



INDIA UPDATE

A monthly Newsletter on business intelligence and opportunities in India

MARCH 2006



INDIABIZSOLUTIONS

One Stop Total Solutions Provider for Doing Business in India

Industry House, Mahakali Caves Road, Andheri (E). Mumbai – 400 093, India

Telephone: 91-22- 2687 0310 • 91-22- 2207 1227 • Fax: 91-22-25643907 • E-mail: com@indiabizsolutions.com
Website: www.indiabizsolutions.com

Mumbai • Bangalore • Chennai • Hyderabad • New Delhi

CONTENTS

Economy:

- Fiscal & Revenue Deficits for 2005-06 lower than earlier estimates
- Union Budget for 2006-07 aims at consolidation
- Economic Survey projects 8.1% Growth in 2005-06

Policies & Statutes:

- Time limit to comply with new FDI norms extended
- New Power Tariff Policy Announced
- Proposals to broaden Capital Market announced
- 20 billion tonnes of Coal reserves to be de-blocked
- Measures to boost manufacture of High Technology IT Products
- Amendments to SEBI Guidelines

Tax Updates:

- Landmark decision of Apex Court on Sales Tax Liability of Mobile Phone connection
- AAR: Overseas Company's captive BPO in India not its PE & hence profits attributable to BPO unit not taxable
- ITAT: Liaison Office of Western Union not its PE & hence not liable to tax
- Apex Court stays levy of VAT/Sales Tax on Internet Services

Other Matters:

- E-Governance Project MCA 21 Launched
- Snapshot of Global Markets - February 2006

FISCAL & REVENUE DEFICITS FOR 2005-06 LOWER THAN EARLIER ESTIMATES & FURTHER REDUCTION PROJECTED FOR 2006-07

According to revised estimates for 2005-06, the revenue deficit for the current year (April 2005 to March 2006) will be only 2.6% and the fiscal deficit only 4.1% as against the estimated figures of 2.7% and 4.3% respectively. As a proportion of total expenditure, plan expenditure has increased from 26.6% in 2004-05 to 28.3% in 2005-06 (RE) and further to 30.6% in 2006-07 (BE). Non-plan expenditure in 2006-07 is estimated to be Rs.3912.63 billion. The increase of 5.5% is one of the smallest in recent years. According to the Budget Estimates for 2006-07, the total expenditure is estimated at Rs.5639.91 billion. Total revenue receipts of the central government are estimated at Rs.4034.65 billion and the revenue expenditure at Rs.4881.92 billion. Consequently, the revenue deficit is estimated at Rs.847.27 billion which is 2.1% of the GDP. The fiscal deficit is estimated at Rs.1486.86 billion, which is 3.8% of the GDP.

UNION BUDGET FOR 2006-07 AIMS AT CONSOLIDATION & IMPROVEMENT OF RURAL ECONOMY

The Union Budget presented by the Indian Finance Minister, Mr.P.Chidambaram on 28th February 2006 does not have any major policy announcement. The Budget aims for consolidation of Economic growth and significant funds have been allocated to uplift the rural economy and to improve the funds availability in the rural sector.

There has been no change in the rates of personal income tax and corporate income tax. However, the Minimum Alternate Tax (MAT) rate is to be increased from 7.5 per cent of book profit to 10 per cent. Long-term capital gains arising out of securities are also to be included in calculating book profits. The Finance Minister has proposed to extend the period to take credit for MAT from five years to seven years as well as for adjusting MAT credit while calculating interest liability. An increase of 25 per cent has been proposed, across the board, on all rates of Securities Transaction Tax (STT).

A few changes have been made in Excise Duty and Customs Duty rates keeping in line with the Government's policy of reducing customs duty, the Finance Minister announced the reduction peak rate for non-agricultural products from 15 per cent to 12.5 per cent. The Finance Minister has also proposed a CVD of 4 per cent to be imposed on all imports with a few exception; while full credit to be allowed to manufacturers of excisable goods.

The Finance Minister has proposed to set April 1, 2010 as the date for introducing national level Goods and Service Tax (GST). As a step in the direction of a progressive convergence of the service tax rate and the CENVAT rate, the Finance Minister has proposed to increase the service tax rate from 10 per cent to 12 per cent. Fifteen more services are proposed to be brought within the service tax net and the coverage of certain existing services is proposed to be widened.

