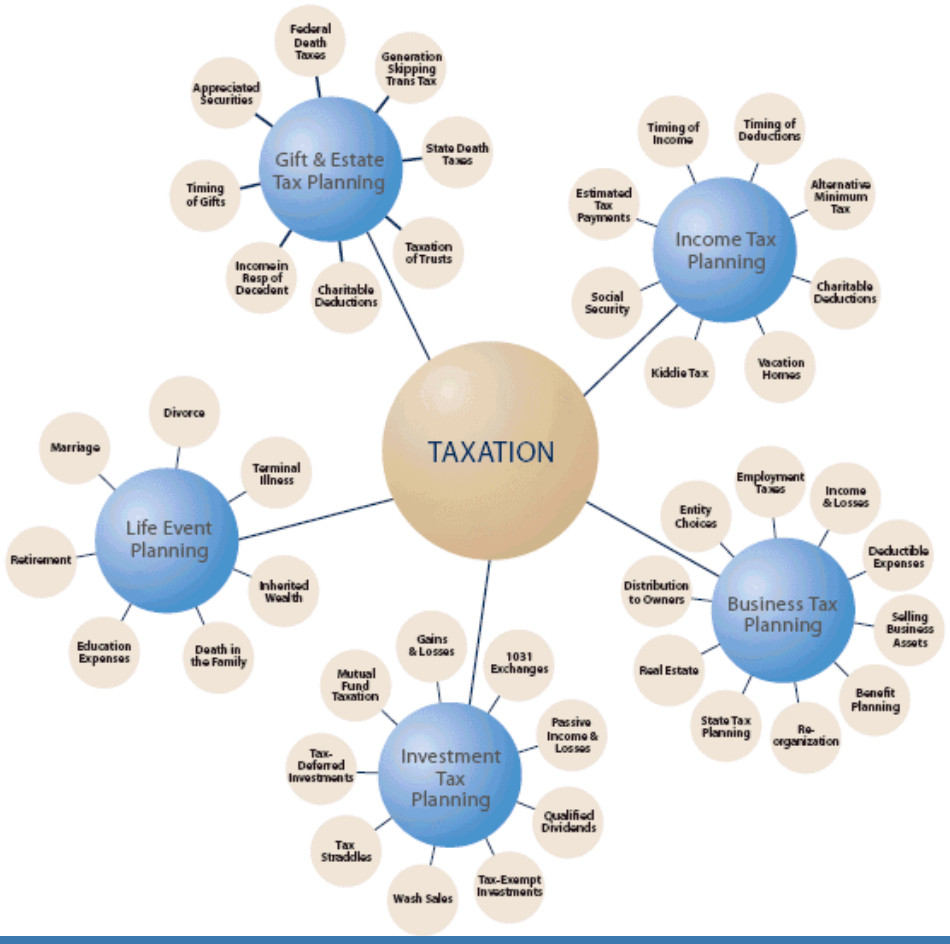
ASC Times

All India Taxes Weekly Referencer

Vol: May 11-17,2015



From the CEO's Desk

Dear Reader,

As the soaring heat, discussions about the GST and Land bill are heating up in the parliament. The government is determined to pass the GST bill during the current session itself, it may reconcile the land bill to refer it to a joint committee of the Lok Sabha and Rajya Sabha headed by a BJP MP. The problem faced by the government was not getting the support of largest opposition party i.e. the Congress. But Congress has assured the government that it will help in passing the GST bill early in the monsoon session and wants the NDA to send draft legislation to Rajya Sabha select committee for review.

A Committee headed by Justice A. P. Shah, consisting mainly of tax experts, excluding government nominees, will review the various tax matters. It is indicated that the tax matter of utmost priority is MAT (Minimum Alternate Tax), a tax on corporate income. However, taxmen have issued notices to 68 FIIs for non-payment of MAT, which they have challenged in the court. After the initiative taken by the government, a rise in stock market is seen which was going down earlier as FIIs were feeling uncertain about their investments.

Rupee is still weak, though it has recovered itself in short time periods and also the situation is not as bad as in 2003 when it was at a low of 68.80 against a dollar. The foreign reserves though kept by Central banks, foreign currency reserves, amount of gold and special drawing rights allocated by the International Monetary Fund seems to be enough. But the question is "are they enough" to meet out the needs of imports, FPI outflows, overseas debt repayments and other expenses incurred by the government such as travelling and education.

