



CMA AMIT A. APTE

PRESIDENT

G:142:11:2018

3rd June 2019

Shri Akhilesh Ranjan,
Member (CBDT)
Department of Revenue
Ministry of Finance,
Government of India,
North Block, New Delhi

Subject: Request for modification of the term "Accountant" as appearing in the Explanation below sub-section (2) of section 288 of the Income Tax Act, 1961 to include the "Cost Accountant" therein

Respected Sir,

Greetings from the Institute!!!

This is with reference to the representation letters G:142:48:2015 dated 20th November 2015, G:142:48:2016 dated 6th December 2016, G:142:05:2018 dated 23rd May, 2018 and G:142:11:2018 dated 20th November 2018 submitted by the Institute of Cost Accountants of India to Hon'ble Minister of Finance, we request your good self to kindly look into the request for inclusion of Cost Accountant in the definition of "Accountant" u/s 288(2) of the Income Tax Act, 1961.

We are looking forward to your positive response on our above requests.

Thanking you,

Yours Sincerely,

CMA Amit A. Apte

Encl: Copy of above representation G:142:11:2018 dated 20th November 2018.

O/C
CMA AMIT A. APTE
 PRESIDENT



THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

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G:142:11:2018

November 20, 2018

The Hon'ble Minister
 Ministry of Finance,
 Government of India,
 North Block,
 New Delhi



Subject: Request for modification of the term "Accountant" as appearing in the Explanation below sub-section (2) of section 288 of the Income Tax Act, 1961 to include the "Cost Accountant" therein

Respected Sir,

The Institute of Cost Accountants of India (ICAI) is a statutory body set up under an Act of Parliament in the year 1959. The Institute as a part of its obligation regulates the profession of Cost and Management Accountancy for the last 75 years. The Institute also pursues the vision of cost competitiveness, cost management, efficient use of resources and structured approach to cost accounting as the key drivers of the profession. The Institution operates through four regional councils at Kolkata, Delhi, Mumbai and Chennai and 98 Chapters situated at important cities in the country as well as 9 Overseas Centre. It is under the administrative control of Ministry of Corporate Affairs, Government of India.

The Institute and its members have been contributing constructively in the field of accountancy at par with its peer Institutions. In line with these services, we request you to kindly note and peruse that there is an urgent need to amend meaning of the term "accountant" as assigned in the Explanation below section 288 of the Income Tax Act, 1961 so as to bring both Cost Accountants and Chartered Accountants at par under its ambit.

The basic philosophy underlining this request for inclusion would be based on three pillars –

1. **Simplification** – Simplification of the existing Tax regimes and their implementation. This, as suggested by the Kelkar Committee Report may be implemented based on the terms of reference of the task force as follows:
 - a) Rationalisation and simplification of the direct taxes with a view to minimising exemptions, removing anomalies and improving equity.
 - b) Improvement in taxpayer services so as to reduce compliance cost, impart transparency and facilitate voluntary compliance.
 - c) Re-designing procedures for strengthening enforcement so as to improve compliance of direct tax laws.

The above may be achieved if, there is:

- efficiency (minimising distortions in resource allocation)
- equity (progressiveness of effective tax rates)
- effectiveness (of tax administration)

The Cost accountants with their expertise may be a resource in this genre.

2. **Professional Involvement** - Clearly, accountants play an important role — in effective tax systems, employer and client education, business advisory, ethics, and more. And taxpayers, of course, must make the ultimate decisions about their activities and compliance. But it is paramount to recognize that governments are responsible for promulgating and implementing taxation laws that are clear, fair, and appropriate for our global economy. Involvement of professionals, like Cost Accountants would bridge the gap between what the rules and guidelines are and what the public at large inverses out of the law. This would mitigate hurdles and make tax implementation all throughout, seamless.
3. **Peculiarity of our country** – India being a wide and broad country and illiteracy rates being high, professional involvement would be required in implementation of a rigid and all pervasive tax structure. The professionals like Cost Accountants would impart their knowledge to the public at large to bring in more and more citizens under the tax regime, hence increasing revenue for the Government and also building a strong Nation. The public would also be benefited by clear interpretation of law and hence simplification in adoption of taxation.

