

Ethical issues in Question/Answer form<sup>1</sup>



## On No. of Tax Audits

**Q. Is there any ceiling on the number of tax audits assignments that can be taken up by a member in practice?**

A. Yes, in the exercise of the powers conferred by Clause (1) of Part II of the Second Schedule to the Chartered Accountants Act, 1949 the Council of the Institute has issued Council General Guidelines, 2008, chapter VI of which specifies that a member of the Institute in practice shall be deemed to be guilty of professional misconduct, if he accepts, in a financial year, more than the specified number of tax audit assignments under Section 44AB of the Income-tax Act, 1961. The number specified for tax audits is 60. It may be noted that assessee having turnover exceeding ₹ 1 Crore but not exceeding ₹ 2 Crores and not opting for presumptive taxation under section 44 AD will be required to get their books of accounts audited under section 44 AB (a) of the Income-tax Act, 1961.

**Q. Whether the audits conducted under Section 44AD, 44ADA and 44AE of the Income-tax Act, 1961 shall be taken into**

**account for the purpose of reckoning the specified no. of tax audit assignments?**

A. No, as per chapter VI of Council General Guidelines, 2008, the audits conducted under Section 44AD, 44ADA and 44AE of the Income-tax Act, 1961 shall not be taken into account for the purpose of reckoning the “specified number of tax audit assignments”.

## On Indebtedness

**Q. Whether a Chartered Accountant is permitted to accept appointment as auditor of a concern while he is indebted to the firm or has given any guarantee or provided any security in connection with the indebtedness of any third person to the concern?**

A. Yes, in exercise of the powers conferred by Clause (1) of Part-II of the Second Schedule to the Chartered Accountants Act, 1949, the Council of the Institute has issued Council General Guidelines, 2008, Chapter X of which specifies that a member of the Institute shall be deemed to be guilty of professional misconduct if he accepts appointment as auditor of a concern while he is indebted to the concern or has given any guarantee or

<sup>1</sup>Contributed by Ethical Standards Board of ICAI

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provided any security in connection with the indebtedness of any third person to the concern, for limits fixed in the statute and in other cases for amount exceeding ₹ 10,000.

**Q. Whether “indebtedness” for the purposes of Chapter –X of Council General Guidelines, 2008 include loan taken by the member against a Fixed Deposit?**

- A. Yes, “indebtedness” for the purposes of Chapter –X of Council General Guidelines, 2008 includes loan taken by a member against Fixed Deposit. Accordingly, it is not permissible for him to accept audit assignment of bank in case he has taken loan against a Fixed Deposit held by him in that bank.

**On Fee Charged**

**Q. Whether there is any minimum audit fee to be charged by the members of the Institute?**

- A. No, there is no mandatory minimum audit fee required to be charged by the members of the Institute.

**Q. Is there any recommended scale of fees chargeable for the work done by the members of the Institute?**

- A. The Council of the Institute recommends from time to time scale of fees chargeable for the work done by the members of the Institute. Such fees were last revised by the Council, and effective from 13<sup>th</sup> December, 2017.

**On Other Occupation/Business**

**Q. Can a member in practice be Promoter/ Promoter Director of the Company?**

- A. Yes, there is no bar for a member to be a promoter/signatory to the Memorandum and Articles of Association of any company. There is also no bar for such a promoter/signatory to be a Director Simplicitor of that company irrespective of whether the objects of the company include areas, which fall within the scope of the profession of chartered accountants. Therefore members are not required to obtain specific permission of the Council in such cases. There is also no bar on holding any number/ percentage of shares in the company.

**Q. Can a member in practice be a sleeping partner in family business concern?**

- A. Yes, a member in practice can be a sleeping partner in a family business Concern provided he takes prior and specific permission from the Council in terms of Regulation 190A of Chartered Accountants Regulations, 1988, He will, however, not be entitled to do attest functions.

**Q. Can a member who is in part-time/full time employment apply for Certificate of Practice and do attest functions?**

- A. Yes, he can apply for Certificate of Practice but cannot do attest functions. Please refer Regulation 190A of the Chartered Accountants Regulations, 1988.

**Q. Can a member publish a change in partnership or change in the address of practice and telephone numbers?**

- A. Yes, a member can publish a change in partnership or change in the address of practice and telephone numbers. Such announcements should be limited to a bare statement of facts and consideration given to the appropriateness of the area of distribution of the newspaper or magazine and number of insertions.

**Miscellaneous**

**Q. Can a member act as an Insurance Surveyor?**

- A. As per Appendix (9) of Chartered Accountants Regulations, 1988 a member of the Institute in practice is generally permitted to act as a Surveyor and Loss Assessor under the Insurance Act, 1938, provided he is otherwise eligible. Such a member can perform attest functions.

**Q. Whether the members are required to intimate his website address to the Institute?**

- A. No, members are not required to intimate the Website address to the Institute. However, the Website has to comply with the Guidelines issued by the Institute in this regard ■