E-NEWSLETTER OF THE GUWAHATI BRANCH OF EIRC OF ICAI

guwahati@icai

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CHAIRMAN'S PAGE

Dear Valued Reader,

One of the issues agitating all of us these days is expansion of opportunities for the accounting profession especially in view of the growing membership of the Institute. So far, we have enjoyed a monopoly position in respect of certain areas of work, for example, the audit of financial statements. The easy way out to seek and expand opportunities would be to advocate for continuation of this monopoly position. I believe this will be a slip-up. Rather, the profession needs to identify emerging opportunities in the market place and develop the skill needed to exploit them. There are plenty of exciting opportunities awaiting a fresh chartered accountant. While each career stream provide growth prospective, a careful selection of career stream is important for meeting long terms goals and needs.

Companies Bill, 2011 has been approved by Lok Sabha on 18th of December 2012 and I am hopeful that the same will be approved by Rajya Sabha and will receive President's consent very soon.

During last 3 months we organised various programs for members and students. A full day seminar on the topic" Financial Report Review" was organised on 6th of October and another full day "IT workshop" on 13th October. Two Days workshop on "Service Tax" was also organised on 21 & 22nd November 2012. The Guwahati Branch of EICASA organised a very successful *Youth Festival* at Guwahati, maiden venture for CA students in North East. During the period 2 Industrial Visits, 2 career counseling programs, study circle meets, One day seminar and Dandiya to celebrate Navratra Festival were also organised for the students.

Construction of the branch auditorium is almost over. The inauguration is fixed at 2pm on 19th January 2012. Hon'ble President

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FORTHCOMING CPE PROGRAM

On 29th December 2012
at Hotel Rajmahal, Guwahati
Time– 4pm to 7pm
CPE Credit– 3hrs

Topic– **STRESS FREE LIFE**

Guest Speakers:
Rajyogini B. K. Sheela, Guwahati
Rajyogini B. K. Sreyashi, Kolkata
Rajyogini B. K. Maushumi, Guwahati

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BRANCH ACTIVITIES









CPE PROGRAMS

- A Full day 6 CPE hr. Workshop on "**Training Programme for Technical Reviewers"** was organised at Hotel Raj Mahal under the aegis of Financial Reporting Review Board of The Institute of Chartered Accountants of India on 6th October 2012 . The speakers at the workshop were: CA. Tanmoy Das Mahapatra, Director, Deloitte Haskins & Sells, CA. (Dr.) Debashis Mitra, Past EIRC Chairman, CA. Purshottam Gaggar, Member, Auditing & Assurance Standards Board, ICAI and CA. Arijit Chakraborty, Kolkata.

- A Full day 6 CPE hr. **"I T Workshop"** was organised at Hotel Raj Mahal under the aegis of Committee on Information Technology of The Institute of Chartered Accountants of India on 13th October 2012. Faculties includes CA. Babu Jayendran, CA. Anand P. Jangid and CA. R. Jaikumar.

- A Two day 12 CPE hr. Workshop on "**Enabling Service Tax Practice "** was organised at Hotel Raj Mahal under the aegis of Indirect Tax Committee of The Institute of Chartered Accountants of India on 21st & 22nd November 2012. Additional Commissioner of Central Excise and Service Tax, Guwahati Sri V N Thete was the Chief guest. The speakers at the workshop were: CA. Sushil Kumar Goyal, Past EIRC Chairman; CA. Rohit Kumar Agarwala, CA. Shivani Shah, CA. Arun Kumar Agarwala, CA. Bikash Kumar Agarwala, Past Branch Chairman and CA. Anil Kumar Agarwala, Past Branch Chairman. The Workshop was attended by more than 130 members.

- Arrangements were made at the Branch for viewing the Two-CPE hour Teleconferences held on:
  - –5th October 2012 on the topic ***Standards of Auditing 700, 705 & 706***
  - –17th October 2012 on the topic ***FDI Policy - Boost for economy, importance, Role of CA***
  - –31st October 2012 on the topic ***Service Tax - Negative List***
  - –16th November 2012 on the topic ***XBRL***
  - –23rd November 2012 on the topic ***Point of Taxation - Reverse Charge***
  - –5th December 2012 on the topic ***Foreign Contribution Regulation Act, 2010***
  - –21st December 2012 on the topic ***Role and key aspects of IT in Internal Audit***

Cost Inflation Index

For Financial Year 2012-13 Assessment Year 2013-14 :

852

ISA PT CLASSES

ISA PT Classes were held at Branch Premises from 5th October to 16th October 2012 with 71 members.

