

Morison Menon News

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BUILDING BETTER BUSINESSES - GLOBALLY



Khalid Al Shams, CEO - Morison Menon, His Excellency **Datuk Seri Mohd Najib Tun Razak**, Prime Minister of Malaysia, Mr. **Abdul Hakim Asmaun**, President of Malaysia Business Council - Dubai, Mr. **Robert Ho CL**, Assistant Vice President, Associated Concrete Products-Dubai on the occasion of **Hari Raya Aidil Fitri** (Eid) celebration organised by the Malaysian Business Council, UAE.



Adam Gilchrist visits Morison Menon - Adam Gilchrist, Australian Cricketer with **Sudhir Kumar**, Partner & Head-Corporate Communications, **Pushpakaran Parambath**, Head-Incorporations and **Parthasarathy**, General Manager of Morison Menon after an Investment Promotion meeting for the New South Wales Australia Government.

EDITOR'S NOTE

Based on feedback we received from our readers in the beginning of the year we have been making conscious efforts to include cross border writers for Morison Menon News and am happy to share some success in that effort. The current issue looks at Singapore as a hub for cross border listing. Paul Wan from Morison International provides his insight into why foreign companies especially from China, Hong Kong, Vietnam and Thailand are looking at Singapore as good option for listing their companies in either the Mainboard or Catalist exchange.

When we started Morison Menon in 1994, one vital need that I felt missing was a formal support process in Dubai that helped budding entrepreneurs. Dubai has come a long way since then. The present day youth in UAE are pampered a lot with tremendous support from the government both at macro and micro level to incubate and support their startup ventures. Our guest writer from Dubai Airport Free Zone Authority (DAFZA) takes our readers through the activities of Dubai Enterprise Centre - a Business Incubation Centre, promoted by DAFZA that focuses on promoting entrepreneurship amongst people living in Dubai, by acting as one stop shop for budding entrepreneurs.

We continue from our previous issue the aspects on 'Environmental Accounting' that are fast catching up in the industry.

Lastly for our Non Resident Indians, we are covering the aspect of change in definition of 'Residence Status' in the Direct Taxes Code Bill, 2010 introduced in the Indian Parliament and its implications for the NRI community. I strongly feel that all NRIs living in the Gulf need to unite and vehemently protest against this unjust move by which Indian government is proposing to tax NRIs by way of bringing changes in the residence norms. Indian business and cultural associations in the Gulf need to take a unified stand so that our voice can be heard. Morison Menon is ready to play a vital and lead role in getting this anger of the vast section of the NRI community against the changed residence norms heard by the Government of India. We welcome you to share your thoughts on how this can be effectively communicated to the Indian government.



C A. Raju Menon



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DIRECT TAXES CODE BILL, 2010 RESIDENCE STATUS



CA. Raju Menon

Chairman & Managing Partner, Morison Menon

The Direct Taxes Code Bill, 2010

consolidates and amends the laws relating to direct taxes such as Income Tax and Wealth Tax in India. Once the Direct Taxes Code Bill, 2010 becomes enacted as a law, then save as otherwise provided in the Code, it shall come into effect from 1st April, 2012.

The aim of the bill is to simplify the provisions of the Income Tax Act and thus make it tax payer friendly by rationalizing tax structure, giving concessions through changes in Income Tax slab rates, increasing exemptions for medical expenses, providing expenditure based tax incentives for investment in specified sectors and other positive features.

The DTC is expected to be a positive development for resident tax payers. However, the significant changes in the DTC have been unfair to the Indians working abroad (NRIs), who also contribute to the growth of India and make 'incredible India

glitter', through their direct foreign remittances and investments, besides making India proud through their intellectual, academic and entrepreneurial achievements.

My focus in this article is primarily on changes brought into force in the DTC 2010 on the 'residence status' put forth in the Bill. Once the new norm comes into play, the NRIs will have a tendency to shorten their stay in India to less than sixty days in a year, thereby preventing them from actively participating in India's developmental activities through their involvement and investments. This will also impact the outlook of NRIs towards India. For quite a while now, there has been no major amendments to the provisions of the Income Tax Act, 1961, dealing with residential status of individuals, firms, companies and all other entities. However, the Direct Taxes Code, 2010 intends to replace the existing scenario with proposals which could have a negative impact on persons working abroad.

