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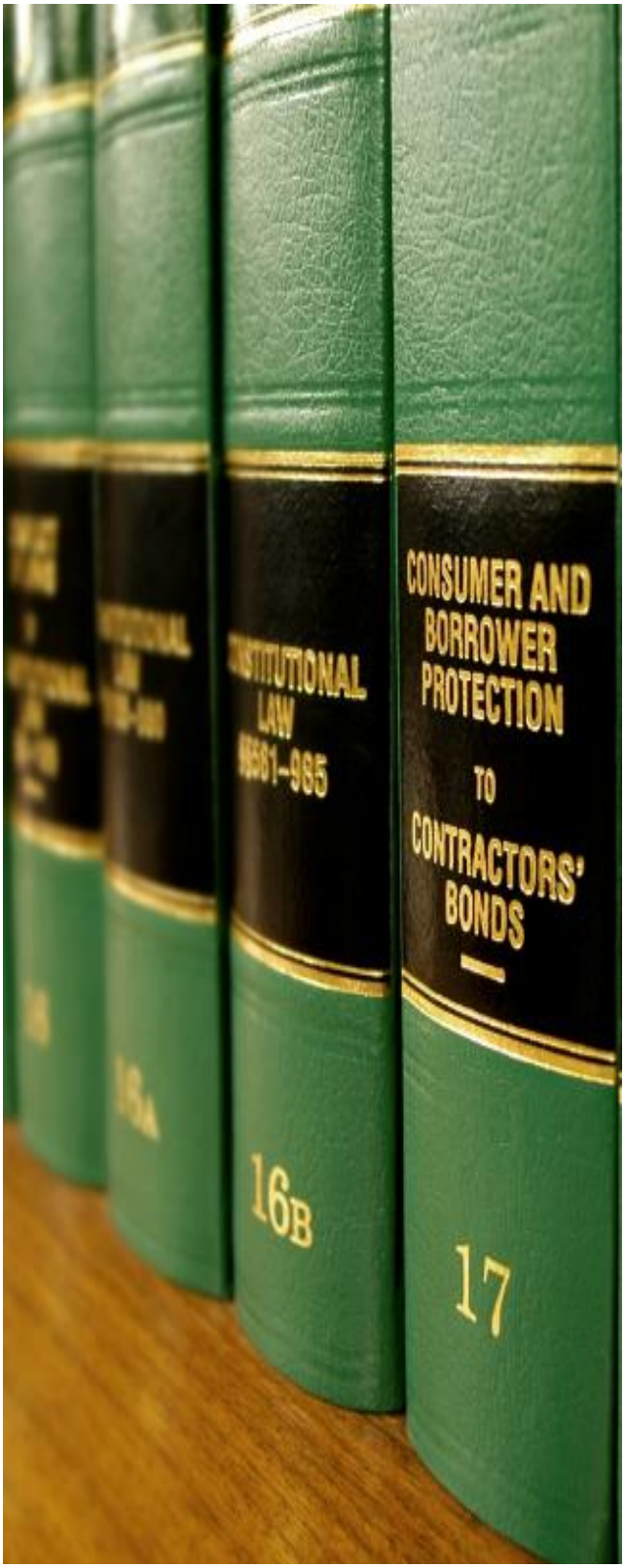

Case Law 1

Raj Dadarkar & Associates *v.* Assistant Commissioner of Income-tax

If the assessee firm has acquired Leasehold rights in any premises for not less than 12 years, than the assessee firm shall be deemed owner under Sec 27(iiib) of the IT Act, 1961 and any income from sub-licensing the premises shall be taxable under the head House Property instead of PGBP, irrespective of clause in Partnership Deed that the business of the assessee-firm is to take premises on rent and sub-let the same.

Facts:

- Market Department of the MCGB auctioned the market portion on a monthly license (stallage charges) basis to run municipal market and appellant-firm was a successful bidder.

- Appellant-firm, as per terms, had to make the entire premises fit to be used as market, including construction of walls, common amenities, etc. and accordingly appellant spent INR 18361488 from FY 1993-94 to 2001-02 and also obtain registration certificate for running a business under the Shop and Establishment Act and other licenses for carrying on trading activities on said premises.

- Appellant collect compensation, Leave and License Fees service charges for providing services from sub-licensees and filed the returns showing income under head PGBP.

- Notice was issued u/s 143(2) of the Act computing income u/h House property on following basis:

  - ❑ As per section 27(iiib) of the Act, the appellant was "deemed owner" of the premises as it had acquired leasehold right in the land for more than 12 years;

  - ❑ In agreements for sub-licensing the words "lease compensation" were used instead of "license fees" and deposits were referred as "sub-lease deposits";

  - ❑ Property tax has been levied on the appellant.