CRICKET TOURNAMENT

A Cricket Tournament was organised on 1st & 2nd December 2012 at Gauhati University Field, Jalukabri, Guwahati. All together three Members' team and four Students' team participated in the event. In the Finals the CA Members' team defeated the CA Students' team and won the tournament . CA. Samikhya Das was declared the Man of the Tournament.

Chapter Programs

- A CPE Seminar with 3 CPE hours credit was held on 27.10.2012 at Hotel Aroma Residency, Tinsukia on the topic "Direct Tax and Accounting Standards- Challenges and Opportunities". CA Manish Agarwal and CA Shashi Bhushan Goel were the speakers for the seminar.
- 6 CPE hour seminar on Direct Taxes was organised at Hotel Aroma Residency, Tinsukia on 15/12/2012. CA Prasenjit Roy, Naharkatia and CA Sanjay Mody, Guwahati were the speakers on subjects Draft Tax Accounting Standards and Survey related provisions in IT Act,1961 respectively.

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FOR INFORMATION OF MEMBERS

NEW WEBSITES OF INCOME TAX DEPARTMENT

NEW EFILING SITE

https://incometaxindiaefiling.gov.in

The Income Tax Department has launched a new website with many new features.

The main and important change is **Option to Register as Tax Professional** - Chartered Accountant with Digital Signature. This registration has been provided with an option to upload Audit Forms for which Excel Utilities has been provided. These can be downloaded from Download Section --> Other Forms and contains Form 3CA-3CD, Form 3CB-3CD, Form 3CEB and Form 29B.

The Assessee has a option to add any professional as his CA. The CA can then upload his returns, view returns filed and status of the same with his login details. When a return is filed by CA, it will be forwarded to the Assessee under the option work list for his approval or rejection. Upon approval only e-filing is completed.

After Assessee's Login, the Main options are -

Dashboard which contains two options viz. To view Returns and Forms. List of Returns submitted showing major information relating to that return such as Assessment Year, PAN, Date of Filing ITR / Form Name - You can click on the ITR / Form Name to get the copy of the ITR / Form filled in PDF format. It is password protected which can be opened with PAN in small letters followed by Date of Birth / Incorporation in DDMMYYYY format to be typed continuously. ITR Type such as Original or Revised Acknowledgment No. - You can click on the Acknowledgment Number to get the copy of the same. It is password protected which can be opened with PAN in small letters followed by Date of Birth / Incorporation in DDMMYYYY format to be typed continuously.

XML file - You can click on the link to view the XML file in Browser.

Status - Display the status of the Return filed.

To view Notifications - Information regarding the various activities carried out on the website.

Services which displays various options under one head viz.

View Form 26AS - Enter Date of Birth and Select Assessment Year and Submit

View Your Returns / Forms - Same which is shown under Dashboard option above.

View Demand / Refund Status - Select the Assessment Year and Submit

Make Refund Re-issue Request - Select Assessment Year, Enter CPC Communication Reference Number, Refund Sequence Number as per CPC Order and Date of Birth and Submit

Rectification Request - Select Assessment Year, Enter CPC Communication Reference Number and Latest CPC Order Date and Submit

Rectification Status - Select Assessment Year and Submit

Request for Intimation - Select Assessment Year, Type of Order viz. Rectification Order or Intimation u/s 143(1) and then select mode of sending it viz. print to ITR address, print to PAN address, print to New Address or on email. If you select the new address, new address need to be entered.

Register you as Legal Heir of another person - Submit the details of deceased Assessee viz. PAN, Date of Birth, First Name, Middle Name and Last Name and upload the Death Certificate and PAN copy etc. in ZIP format.

