NEWSLETTER

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1 Executive Summary

- **Accounting and Auditing**
  - Expert advisory opinion on AS-15 Employee Benefits on classification of leave entitlement between short term and long term liability. The decision on classification, besides the policy, should also be based on behavior pattern of all the employees. The opinion also provides the treatment on account of the error in classification in the earlier years.
  - Exposure drafts issued by ICAI on five IND AS [including amendments to existing IND AS]. The standards are Accounting for taxes on income, First Time Adoption, Presentation of Financial Statements, Financial Instruments: Disclosure and Employee Benefits.

- **Company Law**
  - Company & Limited Liability Partnership not to be incorporated / registered by ROC until further orders where one of the object is providing Architect Services as it is in contravention to Architects Act, 1972.
  - Company Law Settlement Scheme extended upto 15th December 2011.
  - Time limit for filing DIN-4 by DIN holders for furnishing the PAN and to update PAN details has been extended upto 15th December 2011.
  - Forms notified for filling of accounts under XBRL.
  - Proposed Companies DMAT of Certificate Rules withdrawn.

- **Service Tax**
  - Amendment in Service tax return and extension in due date for filing half yearly return from 25th October to 26th December.
  - It has been clarified that in case the services provided by the sub-contractors to the main contractor are independently classifiable under Work Contract Service, then they too will get the benefit of exemption so long as they are in relation to the infrastructure projects. The classification of whether such services provided by sub-contractors would have to be done independently and would not only be determined by the fact that they are sub-contractors to contractors providing infrastructure services.

- **SEBI**
  - Amendment to the Equity, IDR and SME Equity Listing Agreements: -
    - Disclosure to be given of figures of previous quarter in quarterly results.
    - Un-audited quarterly results to be accompanied by Limited Review Report.

  - Mode of Supplying Annual Reports to Shareholders prescribed effective from quarter ending on December 31, 2011.
  - Disclosure of voting results to be given to exchanges and hosted on company websites within 48 hours of shareholders' meeting.
- Format prescribed for disclosure of acquisition and disposal of shares

- **FEMA**
  - DIPP withdraws ban on in-built options under FDI
  - RBI permits NRIs to deposit funds in FCNR(B) a/c in any freely convertible currency
  - Returning Indian can retain, reinvest and need not repatriate back to India the income and sale proceeds of assets held by him abroad.
  - Application cum declaration form for effecting remittance under the LRS amended
  - Credit Default Swaps (CDS) notified as a derivative under the RBI Act.

- **Income Tax**
  - Loss in the value of investments to a shareholder as a result of reduction in face value by the company is not allowable. There is no transfer of shares or consideration received on reduction of capital and therefore, loss is only a notional loss and hence not allowable. [Bennett Coleman & Co Ltd. vs. ACIT (ITAT Mumbai Special Bench)]
  - License fee paid to resident of Sri Lanka for use of software is in the nature of 'royalty'. Computer programmes are considered to be "copyright" under Indian Copyright Law and therefore, payment for use of copyright amounts to payment of royalty which is liable to tax in India and tax is to be deducted on such payment. [Millennium IT Software Ltd (Authority For Advance Rulings)]
  - Proportionate disallowance of expenses cannot be made as a result of shortfall in tax deduction due to difference of opinion as to which TDS provision would apply however the assessee may be treated as a defaulter u/s 201 [DCIT vs. M/s. S. K. Tekriwal ACIT (ITAT Kolkata Bench)]
  - In the absence of nexus between investment in tax-free securities & borrowed funds, no disallowance u/s. 14A can be made. [ACIT vs. Punjab State Coop & Mktg (ITAT Chandigarh)]
  - A non resident is not entitled to beneficial tax rate of 10% (as against 20%) on LTCG arising on transfer of specified assets under proviso to section 112 [In Re Cairn U.K. Holdings Ltd (AAR)]

- **Others**
  - Savings bank deposit interest rate of deposits for resident Indians de-regulated

2 Accounting and Auditing

1. Expert Advisory Opinion - Accounting for leave liability

Facts of the case:

a. A public sector company is engaged in the manufacture of power equipments with large employee strength. The leave rules of the Company are as follows:

   i. Earned leave - Encashable (EEL) and non-encashable (NEL). The accumulation limit of encashable earned leave is 300 days and beyond which it shall automatically lapse. The non-encashable leave can be availed at any time but unused can be encashed only at the time of retirement.
   ii. Half paid leave - Entitlement of 20 days in a year. No limit for accumulation of half paid leave. It is encashable only at the time of superannuation subject to a maximum of 480 half days, i.e., 240 days. Also, 2 half days can be availed as one sick leave.

