

MILESTONES

Uniting Strengths, Elevating Synergy

2024-25

COMMITTEE FOR AGGREGATION OF CA FIRMS

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

(SET UP BY AN PARLIAMENT)

Table of Content

CACAF: Simplifying Practice, Amplifying Excellence 03

ICAI (Merger & Demerger of CA Firms) Guidelines, 2024 04

ICAI (Aggregation of LLPs) Guidelines, 2024 08

Guidelines for Overseas Network 11

Committee Events 12

Press Coverage 18



CACAF:

Simplifying Practice, Amplifying Excellence

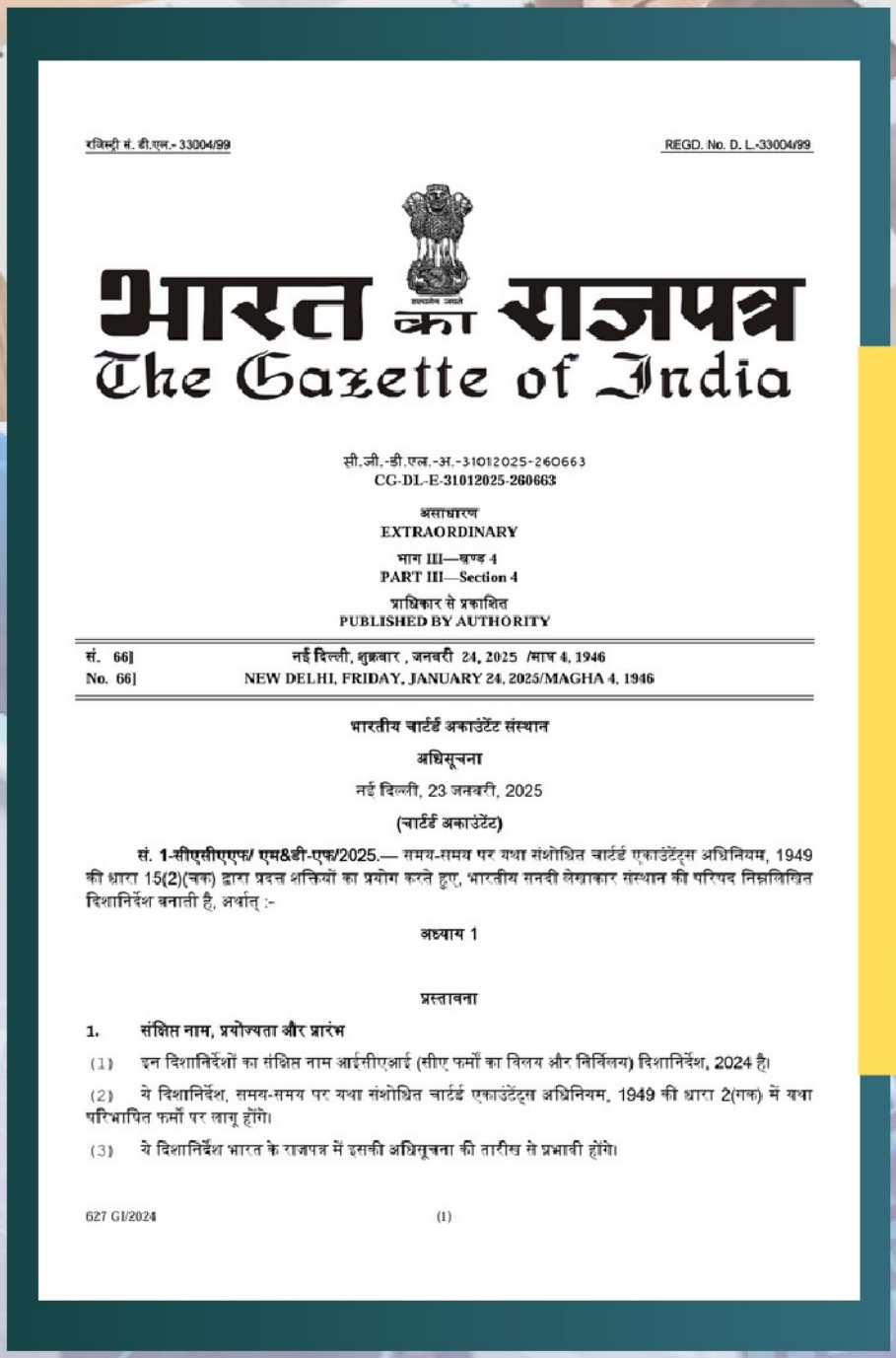
In the dynamic professional landscape of the 21st century, the significance of adaptive and forward-looking governance is paramount. Recognizing this imperative, the Committee for Aggregation of CA Firms (CACAF) has been constituted in the year 2024-25 with the express mandate of pioneering transformative reforms that will cement Indian CA firms at the pinnacle of global professional excellence.

The Committee's vision is driven by a commitment to undertake an exhaustive and meticulous review of the existing regulatory framework pertaining to CA firms. This comprehensive examination is designed to critically assess the current guidelines and evaluate their relevance, efficacy and alignment with the contemporary and future demands of the profession.

The proposed amendments will serve as the foundation for a reimagined professional ecosystem where Indian CA firms are not just participants but leaders on the world stage, exemplifying the highest standards of integrity, expertise and excellence. We aspire to witness the emergence of big Indian CA firms that can stand tall among global leaders.

The overarching aim is to provide greater ease of doing practice, empowering Indian CA firms to expand and grow on a global scale. Through this initiative, CACAF envisions the creation of a robust framework that supports the aggregation of CA firms, fostering collaboration, innovation and sustained growth.

