



TUTICORIN BRANCH OF SIRC

NEWS LETTER

The Institute of Chartered Accountants of India
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FEBRUARY 2011

Chairman Writes

Dear Colleagues,

It is February and there will be a change of guard at ICAI, New Delhi, and SIRC and also at our Branch. Men may come and men may go but the organization, which is above all men, goes on forever.

This is the last issue of the missive during my tenure as Chairman of our Branch. The last twelve months have passed as a flash. It is only with your encouragement, staunch support, warmth and affection that I had set out on this trail, which has been earlier, lit up by the doyens of our Profession. With the co-operation of Members, we have tried to bring in the best speakers on varied topics of professional relevance.

On 22nd January 2011, our learned Members CA.R.Sriram, CA.B.Francis Amal George, CA.G.Xavier Fernando, CA.A.C.G.Venantius, CA.M.Gogulan M.Rajan, CA.J.Ignatius Maria Arulroy, CA.D.Jeyason Gnanamuthu, CA.IMA.Manoharan, CA.R.Ravi and myself had an interactive Meeting with the Chief Commissioner of Income Tax, Madurai Range and Joint Commissioner of Income Tax at Tuticorin on Practical Issues on Taxation, Tax Deducted at Source and other related matters. It was quite interesting and more informative.

It was an honour and privilege to hoist the National Flag on the 26th January 2011 at our Branch premises by CA.J.Thomas Fernando, senior Member of our profession. 61 years ago, our country chose to be a Sovereign, Socialist, Secular and Democratic Republic. It is time for us to renew our pledge to our nation, to come together and be as one fraternity, let us build bridges not walls, let us strive and thrive as one. Our learned Member CA.J.Thomas Fernando, made an inspiring Republic Day Message and highlighted the role of CA's in Nation Building.

At 9.00A.M, we organized a Seminar on "Voter's Rights". It was well addressed by Shri.K.K.Subramanian, Retired Tashildar of Tuticorin. He narrated the growth of voter's awareness and franchise from the Tamil Sangam period to the present scenario, the importance of exercising our franchise and the consequences if we do not exercise our franchise. Really it was more educative and informative and well received by all. We thank the faculty for his impeccable speech in his inimitable style. We thank our Members and Students who participated in large numbers.

Now, I come to my final words through this column. It is with considerable degree of satisfaction that, I shall be laying down this august office of the Chairman of our Branch on 16th Feb'2011. My satisfaction comes from being fortunate enough to lead our Branch and come into close touch with many of you in the discharge of onerous responsibilities enjoined in this high office, with fairness and equity.

From the depth of my heart I thank all my colleagues in the Managing Committee, Past Chairmen, Members in Practice and Industry, President and Vice-president of ICAI, Chairman and Vice chairman of SIRC and all the Members of our Central Council and Regional Council, Chairmen and Members of Branches of SIRC, Past Presidents of ICAI, Past Chairmen of SIRC, Co-opted Members, Contributors, Sponsors, Chief Guests, Guests of Honour and myriad Resource Persons who have addressed and graced our programmes, Dignitaries and Officials from various Departments and Industries, Officers and Staff of ICAI, SIRC and Our Branch at various levels, Our ever green Students, Educational Institutions like schools and colleges especially St.Mary's College of Tuticorin, Print and Electronic Media and all those who have directly and indirectly supported as in administering our activities successfully.

I wish the incoming Chairman and other Office Bearers of our Branch a very successful tenure and I am sure the new team will scale greater heights of glory and keep the flag of the Institute to a greater pedestal.

Before I sign off, I take this opportunity to assure all the Members that, I shall continue to serve the Members and Students, sincerely work for the cause of the profession.

My humble Pranams for the Senior Members, my best wishes to the Junior Members and my affectionate blessings to the Students.

Our Mantra, which reads as under.

"Action with Passion & Compassion, Pride of Performance"

With Warm Professionals Regards.

Forever, Yours in Service.

CA.H.Raman

' KNOW YOUR CUSTOMER ' (KYC) GUIDELINES ANTI MONEY LAUNDERING STANDARDS

In terms of the guidelines issued by the Reserve Bank of India (RBI) on Know Your Customer (KYC) Standards Anti Money Laundering (AML) measures , all banks are required to put in place a comprehensive policy framework covering KYC standards and AML measures . RBI introduced KYC guidelines for all banks . KYC enables banks to know / understand their customers and their financial dealings to be able to serve them better and manage its risks prudently .

