from Rs. 50,000, even in case of Losses. The slabs of allowability of remuneration have also been rationalized. The definition of charitable purpose has been widened and now benefit shall also be available in case of preservation of environment monuments, objects of artistic and historic Interest. For setting up of cold chain facility, setting & operating of warehouse of agriculture produce and cross country natural Gas petroleum network of distribution the assessee will be allowed deduction equal to 100% of capital investment will be allowed (excluding land cost). In Addition, revenue expenditure will also be allowed.

CA.CMA. Balwinder Singh, All India Council Member of ICWAI welcomed the increase in the basic limit of taxation to Individual tax payers, removal of fringe benefit tax, increase in limits for partner remuneration rationalisation and increase in slabs for remuneration to partners, widening of definition of Charitable purpose, removal of Commodity transaction tax etc. He also appreciated the increase in basic limit of wealth tax exemption from 15lacs to 30lacs. New Direct Tax code is to be exposed by Govt. within 45days, which is also a welcome step, said CA.CMA. Balwinder Singh.

CA. OPK Singla, Treasurer ICAI proposed formal vote of thanks.

JAIPUR CHAPTER

40th AGM HELD AT JAIPUR CHAPTER

The 40th Annual General Meeting of Jaipur Chapter was held on Sunday the 31st May, 2009 at the Chapter premises at 11.30 A.M. Shri Vinod Chittora, Chairman of Jaipur Chapter welcomed the guests and highlighted the major activities of the Chapter for the year 2008-09 which included inauguration of new Tubewell & laying of Foundation stone of first storey of the building by Ex-Minister of Water Resources, Govt. of Rajasthan, renovation of class rooms, purchase of LCD Projector, organizing various Seminars during the year etc. Thereafter Shri R.K. Bhandari, Secretary of the Chapter submitted the Final Accounts for the year 2008-09 and informed the members that inspite of increase in expenses due to increased activities, there is a net surplus of Rs. 5.85 lakhs and cumulative surplus is Rs. 20.18 lakhs. The Annual Accounts for the year 2008-09 were approved in the AGM. Shri Bhandari also apprised that in June 2008 exam, five students of Jaipur Chapter secured All India Ranks in Final Exam. and two students in Intermediate Exam. which shows the quality of coaching at Jaipur Chapter. All the Rank Holder students were honoured by giving memento to them. The Best Faculty Members viz. Shri Swapnil Bhandari and Shri Sudharshan Nahar were also honoured. The meeting was attended by a large number of members.

Election of The Management Committee for the year 2009-10 was held in the morning and seven members were elected out of fourteen members and the new committee members elected following office bearers for the year 2009-10 :-

Shri R.K. Bhandari	:	Chairman
Shri D.K. Gupta	:	Vice-Chairman
Shri S.L. Swami	:	Secretary
Shri Alok Kumar Gupta	:	Joint Secretary
Shri Rakesh Sharma	:	Treasurer
Shri Vinod Chittora	:	Executive Member
Shri Ankesh Goyal	:	Executive Member

Shri D.K. Gupta, Vice-Chairman, proposed vote of thanks to all the members. The AGM was followed by lunch.

INTERNATIONAL CAREER FAIR 2009

ICWAI Jaipur Chapter participated in the International Career Fair organized by Rajasthan Patrika at Ambedkar Circle, Jaipur from 9th April to 17th April 2009. In this fair more than 350 students visited the stall of the ICWAI Jaipur Chapter. Procedure of joining ICWAI Course, eligibility criteria, coaching activities, employment opportunities and new avenues available were explained to the visiting students. Many senior members, Executive members and students of Jaipur Chapter also visited the stall.

LUDHIANA CHAPTER

Ludhiana Chapter of Cost Accountants held its 17th Annual General Meeting on Wednesday. The 10th June, 2009 at Chapter's Office. In the said meeting

KANPUR CHAPTER

the members adopted the annual Accounts for the year ended 31.3.2009 alongwith Annual Report of the Managing committee. Further, the Auditor were reappointed for the year 2009-10 The Managing committee of the Chapter was reconstituted and the following office bearers were also elected.

Shri R.C. Singal	Patron (Member)
Shri Sanjeev Jain	Chairman
Shri V.K. Jain	Vice Chairman
Shri Shiv Kumar Jindal	Secretary
Shri Ratti Ram Mainh	Joint Secretary & Treasurer
Shri Brij Pal	Member
Shri Vikas Mudgil	Member
Shri D.K. Behal	Member

The meeting ended with a vote of thanks propose by Mr. Shiv Kumar Jindal Secretary of the Chapter.

MANAGING COMMITTEE -2009-2010

S NO	NAME	DESIGNATION	RESIDENTIAL ADDRESS	PH./ MOBILE
1	Sri A.K. Bhargava	Chairman	VIMA VIHAR, LAKHANPUR, KANPUR	0512-2582698 09935054348
2	Sri Rakesh Misra	Vice Chairman	122/314, SHASTRI NAGAR, KANPUR	9415051074
3	Sri D.S. Misra	Secretary	10/460, KHALASI LINES, KANPUR	0512-2554744-R 0512-2530212-O 09839251431
4	Sri S.K. Verma	Joint secretary	120/555, SHIVAJI NAGAR, KANPUR	9336655909
5	Sri S.K. Saxena	Prog. Director	87/20, ACHARYA NAGAR, KANPUR	0512-2520646 09450333352
6	Sri H.O. Mishra	Member	76/151, Coolie Bazar, Kanpur	09935538908
7	Sri R.K. Trivedi	Member	NL-1/6, BARR-6, KANPUR	0512-2284663 09415043950
8	Sri R.K. Shukla	Member	8/70, Arya Nagar, Kanpur	09839084312
9	Sri Sanjay Kumar	Member	120/281, Lajpat Nagar, Kanpur	09839787850
10	Sri A.K. Awasthi	Advisor	C1/902, ELDECO GARDEN ESTATE, RAIPURWA, KANPUR	0512-2523520 0983918908
11	Dr. R.C. Katiyar	Advisor	236/C-1, INDIRA NAGAR, KANPUR	0512-2570459-R 0512-2571588-O 0993566566
12	Sri M.R. Vyas	Advisor	117/M/167, KAKADEO, KANPUR	0512-2502657 09953000105
13	Sri A.K. Srivastava	Auditor	96, HARJINDER NAGAR, KANPUR	9839116989



NIRC Requires Faculty for Oral Classes

NIRC Requires Faculty for Teaching ICWAI CAT, Foundation, Intermediate and Final Students, Subjects mentioned below.