- CIT (Appeals) allowed the appeal of the appellant and reversed the action of the officer.

- Aggrieved by the order of the CIT (Appeals), the

respondent as well as appellant filed appeals before the ITAT.

The ITAT reversed the order of the CIT (Appeals) on following basis;

- ❑ The assessee collected charges for minor repairs, maintenance, water and electricity.
- ❑ As per the terms of allotment by the BMC, the assessee was bound to incur all these expenses, however, assessee, in turn, collected extra money from the allottees.
- ❑ The assessee has made bifurcation of the receipt from the, occupiers of the shops/stalls as rent and service charges.
- ❑ The object clause of the firm as per the partnership deed, states "The Partnership shall take the premises on rent and to sub-let or any other business as may be mutually agreed by the parties from time to time."
- ❑ However, the assessee has not established that he was engaged in providing service so as to constitute the receipts from them as business income.

- The appellant preferred an appeal before the High Court. The High Court dismissed the appeal filed by the appellant and assesse filled SLP.

Supreme Court Decision

- The learned counsel pointed out that the High Court confined its discussion only on one aspect viz. as to whether the appellant was 'deemed owner' and it was totally ignored that the main business of the appellant was to take the premises on rent and to sub-let those premises. Thus, sub-letting the premises was the business of the appellant firm and income earned, as a result, was the business income.

- The learned Additional Solicitor General refuted the aforesaid arguments submitted that:
  - ❑ the appellant had argued before the Assessing Officer that it was not the lessee but was only a licensee and, therefore, Section 27(iiib) of the Act would not apply.
  - ❑ This argument was rightly rejected by the Assessing Officer and also referred to the order of the ITAT which had specifically
  - ❑ repelled the argument that this income was business income. Therefore, no question of law arises for determination.
  - ❑ Merely because the object clause of the business showing a particular object, would not be the determinative factor to arrive at a conclusion that the income is to be treated as income from business. Such a question would depend upon the circumstances of each case.
  - ❑ Each case has to be looked at from a businessman's point of view to find out whether the letting was the doing of a business or the exploitation of his property by an owner. We do not further think that a thing can by its very nature be a commercial asset. A commercial asset is only an asset used in a business and nothing else.
  - ❑ ITAT had specifically adverted to this issue and recorded the findings on this aspect that the assessee has not established that he was engaged in providing service to the occupiers in object clause so as to constitute as business income.
  - ❑ The ITAT being the last forum insofar as factual determination is concerned, these findings have attained finality.
  - ❑ The learned counsel did not argue on this aspect and did not make any efforts to show as to how the aforesaid findings were perverse.
  - ❑ It was for the appellant to produce sufficient material on record to show that its income was from letting out of the property which was the principal business activity of the appellant. No such effort was made.

<u>Case Law 2</u>

Principal Commissioner of Income-tax *v.* Krishak Bharati Cooperative Ltd.

Delhi High Court in the case of Krishak Bharti Cooperative Ltd. held that Assessee-society received dividend income from Omani company on which it was not liable to pay any tax in Oman by virtue of exemption granted as per Omani tax laws, purpose of exemption being to promote economic development, assessee-society was entitled for getting credit for deemed dividend tax

by virtue of provisions of DTAA read with section 90 together with clarifications issued by Sultanate of Oman.

Facts:

- The assessee was a multi-state co-operative society with main business of manufacturing fertilizers. It entered into a joint venture with Oman Oil Company to form the Oman Fertilizer Company SAOC ('OMIFCO') under the Omani Laws. The assessee established a branch office in Oman

- The branch office is independently registered as company under the Omani laws. It claims Permanent Establishment (PE) status in Oman in terms of Article 25 of the Double Taxation Avoidance Agreement ("DTAA") between India and Oman

- Whilst completing the assessment, the Assessing Officer allowed tax credit in respect of the dividend income received by the assessee from OMIFCO. That dividend income was simultaneously brought to the charge of tax in the assessment as per the Indian tax laws.

- Under the Omani Tax Laws, exemption was granted to dividend income by virtue of the amendments made in the Omani Tax Laws with effect from the year 2000.

- The Commissioner revised said order and held that under the Omani Tax Laws dividend is absolutely exempt and is not includible in the total income and cannot be said that any specific exemption was granted for the purpose of tax incentives for economic development.

- The Commissioner issued directions that Tax credit on dividend was not allowable and undistributed dividend should be taxable.

- The Commissioner revisited the issue of PE and held that the assessee had no PE, but a small branch which carried out auxiliary and preparatory activities, not business.