OBJECTIVE OF KYC GUIDELINES :

The objective of KYC norms is to prevent banks from being used , intentionally or unintentionally , by criminal elements for money laundering activities . KYC procedures also enable banks to know/understand their customers and their financial dealings better which in turn help them manage their risks prudently. Banks should frame their KYC policies incorporating the following four key elements :

- * Customer Acceptance Policy
- * Customer Identification Procedures
- * Monitoring of Transactions and
- * Risk Management

For the purpose of KYC policy , a 'customer' may be defined as :

- * a person or entity that maintains an account and/or has a business relationship with the bank ;
- * one on whose behalf the account is maintained (i.e. the beneficial owner)
- * beneficiaries of transactions conducted by professional intermediaries , such as Stock Brokers, Chartered Accountants, Solicitors etc., as permitted under law ; and any person or entity connected with a financial transaction which can pose significant reputational or other risks to the banks, say, a wire transfer or issue of a high value demand draft as a single transaction.

NEED FOR KYC :

To establish the identity of client : This means identifying the customer and verifying his/her identity by using reliable, independent source document, data or information. For individuals,

banks are required to obtain identification data or verify the identity of customer, his address/location and also his recent photograph. This is to be done for the joint holders and mandate holders as well. For non-individuals banks need to obtain identification data to :

- * verify legal status of the legal person / entity
- * verify identity of the authorized signatories and
- * verify identity of the beneficial owners/controllers of the account

To ensure that sufficient information is obtained on the nature of employment / business that the customer does / expects to undertake and the purpose of the account.

KYC is carried out at the following steps :

- * Opening a new account
- * Opening a subsequent account where documents as per current KYC standards not been submitted while opening the initial account
- * Opening a locker facility where these documents are not available with the bank for all the locker facility holders

When a bank feels it necessary to obtain additional information from the existing customers based on conduct of the account OR when there are changes to signatories, mandate holders, beneficial owners etc.. OR when a non-account holder approaches a bank for high value one-off transactions KYC applies in these situations.

Mr. S. Bharath
Final Student - SRO 0137654

Awarded
Highly commended
performance
certificate for
Best Branch - 2010

CPE
Seminar on
Bank Audit
on
18.02.2011

A Simple Study and Short Notes on Income from Business under Direct Tax Code, 2010



1. Abstract:

This is a short note taken by a simple study on Income from Business under Direct Tax Code, 2010. By this I attempt to highlight those points which differ from earlier ITA, 1961 and some other important points and not beyond that to imply its consequences.

2. Business to be treated as distinct and separate:

If business falls in any one of the following situations then such business shall be deemed to be distinct and separate. The income of which is to be computed separately. And such situations are as follows:

- * When the other business or unit physically located apart from other unit even though manufacturing, producing, processing or trading same goods.
 - * When the other business or unit utilizes different raw material or manufacturing process from that of the other unit.
 - * Separate books of account are maintained or capable of being maintained, for the business; or
 - * Certain business specified under thirteenth schedule (ie., Business of insurance, Operating ship, Mineral oil and Natural Gas, Developing SEZ, Presumptive basis)
- A speculative business shall be deemed to be a distinct and separate from any other business including other speculative business.

3. Increase in Scope of Business Income:

The income from business shall be known as Profit which will be arrived by deducting business expenditure from gross earnings.

The following accrual or receipts of any amount as consideration or in any manner will be included in the business income which widens the scope of business income:

- * Any consideration received or accrued under a non-capital agreement
- * The amount of profit on transfer, demolition or discard of any business capital asset.
- * The amount of remission or cessation of any liability by way of loan, deposit, advance or credit.
- * Cash assistance, subsidy or grant received (only on receipt basis) from any person other than being part of any business capital asset.
- * Any consideration received or accrued on sale of license not being a business capital asset.
- * Any consideration received or accrued on transfer of a right or benefit acquired under the scheme framed by the

government, local authority or corporation

4. Determination of Business Expenditure:

Business expenditure shall be arrived by aggregating Operation expenditure, Finance charges and Capital allowances.

