

CPE Background Materials

The Continuing Professional Education Committee of the Institute of Chartered Accountants of India has been publishing a number of CPE Background Materials, which are of professional utility for the members of the Institute. We give below brief write-ups on the coverage of a few recent CPE Background Materials for the information of the members and other concerned.

Environmental Accounting, Reporting and Auditing

The process of identification, measurement and allocation of environmental costs and their integration into business decisions and the subsequent communication of the information to the organisation's stakeholders is the integral part of environmental accounting and reporting. Environmental auditing is the systematic examination of the interactions between any business operation and its surroundings. It is used as an extremely valuable tool for assessing a company's environmental management systems, policies, and equipments. It provides the company with recommendations on how it can improve its environmental management practices, and reduce the adverse impact that a company is having on the environment. In addition, improved environmental practices often save money in the long run. This background material covers the introduction to environmental accounting, its key application areas for improving the overall responsiveness of an organisation towards the environment. Appropriate guidance has also been given on the accounting and disclosure aspects of environmental costs and liabilities. Apart from detailed discussion about the reporting aspects with appropriate practical examples to enable the readers to fully appreciate the practical intricacies, elaborate coverage has been given to the environmental auditing issues such as types of environmental audit and suggested approach for conducting the environmental audit in Indian context. To enable the readers to develop appropriate insights about the issues covered in the publication, an indicative Resource Section has also been given.

Price: Rs.50/-

Time Management

Time management is actually self management within the bounds of time. It is interesting that the skills

we need to manage others are the same skills we need to manage ourselves: the ability to plan, delegate, organise, direct and control. This background material is brought out with the purpose to understand the processes which will make members more effective whilst minimising the "Thieves of Time" which plague our personal productivity and sense of achievement. It is confidently felt that by applying the skills, which are discussed in this background material, members can optimize their effort to ensure that they concentrate as much of their time and energy as possible on the high payoff tasks.

Price: Rs.20/-

Energy Audit and Management for the Indian Industry

This handbook has been designed to be a practical, concise source for members interested in making things happen for conservation of energy. Attempts have been made to structure the contents in a style that will help conducting and managing energy audit function of any facility. Long hours and well thought out ideas have been included in this handbook. Presented in three parts, the first part of this handbook has been devoted to explain the total energy management process, the second to the approach to energy management in industry and the third on financial and economic evaluation of energy efficiency projects.

Price: Rs.100/-

Accounting Aspects of Disaster Management

Disaster, be it man made or an Act of God, has always been there, and will always remain; but everybody's concern is to minimise its occurrence and impact. Professional accountants as responsible citizens of the country also need to devote their abilities and skills to ensure that the disaster affected people receive all their due benefits from society. This therefore, represents the wider social responsibility, which Chartered Accountants must shoulder. The Institute has taken the first step in giving a concrete shape to this responsibility. Besides evaluating the quantifiable damage in financial terms, professional accountants are also required to clearly understand the financial impact of the disaster. These include the post disaster rehabilitation measures as well as the verification of end use of

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funds and the provision of assurance and auditing services for inter-organisational transfer of funds. The CPE Committee made notable efforts to focus on the financial management, accounting and auditing aspects on the three basic phases i.e., preparedness, mitigation and relief/reconstruction, of disaster management in this publication for the first time in this country.

Price: Rs.75/-

Financial Due Diligence: A Perspective

Corporate acquisitions/mergers/taking over have become a part of business strategy to grow rapidly and widely. In fact, there is no sign that the acquisition market around the globe will contract in near future. The aim is to enlarge the local/global market through horizontal/vertical integration and such other measures as may increase overall market intake. Irrespective of the nature of takeover, be it hostile or friendly, it is quite obvious for the vendor to provide an independent financial due diligence report to the potential buyer(s). Here lies the scope of a professional to prepare the due diligence report for proper evaluation of the vendor. The very purpose of bringing this background material out is to answer many of the queries may be raised by the investigating Chartered Accountants.

Price: Rs.100/-

Service Tax

The areas of professional practice in which our members can contribute their expertise are changing very rapidly. Apart from our core areas of audit and accounts; members have been actively engaged in practice in the field of direct taxes. However, with the rapid growth in the service sector, the Government is increasingly focusing on taxing services. Members of our profession would do well to update their knowledge in the emerging area of taxation. The users of our services would benefit from our advice and the profession would have a new avenue for growth. It is with this objective that the CPE has brought out this comprehensive study on Service Tax.