ICAI (Merger & Demerger of CA Firms) Guidelines 2024



रजिस्ट्री सं. डी.एल.-33004/99 REGD. No. D. L.-33004/99

भारत का राजपत्र
The Gazette of India

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असाधारण
EXTRAORDINARY

भाग III—खण्ड 4
PART III—Section 4

प्राधिकार से प्रकाशित
PUBLISHED BY AUTHORITY

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भारतीय चार्टर्ड अकाउंटेंट संस्थान

अधिसूचना

नई दिल्ली, 23 जनवरी, 2025

(चार्टर्ड अकाउंटेंट)

सं. 1-सीएसीएएफ/ एम&डी-एफ/2025.— समय-समय पर यथा संशोधित चार्टर्ड एकाउंटेंट्स अधिनियम, 1949 की धारा 15(2)(चक) द्वारा प्रदत्त शक्तियों का प्रयोग करते हुए, भारतीय सनदी लेखाकार संस्थान की परिषद निम्नलिखित दिशानिर्देश बनाती है, अर्थात् :-

अध्याय 1

प्रस्तावना

1. संक्षिप्त नाम, प्रयोज्यता और प्रारंभ

(1) इन दिशानिर्देशों का संक्षिप्त नाम आईसीएआई (सीए फर्मों का विलय और निर्विलय) दिशानिर्देश, 2024 है।

(2) ये दिशानिर्देश, समय-समय पर यथा संशोधित चार्टर्ड एकाउंटेंट्स अधिनियम, 1949 की धारा 2(चक) में यथा परिभाषित फर्मों पर लागू होंगे।

(3) ये दिशानिर्देश भारत के राजपत्र में इसकी अधिसूचना की तारीख से प्रभावी होंगे।

627 GI/2024 (1)

ICAI (Merger & Demerger of CA Firms) Guidelines 2024, have been revised and notified in the *Gazette of India*.

ICAI (Merger & Demerger of CA Firms Guidelines 2024



The Committee for Aggregation of CA Firms (CACAF) has undertaken a rigorous and methodical review of the ICAI (Merger and Demerger of CA Firms) Guidelines, 2024, originally brought by the Institute in 2005. Over time, the evolving dynamics of the professional landscape have revealed several practical challenges that CA firms encounter during the processes of merger and demerger. Notably, these challenges include policy issues, such as uncertainties in safeguarding original firm names post-merger, among others.

In addition to policy challenges, procedural complexities also present significant obstacles. For example, CA firms are required to submit One-Time Passwords (OTPs) along with physical signatures from every partner involved in a merger or demerger at each instance of constitution, reconstitution, addition or deletion. These requirements pose significant logistical hurdles, particularly for firms operating across multiple locations, making the process both time-consuming and cumbersome. This highlights the need for more secure and streamlined procedures.

In response to these challenges, CACAF embarked on a comprehensive review of the existing guidelines, actively seeking input from practicing members through a survey conducted in the months of March and April of 2024. The Committee also scrutinized the current procedural framework utilized by Decentralized Offices and the Self-Service Portal (SSP) under the auspices of the Members & Students Services (M&SS) Directorate.

Comprehensive efforts have been made, ranging from releasing exposure draft of the revised guidelines, interactive brainstorming sessions with CA Firms to threadbare discussions in various meetings of the Committee. These initiatives, coupled with in-depth discussions in various Committee meetings, have culminated in the finalization of the proposed amendments to the ICAI (Merger and Demerger of CA Firms) Guidelines, 2024.



The Council, in July 2024, approved the ICAI (Merger and Demerger of CA Firms) Guidelines ,2024. The revisions represent a concerted effort to streamline the guidelines at both policy and procedural levels, thereby addressing the previously encountered practical impediments and fostering a more conducive environment for the processes of mergers and demergers.

Following extensive deliberation and a comprehensive examination of the existing guidelines and incorporating feedback from diverse stakeholders, the revisions have been carefully crafted to mitigate the practical impediments that previously hampered CA firms, thereby fostering a more efficient and supportive environment for mergers within the profession. The revised guidelines now stand as a testament to CACAF's commitment to enhancing the operational efficiency and global competitiveness of Indian CA firms.

Navigating Change:

KEY HIGHLIGHTS OF ICAI (MERGER & DEMERGER OF CA FIRMS) GUIDELINES, 2024



POLICY LEVEL

- *Firms can demerge after one year up till 10 years & obtain original firm name*
- *Firm name of the merging firms can be freezed with the ICAI up to 10 years*
- *Date of establishment and seniority will be intact upon unfreezing the firm's name*
- *Firms can request for unfreezing the original firm's name as per the prescribed procedure*
- *No professional activities to be carried out in the freezed firm's name*