Decision Of ITAT

Tribunal held:

- ❑ It was clearly mentioned that the dividend income which was included in the gross total income was exempt in accordance with article 8 (bis) and that the assessee-society was entitled to tax credit.

- ❑ Therefore, the Principal Commissioner was not justified in directing the Assessing Officer to withdraw the aforesaid tax credit.

- ❑ Principal Commissioner had no jurisdiction whatsoever to issue any directions under section 263 of IT Act with regard to any issue on which no show-cause notice was issued.

High Court Decision

- What impelled the Commissioner to hold that the Assessing Officer had erred was his interpretation of 'tax incentive' under article 25. The word 'tax incentive' is undefined in the DTAA and the Commissioner revisited the issue of PE

- the revenue's argument is that article 11(1) applies, to say that the dividend income is not taxed, at least as far as co-operative societies are concerned

- Tribunal noticed in this court's opinion, correctly- that the expression "incentive" is neither defined in the Omani Tax Laws nor in the Income-tax Act, 1961.

- Due to this, OMIFCO wrote to Oman Oil Company SAOC seeking authentic clarification, regarding purpose of introduction of Article 8(bis) is to promote economic development in Oman and the Indian Investors should be able to obtain relief in India and the Tribunal concluded accordingly.

- It is held that the clarification has to be regarded as conclusive; if the tax authorities had any doubts addressed them to Omani authorities or through Indian diplomatic channels and in not doing so, the revenue fell into error.

- As far as the submission of the revenue, that the assessee did not have a Permanent Establishment in Oman is concerned, this Court is of opinion that admittedly, for about 5 years, *i.e.* 2002 to 2006, a common order was made under article 26(2)(*b*).

- That order first included dividend income (in the total income determined) and thereafter granted deduction. For later years as well, assessments were made similarly.

- The facts mentioned above clearly establish that the assessee society was entitled to getting credit for the deemed dividend tax by

virtue of the provisions of DTAA read with section 90 together with the clarifications issued by the Sultanate of Oman.

- These findings are, in this Court's opinion, in consonance with logic and reason and do not call for interference. Both questions of law are answered in favour of the assessee.

Case Law 3

Godrej & Boyce Manufacturing Company Ltd. *v.* Deputy Commissioner of Income-tax

Expenditure to be disallowed under section 14A in relation to dividend income which is subject to dividend distribution tax

Facts

- Godrej & Boyce manufacturing Co ltd, the assesse engaged in the business of manufacture of steel furniture, security equipment, typewriters, electrical equipment and a host of other related products. Assesse earned tax free dividend income from group companies. Assesse contention was that, the companies distributing dividend has paid dividend distribution tax, therefore section 14A is not applicable.

- Assesse Company was in appeal for AY 2002-03 with respect to disallowance under section 14A. The similar issue arose in the prior years i.e. AY 1998-99, 1999- 00 and 2001-02. Where AO as well as tribunal disallowed expenditure as being relatable to the earning of dividend income (Exempt income). However the case was rendered in the favour of the assesse by the CIT.

- On appeal to high court, the high court held that section 14A of the act has to be construed on a plain grammatical construction, therefore the said provision is attracted in respect of dividend income referred to in section 115-O as such income is not includible in the total income of the shareholder.

- Against the decision of the high court, the taxpayer filed an appeal before the supreme court.

SUPREME COURT DECISION

Supreme Court has decided on the principle of the matter that, when on a plain and literal reading of the words of a statute are clear and unambiguous, no other principle of interpretation other than literal interpretation can be applied. The object behind the introduction of section 14A by the Finance Act of 2001 is clear and unambiguous. The legislature intended to check the claim of allowance of expenditure incurred towards earning exempted income in a situation where an assesse has both exempted and non-exempted income or includible or non-includible income.

- There is no doubt if the income in question is taxable, it is includible in the total income. The deduction of expenses incurred in relation to such an income must be allowed.

- On the reference to section 14 it indicates that the income must not be includible in the total income of the assesse .Once the said condition is satisfied, the expenditure incurred in earning the said income cannot be allowed to be deducted.

- The section does not contemplate a situation where even though the income is taxable in the hands of the dividend paying company the same to be treated as not includible in the total income of the recipient assesse yet, the expenditure incurred to earn that income must be allowed.

- The provisions of section 10(33) read in the light of section 115-O of the act.In so far as the types of dividend income on which tax is payable under section 115-O of the act is concerned the earning of the said dividend is tax free in the hands of the assessee and not includible in the total income of the said assesse. Therefore Section 14A of the act would not apply to such dividend income.

- The fact that Section 10(33) and Section 115-O of the Act were brought in together; deleted and reintroduced later in a composite manner, also, did not assist the assesse.