Add CA - Enter the Details of CA such as Membership No, Name, Audit Form No and Assessment Year. Thus needs to be done for every assessment year which enables CA to upload the Return on behalf of the Assessee and view the forms filed and the status thereof.

View List of CA - You can view the CA added by you for Assessment Years using the above option.

View Outstanding Tax Demands - Select the Assessment Year and Submit. Options upto Assessment Year 2008-09 only provided

E-File main option which gives options to upload the return similar to earlier, NEW options of Prepare and Submit Online of Return Form ITR-1 and option to upload the return in response to notice u/s 139 (9).

Download option gives option to download the return forms and a NEW option to download the pre-filled XML for AY 2012-13

Profile Settings option contains similar options like earlier regarding Change Password, Change Secret Question and Answer, Update Contact Details, Register Digital Signature, Opt for Higher Security - if enabled need to login only with Digital Signature for more safety.View Profile, View PAN Details

NEW - Subscribe for Mailing List, Enable Alerts, Reminders and Notifications

New Worklist Option provided which shows the returns uploaded by CA on behalf of Assessee for approval or rejection in Assessee login and if rejected it is shown under this option in CA login for correction.

New **Grievance** Option consisting of two options viz submit Request and view Request List with Status.

NEW TDS SITE

https://www.tdscpc.gov.in/

TRACES is a web-based application of the Income Tax Department that provides an interface to all stakeholders associated with TDS administration. It enables viewing of challan status, downloading of NSDL Conso File, Justification Report and Form 16 / 16A as well as viewing of annual tax credit statements (Form 26AS).

Highlights of the Portal

⇒ Download NSDL Conso File

⇒ Download Justification Report

⇒ View / Download Form 26AS

⇒ Download Form 16 / 16A

⇒ View Challan Status

⇒ Manage Profile

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FOR INFORMATION OF MEMBERS & STUDENTS

Cheque Truncation System (CTS)

What is Cheque Truncation?
Truncation is the process of stopping the flow of the physical cheque issued by a drawer at some point with the presenting bank en-route to the drawee bank branch. In its place an electronic image of the cheque is transmitted to the drawee branch by the clearing house, along with relevant information like data on the MICR band, date of presentation, presenting bank, etc. Cheque truncation thus obviates the need to move the physical instruments across branches, other than in exceptional circumstances for clearing purposes. This effectively eliminates the associated cost of movement of the physical cheques, reduces the time required for their collection and brings elegance to the entire activity of cheque processing.

Is it possible to briefly explain the entire process flow in CTS?
Yes. In CTS, the presenting bank (or its branch) captures the data (on the MICR band) and the images of a cheque using their Capture System (comprising of a scanner, core banking or other application) which is internal to them, and have to meet the specifications and standards prescribed for data and images.
To ensure security, safety and non-repudiation of data / images, end-to-end Public Key Infrastructure (PKI) has been implemented in CTS. As part of the requirement, the collecting bank (presenting bank) sends the data and captured images duly signed and encrypted to the central processing location (Clearing House) for onward transmission to the paying bank (destination or drawee bank). For the purpose of participation the presenting and drawee banks are provided with an interface / gateway called the Clearing House Interface (CHI) that enables them to connect and transmit data and images in a secure and safe manner to the Clearing House (CH).

The Clearing House processes the data, arrives at the settlement figure and routes the images and requisite data to the drawee banks. This is called the presentation clearing. The drawee banks through their CHIs receive the images and data from the Clearing House for payment processing. The drawee CHIs also generate the return file for unpaid instruments, if any. The return file / data sent by the drawee banks are processed by the Clearing House in the return clearing session in the same way as presentation clearing and return data is provided to the presenting banks for processing. The clearing cycle is treated as complete once the presentation clearing and the associated return clearing sessions are successfully processed. The entire essence of CTS technology lies in the use of images of cheques (instead of the physical cheques) for payment processing.

What are the benefits of CTS to customers of banks?
The benefits from CTS could be summarized as follows –

- Shorter clearing cycle
- Superior verification and reconciliation process
- No geographical restrictions as to jurisdiction
- Operational efficiency for banks and customers alike Reduction in operational risk and risks associated with paper clearing.

