

PHOTO GALLERY



CPE Seminar GST Bill 2014 on 22.01.2015



Participants in the CPE Seminar



Presenting Memento to Speaker CA Prasanth Sreenivasa Iyyer



Honouring CA Indhu S.N. for her success in ISA Exam



Honouring newly qualified CA Maraleekrishnan



Presenting Memento to CPT Winner Vishnu Sanker. P

The Institute of Chartered Accountants of India

(Set up by an Act of Parliament)



ALLEPPEY BRANCH OF SIRC
NEWSLETTER



FEBRUARY 2015

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ALLEPPEY BRANCH OF SIRC OF ICAI NEWSLETTER

PROGRAMME FOR THE MONTH OF
FEBRUARY 2015

“

My dear professional colleagues,

I extend my hearty greetings and good wishes to you.

I am going to handover the baton of the branch to my successor on the 14th of this month. It's the time to express my heartfelt gratitude to one and all who had given this immense support to all my endeavors.

We know, the Reserve Bank of India has lowered the key interest rate at which it lends to bank , repo rate to 7.75% with immediate effect. RBI's decision to cut the interest will lead to more money in the hands of the consumers for greater spending. It turns positive for the Indian economy and will certainly help in reviving the investment cycle the government is trying to restore.

In the academic activities, the result of all IPCC examinations will be declared by the institute on 4th of this month. The result of final examination was declared on 19th January 2015 and I take this opportunity to congratulate all winners. Our branch has record number of participants in various course like orientation programmes, GMCS I, GMCS II, ITT, Advanced ITT and regular coaching class for IPCC. The dream of all the pioneers of Alleppey branch, a small category branch, has now become a reality with more than 200 students pursuing various courses.

The Union Minister for Railways CA Suresh Prabhu in an interview said that “The Institute which was looked at as small regulatory body in 1949 has now churned out members who have been taken big responsibilities. No other organization in India like ICAI , who has the competence , capabilities and potential to bring about the significant change in the India's growth story “

Best Regards,
Thanking You,
CA Bijumon Antony

”



Message from the Chairman

SI NO.	PROGRAMME DATE	PROGRAMME NAME	TIME	VENUE
1.	02.02.2015	INFORMATION TECHNOLOGY TRAINING	09.00AM 01.00PM	ICAI BHAWAN ICAI LANE ATHITHARA TEMPLE ROAD PAZHAVEEDU ALAPPUZHA
2.	02.02.2015	ADVANCED ITT	01.00PM 05.00PM	ICAI BHAWAN ICAI LANE ATHITHARA TEMPLE ROAD PAZHAVEEDU ALAPPUZHA
3.	03.02.2015	IPCC COACHING CLASS ACCOUNTING PAPER -I CA.SWOPNA KRISHNA KUMAR (CHENNAI)	09.00AM 06.00PM	ICAI BHAWAN ICAI LANE ATHITHARA TEMPLE ROAD PAZHAVEEDU ALAPPUZHA
4.	04.02.2015	GMCS -II	09.30AM 04.30PM	ICAI BHAWAN ICAI LANE ATHITHARA TEMPLE ROAD PAZHAVEEDU ALAPPUZHA
5.	06.02.2014	SICASA – HALF DAY SEMINAR- Accounting Standards	02.00PM 05.00PM	ICAI BHAWAN ICAI LANE ATHITHARA TEMPLE ROAD PAZHAVEEDU ALAPPUZHA
6.	11.02.2015	GMCS -I	09.30AM 04.30PM	ICAI BHAWAN ICAI LANE ATHITHARA TEMPLE ROAD PAZHAVEEDU ALAPPUZHA
7.	14.02.2015	MANAGING COMMITTEE MEETING	06.PM	ICAI BHAWAN ICAI LANE ATHITHARA TEMPLE ROAD PAZHAVEEDU ALAPPUZHA
	28.02.2015	CPE SEMINAR & INSTALATION OF MANAGING COMMITTEE FOR THE YEAR 2015-2016. (TENTATIVE)	05.00PM	ICAI BHAWAN ICAI LANE ATHITHARA TEMPLE ROAD PAZHAVEEDU ALAPPUZHA

- d. CAs have certified wrong information/claims for various exemptions and deductions in 74 cases having tax effect of Rs.259.72 crore.
- e. CAs gave incorrect/incomplete information in TARs/certificates in 132 cases having a revenue impact of Rs.1037.61 crore."

The CAG has given several other findings, which collectively is a sharp attack on our professional quality. It has been remarked that the objective of introducing tax audit and certification by accountants got defeated by the persisting irregularities. The CAG has opined that necessary control mechanisms over the third party certification in assessment proceedings must be ensured, by making suitable provisions in the Act, if necessary.

The only saving grace is that they review a large number of TARs and came up with faults only in a few reports. Yet, the attack was severe.