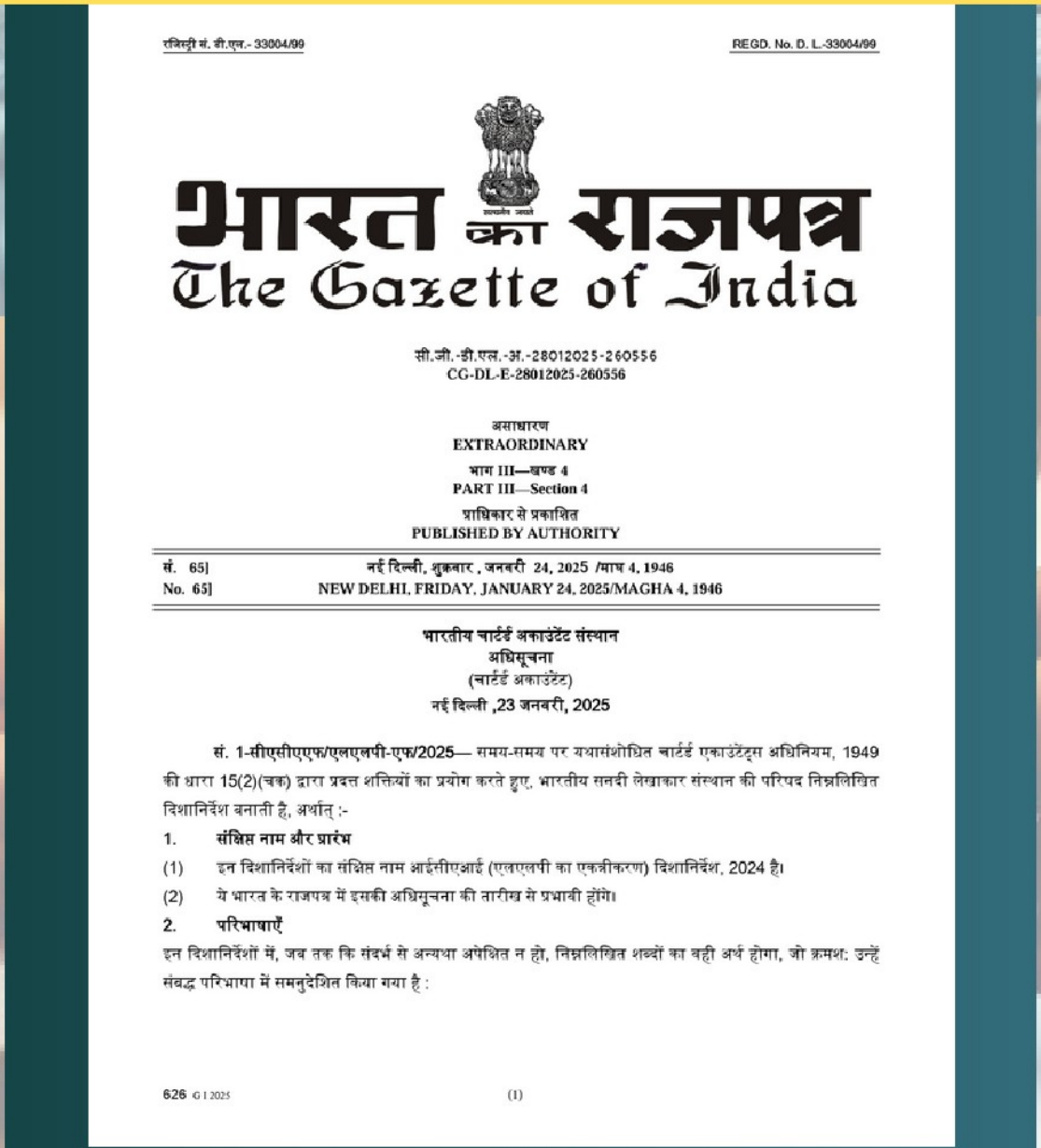


PROCEDURAL LEVEL

- *Digital signatures will also be accepted alongside physical signatures while filing merger application*
- *Managing partners will be authorized to authenticate the merger & demerger process at self-service portal*
- *OTPs from all the partners will not be required for validation of merger & demerger process at SSP Portal.*

ICAI (Aggregation of LLPs) Guidelines 2024

ICAI (Aggregation of LLPs) Guidelines 2024, have been notified in the *Gazette of India*.



रजिस्ट्री सं. डी.एल.- 33004/99 REGD. No. D. L.-33004/99

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भारतीय चार्टर्ड अकाउंटेंट संस्थान
अधिसूचना
(चार्टर्ड अकाउंटेंट)
नई दिल्ली ,23 जनवरी, 2025

सं. 1-सीएसीएएफ/एलएलपी-एफ/2025— समय-समय पर यथासंशोधित चार्टर्ड एकाउंटेंट्स अधिनियम, 1949 की धारा 15(2)(चक) द्वारा प्रदत्त शक्तियों का प्रयोग करते हुए, भारतीय सनदी लेखाकार संस्थान की परिषद निम्नलिखित दिशानिर्देश बनाती है, अर्थात् :-

1. **संक्षिप्त नाम और प्रारंभ**

(1) इन दिशानिर्देशों का संक्षिप्त नाम आईसीएआई (एलएलपी का एकत्रीकरण) दिशानिर्देश, 2024 है।

(2) ये भारत के राजपत्र में इसकी अधिसूचना की तारीख से प्रभावी होंगे।

2. **परिभाषाएँ**

इन दिशानिर्देशों में, जब तक कि संदर्भ से अन्यथा अपेक्षित न हो, निम्नलिखित शब्दों का वही अर्थ होगा, जो क्रमश: उन्हें संबद्ध परिभाषा में समनुदेशित किया गया है :



ICAI (Aggregation of LLPs) Guidelines 2024

CACAF has unveiled a new set of comprehensive ICAI (Aggregation of LLPs) Guidelines, 2024 which marks a pathbreaking step forward in the strategic growth and development of the profession.

