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The CFO of Tomorrow

Should a CFO be spending most of his time to accounting related activity? Often they become the company’s chief accountant. With technology engulfing organisations, the role of the CFO is undergoing a change. Companies no longer want chief accountants, but a CFO who becomes an intrinsic part of the senior management team to develop strategies for growth, innovation and financial integrity.

It is no longer about numbers. As businesses transform and become digitalized, traditional roles and responsibilities are also undergoing a shift. Cloud, data analytics, artificial intelligence are going to the tools of the future and are companies ready for this shift? What does this shift entail? Would AI mean automation at the very lower end of the value scale?

The CFO of tomorrow has to be the driver of change within the organization. It’s no longer about analyzing numbers and bringing costs down, but analyzing the reasons for it. The CFO needs to be fully equipped before technology overwhelms them. They need to play many roles. Strategist, analyst, collaborator, mentor and most important keep a customer focus.

Companies no longer want chief accountants, but a CFO who becomes an intrinsic part of the senior management team to develop strategies for growth, innovation and financial integrity.

What is In-Memory Computing?

Memory computing is the storage of information in the main random access memory (RAM) of dedicated servers rather than in complicated relational databases operating on comparatively slow disk drives.

In-memory computing helps business customers, including retailers, banks and utilities, to quickly detect patterns, analyze massive data volumes on the fly, and perform their operations quickly.

The drop in memory prices in the present market is a major factor contributing to the increasing popularity of in-memory computing technology. This has made in-memory computing economical among a wide variety of applications.

Source: Techopedia.com
Artificial Intelligence

Artificial intelligence is an area of computer science that emphasizes the creation of intelligent machines that work and react like humans. Some of the activities computers with artificial intelligence are designed to include:

- Speech recognition
- Learning
- Planning
- Problem solving

Artificial intelligence (AI) and robotics are reinventing the workforce.

Google has singled artificial intelligence as the next big thing.

Blockchain technology

Blockchain is an anonymous online ledger that uses data structure to simplify the way we transact. Blockchain allows users to manipulate the ledger in a secure way without the help of a third party. A bank’s ledger is connected to a centralised network. However, a blockchain is anonymous, protecting the identities of the users. This makes blockchain a more secure way to carry out transactions. The algorithm used in blockchain reduces the dependence on people to verify the transactions.

This technology used for recording various transactions has the potential to disrupt the financial system.

The internet of things

The internet of things (IoT) is a computing concept that describes the idea of everyday physical objects being connected to the internet and being able to identify themselves to other devices.

The term is closely identified with RFID as the method of communication, although it also may include other sensor technologies, wireless technologies or QR codes.

Source: Techopedia.com

Robotic process Automation

Robotic process automation (RPA) is the application of technology that allows employees in a company to configure computer software or a “robot” to capture and interpret existing applications for processing a transaction, manipulating data, triggering responses and communicating with other digital systems.

Any company that uses labor on a large scale for general knowledge process work, where people are performing high-volume, highly transactional process functions, will boost their capabilities and save money and time with robotic process automation software.

RPA “robots” are revolutionizing the way we think about and administer business processes, IT support processes, workflow processes, remote infrastructure and back-office work. RPA provides dramatic improvements in accuracy and cycle time and increased productivity in transaction processing while it elevates the nature of work by removing people from dull, repetitive tasks. The technology of RPA can be applied specifically to a wide range of industries.

All these technologies have the potential for disruption and CFOs need to be ready for it.

SMAC (Social Mobile Analytics & Cloud)

Social media has provided businesses with new ways to reach and interact with customers, while mobile technologies have changed the way people communicate, shop and work.

Analytics allow businesses to understand how, when and where people consume certain goods and services and cloud computing provides a new way to access technology and the data a business needs to quickly respond to changing markets and solve business problems.

While each of the four technologies can impact a business individually, their convergence is proving to be a disruptive force that is creating entirely new business models for service providers.

The integration of the technologies requires clear policies and guidelines as well as management tools that can automate business processes.

