

# From the President



**CA. Nilesh Shivji Vikamsey**  
President, ICAI

## My dear esteemed Professional Colleagues,

I would like to wish a very happy *Samvat Year 2074* to all of you, which has started from 20<sup>th</sup> October 2017. As someone has said before, I too would ask you to write it on your heart that every day is the best day in the year. Let the months and days of the New Year be full of happiness, smiles and hopes. G. K. Chesterton says that *hope means hoping when everything seems hopeless*. We just require to trust our hard work and determination. At ICAI, we always have a brave vision and examples of excellence, to look up to and follow.

In India, the short-term impact of recent structural reforms of demonetisation and GST rollout appears to be reducing. Recent manufacturing data indicates that India's growth story will soon be back on a sound track. In view of the recent slowdown in the national economy, the recently-reconstituted Economic Advisory Council to the Prime Minister, in its first meeting, identified 10 priority themes to revive growth and employment in the coming six months that include—economic growth, employment and job creation, informal sector and integration, fiscal framework, monetary policy, public expenditure, institutions of economic governance, agriculture and animal

husbandry, patterns of consumption, and production and social sector. Martin Luther King, Jr. had said: *We must accept finite disappointment but never lose infinite hope*. As the world economy is moving up, India too will see a higher-growth trajectory soon. India has to seize the initiative to grow even faster.

According to Hon'ble Union Commerce and Industry Minister Shri Suresh Prabhu, difficulties being faced by the exporters are being removed to facilitate them in focusing on their core business of exports. India's exports have risen sharply and climbed 25.67% in September, exceeding an 18.1% increase in imports. Analysts suggest that the non-banking finance companies are expected to report 15-32% growth in earnings for the July-September quarter, after a brief halt during the implementation of GST. Two top Indian multinational automotive manufacturing companies have reported an increase of 24.35 and 25.1 per cents in the sale of their commercial vehicles in the July-August 2017 period. The Government recognises the urgency to find ways of

providing employment to the 12 million people who are joining the national workforce every year, and that the youthful workforce needs to be engaged suitably. Also, many companies in pharmaceuticals, manufacturing, automobiles, IT, technology and healthcare sectors preferring India as hub of their research and development work has inspired many overseas Indians to return.

Now, let me bring before you some of the most significant professional developments that have taken place over the last one month:

## **GST Implementation—An Update**

As you know, India rolled out a new indirect taxes regime in form of the goods and services tax on 1<sup>st</sup> July 2017, shedding a complex multiple tax system in favour of a unified one. The GST revenue for the month of August is ₹90,669 crore, though slightly less than that collected in July 2017, which is beyond expectations of the Government.

Being a facilitator and supporter of GST implementation since inception, ICAI has been undertaking various initiatives to support the Government as well as the stakeholders to smoothen the implementation. Recently, in a meeting with the Union Finance Minister, ICAI has submitted its suggestion on the GST Implementation issues faced

by the assesseees and our members during the first three months of its implementation. Some of these suggestions have been positively considered by the respective authorities which is evident from the fact that a good number of decisions have been taken in the 22<sup>nd</sup> GST Council Meeting to alleviate the problems faced by the SMEs. Key decisions taken at the meeting include increase in the limit of aggregate turnover for composition scheme from ₹75 lakh to ₹1 crore for normal category States, availability of threshold exemption of ₹20 lakh for service providers even in cases of inter-state supplies, filing of quarterly returns instead of monthly returns by taxpayers having annual aggregate turnover up to ₹1.5 crore, deferment of reverse charge mechanism in case of supply secured from unregistered person, suspension of TDS/TCS provisions up to 31<sup>st</sup> March 2018, and so on. In this regard, the Central Government has already issued a notification with effect from 13<sup>th</sup> October 2017.

UAE is implementing VAT with effect from 1<sup>st</sup> January 2018. In this regard, ICAI, through its Dubai Branch, has been organising faculty identification programme, planning courses and seminars, etc., for the benefit of our members as well as other stakeholders from the UAE. This will be a precursor to the rollout of VAT in other countries.