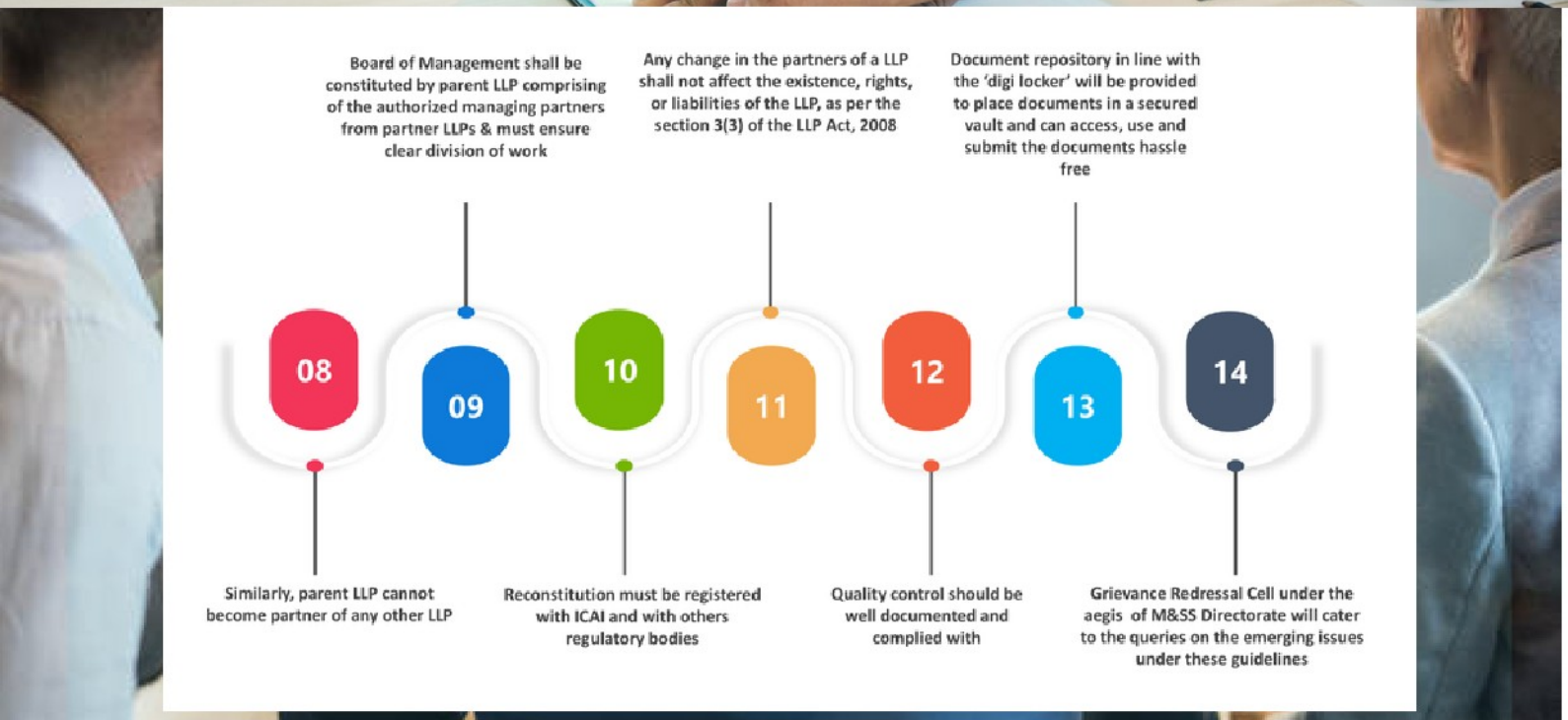
These guidelines are meticulously designed to facilitate partnerships between Limited Liability Partnerships (LLPs), Indian CA Firms, providing a strategic pathway for growth and expansion. By adhering to these guidelines, firms are positioned to significantly enhance their operational capabilities, broaden their market presence and achieve substantial efficiencies. This strategic collaboration not only allows firms to leverage combined resources and expertise but also enables them to diversify their service offerings, thereby bolster their competitive edge. The overall objective is to drive long-term success and sustainability in an increasingly competitive environment. The Council, after a thorough review, approved the said guidelines in July 2024, reflecting a collective commitment to advance the profession.

These detailed guidelines are a framework for aggregation of LLPs (CA firms), ensuring that they remain competitive and resilient in a dynamic market. The focus on quality, compliance and strategic alignment emphasizes the profession's commitment to excellence and sustainable development.



Aggregation of LLPs Unveiled: KEY HIGHLIGHTS





Guidelines for OVERSEAS NETWORK

Draft Guidelines for Overseas Network are currently under active consideration. To ensure a comprehensive evaluation and incorporation of diverse perspectives, the Committee has convened several meetings to discuss the guidelines in a thorough and methodical manner.

In addition to these internal deliberations, four Consultative Outreach Meetings were conducted via virtual mode, specifically designed to engage with CA firms and gather their insights on the proposed draft guidelines, thereby highlights the Committee's commitment to develop a well-rounded and robust framework for Overseas Networking, ensuring that the final guidelines are reflective of the collective wisdom and practical considerations of the CA community.





COMMITTEE EVENTS

Rajkot



On May 25, 2024, **the Rajkot Branch of the Western India Regional Council (WIRC) of ICAI,** under the aegis of the Committee for Aggregation of CA Firms (CACAF), hosted the **Seminar "Growth Strategies for CAs in Practice."** The program included a session on the "Need for Networking/Merger of CA Firms" led by CA Sanjay Agarwal, Chairman, CACAF and CA Vishal Doshi, Vice Chairman, CACAF, a detailed discussion on "Merger/Demerger & Networking Guidelines," and a panel on the "Success Story of Indian CA Firms," featuring CA Milin Mehta, CA Kshitij Patel, and CA Abhishek Nagori, moderated by CA Kalesh Parekh.

Seminar on 'GROWTH STRATEGIES FOR CAs IN PRACTICE'