b. Company has stated that prior to introduction of Accounting Standard (AS) 15 (revised 2005), the leave liability was being accounted for on actuarial basis. However, post introduction of AS -15 (Revised), the company is accounting for the leave liability as short term on accrual basis based on the opinion from consultant.

c. Auditors are of the view that keeping in view the behavioral pattern of the employees, the leave benefit should be considered as long-term benefit and the provision should be made based on actuarial basis.

d. Company is of the view that there is no restriction on an employee in availing /encashing leaves in the same year in which it has fallen due. Further, accumulation or encashment is entirely an individual’s discretion and the employee can avail/encash the entire accumulated leave balance in one financial year itself and therefore it is considered as short term compensated benefits.

Query

a. Whether treatment of leave liability as short-term employee benefit and accounting on accrual basis by the company is correct and is in line with AS 15 (revised 2005) or not.
b. In case it is not, then how to account for the change during the year 2010-11, i.e., through profit and loss account or through retained earnings (balance sheet approach).

Points Considered by Committee

a. The committee notes the definitions of the terms 'short-term employee benefits' and 'other long-term employee benefits' as contained in paragraphs 7.2 and 7.8 and also paragraph 8 of AS 15 which describes short term employee benefits.

b. The committee also considered the point put forth that Guidance on Implementing AS 15, Employee Benefits Issued by ICAI treating the leave benefit based on behavioral pattern of the employees is not forming part of the AS 15 and consequently the treatment has to be in line with AS 15 and not based on the said Guidance. As per the committee by virtue of this guidance the Accounting Standard Board clarified context of short term and long term employee benefits.

c. Based on the clarification contained in the Guidance note issued by ASB as also paragraphs mentioned in 1 above, it is implied that leave benefit should be classified as short term if absences have "fallen due" and are also "expected to occur" within a period of next 12 months. Thus, conditions to be fulfilled are that employee is entitled to either encash/utilise the benefit during the twelve months after the end of the period and when he becomes entitled to the leave is also expected to utilize the leave. Where there are restrictions on encashment/availment, clearly the compensated absence has not fallen due and the benefit of compensated absences is more likely to be long term benefit. The categorization in 'short-term' or 'long-term' employee benefits should be done on the basis of the overall pattern of leave utilisation and not only on entitlement basis.

d. Committee notes from the facts of the case that both the leave entitlements of the employees can be carried forward for more than twelve months after the end of the period in which employees render the related service and based on data of leave accrued and utilized by the employees, entire benefit on account of these leaves should be treated as "other long term benefits".

e. Committee states that as per AS-15(revised), long term employee benefits should be measured on actuarial basis using the project unit credit method. Further, it is of the view that since earned leaves and half pay leaves are to be accounted for as 'other long-term employee benefits' instead of 'short-term employee benefits', as being done by the company, same is an error and accordingly, it should be treated as 'Prior period item' (AS – 5), the nature and amount of which should be included and disclosed separately in the profit and loss account of the period in which such error is revealed.

Opinion

The Committee is of the opinion that treatment of leave liability as “short-term employee benefit” is incorrect as per AS – 15. Further change in accounting treatment from short term to long term should be treated as “prior period item”. Accordingly, the nature and amount thereof should be included and disclosed in the profit and loss account for the period in which such error is revealed.

2. Exposure Drafts on Indian Accounting Standards (IAS)

a. Five exposure drafts of Ind AS (AS converged in line with IFRS) have been issued by the Accounting Standards Board of the Institute of Chartered Accountants of India (ICAI) namely :

Amendment to existing IND AS

- IND AS 12 – Accounting for taxes on income
- IND AS-101 – First Time Adoption
- IND AS 101 – Presentation of Financial Statements
- IND AS-107 Financial Instruments : Disclosure

New Exposure Draft

- Employee Benefits – IND AS -19

3 Company Law

1. Registration of Companies/LLP's conducting architect's business

According to the Architects Act, 1972 only an architect registered with the Council of Architecture or a firm of architects comprising of all registered architect can represent itself as an architect. The matter is under examination by the Department of Legal Affairs and pending finalization it is directed that incorporation of Companies and LLP's where one of the objects is to carry on business of Architect will not be proceeded with.