For further details of the Budget refer

HIGHLIGHTS OF INDIAN UNION BUDGET FOR THE YEAR 2006-07

Views of our Economist:

The reduction in Fiscal and Revenue deficit is certainly welcome and is a positive indicator. However, the reduction has come about not due to any specific measures taken by the Government but due to buoyancy in tax revenue especially service tax and non-utilisation of the full planned expenditure in certain sectors. The increase in Non-Plan expenditure, (eventhough at a low 5%) is an indication that the Government has not been able to contain non-plan expenditure within the budgeted levels. The formation of the Sixth Pay Commission would certainly lead to increased Government Expenditure since none of the Governments have been able to put off the recommendations of Pay Commission for any significant period due to political pressures.

ECONOMIC SURVEY PROJECTS 8.1% GROWTH IN 2005-06

The Indian economy, after growing at 8.5 per cent and 7.5 per cent in the two previous years, is projected to grow at 8.1 per cent in the current year 2005-06. According to the Economic Survey for 2005-06 presented by the Finance Minister, Mr. P. Chidambaram in Parliament today, the growth trend for the last three years appears to indicate the beginning of a new phase of cyclical upswing in the economy from 2003-04. The initial momentum to this new phase of expansion, in 2003-04, was provided by agriculture, though in later years performance of this

sector remained subdued. In contrast, industry and services have continued to expand steadily. These sectors have acted as the twin engines propelling overall growth of the economy. Following are the highlights of Economic Survey 2005-06 tabled in the Parliament on 26th February 2006

- Economic growth projected at 8.1% in 2005-06
- Agriculture growth at 2.3%
- Foodgrains output up 5 million tonne to 209 million tonne
- Inflation rate projected at 5% in current fiscal
- In medium-term, inflation likely to fall
- Interest rates may harden
- Savings rate up at 29.1% of GDP
- Investment rate up at 31% of GDP
- Industrial growth at 7.8% (April-December)
- Fiscal and revenue deficit targets to be met
- Tele-density increases to 11.32%
- Current account deficit surfaces after a gap of 3 years
- Trade deficit increases
- Bold policy reforms in oil sector required
- Policy required for speedy development of infrastructure
- Indian industry needs to be unburdened from high taxes
- Forex reserves down by \$2 billion to \$139.2 billion (till January 06)
- 55.6 billion kisan credit cards issued till November 2005
- Exports grow by 18.9% (April-January)
- Imports' growth at 26.67% between April-January
- FDI inflow at \$3.2 billion (April-September)
- Rs 1,720 billion investment required for national highways
- Rs 400 billion required for airports
- Rs 500 billion investment needed for ports
- A substantial share of investment for infrastructure development to come from private sector
- Potential to absorb \$150 billion FDI in the next 5 years
- Power sector remains main impediment to growth
- GDP loss due to power shortage pegged at Rs 3000 billion
- Caution over formation of Sixth Pay Commission.

TIME LIMIT TO COMPLY WITH NEW FDI NORMS IN TELECOM SECTOR EXTENDED

The Government of India today announced changes in the guidelines governing the increased foreign direct investment (FDI) in the telecom sector from 49 per cent to 74 per cent, thus giving more time to the service providers to comply with new conditions.

Guidelines for enhancement of Foreign Direct Investment (FDI) ceiling in the telecom sector were notified vide Press Note 5 (2005 Series) on 3.11.2005. In terms of para 4 of the said Press Note, an initial correction time of 4 months from the date of issue of the Press Note was allowed to the existing licensee companies providing telecom services for ensuring adherence to the conditions.

The Government has decided to extend the time limit for the telecom service provider companies to comply with the conditions set out in Press Note 5 (2005 Series) by four months w.e.f. from 3.3.2006, i.e., till 2.7.2006.

NEW POWER TARIFF POLICY ANNOUNCED

The Government of India has approved the Tariff Policy under the provisions of Electricity Act 2003. The Policy has been evolved in consultation with the State Governments, CERC and various stakeholders.

The Policy aims at ensuring availability of electricity to consumers at reasonable and competitive rates while ensuring financial viability of the sector and also attracting necessary investments. Promoting consistency and predictability in regulatory approach is one of the important objectives of the Policy. The Government has already constituted Forum of Regulators under the provisions of the Act which would facilitate consistency in approach particularly in the area of distribution.

To promote competition aimed at benefits of consumers, the Policy provides that all future requirement of power should be procured competitively except in case of one time expansion of existing projects where a State controlled public owned company has been identified as developer. A transition period of five years has been indicated for achieving the goal of developing generation and transmission projects in public sector through competitive bidding only.