What is the prescription relating to alterations / corrections on cheque forms ?
The prescription on prohibiting alterations / corrections on cheques has been introduced to curtail cheque frauds on account of alterations in the various fields of cheques and to give protection to customers as well as banks. No changes / corrections can be carried out on the cheques (other than for date validation purposes, if required). For any change in the payee's name, courtesy amount (amount in figures) or legal amount (amount in words), fresh cheque leaves should be used by customers. This would help banks in identifying and controlling fraudulent alterations. This prohibition is applicable to cheques cleared under the image based Cheque Truncation System (CTS) only and is effective from December 1, 2010. It is not applicable to cheques cleared under other clearing arrangements for the present.

Whether the Cheque Truncation System has legal sanction?
With amendments in the Sections 6 and 1(4), coupled with the introduction of 81 A to the Negotiable Instruments Act, 1881, truncation of cheques is now legalized.

January 2013

Mon	Tue	Wed	Thu	Fri	Sat	Sun
	New Year Day	2	3	4	5	6
7	8	9	10	11	12	13
Sankranti	15	16	17	18	Auditorium Inauguration	20
21	22	Netaji B'day	24	25	Republic Day	27
28	29	30	31			

OBITUARY

DOB-14/11/1954

CA. Binod Kanoi of Dibrugarh left us for his heavenly abode on 9th December 2012 at Jaipur. Our heartfelt condolences to the bereaved family. May his soul rest in eternal peace.

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STUDENTS' CORNER

EICASA Guwahati Activities

DANDIYA-The Guwahati Branch of EICASA celebrated the Navratra festival by organizing a DANDIYA programme on 21st October 2012 for CA students, members & their spouses. The programme saw enthusiastic

participation from large numbers of members and students, where CA. Naveen Garg & CA. Vidya Garg were the guest of honour. Various prizes were distributed among those present.

Orientation/GMCS-Twenty First batches of the Orientation Classes for the year with 47 students began from 19th to 25th November 2012. A batch og GMCS was completed during the period 2nd December 2012 to 16th December 2012.

Industrial Visit of CA students was held on 25th November 2012 at Purbanchal Cements Ltd, Kamrup, Assam, which manufactures leading brand "Surya Gold" cement. A team of 21 students was led by Branch Chairman CA. Naveen Garg and EICASA Guwahati Chairman CA Bikash Agarwala. Another Industrial visit was held on 1st December 2012 at Manjushree Plastics ltd, Guwahati.

Career Counseling program - First one organised at Faculty Higher Secondary School, Guwahati, on 23rd November 2012. More than 100 student Participated in the Programme. Second one was organised at K C Das Commerce College, Guwahati, on 27th November 2012. CA. Kamal Mour presented before the prospective students facts & figures relating to the CA Course & highlighted many important issues regarding the Course. More than 240 student Participate in the Programme.

Study circle meet on the topic "TDS Return filing" on 18th November 2012 by CA. Vikash K Jain. Altogether 65 student attended the programme.

One Day Seminar– A full day seminar was organised on 6th of December 2012. at Branch Premises. Speaker at the seminar were CA. Anil Kumar Rai, CA. Pravin Chajjer, CA. Binit todi & CA. arijit Chakroborty.

Youth Festival– For the first time in North East a youth festival was organised for CA

students. Various competitions which includes Musical Quiz, Extempore Speech,

Puzzle Quiz, Singing were organised on Sunday 16th December 2012 at Lion eye Hospital Auditorium. Guwahati Branch Chairman CA. Naveen Garg inaugurated the event in presence of EICASA Guwahati Chairman CA. Bikash Agarwala and other Managing Committee members of the branch. The winner are-

Musical Quiz– Anuradha Agarwal and Sahil Agarwal
Extempore Speech– Pragalbh Agarwal
Puzzle Quiz– Gaurav More and Sanjay Agarwal

IMPORTANT NOTICE FOR ADMISSION IN ORIENTATION AND ITT COURSE FOR IIPC (DIRECT ADMISSION) STUDENTS.

Students who have taken admission in IIPC (direct admission scheme) kindly go through the guidelines given below for taking admission in orientation & 100 hours IT training as a pre-requisite for joining articleship.