Innovation is the key to development, but in the world of uncertainty, patenting of any innovation becomes necessary. In a bid to fuel innovation, government is set to hire 500 people to clear 1000 pending patent applications. The move is a result of concerns often cited at international forums especially by US and European nations. This will also help the Modi government who is doing everything to improve country's rankings on various global indices.

Best Wishes
Alok Kumar Agarwal
CEO
ASC Group.

TAX CALENDAR

Due Date	Compliances from 11/05/2015 to 17/05/2015
14th May	VAT,CST,ET Payment for Rajasthan
15th May	WCT Payment for Delhi, Haryana, Jharkhand, Punjab, Rajasthan, Himachal Pradesh
	VAT,CST,ET,WCT,PT Payment for Sikkim, Jharkhand, Bihar
	Provident Fund e-Payment for April
15th May	Filing of TDS/TCS Return 24Q, 26Q, 27Q & 27EQ for March Quarter by all deductors including Government

Country Wide Holidays for the Week

Date	State	Occasion/Festival
16th May	Lakshadweep	Rajab 27
16th May	Sikkim	State Day
17th May	Jammu & Kashmir	Sab-I-Miraj

Index Guide

CENTRAL TAXES

SERVICE TAX

COURT DECISIONS

M/S. COAL HANDLERS PRIVATE LIMITED V/S COMMISSIONER OF CENTRAL EXCISE, RANGE KOLKATA – I (Supreme Court)

BRIEF: The assessee is providing certain services as Agent to M/s. Gujarat Ambuja Cements Limited and M/s. Ambuja Cements Eastern Limited. Under this Agency agreement, the appellant was required to undertake the following activities:

1. **following up the allotment of coal rakes by the Railways;**
2. **expediting and supervising the loading and labelling of rail wagons;**
3. **drawing the samples of coal loaded on the wagons;**
4. **complying with the formalities relating to payments for freight to the Railways; and**
5. **dispatching of rail receipts to Ambuja companies**

The issue that arose for consideration was as to whether aforesaid services were liable to service tax under the provisions of the Act under the category C&F Agent.

OUR TAKE: In the above case, the **Hon'ble Supreme Court** held that in order to qualify as a C&F Agent, such a person is to be found to be engaged in providing any service connected with 'clearing and forwarding operations'. There was no role of the appellant in getting the coal cleared from the collieries/ supplier of the coal and the movement of the coal was under the contract of sale between the coal company and Ambuja Companies. The primary job of the appellant is to see whether the material required by the Ambuja companies is loaded as per their schedule and to dispatch the coal to the factories. The appellant need not even be instructed as to the destination of the delivery which is already fixed as per the contract. Hence, the services rendered by the appellant would not qualify as C&F Agent within the meaning of Section 65(25) of the Act. **[Decided in favour of assessee]**

THE COMMISSIONER OF CENTRAL EXCISE SERVICE TAX & CUSTOMS, BANGALORE (ADJUDICATION), THE COMMISSIONER OF SERVICE TAX V/S M/S. PNB METLIFE INDIA INSURANCE CO. LTD. (Karnataka HC)

BRIEF: The assessee is engaged in, and licensed to carry on Life Insurance business. It had procured reinsurance service from overseas Insurance companies and had availed CENVAT credit of Service Tax paid on such re-insurance services received by it. However, the Cenvat Credit was disallowed holding that re-insurance takes place only after the insurance business is affected. Thus, a demand of service tax and interest along with penalty u/s 78 was ordered.

OUR TAKE: In the above case, the **Hon'ble Karnataka High Court** held that the process of issuance of an Insurance Policy by the Insurer and subsequent procurement of re-insurance policy from another company is an integral part of the total process. The re-insurance is a statutory obligation and it has a direct nexus with the output service. if the entire Service Tax which is collected by the Insurer, while selling its insurance policies, has to be deposited without being given the credit of the tax which is paid by it while procuring a policy of reinsurance as the same would amount to double taxation. **[Decided against Revenue]**

THE COMMISSIONER OF CENTRAL EXCISE, CENTRAL EXCISE COMMISSIONERATE V/S M/S. JOE TRANSPORT, CUSTOMS, EXCISE & SERVICE TAX APPELLATE TRIBUNAL (Madras HC)