The media company Netflix is often cited as an example of a business that has successfully harnessed the power of SMAC. For example, when a Netflix member streams a TV show from the Netflix cloud to their iPad, they are given the option of signing into Netflix with Facebook’s social login. After viewing a show, members are given multiple ways to provide social feedback. They can rate content with stars, write reviews and/or share what they just watched with friends on Facebook or Twitter.

Customer data is stored in the cloud and Netflix can break down its analysis to such a granular level that its recommendation engine can personalize suggestions for individual family members who share the same account, a concept known as 1:1 marketing.
CBDT notifies new Income Tax Return Forms for AY 2017-18

ITR Form 1(Sahaj)
Features:
1. A simplified one page ITR form
2. Various parts of ITR Form-1 (Sahaj) viz. parts relating to tax computation and deductions have been rationalized and simplified for easy compliance.

Applicability:
1. ITR Form-1(Sahaj) can be filed by an individual having total taxable income up to Rs 50 lakh and who is in receipt of income from salary/ pension/ one house property/ other income (IOS). However exception for the IOS rule is:
   i. Any taxpayer having unexplained Income cannot opt for ITR1 Sahaj.
   ii. Any individual having dividend income above Rs 10 lakh and covered u/s 115 BBDA cannot opt for ITR -1 Sahaj.
   iii. Any Income excluding the income in nature of horse races and winnings from lotteries and Income in nature of 115 BBE. Cannot opt for ITR - 1 Sahaj.

ITR Form 2
The existing ITR Forms ITR-2, ITR-2A and ITR-3 have been rationalized and a single ITR-2 has been notified in place of these three forms.

Features:
1. A new field has been provided in ITR Forms u/s Schedule VI deductions to claim Home loan Interest u/s 80EE (80 EE: It allows deduction on home loan interest for first time home buyers. The deduction is over and above Rs 2 lakh limit covered u/s 24(b).
2. A new field has been introduced wherein I/ HUF’s needs to disclose address of Immovable property and description of movable assets. (It is applicable for I/ Hufs who have total income in excess of Rs 50 lakh to declare their assets and liabilities mentioning the cost of Immovable property, jewellery, bullion, vehicles, shares, bank, cash balance, etc) (This feature is applicable for ITR -3, ITR -4)

Specified fields have been inserted in these new ITRs requiring disclosure of cash deposits exceeding Rs 2 lakh in aggregate during the period of demonetization and certain other details to give effect to the amendments made by the Finance Act, 2016 and Taxation Laws (second amendment) Act, 2016.

Applicability:
ITR form 2 is applicable for I/ HUF who are not eligible to file ITR Form- 1 (Sahaj) and who’s income chargeable to income tax under the head “Profits or Gains of Business or Profession” is in nature of interest, salary, bonus, commission, remuneration, by whatever name called.

ITR Form -3 as per amendment; ITR-4 has been renumbered as ITR-3 A)
Features:
1. The form is applicable to I / HUF who is carrying any proprietary business or profession.
2. Specified fields have been inserted in these new ITRs requiring disclosure of cash deposits exceeding Rs 2 lakh in aggregate during the period of demonetization and certain other details to give effect to the amendments made by the Finance Act, 2016 and Taxation Laws (second amendment) Act, 2016.

ITR Form-4 As per amendment; ITR-4S (Sugam) have been renumbered as ITR-4 (Sugam).
Features:
1. The form is applicable to I/ HUF whose Total Income includes:
   ii. Income from salary/ pension
   iii. Income from house property excluding the cases of brought forward losses of previous years.
   iv. Income from other sources excluding the income from horse races and winnings from lotteries
2. Specified fields have been inserted in these new ITRs requiring disclosure of cash deposits exceeding Rs 2 lakh in aggregate during the period of demonetization and certain other details to give effect to the amendments made by the Finance Act, 2016 and Taxation Laws (Second Amendment) Act, 2016.
3. A new field has been added for disclosure of Interest held in the assets of a firm or AOP as partner / member. Such members/ partners are also required to disclose name, address, PAN of the firm / AOP.
Aadhaar Number Notifications and Implications

A specific field for quoting Aadhaar number or Aadhaar Enrolment ID has been inserted in ITR 1, 2, 3 & 4 in line with insertion of new Section 139AA by the Finance Act, 2017, with effect from 01.07.2017.

