

# Union Budget 2014-15 – Highlights

## Direct Tax

- Basic exemption limit increased to Rs.2,50,000 for Individual tax payers and for Senior citizens it is Rs.3,00,000.
- Section 80C the limit on claiming deduction raised from Rs.1,00,000 to 1,50,000.
- Section 24(b) deduction limit for interest expense in respect of self occupied property raised from Rs. 1,50,000 to Rs. 2,00,000
- Effective from 1 October 2014, dividends distributed by domestic companies and mutual funds to be grossed up for the purpose of computing DDT.
- LTCG from transfer of units of mutual funds, other than equity oriented funds, to be taxed at 20 per cent as against the present levy of 10 per cent.
- The time limit extended from 31 March 2015 to 31 March 2017 for claiming investment allowance at 15 per cent of the investment made by a manufacturing company in new plant and machinery (acquired and installed). Further, in respect of investment made on or after 1 April 2014, the threshold of 100 crore has been reduced to 25 crore.

## Indirect Tax

- Only selling of space/time for advertisements in print media (book & newspaper) would be in negative list, other advertisements are subject to service tax.
- In works contract valuation provisions, effective from 1 October 2014, there will be two slabs for computing taxable value (40 per cent and 70 per cent) instead of the existing three slabs (40 per cent, 60 per cent and 70 per cent)
- Time limit of six months prescribed for availment of cenvat credit on inputs and input services from date of invoice/challan/specified documents.
- Free baggage allowance for residents increased from Rs.35,000 to Rs.45,000

Swapna John

## Beats of Brazuca...



The Whole World is dancing to the tunes of the 'Samba' as Brazil hosts the 20th FIFA World Cup. From young to old, the entire world is talking about the ongoing World Cup football and which team will reign supreme in Brazil.

From school-going children to politicians, everybody talks about their football heroes who are now battling it out in 12 stadia across the South American nation. The once-in-four years FIFA world cup has lifted the spirits of JVRites too.

The passionate fans of different teams amidst us are betting over the destinies of their favourite teams in every game. Our coffee break chats are filled with hot debates of football maniacs.

Soccer fans would be delighted to see the power game of Germany, classic football of Brazil and Argentina. Teams like Holland, France, Colombia and Chile are also strong.

Despite the various protests and demonstrations organized by people who were unhappy with the amount of public money spend on hosting the event, the 2014 World Cup is already a grand success and the whole world is eagerly waiting for the 13th of July 2014 to see who will emerge world champions this time.

Remin Martin

Editorial Team – Ann Rose Mathew, Rahul Raj, Seba Checha Kurian.



Quarterly Newsletter -12

# Echo

June: 2014

## EDITOR ONLINE.

The 12th Edition of 'ECHO' comes to you when the whole business world is expectant of Arun Jaitley's first budget.

We JVRites are getting geared up to tide over the challenges of tax audit. The whole team is set to welcome the ITR filing season.

In house seminars are held in our office on a weekly basis to enlighten ourselves on relevant academic and professional issues.

With immense pleasure we welcome the new bees who have joined the JVR fraternity. After bestowing their bests in CA final exams of the spring 2014, our super seniors are back with full on energy to guide us in our works.

We are extremely proud to be the first professional firm to incorporate the first two companies in Kerala under the Companies Act, 2013. Well done partner Mr. Shawn Jeff Christopher FCA!!

All of us have been almost infatuated with the euphoria evoked by the FIFA World Cup 2014, which is reflected in the last page.

Turn down the pages for more articles on Budget Highlights, Quality control in Audit and Acceptance of Deposits under The Companies Act, 2013.

It is said, 'It is never late to do what you wanted to do. You will never know what you can accomplish until you TRY.' So, friends let us keep trying our bests in life.

We the editorial team express our sincere gratitude for your creative contributions and the whole hearted cooperation.



## Cheers to Cherian... 🙌🙌🙌



Team JVR congratulates Cherian for securing the first position in 'Just a minute' segment, conducted as part of the cultural event 'Encore 2014' by SICASA Ernakulam.