The members /others with their working Experience/ Teaching Experience may apply. Suitable honorarium will be paid. The classes timing are 7.00 am to 9.00 a.m., 10.00 a.m to 12.00 noon, 3.00 p.m. to 5.00 p.m. and 6.00 p.m. to 8.00 p.m. at Lodhi Road, Mandir Marg and Laxmi Nagar Centres.

CAT	Foundation	Intermediate	Final
Organization & Management Fundamentals (OMF)	Organization & Management Fundamentals (OMF)	Financial Accounting (FAC)	Capital Market Analysis Corporate Laws (CMC)
Accounting (ACT)	Accounting (ACT)	Commercial and Industrial Laws and Auditing (CIA)	Financial Management & International Finance (AFM)
Economics & Business Fundamentals (EBF)	Economics & Business Fundamentals (EBF)	Applied Direct Taxation (ADT)	Management Accounting- Strategic Management (MSM)
Business Mathematics & Statistics Fundamentals (BMS)	Business Mathematics & Statistics Fundamentals (BMS)	Cost & Management Accounting (CMA)	Indirect & Direct – Tax Management (TXM)
Financial Accounting (FNA)		Operation Management and Information Systems (QMS)	Management Accounting – Enterprise Performance Management (EPM)
Applied Statutory Compliance (ASC)		Applied Indirect Taxation (AIT)	Advanced Financial Accounting & Reporting (AFA)
			Cost Audit & Operational Audit (COA)
			Business Valuation Management (BVM)

Interested faculty may send their CV to Shri V.R. Bhalla, Executive Officer or Mail nirc@icwai.org copy to rm_pfc@yahoo.com.

APPLICABILITY OF ACCOUNTING STANDARDS TO VARIOUS ENTERPRISES W.E.F 01.04.2008

BALWINDER SINGH

F.C.A., F.I.C.W.A, D.I.S.A., A.I.V., L.I.I.I.

AS PER ICAI:

Enterprises are classified as Level-I, Level-II and Level-III Enterprises. Small & Medium Scale Enterprises (SMEs) are split up in two categories, i.e., Level-II and Level-III enterprises. Level-I is termed as “Other than SMEs”

THE COMPANIES (ACCOUNTING STANDARDS) RULES, 2006 notified by Ministry of Corporate Affairs, w.e.f. 07.12.2006 has classified the enterprises in two categories only for the purpose of applicability of various accounting standards. There is no distinction between Level-II and Level-III. They are combined termed as Small & Medium Scale Companies (SMCs). Level-I is termed as “Other than SMCs”. Thus, as per “The Companies (Accounting Standard) Rules, 2006” various accounting standards applies to “**Companies only**” falling under Level-I. The Companies

(Accounting Standard) Rules, 2006 provides certain exemptions / relaxations from the provisions of the certain Accounting Standards to SMCs. Additional exemption / relaxation from the provisions of the Accounting Standard which has been given by ICAI pertains to Non-Corporate Entities only.

Pursuant to that, to have harmonization, to the extent possible, in respect to relaxations etc, the ICAI has amended its applicability of various accounting standards, relaxations etc. w.e.f. 01.04.2008, though ICAI has retained categorization into Level-I, II & III enterprises. Some additional exemptions / relaxations may be available to non-corporate entities.

The updated summary / a glance view of the applicability of all accounting standards, relaxations etc to various enterprises, whether corporate or non-corporate entity is as under:

ACCOUNTING STANDARD		APPLICABILITY TO LEVEL-I ENTERPRISES (Other than SMEs)	APPLICABILITY TO LEVEL-II ENTERPRISES (SMEs)	APPLICABILITY TO LEVEL-III ENTERPRISES (SMEs)
AS 1	Disclosure of Accounting Policies	Yes	Yes	Yes
AS 2	Valuation of Inventories	Yes	Yes	Yes
AS 3	Cash Flow Statements	Yes	N.A.	N.A.
AS 4	Contingencies & Events Occurring After the Balance Sheet Date	Yes	Yes	Yes
AS 5	Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies	Yes	Yes	Yes
AS 6	Depreciation Accounting	Yes	Yes	Yes
AS 7	Construction Contracts	Yes	Yes	Yes
AS 8	Accounting for Research & Development	Deleted		
AS 9	Revenue Recognition	Yes	Yes	Yes
AS 10	Accounting for Fixed Assets	Yes	Yes	Yes
AS 11	The Effects of Changes in Foreign Exchange Rates	Yes	Yes	Yes
AS 12	Accounting for Government Grants	Yes	Yes	Yes
AS 13	Accounting for Investments	Yes	Yes	Yes
AS 14	Accounting for Amalgamation	Yes	Yes	Yes