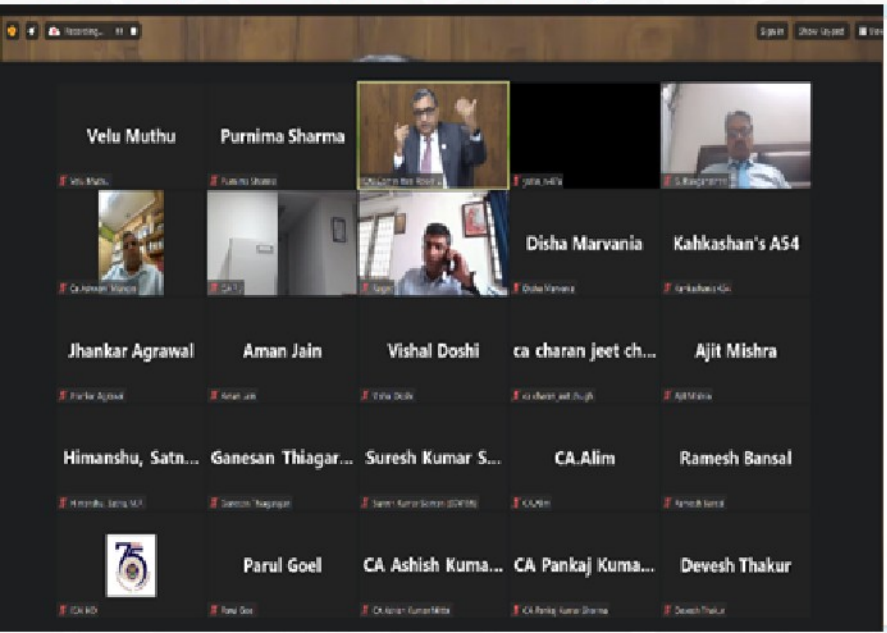


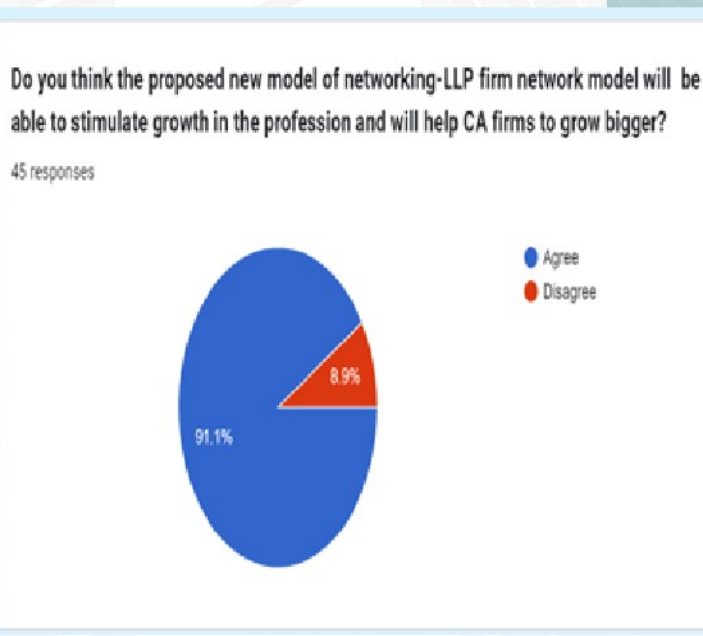


Series of *BRAINSTORMING SESSIONS*

मंथन: नीतियों की समीक्षा

On June 3 and June 6, 2024, the Committee for Aggregation of CA Firms (CACAF) held **Virtual Brainstorming Sessions titled मंथन: नीतियों की समीक्षा,** to engage stakeholders, particularly CA firms, in reviewing the exposure drafts on proposed amendments to the Merger & Demerger Guidelines and the new LLP Firm Network Model. Released on May 22, 2024, these drafts were the central focus of discussions aimed at exploring practical implications and implementation strategies. **The sessions included interactive online polls** with MCQs **on mergers, networking** and proposed amendments, which provided immediate feedback and enriched the dialogue with real-world experiences, ensuring that the guidelines are refined to meet the evolving needs of the CA profession effectively.







INTERACTIVE SESSION ON 'Aggregation of CA Firms' with *SECRETARY MCA*

On June 21, 2024, CACAF hosted two pivotal and thought-provoking **Interactive Sessions on 'Aggregation of CA Firms,' featuring Dr. Manoj Govil, IAS, Secretary of the Ministry of Corporate Affairs,** and Sh. Inder Deep Singh Dhariwal, Joint Secretary, Ministry of Corporate Affairs. The Session witnessed the active participation of firms of all sizes, including large, medium and small firms, showcasing the diverse landscape of the CA profession in India. Dr. Govil's patient engagement and responsiveness to the concerns raised by the CA firms emphasized the Government's commitment to foster a conducive environment for the growth of the profession.





Outreach Program

Faridabad

'NETWORK TO NET WORTH: UNLEASHING GROWTH POTENTIAL FOR CA FIRMS'

On August 20, 2024, the **Faridabad Branch of Northern India Regional Council (NIRC) of ICAI,** in collaboration with the Committee for Aggregation of CA Firms, hosted the **Outreach Program "Network to Net Worth: Unleashing Growth Potential for CA Firms"** at Hotel Delite Grand. The event included sessions of CA Sanjay Kumar Agarwal, Chairman, CACAF on "Key Growth Drivers to Accelerate a CA Firm's Success—Mergers & LLP Aggregation," followed by session by CA Amarjit Chopra, hon'ble past-President, ICAI on "Expanding Horizons: Building Bigger CA Firms Through Strategic Networking and Collaboration."





Outreach Program

'NETWORK TO NET WORTH: UNLEASHING GROWTH POTENTIAL FOR CA FIRMS'





Patiala

On August 29, 2024, the **Patiala Branch of the Northern India Regional Council (NIRC) of the Institute of Chartered Accountants of India (ICAI)** hosted a seminar under the aegis of the Committee for Aggregation of CA Firms at Hotel Eqbal Inn, Patiala. The **Seminar on "Network to Net Worth: Unleashing Growth Potential for CA Firms"** featured two insightful sessions led by distinguished professionals, CA. Amarjit Chopra, hon'ble past-President, ICAI and CA. Sanjay Kumar Agarwal, Chairman, CACAF.





Outreach Program

'NETWORK TO NET WORTH: UNLEASHING GROWTH POTENTIAL FOR CA FIRMS'

The Outreach Program titled **"Network to Net Worth: Unleashing Growth Potential for CA Firms"** was successfully convened on 31st August 2024, at the Park Plaza, CBD, Shahdara, Delhi. Organized by the Committee for Aggregation of CA Firms (CACAF) and graciously hosted by the **Northern India Regional Council (NIRC) of ICAI,** this distinguished program brought together prominent leaders and practitioners from across the CA profession to explore and enhance the potential for growth through strategic networking and collaboration.



The event featured insightful sessions, and the discussions provided valuable perspectives on scaling CA firms through strategic collaborations and operational enhancements. The program culminated in an engaging Open House Session and a heartfelt Vote of Thanks by CA. Hansraj Chugh, Central Council Member, ICAI highlighting the collective commitment to foster growth and excellence within the profession.