The Finance Bill, 2017 as passed by Lok Sabha has introduced a new Section 139AA requiring every person to quote Aadhaar number in the return of Income. If any person does not possess the Aadhaar number but he has applied for the Aadhaar card then he can quote enrolment number ID of Aadhaar application form in the ITR.

Most government schemes that mandate compulsory Aadhaar have exempted some of the North Eastern states owing to lower enrollment of Aadhaar. As per data on 30th April 2017, only 7% of Assam’s population has been assigned Aadhaar while it is 9% for Meghalaya. In Jammu & Kashmir, this stands at 67%. Other persons exempted are specified in point below 2(iii) (S.O. 1513 (E)) 1. Note: ITR Forms are to be filed electronically. However, where return is furnished in ITR-1 (Sahaj) or ITR-4 (Sugam), the following persons have an option to file return in paper form:-

a. An individual of the age of 80 years or more at any time during the previous year; or
b. An individual or HUF whose income does not exceed five lakh rupees and who has not received any refund in the return of income.
c. S.O. 1513 (E).—In exercise of the powers conferred by sub-section (3) of section 139AA of the Income-tax Act, 1961 (43 of 1961), the Central Government hereby notifies that the provisions of section 139AA shall not apply to an individual who does not possess the Aadhaar number or the Enrolment ID and is:-
   (i) Residing in the States of Assam, Jammu and Kashmir and Meghalaya;
   (ii) A non-resident as per the Income-tax Act, 1961; of the age of eighty years or more at any time during the previous year;
d. Not a citizen of India.

This notification (S.O. 1513 (E)) shall come into force with effect from the 1st day of July, 2017. [Notification No. 37/2017, F. No. 370133/6/2017-TPL]

Aadhaar & Duplicate/Fake PAN numbers

The government has argued in the Supreme Court that money is laundered through shell companies using multiple PANs. The government also mentioned that 10 lakh PANs were cancelled through random checks. Aadhaar linking to PAN, the government argued is to prevent such duplication of PANs. But the current amendment mandating Aadhaar for PAN & IT returns is applicable only to individuals and not companies.

As per the information shared by the government in the Lok Sabha, a total of 11.56 lakh PAN were cancelled because they were found to be duplicate as of April 2016. This makes for a mere 0.47% of all PANs in India at that time. In Delhi, 2.62% of all the PANs were cancelled as duplicate. In none of the other states, this was more than 1%. At least 0.3% PANs were cancelled in 16 states. In fact, cancelled PANs percentage was more than the national average in only 5 states. It has to be noted that this cancellation was done before Aadhaar linking. If the government was able to find duplicates and cancel them even when Aadhaar was not linked, it is intriguing as to why the government is now pushing for Aadhaar & PAN linking.

Simultaneously, the number of ITR Forms has been reduced from the existing nine to seven forms. (Including individuals & companies)

Form 12BB – Investment Declaration for FY 2016-17

Form 12BB is a form prescribed by the CBDT for salaried individuals to declare their investments. Earlier there was no standard form for making declarations but from June 1, 2016, the process was standardized with the introduction of Form 12BB.

Employers deduct TDS from the salary of employees if their income falls in the taxable limit. To avoid TDS deduction, employees declare their investments usually in the months of January and February.

The Finance Act, 2015 had introduced section 192(2D) of the Income-tax Act, 1961 (the Act) wherein the person responsible for making payment of salary (employer) was obliged to collect the necessary evidence or proof in the prescribed form and manner to allow any claim for any deduction and/or tax saving investments.

Advance Tax Liability for the AY 2018-19

The Finance Act 2017 (Act No. 07 of 2017) has not brought any change in Advance Tax provisions. Therefore the Advance Tax provisions related to AY 2017-18 will continue applicable on AY 2018-19.