AS 15	Employee Benefits	Yes	Yes <i>Level-II and Level-III enterprises entitled to conditional exemptions from Para 11 to 16, 46, 50 to 116, 117 to 123. 129 to 131,139)</i>	Yes
AS 16	Borrowing Costs	Yes	Yes	Yes
AS 17	Segment Reporting	Yes	N.A.	N.A.
AS 18	Related Party Disclosures	For Corporate Entities:		
		Yes	Yes	Yes
		For Non-Corporate Entities:		
		Yes	Yes	N.A.
AS 19	Leases	Yes	Yes	Yes
			<i>Level-II Corporate Entities exempt from : Para 22(c), 22 (e), 22(f), 25(a), 25(b), 25(e), 37(a), 37(f), 46(b), 46(d)}</i>	<i>Level-III Corporate Entities exempt from : Para 22(c), 22 (e), 22(f), 25(a), 25(b), 25(e), 37(a), 37(f), 46(b), 46(d)}</i>
			<i>Level-II Non-Corporate Entities exempt from: "Same as above"</i>	<i>Level-III Non-Corporate Entities also exempt from: "As above" and Para 37(g) & 46(e)</i>
AS 20	Earnings Per Share	Yes	Yes <i>(exempt from : Disclosure of Diluted EPS)</i>	Yes <i>(exempt from : Disclosure of Diluted EPS)</i>
AS 21	Consolidated Financial Statements	Provisions of the standard are applicable only if Consolidated Financial Statements are prepared by an enterprise whether for - Compliance of Statue - Compliance of Regulator - Voluntarily (Presently the compulsion for preparing Consolidated Financial Statement is only as per SEBI under listing agreement. Therefore, the provisions are mandatory applicable only to certain Level-I enterprises)		
AS 22	Accounting for Taxes on Income	Yes	Yes	Yes
AS 23	Accounting for Investments in Associates in Consolidated Financial Statements	Provisions of the standard are applicable only if Consolidated Financial Statements are prepared by an enterprise whether for - Compliance of Statue - Compliance of Regulator - Voluntarily (Presently the compulsion for preparing Consolidated Financial Statement is only as per SEBI under listing agreement. Therefore, the provisions are mandatory applicable only to certain Level-I enterprises)		
AS 24	Discontinuing Operations	For Corporate Entities:		
		Yes	Yes	Yes
		For Non-Corporate Entities:		
		Yes	Yes	N.A.

AS 25	Interim Financial Reporting	Provisions of the standard are applicable only if Interim Financial State ments are prepared by an enterprise whether for - Compliance of Statue - Compliance of Regulator - Voluntarily (Presently the compulsion for preparing Interim Financial Statements is only as per SEBI under listing agreement. Therefore, the provisions are mandatory applicable only to certain Level-I enterprises)		
AS 26	Intangible Assets	Yes	Yes	Yes
AS 27	Financial Reporting of Interests in Joint Ventures	Provisions of the standard relating to Consolidated Financial Statements are applicable only if Consolidated Financial Statements are prepared by an enterprise whether for - Compliance of Statue - Compliance of Regulator - Voluntarily (Presently the compulsion for preparing Consolidated Financial Statement is only as per SEBI under listing agreement. Therefore, the provisions of AS:27 relating to Consolidated Financial Statements are mandatory applicable only to certain Level-I enterprises)		
AS 28	Impairment of Assets	Yes	Yes (Except Para 121(g) & paras relating to PV technique, if reasonable estimate is used)	Yes (Except Para 121(g) & paras relating to PV technique, if reasonable estimate is used)
AS 29	Provisions, Contingent Liabilities and Contingent Assets	Yes	Yes {Except Para 66, 67}	Yes {Except Para 66, 67}

Note:

AS:30, AS:31 and AS:32 are recommendatory in nature w.e.f. accounting period commencing on or after 01.04.2009 and mandatory in nature w.e.f. accounting period commencing on or after 01.04.2011. These are:

AS:30 - *Financial Instruments : Recognition and Measurement*

AS:31 - *Financial Instruments : Presentation*

AS:32 - *Financial Instruments : Disclosures*

The list depicting coverage of various enterprises in Level-I, Level-II, Level-III enterprises is as under:

Level-I Enterprises		Level-II Enterprises (SMEs)	Level-III Enterprises (SMEs)
*	Enterprises whose equity or debt securities are listed whether in India or outside India	—	
*	Enterprises which are in the process of listing their equity or debt securities whether in India or outside India	—	
*	Banks including co-operative banks	—	
*	Financial Institutions	—	

*	Enterprises carrying on Insurance business		—	
*	All commercial, industrial and business reporting enterprises, whose turnover (excluding other income) exceeds Rs. 50 crores in the immediately preceding accounting year	*	All commercial, industrial and business reporting enterprises, whose turnover (excluding other income) exceeds Rs. 40 lacs but does not exceed Rs. 50 crore in the immediately preceding accounting year	Enterprises which are not covered under Level-I and Level-II are considered as Level-III Enterprises
*	All commercial, industrial and business reporting enterprises having borrowings (including public deposits) in excess of Rs.10 crore at any time during the immediately preceding accounting year	*	All commercial, industrial and business reporting enterprises having borrowings (including public deposits) in excess of Rs.1 crore but does not exceed Rs. 10 crore at any time during the immediately preceding accounting year.	
*	Holding and Subsidiary enterprises of above	*	Holding and Subsidiary enterprises of above	

Special Points:

(a)	Enterprises not disclosing certain information pursuant to relaxations/ exemptions to Level-II or Level-III	Enterprises should disclose the fact in notes to accounts.
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(b)	Shifting to lower category	
	Enterprises covered under Level-I, subsequently ceases to be covered under Level-I	Such enterprise continues to be considered as Level-I enterprise for compliance of accounting standards unless cessation is for 2 consecutive years
	Similar rule for Level-II enterprises	If subsequently moves to lower level, will continue to be considered as Level-II enterprise, unless cessation is for 2 consecutive years.

(c)	Shifting to higher category	
	Enterprises not covered under Level-I, subsequently covered	Compliance as Level-I enterprise becomes mandatory from current period . However, previous year figures need not be disclosed.
	Similar rule for Level-II enterprises	

Key Features of Budget 2009-2010

CHALLENGES

- to lead economy to high GDP growth rate of 9 per cent per annum at the earliest
- to deepen and broaden the agenda for inclusive development
- to improve delivery mechanisms of the government.

OVERVIEW OF THE ECONOMY

- Growth rate of Gross Domestic Product dipped from an average of over 9 per cent in the previous three fiscal years to 6.7 per cent during 2008-09.
- Whole sale price index rose to nearly 13 per cent in August, 2008 and had an equally sharp fall to zero per cent in March, 2009.
- The structure of India's economy changed over the last ten years with contribution of the services sector to GDP at well over 50 per cent and share of merchandise trade doubling to 38.9 per cent of GDP in 2008-09.
- Recognising economic recovery and growth as co-operative effort of the Central and State Governments, meeting with Finance Ministers of States held as part of preparation of the Budget. This is intended to become an annual feature.

