

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:3742
ANSWERED ON:27.04.2012
FUND INFLOW IN AUDIT COMPANIES AGAINST FDI NORMS
Naranbhai Shri Kachhadia

Will the Minister of FINANCE be pleased to state:

(a) whether country's FDI rules and regulations do not permit foreigners to either practice auditing or even to fund audit firms in India and if so, the details thereof and reasons therefor;

(b) The action being taken by the Ministry to check the inflow of funds into auditing firms registered with the Institute of Chartered Accountants of India?

Answer

Minister of State in the Ministry of Finance (SHRI NAMO NARAIN MEENA)

(a) As per paragraph 6.2 of `Circular 1 of 2012- Consolidated FDI Policy` issued by Department of Industrial Policy and Promotion on 10.04.2012, in sectors/activities not listed therein, FDI is permitted upto 100% on the automatic route, subject to applicable laws/regulations, security and other conditions. Accordingly, FDI in practicing auditing or audit firms in India is covered under this default clause, subject to applicable sectoral laws/regulations, security and other conditioniities.

The relevant sectoral law for this sector is The Chartered Accountants Act, 1949 which enabled setting up of The Institute of Chartered Accountants of India (ICAI) for regulating the profession of Chartered Accountants in India. According to their rules, foreigners, who are not members of the ICAI, are not entitled to practice the profession of chartered accountants in India.

(b) Not Applicable to this Ministry.