- So far as the provisions of section 115-O of the Act are concerned, even if it is assumed that the additional income tax under the aforesaid provision is on the dividend and not on the distributed profits of the dividend paying company, no material difference to the applicability of section 14A arise.

- The provisions of sections 194, 195, 196C and 199 would further fortify the fact that the dividend income under section 115-O of the Act is a special category of income which has been treated differently by the Act making the same non-includible in the total income of the

recipient assessee as tax thereon had already been paid by the dividend distributing company.

- The other species of dividend income which attracts levy of income tax at the hands of the recipient assessee has been treated differently and made liable to tax under the aforesaid provisions of the Act. In fact, if the argument is that tax paid by the dividend paying company under section 115-O is to be understood to be on behalf of the recipient assessee, the provisions of section 57 should enable the assessee to claim deduction of expenditure incurred to earn the income on which such tax is paid.

- The Supreme Court decided in favour of revenue and held that the disallowance under Section 14A would be applicable to tax free dividend income. Thereby, ruling that no expenditure to be allowed against tax free incomes.

Case Law 4

Commissioner of Income-tax *v.* Hero Motocorp Ltd.

Export Commission cannot take the character of Royalty and it cannot be disallowed under section 40(a)(i) of the income tax act.

Facts

- The assesse is engaged in the business of manufacture and sale of motorcycles using technology licensed by HCML (Associate enterprise).

- An export agreement was entered into between HMCL and assesse whereby HMCL agreed to assesse to export specific models of two wheelers to certain countries on payment of export commission. As per the agreement, the assesse had not transferred/ permitted to use any patent, invention, model, design or secret formula Similarly, HMCL had not rendered any managerial, technical or consultancy services. There was no principle-agent relationship to justify the payment of export commission.

- The Transfer Pricing officer (TPO) proceeded to determine the Arm's length price (ALP) of the payment of export commission as nil by applying Comparable Uncontrolled Price Method(CUP). The TPO held that that the payment of export commission by the assesse to its AE i.e., HMCL was unnecessary and did not lead any economic benefits to the assesse. The TPO also asserted that the exports happened in a pre-determined restrictive environment regulated by the AE's.

Consequently, a TP adjustment amounting to INR12.19 crore was proposed.

- The dispute Resolution panel (DRP) concurred with the findings of TPO and did not provide any relief to the assesse .The assesse further filed an appeal before the ITAT.

- The ITAT reversed the order of TPO, the DRP and the assessment order by holding that there was no basis for treating the payment of export commission as an international transaction

Supreme Court Decision

- The technical know how was licensed by HCML to the taxpayer since 1984 and thus the EA which entered into on 21 June 2004 could not be said to be contemporaneous.

- The payment of the export commission was not without consideration as it permitted the assesse to effect export sales in the specified countries, thereby reporting substantial profits, without having to pay for using the existing distribution and sales network in those territories.

- The attempt at re-characterising the transaction as one involving payment of royalty overlooks the fact that the payment under the LTAA is treated by the assesse itself as royalty and such a royalty is in effect paid even on the export consignments

- As regards the disallowance of export commission under section 40(a)(i) of the act, the tribunal held that both the LTAA and EA are distinct and independent agreements. As per the EA, the assesse had not transferred/ permitted to use any patent, invention, model, design or secret formula Similarly, HMCL had not rendered any managerial, technical or consultancy services. Accordingly, export commission was neither royalty nor fee and therefor the assesee was not required to deduct tax at source on the payment of export fee

- The high court concluded that the payment of export commission by the Assesse to HMCL was not in the nature of payment of royalty or fee for technical services attracting disallowance under Section 40 (a) (i) of the Act.

Indirect Tax

CASE LAWS

Case Law 1

Tinna Rubber & Infrastructure Limited Vs. UOI & Anr [TS-112-HC-2017(DEL)-EXC]

Old tyres cut into pieces not subject to excise duty

Assessee was engaged in importing used and old tyres cut into two-three pieces. Dispute involved was whether the process of cutting old tyres a "manufacture". Assessee appealed that cutting of old tyres into two or three pieces do not qualify as "manufacture", hence, the question of charging CVD on such imported items does not arise. Further, he relied upon various judgement in which it was held that merely because "old and used tyres" and "waste paring and scrap of rubber obtained there from" were separately classified under Tariff Act did not mean that the process by which the waste or scrap rubber was obtained from old tyres amounted to manufacture. The twin test of "manufacture and marketability" would still apply. Revenue contended that tariff entry acknowledges that all waste, pairings and scrap of rubber obtained from old tyres by process of cutting were distinct commodities and amounted to manufacture. It also relied upon the clarification given by TRU which states that there was no exemption from payment of excise duty in respect of tyre scrap cut into pieces. Hon'ble High Court observed that the goods remained essentially the same even after they are cut into pieces and it did not amount to manufacture since the original article continues to same despite the said process. HC also relied on assessee's contention that just because waste paring and scrap of rubber obtained from old tyres was classified separately under Tariff Act did not mean that the process by which the scrap rubber was obtained from old tyres amounted to manufacture. In view of the clear legal position, the clarification given by TRU is unsustainable and HC accordingly allowed the appeal in favour of assessee.