As per clause 4 of Direct Taxes Code, 2010, which deals with residential status, an individual shall be resident in India in any financial year if he is in India:

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JS OF NRIs

- for a period or periods amounting in all to 182 days or more in that year or
- for a period or periods amounting in all to:
 - 60 days or more in that year and
 - three hundred sixty five days or more with in the four years immediately preceding that year.

Thus under the Direct Tax Code, an individual can be either 'resident' or a 'non-resident'.

Under the existing provisions of the Income Tax Act 1961 as well as under the Direct Taxes Code, 2010, a resident is chargeable to tax on all incomes accruing or deemed to be accruing to him in India, received or deemed to be received by him in India and all incomes accruing to him outside India. In the case of a non - resident, only income accruing or deemed to be accruing or received or deemed to be received in India are chargeable to tax.

The existing provisions of the Income tax Act are the same regarding residential and non-residential status but are more generous to non-residents by permitting a third status of residence, 'Resident but not ordinarily resident'. A person who is non resident in nine out of ten years preceding the relevant year

or has been in India for a period or periods aggregating to seven hundred and twenty nine days or less during the seven years preceding the relevant year enjoys the status of Resident but not Ordinarily Resident. In the case of such a person, income accruing to him outside India shall not be taxed unless it is from a business controlled in India or a profession set up in India. This status of 'Resident but not ordinarily resident' is not available under the Direct Taxes Code, 2010.

“ In accounting there is a concept called 'matching principle', which means revenue should match its cost and there cannot be any free revenue and its cost has to be accounted. In the present case government is trying to earn tax on free revenue without incurring any cost, which is totally unjustified. ”

For example, an Indian who was non resident for a long time, returns to India for good in the month of August will become 'resident' and any income accruing to him outside India will be taxable in that financial year. Under the existing provisions it would have been possible for the individual to avail the status of 'Resident but not ordinarily resident' and could thereby avoid tax on income accruing outside India for that year.

The Indians working in the Gulf are most affected by the change in definition that determines residence status, unlike their Indian counterparts migrating to western countries after renouncing Indian citizenship. The Gulf based NRIs maintain

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OVERSEAS LISTING

Singapore well positioned as a hub for cross border listing



Paul Wan

Chairman, Morison International Asia Pacific Ltd.

In July this year the Singapore government reported Q2 GDP growth of 19.3% and revised its 2010 growth forecast from 13% to 15%.

With the strong economic base and infrastructure including very clear transparent laws and regulations, Singapore is one of the favorite place for companies seeking listing. Presently there are about 650 and 138 companies listed on the main board and the sponsor market Catalist. Total market capitalisation stands at S\$721 billion for both markets.

Though the market capitalisation is not large as compared to markets like Japan and Hong Kong, Singapore however has shown to be a very resilient market less susceptible to huge swings, as the regulators are very strict on 'market rigging' and insider dealings. Additionally in the last couple of years in particular, the Singapore market has successfully insulated itself to the regional bourses of China, Hong Kong and Japan's wide swing.

Looking at the following comparative market indices over the last 12 months tells the story:

	As at June 2009	As at June 2010	12 months (%change)	12 months (High)
Japan NIKKEI	9,958.44	9,382.64	(5.8%)	11,408.00
Hong Kong Hang Seng	18,378.73	20,248.90	10.18%	23,099.00
China - Shanghai	3,008.15	2,398.37	(20.3%)	3,478.00
China - Shenzhen	962.27	945.29	(1.8%)	1,556.00
Singapore	2,333.14	2,835.51	21.53%	3,037.00

The indices confirm the stability of the Singapore market and the growth. As of June, most regional markets are down with the exception of China where the Shanghai index is down 20% and the Shenzhen down by 2%. With full economic recovery, the market is down which indicate the concern on the uncertainty of the economy moving forward.

If one takes a closer look Singapore has attracted 318 foreign companies which are listed on the main board and Catalist. Of which 158 companies are large Chinese groups which have chosen Singapore. More recently, the Companies from Hong Kong, Vietnam and Thailand also have sought listing in Singapore.

In 2008, the Singapore Exchange revamped the second board Catalist and modelled it along the UK AIM where companies are listed via sponsorship and the Exchange do not 'approve' the listing but the sponsor takes on the role and responsibility lodge the prospectus with the Exchange.

