



# TUTICORIN BRANCH OF SIRC

## NEWS LETTER

The Institute of Chartered Accountants of India

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### *Chairman Writes . . .*

Dear Colleagues,

I am sure that all of you are very busy with hectic bank audit season. Normally Bank Audits herald the start of the financial year for most Chartered Accountants, since it is the first audit in the new financial year.

On 05.03.2010, our learned member CA.R.Sriram addressed the members of Indian Chamber of Commerce & Industry about the proposals in Union Budget 2010

On 06.03.2010, our Branch organized CPE Seminar on Bank Audit. In fact, CA.S.Karunagaran Conference Hall was full to the brim. It was inaugurated by Mr.Nagamal Reddy Gudupalle, Managing Director & CEO, TMB Ltd., who delivered an inspiring inaugural address. Our Regional Council Member of SIRC of ICAI CA.P.R.Suresh, Shri.J.Muthuraman and Shri.V.Surianarayanan officials from TMB Ltd., were the learned faculty to the seminar. The Chief guest and the speakers were crystal clear, comprehensive and it was more informative and educative. The seminar was well appreciated by the delegates who had a feast of knowledge and it was a grand success. On that day M/s.PSA Sical Terminals Ltd., a leading container handling company donated "LG LCD PANEL 42 CTV" for the benefit and betterment of students of our Branch at our premises. I sincerely thank the company for its kind gesture for the noble cause of the student community.

On 12.03.2010, our past Chairmen CA.B.Francis Amal George and CA.G.Xavier Fernando addressed the students pursuing Master's Degree in Business Administration of Infant Jesus College of Engineering, Vallanadu, Tuticorin District about the awareness of CA course and Union Budget 2010. It was well appreciated by all.

On 12.03.2010 at 7.pm, our Branch organized a Study Circle Meeting on 'Analysis of Union Budget 2010' led by CA.R.Sriram and CA.B.Francis Amal George. The



speakers elucidated the ramifications of Issues on Budget proposals in a very lucid manner. It was a brain storming, educative and more informative session. It was well attended and well received by our members & students.

On 26.03.2010, our Branch organized Investor Awareness Programme. It was well addressed by CA.P.V.Rajarajeswaran, Madurai, Regional Council Member, CA.Dungar Chand Jain, Madurai and Sri.P.Ravi Regional Distribution Head Karvy Stock Broking Ltd., Madurai. The speakers critically analyzed the issues on Investor Awareness and cautioned about the consequences of selecting bad investment portfolio. The meeting was well attended and there was overwhelming response from the public.

For many of our CA Students the forthcoming exam is of crucial importance and I wish each and every one of them the very best.

Through this news letter I welcome our members to give their valuable suggestions and comments and seek your indulgence to enlist yourself as resource persons to add value to you and to the Branch by sharing your expertise.

Our Mantra which reads as under  
"Large Hearts and Liberal Hands"

Yours ever loving,  
**CA.H.Raman**, Chairman

# REMOVAL OF FRINGE BENEFIT TAX & ITS EFFECT

## What is meant by FBT?

FBT is a tax payable by employers on the value of certain benefits, known as "Fringe benefits" that have been provided to their employees or to associates of those employees in respect of their employment.

## Here the term employer includes

- a. Company
- b. Firm
- c. An AOP / BOI [except fund / trust / institute which is eligible for exemption u/s. 10(28C) or registered u/s.12AA]
- d. Every artificial juridical person, not falling within any of the above.

## Removal of FBT:

The Finance Act, 2005 introduced the FBT on the value of certain fringe benefits provided by employers to their employees. This tax has been a burden on the employer as well as administrative overhead. The Finance Act, 2009 has scrapped FBT on the ground that "it imposes considerable compliance burden" and FBT is removed from the assessment year 2010/11.

"Every good thing probably has a bad side effect and every bad thing probably has a good side effect".

The good deed of removal of FBT has its inevitable bad side effect fringe benefits which were exempt in the hands of employees, would now be taxable as the employer would no longer be liable to pay FBT thereon.