2. Extension of time for Company Law Settlement Scheme

Company Law Settlement Scheme, 2011 has been extended upto 15th December, 2011.

3. Director's Identification No.

Time limit for filing DIN-4 by DIN holders for furnishing the PAN and to update PAN details has been extended upto 15th December 2011.

4. Filing of Accounts with Registrar

The following Companies have to file their Balance Sheet, Profit and Loss account and other documents using Extensible Business reporting Language (XBRL) for the financial year ending on or after 31st March 2011 with E-Form no. 23AC XBRL and Form No. 23ACA-XBRL:

a. all Companies listed with any Stock Exchange(s) in India and their Indian subsidiaries; or
b. all Companies having paid up capital of rupees five crore or above;
c. all companies having turnover of rupees hundred crore or above.

Companies in Banking, Insurance, Power Sectors and Non-Banking Financial companies are exempted for XBRL filing for the financial year 2010-11.

5. Companies (Dematerialization of Certificates) Rules, 2011

Draft of Dematerialization of Certificates Rules, 2011 was examined by ministry of Corporate Affairs in consultation of Law Ministry and it has been decided to withdraw the same.

4 Service Tax

1. Amendment in Service Tax Rules, 1994

Following amendments have been made in Service Tax Rules, 1994:

a. Sub-rule (1A) to Rule 4 has been inserted which allows CBEC to specify the nature & the time within which documents are to be submitted by the assessee along with the application for Registration.

b. Sub-rule 4 to Rule 7 has been inserted which enables CBEC to extend the period within which the Service Tax Returns will be furnished by the tax payers and circumstances of special nature requiring extension to be specified in such order.

c. In form ST-3 (Registration of Service tax) under general instructions one instruction has been added which states that the words “received /paid” used herein shall be construed as “received or receivable /paid or payable’, as the case may be, in terms of the Point of Taxation Rules, 2011.

2. Extension of due date for Filing Return

Central Board of Excise and Customs hereby extends the date of submission of half yearly return for the period April 2011 to September 2011 from 25th October 2011 to 26th December 2011.

3. Exemption available to sub-contractor providing work contract service

Clarification was sought as to whether the exemption available to the Works Contract Service providers in respect of projects involving construction of roads, airports, railways, transport terminals, bridges, tunnels, dams etc., is also available to the sub-contractors who provide Works Contract Service to these main contractors in relation to those very projects.

The matter was examined and following clarification has been provided

a. Only because the main contractor is providing the WCS service in respect of projects involving construction of roads, airports, railways, transport terminals, bridges, tunnels, dams etc., it would not automatically lead to the classification of services being provided by the sub-contractor to the contractor as WCS. Rather, the classification would have to be independently done as per the rules and the taxability would get decided accordingly.

b. However, it is also apparent that in case the services provided by the sub-contractors to the main contractor are independently classifiable under WCS,

then they too will get the benefit of exemption so long as they are in relation to the infrastructure projects mentioned above. Thus, it may happen that the main infrastructure projects of execution of works contract in respect of roads, airports, railways, transport terminals, bridges tunnels and dams, is sub-divided into several sub-projects and each such sub-project is assigned by the main contractor to the various sub-contractors. In such cases, if the sub-contractors are providing works contract service to the main contractor for completion of the main contract, then service tax is obviously not leviable on the works contract service provided by such sub-contractor

5 SEBI

1. Amendment to the Equity, IDR and SME Equity Listing Agreements:

a. Additional Disclosure effective from quarter ending on December 31, 2011

i. In addition to the existing disclosures, listed companies shall now have to disclose the figures of the immediately preceding quarter as well.

ii. Listed companies are required to submit quarterly either audited or un-audited financial results along with the Limited Review Report to the Stock Exchange within 45days from the end of each quarter. SEBI has now clarified that submission of the un-audited results shall be accompanied by the Limited Review Report.

b. Mode of Supplying Annual Reports to Shareholders effective from quarter ending on December 31, 2011

Annual Reports of the companies shall be supplied to the shareholders in the below mentioned manner:

i. soft copies of full annual reports to all those shareholders who have registered their email addresses for the purpose;
ii. hard copy of abridged annual reports to others and
iii. hard copies of full annual reports to those shareholders, who request for the same.

c. Disclosure of voting results by listed entities effective where notices are issued on or after January 01, 2012.