## Recommendations of SEBI's Committee on Corporate Governance

SEBI's constituted Committee on Corporate Governance formed under the chairmanship of Shri Uday Kotak to improve the standards of corporate governance of listed companies in India, has submitted its report recently on 5<sup>th</sup> October 2017. ICAI as a member of the Committee actively participated in the deliberations. In its report, the Committee has submitted a number of recommendations to further improve the corporate governance structure prevalent in corporate India, which include separation of roles of non-executive Chairperson and Managing Director/CEO, Chairperson of a listed company to be a non-executive Director, Board of Directors to have a minimum of six Directors, and listed companies to have one independent woman Director on its Board, among others.

Further, the Committee has recommended the empowerment of SEBI to act against chartered accountants and other third-party fiduciaries with statutory duties under the securities law, with respect to their functions concerning the listed entities, in the cases of fraud/connivance as well as of gross negligence. Since ICAI under the Chartered Accountants Act has a jurisdiction over the disciplinary matters of its members, the recommendation of the SEBI Committee to punish the alleged errant auditors would lead to a conflict of jurisdiction. ICAI

has submitted its dissent on this recommendation. Further, with regard to disciplinary process in ICAI, SEBI Committee has made certain suggestions pertaining to the internal functioning of ICAI, which is not under the purview of the terms of reference of the Committee. Let me inform that ICAI Council has already recommended the issue of punishment on CA firms way back in 2010 and the same has been sent to the Central Government for approval. Also our Council's recommendations for improvement in the disciplinary process have been given to a High-Level Committee formed by the Ministry of Corporate Affairs and further suggestions for improvement are being looked into by a Sub-Group of our Council. Further, the Companies (Amendment) Bill, 2017, passed by the Lok Sabha, has proposed that penalties on the auditors should be linked with the audit fees. Through a formal representation, ICAI has expressed its reservations in the aforementioned issues.

Our concerns have been noted and these will be further deliberated once referred to ICAI for consultation/consideration as per the recommendation of SEBI Committee.

## Representations Submitted to CBDT

Certain issues regarding intimations received by the assesseees in respect of the proposed adjustment made under Section 143(1)(a), subsequent to the filing of income-tax returns for AY 2017-18, had been brought to the notice of ICAI. Accordingly, ICAI submitted a representation to CBDT (Central Board of Direct Taxes) requesting it to consider and address the hardships being faced by the members and the assesseees. The request has been favourably considered and CBDT has issued an instruction dated 11<sup>th</sup> October 2017, directing that the provision of Section 143(1)(a)(vi) of Income-tax Act would not be invoked to issue an intimation proposing adjustment to the income/loss filed in the ITR-1 Form in specified situations.

A representation was also submitted requesting for a suitable clarification to be issued regarding the reporting requirement to be made under Clause 31(c)(v) of Form 3CD. ICAI has also submitted a representation in response to a press release, wherein comments/suggestions have been invited on the proposed draft notification for insertion of new Rule 39A in the Income-tax Rules, 1962. We have also submitted another representation requesting for change in the utility of existing ITR Forms available on e-filing portal, and suggested an amendment in Java/Excel utility of ITR 2, 3 and 5 to include income taxable under Section 115BBDA for the purpose of auto calculating qualifying amount under Section 80G(4) under the tab 'Schedule 80G', and a modification

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in the Excel/Java utility of ITR 7 to clearly show the expenditure/application of income deemed of the preceding year under Clause (2) of Explanation to Section 11(1).