The detail listing requirements are expanded below:

Main board listing requirement:

	Alternative 1	Alternative 2	Alternative 3
Pre-tax profits	Cumulative pre-tax profit of at least S\$7.5m over last 3 financial years, with pre-tax profit of at least S\$1 million in each of those 3 years	Cumulative pre-tax profit of at least S\$10m for the latest 1 or 2 years	NA
Market capitalization	NA	NA	Market capitalization of at least S\$80 million based on issue price
Operating track records	3 years	1 or 2 years as the case may be	NA
Continuity of management	3 years	1 or 2 years as the case may be	NA

1. An issuer must also satisfy one of the following requirements:
 - Profitable in the latest financial year (pre-tax profit based on latest full year consolidated audited account. Have an operating track record of at least 3 year and a market capitalisation of not less than S\$150million based on the issue price.
 - With operating revenue in the latest financial year and a market capitalisation of not less than S\$300million based on the issue price.
2. Issue Price
 - The issue price of the equity securities (other than convertible equity securities) offered for subscription or sale, for which a listing is sought, must at least S\$0.50 each.
3. Issuer must have been engaged in substantially same business and have been under substantially same management throughout the period for which relevant profit test applies.
4. If group made low profits or losses in 2 years before application due to specific factors which were of temporary nature and such adverse factors have either ceased or are expected to be rectified upon issuer's listing, application may still be considered.
5. In determining profits, exceptional or non-recurrent income and extraordinary items must be excluded.
6. SGX will normally not consider application for listing from issuer which has changed or proposes to change financial year end if it is of opinion that purpose of change is to take advantage of exceptional or seasonal profits to show better profit record.

Catalist listing requirement:

Pre-tax profit	Nil. Business is expected to be viable and profitable, with good growth prospects
Market capitalization	NA
Operating track record	A company with no track record has to demonstrate that it requires funds to finance a project or develop a project, which must have been fully researched and costed
Continuity of management	NA

1. Sponsorship

The listing applicant must be sponsored by an approved Sponsor of Catalist. Catalist companies are listed based on the Sponsor's assessment that they are suitable. SGX does not set any minimum quantitative entry criteria, but Sponsors will use their own deal selection criteria.

Listing in Catalist requires applicant to submit an "Offer Document" compared to "Prospectus" in main board. Sponsor can obtain an exemption from the Monetary Authority of Singapore (MAS) for the relevant sections in the Securities & Futures Act (SFA) as it may not required in an "Offer Document".

However, there is no change to the disclosure standards in Catalist, as it is the basis for investors to make informed decisions. Therefore, the Offer Document will be subject to the same disclosure requirements as a prospectus. To support this disclosure requirement, provisions relating to civil and criminal liability in the SFA will still apply to an Offer Document.

The prospectus exemption also means that the requirement to lodge and register the Offer Document with MAS will no longer



apply. Instead, it will be lodged with SGX. Offer Documents will be posted on SGX's Catalodge website, for a period of at least 14 days. This will provide an avenue for the public to air any serious concerns they may have, and act as an additional safeguard.

2. Working Capital Statement

The Sponsor and directors of the company must include a statement in the Offer Document that the company has sufficient working capital for the present requirements and for at least 12 months after IPO.

3. Shareholding Spread

To promote healthy post-IPO trading activity, the shareholding spread requirement is set at 15% of issued capital in public hands with a minimum of 200 shareholders.

4. Moratorium Period

To secure the commitment of promoters and pre-IPO investors, restrictions on the sale of their shareholdings will apply.

Shareholding Spread & Distribution

	Public float			Distribution	
	Market capitalisation (\$m)	Proportion of post-invitation share capital held in public hands	Number of shareholders	Total Offer Size (\$m)	Distribution
Mainboard	<300	25%		75	At least 40% of invitation shares or \$15 million whichever is lower, must be distributed to investors each allotted not more than 0.8% of invitation shares or \$300,000 worth of shares whichever is lower
	300-400	20%	500	75-120	At least 20% of the invitation shares must be distributed to investors each allotted not more than 0.4% of the invitation shares
	400-1000	15%	500	>120	No requirement applicable
	>1000	12%	500	>120	No requirement applicable
Catalist	Any Size	15%	200		As above

CONCEPT OF ENVIRONMENTAL ACCOUNTING

Continued from July Edition



Shajeem Hussain

Audit Supervisor - Abu Dhabi Office

Challenges in adopting Environmental Accounting

The concept of environmental accounting has its share of challenges unlike conventional

accounting. Challenges are:

- Absence of standard accounting method
- Difficulty in benchmarking between two firms due to non uniformity in accounting
- Difficulty in measuring input cost
- Measurements by corporates is mainly restricted to internal costs and excludes societal cost
- Benefit measurements are long-term process
- Integrating environmental accounting with financial accounting
- Environmental accounting would require adequate knowledge of the national rules and regulations related to environmental aspects

Suggested Framework

The attitude towards the environmental accounting has to shift from compliance to performance based system driven by commitment from the top management. To make the environmental accounting an integral part of the overall accounting system at corporate level, the following may be considered:

- Study and analyze the rules and regulations regarding environment applicable to the company.
- Prepare list of environmental aspects that are responsible for pollution to air, water and land. Identify controls that are implemented to mitigate them. These details needs to form integral part of accounting methodology.
- Analyze the various environment impacts due to the working of the organization. Prepare an environmental management plan accordingly.
- Prepare short term as well as long-term environmental budget for both revenue and capital.
- Investment in various equipment and processes that has positive impact on the environment needs to be collated. The accrued benefits from such initiative to be monetized.
- The financial or operational effect of environmental

protection measures on the capital expenditures and earnings of the enterprise for the current period and any specific impact on future periods.

- When significant, the actual amount charged to operations in the current period, together with a description of the environmental controls to which they relate. This amount may be sub-divided into the following general ledger accounts:-
 - o Liquid effluent treatment.
 - o Waste gas and air treatment.
 - o Solid waste treatment.
 - o Analysis, control and compliance.
 - o Remediation.
 - o Recycling.
 - o Other such as accident and safety
- When material, the actual amount capitalized during the current period, the accumulated amount capitalised to date, and the period for amortising, or writing off such amounts, together with a description of the environmental measures to which they relate. This amount might be subdivided into categories. In case where it is not possible to segregate the amount that relates to environmental measures, this fact could be stated
- Contingent liabilities arise due to environmental related issue should be shown clearly
- Environmental accounting should be a part of management accounting. Therefore, environmental management accounting information system should be developed.
- Managers Performance indicators should include environmental goals and target.
- Environmental indicators should be calculated for evaluation of environmental aspects and the same should be disclosed properly in annual accounts.
- Government may consider it mandatory for corporates to submit environmental audit report

Conclusion

Environmental accounting can be expected to become the norm rather than choice of the future. Countries and corporates will be forced to adopt environmental accounting as pressure builds on governments that do not have the vision to act as trustees of the environment for future generation as mandated by guiding international environmental principles such as Polluter Pays, Precautionary,.....

Fortunately for us in the UAE, we have the rulers under whose vision the country has started several green initiatives that adhere to the concept of sustainable development and government taking the role of trustee of environmental assets on behalf of the population in right earnest, on all aspects related to environmental management.

For organizations contemplating to incorporate the best of environmental management principles into their business practices and reap benefits, environmental accounting is a step in the right direction. Environmental accounting will also help managements to proactively take preventive steps to comply with the federal laws on environment, disclose adequate details of environmental aspects in the annual statements and escape punitive actions. Responsible corporates voluntarily initiate the process to adopt environmental accounting into their financial accounting framework and become trendsetter in the region.

importance of working capital during recession



Harminder Singh

Partner, Morison Menon Chartered Accountants,
Jebel Ali

The economic and credit crisis of 2008 has forced many companies into cash flow problems due to non availability of working capital and credit facilities which in turn have led to retrenchment of staff, shrinkage of operations, curtailment of plans for capital expansion into different markets and downsizing. For most of these companies such a curtailment of operations and credit crunch threatens their very existence. To overcome this problem companies look up to finance professionals who can manage the working capital requirements through planning, obtaining additional facilities and restructuring their operations. Working capital management is one of the cornerstones of business continuity and acts as a hedge against tightening credit and access to additional capital. Companies which manage their working capital optimally during times of recessions come out stronger post the recession period.

During times of double digit growth and expansions it is easy to forecast working capital needs and manage liquidity. The real test however comes during periods of recession and credit crisis as witnessed by the world during 2008 and 2009. During these times the management and finance professionals need to devote themselves to reassessing the organization's working capital sources and needs, such as how to finance the working capital, what is the level of financing required in downturn and what are the costs of obtaining the working capital.

What is working capital?

Working capital, also known as net working capital, represents operating liquidity available to a business. Along with fixed assets such as plant and equipment, working capital is considered a part of operating capital. It is calculated as current assets minus current liabilities. If current assets are less than current liabilities, an entity has a working capital deficiency.