The Forum of Regulators has been asked to decide the basic framework of service standards so that the standards regarding quality, continuity and reliability of service can be enforced. Licensees failing to meet this standard will face penalties.

The Multi Year Tariff (MYT) framework is to be adopted for any tariffs to be determined from 1.4.2006 along with incentives and disincentives for incentivising better performance. Gains of efficient operations are to be shared with consumers. Continued and proven inefficiency must be controlled and penalized.

System of independent scrutiny of financial and technical data submitted by the licensee would be put in place by the Regulatory Commissions. They have also been called upon to encourage suitable local area based incentive and disincentive schemes for the staff of the Utility linked to reduction in losses. Third party verification of energy audit results for different localities is to be used to impose area-specific surcharge for larger losses. Greater transparency and nurturing of consumer groups will be the key feature of regulatory processes.

The Policy lay down a timeframe for rationalization of electricity tariffs and reduction of the cross-subsidies within a band of $\pm 20\%$ by the end of year 2010-11. The consumers below poverty line and consuming a small quantity of electricity shall continue to receive special support through cross-subsidised tariffs. The tariffs for agricultural use are to be fixed so as to address the concerns about sustainable use of ground water resources. The Policy clearly says that provision of free electricity is not desirable as it encourages wasteful consumption of electricity and in most of the cases, depletion of water table. To promote energy efficiency, time differentiated tariff is to be put in place within one year for large consumers of one mega watt and above.

For the projects whose tariff is determined through performance based cost of service regulation, the benefit of reduced tariff after full depreciation of assets is to be made available to the consumers. Similarly, for avoiding front loading of tariff, debt of longer tenure and adoption of mechanisms like take out financing are to be considered. Restructuring of debt is to be incentivised keeping in view the interest of the consumers.

Any additional capital investment for renovation and modernization is required to be linked with pre-determined efficiency gains or for sustaining high level performance.

To promote non-conventional sources of energy, a minimum percentage of energy, as specified by the Regulatory Commission, is to be purchased from such sources latest by 1.4.2006. The developers of the project are to be given adequate incentive to avail benefits of Clean Development Mechanism (CDM). The cost of the project will also allow reasonable cost of setting-up coal washeries, coal beneficiation system and ash handling and disposal system.

To improve the grid discipline, the Availability Based Tariff (ABT) systems is to be extended to the State level also within next one year. This will also facilitate integration of captive generation plants with grid.

To give choice of supply to the consumers, the Tariff Policy enunciates facilitative framework for calculating cross-subsidy surcharge. It also lays down mechanism for arranging back-up supply for such consumers.

GOVERNMENT ANNOUNCES PROPOSALS TO BROADEN THE CAPITAL MARKET

The Government of India has proposed a number of steps in the General Budget, 2006-07 to broaden and strengthen the capital market. Outlining the details of the proposal the Finance Minister, Mr. P. Chidambaram said that the limit on FII investment in Government securities would be increased from \$1.75 billion to \$2 billion and the limit on FII investment in corporate debt from \$0.5 billion to \$1.5 billion; the ceiling on aggregate investment would be raised by mutual funds in overseas instruments from \$1 billion to \$2 billion and the requirement of 10 per cent reciprocal share holding would be removed. Further, a limited number of qualified Indian mutual funds to invest, cumulatively up to \$1 billion, in overseas exchange traded funds would be allowed. The Finance Minister said that consultations with RBI and SEBI were held in this regard and the proper guidelines would be issued in due course.

20 BILLION TONNES OF COAL RESERVES TO BE DE-BLOCKED FOR POWER PROJECTS

Presenting the Budget proposals for the year 2006-07, the Finance Minister Mr. P. Chidambaram, has said that after reserving the blocks for Coal India Limited and its subsidiaries for the period up to 2012, it has been decided to de-block coal reserves of 20 billion tonnes for power projects. He informed that a comprehensive review of the Coal Policy is underway. This year, 45 coal blocks have been allotted for captive consumption to the power, cement and steel sectors and to the State Governments.

The Finance Minister further announced that the definition of captive consumption will also be amended to allow coal mining by producers with firm supply contracts with steel, cement and power companies. The capacity of Central Mines Planning and development Institute Limited to drill in order to prove reserves which is now only 200,000 metres per annum, would be expanded substantially, he said.