TOWARDS ECONOMIC REVIVAL

Short-term Measures

- To counter the negative fallout of the global slowdown on the Indian economy, Government responded by providing three focused fiscal stimulus packages in the form of tax relief and increased expenditure on public projects along with RBI taking a number of monetary easing and liquidity enhancing measures.
- Fiscal accommodation led to an increase in fiscal deficit from 2.7 per cent in 2007-08 to 6.2 per cent of GDP in 2008-09.
- The fiscal stimulus at 3.5 per cent of GDP at current market prices for 2008-09 amounts to Rs.1,86,000 crore.

- Measures taken by the Government were effective in arresting the fall in GDP growth rate in 2008-09. 6.7 per cent growth rate recorded in 2008-09.

Infrastructure Development

- IIFCL to evolve a Takeout financing scheme in consultation with banks to facilitate incremental lending to infrastructure sector.
- IIFCL to refinance 60 per cent of commercial bank loans for PPP projects in critical sectors over the next fifteen to eighteen months. IIFCL and Banks are now in a position to support projects involving total investment of Rs.1,00,000 crore.

Highway and Railways

- Allocation to National Highways Authority of India (NHAI) for the National Highway Development Programme (NHDP) increased by 23 per cent over B.E. 2008-09 in B.E. 2009-10 and allocation for Railways increased from Rs.10,800 crore in Interim B.E. 2009-10 to Rs.15,800 crore in B.E. 2009-10.

Urban Infrastructure

- Allocation under Jawaharlal Nehru National Urban Renewal Mission (JNNURM) stepped up by 87 per cent to Rs.12,887 crore in B.E. 2009-10 over B.E. 2008-09. Allocation for housing and provision of basic amenities to urban poor enhanced to Rs.3,973 crore in B.E. 2009-10. This includes provision for Rajiv Awas Yojana (RAY), a new scheme announced.

Brihan Mumbai Storm Water Drainage Project (BRIMSTOWA)

- Provision for the project BRIMSTOWA initiated in 2007 and funded through Central Assistance to address the problem of flooding in Mumbai, enhanced from Rs.200 crore in Interim B.E. 2009-10 to Rs.500 crore in B.E. 2009-10 to expedite completion of the project.

Power

- Allocation under Accelerated Power Development and Reform Programme (APDRP) increased by 160 per cent to Rs.2,080 crore in B.E. 2009-10 over B.E. 2008-09.

Gas

- Blueprint to be developed for long distance gas pipelines leading to a National Gas Grid to facilitate transportation of gas across the length and breadth of the country.

Assam Gas Cracker Project

- Outlay for Assam Gas Cracker Project stepped up suitably in B.E. 2009-10.

AGRICULTURE DEVELOPMENT

- Target for agriculture credit flow set at Rs.3,25,000 crore for the year 2009-10. In 2008-09 agriculture credit flow was at Rs.2,87,000 crore.
- Interest subvention scheme for short term crop loans up to Rs.3 lakh per farmer at the interest rate of 7 per cent per annum to be continued. Additional subvention of 1 per cent to be paid from this year, as incentive to those farmers who repay short term crop loans on schedule. Additional allocation of Rs.411 crore over Interim B.E. 2009-10 made for this.

Debt Relief for Farmers

- Time given to the farmers having more than two hectares of land to pay 75 per cent of their overdues under Debt Waiver and Debt Relief Scheme extended from 30th June, 2009 to 31st December, 2009.
- Taskforce to be set up to examine the issue of debt taken by a large number of farmers in some regions of Maharashtra from private money lenders who were not covered by the loan waiver scheme announced last year.

Accelerated Irrigation Benefit Programme

- Allocation under Accelerated Irrigation Benefit Programme (AIBP) increased by 75 per cent over B.E. 2008-09.

- Allocation under Rashtriya Krishi Vikas Yojana (RKVY) stepped up by 30 per cent in B.E. 2009-10 over B.E. 2008-09.

RESTORING EXPORT GROWTH

- Adjustment assistance scheme to provide enhanced Export Credit and Guarantee Corporation (ECGC) cover at 95 per cent to badly hit sectors extended upto March 2010.
- Allocation for Market Development Assistance Scheme enhanced to Rs.124 crore in B.E. 2009-10.
- Interest subvention of 2 per cent on pre-shipment credit for seven employment oriented export sectors extended beyond the current deadline of September 30, 2009 to March 31, 2010.
- To facilitate flow of credit at reasonable rates, Rs.4,000 crore provided as special fund out of Rural Infrastructure Development Fund (RIDF) to Small Industries Development Bank of India (SIDBI). This will incentivise Banks and State Finance Corporations (SFCs) to lend to Micro and Small Enterprises (MSEs) by refinancing 50 per cent of incremental lending to MSEs during the current financial year.
- Stimulus package for print media comprising waiver of 15 per cent agency commission on DAVP advertisements and 10 per cent increase in DAVP rates to be paid as a special relief subject to documentary proof of loss of revenue in nongovernmental advertisements, extended from 30th June, 2009 to 31st December, 2009.

MEDIUM-TERM SUSTAINABILITY

- To bring the fiscal deficit under control, institutional reform measures to be initiated during the current year itself.

Fertilizer Subsidy

- To ensure balanced application of fertilizers for increasing agricultural productivity, Government intends to move towards a nutrient based subsidy regime so as to cover larger basket of fertilizers with innovative fertilizer products available in the market at reasonable prices.

- It is intended to move to a system of direct transfer of subsidy to the farmers in due course.

Petroleum and Diesel pricing Policy

- With almost three quarters of our oil consumption met through imports, it is important to recognise that domestic prices of petrol and diesel are broadly in sync with global prices. Government to set up an expert group to advise on a viable and sustainable system of pricing petroleum products.

