

Circulars

Circulars and Notification issued by the Central Board of Direct Taxes from 1.01.2006 to 31.03.2006- A glimpse

1. CIRCULAR NO.01/2006, DATED 12-1-2006- Effluent treatment and conveyance system to be treated as Infrastructure facility u/s 80-IA of the Income-tax Act, 1961
2. CIRCULAR NO.02 /2006, DATED 17-1-2006-

Section 80HHC read with section 28 of the Income-tax Act, 1961 has been amended by the Taxation Laws (Amendment) Act, 2005 so as to provide that Profits on sale of duty entitlement Pass Book Scheme (DEPB) credits or Duty Free Replenishment Certificate (DFRC) will be treated at par with duty drawback for certain purposes and certain specified cases.

Further such amendments have been made with retrospective effect. Therefore, Therefore, it has been decided that no penalty shall be levied or interest shall be charged in respect of any fresh demand raised consequent to the enactment of Taxation Laws (Amendment) Act, 2005, on account of variation in the returned/ assessed income attributable to profits on sale of DEPB credits or DFRC.

3. CIRCULAR NO. 3/2006, DATED 27-2-2006 - provides Explanatory Notes on the provisions of the Finance Act, 2005-(other than Banking Cash Transaction Tax and Fringe Benefit Tax).
4. CIRCULAR NO. 4/2006, DATED 29-3-2006-gives clarification regarding the meaning

of the expression the produce of animal husbandry used in Sub-clause (ii) of clause (f) of rule 6DD of the Income-tax Rules, 1962.

NOTIFICATIONS

1. NOTIFICATION NO. 50/2006, DATED 9-3-2006

The Central Board of Direct Taxes through the Income-tax (First Amendment) Rules, 2006 has amended Form No. 16 in Appendix II.

2. NOTIFICATION NO. 71/2006, DATED 17-3-2006

The Income-tax (Second Amendment) Rules, 2006 has substituted Rule 31AC with new Rule 31AC relating to maintenance of particulars of time deposits by a banking company for furnishing quarterly return under section 206A and Rule 31ACA relating to quarterly return under section 206A. Further Form No. 26QA has also been sunstituted.

3. NOTIFICATION NO. 93/2006, DATED 30-3-2006

The Income-tax (3rd Amendment) Rules, 2006 inserted Rule 8B which provides the guidelines for notification of zero coupon bond and Rule 8C which provides the manner of computation of pro-rata amount of discount on a zero coupon bond for the purpose of section 36(1)(iiiia). Further in Appendix-II, Form 5B for application for notification of a Zero Coupon Bond under section 2(48) has been inserted.

SIGNIFICANT AMENDMENTS MADE THROUGH NOTIFICATIONS / CIRCULARS ISSUED BETWEEN 01.01.2006 AND 31.03.2006

CENTRAL EXCISE

1. Amendments in CENVAT Credit Rules, 2004
 - a) Notification No. 04/2006 CE (N.T.) dated 14.03.2006 has substituted Rule 5 of CENVAT Credit Rules, 2004 relating to refund of CENVAT.
 - b) Notification No. 05/2006 - CE (N.T.) 14.03.2006- has laid down the safeguards, conditions and limitations, subject to which the refund under Rule 5 of CENVAT Credit Rules, 2004 shall be granted.

CUSTOMS

2. Amendments in Customs and Central Excise Duties Drawback Rules, 1995

Notification No. 10/2006-Cus(N.T.) 15.02.2006- In the Customs and Central Excise Duties Drawback Rules, 1995 Rule 8A has been inserted which prescribes an upper limit of drawback money or rate. Further Rule 12 and Rule 16A have been amended.

Circular No. 4/2006 dated 12.01.2006 has prescribed a method for computation of freight of time chartered/daughter vessel and its inclusion in the assessed value as extended cost of transportation.

Circular No. 7/2006 dated 13.01.2006 has granted some procedural relaxation under

EOU and Gem and Jewellery Export Promotion Schemes.

Circular No. 8/2006 dated 17.01.2006 has laid down that appropriate classification of "used steel rails" shall be under CTH 7302 as "used rails" and not under CTH 72.04 as "ferrous waste and scrap".

Circular No. 9/2006 dated 23.01.2006 has clarified that in cases where finally determined anti dumping duty is imposed with a retrospective effect from the date of imposition of provisional anti-dumping duty, then the final antidumping duty would be payable even for the interregnum period subsequent to the expiry of the provisional duty period.

Circular No. 10/2006 dated 14.02.2006 has combined the instructions in respect of considering the request for waiver of interest on customs duty on any warehoused goods u/s 61 of the Customs Act, 1962 into one consolidated circular to ensure uniformity.

Circular No. 12/2006 dated 20.02.2006 has prescribed guidelines for the valuation and disposal by auction-cum-tender of seized, confiscated and time - expired goods.