MEASURES TO BOOST MANUFACTURE OF HIGH TECHNOLOGY IT PRODUCTS

With an objective of making India a preferred destination for the manufacturing of semi-conductors and other high technology IT products including Wafer; Assemble, Test and Manufacturing of semi-conductors; Flat LCD/OLED/Plasma Panel Displays; and Storage Devices, the Ministry of Information Technology would announce a Policy shortly. This was stated by Mr. P. Chidambaram, the Finance Minister while presenting the General Budget 2006-07.

The Finance Minister also proposed to use the existing vehicles of viability gap funding and the India Infrastructure Finance Company Limited to create a window to provide equity participation and or viability gap funding to new ventures in these critical high technology IT products. The window will open for three years in order to accelerate investment, he added.

AMENDMENTS TO SEBI GUIDELINES

A. AMENDMENT TO THE SEBI (DELISTING OF SECURITIES) GUIDELINES, 2003

The Securities & Exchange Board of India (SEBI) has issued a circular amending the SEBI (Delisting Of Securities) Guidelines, 2003 in order to simplify the existing framework with respect to Compulsory Delisting and make it possible for stock exchanges to delist the Companies which are noncompliant with the provisions of Listing Agreement.

1. The amendment seeks to ensure adequate and wide public notice of the fact of delisting and disclosure of the fair value through newspapers and notice boards/trading systems of the stock exchange upon delisting of a security.
2. The amendment also seeks to determine the fair value of securities by persons appointed by the stock exchange out of a panel of experts, which shall also be selected by the stock exchange.

B. AMENDMENTS TO THE SEBI (DISCLOSURE AND INVESTOR PROTECTION) (DIP) GUIDELINES, 2000

The Securities & Exchange Board of India (SEBI) has issued a circular amending SEBI (DIP) Guidelines, 2000 ("the Guidelines"), to provide for various modes of making refunds to the applicants viz ECS (Electronic Clearing Service)/ Direct Credit / RTGS (Real Time Gross Settlement)/ NEFT (National Electronic Funds Transfer).

- To begin with, applicants residing in 15 centres where clearing houses are managed by the Reserve Bank of India (RBI), will get refunds through ECS only except where applicant is otherwise disclosed as eligible to get refunds through direct credit & RTGS. Number of centres for ECS facility may be enhanced after receiving a feedback on the performance of the system.
- The details of bank accounts of applicants would henceforth be taken directly from the depositories' database for issues required to be made wholly in the dematerialised form.
- Suitable instructions for refunds through various modes should be incorporated in the application form, abridged prospectus and the prospectus/letter of offer in an appropriate manner, as required by the amended Guidelines.
- The amendments made vide this circular shall be applicable to all those issues where draft offer documents are filed with SEBI **on or after the date of this circular.**

LANDMARK DECISION OF APEX COURT ON SALES TAX LIABILITY OF MOBILE PHONE CONNECTIONS

In a landmark decision, the Supreme Court of India (the Apex Court) has decided the issue whether mobile phone connections should be subjected to Service Tax or Sales Tax or both in the recent case of Bharat Sanchar Nigam & Anr. Vs. Union of India & Others. The Apex Court has categorically held that provision of telephone service is nothing but a service and there is no element of sale involved in the said transaction except the sale of handsets and any other accessories supplied by the service provider. This judgment has partially overturned its own earlier decision in State of U.P. Vs. Union of India (2003) 130 STC 1. The issues before the Apex Court were:

1. What are "goods" in telecommunication for the purposes of Article 366 (29A)(d)?
2. Is there any transfer of any right to use any goods by providing access or telephone connection by the telephone service provider to a subscriber?
3. Is the nature of the transaction involved in providing telephone connection a composite contract of service and sale? If so, is it possible for the States to tax the sale element?
4. If the providing of a telephone connection involves sale is such sale an inter-state one?
5. Would the "aspect theory" be applicable to the transaction enabling the States to levy sales tax on the same transaction in respect of which the Union Government levies service tax.