Case Law 2

M/s Dejero Logix Pvt.Ltd. v/s Commissioner of Customs(imports) Air Cargo[TS-117-HC-2017(DEL)-CUST]

Auction of confiscated goods under appeal by custom authorities not allowed

Assesse imported certain broad casting equipments that, according to him, were free from any duty and did not require WPC licence. Imported goods were stopped from being cleared by customs authorities on the contention that assessee was liable to pay

import duty and furnish requisite license from DGFT and WPC. Being aggrieved assessee filed an appeal and stay application to CESTAT. CESTAT gave the decision in favour of assesse but he came to know that during the pendency of appeal the confiscated goods were auctioned and sold by the customs authority without any notice to him.

Issue of CESTAT order in favour of assessee obliges the respondent to restitute the full value of the imported articles, less the duty payable, and make payment of the auction amount along with interest but custom authority denied to pay the said value. Hon'ble HC held that once authorities are aware that confiscation order was not final but subject to outcome of appeal and they were accountable to importer in event of its success, they should have provided notice to assessee before auctioning his goods but due to the non-compliance of the same, it was held that amount payable to assessee is value of goods at time of seizure and not amount for which authorities sold goods. Authority shall refund the amount after deducting the customs duty payable along with interest at the rate of 9% per annum from the date of unauthorized auction of the confiscated goods till payment.

Case law 3

Mc Donalds India Pvt. Ltd. Versus Commissioner of Trade And Taxes, New Delhi [ST. APPL.26/2013]

Reimbursable out-of-pocket expenses not to be included in gross taxable value of service

Assessee was engaged in rendering promotion /marketing services to various banks which fell within the ambit of business auxiliary services. Assessee received retainer ship fee as well as out of pocket reimbursable expenses in relation to services supplied and discharged service tax liability only on the retainer ship fees. A show cause notice was issued proposing to deposit service tax on the value of reimbursable expenses. Assessee appealed that this amount cannot be included in the gross taxable value and the said issue is covered by the judgment in the case of Bhaven Desai Vs. Commissioner of Service Tax 2016 (43) STR 235 (Tri. Mumbai), wherein assessee was granted relief by setting aside the demand on out of pocket expenses. Revenue contended that expenses have been reimbursed in relation to the services rendered by assessee to its clients and thus shall form a part of consideration being subject to service tax. Hon'ble High Court of Delhi held that reimbursable out of pocket expenses shall not be included in the gross value of taxable services.

M/s. Dream Loanz Versus Commissioner of Central Excise, Coimbatore [ST/59 & 51/2007]

Case Law 4

DVAT not chargeable on royalty received under Franchise Agreements

Assessee entered into franchise agreements with several franchisees to allow them to adopt and use the "McDonald's system" for managing restaurants in India and received a fixed amount as location fee from the franchisees at the time of opening outlet. Further, it received royalty income of 5% of the gross sales of franchisees. Assesse filed an appeal stating that royalty income was earned in connection with the franchisee services provided by them in form of trade name, service mark, etc. to the franchisee owner on which they paid service tax for the entire service fee received by them. Revenue contested that system which includes proprietary rights in valuable trade names, service marks and trademarks, etc. falls within the definition of "goods" under TRU Act and thus such royalty payments were leviable to VAT. HC held that since the "franchise agreement" evidently intends to make a non-exclusive transfer of the composite system of services that is not limited to the trade mark, but is inclusive of a bunch of services, cannot be treated as goods and hence, VAT cannot be levied on royalty payments applicable on the franchise services that form part of taxable services.

Notification

GST migration window to reopen from 01 June 2017 to 15 June 2017

GSTN showcases the state-wise enrolment statistics as on April 30 for the percentage of assessee who have migrated from existing law:

Karnataka - 88.59%
Tamil Nadu - 86.51%;
Maharashtra - 87.78%,
Gujarat - 87.11%;

Overall 52.04% enrolment completed of taxpayers registered under Central Excise Act, whereas 79.35% in case of service tax assesses.