SERVICE TAX

1. Notification No. 1/2006-ST, dated 01.03.2006- Credit for service tax paid on input service not to be availed in order to take the abatements granted in respect of certain taxable services. Further, as a measure of rationalisation of abate-

ments, certain specified individual notifications granting such abatements have been rescinded and a single Notification No.1/2006 ST, dated 01.03.2006 compiling all these abatements has been issued.

2. Notification No. 2/2006 ST, dated 01.03.2006: The exemptions provided to the following taxable services from service tax, have been withdrawn.

- (a) The Chartered Accountants, Cost Accountants and Company Secretaries who are in practice were granted exemption from service tax in respect of services other than the services specified in Notification No. 59/98-ST, dated 16.10.1998. With effect from 01.03.2006, this exemption has been withdrawn and thus, all services provided or to be provided by these professionals in their professional capacity will attract levy of service tax.
- (b) Exemption granted to call centres or a Medical Transcription Centre vide Notification No. 8/2003-ST, dated 20.06.2003 has been withdrawn with effect from 01.03.2006.
- (c) Notification No.11/2003-ST, dated 20.06.2003 has been rescinded thereby withdrawing the exemption granted to maintenance or repair of any goods or equipment excluding motor vehicle under a maintenance contract or agreement in relation to, which was entered into prior to 01.07.2003.
- (d) Exemption granted to service provided by management consultant

in respect of Enterprise Resource Planning Software System vide Notification No. 16/2004-ST, dated 10.09.2004 has been withdrawn.

- (e) Exemption granted to catering services provided on a railway train by an outdoor caterer vide Notification No. 19/2004-ST, dated 10/09.2004 has been withdrawn.
- (f) Notification No. 21/2004-ST, dated 10.09.2004 has been rescinded thereby withdrawing exemption granted to catering services provided within the premises of an academic institution or medical establishment by an outdoor caterer.

3. Notification No. 3/2006 ST, dated 01.03.2006- The exemptions granted vide Notification No.3/94 ST, dated 30.06.1994 in relation to general insurance where-

- (i) Premium is received from re-insurance both domestic and overseas;
- (ii) All business for which premium is booked outside India have been withdrawn.

4. Notification No. 4/2006-ST, dated 01.03.2006 - Exemption from service tax has been provided to financial leasing services including equipment leasing and hire-purchase from so much of the service tax as is equivalent to the service tax calculated on 90% of an amount, forming or representing interest.

5. Notification No. 5/2006-ST, dated 01.03.2006 - Following amendments have been made in the Service Tax Rules, 1994:

- (i) Sub-rule (5A) has been inserted after sub-rule (5) in rule 4. Sub-rule (5A) provides that a change in any

information or details furnished by an assessee in Form ST-1 at the time of obtaining registration or any additional information or detail intended to be furnished should be intimated in writing by the assessee to the jurisdictional Assistant / Deputy Commissioner of Central Excise. Such intimation must be made within a period of 30 days of such change.

- (ii) Sub-rule (7) of rule 4 provides that every registered assessee who ceases to provide the taxable service, for which he is registered, should surrender his registration certificate immediately. The authority to whom certificate should be surrendered was so far not specified in the sub-rule. This omission has now been rectified by providing that the certificate should be surrendered to the Superintendent of Central Excise.
- (iii) Sub-rule (8) has been inserted after sub-rule (7) in rule 4. This new sub-rule provides that, on receipt of the certificate under sub-rule (7), the Superintendent of Central Excise shall ensure that the assessee has paid all monies due to the Central Government under the provisions of the Act/Rules/Notifications and thereupon cancel the registration certificate.
- (iv) Sub-rule (3) has been inserted after sub-rule (2) in rule 5. The new sub-rule provides that all records main-

tained by an assessee shall be preserved at least for a period of 5 years immediately after the financial year to which such records pertain.

- (v) After sub-rule (3), another new sub-rule (4) has been inserted in rule 5. Sub-rule 4 lays down that every assessee shall make available records as mentioned in sub-rule (3) for inspection and examination by the Central Excise Officer. The records should be made available at the registered premises at all reasonable time. However, the Central Excise Officer can do such inspection and examination only when he is authorised for this purpose in writing by the jurisdictional Assistant/Deputy Commissioner of Central Excise, as the case may be. For this purpose, the term "registered premises" shall include all premises or offices from where an assessee is providing taxable services.
6. Notification No. 6/2006-ST, dated 01.03.2006- has granted exemption to service provided or to be provided to any person, by a Government owned State or District level laboratory in relation to testing and analysis of water quality, from the whole of service tax leviable thereon.
 7. Notification No. 7/2006ST, dated 01.03.2006- has granted exemption to taxable services, provided or to be provided to any person, by Reserve Bank of India, from the whole of service tax leviable thereon. □