Following are key points related to Advance Tax Liability for the AY 2018-19:

a. Section 211(1) was amended by Finance Act 2016 to provide that advance tax will be paid in four installments of 15%, 45%, 75% and 100% of tax payable on the current income by 15th June, 15th September, 15th December and 15th March, respectively in case of all assesses.
Upto AY2017-18 the assessee other than corporate assessee are required to pay Advance Tax in three installments. Now all assessee except assessee covered u/s 44AD is treated at par for Advance Tax provisions.

b. Assessee covered u/s 44AD are to pay advance tax of the whole amount in one installment on or before the 15th March of the financial year consequent upon raising of the turnover limit from Rs 1 crore to Rs 2 crore.

Advance Tax (Section 208, 209 & 211)
Advance tax is payable on all income during the financial year in every case where the amount of such tax payable by an assessee during that year is Rs 10,000 or more.

Following is chart showing Advance Tax Liability for the AY 2018-19:

<table>
<thead>
<tr>
<th>Due Date</th>
<th>Installment Payable</th>
</tr>
</thead>
<tbody>
<tr>
<td>On or before 15th June, 2017</td>
<td>Not less than 15% of advance tax</td>
</tr>
<tr>
<td>On or before 15th Sep, 2017</td>
<td>Not less than 45% of advance tax as reduced by the amount paid in the earlier installment.</td>
</tr>
<tr>
<td>On or before 15th Dec, 2017</td>
<td>Not less than 75% of advance tax as reduced by the amount paid in the earlier installments.</td>
</tr>
<tr>
<td>On or before 15th Mar, 2018</td>
<td>The whole amount (100%) of advance tax as reduced by the amount paid in the earlier installments.</td>
</tr>
</tbody>
</table>

Advance Tax Liability for Assessee covered under section 44AD of the IT Act 1961

Due Date           | Installment Payable |
-------------------|---------------------|
On or before 15th Jun, 2017 | —                  |
On or before 15th Sep, 2017 | —                  |
On or before 15th Dec, 2017 | The whole amount (100%) of advance tax as reduced by the amount paid in the earlier installments. |
On or before 15th Mar, 2018 | —                  |

Note:
1. Resident individuals who are over 60 years of age and do not have income chargeable under the head 'Profits and Gains of Business or Profession' are not required to pay advance tax.
2. Any amount paid by way of advance tax on or before 31st March shall also be treated as advance tax paid during financial year ending on that day.
3. Deduction under Chapter VIA is allowable while computing liability of advance tax.
4. TDS is to be reduced from total tax liability of assessee and then specified percentage be calculated of advance tax.

Direct tax collection data
With the new schemes and its implementation, India is at the stage of growing with every phase of economy and the same is visible from the trend of revenue collection. The government has exceeded the tax collection estimates for 2016-17 fiscal at Rs 17.10 lakh crore. The revised estimates (RE) provided in Budget on February 1 had projected tax collections of Rs 16.97 lakh crore. The finance ministry in a statement said that tax collection of Rs 17.10 lakh crore is a growth of around 18% compared to last year.

Revenue secretary Hasmukh Adhia said, "Total net tax revenue grows at 18% to Rs 17.10 lakh crore, highest in last 6 years." While direct tax mop up during the April-March period grew 14.2% at Rs 8.47 lakh crore, Net direct tax collections at Rs 8.47 lakh crore shows 100 per cent achievement for RE of 2016-17.

In terms of gross revenue collections, the growth rate in corporate tax was 13.1% while that of personal income tax was 18.4%. However, after adjusting for refunds, the net growth in corporate tax collections is 6.7% while that of personal I-T collections is 21%.

Refunds amounting to Rs 1.62 lakh crore have been issued during April 2016-March 2017, which is 32.6% higher than the refunds issued during FY 2015-16, the statement added.

This phase at the fast development will lead an India from developing stage to developed stage. Soon, India will be in the Top Chart Numbers for Industry.
Mr. Bruellau: The last ten years in India was quite a journey that started with tremendous challenges. What you see now is nowhere compared to how we started. But the good thing is that along the way I have been working with young and highly motivated people, even hungry people. So, it is always energizing for me; my energy levels are still the same as they were ten years ago.

Mr. Jürgens: What were the reasons for Schmersal to come to India?