Working Capital = Current Assets – Current Liabilities

A company can be endowed with assets and profitability but short of liquidity if its assets cannot readily be converted into cash. Positive working capital is required to ensure that a firm is able to continue its operations and that it has sufficient

funds to satisfy both maturing short-term debt and upcoming operational expenses. The management of working capital involves managing inventories, accounts receivable, payable and cash. These components provide the sources of income for the business, whether in the form of profit from the sale of products and services, or interest earned from securities. The current liabilities consist mainly of accounts payable which is of prime importance as management of payables can significantly affect cash flows of the company.

Effective working capital management is ensuring sufficient cash flow to fund operations while reducing debt. Working capital management is the responsibility of all the departments in the organization i.e. finance, sales, purchasing, planning, manufacturing etc., also known as the cash conversion cycle.

The important aspects of working capital management are:

- 1) Planning - Companies should begin by determining what their working capital requirements should be and tune the working capital model accordingly. The model could be aggressive or moderate based on the market situation affecting the company. Assessing the risks present and future, also plays an important part in planning for the working capital requirements.
- 2) Reassess internal working capital policies such as credit periods for customers, suppliers, short term finance, long term finance, equity participation, inventory, securities etc.
- 3) Benchmarking - Companies should benchmark their requirements against similar companies in their industries to have information on working capital requirements.
- 4) Balance growth and profitability - Companies should balance growth with profitability with sound working capital policies.

To be successful, working capital and cash management initiatives require buy-in and support from senior levels of management and logically, should be led by the Chief Financial Officer, or in some cases, the Chief Executive Officer. Dramatic improvements in working capital are possible. The best organizations are shifting their focus to a more strategic approach to the finance function, by taking responsibility for performance improvement initiatives that have a direct link to enhancing the economic value of the organization.

Improving your business's cash-flow management system is critical to freeing up your capital and using it to your advantage. These operational improvements can contribute to strategic success and help sustain your competitive advantage.



DUBAI AIRPORT FREE ZONE TAKES INITIATIVE TO PROMOTE ENTREPRENEURSHIP

Since time immemorial, human beings have practiced the trade of Entrepreneurship. They were entrepreneurs before they were architects, engineers, accountants, or doctors. Entrepreneurship as a trait has survived through ages and entrepreneurs establish ventures that create economic prosperity for all. Studies¹ indicate small and midsize businesses (SMBs) are backbone of nearly every regional economy in terms of gross domestic product (GDP) and employment. Small businesses are also most likely to lead us out of bad economic times because they are nimble and innovative.

In an effort to promote innovation and entrepreneurship, the Dubai Airport Free Zone launched Dubai Enterprise Center (DEC) - a Business Incubation Center based on international best practices.

Business incubation is a business support process that nurtures the successful development of start-up companies by providing entrepreneurs with a range of targeted resources and services. A business incubator's main goal is to produce successful firms that will leave the program financially viable and freestanding.

DEC is a high quality, full service business incubation and provides a supportive, physical and intellectual environment for new business ventures that have a strong potential to grow into successful enterprises and contribute to the economic development of UAE.


In the past 14 years Dubai Airport Free Zone has contributed to the economy of UAE and served as a launch pad for many international companies. With this initiative, DEC endeavours



Amna Lootah

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Leasing and Customer Operations,
Dubai Airport Free Zone
Director, Dubai Enterprise Center Project
dec@decuae.ae

Guest Article



to retain the intellectual capital of Dubai and continue to fuel the growth of Dubai through entrepreneurship.

Research² shows that over 87 percent of small businesses that were launched through a business incubation centre were still in existence after the first five years. Thus, it is proven that working through a business incubation centre improves the chances of survival of a business through the first few critical years of a business.

Amna Lootah, Executive Director Finance of the Dubai Airport Free Zone and the Director of the DEC Project, says, "DEC provides a good opportunity for entrepreneurs to start a business with guidance and support from mentors, academicians and experts in running a start up business. We want some 'star' companies out of DEC - businesses that are innovative and would become successful".

Advantages of using the services of the Dubai Enterprise Centre include one point of contact for set up, operations and consultation, physical infrastructure and business set up, access to qualified mentoring, setting goals, milestones, business plan, evaluations, marketing, funding, and support in understanding legal jargon, and ongoing networking and training.