The Apex Court examined the issues in detail and referred to a number of its own past judgments and decisions of High Courts which have a bearing on this case and decided as follows:

1. The Apex Court held that electromagnetic waves are neither abstracted nor are they consumed in the sense that they are not extinguished by their user. They are not delivered, stored or possessed. Nor are they marketable. They are merely the medium of communication. What is transmitted is not an electromagnetic wave but the signal through such means. The signals are generated by the subscribers themselves. In telecommunication what is transmitted is the message by means of the telegraph. No part of the telegraph itself is transferable or deliverable to the subscribers. In view of the foregoing, the Apex Court held that the electromagnetic waves are not 'goods' within the meaning of the word either in Art. 366(12) or in the State Legislations. The Apex Court also clarified that licences granted under the Indian Telegraph Act clearly manifest that they were for providing telecommunication services and not for supplying any goods or transfer of right to use any goods. The Apex Court also held that in the circumstances, it is not necessary for it to determine whether the telephone system including the telephone exchange was not goods but immoveable property as contended by some of the petitioners. However, it pointed out that the handsets supplied by the service provider would come within the

ambit of the definition of the word "goods". Thus it held that provision of telephone service is nothing but a service and there is no element of sale involved in the said transaction except the sale of handsets and any other accessories supplied by the service provider. The Apex Court held that what a SIM card represents is ultimately a question of fact as has been correctly submitted by the States. Thus, as far as the SIM cards are concerned, the Apex Court left the issue for determination by the Assessing Authorities. The Apex Court however pointed out that in determining the issue, the Assessing Authorities will have to keep in mind the following principles: If the SIM Card is not sold by the assessee to the subscribers but is merely part of the services rendered by the service providers, then a SIM card cannot be charged separately to sales tax. It would depend ultimately upon the intention of the parties. If the parties intended that the SIM card would be a separate object of sale, it would be open to the Sales Tax Authorities to levy sales tax thereon. There is insufficient material on the basis of which we can reach a decision. However the Apex Court emphasized that if the sale of a SIM card is merely incidental to the service being provided and only facilitates the identification of the subscribers, their credit and other details, it would not be assessable to sales tax. . The Apex Court pointed out that the Kerala High Court also dealt with the case of BPL, a service provider. According to BPL, it did not sell cellular telephones. As far as SIM cards were concerned, it was submitted that they had no sale value. A SIM card merely represented a means of the access and identified the subscribers. This was part of the service of a telephone connection. The Kerala High Court rejected this submission finding that the SIM card was "goods" within the definition of the word in the State Sales Tax Act and the Apex Court expressed its opinion that the High Court ought not to have finally determined the issue.

2. The Apex Court opined that the essence of the right under Article 366 (29A) (d) is that it relates to user of goods. It may be that the actual delivery of the goods is not necessary for effecting the transfer of the right to use the goods but the goods must be available at the time of transfer must be deliverable and delivered at some stage. It is assumed, at the time of execution of any agreement to transfer the right to use, that the goods are available and deliverable. If the goods, or what is claimed to be goods by the respondents, are not deliverable at all by the service providers to the subscribers, the question of the right to use those goods, would not arise. But if there are no deliverable goods in existence as in this case, there is no transfer of user at all. Providing access or telephone connection does not put the subscriber in possession of the electromagnetic waves any more than a toll collector puts a road or bridge into the possession of the toll payer by lifting a toll gate. The Apex Court pointed out that the toll payer will use the road or bridge in one sense. But the distinction with a sale of goods is that the user would be of the thing or goods delivered. The delivery may not be simultaneous with the transfer of the right to use. But the goods must be in existence and deliverable when the right is sought to be transferred. Therefore whether goods are incorporeal or corporeal, tangible or intangible, they must be deliverable. To the extent that the decision in State of U.P. Vs. Union of India held otherwise was held to be erroneous.
3. The Apex Court pointed out that no one can deny the legislative competence of States to levy sales tax on sales provided that the necessary concomitants of a sale are present in the transaction and the sale is distinctly discernible in the transaction. This does not however allow State to entrench upon the Union list and tax services by including the cost of such service in the value of the goods. Even in those composite contracts which are by legal fiction deemed to be divisible under Art. 366(29A), the value of the goods involved in the execution of the whole transaction cannot be assessed to Sales Tax. Thus the Apex Court held that the nature of the transaction involved in providing the telephone connection may be a composite contract of service and sale. It is possible for the State to tax the sale element provided there is a discernible sale and only to the extent relatable to such sale.
4. The issue of whether sale, if involved in providing of a telephone connection, is an inter-state one or not was left unanswered by the Apex Court.
5. The Apex Court held that the aspect theory would not apply to enable the value of the services to be included in the sale of goods or the price of goods in the value of the service.

This Judgment of the Apex Court is expected to provide relief to telecom operators but a little bit of uncertainty with respect to possible sales tax liability on SIM cards and Recharge Coupons is expected to generate disputes which may have to be ultimately decided by the Apex Court itself if and when this matter is taken before it.