## **Bombay High Court Condones Delay of 8-Plus Years in Filing Appeal**

Recently, Bombay High Court in its judgement dated 19<sup>th</sup> September 2017, in a case *Vijay Vishin Meghani v DCIT*, has condoned the delay of 2984 days in filing appeal and also reprimanded ITAT Mumbai for unwarranted observations on Chartered Accountants. As you may be aware, in the case of an assessee, who was rendering services to a foreign bank from India and who had claimed a deduction under Section 80-O of the Income-tax Act, 1961, ITAT Mumbai while refusing the condonation of delay, had passed some negative remarks against ICAI and CA professionals. ICAI Council had taken up this matter in September 2014 and got the order of ITAT Mumbai modified in September 2015. ITAT Mumbai had clarified that none of its observations in the said order was intended to criticise or should be construed as criticising the functioning of ICAI, and that the Tribunal had applauded the strict standards followed by the ICAI in imparting education and training.

## **31<sup>st</sup> GASAB Meeting in New Delhi**

At the recently-held 31<sup>st</sup> meeting of the Government Accounting Standards Advisory Board (GASAB) in New Delhi, draft *Guidance Note on Fixed Assets Recording and Accounting* and draft *Strategic Development Plan 2017-20*, among others, were discussed. As you know, GASAB formulates Accounting Standards for the Central and State Government(s) in India. My Central Council colleague CA. M. P. Vijay Kumar represented the Institute at the GASAB meeting. The aforementioned draft Guidance Note prescribes standardised disclosure on the accounting of *fixed assets*, whose comprehensive and proper records are considered critical stepping stone for moving towards accrual-based accounting in the government sector. ICAI has offered its members' services to help various State Governments in this mammoth exercise of collation of data and recording of fixed assets. ICAI has also suggested the Board to set a broad timeline for adopting the accrual accounting in Government.

## **Interactive Programme of IIIPI and IBA**

To streamline the financial stress resolution process, the Government has sought to replace a plethora of legislations by enacting the Insolvency and Bankruptcy Code, 2016. ICAI IPA, i.e. Indian Institute of Insolvency Professionals of ICAI (IIIPI), is of the view that apart from appropriate legal or accounting enablers, the

resolution exercise requires a comprehensive and effective operational process. In view of this, IIIPI is engaging with the insolvency professionals (IPs) while proposing to cover other user-groups to improve the coordination, quality, delivery and speed of resolving the insolvency cases.

In view of the importance of insolvency process and in the backdrop of NPA (non-performing assets) in India, IIIPI with IBA (Indian Banking Association) had organised a half-day interactive programme on 25<sup>th</sup> September 2017 in Mumbai, where discussions were held on the role of IPs and Committee of Creditors and their operational challenges, and the steps for strengthening the coordination between Committee of Creditors and IPs to improve the resolution plan acceptability. During the programme, I along with my Central Council colleague CA. Dhinal Shah and IIIPI CEO Shri Sunil Pant, got an opportunity to interact with the senior officers of various banks. Thereafter, we have proposed to hold a series of workshops at different places with IBA for the operating officials of banks, IPs and other related entities to expedite the resolution process.

## **Meeting with CII National Committee of CFOs**

I along with my Central Council colleague CA. Prafulla Chhajed met the Chairman of CII National Committee for CFO Shri R. Shankarraman on 26<sup>th</sup> September 2017 in Mumbai, where issues with regard to the expectations of corporates and industries, especially from the freshly qualified chartered accountants and their capacity-building, were discussed. Views were also expressed on how CA students, in process of becoming the chartered accountants, could be trained and empowered in line with the industries' expectations.

## **Training Programme for Income Tax Officers**

A training programme on Ind AS and ICDS was organised recently for the officers of Income Tax Department of Faridabad and Gurugram jointly by ICAI and the Direct Taxes Regional Training Institute of Chandigarh. Sessions were addressed by my Central Council colleagues CA. Sanjay Agarwal, CA. Dhinal Shah, CA. Sanjiv Chaudhary and CA. Nandkishore Hegde.