As per ICAI guidelines- Students joined IIPC (direct admission scheme) &

- Appearing IPCC Exam in May 2013: has to complete their Orientation & ITT course by 31/03/13 (i.e. those students who have commenced articled training on or before 30th September, 2012 based on their Graduation / Post-graduation results).
- Appearing IPCC Exam in November, 2013: - has to complete their orientation & ITT course within 31/01/13 (i.e. those students who have to commence articled training on or before 31st January, 2013 being exempted Graduates/ Post-graduates registered in IIPC).
- Appearing IPCC Exam in May, 2013 or Nov, 2013 as students enrolled in IIPC being Inter-Costing & Inter-CS qualified student have to undergo ITT & Orientation Course before joining article-ship (i.e. may be before or after IIPC examination).
- Are registered provisionally in IIPC being in Final year of Graduation, may undergo ITT & Orientation Course before declaration of their Final Graduation result, so that articled training can commence immediately thereafter.

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STUDENTS' CORNER

STUDENT'S SERVICES-CONTACT DETAILS

In keeping with ICAI goal to provide efficient services to CA students, BOS have compiled the contact details of ICAI Officials dealing with students matters in the respective departments. Students are requested to contact the concerned officers/departments depending upon the nature of their query. Generally, in respect of all administrative matters relating to registration, articles training etc., students are advised to contact with Regional office under which they have been registered. All queries relating to examination matters be referred to appropriate level in the Examination Department. All academic and specified matters be referred to the Board of Studies. Contact details of Easter Region Office are as follows-

EASTERN REGIONAL OFFICE- ICAI Bhawan, 7, Anandilal Poddar Sarani (Russell Street), Kolkata - 700 071. Phone: 033-39893989; e-mail: ero@icai.org . Overall In-charge - CA. Atis Basu, Sr. Deputy Secretary, (Tel. No. 033-30211102; 9331791596) email: abasu@icai.in

Activity	Name of dealing Official	Designation	Tel. No. (Std Code –033)	Alternate No. (Std Code –033)	E-mail ID
In-charge of Board of Studies, Article Fees/Student Fees	Mr. S. Bardhan	Deputy Director	30211127	9332561250	sbardhan@icai.in
Final Registration & Matters related to ITT	Mr. B. K. Dasgupta	Assistant Secretary	30211121	3021 1120 30211123 (For ITT)	erocct@icai.in
Issuance of Study Material	Mr. P. K. Dasgupta	Assistant Secretary	30211120	3021 1121	eroelig@icai.in
CPT & IPCC Registration	Mr. A. K. Santra	Sr. Executive Officer	30211122	3021 1123	eroexam@icai.in
Student Counsellor	Ms. Susmita Sen	Student Counsellor	30211123	3021 1127	erobos@icai.in
Articles Registration	Mr. Utpal Basu	Assistant Secretary	30211113 30211112	3021 1108	utpal.basu@icai.in eroreg@icai.in
Articles Re-registration , Articles Termination, Transfer of Article, Supplementary Registration, Industrial Training Registration	Mr. Manabendra Chowdhury	Assistant Secretary	30211112 30211115	3021 1108 3021 1113	eroterm@icai.in
Permission to Study other Courses, Articles completion	Ms. Sutapa Das	Section Officer (SU)	30211107 30211114	3021 1108 30211112	erocompl@icai.in
In-charge of Articles	Dr. Alok Kumar Ray	Sr. Deputy Secretary	30211108	9330001192	alokray@icai.in
GMCS / Orientation Programme	Mr. A. K. Santra	Sr. Executive Officer	Sr. Executive Officer	30211123	eroexam@icai.in
Sale Counter	Mr A. N. Bhaduri	Assistant Secretary	30211101	30211147	psc_ero@icai.in
Monitoring & Co-ordination - Members Students Services (M&C MSS)					
Disputes and grievances related to Students	Mr. Shivam Kumar	Joint Secretary	011- 30110535		shivam@icai.in
Condonation Cases	Ms. Suman Arora	Assistant Secretary	011- 30110426		msr@icai.in
S. Vaidyanath Aiyar Memorial Fund (SVAMF), Chartered Accountants' Students Benevolent Fund (CASBF)	Mr. Bhushan Sood	Assistant Secretary	011- 30110553		cabf@icai.in
Permission for Transfer/ Termination of Articles	Ms. Monika Gupta	Sr. Executive Officer	011- 30110426		monika.gupta@icai.in
Verification of status of students Enquiry	Mr. Dinesh Mishra	Executive Officer	011- 30110426		dinesh.mishra@icai.in