AAR : OVERSEAS COMPANY'S CAPTIVE BPO IN INDIA NOT ITS PE & HENCE PROFITS ATTRIBUTABLE TO BPO UNIT NOT TAXABLE

The Authority for Advance Ruling (AAR) has held in the case of Morgan Stanley that the company's captive BPO in India is not its permanent establishment (PE) and consequently, the profits attributable to the PE will not be taxable in India in the hands of the foreign entity.

FACTS OF THE CASE:

Morgan Stanley has a captive BPO in India — Morgan Stanley Advantage Services (MSAS) — which provides support services such as IT support, account reconciliation and research among others. The parent company had sought a ruling on various issues including whether the captive BPO will be construed as its Permanent Establishment (PE). If Indian tax authorities were to hold that such activities would tantamount to a PE, the profits attributable to the PE will be taxable in India at the rate of 41% in the hands of the foreign entity.

DECISION OF AAR :

The AAR has ruled that no PE comes into existence if the activities are “contractually outsourced”. Normally an entity becomes a PE, if it has a fixed place of business or is a dependent agent. However, the AAR has said that MSAS does not fit into the definition of a PE. AAR has held that the company's captive BPO in India is not its PE. This means the income of the parent company will not be liable to tax here in respect of profits attributable to its BPO. This decision is with a caveat: the AAR has ruled that MSAS will be regarded as a PE if the parent company were to send some of its employees to India on deputation for a period of more than 90 days in a financial year.

The judgment given by AAR , Delhi , is binding on Morgan Stanley as well as on the Revenue authorities but the benefit of the same cannot be taken by other assesseees except that it will have a persuasive value in their cases if facts are similar. This decision will be welcomed by the BPO industry, which has approached the Government of India seeking exemption for foreign companies that outsource BPO work to India from filing tax returns.

ITAT: LIAISON OFFICE OF WESTERN UNION NOT A PE & HENCE NOT LIABLE TO TAX

The Mumbai bench of ITAT has held that money transferor Western Union was not liable to pay tax, though they have a liaison office in India.

The Income Tax department argued that factors like having a liaison office and several agents in India, including the Post & Telegraph department and several banks, and supplying software to its agents were enough to consider that Western Union has a Permanent Establishment (PE) in India.

Western Union argued that the liaison office does not carry out any significant business activity. Western Union contended that having independent agents, through which it transfers money to the recipient, or having software for facilitating such transfer of money, do not amount to having a permanent establishment. It further argued that transactions between Western Union and its agents in India are at 'arms length', and the activities of Indian agents like the P&T departments are not wholly devoted to Western Union. They have their own independent business and, at best, their services to Western Union constitute only a minor part of their activity. Further, it also contended that the liaison office could not be construed as a PE as no significant business activity is carried out through the office and it is manned by two junior employees. As there is no fixed place of business, it cannot be held that Western Union has a PE in India.

ITAT, after considering all the submissions, held that the liaison office of Western Union cannot be construed as its PE and hence it is not liable to pay tax. This decision is bound to have a far reaching impact and it is expected that the Income Tax Department would appeal against this order by taking up the matter before the higher judicial authority.

Source: Economic Times

THE APEX COURT STAYS LEVY OF VAT/SALES TAX ON INTERNET SERVICES

The Supreme Court has restrained the State Governments from levying VAT/Sales Tax on internet services including dial up, broadband, leased lines, etc. provided throughout the country by Dishnet Wireless Ltd (DWL). The Supreme Court, after acceding to the plea of DWL for stay against levy of VAT/Sales Tax, has issued notices to the Central and State governments on the petition filed by DWL.

The State Governments' decision to treat "internet" as "goods" which would enable them to levy VAT/Sales Tax has been challenged by DWL. DWL has contended that no such local sales tax was leviable by any state government on the provision of internet services since the same cannot be categorized as "goods" and therefore any attempted levy was completely impermissible, unconstitutional and beyond the legislative competence of the state governments.

The Supreme Court had last year granted stay in favour of VSNL on a similar petition which is yet to be heard by it. The Supreme Court has tagged the petition of DWL with earlier one of VSNL for hearing.

E-GOVERNANCE PROJECT MCA21 LAUNCHED

The Ministry of Company Affairs, Government of India is all set to implement its flagship e-Governance initiative known as MCA21 with the launch of the Pilot at Coimbatore on 18th February, 2006. It is the first flagship project of the Government of India to provide a comprehensive set of services to the stakeholders through an e-Governance mode.

