

From the President



CA. M. Devaraja Reddy
President, ICAI

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Dear Professional Colleagues,

All of us have our share of hopes and expectations—present and future. While certain part of those may appear logical and is likely to come true, the remaining we ourselves somewhere know are actually present just for the sake of being present, with an unstated and silent acknowledgement that they will remain as mere hopes and wishful thinking. Then, as the time passes by, our optimism gets refined and becomes more serious. The list gets smaller. But somehow I have never been able to accept that things can never be changed or amended.

We all want to live peacefully in a clean environment. It is also true that we through our inadequate and irresponsible dealings have added, if not created, to the disorderliness on the earth by altering and affecting its ecosystem and other natural cycles adversely. John F Kennedy said: *Our problems are man-made; therefore, they may be solved by man. No problem of human destiny is beyond human beings.* Therefore, the disorderliness and its causes are not difficult to explain. All we have to do is to own up the current scenario and turn responsible.

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As another green initiative to protect the earth's ecosystem, we have decided to shift the publication of newsletters at Regional and Branch levels to the digital mode in a phased manner. Martin Luther King Jr. reminds: *Our lives begin to end the day we become silent about*

things that matter. Therefore, the key is, we must act.

ICAI Supports Paris Agreement on Climate Change, Think Global but Act Local

Dalai Lama says: *A clean environment is a human right like any other. It is therefore part of our responsibility toward others to ensure that the world we pass on is as healthy, if not healthier, than we found it.* This advice reflects relevance for our present. On behalf of the Indian CA fraternity, I welcome the recent signing of the historic *Paris Agreement on Climate Change* at the UN headquarters in New York by 175 countries, including India, to mark the International Mother Earth Day. This global treaty aims to take manifold actions to protect the world. Being a professional community, ICAI calls upon its members to support this global initiative to protect our earth, by taking tangible steps like planting trees, saving water and other natural resources, and reducing the use of plastic. As echoed in the ICAI's green initiative, I would request our members and readers to opt for the electronic version of CA journal while discontinuing the hard copy, to save vegetation.

ICAI's Suggestions to Finance Bill, 2016 Accepted

As you know, the Finance Bill, 2016 received the Presidential assent and became Finance Act, 2016. I am pleased to inform that most of ICAI's suggestions through its *post-budget memorandum* submitted to the Ministry of Finance were favourably considered, while some were accepted too by the Government:

1. Inclusion of LLP within the definition of eligible start-up for availing the benefit of deduction under the new Section 80-IAC;
2. Section 115BBDA amended to clarify the real intent of law, i.e. to bring to tax in the hands of the recipient the aggregate dividend received in excess of ₹ 10 lakh;
3. Section 115BBF amended to relax the requirement of incurring the entire expenditure in India for availing the benefit of concessional rate of tax on royalty income in respect of patent developed and registered in India;

4. Manner of computation of tax payable in respect of under reporting of income has been modified;
5. Availability of credit for a period of 3 years for the tax paid on right to use any natural resource by the Government, local authority or any other person as against earlier spread of credit over the period for which the right to use was assigned;
6. List of Services provided by the Government or a local authority which would be exempt from service tax vide Mega Exemption Notification; and
7. Clarification on anomaly regarding Rule 6(3) of CENVAT Credit Rules, 2004 wherein there is an option to pay an amount equal to 6 or 7 per cent of the value of exempted goods or services respectively subject to a maximum of the total credit taken and not total credit available.

ICAI Representation on Companies (Amendment) Bill, 2016

As you may be aware, the Companies (Amendment) Bill, 2016 as introduced in the Lok Sabha has now been referred to the Parliamentary Standing Committee on Finance. While we welcome the amendments as proposed in the Bill, some issues are still required to be addressed. Apart from giving representation on the issues under Companies Act, 2013, the ICAI has given representations on 7th Report of the Law Commission of India on proposed amendments to the Indian Partnership Act, 1932, Secretarial Standards and Draft Rules on certain chapters under the Companies Act, 2013. Further, ICAI is constantly interacting with the Ministry of Corporate Affairs regarding operational difficulties in MCA21 online portal and resolving the same.

International Initiatives

Inauguration of RAK Chapter of ICAI: Spreading our global wings, I am happy to inform that the 28th Chapter of ICAI has been inaugurated on 18th May 2016 in Ras Al Khaimah, UAE, where apart from us, the Crown Prince of Ras Al Khaimah, UAE, H.E. Sheikh Mohammed Bin Saud Al Qasimi and Deputy Consul General of India Shri Murleedharan K. were also present. I am sure, this will facilitate us in serving our

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members in Ras Al Khaimah and strengthening our relationship with UAE.

Annual International Conference at Dubai Chapter of ICAI: I along with the ICAI Vice-President CA. Nilesh Vikamsey participated in the 34th Annual International Conference organised by our Dubai Chapter on 19th-20th May 2016 on *Building Financial Resilience... Right Time Right Now*, befittingly inaugurated by UAE Cabinet Member and Minister of Culture & Knowledge Development H. H. Sheikh Nahyan Bin Mubarak Al Nahyan. The occasion was graced by many prominent speakers including ICAI past-President CA. T. N. Manoharan, former RBI Governor Dr. Duvvuri Subbarao, Director of Centre for Financial Management Dr Prasanna Chandra and former Delhi High Court judge Justice (retired) R. V. Easwar.