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REVERSE CHARGE MECHANISM ON WORKS CONTRACT SERVICE

— CA. Priyanka Maheswari

In the new regime of Service Tax, Works Contract Services has also been brought under the net of taxation as a *Declared Service*. Under the Reverse Charge Mechanism (RCM), the service tax payable on a Works Contract Service is to be divided equally between the service provider (i.e. the contractor) and the service receiver (i.e. the contractee). Therefore, a 50-50 charge has been levied. Of course, certain abatements have been prescribed that we shall discuss in paragraphs to come. For now, let us define Works Contract Service.

What is Works Contract Service?

Works Contract Service has inter alia been defined to mean a contract wherein ***transfer of property*** in goods which is **leviable to tax as sale of goods** is involved in the execution of contract and such contract is for the purpose of carrying out construction, erection, commissioning, installation, completion, fitting out, repair, maintenance, renovation, alteration of any **immovable or movable property**. Thus it means that the contract should involve both material and labour and a transfer in property of goods is a pre requisite to fall under this category. For example, if a company has given a contract of general cleaning to a contractor in which the materials required for cleaning like floor cleanser, soaps, etc are to be provided by that contractor only, this contract does not fall under works contract service as there is no transfer in property of goods. The floor cleanser, soaps etc are consumables required for the purpose of cleaning whose existence cease after the work is done. Similarly, if a mechanic repairs some pipe and brings his own welding machine to repair, the contract would not attract service tax as no property has been passed on due to the action of welding. However, if the contract specifies that some new pipes would be brought in and welded together, in that case, property in goods have been passed on in the form of pipes and thus, this contract would come under the ambit of Service Tax under RCM.

Valuation

Now, that we are clear what a works contract service means, let's move on towards its valuation. There are two methods prescribed. The assessee can choose any one of them:

i) The contractor can charge service tax on the net value arrived after deducting the value of goods from the total contract value. But in this case, supporting documents in the form of bills, etc should be available to substantiate the value of good so deducted. For example, A contract is of total value of Rs. 100000. The contractor has used the materials worth of Rs. 80000 for which all bills, invoices are available. In such a scenario, the contractor can charge service tax on Rs. 20000 @ 12.36% = Rs. 2472 Out of which Rs. 1236 shall be deposited by the contractor and the remaining Rs. 1236 shall be deposited by the contractee to the credit of the government treasury.

ii) If, the contractor is not in a position to bifurcate the material value, the law has specified certain abatements that can be availed. The percentage value of the contract on which service tax is payable after abatement is given in the table below:

Sl no	Description	% of contract value
1.	Original Work Contract not including value of land	40%
2.	Original Work Contract including value of land	25%
3.	Maintenance / repairs/ reconditioning/ restoration jobs/ servicing of any goods	70%
4.	Other Work Contracts including maintenance , repair, completion and finishing services such as glazing, plastering, floor and wall tiling, installation of electrical fittings of an immovable property	60%

Original Work Contract means any new work that is been done. For example a new building that is being constructed. If the value of the land is not included the abatement available is 60% and if the value is included abatement available is 75%. Thus only on the balance amount, service tax becomes due.

Any works contract including maintenance, repair, completion and finishing services such as glazing, plastering, floor and wall tiling, installation of electrical fittings of an **immovable property** attracts 40% abatement. Any such work conducted on other **goods** has been given 30% abatement.

For, example flooring, tiling, repairs etc are being done of an apartment not being an original work and a contract has been awarded of Rs. 100000 for the same. Since materials are to be provided by the contractor, the work comes under the purview of works contract. Since, the repair, flooring etc are being done for an immovable property this work contract service falls under category (4) of the above table. Thus the abatement allowed is 40% and service tax shall be payable on 60% of the value.