## **ICAI International Conference in December**

As you know, ICAI is organising its 2017 International Conference on the theme of *Accountancy Profession: Convergence and Sustainability in Digital Era* in Mumbai. The Conference will provide a platform to both national and international accounting professionals to get together and share their views in the areas of Accounting and Auditing Standards, Integrated

Reporting, transparent regulatory regime, new frontiers in direct taxes like GAAR and BEPS, GST, Capital and Financial Market developments and the impact of Digital revolution, among others. I am sure this Conference will prove to be a great learning experience for all participants. Let us all participate and make this Conference a grand success.

## 11<sup>th</sup> ICAI Awards 2017

I am happy to inform that 11<sup>th</sup> ICAI Awards 2017, to be given in eight categories, will be organised in Mumbai on 19<sup>th</sup> January 2018 to recognise the CAs in industry and business who demonstrate professional excellence, create value for their companies and stakeholders on sustainable basis, become exemplary role models for other CAs in industry and business and contribute to society. Nomination process will remain open till 30<sup>th</sup> November 2017. Details (i.e. categories, eligibility criteria, award process, guidelines, etc.) in this regard are available at <https://awards.icai.org/icai-awards/>.

## Visit to Aurangabad, Jalgaon, Dhule and Nashik Branches of WIRC

After a long time, I got the opportunity to visit four of our Branches in the Western Region, viz. Aurangabad, Jalgaon, Dhule and Nashik Branches, where I interacted with the members on various issues vis-à-vis the profession, including GST and ICDS. Members were able to appreciate the work being done by the Institute. We reaffirmed our commitment to the Swachh Bharat Mission at Aurangabad Branch, a delegation of various trade and industry associations met us and made us abreast with the challenges of the GST faced especially by the SMEs and small traders and businesses. On behalf of the Institute, I have assured them that most of their issues have already been and will be further escalated by ICAI to the authorities for resolution and smooth implementation of the GST.

## Campus Placement for Newly Qualified CAs

46<sup>th</sup> edition of the campus placement programmes held in August-September 2017 where 105 companies participated and newly-qualified Chartered Accountants secured 1068 offers, with an average salary of ₹8.48 lakh per annum and the highest package of ₹20 lakh per annum.

## Seeking MCA to Intervene in Designating CA Qualification as Equivalent to Post-Graduation

ICAI has recently written to the Ministry of Corporate Affairs seeking its intervention in designating the CA qualification as equivalent to postgraduate and CA-Intermediate as graduate

degree in the university education system. This will help our professional colleagues in pursuing higher studies and facilitate them in their global mobility. Besides, this will also boost and improve our overall contribution to the profession and academics globally.

With CA professional education blended with holistic pedagogy and stringent examination system, CA professionals are trained to take up complex assignments in various areas of their profession including accounting, finance, taxation, laws, business systems and strategy. They are taught analysis and application, and evaluation and synthesis. Earlier, the Association of Indian Universities through a letter dated 20<sup>th</sup> March 1984 had recognised CA qualification along with graduation as equivalent to a postgraduate degree in Commerce or allied disciplines for the purpose of registration to PhD. So far, 101 Indian Universities, 6 IIMs and 2 IITs have recognised the CA qualification for the specific-purpose of registration to the PhD programme.

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One of the three sister institutions and the regulator of profession of the company secretaries in India, the Institute of Company Secretaries of India entered its Golden Jubilee year. On behalf of ICAI and our professional fraternity, I congratulate them.

Before we touch the New Year 2018 and declare our new resolutions and promises, before we start a new journey in 2018, let us first welcome November and celebrate the birth anniversary of the founder of Sikhism, our great Guru Nanak (4<sup>th</sup> November) who told us that God dwells in all of His creations and taught us to help others in need and earn and sustain ourselves with integrity.

Think positive as this does make a difference in the way you act. Helen Keller says: *Optimism is the faith that leads to achievement.* She recommends us to face the sun so that we don't see any shadow in our way. Keep remembering good souls and you will feel better. And success usually comes to those who are too busy to be looking for it, says Henry David Thoreau. Work hard and be happy.

Best wishes



**CA. Nilesh S. Vikamsey**

President, ICAI

Mumbai, 25<sup>th</sup> October 2017