The Ministry has called upon all the existing and future Directors to immediately apply for allotment of Director Identification Number (DIN) and the professionals and company Directors required to sign the documents to be filed under the Companies Act, to procure Digital Signature Certificates (DSCs) as essential pre-requisites for e-filing.

The project is being implemented as per schedule and it is expected to go live across all the locations throughout the country by 24th April, 2006.

The project serves the interests of all its key stakeholders, primary being the Businesses and Corporates, by enabling them to have simple, hassle-free interaction on compliance matters. The MCA Portal will serve as a uniform, single point for filing all statutory returns. The Public in general will benefit through on-line access to public records. Similarly, the Financial Institutions will have the facility of easy registration and verification of charges from anywhere in the country.

This project will cover all the services provided by the Registrar of Companies starting from the incorporation of a new company. The current scope covers all the nationwide offices of the Registrar of Companies and the four Regional Directorates besides the Secretariat at Delhi. The services, presently in the scope of Official Liquidators, are proposed to be taken up subsequently in an independent Second Phase.

In order to provide significant value addition to the stakeholders, the corporate documents that are in paper form have been digitised and the same will be made available over the Internet to investors and public.

Five Banks, namely, the State Bank of India, the Punjab National Bank, the Indian Bank, the ICICI Bank and the HDFC Bank, are partners in the project with a network of 200 Branches throughout the country to accept payments for MCA services through multiple modes.

The State Governments have been approached to authorise the Ministry of Company Affairs to generate the stamp papers electronically to address this outstanding issue and 11 States have already issued the requisite authorisations with another 8 States having responded positively on this account. The Ministry hopes to enlist the support of all the States and the Union Territories on this account by the project implementation completion date.

SNAPSHOT OF GLOBAL MARKETS - FEBRUARY 2006

KEY STOCK MARKET INDICES

INDEX	OPENING (01/02/2006)	HIGHEST IN FEBRUARY 2006	LOWEST IN FEBRUARY 2006	CLOSING (28/02/2006)
BSE SENSEX	9959.24	10422.65	9713.51	10370.30
S&P CNX NIFTY	3001.30	3090.30	2931.85	3074.10
DOW JONES I.A.	10866.14	11198.73	10874.79	10993.41
NASDAQ COMPOSITE	2293.40	2313.53	2232.68	2281.39
FTSE 100	5760.30	5893.30	5681.90	5791.50
NIKKEI	16594.90	16777.37	15389.58	16205.43

PRICES OF KEY COMMODITIES (US\$)

COMMODITY	OPENING (01/02/2006)	HIGHEST IN FEBRUARY 2006	LOWEST IN FEBRUARY 2006	CLOSING (28/02/2006)
GOLD - SPOT (NY)	570.70	574.90	536.00	561.50
SILVER - SPOT (NY)	9.75	9.84	9.05	9.74
PLATINUM - SPOT(NY)	1065.00	1076.00	984.00	1044.00
COPPER (COMEX)	2.237	2.335	2.132	2.185
ALUMINIUM (COMEX)	1.1850	1.2225	1.0500	1.1300
BRENT CRUDE (IPE)	66.49	67.85	57.90	61.76
NYMEX CRUDE OIL	68.80	69.78	59.20	61.41

KEY GLOBAL CURRENCY RATES AGAINST USD

CURRENCY	OPENING RATE (01/02/2006)	HIGHEST IN FEBRUARY 2006	LOWEST IN FEBRUARY 2006	CLOSING RATE (28/02/2006)
EURO/USD	1.2112	1.2189	1.1822	1.1858
GBP/USD	1.7720	1.7856	1.7281	1.7417
USD/JPY	117.37	119.38	115.69	116.31
USD/INR	44.13	44.57	43.90	44.51

MAJOR CURRENCIES AGAINST INR

CURRENCY	OPENING RATE (01/02/2006)	HIGHEST IN FEBRUARY 2006	LOWEST IN FEBRUARY 2006	CLOSING RATE (28/02/2006)
USD/INR	44.13	44.57	43.90	44.51
EURO/INR	53.44	53.65	52.63	52.79
GBP/INR	78.19	78.66	76.96	77.53
JPY/INR	37.60	38.29	37.19	38.29

INTEREST RATES

MIBOR (NSE)