Taxation

- SARAL – II forms to be introduced early.

People's ownership of PSUs

- While retaining at least 51 per cent Government equity in Public Sector Undertakings, people's participation in disinvestment programmes to be encouraged.
- Public Sector Enterprises such as banks and insurance companies to remain in public sector and will be given full support including capital infusion to grow and remain competitive.

Financial Sector

- The threshold for non-promoter public shareholding for all listed companies to be raised in a phased manner.
- Scheduled commercial banks allowed to set up off-site ATMs without prior approval subject to reporting.
- A sub-committee of State Level Bankers Committee (SLBC) to identify and formulate an action plan for providing banking facilities in under-banked/unbanked areas in the next three years. Rs.100 crore set aside as one-time grant in-aid to ensure provision of at least one centre/Point of Sales (POS) for banking services in each of the unbanked blocks.
- Government has established Competition Commission of India, an autonomous regulatory body. An Appellate body headed by a retired judge of Supreme Court also constituted.

TOWARDS INCLUSIVE DEVELOPMENT

National Rural Employment Guarantee Scheme (NREGS)

- Allocation under NREGS increased by 144 per cent to Rs.39,100 crore in B.E. 2009-10 over B.E. 2008-09.
- To increase productivity of assets and resources under NREGA, convergence with other schemes relating to agriculture, forests, water resources, land resources, rural roads initiated. In the first stage 115 pilot districts selected for convergence.

National Food Security Act

- National Food Security Act to be brought in to ensure entitlement of 25 kilo of rice or wheat per month at Rs.3 per kilo to every family living below the poverty line in rural or urban areas. Food Security Bill to be put on the website of the Department of Food and Public Distribution for public debate.

Bharat Nirman

- Allocation for Bharat Nirman increased by 45 per cent in 2009-10 over B.E. 2008-09. Allocations under Pradhan Mantri Gram Sadak Yojana (PMGSY) increased by 59 per cent over B.E. 2008-09 to Rs.12,000 crore in B.E. 2009-10. Under Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY), allocation increased by 27 per cent to Rs.7,000 crore.
- Allocation under Indira Awaas Yojana (IAY) increased by 63 per cent to Rs.8,800 crore in B.E. 2009-10. Allocation of Rs.2,000 crore made for Rural Housing Fund (RHF) in National Housing Bank (NHB) to boost the resource base of NHB for refinance operations in rural housing sector.

Pradhan Mantri Adarsh Gram Yojana (PMAGY)

- New scheme Pradhan Mantri Adarsh Gram Yojana (PMAGY) with an allocation of Rs.100 crore launched on pilot basis for integrated development of 1000 villages having population of scheduled castes above 50 per cent.

EMPOWERMENT OF WEAKER SECTIONS

- The Swarna Jayanti Gram Swarozgar Yojana (SGSY) restructured as National Rural Livelihood Mission to make it universal in application, focused in approach and time bound for poverty eradication by 2014-15. In addition to capital subsidy at enhanced rate, interest subsidy to poor households to be provided for loans upto Rs.1 lakh from banks.
- There are over 22 lakh Women's Self Help Groups linked with banks. Reach of SHGs to be widened to enrol at least 50 per cent of all rural women in India as members of SHGs over the next five years.
- Corpus of Rashtriya Mahila Kosh to be increased from Rs.100 crore to Rs.500 crore over the next few years.

Female Literacy

- National Mission for Female Literacy to be launched with focus on minorities, SC, ST and other marginalized groups with the aim to reduce level of female illiteracy by half in three years.

Integrated Child Development Services (ICDS)

- All ICDS Services to be extended to every child under the age of six by March, 2012.

Student Loans to Weaker Sections

- To enable students from economically weaker sections to access higher education, a scheme to provide full interest subsidy during the period of moratorium introduced to cover loans taken from scheduled banks to pursue any of the approved courses of study in technical and professional streams from recognised institutions in India.

Welfare of Minorities

- Plan outlay of Ministry of Minority Affairs enhanced from Rs.1,000 crore in B.E. 2008-09 to Rs.1,740 crore in 2009-10 registering an increase of 74 per cent. This includes Rs.990 crore for Multi-Sectoral Development Programme for Minorities, Grants-in-aid to Maulana Azad Education Foundation, National Minorities Development and Finance Corporation and pre and post matric scholarship for minorities.

- Allocations made for the new schemes of National Fellowship for Students from minority community and Grants-in-aid to Central Wakf Council for computerization of records of State Wakf Boards.
- Rs.25 crore each allocated for establishing new campuses at Murshidabad in West Bengal and Malappuram in Kerala by Aligarh Muslim University.

Welfare of workers in the unorganized sector

- Action initiated to ensure implementation of social security schemes for occupation like weavers, fishermen and women, toddy tappers, leather and handicraft workers, plantation labour, construction labour, mine workers, bidi workers and rickshaw pullers. Necessary financial allocation will be made for these schemes.

Employment Exchanges

- New project for modernization of Employment Exchange in public private partnership to be launched so that a job seeker can register on line from anywhere and approach any employment exchange.

Handloom

- One handloom mega cluster each in West Bengal and Tamil Nadu and one powerloom mega cluster in Rajasthan to be set up. New mega clusters for carpets to be also set up in Srinagar (J&K) and Mirzapur (UP).

Health

- Allocation under National Rural Health Mission (NRHM) increased by Rs.2,057 crore over Interim B.E. 2009-10 of Rs.12,070 crore.
- All BPL families to be covered under Rashtriya Swasthya Bima Yojana (RSBY). Allocation under RSBY increased by 40 per cent over previous allocation to Rs. 350 crore in B.E. 2009-10.

Environment and climate change

- In furtherance to National Action Plan on Climate Change, eight national missions representing a multi-pronged long-term and integrated approach to be launched.
- National Ganga River Basin Authority set up. Budgetary allocation under National River and Lake Conservation Plans increased from Rs.335 crore in B.E. 2008-09 to Rs.562 crore in B.E. 2009-10.
- Special one-time grant of Rs.100 crore given to Indian Council of Forestry Research and Education, Dehradun.
- Rs.15 crore each to be allocated to Botanical Survey of India and Zoological Survey of India. An additional amount of Rs.15 crore to be allocated for Geological Survey of India.