*Hats off for his exemplary performance.*

# An overview of Deposits under Companies Act, 2013

- ▶ Framework
  - Applicable section : 2(31), 73 to 76
  - Rules : The Companies (Acceptance of Deposit) Rules 2014
  - E form : DPT 3 & DPT 4
  - E form attachments : DPT 1 & DPT 2
- ▶ Deposit
  - u/s 2(31) means any receipt of money by way of deposit or loan or in any other form, by a Company.
- ▶ Deemed Deposit :-
  - Share application money not allotted within the prescribed time limit shall be treated as deemed deposit.
- ▶ Eligible Company means:-
  - A public Company and it has either of the following
  - Net worth of not less than 100 crore rupees or turnover of not less than 500 crore rupees.
  - It has obtained the prior consent of the company in general meeting by means of a special resolution.
  - It has filed the above resolution with the Registrar of Companies before making any invitation to the



## Guidelines for inviting deposits from members and public

Particulars	Non Eligible Company	Eligible Company (Sec 76)
Resolution	The Company should pass a resolution in general meeting.	The company should pass special resolution in general meeting and file the same with Registrar.(If within limit specified u/s 180 then ordinary resolution shall suffice).
Limit	The total amount of outstanding deposits along with the deposits invited should not exceed 25% of the aggregate of paid up share capital and free reserves.	The total amount of outstanding deposits from members along with the deposits invited from members should not exceed 10% of the aggregate of paid up share capital and free reserves and for others it should not exceed 25% of the aggregate of paid up share capital and free reserves.
Interest / Brokerage	Interest or brokerage payable shall not exceed the maximum rate of interest or brokerage prescribed by RBI	
Tenure of deposit	The deposit should not be repayable on demand or upon receiving a notice within a period of less than 6 months or more than 36 months.	
Circular	Circular shall be issued to its members by registered post with acknowledgement due /speed post/electronic mode in Form DPT-1 / advertisement in Form No. 1 / publish in one English newspaper and one vernacular language newspaper having circulation in the state of registered office of the company.	Circular shall be issued in Form No. DPT-1 published in one English newspaper and one vernacular language newspaper having circulation in the state of registered office of the company. It shall also upload the circular on its website.
Statement	Along with the circular a statement shall be circulated which shall contain the financial position of the company, the credit rating, the number of depositors and the amount due.	
Registration of Circular	The circular signed by majority of directors or their agents duly authorized along with the statement shall be submitted to registrar 30 days before the date of such issue.	
Validity of circular	6 months from the end of the financial year in which it was issued or the date on which the AGM is held whichever is earlier.	
Insurance	Deposit insurance shall be taken 30 days prior to the date of issuance of the circular or renewal .Ceiling is Rs. 20000 per depositor for principal and interest	
Deposit repayment reserve account	On or before 30th April of each year a sum not less than 15% of the amount of deposits maturing in the current financial year and the next financial years shall be deposited in a scheduled bank in a separate account called deposit repayment reserve account which shall be free from charge or lien.	

Ajith Chandran

- ▶ Objective
  - To establish standards and provide guidance regarding a firm's system of quality control to provide reasonable assurance that firm complies with professional and regulatory requirements
  - To ensure that reports issued are appropriate.
- ▶ The key elements of the system of quality control in a firm shall include the following:
  - Personnel who are competent and committed to ethical requirements are recognised through firm's performance evaluation, compensation and promotion procedures.
  - The firm should assign each engagement to an engagement partner, who is competent and authorised.
- ▶ Engagement Performance
  - Understanding the requirements and objective of the engagement.
  - Supervising the progress and reviewing the responsibilities of team members and firm personnel
  - Consultation with experts
  - Dealing with differences of opinion within the engagement team or between engagement partner and engagement quality control reviewer. The firm shall, before the issue of report, review engagements quality control system. The review shall be documented, which shall be in safe custody of the firm for a period of 7 years.
- ▶ Monitoring
  - Design, effective implementation and application of quality control system.
  - Corrective actions and improvements to be made in the system and communication of identified weaknesses.
  - Inspection of complete engagements that shall include atleast one engagement for each partner over the inspection cycle of not > 3 years.
- ▶ Documentation
  - The firm shall document the operation of each elements of its system of quality control which shall be retained as per the firm's policy or in compliance with legal and regulatory requirements using electronic databases, simple checklists, manual note etc.
- ▶ Leadership responsibilities
  - The person who is assigned the responsibility for the firm's quality control system by CEO or managing partner should possess sufficient and appropriate experience and authority.
  - The emphasis of quality oriented work shall be placed through training, seminars, meetings and constant appraisal.
- ▶ Ethical Requirements
  - Integrity, objectivity, professional competence, confidentiality, professional behaviour and independence are the ethical considerations established in the code of conduct.
  - Appropriate action should be taken in cases of client relationships that cause threat to independence.
  - The rotation of engagement partners after a specified period in compliance with the code to safeguard from familiarity threats (7 years in case of listed companies).
- ▶ Acceptance and continuation of client relationship
  - Client integrity tested through various resources
  - Firms competence to perform the engagement
  - Availability of time and resources
  - Compliance with ethical requirements
- ▶ Human Resources
  - Individuals of integrity should be selected through recruitment

Ann John