## Effects of removal of FBT:

1. The fringe benefits are taxable in the hands of employees in the form of perquisites as sec. 17(2) provides salary includes perquisites. Prior to the removal of FBT, Rule 3 of the Income Tax Act, 1961 provides certain

perquisites like Motor car & other conveyances, provision of free or concessional transport facility by transport undertaking, provision of holiday facilities, provision of free meals, provision of gifts, provision of credit cards, provision of club facilities, provision of any other benefit, amenity, service, right or privilege are ceased to be taxable in the hands of employees whose employers are liable to pay FBT.

After FBT is removed, the tax burden of the above said perquisites fall on the heads of the employees.

2. Prior to introduction of FBT, contribution to Approved Superannuation Fund is fully exempt in the hands of employee. However FBT is initially levied on entire contribution and subsequently amended to tax contributions in excess of Rs. 1 lac.

Now in terms of clause (vii) added to section 17(2) of Income Tax Act, the contribution to approved superannuation fund in excess of Rs.100000 will be taxable as perquisites in the hands of the employees.

3. Similarly, prior to FBT regime, ESOPs (Employee stock option plans) are not taxed when shares are allotted / transferred to employee but taxed as capital gain on sale of shares.

Now in terms of clause (vi) added to section 17(2) of Income Tax Act, ESOP will be taxable as perquisite at fair market value of shares on the date on which employee exercises the option as reduced by the cost paid by the employee.

By

**Soundari Karthika.C.**

PCC Student.

# Safe Indian Roads Not too far...

Jesus Valan Arasu S.  
Final Student



Recently I came across a news article in a Tamil daily about an accident on the Tuticorin - Tiruchendur stretch near Palayakayal

involving three 14 year old kids and a private bus. The teenagers were riding on one of their father's new motorcycle. All three died on the spot. Three invaluable lives departed at such a tender age. This is only a sample many such incidents happening across India. Whose mistake is it? The daily blames it on the youngsters; but one of my friends who happened to see this from another bus says it is the mistake of the bus driver. Leaving aside these controversial investigations we can extract some key issues from this.

They are:



1. The boys rode the bike without a valid licence (evident from their age)
2. Three of them rode on a motorcycle which is meant only for two.
3. None of the three boys was wearing a helmet.

We may not have seen such incidents ourselves; but we also do the same

mistakes as those boys. Some of the mistakes which we do knowingly / unknowingly could be:

1. Driving without a valid licence
2. Not wearing helmet while riding a bike
3. Not wearing seat belt while driving a car
4. Not respecting traffic signals and rules (for example not stopping at the stop line or when the traffic light is red etc.)
5. Not allowing others to obey the traffic rules
6. Driving rashly
7. Giving/buying bikes or cars to/for youngsters who have not attained the eligible age.

At some point in time, these practices either harm

your life, your beloved ones or others using the roads.

It would really be pleasing for the parents to see their kids drive bikes and cars stylishly at their tender age; but they should not ignore the risks involved in it. Hence, I appeal to the parents not to allow their kids to drive bikes and cars before they become eligible to drive such vehicles as per the law. I also request the parents to be a role model to their kids and to teach them the safe and correct ways of driving.

I humbly request the teenagers who are desirous of driving bikes and cars to learn the safe & correct ways of driving and to obtain proper licence and then only to take their vehicles onto the roads. Friends, it is a fun driving on the roads; but never cross the limits.

Some of the practicing Chartered Accountants have transport operators as their clients and the Chartered Accountants who are in employment also come across several transport operators. It provides a lot of opportunities to the members of the Institute to create awareness among the employees of such transport companies. I request the members and future members to utilize such opportunities and spread the road safety awareness.

Let us make a promise to abide by the traffic rules and regulations and to drive safely on the roads. If we all cooperate and do it together we can transform Indian roads into the safest roads in the world. And that is not too far. Shall we?