TOWARDS BUILDING ACCOUNTABLE INSTITUTIONS

Improving Delivery of Public Services

- Unique Identification Authority of India (UIDAI) to set up online data base with identity and biometric details of Indian residents and provide enrolment and verification services across country. Provision of Rs.120 crore made for this in the Budget.
- First set of unique identity number to be rolled out in 12 to 18 months.

National Security

- Additional amount of Rs.430 crore provided over Interim B.E. 2009-10 to modernise police machinery in the States.
- Additional amount of Rs.2,284 crore proposed over Interim B.E. 2009-10 for construction of fences, roads, flood lights on the international borders.
- Programme for housing to create 1 lakh dwelling units for Central Para-military Forces personnel to be launched through innovative financing model.

One Rank One Pension for Ex-servicemen (OROP)

- Based on the recommendation of the Committee headed by the Cabinet Secretary on OROP, government has decided to substantially improve the pension of pre 01.01.2006 defence pensioners below officer rank and bring pre 10.10.1997 pensioners on par with post 10.10.1997 pensioners. The decisions to be implemented from 01st July, 2009 and will cost more than Rs.2,100 crore annually.

Education

- Provision for the scheme 'Mission in Education through ICT' substantially increased to Rs.900 crore and the provision for setting up and up-gradation of Polytechnics under the Skill Development Mission enhanced to Rs.495 crore.
- Rs.827 crore allocated for opening one Central University in each uncovered State.
- Rs.2,113 crore allocated for IITs and NITs which includes a provision of Rs.450 crore for new IITs and NITs.
- The overall Plan budget for higher education is to be increased by Rs.2,000 crore over Interim B.E. 2009-10.
- Rs.50 crore allocated for Punjab University, Chandigarh. Plan allocation for Chandigarh to be suitably enhanced during the year to provide better infrastructure to the people of Chandigarh.

Commonwealth Games, 2010

- Outlays to be stepped up from Rs.2,112 crore in Interim Budget to Rs.3,472 crore in regular Budget 2009-10.

Srilankan Tamils

- Rs.500 crore allocated for rehabilitation of internally displaced persons and reconstruction of the northern and eastern areas of Sri Lanka. Ministry of External Affairs to work closely with the Sri Lankan Government.

Cyclone Aila

- Rs.1,000 crore allocated for programme for rebuilding the damaged infrastructure caused due to cyclone Aila in West Bengal.

BUDGET ESTIMATE 2009-10

- Budget Estimates provide for a total expenditure of Rs.10,20,838 crore consisting of Rs.6,95,689 crore under Non-plan and Rs.3,25,149 crore under Plan registering an increase of 37 per cent in Non-plan expenditure and 34 per cent in Plan expenditure over B.E. 2008-09.
- Total expenditure in B.E. 2009-10 increased by 36 per cent over B.E. 2008-09.
- Increase in Non-plan expenditure is mainly due to implementation of Sixth Central Pay Commission recommendations, increased food subsidy and higher interest payment arising out of larger fiscal deficit in 2008-09.
- Interest payments estimated at Rs.2,25,511 crore constituting about 36 per cent of Non-plan revenue expenditure in B.E. 2009-10.
- Subsidies up from Rs.71,431 crore in B.E. 2008-09 to Rs.1,11,276 crore in B.E. 2009-10.
- Outlay for Defence up from Rs.1,05,600 crore in B.E. 2008-09 to Rs.1,41,703 crore in B.E. 2009-10.
- Gross Budgetary Support for Annual Plan 2009-10 enhanced by Rs.40,000 crore over Interim B.E. 2009-10.
- State Governments to be permitted to borrow additional 0.5 per cent of their GSDP by relaxing the fiscal deficit target under FRBM from 3.5 per cent to 4 per cent of their GSDP. This will enable the States to borrow Rs.21,000 crore additionally over Interim B.E. 2009-10.
- Gross tax receipts budgeted at Rs.6,41,079 crore in B.E. 2009-10 compared to Rs.6,87,715 crore in B.E. 2008-09.
- Non-tax revenue receipts estimated at Rs.1,40,279 crore in B.E. 2009-10 compared to Rs.95,785 crore in B.E. 2008-09.

- Revenue deficit projected at 4.8 per cent of GDP in B.E. 2009-10 compared to 1 per cent in B.E. 2008-09 and 4.6 per cent as per provisional accounts of 2008-09.

- Fiscal deficit as a percentage of GDP is projected at 6.8 per cent compared to 2.5 per cent in B.E. 2008-09 and 6.2 per cent as per provisional accounts 2008-09.

TAX PROPOSALS

- Tax reform, like all reforms, is a process and not an event. Thrust of reforms has been to improve the efficiency and equity of our tax system. This is sought to be achieved by eliminating distortions in the tax structure, introducing moderate levels of taxation and expanding the base and accompanied by requisite re-engineering of key business processes coupled with automation.
- Recent initiative, on direct taxes side, of the setting up of a Centralized Processing Centre (CPC) at Bengaluru where all electronically filed returns, and paper returns filed in entire Karnataka, will be processed.
- Centre's Tax-GDP ratio has increased to 11.5 per cent in 2008-09 from a low of 9.2 per cent in 2003-04. Share of direct taxes in the Centre's tax revenues has increased to 56 percent in 2008-09 from 41 percent in 2003-04, reflecting sharp improvement in equity of our tax system.
- Structural changes in direct taxes to be pursued by releasing the new Direct Taxes Code within the next 45 days and in indirect taxes by accelerating the process for the smooth introduction of the Goods and Services Tax (GST) with effect from 1st April, 2010.
- The Direct Taxes Code, along with a Discussion Paper, to be released to the public for debate. The Direct Taxes Code Bill will be finalised for introduction in Lok Sabha sometime during the Winter Session based on the inputs received.