WAVES IN THE HEADLINES

SHOWCASING OUR PRESS COVERAGE

Business Standard, dated 24th April 2024

Business Standard

New rules for aggregation of domestic CA firms in three months: ICAI

"The overall aim is to provide ease of growing practice and facilitate the Indian CA firms grow bigger," he said

April 24th, 2024

The new guidelines for aggregation of domestic chartered accountant (CA) firms, to make them competitive with global firms like the Big Four, will be introduced in the next three months, Ranjeet Kumar Agarwal, president of The Institute of Chartered Accountants of India (ICAI) said on Wednesday.

In an interview with Business Standard, Agarwal said that some guidelines on aggregation exist but they are being revisited.

The new rules would, for the first time, include international networking guidelines for domestic firms that would allow them to collaborate with overseas companies.

"We have set a target that in the next two to three months, all guidelines will be framed, approved in the council and implemented," he said.
will include rules on mergers and demergers, multidisciplinary partnerships and advertisement of CAs.

"The overall aim is to provide ease of growing practice and facilitate the Indian CA firms grow bigger," he said.

Agarwal also said that the Gujarat International Finance Tec-City International Financial Services Centre (GIFT IFSC) would be a "game-changer" for Indian CAs.

The International Financial Services Centres Authority (IFSCA) had formed an expert committee under the chairmanship of the ICAI President to come up with suggestions to establish GIFT IFSC as a "Global Finance and Accounting Hub".

The expert committee's report was submitted to IFSCA on March 26. It was then opened for public comments till April 12.

"We have received various suggestions and the same was submitted for consideration of IFSCA on April 16," Agarwal said, adding that the authority is likely to release final guidelines by the end of this month or next month.

The expert committee has recommended a new law for bookkeeping, accounting, tax and financial crime compliance services. It would define these services, restrict how companies can be set up in the region and qualification of key personnel of these entities.

ICAI has also signed a memorandum of understanding with IFSCA to establish a Centre of Excellence in GIFT City to train and skill the CAs to meet the standards of work there.

"Many CAs are not in the outsourcing work as of today. After GIFT City, where domestic firms are allowed to open their branches, they will endeavour to get work from outside India," he said. "It will be a game-changer".

Notably, companies in GIFT IFSC enjoy a 10-year income tax holiday.

The committee has also recommended that the branches of a company and Limited Liability Partnerships may be permitted in the area if they are regulated by any of the three bodies: ICAI, the Institute of Company Secretaries of India or The Institute of Cost Accountants of India.

"If India can be a leader in the pharmaceuticals industry and software exports, why not in accounting?" Agarwal said, highlighting that last month, the number of CAs in India crossed 400,000. Including 900,000 CA students, ICAI has become the world's largest accounting body.

He also said that for every $1 trillion India adds to its gross domestic product (GDP), there arises a need for 100,000 more CAs. So by 2047, India would need 3 million working CAs to cater to the demand of its economy.

"From graduation to training, everything needs to be designed in that way," he said.

Business Today, dated 30th April 2024

bt Business Today

India's answer to Big Four firms could be in the works: Here are the details

At present, there are about 96,000 CA firms in India. Of these, 75,000 firms are proprietorships and are small and medium-sized.



April 30th, 2024

Can India have a home-grown mega sized CA firm that can go global and compete with the Big Four firms? It may be in the works. The Institute of Chartered Accountants of India (ICAI) and the Ministry of Corporate Affairs are laying down the ground work for this.

"We have made a Committee for Aggregation of CA firms. It is working very effectively on how to frame guidelines for networking, multidisciplinary partnership, international networking, merger and demerger and advertisement. We are working on these five fronts so as to empower Indian firms to become global," said ICAI President Ranjeet Kumar Agarwal.

In an interaction with BT, Agarwal said ICAI is working on these five fronts to empower Indian CA firms to become global. It is also going to make a presentation before the ministry of corporate affairs on this. "The ministry is also very keen on how Indian CA firms can grow big," he said.

At present, there are about 96,000 CA firms in India. Of these, 75,000 firms are proprietorships and are small and medium-sized. Another 24,000 firms are partnerships with 2 to 100 partners. Of these, about 400 firms have 10 partners or more.

"We want to leverage and we want to allow them to merge so that they can become bigger. For merger, they need some incentives, policies and tools on which we are working," said Agarwal, underlining that Indian firms have the capacity to grow big and become global but they need some handholding.

"India has no dearth of talent. A large number of Indian CAs are also working abroad," he highlighted. Out of a total of 400,000 CAs in the country, about 160,000 are practicing professionals.

Prime Minister Narendra Modi had way back in July 2017 in his address at the Chartered Accountants Day said that there are no Indian CA firms in the Big Four and had called for creating four big India accounting firms. At present, the top global accountancy firms include PwC, Deloitte, EY and KPMG.



When VISION meets VISIBLITY

The Hindu Business Line, dated 14th May 2024

CA institute to issue global networking guidelines for Indian firms: ICAI president

KR Srivats
New Delhi

The CA institute will soon issue international networking guidelines to enable domestic firms to spread their footprints abroad, its President Ranjeet Kumar Agarwal has said.

The Institute of Chartered Accountants of India (ICAI) will also review the advertising regulations for its members and relax them in accordance with the current economic milieu and the requirements of a globalised business environment.

"This is also a part of the terms of reference of our committee on 'Aggregation of CA' firms. We believe that this is also required if we want our Indian firms to be global-," Agarwal said in an interview. He also said that the review of advertising regulations is also part of the work agenda of the Committee on Aggregation of firms.

Right now, the ICAI advertising regulation says Indian firms can advertise in digital, print and electronic media as a write-up, which cannot be in a font size above 14, he said.

The committee aims to finalise its report by mid-June and present it to the Central Council in July. 'Aggregation of CA firms' and international networking is going to be a top priority for the CA Institute in the next two months, he added.

FOCUS ON AI

Noting that ICAI is in a "fast track mode" on this front, Agarwal said that the Committee on Aggregation of CA firms has already met thrice and two more are scheduled this month.

