
FAQs
on
The ICSI (Management
and Development of
Company Secretaries
in Practice)
Guidelines, 2023



THE INSTITUTE OF
Company Secretaries of India

भारतीय कम्पनी सचिव संस्थान

IN PURSUIT OF PROFESSIONAL EXCELLENCE

Statutory body under an Act of Parliament

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CHAPTER 7

SCALE AND MANNER OF DETERMINATION OF FEES FOR PROFESSIONAL SERVICES

- 1. What are the Guiding Principles on Scale and Manner of Determination of Fees for various Professional Services rendered by the Company Secretaries in Practice?**

The Council of the Institute has issued Guiding Principles on Scale and Manner of Determination of Fees for various Professional Services rendered by the Company Secretaries in Practice to harmonize the diverse practices followed by Company Secretaries in Practice while determining and charging professional fees for rendering services and to provide the Guiding Principles for fixing the fee.

- 2. What is the objective of issuing the Guiding Principles on Scale and Manner of Determination of Fees?**

These principles inter alia provide for ways to ascertain the scope of various professional services and the principles for determination of fee in order to ensure transparency between the recipient of services and the Company Secretary in Practice. They also ensure that just and reasonable fees is charged by professionals on the basis of their experience, expertise, exposure, operational costs, associated risks and the market forces.

- 3. How are the various professional services rendered by a Company Secretary in Practice (PCS) categorised in the Guiding Principles on Scale and Manner of Determination of Fees?**

The various professional services rendered by a PCS are broadly categorised as:

- (i) Advisory or Consultancy,
- (ii) Audit(s),
- (iii) Attestation Services - Signing and Certification,
- (iv) Representation/Appearances,
- (v) Compliance Management Services,
- (vi) Specialised Services such as Insolvency Professional, Liquidator, Valuer, Arbitrator, Mediator, Scrutinizer, etc.,

(vii) Any other service, as may be approved by the Council in terms of section 2(2) of the Act.

4. Should a Company Secretary in Practice providing professional services to the client charge fees with lump-sum payment or time-based payment?

A Company Secretary in Practice may provide the professional services to the recipient of services or the client either on retainer basis or for a standalone project, which may be taken up either on lump-sum or time-based payment.

5. Can a Company Secretary receive his professional fees in advance?

Yes, as such there is no bar in the Company Secretaries Act, 1980 or in the Company Secretaries Regulations, 1982 as well as these Guidelines for taking the professional fees in advance.

6. When should a Company Secretary in Practice prefer to charge standalone project-based fee?

A standalone project-based fee, which may be time based or lumpsum payment, may be preferred when the professional service is concentrated in a particular area or project and has definite time of completion of project or deliverables.

7. Can a Company Secretary in Practice pay to any person any share, commission or brokerage in the fees or profits of his professional business?

No, Clause 2 of Part I of the First Schedule to the Company Secretaries Act, 1980 prohibits a Company Secretary in Practice from paying or allowing any share, commission or brokerage in the fees or profits of his professional business, to any person other than a member of the Institute or a partner or a retired partner or the legal representative of the deceased partner or a member of any other professional body or with such other persons having such qualifications as may be prescribed, for the purpose of rendering such professional services from time to time in or outside India.

8. What is the basis that can be followed by a Company Secretary in Practice for charging professional fees?

A Company Secretary in Practice may charge professional fees for rendering services on any of the following basis:

- (i) **Time Rate (Hourly/Daily)**, which shall be expected time value of money for professional services.

- (ii) **Monthly Retainer fees**, which shall be equivalent to time devoted by PCS and his team and expertise of the professional comparable to and should not be less than monthly remuneration of the professional, if he would have been employed as an employee at such position in the said Company.
- (iii) **Project based rate**, which may be calculated on the basis of time required or expertise to complete an assignment.

9. Whether a Company Secretary or a Firm of Company Secretaries can charge or offer to charge professional fees based on a percentage of profits?

No, in terms of Clause 9 of Part I of First Schedule to the Company Secretaries Act, 1980, it is not permitted to a Company Secretary or a Firm of Company Secretaries to charge fees on a percentage of profits.

10. What should a Company Secretary in Practice bear in mind before accepting any professional assignment?

Before accepting any professional assignment, it shall be the responsibility of the Company Secretary in Practice to ascertain skill sets, infrastructure at his disposal or have some association or arrangement to meet the said skill set or competence or infrastructure for efficient delivery of services.

11. What are the factors that may be considered while determining the quantum of fee to be charged?

A Company Secretary in Practice may consider the following factors while determining the quantum of fee to be charged:

- (i) complexity of the assignment;
- (ii) time required to complete the assignment;
- (iii) risks associated with the assignment;
- (iv) Skill, competence or area of expertise required to undertake and complete the assignment;
- (v) direct and indirect expenses, including overheads;
- (vi) opportunity cost analysis;
- (vii) fee usually charged by fellow professionals for similar assignment;
- (viii) time limitations (deadline) imposed by the client;

- (ix) the experience, reputation and seniority of the PCS, specifically for services relating to advisory or opinions;
- (x) limit on charging of fees under the statute (if any).

12. What is the policy for determination of fee? Whether a Company Secretary in Practice is required to adopt such policy?

Every Company Secretary in Practice shall internally frame and adopt a policy for determination of fees which may prescribe the following:

- (i) Minimum base fee for various professional services handled by the PCS;
- (ii) Hourly rate for Proprietor or lead Partner of the Firm and also for other Partners, Associates and other employees as per their designation;
- (iii) Criteria to add mark-up on the base fee considering expertise, skill of the team or Partner of the Firm, who is proposed to be engaged;
- (iv) Invoicing and payment cycle including percentage of advance payment, if any;
- (v) Terms of payment, stages and timeline for payment;
- (vi) Changes for office hours spent in travelling;
- (vii) Collection of GST, wherever applicable.

13. What should be included in the terms of engagement for professional services?

The terms of engagement for professional services shall provide for:

- (i) The objective and scope of the engagement;
- (ii) The reference to law, if any;
- (iii) Documents or written representations, if any to be provided by the Management to the Company Secretary in Practice;
- (iv) The estimated time period within which the assignment is to be completed by the Company Secretary in Practice, along with milestones, if any;
- (v) The commercial terms regarding audit fees and reimbursement of expenses in connection with the assignment;
- (vi) Limitations, if any.

14. Whether a Company Secretary in Practice can charge additional costs for reimbursement of out of pocket expenses? How to determine the reasonability of the out of pocket expenses?

In addition to the fee, the Company Secretary in Practice can charge necessary and reasonable direct costs for reimbursement of out of pocket expenses. However, it should be ensured that the out of pocket expenses incurred are reasonable.

In order to determine the reasonability of such expenses, the Company Secretary in Practice should consider if the expenses are:

- (i) directly related to the service(s);
- (ii) in furtherance of the exercise of the functions, professional standards and the terms of engagement;
- (iii) determined on an arm's length basis, in consonance with the requirements of integrity and independence; and
- (iv) in consonance with his duties under the Company Secretaries Act, 1980 and the Company Secretaries Regulations, 1982.

15. Is it mandatory for the Company Secretary to maintain written records of the work done?

Yes, the Company Secretary in Practice must maintain written records to demonstrate full details of the work done and its correlation to the fee charged.