PERIOD	OPENING RATE (01/02/2006)	HIGHEST IN FEBRUARY 2006	LOWEST IN FEBRUARY 2006	CLOSING RATE (28/02/2006)
OVERNIGHT	7.31	7.31	6.73	6.73
14 DAY	7.32	7.37	7.15	7.15
1-MONTH	7.48	7.48	7.26	7.31
3-MONTH	7.59	7.77	7.54	7.65

LIBOR - USD

PERIOD	OPENING RATE (01/02/2006)	HIGHEST IN FEBRUARY 2006	LOWEST IN FEBRUARY 2006	CLOSING RATE (28/02/2006)
1-MONTH	4.57	4.63	4.57	4.63
3-MONTH	4.69	4.82	4.69	4.82
6-MONTH	4.82	4.99	4.82	4.99
12-MONTH	4.95	5.15	4.95	5.15

LIBOR - EURO

PERIOD	OPENING RATE (01/02/2006)	HIGHEST IN FEBRUARY 2006	LOWEST IN FEBRUARY 2006	CLOSING RATE (28/02/2006)
1-MONTH	2.39	2.60	2.39	2.60
3-MONTH	2.56	2.66	2.56	2.66
6-MONTH	2.70	2.78	2.70	2.78
12-MONTH	2.90	2.98	2.88	2.98

LIBOR - GBP

PERIOD	OPENING RATE (01/02/2006)	HIGHEST IN FEBRUARY 2006	LOWEST IN FEBRUARY 2006	CLOSING RATE (28/02/2006)
1-MONTH	4.59	4.59	4.57	4.57
3-MONTH	4.60	4.60	4.57	4.58
6-MONTH	4.62	4.62	4.56	4.60
12-MONTH	4.68	4.69	4.57	4.67

LIBOR - JPY

PERIOD	OPENING RATE (01/02/2006)	HIGHEST IN FEBRUARY 2006	LOWEST IN FEBRUARY 2006	CLOSING RATE (28/02/2006)
1-MONTH	0.052	0.063	0.052	0.063
3-MONTH	0.069	0.093	0.068	0.093
6-MONTH	0.086	0.121	0.086	0.121
12-MONTH	0.127	0.221	0.127	0.221

US T-BILL

PERIOD	OPENING RATE (01/02/2006)	HIGHEST IN FEBRUARY 2006	LOWEST IN FEBRUARY 2006	CLOSING RATE (28/02/2006)
	Discount/Yield	Discount/Yield	Discount/Yield	Discount/Yield
1-MONTH	4.26/4.33	4.40/4.48	4.24/4.32	4.39/4.47
3-MONTH	4.37/4.47	4.51/4.62	4.37/4.47	4.49/4.62
6-MONTH	4.44/4.60	4.59/4.76	4.44/4.60	4.57/4.74

KEY CENTRAL BANK RATES

	28/02/2006	1 MONTH PRIOR	3 MONTH PRIOR	6 MONTH PRIOR	1 YEAR PRIOR
US FEDERAL RESERVE FUNDS RATE	4.50	4.25	4.00	3.50	2.50
EUROPEAN CENTRAL BANK RATE*	2.25	2.00	2.00	2.00	2.00
BANK OF ENGLAND RATE	4.50	4.50	4.50	4.75	4.75
RESERVE BANK OF INDIA - BANK RATE	6.00	6.00	6.00	6.00	6.00

* ECB RATE has been increased to 2.5% w.e.f. 8th March 2006

PRIME RATES

CURRENCY	RATE (28/02/2006)
USD	7.50
EURO	3.00
GBP	4.50
JPY	1.38
INR	10.25 to 10.75

DISCLAIMER :

Please note that while every effort has been taken to verify the accuracy of the above information, Indiabizsolutions hereby disclaims any and all liability to any person for any loss or damage caused by errors or omissions, whether such errors or omissions result from negligence, accident or any other cause. The reader should not solely rely on information provided herein and should always seek the advice of competent professional.

For your queries and further details contact :

Indiabizsolutions

A division of:

Webline India Pvt. Limited

10-A, Hornby Building, 2nd Floor
D.N. Road, Fort. Mumbai - 400 001

India

Telephones: + 91 22 2207 1227, + 91 22 2564 3907

Tel/Fax : + 91 22 2564 3907

E-mail : com@indiabizsolutions.com

Website : www.indiabizsolutions.com

Branch Offices:

Bangalore Office - E-mail : bng@indiabizsolutions.com

Chennai Office - E-mail : chn@indiabizsolutions.com

Hyderabad Office - E-mail : hyd@indiabizsolutions.com

New Delhi Office - E-mail : del@indiabizsolutions.com