From a humble beginning with just 1689 members and 257 students, the Institute of Chartered Accountants has travelled a long way to boast of being the second largest accounting body in the world. It is high time that we Chartered Accountants realise that it is our paramount duty and responsibility to preserve the legacy of professional ethics and excellence. We need to justify the CA professional's motto "pride of service in preference to personal gain". We are regarded as an 'institution of public trust' besides being 'conscience keepers of economy'. The warnings issued by several statutory and regulatory bodies on falling standards of CA profession are quite alarming and to fight against this, we need to get ourselves empowered with the responsibility to keep the wheel of growth running, by ensuring compliance of the Income Tax Act and other Acts and rules.

However, rather than lamenting over the buzz of degradation in quality of CA profession, we shall resolve ourselves for selfless and value added service to the Nation. Even though stray incidents of wrongful doings should be considered as personal acts of the person concerned than the act of the profession itself, such attacks on the profession should be a catalyst for the CA fraternity to live up to the expectations of the founding fathers, who granted great autonomy to

the profession through the Chartered Accountants Act,1949. We should build up the profession in such a way that we can legitimately claim that we continue to fulfil the expectations, as the backbone of the financial discipline of the Nation.



ANNOUNCEMENT *

Comptroller and Auditor General of India

Last Date : Feb 15, 2015

Empanelment of Chartered Accountant firms/LLPs for the year 2015-16

**Address:
Comptroller and Auditor General of India
9,Deen Dayal Upadhyay marg
New Delhi-110124**

FROM THE EDITOR'S DESK

GST Uniting India

States taken care of ,Madam(s) silenced, major parties in the parliament supporting, the process to introduce the biggest indirect tax reform in India, GST has begun.

Bill No. 192 of 2014, The Constitution (one hundred and twenty second amendment) Bill, 2014 seeks to insert the following articles 246A, 269A and 279A in The Constitution apart from making certain amendments to already existing articles, these amendments will pave way for introduction of a dual structure Goods and Services Tax.

Article 246A is introduced in Part XI Chapter 1 titled "Legislative Relations". This article empowers the legislature of every state to make laws with respect to goods and services tax imposed by the Union or by the State. The fear of the States that they will lose the power to legislate on tax related matter is thus allayed. However, with respect to goods and services tax where the supply of goods or services or both takes place in the course of inter-state trade or commerce the power to legislate is retained by the Parliament.

Part XII Chapter 1 titled "Finance" will be a place for the new article 269A which will address the issue of distribution of revenue between the Union and the States. The goods and services tax supplied in the course of inter-state will be levied and collected by the Government of India. The proportion of sharing of such tax between the Union and the States will be decided by the Parliament by a law on the recommendation of the Goods and Services Tax Council. Through this article the Parliament is also empowered to formulate the principles for determining the place of supply and when a supply of goods or services or both takes place in the course of inter-state trade or commerce.

Article 279A is being inserted in Part XII. It is significant to note that through this article a new authority called the "GST Council" will be constituted. The article requires the President to constitute the GST Council within 60 days from

the date the amendments contained in the bill are notified.

The fate of indirect taxation will vest with the GST Council and suo moto the States will not be able to decide on the rate, cesses and surcharge. Though the GST Council has only recommendatory powers, yet it will have the final say in matters relating to GST. Professionals will have an important role to play in the smooth implementation as the GST law will replace number of indirect taxes, remove cascading effect and above all provide for a common national market for goods and services. The stage is thus set for a united India at least in taxation, Are we ready for the change?.



CA.R. SREENIVASAN
EDITOR

ARTICLE

"THE THORNY ROSE BED"

Chartered Accountancy is considered to be a noble profession and the profession of Chartered Accountancy is being reinvented and passing through the most difficult phase in history. A common man envies a Chartered Accountant, places him in high esteem and also believes that a CA is one of the most noblest professions. No doubt true, in the present scenario, amongst the various professions, our profession stands tall, both in terms of recognition, as well as prospects. Gone are those days when we were just scorecard keepers of the company and a paradigm shift is taking place in the profession. Every CA considers himself to be part of a group, that commands



CA.R. KRISHNAN

respect, dignity and glamour. Somewhere in the back of his mind, a CA takes pride in such a position, more especially because of the fact that he has really toiled hard, burnt midnight oil, to reach such an envious position in the society. Further, the regulatory authority also imposes several restrictions by way of code of conduct and professional ethics, that if followed meticulously, would place a CA in such a position, that the society believes that a CA cannot do anything wrong. To a large extent, the principles followed by our forefathers in profession has put us in such a high pedestal.

With this background I would like to introduce before you the recent developments, wherein the CA and the profession has taken a mass beating. No doubt true, a single or a few instances cannot be a yard stick for judging a group of professionals. However, the fact remains that one rotten egg can spoil the composition of a whole basket, though there may be still several good eggs in the basket. To begin with, the Bombay Tribunal in the case of **Vijay V Meghani Vs DCIT** had made the following observations in a case where the CA had filed an affidavit for condonation of delay of 2984 days.