Top 500 listed entities, based on market capitalization, shall have to disclose their voting results in the prescribed format, to the exchanges and also place the same on their websites, within 48 hours from the conclusion of the concerned shareholders' meeting.

2. Disclosures for acquisition and disposal of shares

The formats of disclosures for acquisition and disposal of shares have been prescribed by SEBI for the purpose of SEBI (Substantial Acquisition of shares and Takeovers) Regulations, 2011 which came into effect from 22nd October 2011.

6 FEMA

1. DIPP withdraws ban on in-built options under FDI

The clause in the revised FDI policy issued on 30th September barring the use of inbuilt options in equity instruments in case of foreign investments has now been withdrawn by the Department of Industrial Policy and Promotion (DIPP)

2. Liberalization in Foreign Currency (Non Resident) Account (Banks) Scheme

NRIs can now deposit funds in the FCNR(B) account in any currency which is freely convertible. Earlier only Pound, Sterling, USD, Japanese Yen, Canadian Dollar and Australian Dollar were designated currencies for depositing funds in the FCNR(B) account.

3. Repatriation of income and sale proceeds of assets held abroad by NRIs

Reserve Bank of India has clarified that income and sale proceeds of assets held abroad by NRIs who have returned to India for permanent settlement and income and sale proceeds of assets held abroad through remittances under Liberalised Remittance Scheme (LRS) can be retained and reinvested and need not be repatriated back to India.

4. Declaration form for Liberalized Remittance Scheme revised

Reserve Bank of India has amended the application cum declaration form for effecting remittance under the LRS to state that the remittance is within the limit of $200,000.

5. Credit Default Swaps

Reserve Bank of India (RBI) has now notified Credit Default Swaps (CDS) as a derivative under the RBI Act. Further the date on which the guidelines for CDS shall become operational has been extended from 24th October 2011 to end of November 2011 (exact date is yet to be notified).

7 Income Tax - Case Laws

1. Loss on pro-rata reduction of the share capital is "Notional". In absence of consideration, capital gains provisions do not apply.

Bennett Coleman & Co Ltd. vs. ACIT (ITAT Mumbai Special Bench)

Facts:

Assessee had invested Rs.24.84 Crores in the equity shares of Times Guarantee Ltd. of Rs.10 each. On account of approval of Capital Reduction Scheme by H'ble Bombay High Court, face value of shares was first reduced to Rs.5 and thereafter two equity shares of Rs.5 each were consolidated into one share which resulted into reduction in the value of investment to Rs 12.42 Crores. Considering the reduction in the value of the investment as transfer the assessee claimed a long term capital loss of Rs 22.21 Crores after indexation. Assessing Officer (AO) disallowed the claim of the assessee on the ground that there was no transfer of shares and no consideration was received for reduction in value of shares, therefore provision of section 48 was not applicable. On appeal the CIT(A) confirmed the order of the AO.

Issue:

Whether the provisions of computation of capital gains are applicable on gain /loss arising on pro-rata reduction of share capital?

Held: The H'ble ITAT confirmed the order of CIT(A) and held as under:

a. The assessee got the new shares because of its rights to the original shares and, therefore, same would not amount to transfer and it is a mere case of substitution of one kind of share with another.
b. In the present case, the assessee has not received any consideration for reduction of share capital. Unless and until a particular transaction leads to "computation" of capital gains or loss as per s. 45 & 48, it cannot attract capital gain tax. At best such loss can be described as notional loss and it is settled principle that no notional loss or income can be subjected to the provisions of the I. T. Act.
c. Even the percentage of share holding remained the same even after the reduction in share capital, considering this; no loss has occurred to assessee on account of reduction in share capital. There was no change in the intrinsic value of shares and rights of the assessee vis-à-vis other shareholders.

2. License fee for "copyrighted article" is taxable as "royalty"

Millennium IT Software Ltd (Authority For Advance Rulings)

Facts:

The applicant is in the business of providing software solutions to its customers. It has entered into a Software License and Maintenance Agreement (SLMA) with Indian Commodity and Exchange Limited (ICEL) and has granted ICEL right to use the licensed programme. The licensed programme was to be installed on equipments only at designated sites of ICEL. The rights granted to ICEL were non-exclusive, non-transferable, non assignable and indivisible. Further, ICEL was not allowed to modify the software programme and to make copies of the licensed programme which is to be installed. In consideration of rights granted to ICEL, the applicant received Implementation and license & maintenance fees ("Fees").
The applicant filed an application before Authority for Advance Ruling (AAR) regarding the taxability of the fees. The applicant contended that the transaction involved the use/ right to use of a "copyrighted article" but not the "copyright" itself and so the license fees were not assessable to tax as "royalty" u/s 9(1)(vi) & Article 12 of the India-Sri Lanka DTAA.

