

# CORPORATE UPDATE

FOR CLIENT CIRCULATION ONLY

No. 04/02

13<sup>th</sup> March, 2004

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## INCOME TAX

### I. Obtaining of Income Tax Clearance Certificate for submission of tenders

CBDT has notified that with effect from 1st January, 2003, no Income Tax Clearance Certificate (ITCC) shall be required to be furnished by any person while submitting a tender for the purpose of obtaining commercial contracts.

CBDT has issued further clarifications in this regard vide Circular No. 2/2004 dated 10.02.04. A copy of the said circular is reproduced below for your information:

**Circular No.2/2004  
F.No.153/191/2002-TPL  
Government of India  
Ministry of Finance  
Department of Revenue  
Central Board of Direct Taxes  
(TPL Division)**

New Delhi, dated the 10<sup>th</sup> February, 2004

**Subject: Abolition of the requirement of obtaining Income Tax Clearance Certificate (ITCC) by persons entering into commercial contracts.**

1. A decision was taken by the Board in January, 2003 regarding the requirement of obtaining Income-tax Clearance Certificates by various persons. It was decided that with effect from the 1st January, 2003, no Income Tax Clearance Certificate shall be required to be furnished by any person while filing a tender for the purpose of obtaining commercial contracts. A Press Release to this effect was also issued on January 20, 2003.
2. The Board, however, continued to receive several references from various quarters seeking clarification with respect to furnishing of Income Tax Clearance Certificate at the time of bidding for contracts and in other situations.

<p>8. It is hereby clarified that contractors are now not required to obtain Income Tax Clearance Certificate from the Income-tax Department and there is no need to furnish such certificate while submitting tenders or obtaining commercial contracts.</p> <p>8. Further, it is also clarified that Income Tax Clearance Certificate shall also not be required for any other purposes such as registration or renewal of registration of contractors, renewal of import/export licences, renewal of post licences and renewal of shipping licences.</p> <p>8. However, all such persons shall quote their Permanent Account Number in their tender or other relevant documents.</p> <p>8. It is reiterated that the Income-tax Department will not issue any Income-tax Clearance Certificates for any of the above mentioned or similar purposes.</p> <p>8. All Circulars issued earlier in this regard shall stand withdrawn.</p> <p>8. The contents of this Circular may be given wide publicity.</p> <p style="text-align: center;"><b>(DEEPIKA MITTAL)</b> <b>Under Secretary (TPL-III)</b> <b>Tel : 2309 2742</b></p> <p style="text-align: center;">*****</p>	<p style="text-align: center;"><b>FEMA</b></p> <p><b><u>Liberalisation in Current Account Transactions</u></b></p> <p>The Reserve Bank of India has through Circular no. 76 dated 24.02.04 amended Foreign Exchange Management (Current Account Transaction) Rules, 2000 thereby removing restrictions which were imposed earlier on various remittances abroad by resident Indians.</p> <p>Gist of the amendments in the Rule is explained in the Table annexed on page no. 4.</p> <p style="text-align: center;"><b>MISCELLANEOUS</b></p> <p><b><u>Change in Rates of Stamp Duties</u></b></p> <p>Ministry of Finance, Department of Revenue has issued Notification No. SO 130(E) dated 28.01.2004 thereby reducing, w.e.f. 1<sup>st</sup> March 2004, stamp duty chargeable on the following instruments: -</p> <ul style="list-style-type: none"><li>a) Bills of exchange,</li><li>b) Bill of Lading</li><li>c) Debenture;</li><li>d) Letter of credit;</li><li>e) Policy of Insurance;</li><li>f) Promissory Note;</li><li>g) Proxy, including proxy for attending shareholders meetings, shall bear stamp duty of fifteen paise instead of thirty paise as earlier applicable;</li></ul>
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h) Transfer of shares in an incorporated company or other body corporate. The revised stamp duty on transfer of shares is twenty-five paise instead of the existing rate of fifty paise for every hundred rupees or parts thereof of the value of shares.

**POINTS TO  
REMEMBER**

1. The next installment of advance tax for the financial year 2003-04 is due to be deposited on or before 15<sup>th</sup> March, 2004.
2. The last date of filing of TDS returns on computer media u/s 206(2) of the Income Tax Act is 31<sup>st</sup> March, 2004.

**Liberalisation in Current Account Transactions**

<b>S. no.</b>	<b>Nature of Remittance</b>	<b>Erstwhile Rule</b>	<b>New Rule</b>
1	Remittance for securing insurance for Health from a company abroad	Approval required from Ministry of Finance (Insurance Division)	Authorised Dealers permitted to freely allow such remittance
2	Remittance by artiste	Approval required from Reserve Bank of India	Authorised Dealers permitted to freely allow such remittance
3	Commission to agents abroad for sale of residential flats / commercial plots in India exceeding 5% of the inward remittance	Approval required from Reserve Bank of India	Authorised Dealers permitted to freely allow such remittance up to USD 25,000 or 5% of the inward remittance, per transaction, whichever is higher
4	Short term credit to overseas offices of Indian companies	Approval required from Reserve Bank of India	Authorised Dealers permitted to allow such facility
5	Remittance for advertisement on foreign television channels by persons whose export earnings are less than Rs. 10 lakhs during each of the preceeding 2 years	Approval required from Reserve Bank of India	Authorised Dealers permitted to freely allow such remittance
6	Remittance of royalty & payment of lump sum fee, under the technical collaboration agreement which has not been registered with RBI	Approval required from Reserve Bank of India	Authorised Dealers permitted to freely allow such remittance provided royalty does not exceed 5% on local sales & 8% on exports and lumpsum payment does not exceed USD 2 million
7	Remittance for use / or purchase of trademark / franchise in India	Approval required from Reserve Bank of India	Authorised Dealers permitted to freely allow remittance for use of trademark / franchise. However, RBI's approval will continue to be required for remittance towards purchase of trademark / franchise
8	Remittance of hiring charges of transponders	Approval required from Reserve Bank of India	Approval required from Ministry of Information & Broadcasting