Price: Rs.200/-

Above publications can be obtained from the Institutes Sale Counter at New Delhi & Regional Offices.

Members who desire to obtain above publications by post may correspond to

Postal Sales Section

The Institute of Chartered accountants of India
Post Box No. 7100
Indraprastha Marg
New Delhi 110002.
Tel No. 91-23370055,23378406,23378246
Fax No. 91-011-23379610,91-011-23379334

For purchasing the background materials by post, members may please send a Demand Draft for an amount covering the cost of publication plus Rs.30/- extra being the postal charges in favour of 'The Secretary, Institute of Chartered Accountants of India' and payable at New Delhi, directly to the Postal Sales Department of the Institute.

NEW PUBLICATION

An update on Compendium of Opinions - Volume I to XX

The Expert Advisory Committee of the Institute of Chartered Accountants of India has published 'An Update on Compendium of Opinions- Volume I to XX'. Keeping in view considerable developments in terms of issuance of new accounting and auditing pronouncements and changes in law it may be difficult for the users of the Compendium of Opinions to keep track of all such changes. This publication, therefore, attempts to identify and inform significant developments e.g., issue of a new accounting standard, guidance note of a change in law that has taken place since the issuance of the opinions till the printing of this publication.

The publication is priced at Rs.150 (Rupees One hundred and fifty only) each and is available for sale at the counter of the Institute at New Delhi as well as its regional offices located at Chennai, Mumbai, Kolkata and Kanpur. It may also be obtained by ordinary parcel by paying postal and handling charges of Rs.19/- (Rs.13/- may be added extra, if required by registered parcel).

Professional Opportunities arising out of Finance Bill, 2003

Part I

1. More areas included under Section 44AB of Income Tax Act, 1961

Under the existing provision contained in sub-section (1) of section 44BB of the Income-tax Act, income of a non-resident taxpayer who is engaged in the business of providing services or facilities in connection with, or supplying plant and machinery on hire used, or to be used, in the prospecting for, or extraction or production of, mineral oils is computed at ten percent of the aggregate of the amounts paid or payable to the taxpayer or to any person on his behalf, whether in or out of India on account of the provisions of such services and facilities.

Further, under the existing provisions contained in section 44BBB of the Income-tax Act, the income of a foreign company engaged in the business of civil construction or erection or testing or commissioning of plant or machinery in connection with a turnkey power projects, approved by the Central Government and financed under any international aid programme, is computed at ten percent of the amount paid or payable to such assessee or to any person on his behalf, whether in or out of India on account of civil construction, erection, testing or commissioning of the aforesaid plant and machinery.

The Bill proposes to provide that the presumptive tax rate of 10% under section 44BBB will be applicable in those turnkey power projects also which are not financed under any international aid programme.

The Bill also proposes to provide that an assessee may claim lower profits and gains than the profits and gains specified under sub-section (1) of section 44BB or, as the case may be, section 44BBB, if he keeps **and maintains such books of account and other documents as required under sub-section (2) of section 44AA and gets his accounts audited and furnishes a report of such audit as required under section 44AB, and thereupon the Assessing officer shall proceed to make an assessment of the total income or loss of the assessee under sub-section (3) of section 143.**

Consequential amendments are also proposed to be carried out in sections 44AA and 44AB so as to require such assessees to keep and maintain books of account and documents as may enable the Assessing Officer to compute his total income in accordance with the provi-

sions of the Income-tax Act and to require such persons to get their accounts audited.

These amendments will take effect from 1st April, 2004 and will, accordingly, apply in relation to the assessment year 2004-05 and subsequent years.

2. Audit under section 44DA.

Section 44D of the Income-tax Act lays down special provisions for computing income by way of royalties and fees for technical services received by foreign companies from Government or an Indian concern. Where such income is received in pursuance of an agreement made with the Indian concern or the Government before 1st April, 1976, the deduction in respect of expenses incurred for earning such income is limited to a ceiling of 20% of the gross amount of such income. In case such agreement is made after 31st March, 1976, section 44D(b) provides that no deduction will be allowed in respect of any expenditure or allowance under any of the said sections in computing such income. In other words, the gross amount of income by way of royalties or fees for technical services received by foreign companies from the Government or an Indian concern, under agreements made after 31st March, 1976 is chargeable to tax at the rates prescribed in section 115A.