Advantages of being an entrepreneur is to make your own decisions and be your own boss, unleash your creativity and offer a product or service nobody has offered before, create jobs and contribute to the economy, and achieve financial independence. Fortunately, we have millions amongst us who have a passion for entrepreneurship, are eager to embark on their next venture to provide the solutions to the challenges; present and future.

One of the distinctive features of DEC is it being open to all industries and to both Emiratis and expatriates. The physical infrastructure includes a state of the art facility; access to a conference room, training room and other admin services. The entrepreneur is provided full support by a team of highly qualified and experienced professionals in almost all areas of business. There is an assigned mentor for the entrepreneur to help him or her move the venture forward smoothly.

In addition, DEC has partnered with Morison Menon to enhance its service offering to its entrepreneurs and applicants will receive both feedback and assistance in preparing a thorough and robust feasibility study for their business idea.

DEC is committed to promoting entrepreneurship in the UAE and supporting the intellectual resource to converge to entrepreneurship. Entrepreneurs who would like to have the opportunity, the environment, the encouragement and the support network to help them bring their ideas to life can now access the incubation centre.

DEC is located at Dubai Airport Free Zone, next to Terminal 2 and further details can be obtained from dec@decuae.ae

¹2009 Microsoft SMB Insight Report

²University of Michigan, NBIA, Ohio University and Southern Technology Council, Business Incubation Works. Athens, Ohio: National Business Incubation Association, 1997. <http://www.answers.com/topic/business-incubator> (Reference: Development of Incubators - The Los Angeles Journal)

RAK Chamber of Commerce & Industry Meeting



CA. Saju Augustine (extreme right) Partner, Morison Menon - Sharjah, Dr. Abdulrahman Al-Shayeb Al Naqbi - Director General, Ahmed Obaid Ahmed Al-Tenajji, Assistant Director General of Rak Chamber of Commerce & Industry, Excell Xavier, Client Service Executive, Morison Menon - Ras Al Khaimah during a meeting in Ras Al Khaimah.

South Africa's Freedom Day



His Excellency Yacoob Abba Omar Ambassador of South Africa in UAE and Biju Nair, Business Development Manager, Morison Menon Abu Dhabi Office on the occasion of the 16th Anniversary of South Africa's Freedom Day.

Muungano Day



H.E. Ali Ahmed Saleh, Consul General of Tanzania in Dubai, Sudhir Kumar, Partner & Head-Corporate Communications, Morison Menon and H.E. Mohamed Maharage Juma, Ambassador of Tanzania in UAE during the Muungano Day event organized in Dubai by the Tanzanian Association in Emirates and Dubai.

Morison Menon India partners Meet



CA. Raju Menon, Chairman & Managing Partner, Morison Menon, CA. Shailesh Bhuta, Managing Partner, Bhuta Shah & Co. Mumbai, CA. Sunil H. Talati, Chairman Talati & Talati, Ahmedabad. during Morison Menon India Partners Meet.

Singapore National Day



Low Pit Chen (Charge d' Affaires), Singapore Embassy, His Excellency Tee Tua Ba Ambassador of Singapore to UAE with Biju Nair and CA. Kiran Hegde, Consultant - Morison Menon Abu Dhabi office on the occasion of the 45th Singapore National Day Celebrations.

Felicitation at home town



Mr. Elamaram Kareem - Honorable Minister for Industries, Kerala handing over the memento to CA. Raju Menon, a token of appreciation to Raju Menon from his native, Cheekilode for winning the Bharat Gaurav Award 2009. Also present is Mr. A.K. Saseendran - Member of Legislative Assembly, Kerala.

Peer Review



CA. Raju Menon and CA. Kurian Kuriakose, Managing Partner, Morison Menon Qatar during Peer Review Audit in Qatar office by Paul Wan, Chairman of Morison International Asia Pacific Ltd.

ACCA Platinum Level Award



Deepak Chainani, Country Manager-UAE & Qatar, ACCA Middle East, presenting the ACCA Approved Employer Trainee Development-Platinum Level award to Morison Menon Chartered Accountants. CA. Prabhakar Kamath (3rd from right), Partner Morison Menon receives the award with CA. Thomas C Thomas (extreme left), Senior Audit Manager, Morison Menon, Sudhir Kumar and CA. Parthasarathy.

have been a justifiable proposition before the 90's from an equitable economic rational but the Government then did not tax the same as NRI remittance was a major source of foreign currency. Today, as India's exports have increased substantially and there is continuous flow of the FDI, it seems the Finance minister has forgotten the contributions of NRIs to the growth of the country's economy.