Mr. Bruellau: Schmersal started as a small sales company. In 2010 they decided to invest in India by building a manufacturing plant. This was immediately after the 2009 crisis. An analysis was made about the markets. The European market was more or less stagnating and it was the same with North American market; South American market was in crisis or still is; and China was increasingly developing some doubts. Hence, the only big market with a long-term growth potential was India. That is why this decision was taken even long before the Indian government discovered Make in India.

Mr. Jürgens: What are the key milestones of your company?

Mr. Bruellau: Schmersal started in 2007 as a small sales organization. 2012 was the ground-breaking ceremony for the factory in Ranjangaon. On July 1st 2013, we produced the first made in India switch. After that we developed our processes and quality management and now we have all our worldwide certifications for protection. This year we have also developed a new strategy by entering into heavy industries which is a new market for us. Heavy industry means mining, cement, steel. And, well, we made the first enrols this year so the process goes on.

Mr. Jürgens: How was your entry into India strategized?

Mr. Bruellau: The entry strategy to India is a continuous learning process. Basically, all German companies I know go through the same phases. They start with a sales organization and when they want to go to manufacturing sooner or later they find out that they have to adapt to the Indian market. This process is still going on. It is a story which I can start and that any CEO of any German company can continue, big or small, it makes no difference.

Mr. Jürgens: What is your strategy for the Indian market?

Mr. Bruellau: What we have learned in India is that you cannot sell a German product just the way it is. You have to adapt it to the Indian market. Now, the question is how do you do it? We do it in two ways: one way is that we are increasingly going into local products; and the second strategy is that we make components for markets worldwide. However, one thing we are not doing is to compromise on the core element of the product, which is in our case the contract block. This remains the same worldwide. Meanwhile we make the plastic casing and we source metal parts from local vendors, so that we are able to price it more appropriately for the Indian market. We will never be a cheap product because of the core content. That is although not our aim. We are not aiming at customers who are looking at low prices, but we are aiming at the high-end customers. Even if we gain 10% market share, it will be a big market for us.

Mr. Jürgens: How did you lead the company successfully?

Mr. Bruellau: Well, success comes from hard work. First of all, you should be clear about finance and tax structure in India. Companies have underestimated it and I know some former German CEO’s who were here in India and really underestimated the tax situation. This has a tendency to explode after 4-5 years if it is not handled correctly. The one thing which you have to do right from the start is to hire a very good financial adviser, a good accounting assistant and a good tax adviser even if your turnover is small. These things cannot be neglected and need to be addressed at the very beginning.

The second important building block for being successful in India is that it is very important to hire good senior people like head of production, logistics, HR. Care should be taken while choosing the people otherwise there will be problem. Your key people should stay and not keep changing every two years otherwise processes and systems do not become sustainable. I have developed my own way of how to interview people, know about their backgrounds and things like that. I believe that it is not easy to judge people, but I have been able to judge people on their potential, stability and their fit in this industry.

And the third is that if you come to India and if your company invests in India, you have to do it with a long-term vision. India is not a country for short gains or for short hit and run profit. It is a country where you can only succeed if you have a strong stamina and a deep long breath to find your strategy. Developing a strategy for India from outside, to my knowledge with every German company I know, fails. You have to develop the strategy after understanding the actual market and that takes time. If you don’t have that time then don’t come to India. If your investor has patience then you are on the right road track in India.
On 7th May 2017 was Emmanuel Macron elected President of the French Republic. "King is dead, long live the King!" It is as if there was a new coronation every 3 years in France. Indeed even if there is no king in France since 1848, the Republic grants the President prerogatives that are quite similar. Hence people expect a lot from him/her and it is the only election that truly interests the people. The record abstention of 57.35% during the following legislative elections in June highlights such a little interest. In fact the Elysée Palace tenant embodies the Nation at the international level and he appoints and dismiss the Prime minister who is the Head of the Government. The President is the head of the executive power and chief of the Armies. Despite the joy of victory, President Macron has a long road ahead. The new President has to face internal and external challenges, both being intrinsically linked. First and foremost he must solve the issue of unemployment. This subject is of highest concern to the French people. For years and years, successive governments proved unable to tackle the issue. While 4% of the active population is jobless in Germany, it is 10% in France. The media narrative is that company relocations to Eastern Europe or emerging countries have caused unemployment.

