

The Institute of [Chartered Accountants](#) of India (ICAI) and four other accounting associations have written to the [Central Board of Direct Taxes](#) (CBDT) opposing the latter's move to amend Section 11 UA of the [Income Tax](#) (I-T) Act.

The step will pave the way for excluding [chartered accountants](#) from carrying out valuation of unquoted shares.

Rule 11UA provides for determining the [fair market value](#) of various specified assets under Section 56 of the Income-tax Act, 1961.

One of its sub-rules provides an option to the assessee to determine the [fair market value](#) (FMV) of unquoted shares with the help of a merchant banker or an accountant.

The recent amendment has excluded the term 'accountant'.

[ICAI](#) believes the paucity of available merchant bankers could jack up costs of determining the FMV of unquoted shares. The statutory body reckons that there are over 11 lakh unlisted companies but only 200 merchant bankers. On the other hand, there are over three lakh CAs.

"This will cause undue hardship to the assessees. Moreover, the merchant bankers are employing a good number of [chartered accountants](#) and for the impugned valuations also, they would ultimately be utilising the services of CAs," the [ICAI](#) said.

The manner of valuation provided by Rule 11UA(2)(b) predominantly mentions application of discounted cash flow method, and CAs have the competence to understand business and cash flow projections, the [ICAI](#) felt.

The body had taken several initiatives in the recent past to encourage its members to learn and attain expertise in the field of valuation.

At its 375th meeting recently, for instance, the council of the ICAI issued valuation standards to ensure uniformity in approach and quality of valuation output by CAs.

Besides the ICAI, four other accounting bodies – the Bombay Chartered the Accountants' Society, the Ahmedabad Chartered Accountants' Association, the Lucknow Chartered Society and the Karnataka State Chartered Accountants' Association – have jointly written to the [CBDT](#).

According to them, the Companies Act, 2013, recognises CAs as being eligible for registration as valuers under Section 247 of the said Act.

Moreover, various regulations issued under the Foreign Exchange Management Act, 1999, require CAs to issue a certificate on the discounted cash flows.

Valuation of business and financial instruments along with other assets has been gaining importance, particularly after implementation of the Indian accounting standards.

Valuation plays a key role in financial reporting as well as areas such as solvency, mergers and acquisitions, among others.

