



POLICY UPDATE

- Government of India has decided to **amend the Banking Regulation Act and the Reserve Bank of India Act**. Amendments in the Bills would lift restrictions on banks to keep government securities worth at least 25 per cent of their deposits as Statutory Liquidity Ratio and would enable the RBI to reduce Cash Reserve Ratio below 3 per cent. The amendment bill would also remove the voting cap of 10% for private banks. However, investors to buy 5% or more of equity in a private bank would need to take approval from RBI. 74% foreign ownership (FDI, FII and NRI) in private banks of India has already been allowed
- **The Finance Bill 2005 (Budget proposals)** was passed by the Indian Parliament after amendments to Fringe Benefit Tax and raising the exemption limit on income tax for women and senior citizens as well as the tax threshold on cash withdrawals from banks. In the case of fringe benefit tax (FBT), the amendment has exempted or reduced base rates for expenses on various items.
- **RBI has released new guidelines for the merger between two banking companies or between a banking company and a non-banking financial company.** The decision of merger should be approved by two third majority of the total Board members. *More...*
- Government of India tabled in the Parliament the **Taxation Law Amendment Bill** that prescribes filing of returns by charitable entities even with annual receipts below Rs. 10 million (\$ 230,415). Institutions whose receipts exceed Rs. 10 million a year will have to furnish audited accounts along with Income Tax returns. The Bill proposes to amend direct and indirect tax laws- to rationalize and simplify procedures, widen tax base and plug loopholes that result in revenue leakage. The Bill has proposed a 5% tax deductions at source (TDS) on royalties payments. The Bill also proposes to arm excise and customs authorities with the power to provisionally attach assets, even when assessments are still pending, along with safeguards to prevent misuse by revenue authorities. The bill also proposed exporters to voluntarily pay up interest duty and penalty (@ 25%) for settlement even after a fraud is detected.
- **The Special Economic Zone Bill passed** in Indian Parliament. The Bill provides for a fiscal package for both developers and units in the zones. The bill also provides a legislative framework for setting up offshore banking units As per the provisions of the Bill, SEZ units will be eligible for 100 per cent income tax exemption for five years, 50 per cent for the next five and 50 per cent of the ploughed back export profits for the next five years. The developers of the zones will continue to get 100 per cent income tax exemption for 10 years in a block period of 15 years. It encourages state governments to liberalize state laws. *More...*
- The Indian Parliament has passed **the Credit Information Companies' (Regulation) Bill 2004** that seeks to setting up of credit information companies in India and also regulating them. International player Dun and Bradstreet, in alliance with SBI and HDFC, is already setting up the first credit information company. *More...*
- The Government of India on May 11 gave its approval for introducing a Bill in Parliament to **amend the Labour Laws** (Exemption from furnishing Returns and Maintaining of Registers by Certain Establishments) Act, 1988 for simplifying the forms of returns and registers prescribed under certain labor laws. *More...*
- The Bureau of Indian Standards (BIS) has drafted a **National Standards Policy** in an attempt to harmonies the multiplicity of technical standards, regulations and conformity assessment procedures of traded goods in the country.
- Insurance Regulatory & Development Authority (IRDA) of India is in the process of setting up a self-regulatory organization (SRO) in association with industry players. The body will act as a **second tier regulatory structure under IRDA** and will take up general insurance related issues.

- **Reforms in the Tax Administration:** Government of India has approved setting up of the Phase-II of Tax Information Network (TIN) to begin from 01.07.2005. It consists of facilities for dematerialization of TDS certificates and electronic filing of Annual Information Returns. Besides, a new IT based MIS system of reporting from field offices relating to details and returns of customs, Central Excise and Service Tax, has come into effect from May 1, 2005. *More...*
- Government of India announced the **revised All Industry Rates of Duty Drawback, 2005-06** on May 2, 2005. These rates shall come into force with effect from May 5. *More...*



The President and CEO of Wal-Mart (USA) Mr. John B. Menzer meeting with the Prime Minister Dr. Manmohan Singh in New Delhi on May 12, 2005.

NEWS HIGHLIGHTS

- The Government of India on May 11 accorded investment approval for the establishment of transmission system associated with Kudankulam Atomic Power Plant (2X 1000 MW). The project would facilitate evacuation of power from Kudankulam project and further dispersal to various southern states of India.
- India has achieved an 8 per cent rate of growth in textiles and clothing sales in the domestic market last year when all the major markets — the UK, France, Italy, Germany, Switzerland and Japan shrunk *More...*
- Bank of America will make a fresh infusion of \$175 million into its Indian operations. This is one of the largest capital infusions by a foreign bank into its Indian business. *More...*
- Standard & Poor's raised its holding in Indian credit rating agency CRISIL Ltd. to 58.5 percent from 9.48%, after it paid about \$56 million for 3.12 million shares. *More...*
- International Finance Corporation, World Bank's private sector lending arm, plans to increase its lending to about \$500 million every year for various infrastructure and other sectors in India from next year. *More...*
- Delta Air Lines has launched daily direct services from New York to Chennai. *More...*
- The US Federal Communications Commission (FCC) has approved the application of Videsh Sanchar Nigam Limited (VSNL) of India to transfer the Tyco Global Network landing station licences. *More...*
- ONGC has registered three oil & gas finds, two in the deep waters of the Krishna-Godavari (KG) basin on the east coast, while another on the shallow waters on the West coast. *More...*
- The Black Book of Outsourcing authored by Doug Brown & Scott Wilson, and published by John Wiley & Sons Publishers and The Outsourcing Management Institute, has listed 12 Indian companies in the list of Best Managed outsourcing companies for 2005. IBM Global/Daksh has been ranked as the number one company among these followed by Accenture at number two and Hewlett Packard at number three.

Visits and Events

- A two-day Indo-US Cyber Security Forum's Legal Seminar was jointly convened by the CII and National Security Council Secretariat at New Delhi on April 18-19, 2005. **India and US have drawn a global cyber security blueprint** at the Seminar.
- Dr. Raman Singh, Chief Minister of the Indian State of Chhattisgarh is leading a business delegation to USA (New York, Washington D.C. & Tampa/Orlando) and Canada from May 16-24, 2005.
- An Indian pharmaceutical delegation led by Secretary Chemicals is visiting US from May 17-25, 2005 for attending Bio Pharma forums in Chicago, Washington and Boston.