Operation Expenditure:

Operation expenditures are divided as expenditure wholly and exclusively laid out for the purpose of business and expenditure allowable subject to the fulfillment of certain conditions. The former includes all that expenditure related to the operation of the business. Some of the points to be noted are as follows

- * Scientific research and development expenditure in relation to business and salary to person engaged in scientific research and development and Head office expenditure by a non resident are included under operation expenditure.
- * Actual cost of license not being business capital asset and actual cost of right or benefit acquired under the scheme framed by the government, local authority or corporation and the corresponding sale or transfer as the case may be should be treated as gross earnings.
- * Contribution made by the employer to the approved superannuation fund has been limited to one lakh rupees.

Finance charges:

The expenditure such as interest and incidental charges for issue of debentures, bonds except convertible debentures or bonds come under Finance Charges which does not much differ from earlier Income Tax Act, 1961.

Capital Allowance:

The aggregate of depreciation, deferred revenue expenditure, scientific research and development allowance and deduction in respect of deposit scheme forms Capital Allowance. The conditions and restrictions, under which are all these allowances allowed, are same as that of Income Tax Act, 1961

5. Depreciation:

Depreciation on business capital assets are allowed through normal depreciation, initial depreciation (ie., additional depreciation) and terminal allowance. The conditions and restrictions under which normal and initial depreciation are allowed under this code are as same as Income Tax Act, 1961 however terminal allowance and one of the condition specified for initial depreciation differs from earlier Income Tax Act 1961 which are noted below separately.

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Ex-Officio Member

Initial Depreciation:

For initial depreciation (ie., additional depreciation) among other conditions to be satisfied the asset should not be installed in office premises and also should not be in the nature of office appliance.

Terminal Allowance:

The terminal allowance is allowed when the block of asset is ceased to exist by the reason of being demolished, destroyed, discarded or transferred during the financial year and percentage specified in fifteenth schedule for computing depreciation in respect of the block of asset is zero.

The amount allowable as terminal allowance shall be as balance in the written down value of the block of asset after adding the cost of transfer etc., and deducting the amount accrued or received due to such transfer or as the case may be.

When the amount accrued or received for transfer or as the case may be is higher than the written down value of the block of asset including cost of such transfer or as the case may be then such excess amount shall be treated as profit from transfer of business capital asset.

6. Deferred Revenue Expenditure:

The expenditure such as non-compete fee, premium paid for obtaining an asset in lease, amount paid in relation to voluntary retirement scheme, incurred by an Indian company for the purpose of business reorganization, loss on account of forfeiture of any business agreement, preliminary expenditure are deferred for a period of six years and expenditure incurred for prospection of any mineral or the development of mine or other natural deposit of any mineral oil are deferred for a period of ten years. The financial year from which above expenditure are deferred varies for each of the above expenditure and is provided in The Twenty Second Schedule.

7. Income from Specified Business:

The profits from specified business shall be computed in accordance with the provisions contained in respective schedule.

Nature of Specified Business	Schedule
Business of Insurance	Eighth
Business of operating a Qualifying Ship	Tenth
Business of Mineral and Natural gas	Eleventh
Business of developing a SEZ	Twelfth
Income determined on Presumptive Basis	Fourteenth
Other Specified Business	Thirteenth

8. Implication of Study:

Under direct tax code, 2010 care has been taken to supersede the effect of accounting policy followed by an entity (mainly the consequence on implementation of IFRS) in profit of business by isolating the business expenditure into three heads and specifying almost all nature of expenditure to be allowed individually comparing to the earlier ITA, 1961.

By

Mr. R. Jeyarajan

Final Pass : Nov'2010

SRO0191725



Interactive Meeting with the Chief Commissioner of Income Tax on 22.01.11



CA Career Counseling Programme to College Students on 26.01.2011



Republic Day Flag Hoisting with Lecture on "Voter's Rights" on 26.01.11



CPE Seminar on Real Estate- Accounting & Taxation Issues and FCRA 2010 on 03.02.2011
CA. Babu Abraham Kallivayalil, Chairman, SIRC addressing the gathering



WELCOME OUR NEW CHARTERED ACCOUNTANTS



P. Prasanna Vaz



R. X. Mike Augustus Richards



B. Stalin



R. Jeyarajan



R. Pandikumar

The institute / Branch does not accept any responsibility for the views expressed in different contributions / Advertisements published in this Newsletter

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