BRIEF: The following substantial questions of law need proper consideration:

1.) **When there is wilful suppression of facts with intent to evade service tax, can penalty u/s 78 already imposed be set aside by the CESTAT?**
2.) **Whether there is always a need to impose penalty u/s 78 where the demand of service tax is held to be sustainable for extended period in terms of proviso to Section 73 (1) of the Act?**

OUR TAKE: In the above case, the **Hon'ble Madras High Court** held that even when penalty u/s 76 was imposed, penalty u/s 78 was also imposable in contrary to the decision passed by the CESTAT. The imposition of penalty is mandatory and is not at the discretion of the authority. Hence, the Hon'ble CESTAT had arrived at an erroneous conclusion by setting aside the penalty and the penalty was lawfully maintainable. Following the decision of **Dhandayuthapani Canteen Vs CESTAT (Madras HC-2015)**. **[Decided in favour of Revenue]**

INDIAN OXALATE LTD V/S COMMISSIONER OF CENTRAL EXCISE, KOLHAPUR (CESTAT Mumbai)

BRIEF: The appellant availed taxable services for supply of their goods to the consignee. They paid the freight to the transporter and took the reimbursement of transportation expenses from the consignee. The demand of service tax was confirmed by the adjudicating authority on the ground that as per Rule 2(1)(d)(v) of the Service Tax Rules, 1994, the service tax is liable to be paid by the consignor or the consignee who pays or liable to pay the freight. In the present case, admittedly the freight was paid by the appellant though subsequently they have taken the reimbursement from the consignee. The appellant preferred an appeal before the Commissioner (Appeals) who upheld the demand of service tax and penalties u/ss 77 & 78 of the Finance Act.

OUR TAKE: In the above case, the **Hon'ble CESTAT Mumbai** held that it was an undisputed fact that the GTA services were provided by the transporter for transportation of the goods to the appellant through its consignee. For the said GTA services it was the appellant who has paid the freight to the transporter. It was held that if the person is covered under the category (a) to (g) of clause (v) of Rule 2(1)(d) and if that person pays the freight towards the GTA services, then it is he who is liable to discharge the service tax. Following the decision of **Essar Logistics [CESTAT Ahmedabad-2014]**. **[Decided against assessee]**

CENTRAL EXCISE

NOTIFICATIONS & CIRCULARS

CLARIFICATION REGARDING CENVAT CREDIT IN TRANSIT SALE THROUGH DEALER

The **CBEC** vide **Circular No. 1003/10/2015-CX dated 5th May 2015** has made the following clarifications:

1.) Where a registered dealer negotiates sale of an entire consignment from a manufacturer or a registered importer and orders direct transport of goods to the consignee, credit can be availed by the consignee on the basis of invoice issued by the manufacturer or the registered importer. In such cases no CENVATABLE invoice shall be issued by the registered dealer in favour of the consignee though commercial invoice can be issued. Where a registered dealer negotiates sale of goods from the total stock ordered on a manufacturer or an importer to multiple buyers and orders direct transportation of goods to the consignees and the manufacturer or the importer is willing to issue individual invoices for each sale in favour of the consignees for such individual sale, the same procedure shall apply.

2.) Where an un-registered dealer negotiates sale of an entire consignment from a manufacturer or a registered importer and orders direct transport of goods to the consignee, credit can be availed by the consignee on the basis of invoice issued by the manufacturer or the registered importer.

3.) Where goods are sold by the registered importer to an end-user (say a manufacturer) who would avail credit on the basis of importer's invoice and the goods are transported directly from the port or warehouse at the port to the buyer's premises, the amendment prescribes that for such movement the factum of such direct transport to the buyer's premises needs to be recorded in the invoice.

4.) Where a registered dealer negotiates sale by splitting a consignment procured from a manufacturer or a registered importer and issues CENVATABLE invoices for each of the sale, it would now be possible for the dealer to order direct transport of the consignments as per the individual sales to the consignee without bringing the goods to his godown. This would save time and transportation cost for the dealer adding to ease of doing business.