The tax department contended that the applicant has granted a license to use the software developed by it and the software is not goods or tangible property but an intangible intellectual property. Further, it is a 'process' and would be covered under Section 9 of the Act. The term 'royalty' in the tax treaty is the same as under the Act. Accordingly, payments received from ICEL are taxable as 'royalty' under the Act as well as under tax treaty. The tax department contended that the ownership of the property remains with the developer and it has given a limited right to the user. Accordingly, updating of software, removal of programme errors and maintaining performance standards under the maintenance services amounted to supply of software.

Issue:

Whether the fees paid by ICEL to the applicant were assessable to tax as "royalty" u/s 9(1)(vi) & Article 12 of the India-Sri Lanka DTAA?

Held:

AAR held that:

a. As per Explanation 2 (v) to section 9 (1)(vi) of the Act, royalty means consideration for transfer of all or any rights (including granting of a license) in respect of any copy right , literary , artistic or scientific work…'

b. Under Indian copyright law, computer programmes are considered to be literary works and accordingly entitled to copyright protection under the Copyright Act. Thus, the software programme is a "copyright".
c. Under DTAA between India and Srilanka royalty is defined as a payment of any kind received as consideration for the use of or right to use any copy right. Thus the scope of this tax treaty is wider than that of the Act.
d. The argument that there is a distinction between a "copyright" and a "copyrighted article" is not acceptable because there is no such distinction made either in the Income-tax Act or the Copyright Act. Under the Copyright Act, 1957 the owner of a copyright can deal with it in two modes. The owner can either assign his right wholly or partially, generally or with limitations or he can grant any interest therein. In the present case, the applicant conveyed a right to use the software over which it has a copyright. The right of user of software thus given involves the right to use the copyright. Accordingly, even a fee for the use of a "copyrighted article" is assessable as "royalty".
e. Therefore, the right given to ICEL to copy the software for its purposes is a right to use the copyright which would be treated as 'royalty' in terms of the DTAA.

3. Disallowance u/s. 14A

<u>ACIT vs. Punjab State Coop & Mktg (ITAT Chandigarh)</u>

Facts:

The assessee received dividend of Rs. 4 lakhs in respect of investment in shares made in earlier years. The assessee claimed that the investment in earlier years was made out of reserves & surplus and that there was no expenditure incurred during the year to earn dividend. Further, no investments were made during the year by the assessee. The AO made disallowance u/s 14A of Rs. 12.73 lakhs. On appeal, the CIT(A) deleted the disallowance on the ground that investments were old and not related to the period under consideration, therefore, no disallowance be made.

Issue:

Whether disallowance u/s. 14A in a year can be made in absence of nexus between investment in tax-free securities & borrowed funds?

Held:

On perusal of the records the H'ble ITAT found that the dividends received by the assessee were for investments made before 1975. No fresh investment has been made by the appellant during the year under consideration. The H'ble ITAT relied on the decision of Punjab & Haryana High Court in CIT Vs. Winsome Textile Industries

Ltd. and held that disallowance u/s 14A is not warranted since there was nothing to indicate the nexus between borrowed funds and investments made in purchase of shares.

4. No disallowance u/s. 40(a)(ia) for short-deduction of TDS

DCIT vs. M/s. S. K. Tekriwal ACIT (ITAT Kolkata Bench)

Facts:

Assessee is engaged in the business of construction activities. Assessee deducted tax @ 1% u/s.194C on payments debited to 'machine hire charges'. Assessing Officer (AO) was of the view that tax ought to be deducted u/s.194I @ 10%. The assessee explained that the payments were made to sub-contractors for completion of specific work; and therefore, tax was deducted @ 1% u/s.194C(2) and that the payments were wrongly grouped under the head 'machine hire charges' although the same did not relate to hiring of machines. The AO observed that as per the agreements the same were exclusively for machine and maintenance and concluded that the payments were made for hiring of machines. Accordingly, AO made proportionate disallowance under section 40(a)(ia) of 'machinery hire charges'.