This is convenient as it crystallizes public opinion and stances of politicians. The real reason for slow economic growth is due to stagnant domestic consumption and the lack of exporting firms. France grew by 1.1% in 2016 when the Euro-Zone had an average rate of 1.7%. Thus French GDP in 2017 was 2% higher than in 2008! The consequence being that companies do not increase their manpower, which is even more problematic as more and more young people arrive on the job market and cannot find proper work. But the first issue Emmanuel Macron has to target is the moralization of public life. Numerous affairs have poisoned political life and tarnished the image of politicians. All parties have their own scandals. The Right is accused of manipulating accounts of the previous presidential campaign and former Prime Minister François Fillon of giving fictitious employment to his wife and children (paid by taxpayers). The left is in trouble as former Budget Minister Jérôme Cahuzac has been condemned for tax evasion. The far Right party Front National is not exempt of such affairs. Criticism against the political parties, against cronyism and collusion of elites have shaped this election. Thus the second round of elections opposed Marine Le Pen – whose party promoted itself as the defender of public virtue – against Emmanuel Macron – whose newly created movement En Marche! aimed at differentiating from parties and representing civil society. The image of changing traditional ways of doing politics strengthened them and enabled Macron and his allies to get a comfortable majority in the legislative election. In contrast it largely penalised traditional Right and Left parties during both elections. For instance, Right candidate François Fillon expected to win according to opinion polls suffered a heavy defeat.

Thus it is not a surprise that Macron’s first initiative deals with transparency of officials. This cannot bring back economic growth but it may enable him to get people’s trust and to re-build the link between politicians and the population.

French growth would highly rely on what happens at the European level. France is facing a dilemma. On the one hand public expenditure has to increase to boost economic growth as private consumption remains stagnant. But on the other hand France has a public debt amounting 98.4% of GDP and public deficit in 2015 was 3.5%. In spite of efforts by the previous Government these figures are far above those allowed by the Maastricht Treaty. It regulates public expenses of European countries and defines a limit of 60% for public debt and 3% for public deficit. That is why France is under pressure from the EU to comply with the rules. This implies that the Government has to cut public spending and/or increase its receipts. This is what Macron’s economic programme tries to cope with. On the one hand it aims to follow European guidelines: he vowed to cut 20,000 jobs in public administration, reform labour market to increase flexibility and reach the 3% deficit limit. But on the other hand he does not want to disrupt growth. Therefore he promised to lower corporate tax rate from 33.5% to 25% and keep the pension system. He would like to establish a Nordic-style flexibility model in France (i.e. a free labour market enabling employers to fire easily but comfortable social benefits to protect people against risks and so that they can adapt). In addition he wants to implement a five-year stimulus plan of €50 billion to boost demand in the short run. Yet as it would represent about 2% of French GDP, such a policy is unlikely to really have an impact on growth and employment. In fact his really ambitious plan is to re-launch European cooperation.

On French & India ties

If presidential election in France could impact EU, French- Indian relationships do not seem to be affected. In fact it looks like a status quo. If his opponent Marine Le Pen had been elected, concerns would have been much more important.

France would have got the image of a xenophobic country led by extreme right populists. President Macron is likely to reinforce links between France and India. First meeting with PM Modi in Paris was encouraging with the two countries reaffirming their commitment to the Paris Agreement on climate change whereas US President Trump announced the withdrawal of his country. Macron’s business-friendly attitude should facilitate exports and investments abroad for French companies.