Value on which service tax is to be paid = Rs. 100000*60% = Rs. 60000

Service Tax = Rs. 60000*12.36% = Rs. 7416 of which Rs 3708 is to be deposited by the contractor and Rs. 3708 is to be deposited by contractee.

Points to be Noted

The contractor has to show on the invoice issued by him only the amount that he is liable to pay. In the above example, the invoice will show Rs. 3708 (divided in Basic amount, Education Cess and SHE Cess) only.

If the contractor is a petty vendor and is not liable to charge and pay service tax, even then the contractee has to pay his portion of the tax to the government treasury.

Under Reverse charge, date of payment is the basis for determination of point of taxation. However, if the bill is dated prior to 01.07.2012 (the date from which RCM became applicable), the contractee is not liable for any service tax payment under reverse charge even if the payment to the vendor has been made post 01.07.2012. Service tax under such a scenario shall be the sole responsibility of the contractor.

The method of computation of service tax can be independent under RCM, meaning that the contractor can opt for option 1 while the contractee is free to opt for option 2 and vice-versa.

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ARTICLES

CORPORATE GOVERNANCE, TRANSPARENCY AND "THE BHAGAVAD-GITA"

—**CA. Bijoy Kumar Agarwala**
B.Com (Hons.), AIII, ACS, ACMA, FCA, DISA (ICAI).

Corporate Governance (CG) has assumed greater limelight with the series of corporate failings, following which the markets, investors and society at large have begun to loose faith in the infallibility of these systems. Nowadays, the conduct of those who take care of 'public' money is being questioned since they are being tested on 'ethical' standards. We have advocated an application of 'Dharma', as stipulated in ancient Indian 'Shastras', to improve CG. Progressive firms in India have voluntarily put in place systems of good CG and are applying some of the ethical values derived from Shashtras.

The term 'governance' has been derived from the word '*gubernare*', which means "to rule or steer". Originally, it meant to be a normative framework for the exercise of power and acceptance of accountability thereof in the running of kingdoms, regions and towns. Governance is the general exercise of authority, and the process by which a society or an organization 'steers' itself. However, over the years it has found significant relevance in the corporate world on account of growing number and size of corporations, the widening base of their shareholders, increased linkages with the physical environment, and overall impact on the society's well-being.

Corporate Governance is about commitment to values, ethical business conduct, transparency, and makes a distinction between personal and corporate funds in the management of a company. Good Corporate Governance and ethical business practices are no longer optional niceties—they are gradually becoming part of the laws. Undoubtedly, having a "Code of Ethics" is considered to be good for improving Corporate Governance. Each company, in fact, needs to develop its own unique code of ethics, based on the 'core' values of the business.The concept of ethical values got crystallized in the *Hindu* thinking in the form of *Dharma* from ancient times.For example, *The Bhagavad-Gita* says that it is better to die rather than give up one's own *dharma*: *"Swadharme nidhan shreya para dharma bhayapaha."* In the context of today's 'knowledge' economy and the world which has become a "global' village," so far as business is concerned, what are the ethical values that are worth observing? In business, undoubtedly the value of "honesty" and "trust" are the most important one. In fact, the world is rediscovering these two values, once again, thanks to globalization. Management teams of 'excellent' corporations are using their financial, physical and human resources to get the best results in terms of productivity, profitability, market capitalization, etc. Good Corporate Governance would mean keeping in view a sound and feasible 'ethical' framework before taking business decisions. In good Corporate Governance ultimately the focus is on both "accountability and transparency". Once the corporate system becomes transparent, accountability can readily be fixed because responsibility for decisions and action taken are known. Realizing the need for "good" governance, corporations from all over the globe must attempt to evolve gradually from the traditional "compliance" approach to a "conscience" one. Ethical practices and issues are complex and no universal model can be prescribed. It should be clearly noted at the outset that the notion of having "one-size fits all" type of universal Corporate Governance code is not only inappropriate but undesirable also. It is unwise to borrow entirely from one system to the exclusion of others. Regulators should consider which system offers the most effective standards or rule to resolve specific CG problems."

