

ICAI opposes conditions for tax waiver to LLPs

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Finance Minister Pranab Mukherjee's Budget announcement to exempt companies moving towards a limited liability partnership (LLP) from capital gains tax may not cut much ice as long as the exemption remains conditional.

The government proposal is to make this concession available to companies which retain 51 per cent of its partners while converting their companies into LLP.

According to Institute of Chartered Accountants of India (ICAI) president Amarjit Chopra, the major attraction of LLP is its flexible nature, where partners can come and go while the company stays.

"If 51 per cent people have to be there to qualify for capital gain tax exemption, the very purpose of LLP will be

defeated," Chopra said.

In a press conference here today, Chopra said ICAI would take up the issue with the government through its post-Budget representation.

The profession of chartered accountancy (CA) is expected to be one of the major beneficiaries of LLP as it will allow CA firms to grow in size by enrolling unlimited number of partners by incorporating LLP firms.

IFRS convergence

Chopra also hinted that ICAI would be ready with its new accounting standards that converge with International Financial Reporting Standards (IFRS) in three months. On the International Accounting Standards Board stipulation that the shift into IFRS convergent standards should happen retrospectively, Chopra said the current company law did not allow such a change.