Current Indian economic growth and brilliant examples of French successes in the peninsula like the sale of 36 Rafale fighters should probably influence his policy. Furthermore he is seems willing to involve himself in favour of French-Indian relationships in various fields like fight against terror, cultural and academic exchanges or military cooperation.
integration process. He would like to change the Euro zone into a fiscal union which includes funds transfers from countries having budget surplus like Germany to countries having budget deficits like France. Indeed lessons should be taken from the Euro crisis and of the consequences of its poor management. The situation in Greece is a frightening illustration: unemployment is about 25% (and above 50% for youths), GDP per capita has collapsed, HIV contaminations have multiplied because of cuts in health protection, etc. In fact considering the theory of optimum currency area, the Eurozone should have its own budget policy. As many European countries decided to share the same currency since they have strong trade relationships, they linked their economic future. Monetary policy, which is in the hand of the European Central Bank, is the same for all countries. Depreciation policies are hence no more possible if a country faces a crisis. Its only option is tax policy. But as EU regulation prohibits States to make deficit, they have only very limited room for manoeuvre. That is why the only option is the creation of a fiscal union, with a Eurozone Parliament and Budget Minister. This is an ambitious programme. Especially as Brexit and Euro-scepticism across European countries has weakened every initiative for further integration. Beside Angela Merkel will strongly oppose to such a move as it would mean that Germany should pay for other countries. In countries like India or the United States, it is accepted by state governments and people that Kerala has to support West-Bengal or that California assists Tennessee. Yet the EU is not a country but a free and deliberate union of independent states. Thus if Macron wants to impose such a solidarity, he will need to get the support of a strong coalition of countries, and not only of South Europe like Greece, Spain or Italy.

CORPORATE LAW

On 26 April 2017, the Reserve Bank of India (RBI) released the draft of Foreign Exchange Management (Cross Border Merger) Regulations, 2017 (Draft FEMA Regulations). Through these regulations, RBI intends to address the issues that may arise in cross border mergers. Accordingly, RBI has invited members of the public (including stakeholders and experts) to email their views and comments on the Draft FEMA Regulations to the RBI at cofdpolicy@rbi.org.in with the subject "Cross Border Mergers – Comments/Suggestions".

NOTIFICATION
New Delhi, the 13th April, 2017

In exercise of the powers conferred by section 234 read with section 469 of the Companies Act, 2013, the Central Government, in consultation with the Reserve Bank of India, hereby makes the following rules to amend the Companies (Compromises, Arrangements and Amalgamations) Rules, 2016, namely:-

1. (1) These rules may be called the Companies (Compromises, Arrangements and Amalgamations) Amendment Rules, 2017.
(2) They shall come into force on the date of their publication in the Official Gazette.

2. In the Companies (Compromises, Arrangements and Amalgamations) Rules, 2016, (hereinafter referred to as the principal rules) after rule 25 the following rule shall be inserted, namely:

“25A. Merger or amalgamation of a foreign company with a Company and vice versa. – (1) A foreign company incorporated outside India may merge with an Indian company after obtaining prior approval of Reserve Bank of India and after complying with the provisions of sections 230 to 232 of the Act and these rules.

2. (a) A company may merge with a foreign company incorporated in any of the jurisdictions specified in Annexure B after obtaining prior approval of the Reserve Bank of India and after complying with provisions of sections 230 to 232 of the Act and these rules.

(b) The transferee company shall ensure that valuation is conducted by valuers who are members of a recognised professional body in the jurisdiction of the transferee company and further that such valuation is in accordance with internationally accepted principles on accounting and valuation. A declaration to this effect shall be attached with the application made to Reserve Bank of India for obtaining its approval under clause (a) of this sub-rule.

3. The concerned company shall file an application before the Tribunal as per provisions of section 230 to section 232 of the Act and these rules after obtaining approvals specified in sub-rule (1) and sub-rule (2), as the case may be.

Explanation 1.
For the purposes of this rule the term “company” means a company as defined in clause (20) of section 2 of the Act and the term “foreign company” means a company or body corporate incorporated outside India whether having a place of business in India or not:

Explanation 2.
For the purposes of this rule, it is clarified that no amendment shall be made in this rule without consultation of the Reserve Bank of India.”