Based on the above understanding we assure that our submission is based on the fact that both professionally qualified accountants not only pass through the same course curriculum, pedagogy, and practical training, but have already been recognized 'at par' under various other Central and State Statutes so far as it relates to the domain areas of accountancy, audit, taxation, and corporate laws. In this regime of liberalization, this will induce healthy competition with no extra cost to the assessee.

Section 288 of the Income Tax Act describes the persons entitled to appear before any Income Tax Authority or the Appellate Tribunal, as an "authorized representative" of the assessee, in connection with any proceedings under the Act [otherwise than when the assessee is required to attend personally for examination on oath or affirmation]. Sub-section (2) gives list of such persons. Clause (iv) thereof includes 'an accountant' and clause (v) says 'any person who has passed any accountancy examination recognized in this behalf by the Board'.

As per explanation below sub-section (2), "accountant" means a Chartered Accountant as defined in clause (b) of sub-section (1) of section 2 of the Chartered Accountants Act, 1949 (38 of 1949) who holds a valid certificate of practice under sub-section (1) of section 6 of that Act, and includes, in relation to any company, any person who is eligible for appointment as an auditor of the said company in accordance with the provisions of sub-section (3) of section 141 of the Companies Act, 2013 (18 of 2013).

Suggested Draft Modification in Explanation below Section 288 (2) (iv):

[Explanation.—In this section, "accountant" means a chartered accountant as defined in clause (b) of sub-section (1) of section 2 of the Chartered Accountants Act, 1949 who holds a valid certificate of practice under sub-section (1) of section 6 of that Act, **or a cost accountant as defined in clause (b) of sub-section (1) of section 2 of the Cost and Works Accountants Act, 1959 (23 of 1959) who holds a valid certificate of practice under sub-section (1) of section 6 of that Act**, but does not include [except for the purposes of representing the assessee under sub-section (1)]—

(a) in case of an assessee, being a company, the person who is not eligible for appointment as an auditor of the said company in accordance with the provisions of subsection (3) of section 141 of the Companies Act, 2013 (18 of 2013); **or who is not eligible for appointment as auditor of the said company in accordance with the provisions of sub-section (3) of section 148 of that Act;**

Note: While modifying meaning of the term 'accountant', simultaneously sub-rule (3) of Rule 50 of the Income Tax Rules, 1962 would need to be deleted wherein cost accountancy examination is recognized for the purpose of Clause (v) of sub-section (2) of section 288.

The term "accountant" analyzed:

It may be noted that while both chartered accountant and cost accountant are treated at par under this section for appearance before the tax authorities on behalf of the assessee, a different definition of the term "accountant" assigning the meaning only to the "chartered accountants" creates a clear disparity among them for providing services under various other sections of the Act. There does not appear any justification of creating a disparity among them under law.

As may be seen, wherever any certification work is to be carried out to claim certain deductions under the Income Tax Act, it is but natural that the profession of Cost Accountancy is granted equal statutory recognition to that of Chartered Accountancy. **Not doing so would amount to clear injustice.** The focus of this representation is to seek such rectification treating Cost Accountants at par with the Chartered Accountants not only for purposes of Section 288 but more particularly with reference to various certification works being carried out under different provisions of the Act.

It is important to note that the term "accountant" as defined above has been used in several other provisions under the Act, wherever a need has been felt to get the accounts/data certified from an accountant. All these provisions have been examined in-depth and it is seen that **there is not even a single area where cost accountants cannot be assigned "at par role as accountant" vis-à-vis the chartered accountants. In fact, there are number of areas where cost accountant is more competent to correctly certify and enable better tax compliance/assessment.** Verification of the authenticity of the data filed by the assessee

should be allowed to be certified by any professionally qualified person viz. a chartered accountant or a cost accountant.