OUR TAKE: These provisions will improve the ease of doing business by providing an additional facility to the registered dealer or importer for direct dispatch of goods from the manufacturer to the consignee, when he is issuing CENVATABLE invoice. Here, the consignee avails Cenvat Credit on the basis of the CENVATABLE invoice issued by the registered dealer or the registered importer. This procedure removes the need for the goods to be brought to the premises of the registered importer or the registered dealer for subsequent transport of the goods to the consignee.

COURT DECISIONS

COMMISSIONER OF CENTRAL EXCISE AND CUSTOMS V/S M/S KRAPS CHEM PVT LTD AND ANOTHER (Supreme Court)

BRIEF: The respondent was engaged in the manufacture of Guar Dal Powder. According to the respondent the aforesaid product is a product of milling industry and therefore classifiable under Chapter Heading 11.01. If the product falls in the aforesaid category it attracts nil duty. On the other hand, view which is taken by the Revenue is that after the aforesaid process of converting Gaur Dal into powder is undertaken it becomes 'Gum' and therefore it

needs to be classified under Chapter Heading 1301.10. A SCN was issued which has resulted in demanding excise duty in the sum of Rs.92,53,196/- along with penalty and interest.

OUR TAKE: In the above case the **Hon'ble Supreme Court** held that such an issue was left open to be decided by the CESTAT in the case of Hindustan Gum and Chemicals Ltd. Similarly, since there is conflict of opinion by the two coordinate Benches in the judgements mentioned in relevance to this case, the only course of action open was to refer the matter to the larger Bench to resolve this conflict. Hence, the impugned order was set aside and the matter was remitted back to the CESTAT and directed to be heard by the Larger Bench. **[**Following decision of **Commissioner of Central Excise, Ahmedabad v. Hindustan Gum & Chemicals Ltd. (2011-Supreme Court) larger Bench of the Tribunal to decide the matter within six months.]**

M/S PHAARMASIA LTD. V/S COMMISSIONER OF CENTRAL EXCISE, HYDERABAD (Supreme Court)

BRIEF: The appellant had been doing the job work for M/s. Procter & Gamble Hygiene & Healthcare Limited. Raw material for this purpose was to be supplied by P&G. The appellant had been filing price declarations under Rule 173C of the Central Excise Rules for the said goods declaring the assessable value based on cost of raw materials supplied by P&G along with processing/conversion charges received from P&G. At the end of each accounting year on finalisation of cost sheet for each of the products by P&G, the appellant was adopting the revised prices as calculated from cost sheet and discharging its duty liability accordingly. The Dept. undertook the scrutiny of cost sheet and noticed that the appellant was not taking into consideration the "other works overhead" element in arriving at the assessable value though according to the Dept. it formed part of the costing element of 'conversion cost' shown in the costing report. Thus a SCN was issued.

OUR TAKE: In the above case, the **Hon'ble Supreme Court** held that the assessee not contesting the Dept.'s order that the 'other works overhead' should have been calculated in the cost is no cause to not invoke the extended period of limitation. It is the appellant which had worked out the final costing and it is the chartered accountant of the appellant which had prepared the said costing and submitted to the Department. Since, the element of other work over head was not made known to the department, the assessee is accused of suppressing the facts with intent to evade payment of duty. Hence, the assessee cannot plead innocence and the invoking of proviso to section 11A (1) is justified. **[Decided against assessee]**

M/S THE LAKSHMI MILLS CO. LTD. V/S COMMISSIONER OF CENTRAL EXCISE, TIRUNELVELI (CESTAT Chennai)

BRIEF: The simple question involved in this appeal is whether the goods processed by a processor belonging to the appellant when cleared for delivery at the depot of the appellant shall be liable to duty.

OUR TAKE: In the above case the **Hon'ble CESTAT Chennai** held that manufacturing process was carried out and the goods sent by the appellant to the processor upon payment of duty had undergone value addition. The goods all along carried the title of the appellant till delivered at its depot. Therefore, the value addition is not immune from duty. **[Decided against assessee]**

CUSTOMS

COURT DECISIONS

M/S. SECURE METERS LTD. V/S COMMISSIONER OF CUSTOMS, NEW DELHI (Supreme Court)

BRIEF: The appellant is engaged in the manufacture of electricity meters. The appellant had imported a consignment consisting of LCD Modules (Printed Circuit Boards) and Liquid Crystal Display (LCD) from Hong Kong. The dispute relates to classification of LCDs. The appellant sought clearance of LCDs under Chapter Heading 9013.80 and claimed assessment at Nil rate (basic duty), 16% additional duty and 4% SAD. As per the appellant, since the LCDs were classifiable under Chapter Heading 9013.80, in view of Notification No. 16/2000 it attracted Nil rate of BCD. However, custom authorities state that the goods were not simple liquid crystal. On the contrary, these were LCD Modules and Elastomeric LCD Displays and were part of Energy Meter. The relevant invoices also described the goods as "electronic part for energy meter".