3. In the principal rules after Annexure A the following Annexure shall be inserted namely:-

“Annexure B
Jurisdictions referred to in clause (a) of sub-rule (2) of rule 25A
(i) whose securities market regulator is a signatory to International Organization of Securities Commission’s Multilateral Memorandum of Understanding (Appendix A Signatories) or a signatory to bilateral Memorandum of Understanding with SEBI, or
(ii) whose central bank is a member of Bank for International Settlements (BIS), and
(iii) a jurisdiction, which is not identified in the public statement of Financial Action Task Force (FATF) as:

(a) a jurisdiction having a strategic Anti-Money Laundering or Combating the Financing of Terrorism deficiencies to which counter measures apply; or
(b) a jurisdiction that has not made sufficient progress in addressing the deficiencies or has not committed to an action plan developed with the Financial Action Task Force to address the deficiencies.”
Tulipmania or tulipomania was a period in the Dutch Golden Age. At the peak of tulip mania, in March 1637, some single tulip bulbs sold for more than 10 times the annual income of a skilled crafts worker. It is generally considered the first recorded speculative bubble or economic bubble.

However to understand how did tulips become so popular, we need to understand the history of how tulips reached Holland.

The Golden Century is the name of the period in Dutch history between 1600 and 1700 when the port city of Amsterdam was one of the richest of all cities in Western Europe due to its strong role in international trade. Trading companies such as the VOC (Verenigde Oost-Indische Compagnie), commonly known as the Dutch East India Company, became dominant players in the Netherlands’ trade. Amsterdam’s booming economy led to a flourishing of the arts and architecture, as well as trade in blue glass, china and other luxury goods.

‘Tulip’ is a name of Middle Eastern origin. As tulips were unknown in the ancient Europe, there was no Greek or Latin name for them. Instead, “tulip” is a corruption of a Turkish word ‘türbend’ meaning ‘gauze’ or ‘muslin’—which in turn is derived from the Persian word delbend, meaning ‘turban.’ The tulip originally from Persia & Asia Minor found its way to Constantinople where they were first seen in 1554 by de Busbecq, ambassador of Emperor Ferdinand I at the Court of the Sultan, who sent seeds or bulbs to Europe. Tulip bulbs were soon distributed from Vienna to Augsburg, Antwerp and Amsterdam. The popularity is attributed to Carolus Clusius, a botanist at the University of Leiden, who planted them.

The tulip was very different from other flowers known to Europe. Its petals had an intense saturated colour. Tulips became a coveted luxury item and there were a profusion of varieties. The demand for differently coloured varieties of tulips soon exceeded the supply, and prices for individual bulbs of rare types began to rise to unwarranted heights in northern Europe. By about 1610 a single bulb of a new variety was acceptable as dowry for a bride, and a flourishing brewery in France was exchanged for one bulb of the variety Tulipe Brasserie. The craze reached its height in Holland during 1633–37.

By 1636 the tulip bulb became the fourth leading export product of the Netherlands, after gin, herrings and cheese. And high prices were exactly what well-heeled elite were willing to pay for the rarest and showiest of the new tulip hybrids. ‘Semper Augustus,’ possibly the most celebrated tulip was documented to have commanded the astonishing price of 10,000 guilders, which sum is said to have been the equivalent of a fashionable house in Amsterdam!

In the years following the stunningly successful first round of Dutch tulip breeding, prices rose higher and higher as more of the extremely well-to-do entered the frenzy. With collectors paying as much as a skilled craftsman might earn in 10 years, and with the reliable but slow potential increase in bulb stocks, investors took to trading in contracts promising the bulbs in the future. The contracts were sold and resold at ever-inflating prices. This led to an incredible bubble in the tulip market. Tulipomania had set in. Merchants, investors and would-be investors sometimes invested their life-savings or borrowed against their possessions, pouring money into what they believed was a sure thing.

The crescendo was reached in 1636 to 1637. The price of tulips skyrocketed because of speculation in tulip futures among people who never saw the bulbs. Many men made and lost fortunes overnight. A default on a contract triggered a classic market meltdown, one that’s widely regarded as the archetypal example of a bubble economic scenario. Overnight, fortunes vanished as the financial house of cards collapsed. Well-intentioned government intervention may have made the problem worse. The entire Dutch economy was seriously damaged by the event and recovery took years.