Recommendation by the Parliamentary Committee to include Cost Accountants in the definition of 'accountant': On the issue of widening the definition of 'accountant', the Standing Committee on Finance in Para 17.9 of its 49th Report of 15th Lok Sabha, relating to "The Direct Taxes Code Bill, 2010" had said as under:

"The Committee observed that the Ministry's reasoning for non-inclusion of related professionals in the definition of accountant is a very strict construction of the term. In the view of the Committee, the suggested amendment may provide the Small and Medium Enterprises (SMEs) a wider and cost effective scope for selection of professionals and will be an important initiative towards simplified tax compliance regime. The Ministry may therefore re-consider the suggestion to widen the scope of the definition of "accountant"."

Though the DTC was not finally implemented, but the recommendation of the Standing Committee to widen the scope of definition of 'accountant' under the Income Tax Act is still relevant and needs to be reckoned.

Recognition at par under all other Statutes: It is important to note that while all other tax related Central Statutes recognize both cost accountants and chartered accountants absolutely at par; it is only the Income Tax Act that has so far failed to give them equal treatment. **It may be further noted that even the Goods and Services Tax [GST] laws have provided for a fair, equitable and 'at par' treatment to both cost accountants and chartered accountants in all areas relating to audit, certification etc.** Hence, even after 65 years, the reappears no reason to continue with the same age-old definition of the term 'accountant' under the Income Tax Act restricting its meaning to only the 'chartered accountants'. We submit that this may immediately be amended to include the cost accountants as well.

Computation of arm's length price under section 92: It may be noted that in case of computation of arm's length price for transfer pricing, section 92 C has prescribed six methods. Of all these, **three methods viz. cost plus method, profit split method, and transactional net margin method require calculations based on the cost accounting principles. These cases can be best computed and certified by a cost accountant giving ease to the Transfer Pricing Officers** to comfortably accept the APAs. This would not only benefit the Assessee; serve best interest of the Department; and also avoid unnecessary litigation. Unfortunately, here again, the report required to be furnished under section 92E from an accountant [read with Rule 10E & Form 3CEB] means only the 'chartered accountant'. This appears to be blatantly wrong and is neither in the interest of the Department nor the assessee. Therefore, all cases relating to transfer pricing should, at best, be certified and reported upon by the cost accountants.

Tax Audit under Section 44 AB: Section 44AB of the Income Tax Act [introduced in 1984] provides that every person carrying on the business or profession [having gross sales/receipts more than the specified limits] shall get his accounts audited by an accountant, and furnish

by the specified date the report of such audit in the prescribed form duly signed and verified by such accountant and setting forth such particulars as may be prescribed. It further provides that

- in a case where such person is required by or under any other law to get his accounts audited, it shall be sufficient compliance with the provisions of this section if such person gets the accounts of such business or profession audited under such law before the specified date and furnishes by that date the report of the audit as required under such other law; and
- a further report by an accountant in the form prescribed under this section.

It also specifies that for the purposes of this section "accountant" shall have the same meaning as in the Explanation below sub-section (2) of section 288. That means the chartered accountant only.

Rule 6G of the Income Tax Rules provides that the report of audit of accounts under section 44AB shall be in Form No. 3CA for persons who are required to get their accounts audited by or under any other law; and in Form No. 3CB in all other cases. Further, the particulars which are required to be furnished under section 44AB shall be in Form No. 3CD that can be signed by any person authorized to sign either form 3CA or 3CB. **There is no separate form prescribed under the Rules for the 'accountant' to give a further report.**

In this connection, the following issues require your consideration:

- a) Cost Accountants are allowed to undertake financial audit of cooperative societies in certain States [all other States are in the process of amending their laws]. Hence in such cases, they can also do tax audit and certify Form 3CA & 3CD. Then, why they cannot do tax audit in all other cases?
- b) Tax audit is actually not an audit. All figures required to be furnished in Form CD are based on the audit already done by the Financial Auditor. Only requirement is to compute the data as required by the Tax Authorities and certify its correctness. This can be easily done by the Cost Accountant as well who is an equally competent 'accountant'.
- c) In the best interest of the Department, it would be more prudent if the tax audit of an entity is done by an accountant [i.e. by a cost accountant] other than the chartered accountants who has already conducted the financial audit of the same entity.