OUR TAKE: In the above case the **Hon'ble Supreme Court** held that LCDs are specifically provided in tariff item 9013. However, such LCDs should not constitute 'articles' provided more specifically in other headings. Merely because these LCDs are to be used as parts in the said electricity supply meters, it cannot be said to fall under the Chapter Heading 9028. Entry 9028 does not pertain to LCDs but gas, liquid, etc. and includes electricity supply meters as well. Note 2(a) of Chapter 90 stipulates that parts and accessories which are goods included in the heading of the said chapter are to be classified in their respective headings. Hence, going by a plain reading it is clear that LCDs, which are goods and are used as parts in the final product mentioned in Chapter 90,

namely, electricity supply meters, are to be classified in its respective heading which is specifically provided, is 9013. **[Decided in favour of assessee]**

M/S. CAN-PACK INDIA PVT. LTD. V/S COMMISSIONER OF CUSTOMS (IMPORT), NHAVASHEVA (CESTAT Mumbai)

BRIEF: The appellant applied for refund of 4% SAD upon sale of goods imported under six Bills of Entry. On investigation of the claim, a deficiency memo was issued to the appellant to produce original Bills of Entry and TR-6 Challans etc. In reply to which, the appellant stated that they had already submitted the original documents along with partial claim. The refund claim filed by the appellant was rejected as not admissible and not maintainable on the ground of partial claim, as per Sl. No. 11 of Public Notice 74/2008-Cus dated 17.10.2008 read with Circular No. 16/2008-Cus dated 13.10.2008. The appellant has thus filed the appeal.

OUR TAKE: In the above case the **Hon'ble CESTAT Mumbai** held that a circular cannot take away the effect of Notifications statutorily issued. Refund claim of SAD is within the provisions of Section 3(5) of Customs Tariff Act read with Notification No. 102/2007. Following the ruling of the **Hon'ble Supreme Court in M/s. Sandur Micro Circuits Ltd. (2008)** that CBEC circular cannot curtail the scope of benefit available under the Notification. **[Decided in favour of assessee]**

INCOME TAX

COURT DECISIONS

COMMISSIONER OF INCOME TAX V/S M/S VEENA DEVELOPERS (Supreme Court)

BRIEF: Several SLPs had been filed by the Revenue against the judgments rendered by various High Courts deciding identical issue which pertains to the deduction u/s 80IB(10) of the Income Tax Act, as applicable prior to 01.04.2005. All the assessees had undertaken construction projects which were approved by the municipal authorities/ local authorities as housing projects. On that basis, they claimed deduction u/s 80IB(10) of the Act. This was well within the provisions of Section 80IB prior to 01.04.2005.

OUR TAKE: In the above case, the Hon'ble Supreme Court held that commercial user is permitted in the residential units and that too as per Development Control Regulations. However such commercial use is permitted to the professionals like Doctors, Chartered Accountants, Advocates, etc. Thus, the project is predominantly housing/ residential project but the commercial activity in the residential units was permitted. Hence, all SLPs were disposed. **[Decided in favour of assessee]**

THE COMMISSIONER OF INCOME-TAX, BANGALORE AND THE INCOME-TAX OFFICER, WARED-12(1), BANGALORE V/S M/S. MAGUS CUSTOMERS DIALOG PVT. LTD. (Karnataka HC)

BRIEF: The substantial questions of law that is raised in this appeal are as under:

1. **Whether the appellate authorities were correct in holding that in view of the provisions of section 43B of the Act deduction in respect of the employees' contributions made to PF and ESI belatedly was an allowable deduction?**
2. **Whether the appellate authorities were correct in applying section 43B of the Act which was applicable to the employer's contribution and failing to apply section 36(1)(va) and section 2(24)(x) of the Act under which the employees' contribution would become the income of the assessee at the end of the year if the same is not deposited within the stipulated time ?"**

OUR TAKE: In the above case, the **Hon'ble Karnataka High Court** held that payment of contribution by the employer to the fund under the scheme means both employer's contribution and employee's contribution. Irrespective of whether he deducts the employee's contribution from the salary or not, in law, he is liable to pay the said amount. Therefore, section 2(24)(x) of the Act makes it clear that the employee's contribution which the employer deducts from his salary before it is paid into the fund, is treated as the income of the employer, and the employer by contributing can get the deduction.