Legal & Regulatory

NOTIFICATION

MINISTRY OF CORPORATE AFFAIRS

Clarification regarding applicability of section 16(1)(a) of the Companies Act 2013 with reference to cases under corresponding provisions of Companies Act, 1956

(MCA General Circular no. 04/2017 dated May 16, 2017)

Under Section 22 of the Companies Act, 1956, the Central Government was empowered to direct the Company to carry out the change in its name, in case Central Government was of the opinion that the name is identical with, or too nearly resembles, an existing Company or registered trademark upon an application by proprietor.

With reference to the representation received from Regional Director, Mumbai on acceptance of fresh applications under section 16 of the Companies Act, 2013 which were earlier rejected by them under corresponding provisions previous Act on the ground of time barred (Completion of 12 months) and the new Act does not specify any time limit in this regard, the Ministry of Corporate Affairs vide its circular dated May 16, 2017 clarified that the applications that were rejected by Reginal Directors under Section 22 (1) (ii) (b) of the Companies Act, 1956 cannot apply afresh under section 16 (1) (a) of the Companies Act, 2013, as the extinguished limitation cannot be considered to be revised even if no limitation period has been prescribed under the new act.

http://www.mca.gov.in/Ministry/pdf/Circular04_2017_17052017.pdf

Transfer of shares to IEPF Authority

(MCA Circular No. 05/2017dated May 16, 2017)

The Ministry of Corporate Affairs has issued a Circular, wherein it has withdrawn the previously issued Circular dated April 27, 2017 w.r.t transfer of shares to IEPF Authority. The subject matter of the previous circular is being reviewed by the Ministry and hence the said circular stands withdrawn with immediate effect. Fresh instructions will be issued in due course of time. As per the earlier issued circular, all companies required to transfer shares to IEPF Authority under the applicable Rules shall transfer such shares, whether held in dematerialized form or physical form, to the demat account of IEPF Authority by way of corporate action.

http://www.mca.gov.in/Ministry/pdf/Circular_16052017.pdf

Extension of due date for transfer of shares to IEPF Authority

(MCA General Circular no. 6/2017 dated May 29, 2017)

Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Amendment Rules, 2017 were notified on February 28, 2017 which provided that in cases where the period of seven years provided under sub-section (5) of section 124 had been completed during the period from 7th September 2016 to 31st May, 2017, the due date of transfer of such shares to IEPF Account would be 31st May, 2017.

Legal & Regulatory
NOTIFICATION

The Ministry of Corporate Affairs, vide its circular dated May 29, 2017 clarifies that the modalities for transfer/transmittal of shares from companies accounts to the demat account of the IEPF authority are being finalized with the depositories. Also, the IEPF Authority is considering to open special demat account and till the demat accounts are opened, the due date for transfer of shares stands extended and the revised date shall be notified soon.

http://www.mca.gov.in/Ministry/pdf/GeneralCircular6_29052017.pdf

Companies (Acceptance of Deposits) Amendment Rules, 2017

(MCA Notification dated May 11, 2017)

The Ministry of Corporate Affairs has notified the amended rules on Acceptance of Deposits (Amendment) under Companies Act, 2013 which have come into force on the date of their publications in the Official Gazette.

Key highlights of the changes are as follows:

- In the exemption list mentioned under the definition of 'deposit', any amount received by Domestic Venture Capital Funds registered with SEBI regulations has been added;

- The time period for applicability of deposit insurance has also been extended from March 31, 2017 till March 31, 2018 or availability of deposit insurance product, whichever is earlier.

http://www.mca.gov.in/Ministry/pdf/CompaniesAcceptanceofDeposits_12052017.pdf

MCA has notified the much awaited East Exit Scheme for LLP

(MCA Notification dated May 16, 2017)

The Ministry of Corporate Affairs has amended the existing LLP Rules and notified the Limited Liability Partnership (Amendment) Rules, 2017, which have come into force with effect from 20th May, 2017.
Key highlight of the amendments are as follows:

- Before filing for an application to registrar of Companies for striking off its name, the LLP is required to file all overdue returns in Form 8 and Form 11 up to the end of the financial year in which the limited liability partnership ceased to carry on its business or commercial operations:

- Along with the other documents, the LLP applying for striking off its name, is required to file the following documents as well:

  - ❑ a copy of the acknowledgement of the latest Income-tax return filed;

  - ❑ a copy of the initial limited liability partnership agreement, if entered into and not filed, along with changes thereof in cases where the Limited Liability Partnership has not commenced business or commercial operations since its incorporation.

http://egazette.nic.in/WriteReadData/2017/176058.pdf

Legal & Regulatory

NOTIFICATION

Union Cabinet approves to phase out Foreign Investment Promotion Board (FIPB)