Recognition of 'Cost Accountant' by US Laws for doing financial audit of US-SEC Listed Companies:

In USA, there is an independent Public Company Accounting Oversight Board [PCAOB] that was created through the Sarbanes-Oxley Act of 2002. The PCAOB oversee the audits of public companies in order to protect investors and the public interest by promoting informative, accurate, and independent audit reports. As per the laid down provisions, any professional accounting/audit firm intending to undertake statutory audit and US-SEC filing & attest functions of U.S. companies or SEC listed companies require registration with PCAOB. This applies to all firms practicing anywhere in the world.

It would be important to note that number of Indian CA firms as well as CMA firms is registered with the PCAOB. It means that the Indian Cost Accountants' firms registered with the PCAOB are permitted to undertake statutory financial audit of all US-SEC listed companies operating anywhere in the world. Given so, it would appear irrational if the same Cost Accountants are not permitted to undertake audit / certification work under the Income Tax Act, 1961.

Rationale for Inclusion of Cost Accountants in the Definition of Accountant:

- a) Institute of Chartered Accountants of India was set up under the Chartered Accountants Act enacted by Parliament in 1949. After 12 years, at the time of enacting the Income Tax Act in 1961, sufficient number of chartered accountants were available in the country. Hence, this Act provided that the term 'accountant' to mean only the chartered accountant.
- b) In India, to supplement the work done by chartered accountants; to perform efficiency analysis with a view to ensure better resource management and better tax compliance [both direct & indirect]; and on the same footing as of Institute of Chartered Accountants of India, the Institute of Cost Accountants of India [erstwhile known as the Institute of Cost & Works Accountants of India] was set up under the Cost and Works Accountants Act enacted by Parliament in 1959. As it takes nearly 3-4 years to pass the final examination, no fully qualified cost accountant was **available in 1961 and hence, they were not included in the meaning of the term 'accountant' assigned under section 288 of the Income Tax Act, 1961.**
- c) Both these Institutes viz. Institute of Chartered Accountants of India and Institute of Cost Accountants of India are members of all international bodies of accountants, viz., International Federation of Accountants (IFAC), Confederation of Asian and Pacific Accountants (CAPA), and South Asian Federation of Accountants (SAFA). Hence, internationally, both are known as 'accountant'. It will not be proper to **accord different treatment or recognition to the members of both these National level Accounting Institutes set-up by the Parliament of India.**
- d) Both the Institutes are represented on all the accounting or auditing standard setting bodies in the country viz. National Advisory Committee on Accounting Standards, Accounting Standards Board, Auditing & Assurance Standards Board, Cost Accounting Standards Board, Cost Auditing & Assurance Standards Board, etc. **Both these qualifications are equally recognized by the Government of India for entry into the Indian Cost Accounts Service** and other senior positions under different organizations. Similarly, both have equal recognition for all middle/ senior level positions in the industry.
- e) **Both these professionally qualified accountants** viz. Cost Accountant and Chartered Accountant **pass through the same course curriculum, pedagogy, and practical training**, so far as it relates to the domain areas of accountancy, direct & indirect taxes, corporate laws, and audit.