Even though such contributions are not paid within the time prescribed under the relevant act, if those contributions are paid before the due date prescribed u/s 139(1) of the Act, the employer shall be entitled to the deductions as provided u/s 36(1) of the Act. **[Decided against Revenue]**

STATE TAXES

BIHAR

The Govt. of Bihar vide **Bihar Finance Act, 2015** has made several amendments to the **Bihar Value Added Tax Act, 2005, Bihar Entry tax Act, 1993 and Bihar Motor Vehicle Taxation Act, 1994.**

OUR TAKE: Readers are requested to go through the same for a better knowledge of the amendments.

DELHI

The **Govt. of National Capital Territory Of Delhi vide Notification No.F.7(400) / Policy / VAT / 2011/PF/142-155 dated 1st May 2015** hereby notifies State Bank of Patiala located in the National Capital Territory of Delhi as 'Appropriate Government Treasury' for collection of tax, interest, penalty or any other amount due under the Act or Central Sales Tax Act, 1956 from the dealers registered or liable to be registered under the Act, casual traders, contractees (TAN holders) and any other person in e-payment mode only, in addition to the already notified banks.

OUR TAKE: The notification is self-explanatory.

RAJASTHAN

The **Govt. of Rajasthan vide Notification No. F.12(177)FD/Tax/06-15 dated 5th May 2015** has inserted the following in **Schedule II** namely:

71.	M/s. Honda Cars India Limited (Formerly known as M/s. Honda SielCars India Limited.)	

OUR TAKE: The notification is self-explanatory.

TELENGANA

The **Govt. of Telengana** vide **Notification No.G.O.MS.No. 50 dated 6th May 2015** has made the following amendment to the VAT Schedules:
In the Schedule IV of the said Act, against Sl.No.100 under the entry name of commodity, after entry "235, Non-Woven Fabrics", the following entry shall be added, namely, -

"236. Auto Components sold to Automobile Manufacturing Units located in the State".

OUR TAKE: The notification is self-explanatory.

ANDHRA PRADESH

The **Govt. of Andhra Pradesh vide Circular dated 5th May 2015** has issued further instructions regarding the Check posts Data entry in GIS module:
All the Transporters transporting goods whether taxable or exempted are required to generate online Declaration and produce the same before the check post authorities. The check post staff are hereby instructed to make the data entry related to all incoming and outgoing goods vehicles including the exempted goods which are not covered by Transporter declarations, duly following the instructions mentioned below:

1. With effect from 01-05-2015, manual CST waybills shall not be accepted at the check posts. The incoming or outgoing goods should be covered by eWaybills.
2. Provision for data entry of tax and penalty levied will be available in GIS w.e.f. 01-05-2015 in cases where eWaybill is not produced and not covered by exemption from eWaybill.

OUR TAKE: The check post staff are also required to verify the TIN/CST RC No of the other state dealer from the other state CTD websites, in cases where the TINXSYS search within GIS fails to find the TIN/CST No of the dealer. In GIS also, use of three Radio buttons, (i) Declaration (ii) No Declaration(iii) eWaybill exempted, shall be made use of.

Also, vide **Circular No.Enft.E3/476/2015 dated 5th May 2015** certain instructions have been issued regarding the VAT Registration procedures:

1.) The CTOs shall compulsorily visit the business premises of dealers dealing in sensitive commodities viz Iron & Steel, Pulses & Dhalls, Sugar etc , before issuing Registration to ensure that the dealers are genuine and do not resort to bogus transactions.
2.) The CTOs shall conduct Advisory visits in at least 10% cases after Registrations are issued.
3.) The Deputy Commissioner (CT)s of the divisions have to review the pending Advisory visits every month and ensure that Advisory visits are completed promptly and properly.
4.) Documents as prescribed should be obtained at the time of registration.
5.) Should check whether the same assessee is registered under AP VAT and Telangana VAT
6.) The ACTO, who issues VAT registrations, shall invariably watch the monthly returns filed by the dealers with reference to the Waybills utilized by them, in the first year of registration.