Section 115A provides that royalties/fees for technical services received by foreign companies will be taxed at a concessional rate of 20% only if the agreement made with an Indian concern under which these royalties or fees for technical services are received is approved by the Central Government or relates to a matter that is covered under the Industrial Policy.

The Bill proposes to amend clause (b) of section 44D to provide that no deduction in respect of any expenditure or allowance shall be allowed where an agreement is entered into by the foreign company with Government or with the Indian concern till 31st March, 2003.

With a view to harmonize the provisions relating to the income from royalty or fees for technical services attributable to a fixed place of profession or a permanent establishment in India with similar provisions in the various Double Taxation Avoidance Agreement, the Bill

proposes to insert a new section 44DA to provide that the income by way of royalty or fees for technical services received from Government or an Indian concern in pursuance of an agreement made by a non-resident (not being a company) or a foreign company with Government or the Indian concern after the 31st day of March, 2003, where such non-resident (not being a company) or a foreign company carries on business in India through a permanent establishment situated therein, or performs professional services from a fixed place of profession situated therein, and the right, property or contract in respect of which the royalties or fees for technical services are paid is effectively connected with such permanent establishment or fixed place of profession, as the case may be, would be computed under the head "Profits and gains of business or profession" in accordance with the provisions of the Income-tax Act. However, it is provided that no deduction shall be allowed, in respect of any expenditure or allowance which is not wholly and exclusively incurred for the business of such permanent establishment or fixed place of profession in India; or in respect of amounts, if any, paid (otherwise than towards reimbursement of actual expenses) by the permanent establishment to its head office or to any of its other offices.

The proposed section also requires that every non-resident (not being a company), or a foreign company shall keep and maintain books of accounts and other documents in accordance with the provisions of section 44AA and get his accounts audited by an accountant as defined in the Explanation below sub-section (2) of section 288 and furnish along with the return of income, the report of such audit duly signed and verified by such accountant.

It is also proposed to amend clause (b) of sub-section (1) of section 115A to make it applicable to a non-resident (not being a company) or to a foreign company and income by way of royalty or fees for technical services other than income referred to in sub-section (1) of section 44DD.

These amendments will take effect from 1st April, 2004 and will, accordingly, apply in relation to the assessment year 2004-05 and subsequent years.

3. VAT

The Finance Minister in his speech has announced that all states and Union Territories would introduce VAT from April, 2003. The Finance Minister has also expressed

that in view of the apprehensions expressed by a large number of States, about possible revenue loss, in the initial years of introduction of VAT, the Central Government has agreed to compensate 100 percent of the loss in the first year, 75 percent of the loss in second year and 50 percent of the loss in the third year of the introduction of VAT; this loss being computed on the basis of an agreed formula.

The Governments of many states have already included the professional accountants in their proposed VAT systems by specifying in their Draft Acts, that the accounts of assessee above a certain turnover (e.g. Rs.40 lac annually) should be compulsorily audited by a Chartered Accountant. Discussions are underway with authorities of various other states to include a similar provision in their VAT Acts and also involve Chartered Accountants in the implementation process of VAT. ■

ANNOUNCEMENT

Invitation to join as part-time research associates for various research projects of the institute

The Research Committee of the Institute brings out guidance notes, technical guides on accounting and auditing for various industries, guidelines on internal audit for various industries and other literature for the guidance of the members and others. The basic draft of a research publication is prepared by an expert in the relevant area. The draft is thereafter considered by the Research Committee and after necessary modifications, processed for the purpose of printing.

The Research Committee invites applications from chartered accountants having excellent academic background and written communication skills, with about 3 to 5 years experience, who are willing to associate themselves, on part-time basis, to assist the Committee in finalising the drafts. The work will involve providing technical inputs relevant to the projects, finalising the publication on the basis of the decisions taken by the Research Committee and making the publication ready for printing. Those interested may send their bio-data, along with the expected remuneration and an indication of the time that the person would be able to devote on weekly basis, to the Secretary, Research Committee, The Institute of Chartered Accountants of India, Indraprastha Marg, New Delhi - 110002, **latest by April 21, 2003.**