Prime Minister Narendra Modi, in July 2017, during his address at the Chartered Accountants Day event, called for the creating of four big Indian accounting firms that are counted among the world's Big-8.

Additionally, ICAI is developing a GenAI tool to assist members and students in performing their duties effectively using AI technology.

ICAI also plans to become a paperless organisation by the end of June through its e-office framework.

Business Standard, dated 21st May 2024

FM asks ICAI to set up 'Big 4'-like Indian firm

RUCHIKA CHITRAVANSHI
New Delhi, 21 May

Finance Minister Nirmala Sitharaman *(pictured)* on Tuesday exhorted the Bihar chapter of the Institute of Chartered Accountants of India (ICAI) to set up an Indian auditing firm that will grow to feature among the Big Four and seek global clients. Interacting with the ICAI in Patna, Sitharaman sought a commitment from them to start work on the same as part of their 100-day agenda for Viksit Bharat by 2047.



Urging Bihar to show its leadership skills, the finance minister said that one of the Big Four CA partnerships should come as the outcome of the Bihari mind. "You should establish a CA firm, strong enough to be reckoned as a top four company... What stops us from doing it?"

Currently, Deloitte, EY, KPMG, and PwC are known globally as the Big Four in the world of accounting.

"Why is it that in spite of the large number of high quality CAs in India — respected all over the world — our CAs become (only) leaders, and partners in Big Four firms. (Why) would you rather become a partner in a Big Four but not form a Big Four in India," Sitharaman asked.

THE HINDU BusinessLine

Centre discusses roadmap for setting up global network of Indian CA firms

KR Srivats
New Delhi

The Centre has taken a crucial step towards creation of global-sized network of Indian CA firms on the lines of Big Four or Big Five in the auditing and accounting world.

The Corporate Affairs Ministry (MCA), represented by its Secretary, Manoj Govil, discussed with the CA Institute the contours of a roadmap for realising this ambition, sources said.

At an interactive meeting between Govil and the CA In-

Indian CA firms in "aggregation of firms" were also discussed, sources said.

Government wants Indian firms to grow big, but how to grow big is a major challenge, given several constraints, they added.

The interactive session between MCA and ICAI members assumes significance as the Prime Minister Narendra Modi had, in his first term in July 2017 — during his address at the Chartered Accountants Day event — called for creating four big Indian accounting firms that are counted among the world's Big 8.

Currently, there are about

chartered accountants. Of these, about 75,000 firms are proprietorships.

ICAI MEET

Indications are now that the upcoming ICAI Central Council meeting on July 2-3 will take up the much awaited international networking guidelines to enable domestic firms to spread their footprints abroad, sources said.

The framing of international networking guidelines is part of terms of reference of ICAI committee on 'aggregation of CA firms', ICAI President Ranjeet Kumar Agarwal had said earlier this year.

funding. Most firms don't have funding support to invest big in technology. I had raised the issue with the MCA Secretary at the meeting," Amarjit Chopra, former President of ICAI told *businessline*.

Chopra also said that the issue of government tenders for audit mandates being tailor-made for the Big Four or Big Five global audit firms was also raised by him at the meeting.

The other important issue discussed at the meeting was that CAG, RBI and SEBI are not recognising the networks created by the domestic audit firms; this was brought to the

The Hindu Business Line, dated 25th June 2024

As We Rise, The News Follows...

The Telegraphy
dated 24th June 2024

Demerger norm for CA firms to be relaxed

A STAFF REPORTER

Calcutta: The Institute of Chartered Accountants of India (ICAI) is likely to take up the changes in guidelines on the merger and demerger of CA firms at its next meeting in July.

"We have come out with the exposure draft. It could come up in the next council meeting in July," said Ranjeet Kumar Agarwal, president ICAI, on Saturday.

A committee on the merger of CA firms have come out with a draft of the merger and demerger guidelines earlier this month.

A key proposal is the removal of the time limit of five years within which a firm can demerge and obtain its original trade/firm name.

The move is expected to encourage amalgamation of CA firms in a competitive landscape and upgrade their practices.

Agarwal said that a large number of the CA firms currently are small or medium in size and these firms have to become relevant in the coming years.

"There should be a specialisation horizon and these



Ranjeet Agarwal

firms should have expert knowledge in various fields. One single firm cannot do justice to the entire audit of one organisation. So the firm has to be bigger and have to be able to build capacity," the ICAI president said.

"To have long-lasting mergers, we have proposed the removal of five years time limit," he said.

The ICAI on Saturday held an international conference of chartered accountancy students in Calcutta.

Last month, the Supreme Court upheld the decision of the ICAI to impose a mandatory ceiling of a maximum of 60 tax audits in a financial year by a CA.

A firm with four chartered accountants can, therefore, do 240 tax audits in a year.

The Hindu, dated 7th July 2024

Relaxes demerger norm; sets ball rolling on 'aggregation of firms'

KR Srivats
New Delhi

The CA Institute has made two key decisions to create a supportive framework for the aggregation and expansion of CA firms, President Ranjeet Kumar Agarwal announced.

These decisions were taken at the Central Council meeting that ended on July 2.

One of them is related to relaxation of the existing five-year demerger norm to a 10-year period. Earlier, firms going in for a merger could regain their legal names if they do a demerger within five years. After five years, they would lose the chance of getting back their old names. This norm had come in the way of mergers among CA firms as they felt the window was too short, and they couldn't come back to the earlier structure if the merger did not work out as planned, Agarwal explained.



Ranjeet Kumar Agarwal, President of ICAI

Now, there will be trust that till 10 years, the earlier legal names will be preserved and if mergers don't work, the concerned firms can go in for demerger anytime up to those 10 years, he added.

"If you are not happy with the merger, then you can de-merge till ten years and get your old names back. This decision will increase the confidence to go in for mergers," he said.