OUR TAKE: It has come to notice that certain dealers after obtaining VAT Registrations and taking waybills in large quantities have misused them by resorting to tax evasion tactics. At times the unscrupulous persons take registrations not to conduct business, but to abet tax evaders by selling Tax Invoices and/or Waybills. To stop all these practices the instructions have been issued and they have to be followed scrupulously.

MAHARASHTRA

The **Govt. of Maharashtra VIDE Trade Circular 5T dated 6th May 2015 has** issued instructions regarding the online registration under the Maharashtra VAT Act and the Central Sales Act. In view of the same the Sales Tax Department has developed a system in which the applicant will not be required to attend the Sales Tax Office to obtain the Registration, The new system will be effective from 07/05/2015.

OUR TAKE: The simplified procedure is mentioned in the Trade Circular. Please refer the circular for details.

SUPREME COURT DECISION

PRADIP NANJEE GALA V/S SALES TAX OFFICER & OTHERS

BRIEF: The appellant had joined as a partner in the assessee firm. The relevant assessment years are (12.11.1977 to 31.10.1978) and (01.11.1978 to 24.06.1979). The Assessing Authority had carried out the assessments and confirmed the demand for Rs.13,33,091/- under the Act and Rs.85,878/- under the Central Sales Tax Act, 1956 for (12.11.1977 to 31.10.1978); and Rs.28,18,202/- under the Act and Rs.44,577/- under the CST Act for (01.11.1978 to 24.06.1979). The appellant had preferred appeals against the aforesaid assessments before the first appellate authority, which were dismissed.

OUR TAKE: In the above case**, the Hon'ble Supreme Court** held that plain reading of Section 45 of the Act would indicate that the legislature has vested the power of remission of tax only with the Commissioner and subjected the exercise of said power in accordance with such circumstances and conditions as prescribed by the State Government under the Bombay Sales Tax Rules, 1959. The Section neither speaks of any power to enter into a settlement for such purposes by the State Minister of Finance nor prescribes exercise of powers by the Commissioner in light of any such settlement. The settlement, if any, reached between the appellant and the State Government for part payment of tax liability by the partner of an assessee firm would not fall anywhere in the Act or the Rules as has been claimed by the appellant since the beginning of the proceedings under the Act. **[Decided against assessee]**

RBI

FRAMEWORK FOR DEALING WITH LOAN FRAUDS

The **RBI** vide **Circular DBS.CO.CFMC.BC.No.007/23.04.001/ 2014-15 dated 7th May 2015** has laid down a framework with regard to the rising trend in loan related frauds in the financial sector. Equally disquieting is the delay in detection and reporting of such frauds by banks. The issues relating to prevention, early detection and reporting of frauds has been looked into by an Internal Working Group (IWG) of the RBI which also held wide ranging consultations with various banks and other stakeholders. Based on the recommendations of this IWG, a framework for fraud risk management in banks is detailed in the Annex to this circular.

SECURITY AND RISK MITIGATION MEASURES FOR CARD PRESENT AND ELECTRONIC PAYMENT TRANSACTIONS

The **RBI** vide **Circular DPSS (CO) PD No.2112/02.14.003/2014-15 dated 7th May 2015** has adopted a phased manner of implementation of security and risk mitigation measures in card transactions as evident from the instructions issued from time to time. The acceptance infrastructure is getting geared to accept EMV chip and pin cards. However, in case of card issuance, while some banks have already moved to EMV chip and pin cards issuance, a large number of banks continue to issue Magnetic stripe cards. Thus, given the level of readiness of the card acceptance infrastructure at point of sale and also the implementation of PIN@POS for debit cards, the time is appropriate to move further along the path to migrate away from magnetic stripe only cards to chip and pin cards.

Accordingly, banks are advised that with effect from September 01, 2015 all new cards issued – debit and credit, domestic and international – by banks shall be EMV chip and pin based cards. The migration plan for existing magnetic stripe only cards will be framed in consultation with stakeholders and timeline for the same will be advised in due course.

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