In my opinion the Government should not lose its macro level approach in taxation, which it ought to have, when India is poised to achieve 10% growth in GDP. All policy orientation of the government should be to increase opportunities for investment to maintain the double digit growth rate in GDP. The temptation to tax the NRIs by changing the definition of 'residence status' borders on greed, especially when such income is not generated in India and unjustifiable since India's contribution and spending to generate those income, is almost zero. In accounting there is a concept called 'matching principle', which means revenue should match its cost and there cannot be any free revenue and its cost has to be accounted. In the present case government is trying to earn tax on free revenue without incurring any cost, which is totally unjustified.

The DTC by introducing the sixty day limit in the current year and three hundred sixty five days or more within the four years immediately preceeding that year for maintaining their non residence status, would force them to start counting their days in India from the time they land. The focus of DTC should have been to facilitate them to spend more time in India, thus boosting tourism and other potential investments in areas such as infrastructure, housing and slum development, healthcare, malls and SEZ development which could lead to creation of thousands of direct and indirect employment for Indians.

Many Indian businessmen and professionals from the Middle East, who already feel discriminated by the Indian Government when compared to Indians living in the West after renouncing Indian Citizenship, would be very much impacted by the change in definition of Resident Indian and would think twice about visiting India often even though they are closer to home, due to revised norms suggested in the DTC.

To quote Art Buchwald, "Tax reform is taking the taxes off things that have been taxed in the past and putting taxes on things that haven't been taxed before."

Well I am not sure about the first but the Direct Taxes Code has got within its ambit of the latter for sure.

Continued from Page: 3

DIRECT TAXES CODE BILL, 2010 RESIDENCE STATUS OF NRIs

close relationship with their families living in India, and majority of them on regular basis remit money back home, besides visiting India often to spend time with their family and friends. Most of the Gulf NRIs whether in business, HNIs (high net worth Individuals), decision makers and professionals travel to India frequently. A majority of them have businesses in their native State, its suburbs or villages back home. Many suburbs and villages have seen development and benefitted from investments of these frequently visiting NRIs. Not all of these businesses are setup with profit motive or commercial viability, but out of passion, love, high esteem and for recognition, in their local community.

Opening up of the Indian economy presents several opportunities not limited to cities but extends to smaller towns and districts. Understanding and realizing these opportunities require one to travel frequently to understand the local dynamics. Visiting NRIs during their interaction with relatives, friends, village community and local businesses on social occasions and serious business interactions receive tips on opportunities for the investments. However, when there is a restriction to travel to India on account of the tax reasons, there would be a tendency on part of the NRIs to restrict their travel bare minimum for visiting relatives or pilgrimage.

Further, income earned outside India at country of work, is by utilizing infrastructure and facilities of that country and hence taxing the foreign earned income is not justified for its prudence. May be taxing the NRIs income at their country of work would

Tax reform is taking the taxes off things that have been taxed in the past and putting taxes on things that haven't been taxed before

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BUSINESS REGULATIONS - UPDATE



Attestation of 'Wills' by Dubai Courts

Since UAE is an Islamic country, the courts in UAE (except DIFC) adhere to Sharia laws with regard to inheritance in case of wills. However as a result of the Personal Affairs Law (No 28 of 2005), a non-Muslim expatriate who is resident in the UAE can opt for the law of their Domicile Home Country to be applied to the distribution of their assets in UAE, provided they have a legally recognized 'will'. In addition the family will be faced with the problem that the UAE based assets (both movable and immovable) may be frozen due to Sharia Law. This could leave a great deal of debt unpaid until the estate is finally dealt with by the Dubai Courts based on Sharia Law. Therefore executing a 'Will' is a very important part of estate planning which give the maker of 'will' comfort that the financial affairs are in order, in the event of his untimely death.

From October 1, 2010 the Dubai Courts Notary Public Department has been assigned to attest the 'will' of non-Muslims. Earlier, attestation of 'will' for non-Muslims could be done at respective consulates or diplomatic missions. Applicants, who wish to have their 'will' attested need to provide proof of ownership of assets mentioned in the 'will' and should submit the application personally or through a power of attorney holder. The 'will' may include movable funds and property located both in and outside UAE. It is also possible to amend the 'will' whenever the testator wishes to do so. However, attesting the 'will' does not necessarily mean it will be implemented, as each case is different and subject to the applicable law.

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