(Press Information Bureau Government of India dated May 24, 2017)

With a view to maximise inflow of FDI and provide ease of doing business, the Union Cabinet has approved phasing out of Foreign Investment Promotion Board (FIPB) and henceforth, the work relating to processing of applications for FDI and approval of the Government thereon under the extant FDI Policy and FEMA, shall now be handled by the concerned Ministries/Departments in consultation with the Department of Industrial Policy & Promotion(DIPP), Ministry of Commerce, which will also issue the Standard Operating Procedure (SOP) for processing of applications and decision of the Government under the extant FDI policy.

http://pib.nic.in/newsite/PrintRelease.aspx?relid=162097

Thought LEADERSHIP

"You should thank the people who bring out the worst in you. Had it not been for them, you would never have come to know of your worst side"

-Ramesh Babu

G. Ramesh Babu, a barber who started his business in 1994 with one Maruti van bought from his savings and Now a Billionaire (owner of 200 Luxury cars)

Sharing this inspirational story of Ramesh Babu Who still prefers to cut hair so that he never forgets his humble beginnings. On most of the days, Ramesh comes to his workplace driving a Rs 3.1 crore Rolls Royce Ghost. This is the amazing rags-to-riches story of Ramesh Babu who made it big in this cut-throat world all on the dint of his honesty, hard work, humility and some foresight.

He got 75 luxury cars on the fleet- a range of Mercedes, BMW's, Audi's, five and ten seater luxury vans and, his ultimate pride, a Rolls Royce and his business clients range from politicians to Bollywood actors such as Salman Khan, Aamir Khan and Aishwarya Rai Bachchan. The lowest rent for a car that he lets out is ₹1,000 per day and the highest goes up to ₹50,000.

Early Life & Struggle :

Life wasn't always hunky dory for this man. He was only 7 years old when his father, P Gopal, a barber in Bengaluru, died. All he left behind was a barber shop: little did he know that his son would become a billionaire even before he turned 40.

With her husband no more, Ramesh Babu's mother had to work as a cook to help feed her children, get them a semblance of an education and help them have a shot at life.. Since she couldn't run the barber shop, she rented it out for Rs 5 a day.

"We grew up on one meal a day," says Ramesh Babu, in between giving instructions to his staff and answering his mobile phone. As he grew older, his sense of responsibility tugged at him and he couldn't quite decide if he should study further or start working to support his mother and the family income.

However, upon his mother's insistence, he resolved study up to the pre-university level and then obtained a diploma in electronics. All this while, his father's shop was still being rented out for meagre amounts. He then decided to run it himself and in 1989, he began working at the salon

Starting his Business:

Working at the shop which he later named as Inner Space, he always dreamt of owning a car. So he purchased a Maruti Omni and started renting it out. What began as a passion soon translated into an enormously successful business.

In 2004, he got into the luxury car rental and self-drive business after the government opened up the tourism sector. Ramesh Tours and Travels hasn't looked back since.

"I started with renting out my cars to Intel and to other small clients locally. As it was going well, I took a brave step and bought my first E class Mercedes. This was because at that time there was no taxi rental service which rented out luxury cars, even for big delegates," he says.

Since then, there has been no stopping Ramesh. From B-town stars to politicians, everyone has travelled in his cars. "I have had plenty of clients

and thus, my cars have been used by many big names. From Aishwarya Rai Bachchan to Amitabh Bachchan to SRK, mostly everyone has been driven around in my cars."

Day to Day Life Today:

Ramesh still goes to his barber shop every day as he doesn't want to lose touch with his roots. "Every morning at 6, I go to the garage to check on the business. Then, by 10.30 I'm in office. And every evening, without fail, by 5.30 I'm at our salon. There are also people who specially come in to get haircuts from me. I have a loyal client base from Kolkata and Mumbai as well," he says.

Ramesh is also teaching the skill of hairstyling to his kids, two daughters and one son. "It's a skill job and they'll have to learn about it. I take them with me to the shop sometimes, but they are too young to take on anything now. Till I'm there, and hopefully even after, I'll make sure the salon is running successfully. I take no offs, unless it's for a family trip. I have always believed that work is worship. Inner Space is where my bread and butter comes from."

Even today, being such a rich man he did not forget his roots. He cuts the hair of his regular customers for just Rs 65.

Babu owes his success to doing what he thought was best. "Whatever I did, I did well, that's all I can say," he smiles.

Column

Securing e-wallets - draft rules for digital transactions made through prepaid instruments

by

Arpan Relan

In a 1.25-billion-strong population, India has made a brave move towards a cashless economy following the invalidation of the high-value currency notes on 8 November.