- f) It may be observed that, syllabus of Cost Accountancy include full papers on Corporate Laws, Financial Accounting, Direct Taxation, Indirect Taxation, Auditing, and Financial Management wherein the students are tested at an advanced level ['C level] for their knowledge, comprehension, application, analysis, synthesis, and evaluation. Further, before acquiring Associate Membership, they have to undergo 3-years industrial, professional & audit training, which in practical terms is more than the 3-years article-ship training prescribed for the Chartered Accountancy course in India. This means, **a Cost Accountant** possesses complete & in-depth knowledge of direct taxation, skill of doing audit and the experience of accounting, audit and taxation.
- g) Under Regulation 166 of the Chartered Accountants Act, CA Members in practice to engage only in the profession of "accountancy". Similarly, under Regulation 111 of the Cost & Works Accountants Act, CMA Members in practice to engage only in the profession of "accountancy".
- h) Members of both the Institutes viz. the cost accountant and chartered accountant are governed by exactly the same code of conduct and disciplinary mechanism as enshrined in their respective Acts. Both are required to follow the same level of professional ethics in public practice.
- i) There are many Cost Accountants who have authored books on several related subjects including financial accounting, cost accounting, direct & indirect taxation, transfer pricing, auditing, internal audit, cost audit, financial management, business valuation, etc. and many of these are used by the students of chartered accountancy as well. A few of these authors and other CMA members also act as expert faculties with the professional bodies and leading B-schools. Many cost accountants have been members of important Committees of the Government. CMAs also act as tax-advisers to large corporates. In short, **the Cost Accountants are not only highly** skilled but fully equipped to handle special certification & audits functions as envisaged under the Income Tax Act, 1961.
- j) Large number of Central and State Statutes recognize both Cost Accountant and Chartered Accountant absolutely at par in several professional areas of accounting and audit, statutory audit of financial books of account, certification based on examination of financial records, appearance before statutory and quasi-judicial authorities, and recognition under several **provisions of Companies Act, 2013**. It may be noted that both cost accountants and chartered accountants are already recognized at par under the GST Act, Central Excise Act, Customs Act, and Finance Act. It is also important to note that a cost accountant is a professional who has been given the onerous responsibility to attest the fairness/correctness of financial statements, & cost statements, as also to perform audit & certify the tax compliance under several Central and State Acts. It may be noted that Cost Audit Report is used as an important document for tax assessments.

- k) Both the Institutes viz. Institute of Chartered Accountants of India and Institute of Cost Accountants of India, being members of International Federation of Accountants (IFAC), have issued Accounting and Auditing Standards that are binding on the Members in practice. Though all corporate entities follow these standards, but the same are not relevant in the context of audit & certification under the Income Tax Act/Rules. For this purpose, the Department has already issued various Income Computation Disclosure Standards [ICDS] that are binding for any professional performing functions as 'accountant'. On this count, there appears no case for making any distinction among the cost accountants and chartered accountants. It may be relevant to note that these ICDS largely follow the cost accounting principles in determining the admissibility of either revenues or expenses for finalizing the tax assessments. A blatant example lies in inventory valuation.
- l) Globally, the term 'accountant' includes all accountants that are granted professionally qualified degrees by their respective national accounting bodies. Generally, no difference is made amongst them. In India, roots of Income Tax Act, 1961 lies in the original Act enacted during the British period in 1922. Similar legislations were adopted by Pakistan. In UK, the Cost & Management Accountants are recognized as 'accountants' at par with the accountants qualified from other five national Accounting Institutes. In Pakistan & Bangladesh [other two offshoots of erstwhile British India], the Cost Accountants are treated at par as 'accountants' and also as 'auditors' under all Statutes governing corporate law practice and taxation practice. In the current era of globalization and WTO regime, where the accountancy profession is gaining prime recognition all over the world, India should follow the global good practices.

Judgements to support the above:

According to the Wikipedia, the free encyclopaedia, and also the Australian Accountants Directory they are, "a practitioner of accountancy or accounting, which is the measurement, disclosure or provision of assurance about financial information that helps managers, investors, tax authorities and others make decisions about allocating resources **"Therefore, as per the dictionary meaning as well as in the legal parlance, both Cost Accountant and Chartered Accountant are known as "Accountant" as well as "Auditor".** In this context, the following judgments are relevant:

- **Hon'ble Supreme Court upheld the decision of Mumbai High court and held both Cost Accountants and Chartered Accountants as 'Accountant' under section 61 of the Maharashtra Value Added Tax Act, 2002.** Further, both are recognized as 'Accountants' under the VAT Acts of 22 States & UTs of India. [200814STT348,(2008)14VST69Bom]
- **It may be noted that VAT audits are akin to the tax audit.**
- **Hon'ble Karnataka High Court in W.A. No. 31061/2013(CS) has ruled that 'Auditor' does not mean a person holding the degree of Chartered Accountant under section 63 of the Karnataka Co-operative Societies Act, 1959 read with Article 243 ZM of the Constitution of India.**