In appeal, CIT(A) deleted the addition on the ground that payments were made to the sub-contractors and therefore provisions of section 194C(2) are applicable.

Issue:

When assessee deducted TDS u/s. 194C, whether disallowance can be made by invoking the provisions of section 40(a)(ia) on the ground that the tax was deductible u/s. 194I?

Held: The H'ble ITAT confirmed the order of CIT(A) and held as under:

a. CIT(A) after verifying records and explanation submitted by assessee reached to a conclusion that payments are in the nature of contract payments made to sub contractors. On merits, ITAT was in agreement with the findings of CIT(A).
b. As per section 40(a)(ia), where in respect of any sum referred in the section, tax has not been deducted or after deduction has not been paid on or before the due date of filing of return, then such sum shall be disallowed as a deduction.
c. However, in the present case, the assessee has deducted tax u/s. 194C(2) and it is not a case of non-deduction of tax as mentioned in section 40(a)(ia). Even otherwise if it is considered that this particular sum falls under section 194I of the Act, it may be considered as tax deducted at a lower rate and it cannot be considered a case of non-deduction or no deduction.

d. S. 40(a)(ia) does not apply to a case of short-deduction of tax at source. If there is a shortfall due to difference of opinion as to which TDS provision would apply, the assessee may be treated as a defaulter u/s 201 but no disallowance can be made u/s 40(a)(ia).

5. Non-residents not eligible for benefit of second proviso to s. 112

In Re Cairn U.K. Holdings Ltd (AAR)

Facts:

The applicant, a company based in Scotland, sold shares of Cairn India Limited (CIL) to Petronas Corporation Intl. Limited. The shares were sold for a consideration of USD 241,426,379 in off-market mode and not through a recognized stock exchange. The company filed an application for advance ruling on the issue whether tax payable on long term capital gains (LTCG) derived on sale of equity shares of CIL will be taxed @ 10% as per proviso to Section 112(1) of the Act?

The applicant contended that the proviso to section 112 limits the rate of tax to 10%, on condition that capital gains should be computed without taking the benefit of indexation as per second proviso to section 48. The applicant is of the view that since the capital gain is derived from transfer of the specified securities; it is immaterial whether the assessee is a resident or non-resident.

The revenue contended that the benefit of proviso to s. 112 was available only to assessees who were eligible to the benefit of indexation under second proviso to s. 48. As the applicant, being non-resident, was not eligible for benefit of indexation, it could not claim the benefit of the lower rate of tax under proviso to s. 112.

Issue: Whether non-resident is entitled to claim the benefit of second proviso to section 112 and consequently liable to tax on LTCG on sale of specified securities @ 10%?

Held:

AAR held that:

As per section 112 tax is payable at 20% on LTCG in case of non-resident (not being a company) or a foreign company. Proviso to section 112 prescribes tax rate of 10% on LTCG on transfer of specified assets viz listed securities, units and zero coupon bonds computed before giving effect to the 2nd proviso to s. 48 (i.e. indexation of cost).

Proviso to Sec 112 (1) explicitly mentions that the calculation of 10% tax on Long Term Capital Gain shall be before resorting to indexation of cost contemplated by

second proviso to Section 48. The expression "before giving effect to the second proviso to section 48" in proviso to s. 112(1) presupposes the existence of a case where computation of LTCG could be made in accordance with the formula contained in the 2nd proviso in s. 48. Second proviso to Section 48 provides for indexation benefit in case of transfer of long term capital asset and this proviso is not applicable to non residents.

Thus the benefit of beneficial tax rate of 10% (as against 20%) under proviso to s. 112 is available only to assessees who are eligible to the benefit of indexation under second proviso to s. 48 and as the applicant was not eligible for indexation, it could not claim the benefit of the lower rate of tax under proviso to s. 112.

8 OTHERS

1. De-regulation of Savings Bank Deposit Interest rate

The savings bank deposit interest rate in respect of deposits held by resident Indians has been de-regulated and accordingly banks are free to determine their interest rate subject to the following conditions:

a. Each bank to have a uniform interest rate on deposits upto Rs. 1 lac
b. On deposits exceeding Rs. 1 lac, differential rates of interest may be given by the bank

Interest rate on deposits held in the NRE and NRO account continue to be regulated and no change has been prescribed therein.

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