As per Indian *Shastras,* "improvement in the quality of governance can improve only if each and every individual starts culturing human values in the inner world of himself. Search for effectiveness by culturing human values is a journey within the individual, within the self."

The Indian *Vedas* had stated long back, how to do it with the help of an example: "A business should benefit from business like a honey bee, which suckles honey from the flower without affecting its charm and beauty," thereby indicating that adopting ethical values and principles are the only solutions to prosperity and welfare. Governance is concerned with creating a system of checks and balances regarding decision-making rights within a company. The separation of ownership (the shareholder) and control (the management) in corporate enterprises brings about agency problems in which management may take actions that compromise the interests of its shareholders. Some of the oldest sacred texts of Hinduism, the Vedas and the Upanishads, can help in scripting an ideal corporate governance philosophy. "The management should be 'saatvik', meaning balanced and orderly. They should take care of their customers and business partners, besides their employees. That is the backbone of any sound corporate governance model,"

Bhagavad-Gita is a primer of management - by-values.

Utilization of available resources

The first lesson of management science is to choose wisely and utilize scarce resources optimally. During the curtain raiser before the Mahabharata War, Duryodhana chose Sri Krishna's large army for his help while Arjuna selected Sri Krishna's wisdom for his support. This episode gives us a clue as to the nature of the effective manager - the former chose numbers, the latter, wisdom.

Attitudes towards work

What the Gita tells us is to develop the visionary perspective in the work we do. It tells us to develop a sense of larger vision in our work for the common good.

Work commitment

A popular verse of the Gita advises "detachment" from the fruits or results of actions performed in the course of one's duty. Being dedicated to work has to mean "working for the sake of work, generating excellence for its own sake. Working only with an eye to the anticipated benefits, means that the quality of performance of the current job or duty suffers -through mental agitation of anxiety for the future. In fact, the way the world works means that events do not always respond positively to our calculations and hence expected fruits may not always be forthcoming. So, the Gita tells us not to mortgage present commitment to an uncertain future.

Motivation – self and self-transcendence

It has been presumed for many years that satisfying lower order needs of workers - adequate food, clothing and shelter, etc. are key factors in motivation. However, it

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Ya Esu Suptesu Jagrati

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Chairman's page contd..

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of ICAI CA. Jaydeep Narendra Shah and Hon'ble Vice President of ICAI have given their consent to inaugurate the auditorium.

This being the last year of the current Managing Committee of the Guwahati Branch (elected for the period 2010-2013), election for the period 2013-2016 shall be held in January 2013. All details in this regard will be mailed to all the members in due course.

I appeal to the members of the profession to participate actively in publishing our newsletter. If you have any ideas in this regard, please do write to us. Please also contribute articles for the newsletter.

For professional, the Christmas-New Year is a family time. Yes, the Festive Season is a change of pace, but usually it involves speeding-up, not slowing down. I wish you all Merry Christmas and a Happy New Year.

With Warm Regards

CA. Naveen Garg
Chairman

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is common experience that the dissatisfaction of the clerk and of the Director is identical - only their scales and composition vary. It should be true that—

once the lower-order needs are more than satisfied, the Director should have little problem in optimizing his contribution to the organisation and society. On the contrary, a lowly paid school teacher, or a self-employed artisan, may well demonstrate higher levels of self-actualization despite poorer satisfaction of their lower-order needs. This situation is explained by the theory of self-transcendence propounded in the Gita. Self-transcendence involves renouncing egoism, putting others before oneself, emphasizing team work, dignity, co-operation, harmony and trust – and, indeed potentially sacrificing lower needs for higher goals, the opposite of Maslow.

Conclusion

Leaders must derive spiritual nourishment by having faith in a higher authority. They must realize that success can be achieved by engaging in meditation, practicing sacrifice and self-less giving and adopting a mindset that is open to hard and smart work. Krishna defined Dharma as anything that brought about the good of the individual and society. Work must be done with devotion. Every act must be done as a service to him. It is the ego that spoils work and the ego is the centre piece of most theories of motivation. We need not merely a theory of motivation but a theory of inspiration. Management needs those who practice what they preach and leadership becomes effective.

(The author is a member of the Institute. He can be reached at *bijoy_garg@yahoo.co.in*)

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