- Writ Petition Nos. 2026-2031 of 2015 filed by the Karnataka State Chartered Accountants in Karnataka High Court challenging the inclusion of Cost Accountants and Cost Accountant Firms for Statutory Audit of annual accounts of Cooperative Societies was dismissed on 29.03.2016.
- Provisions u/s 44AB [introduced in 1984] read with section 288 of the Income Tax Act were challenged by various associations of Income Tax or Sales Tax Practitioners in different High Courts and later in the Supreme Court. All these Courts held that the tax practitioners cannot be covered under the meaning of the term 'accountant'. **Institute of Cost Accountants of India, being set-up by an Act of Parliament, was never a party in any such case. Hence, there was no view expressed by any Court in India that the Cost Accountants cannot be called as 'accountant' within the meaning assigned under the Income Tax Act, 1961.** We are of the strong opinion that supplementary tax-audit report under section 44AB of the Act signed by the cost accountants can definitely throw significant tax related issues before the Tax Assessment Officer enabling realization of higher tax revenue.
- **On the qualification of "Accountant" under the Income Tax Act 1961,** the Courts said that Audit is a specialized function by independent professional with necessary qualification who should have qualified with specialized subject of accountancy & auditing in the syllabus; and should have sufficient training & skill to do audits. Income Tax audit also involves the compliance of tax provisions in books of accounts & its authenticity that requires superior & special qualifications possessed & recognized by law. Therefore, the Courts held that the qualification of Chartered Accountants has been recognized by law as a professional qualification of accountants whose syllabus has adequate coverage of Accountancy & Audit and the Members are allowed to practice after training & having gathered experience in skills of audit. **Keeping the Court observations in view and comparing the syllabus, pedagogy and training requirements, both Cost Accountants and Chartered Accountants qualify to be an Accountant and an Auditor under the Income Tax Act.**

Keeping in view the judicial pronouncements, there appears no reason of assigning restricted meaning to the term 'accountant' to mean only a chartered accountant under the provisions of Income Tax Act.

Adverse Impact of Monopoly by the Chartered Accountants

It is a well known fact that monopolistic and restrictive practices breed inefficiency, complacency and corruption. Thus, allowing monopoly of all tax audits and various certifications required under the Income Tax Act only to the Chartered Accountants is neither in the best interest of the Department nor it benefits the assessee. In this context, in its Report No. 32 of 2014 (Performance Audit), the Comptroller & Auditor General of India had observed serious flaws in the existing practice of tax audit & certification work performed by the Chartered Accountants under various provisions of Income Tax Act, 1961. This has

resulted in substantial loss of tax revenue to the Government. Few examples of such flaws are:

- In number of cases, serious inadequacies, or inaccuracies were observed in the tax audit reports signed by the chartered accountants.
- Severe distortion in bank loan dispersal is also observed. Examples would be the PNB-Nirav Modi Case or IDBI and Aircel case.
- Similarly, in many cases, inadequate disclosures or omissions were observed.
- In other cases, incomplete or non-committal comments were observed.
- In many cases, chartered accountants who signed the audit reports/certificates were relatives to the assessee or related to the directors of the assessee company.
- Many chartered accountants issued more than the prescribed limit of tax audit reports. The C&AG report contains names of 22 CAs who signed more than 400 tax audit reports for AY 2013-14. One signed 2471 reports and another, 990 reports. This is fraught with serious quality of tax audits.
- In no case, Department took any action against the erring chartered accountants.

It is an accepted dictum that competition brings efficiency. In this context, it may be noted that the Standing Committee on Finance in its Forth-Ninth Report (15th Lok Sabha) had said that the Committee observe that the Ministry's reasoning for non- inclusion of related professionals in the definition of accountant is a very strict construction of the term. In the view of the Committee, the suggested amendment may provide the Small and Medium Enterprises (SMEs) a wider and cost effective scope for selection of professionals and will be an important initiative towards simplified tax compliance regime. The Ministry may therefore re-consider the suggestion to widen the scope of the definition of "accountant".