TWO-FIRM IDENTITY

The second decision is on allowing Limited Liability Partnership (LLP) to b come a partner in anoth LLP. "By retaining the tw firm identity intact, the tw firms can still come t gether and work with co bined strength to bid f projects and deliver. The will be combined resour and combined expertis Agarwal said.

ICAI President also sa that more steps are on t anvil to promote 'aggreg tion of firms'. The ne council meeting could s approval of internation networking guidelines, added.

The framing of intern tional networki guidelines is part of t terms of reference of IC committee on 'aggregati of CA firms'. The commi tee is yet to submit its r port to central council.

The ICAI moves on 'a gregation of firms' are si nificant as the governme wants Indian audit firms grow big and form intern tional networks at glob stage.

The Future Awaits,



The Media Observes...

The Hitavada, dated 23rd December 2024

ICAI expects to finalise intl networking guidelines for CA firms this fiscal

NEW DELHI, Dec 23 (PTI)

ICAI expects to finalise the international networking guidelines for Indian chartered accountant firms this fiscal, its President Ranjeet Kumar Agarwal said on Monday, as efforts continue to have big domestic CA firms that can compete globally.

Currently, there are no guidelines for international networking of Indian CA firms.

The Institute of Chartered Accountants of India (ICAI), which has more than four lakh members, is also working on ways as part of larger efforts to make the country a global accounting and auditing hub.

Agarwal said at a briefing in the national capital that the institute is working on the international networking guidelines as the target is to make Indian CA firms bigger and global.

With respect to aggregation of CA firms, the institute has charted out some strategies and steps have already been taken in this regard.

For instance, if two CA firms are merging, they were earlier not allowed to demerge after five years of the merger. The time period has been extended to 10 years, Agarwal said.

Also, the institute is making efforts to ease the norms that restrict CAs from advertising their services or soliciting clients.

According to the ICAI President, the institute will finalise the changes and will send them to the Governments. To implement the changes, the Chartered Accountants Act, 1949 needs to be amended.

As We Act,

The Media Reflects...

The Economic Times, dated 6th February 2025

Explainer: How ICAI's new LLP aggregation guidelines can reshape CA firm collaborations

Recently, the ICAI issued the Aggregation of LLPs Guidelines, 2024, effective from January 23, 2025. These guidelines provide a framework for an LLP, Indian CA firm to partner with another LLP, fostering collaboration and strengthening operational capacity. How will these new regulations impact the profession? Who is eligible to participate? Let's dive in.

The Institute of Chartered Accountants of India (ICAI) issued the ICAI (Aggregation of LLPs) Guidelines, 2024 on January 23, 2025, providing a formal framework for domestic networking among Chartered Accountancy (CA) firms structured as Limited Liability Partnerships (LLPs). The guidelines allow Indian CA firms to partner with each other, enabling collaboration, resource pooling, and enhanced service delivery across the country.

Here's a breakdown of the guidelines and their implications for CA firms in India.

What Are the New Guidelines About?

The ICAI's new guidelines allow Limited Liability Partnerships (LLPs) primarily consisting of Chartered Accountants to partner with other LLPs. This domestic networking initiative enables firms to combine resources, share expertise, and improve service delivery, particularly for audit services. Through this, firms will be able to expand their reach, streamline operations, and offer more seamless services across different locations, enhancing their capacity to handle large and complex assignments such as multinational audits and cross-border taxation.

To take part in this aggregation, LLPs must meet specific eligibility criteria:

Chartered Accountant Leadership: A firm must have more than 50% of its partners as practicing Chartered Accountants (CAs) registered with ICAI. This ensures that the professional standards of the CA profession are upheld within these partnerships.

Eligibility: Who Can Participate?

In essence, the guidelines are aimed at strengthening the collective power of Indian CA firms, making them more competitive both nationally and internationally. The initiative provides a formalized mechanism for domestic networking, offering firms an opportunity to grow and collaborate in a structured way.

The Economic Times, dated 17th February 2025

Explainer: How ICAI's revised merger and demerger guidelines will impact CA firms

The Institute of Chartered Accountants of India (ICAI) has released the revised Merger and Demerger Guidelines, 2024, approved on January 23, 2025. How will these updated guidelines simplify the process for CA firms? What key changes should firms be aware of? We look into the new framework highlighting the streamlined processes, seniority preservation, and integration of technology for a more efficient future for CA firms.

The Institute of Chartered Accountants of India (ICAI) has recently unveiled its much anticipated ICAI (Merger and Demerger of CA Firms) Guidelines, 2024, approved by the ICAI Council on January 23, 2025. These new guidelines are set to overhaul the process for Chartered Accountant (CA) firms wishing to merge, demerge, or scale up their operations.

Background: The Need for Change

Since their introduction in 2005, the original Merger and Demerger Rules for CA firms have served their purpose. However, over the years, challenges arose, particularly around issues like seniority and the complexities of merging firms. To address these issues, the ICAI established the Committee for Aggregation of CA Firms (CACAF) in 2024-25. After an in-depth review, the committee formulated these revised guidelines, aiming to improve clarity, operational flexibility, and accessibility.

The new guidelines are designed to promote larger, more efficient firms and enhance their market presence, making the process smoother and more effective for all parties involved.

As noted in the ICAI notification, "The revised guidelines aim to provide a clearer framework and eliminate operational bottlenecks, fostering the growth of CA firms in the ever-evolving professional landscape."

Key Highlights of the Revised Merger and Demerger Guidelines

The revised guidelines lay down a comprehensive framework for CA firms to follow when merging or demerging. Here are the key takeaways:

Applicability and Legal Framework

The revised guidelines apply to all CA firms as defined under Section 2(ca) of the Chartered Accountants Act, 1949. These guidelines are issued under the powers of Section 15(2)(fa) of the Chartered Accountants, Cost and Work Accountants, and Company Secretaries (Amendment) Act, 2022, and take immediate effect, superseding all previous rules on mergers and demergers.