“ In the instant case, we have noticed that the CA firm cited above has given an affidavit to the effect that it has given advice to the assessee to wait for the outcome of the appeal filed before the Tribunal and then to file rectification petitions. In paragraph 6 of the affidavit, the CA firm has stated that they have advised the assessee herein that he could file a rectification or review application before the AO, once the issue is settled by the ITAT. We notice that the expressions “rectification” and “review” appear to have been used in the affidavit with the understanding that they are synonyms to each other. Under sec. 154 of the Act, mistakes apparent from record alone can be rectified and the question of “review” does not come within the ambit of that section. Further, we have already noticed that the question of filing

rectification petition for assessment year 1996-97 does not arise at all, since the AO had actually allowed the deduction u/s 80-O of the Act in that year and it is the Ld CIT(A) who had withdrawn the said deduction. Thus, it is seen that the advice claimed to have been given by the CA firm has been given without analysing the facts prevailing in the instant case and also without clear understanding of the provisions of the Act and their implications. We have also noticed that a C.A firm could not give such kind of advice, since it cannot forecast the outcome of an appeal filed before the Tribunal. We have already noticed that the CPE programs have been designed by ICAI with the noble objective of enlightening the Chartered Accountants with current topics, current developments and such programs are also aimed to continuous updating or refreshing of the knowledge of Chartered Accountants. The advice claimed to have been given by M/s Rajesh Rajeev Associates, Chartered Accountants, if considered to have been really given, would create doubt about the efficacy of the CPE programmes, since such kind of advices is not expected from a Professional. Further these kind of advices claimed to have been given by a CA firm clearly give signals that the CPE programmes might have failed to achieve the desired objectives with some of the Chartered Accountants. It is high time that the ICAI should take note of these practicalities and should take corrective steps in order to maintain/restore the high standards and quality expected from a CA professional. We have also expressed the view that the above said CA firm might have given the affidavit only to accommodate the assessee, which conduct is also not expected from a Professional. If it is considered that the CA firm has colluded with the assessee for giving such kind of affidavit, then it only warrants disciplinary action against them. Even, if it is considered that the said CA firm has really given such advices, then also it may require disciplinary action against them for giving such kind of advices, without

proper verification of facts and without proper consideration of law. In our view, strict actions and fast disposal of disciplinary proceedings would not only instill discipline among the CA fraternity, but also help curtail these kind of undesired practices adopted by some of the Chartered Accountants.”

The sum and substance of the Hon'ble ITAT's observation was to the effect that either the CA was ignorant about the provisions of the IT Act or was colluding with the assessee which again is a serious matter. The initial reaction of the members of CA fraternity was to find fault with the judgment, for having singled out the profession as well as the methodologies adopted by the Institute, including conduct of CPE programmes. But on a closer reading of the judgment, what one understands is that the judgment is actually lamenting the deteriorating standards of the profession and the professionals. The author of the judgment who himself is a CA was probably expressing his concern at where the quality, standards and ethics are heading to and a sense of worry seems embedded in the judgment. To me, it appeared as a true concern of the deteriorating standards, which as a true CA one finds hard to digest.

The second judgment is that of the ITAT Delhi Bench, in the case of **Wrigley India P Ltd vs ACIT** pronounced on 31st December 2014, wherein the Tribunal arrived at the following conclusion from Transfer Pricing(TP) study reports prepared by CAs and studied by them over a period of time.

- a) These TP reports as also certifications by the CAs inspire no confidence.
- b) Nothing can justify pathetic level of professional work done by chartered Accountants.
- c) Chartered Accountants are also responsible for frivolous litigation.
- d) No purpose served by TP Reports of chartered accountant when reports do not even point glaring infirmities in taxpayers approach vis-a-vis the transfer regulation.

- e) In an alarming number of cases, these audit reports, rather than painting a true and fair picture of the relevant facts, tend to epitomize the art of constant hedging and manoeuvring by the professionals so as they stay within the confines of permissible professional conduct and are yet able to sidestep the inconvenient realities.

This judgment is a real blow to the abilities and capabilities of a CA. It is also to be pondered that in the changing scenario, especially with regard to TP audits etc, whether the majority of CAs are geared and equipped to really face the challenge ahead and deliver what is expected out of them.

In one more blow, The Comptroller and Auditor General of India(CAG) issued a report No 32 of 2014, setting out the results of the performance audit of “Appreciation of Third Party (Chartered Accountant) Certification in Assessment Proceedings of the Department of Revenue”. The report brings a shocking reading experience wherein the CAG gives several illustrations of carelessness of CAs in doing audits and also provides names and membership numbers of the CAs who conducted such audits. The major observations of the CAG are given below:

“We found cases (a) where the CAs failed to report full and correct information in 367 cases leading to short levy of taxes of Rs.2813.11 crore and (b) where the AOs failed to utilise the information available in 102 reports/certificates submitted to them leading to short levy of taxes of Rs.1310.05 crore. Some of the important audit findings are as follows:

- a. Tax auditors failed to give correct information relating to allowance of depreciation in 66 cases involving short levy of tax of Rs. 457.79 crore .
- b. Tax auditors did not report correct information regarding brought forward loss/depreciation resulting in irregular brought forward loss/depreciation allowance in 46 cases involving short levy of tax of Rs.557.79 crore.
- c. In 42 cases personal/capital expenditure was incorrectly allowed as the tax auditors did not report the amount in their tax audit reports, which resulted in short levy of tax of Rs.477.89 crores.