- The Authorities for Advance Rulings on Direct and Indirect Taxes to be merged by amending the relevant Acts.
- Agreement has been reached on the basic structure of GST in keeping with the principles of fiscal federalism enshrined in the Constitution. Broad contour of the GST Model envisages dual GST comprising of a Central GST and a State GST. The Centre and the States will each legislate, levy and administer the Central GST and State GST, respectively.

Direct Taxes

- No changes made in the Corporate Tax rates.
- Exemption limit in personal income tax raised by Rs.15,000 from Rs.2.25 lakh to Rs.2.40 lakh for senior citizens; by Rs.10,000 from Rs.1.80 lakh to Rs.1.90 lakh for women tax payers; and by Rs.10,000 from Rs.1.50 lakh to Rs.1.60 lakh for all other categories of individual taxpayers.
- Deduction under section 80-DD in respect of maintenance, including medical treatment, of a dependent who is a person with severe disability being raised from the present limit of Rs.75,000 to Rs.1 lakh.
- Surcharge on various direct taxes to be phased out; in the first instance, by eliminating the surcharge of 10 percent on personal income-tax.
- Sun-set clauses for deduction in respect of export profits under sections 10A and 10B of the Income-tax Act being extended by one more year i.e. for the financial year 2010-11.
- Fringe Benefit Tax on the value of certain fringe benefits provided by employers to their employees to be abolished.
- Scope of provisions relating to weighted deduction of 150% on expenditure incurred on in-house R&D to all manufacturing businesses being extended except for a small negative list.
- Businesses to be incentivised by providing investment linked tax exemptions rather than profit linked exemptions. Investment linked tax incentives to be provided, to begin with, to the

businesses of setting up and operating 'cold chain', warehousing facilities for storing agricultural produce and the business of laying and operating cross country natural gas or crude or petroleum oil pipeline network for distribution on common carrier principle. Under this method, all capital expenditure, other than expenditure on land, goodwill and financial instruments to be fully allowable as deduction.

- Minimum Alternate Tax (MAT) to be increased to 15 per cent of book profits from 10 per cent. The period allowed to carry forward the tax credit under MAT to be extended from seven years to ten years.
- New Pension System (NPS) to continue to be subjected to the Exempt-Exempt-Taxed (EET) method of tax treatment of savings. Income of the NPS Trust to be exempted from income tax and any dividend paid to this Trust from Dividend Distribution Tax. All purchase and sale of equity shares and derivatives by the NPS Trust also to be exempt from the Securities Transaction Tax. Self employed persons to be enabled to participate in the NPS and to avail of the tax benefits available thereto.
- Alternative dispute resolution mechanism to be created within the Income Tax Department for the resolution of transfer pricing disputes. Central Board of Direct Taxes (CBDT) to be empowered to formulate 'safe harbour' rules to reduce the impact of judgemental errors in determining transfer price in international transactions.
- Commodity Transaction Tax (CTT) to be abolished.
- Donations to electoral trusts to be allowed as a 100 percent deduction in the computation of the income of the donor.
- Deduction under section 80E of the Income-tax Act allowed in respect of interest on loans taken for pursuing higher education in specified fields of study to be extended to cover all fields of study, including vocational studies, pursued after completion of schooling.

- To mitigate the practical difficulties faced by charitable organisations, anonymous donations received by charitable organisations to the extent of 5 percent of their total income or a sum of Rs.1 lakh, whichever is higher, not to be taxed.
- Scope of presumptive taxation to be extended to all small businesses with a turnover upto Rs. 40 lakh. All such taxpayers to have option to declare their income from business at the rate of 8 percent of their turnover and simultaneously enjoy exemption from the compliance burden of maintaining books of accounts. As a procedural simplification, they are also to be exempted from advance tax and allowed to pay their entire tax liability from business at the time of filing their return. This new scheme to come into effect from the financial year 2010-11.
- Tax holiday under section 80-IB(9) of the Income Tax Act, which was hitherto available in respect of profits arising from the commercial production or refining of mineral oil, to be extended to natural gas. This tax benefit to be available to undertakings in respect of profits derived from the commercial production of mineral oil and natural gas from oil and gas blocks which are awarded under the NELP-VIII round of bidding. The section to be retrospectively amended to provide that “undertaking” for the purposes of section 80-IB(9) will mean all blocks awarded in any single contract.

Indirect Taxes

- Proposals on indirect taxes to seek to achieve stable framework by maintaining the overall rate structure for customs and central excise duties as well as service tax.

Customs Duties

- Customs duty of 5% to be imposed on Set Top Box for television broadcasting.
- Customs duty on LCD Panels for manufacture of LCD televisions to be reduced from 10% to 5%.
- Full exemption from 4% special CVD on parts for manufacture of mobile phones and accessories to be reintroduced for one year.
- List of specified raw materials/inputs imported by manufacturer-exporters of sports goods which are exempt from customs duty, subject to specified conditions, to be expanded by including five additional items.
- List of specified raw materials and equipment imported by manufacturer-exporters of leather goods, textile products and footwear industry which are fully exempt from customs duty, subject to specified conditions, to be expanded.
- Customs duty on unworked corals to be reduced from 5% to Nil.
- Customs duty on 10 specified life saving drugs/ vaccine and their bulk drugs to be reduced from 10% to 5% with Nil CVD (by way of excise duty exemption).
- Customs duty on specified heart devices, namely artificial heart and PDA/ASD occlusion device, to be reduced from 7.5% to 5% with Nil CVD (by way of excise duty exemption).
- Customs duty on permanent magnets for PM synchronous generator above 500 KW used in wind operated electricity generators to be reduced from 7.5% to 5%.
- Customs duty on bio-diesel to be reduced from 7.5% to 2.5%.
- Concessional customs duty of 5% on specified machinery for tea, coffee and rubber plantations to be reintroduced for one year, upto 06.07.2010.
- Customs duty on ‘mechanical harvester’ for coffee plantation to be reduced from 7.5% to 5%. CVD on such harvesters has also been reduced from 8% to nil, by way of excise duty exemption.
- Customs duty on serially numbered gold bars (other than tola bars) and gold coins to be increased from Rs.100 per 10 gram to Rs.200 per 10 gram. Customs duty on other forms of gold to be increased from Rs.250 per 10 gram to Rs.500 per 10 gram. Customs duty on silver to be increased from Rs.500 per Kg. to Rs.1000 per Kg. These increases also to be applicable

when gold and silver (including ornaments) are imported as personal baggage.