Therefore, allowing Cost Accountants to also undertake tax audit & certification work under the Income Tax Act will surely bring in healthy competition that would benefit the tax administration system as well as the assessees, especially the MSME assessees.

Cost Accountants as Valuation Experts

A Cost Accountant (CMA) holds the skill to work with all the methods of valuation and importantly a cost accountant can excel in valuation of Business using "Cost Approach". The Institute has also issued Cost Accounting Standard on Capacity determination, Overheads, Cost of Production for Captive Consumption, Material Cost, Employee Cost, Cost of Utilities, Repairs and Maintenance cost, Pollution Control Cost, Depreciation and Amortisation, Interest and Financing Charges, Joint Cost, Royalty and Technical know-how fee, Quality control, Quality control, Manufacturing Cost, Overburden Removal Cost, Treatment of Revenue in Cost Statements. Abidance by the above guidelines would strengthen the accounting basis and evaluation of data would be more competitive.

In today's financial world, equity and business valuation services as a profession have become a commodity. Any and every professional provides these services. It is therefore,

absolutely essential that quality differentials are maintained with absolutely dispassionate and independent involvement in valuation activities, so that the provided valuation of any asset and expert opinion on the same can be relied upon for informed judgement and business decisions.

Cost Accountants on Justification of Expenditure

Cash flow is of utmost importance for administrators at this confusing time in the country; alterations to this cash flow require a stringent level of justification, especially as the dollar amount of the alteration increases. Cost justification is a substantiation of the need for an item of expenditure, with documentary or any other evidence. Business owners or managers may require the person incurring the cost to explain the reasons for doing so, and expect proof that expected returns would exceed the cost. All expenditure of substantial nature, not included in the annual budget requires such cost justification. At times, even items mentioned in the budget may also require a justification to ensure optimal utilization of monetary resources. Cost Accountants with their expertise in Cost Accounting would be capable enough to not only justify the incurrence of cost but also optimise the uses or resources and give a clearer outlook on expenditure decisions.

We are sure the above modification will greatly benefit the Department and CBDT in correctly finalizing the tax assessments and expenditure justification thereby resulting in much higher revenue to the Government. This view was fully supported by the Standing Committee on Finance. The expertise of Cost Accountants and use of cost management techniques in valuation of inventory and Input/ Output analysis will ensure protection of revenue.

Recent Inclusions of Cost Accountants in different work areas by the Government

The Institute has put forward various Representations to the Government, which has been accepted and implemented like-wise. Such areas of inclusions have been enumerated below and consideration of many such representations are under process and review by the different departments of the Government.

- **Under Tax Return Preparer (Amendment) Scheme, 2018, the request to amend the name of the Institute in the Scheme has been implemented**
- **Inclusion of Cost Accountants for providing Certification for GST liability on Existing Works Contracts under, Ministry of Railways, Government of India**
- **Inclusion of Cost Accountants for undertakings/submission of Certificates to the exporters to overcome the problem of refund blockage and post audit scrutiny under Department of Revenue, Ministry of Finance, Government of India**

In light of the above submission, if considered necessary, **please give us an opportunity to place before you the above in person through a slide presentation at your convenient date and time.** We are eagerly looking forward to your confirmation for a suitable date. For this act, the entire CMA profession would be indebted to you.

Thanking you.

Yours Sincerely,



CMA Amit A. Apte



Copy to:

- ✓ 1. Shri Shiv Pratap Shukla, Hon'ble Union Minister of State, Ministry of Finance.
2. Shri Pon. Radhakrishnan, Hon'ble Union Minister of State, Ministry of Finance.
- ✓ 3. Dr. Hasmukh Adhia, Secretary to the Government of India, Department of Revenue, Ministry of Finance.
- ✓ 4. Shri Sushil Chandra, Chairman, Central Board of Direct Taxes, Department of Revenue, Ministry of Finance.