CAPA Meetings in Kuala Lumpur: I along with ICAI past-President (and CAPA Deputy President) CA. Manoj Fadnis visited Kuala Lumpur to attend various CAPA events organised during 16th-19th May, 2016. While I attended CAPA Board, Professional Accountancy Organisation Development Committee and Annual General meetings on 16th and 17th May. My council colleague CA. Prafulla P. Chhajed attended the Forum Financial Reform for Economic Development Forum on 18th and 19th May held in conjunction with the CAPA meetings.

Next ICAI International Conference to be Held in Hyderabad: As per our annual practice, this Council year (2016-17), the International Conference of ICAI will be held on 26th-27th November 2016 at Hyderabad International Convention Centre in Hyderabad. I would request all my member colleagues to block their dates so that they could whole-heartedly participate in the Conference and take full advantage of the active presence of national and international accountancy professionals and experts at the venue.

Key Professional Developments

Parliament Legislates Insolvency and Bankruptcy Code, 2016: The Parliament of India has legislated the Insolvency and Bankruptcy Code, 2016, which aims to consolidate the laws

relating to insolvency of companies and limited liability entities (including limited liability partnerships and other entities with limited liability), unlimited liability partnerships and individuals, presently contained in a number of legislations, into a single legislation. This consolidation will provide great clarity in the law and facilitate the application of consistent and coherent provisions to different stakeholders affected by business failure or inability to pay debt. Considered as the biggest economic reform next only to GST, it is a landmark move for India, as this will address time-bound settlement for insolvency cases. It is my fervent appeal to all my professional colleagues to assimilate this significant development and upgrade their skills accordingly so that they could provide righteous services to their client organisations.

Real Estate (Regulation and Development) Act, 2016: The Parliament of India has recently passed the Real Estate (Regulation and Development) Act, 2016, which has received the assent of the President on 25th March 2016. It is an Act to establish the Real Estate Regulatory Authority for the regulation and promotion of real estate sector and to ensure sale of plot, apartment or building, as the case may be, or sale of real estate project, in an efficient and transparent manner. The Act also aims to protect the interest of consumers in the real estate sector and establish an adjudicating mechanism for speedy dispute redressal.

I am happy to mention that several provisions of this Act will offer many new professional opportunities to the Chartered Accountants. I call upon my member colleagues to take note of this development and update accordingly so as to provide virtuous professional services to their clients and organizations in conformity to the principles enacted under the Act.

Insurance Sector: Indian insurance sector is set to grow in leaps and bounds in the years to come with life expectancy in India on the rise. Demographic factors such as growing middle class, young insurable population and growing awareness for the need of protection and retirement planning will add

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to the growth of life insurance sector in India. The Government of India has taken a number of initiatives to boost the insurance industry, some of which, as per the Union Budget 2016-17, are:

1. Foreign investment will be allowed through automatic route up to 49 per cent subject to the guidelines on Indian management and control, to be verified by the regulators.
2. Service tax on single premium insurance plan has been reduced from 3.5 per cent to 1.4 per cent.
3. Government insurance companies to be listed on the exchanges.

Insurance sector today has a lot to offer professionally to the ICAI members. Some of our members are already acting as strategic management professionals. Possessing excellent analytical and technical abilities in financial management has the potential to act as expert and advise insurance companies in the management of risk and fund management. They can also play a key role in loss and claims management, loss adjustment and actuarial science. Members should tap these emerging prospects in the vibrant insurance sector.

Income Disclosure Scheme, 2016: Income Disclosure Scheme that starts from 1st June 2016 will be available for a period of four months allowing people with undisclosed income in the country to come clean by availing the benefit of this scheme. The aim of this Scheme is to widen the tax net and provide an opportunity to the domestic tax payers who have not paid full taxes in the past to come forward and disclose their undisclosed income and assets. The proposed effective tax rate of 45 per cent is quite encouraging, in comparison to similar schemes introduced in the past. Also, another positive is that immunity will be provided from prosecution, subject to prescribed provisions.

Members should be vigilant in handling such cases and help in implementation of the Scheme in its true spirit to make it successful.

Chartered Accountants (CA) Day that is celebrated on 1st July every year with much fanfare, is a day to showcase our commitment to the profession and take pledge to work for its growth. Let me inform all of you that we are planning to celebrate the *International Yoga Day* on 21st June in a big way across the nation. Our regional councils and branches would be organising yogic sessions for the families of chartered accountants. Let us all get involved in this celebration and spread a message across that the practice of this ancient wisdom can be helpful in attaining a state of emotional equanimity and intellectual clarity.

The summer is almost at its peak. Temperature in some places has crossed 50 degree Celsius mark. Cases of high fever, heatstroke and severe dehydration are being reported. Let us take proper care of self, family, near and dear ones. It will be good if we could avoid outdoor activities in the afternoon. As a precaution, please have plenty of nourishing fluids to maintain your metabolism. Keep fit in order to help others. Please make a habit of storing some water out in your backyard, balcony or rooftop for birds to help them survive this blistering heat.

We can create a huge impact as a professional community. Please remember, when we take an initiative in the interest of our society and environment, it is not about the efforts of 2.5 lakh plus professionals, but of many more who are socially and professionally associated with them.

Best wishes,



CA. M. Devaraja Reddy
President, ICAI

New Delhi, 24th May 2016