To ensure the survival of a cashless society, existence of a massive network of cashless payment modes like prepaid wallets, online transaction platforms and PoS terminals is essential. Little does one realize vulnerability of the security breach and privacy breach attached to the environment of the e-payment system.

With a view to address the much needed subject of cyber security, the Govt. on 8th March has issued draft rules for digital transactions made through prepaid payment instruments in a bid to make them more safe and secure.

As per the draft rules, issuers of prepaid payment instruments (PPIs) such as mobile wallets like Freecharge, Paytm and Mobikwik. will now have to disclose a privacy policy on their website, which shall include the details of use and sharing of information collected from customers, the duration for storage of customer information, and also the security practices and procedures followed by the issuers. The e-PPI issuer shall also appoint and disclose the name and contact details of grievance redressal officer along with mechanism for grievance redressal.

Every e-PPI issuer must carry out risk assessment every year to identify and assess the risks associated with the security of the payment systems infrastructure operated by it. The draft rules seek to implement an internal system for risk assessment and risk control in every e-PPI issuer in order to mitigate the identified risks.

The draft rules also say that the personal information of customers such as addresses, telephone numbers and financial details will not be disclosed anymore without their prior consent.
The rules require issuers to ensure end-to-end encryption of data exchanged and emphasize electronic transactions conducted by customers should be traceable by issuers. They also mandate every e-PPI issuer should set up a mechanism to monitor, handle and follow-up cybersecurity incidents and breaches. Also, the issuers will have to report cybersecurity breaches to CERT-IN, the nodal agency dealing with cyber threats.

While many e-PPI issuers already follow some of the rules prescribed, the draft rules aim at standardizing these processes for the entire industry.

Even though the move is a big stride towards cyber security in the country, there is something amiss. Firstly, there may arise a situation where e-PPIs face difficulties in deciding the governing regulator as now both RBI and the Ministry of Electronics and Information Technology (MeitY) have a role to play in their governance. Secondly, the issuers are required to review their security policy every year. Looking at the pace of advancements in technology, the timeline for review of the policy every year may fail to address the continuous influx of threats. Lastly, the draft rules are open ended and vague on the subject of standards of security, which is very essential to ensure security in the cyber space.

Column

The government has sought comments from the public which were to be earlier submitted by the 20 March, however, the date has been extended to 5th April, 2017.

The link for the relevant notification is:

http://meity.gov.in/sites/upload_files/dit/files/draft-rules-security%20of%20PPI-for%20public%20comments.pdf

THOUGHTS WHICH INSPIRE US

"You don't have to be great to start, but you have to start to be great."

"Discussion is an exchange of knowledge, argument is an exchange of ignorance."

"Decision is the spark that ignites action. Until a decision is made, nothing happens."

"Be simple but look stylish Be tough but look soft Be tense but look cool Be a beginner but look winner."

JOKES

- A teacher asked her students to use the word "beans" in a sentence. "My father grows beans," said one girl. "My mother cooks beans," said a boy. A third student spoke up, "We are all human beans."
- Q: Can a kangaroo jump higher than the Empire State Building?
  A: Of course. The Empire State Building can't jump.
- A man got hit in the head with a can of Coke, but he was alright because it was a soft drink.
- Q: What do computers eat for a snack?
  A: Microchips

INTERESTING FACTS

- Bananas are curved because they grow towards the sun.
- Heart attacks are more likely to happen on a Monday.
- The average woman uses her height in lipstick every 5 years.
- In 2015, more people were killed from injuries caused by taking a selfie than by shark attacks.

Birthdays of the Month

Arpan Relan 18-June

Vanita Fernandes 20-June

K Madhav Rao 27-June

IBA wishes You a Happy Birthday and a great year ahead!!

June 2017

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
				1	2	3
4	5 Excise Duty/Service Tax	6 Online Excise Duty/Service Tax	7 Deposition of TDS for May'17	8	9	10 Excise Return (except SSIs)
11	12	13	14	15 Payment of advance tax & furnish Form 16	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30 Revised Returns	

About Us

IBA constitute a young team of path breaking professionals, who believe in creating value through innovation and creativity so as to provide ultimate client satisfaction. Clients benefit from our fresh thinking, constructive challenge and practical understanding of the issues they face. We aim to alloy a perfect blend of professionalism with high standards of service, in our pursuit of excellence.

Ten years into conception, IBA continues to offer wholesome service experience to boost highly valued client relationships by combining the technical and industry expertise at par with well-placed firms together with a personal commitment to optimise client service.
Our service lines are headed by experts from the varied fields of Financial Outsourcing, Assurance, Risk, Taxation, Regulatory, Mergers and Acquisition who ensure timely delivery of value added services to our clients.

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