- Customs duty on cotton waste to be reduced from 15% to 10%.
- Customs duty on wool waste to be reduced from 15% to 10%.
- Customs duty on rock phosphate to be reduced from 5% to 2%.
- CVD exemption on Aerial Passenger Ropeway Projects to be withdrawn. Such projects will now attract applicable CVD.
- Customs duty exemption on concrete batching plants of capacity 50 cum per hour or more to be withdrawn. Such plants will now attract customs duty of 7.5%.
- On packaged or canned software, CVD exemption to be provided on the portion of the value which represents the consideration for transfer of the right to use such software, subject to specified conditions.
- Customs duty on inflatable rafts, snow-skis, water skis, surf-boats, sail-boards and other water sports equipment to be fully exempted.

Central excise duties

- Excise duty rate on items currently attracting 4% to be raised to 8% with following major exceptions:
 - Specified food items including biscuits, sharbats, cakes and pastries
 - Drugs and pharmaceutical products falling under Chapter 30
 - Medical equipment
 - Certain varieties of paper, paperboard and articles thereof
 - Paraxylene
 - Power driven pumps for handling water
 - Footwear of RSP exceeding Rs.250 but not exceeding Rs.750 per pair
 - Pressure cookers

- Vacuum and gas filled bulbs of RSP not exceeding Rs.20 per bulb
- Compact Fluorescent Lamps
- Cars for physically handicapped
- Specific component of excise duty applicable to large cars/utility vehicles of engine capacity 2000 cc and above to be reduced from Rs. 20,000/- per vehicle to Rs.15,000 per vehicle.
- Excise duty on petrol driven trucks/lorries to be reduced from 20% to 8%. Excise duty on chassis of such trucks/lorries to be reduced from '20% + Rs.10000' to '8% + Rs.10000'.
- Excise duty on Special Boiling Point spirits to be reduced to 14%.
- Excise duty on naphtha to be reduced to 14%.
- Duty paid High Speed Diesel blended with upto 20% bio-diesel to be fully exempted from excise duties.
- The *ad valorem* component of excise duty of 6% on petrol intended for sale with a brand name to be converted into a specific rate. Consequently, such petrol would now attract total excise duty of Rs.14.50 per litre instead of '6% + Rs.13 per litre'.
- The *ad valorem* component of excise duty of 6% on diesel intended for sale with a brand name to be converted into a specific rate. Consequently, such diesel would now attract total excise duty of Rs.4.75 per litre instead of '6% + Rs.3.25 per litre'.
- Excise duty on manmade fibre and yarn to be increased from 4% to 8%.
- Excise duty on PTA and DMT to be increased from 4% to 8%.
- Excise duty on polyester chips to be increased from 4% to 8%.
- Excise duty on acrylonitrile to be increased from 4% to 8%.
- The scheme of optional excise duty of 4% for pure cotton to be restored.

- Excise duty for man-made and natural fibres other than pure cotton, beyond the fibre and yarn stage, to be increased from 4% to 8% under the existing optional scheme.
- An optional excise duty exemption to be provided to tops of manmade fibre manufactured from duty paid tow at par with tops manufactured from duty paid staple fibre.
- Suitable adjustments to be made in the rates of duty applicable to DTA clearances of textile goods made by Export Oriented Units using indigenous raw materials/ inputs for manufacture of such goods.
- Full exemption from excise duty to be provided on goods of Chapter 68 of Central Excise Tariff manufactured at the site of construction for use in construction work at such site.
- Excise duty exemption on 'recorded smart cards' and 'recorded proximity cards and tags' to be made optional. Manufacturers have the option to pay the applicable excise duty and avail the credit of duty paid on inputs.
- EVA compound manufactured on job work for further use in manufacture of footwear to be exempted from excise duty.
- Benefit of SSI exemption scheme to be extended to printed laminated rolls bearing the brand name of others by excluding this item from the purview of the brand name restriction.
- On packaged or canned software, excise duty exemption to be provided on the portion of the value which represents the consideration for transfer of the right to use such software, subject to specified conditions.
- Excise duty on branded articles of jewellery to be reduced from 2% to Nil.
- Service provided in relation to transport of coastal cargo; and goods through inland water including National Waterways
- Advice, consultancy or technical assistance provided in the field of law (this tax would not be applicable in case the service provider or service receiver is an individual).
- Cosmetic and plastic surgery service
- Exemption from service tax being provided to inter-State or intra-State transportation of passengers in a vehicle bearing 'Contract Carriage Permit' with specified conditions.
- Exemption from service tax (leviable under Banking and other financial services or under Foreign exchange broking service) being provided to inter-bank purchase and sale of foreign currency between scheduled banks.
- Two taxable services, namely, 'Transport of goods through road' and 'Commission paid to foreign agents' to be exempted from the levy of service tax, if the exporter is liable to pay service tax on reverse charge basis. However, present cap of 10% on commission agency charges is retained. Thus there would be no need for the exporter to first pay the tax and later claim refund in respect of these services.
- For other services received by exporters, service tax exemption to be operated through the existing refund mechanism based on self-certification of the documents where such refund is below 0.25 per cent of FOB value, and certification of documents by a Chartered Accountant for value of refund exceeding the above limit.
- Export Promotion Councils and the Federation of Indian Export Organizations (FIEO) to be exempt from service tax on the membership and other fees collected by them till 31st March 2010.

Service tax

- Service Tax to be imposed on the following services:
 - Service provided in relation to transport of goods by rail

Tax proposals on direct taxes to be revenue neutral. On indirect taxes, estimated net gain to be Rs.2,000 crore for a full year.