

INCOME COMPUTATION AND DISCLOSURES STANDARDS (ICDS) 2015

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27TH JUNE 2015*

BASIC DETAILS

- ❑ **APPLICABLE FOR AND FROM PREVIOUS YEARS STARTING FROM 1 ST APRIL 2015 i.e. FROM A.Y. 2016-17 (VIDE NOTIFICATION NO 32/2015 DT. 31.3.2015)**
- ❑ **COVERED UNDER SEC 145(2) AND 145(3) vis a vis SEC 144 OF INCOME TAX ACT 1961.**
- ❑ **APPLICABLE FOR ALL ASSESSEES**
 - **CORPORATE AS WELL AS NON-CORPORATE AND LIABLE FOR TAX AUDIT OR EVEN OTHERWISE .**
 - **WHO FOLLOW MERCANTILE SYSTEM OF ACCOUNTING ONLY (i.e. NOT APPLICABLE FOR ASSESSEES WHO FOLLOW CASH SYSTEM OF ACCOUNTING)**
- ❑ **APPLICABLE FOR COMPUTATION OF INCOME UNDER TWO HEADS OF INCOME ONLY NAMELY**
 - **INCOME FROM BUSINESS/PROFESSIONS AND INCOME FROM OTHER**

BASIC DETAILS CONT...

- ❑ **APPLICABLE FOR COMPUTATION OF INCOME** (i.e. DETERMINING / COMPUTING TAXABLE INCOME) **AND NOT FOR MAINTENANCE OF BOOKS OF ACCOUNTS.**(i.e. ICDS EFFECTS NEED NOT BE GIVEN IN BOOKS OF ACCOUNTS)
- ❑ **ICDS ARE STANDARDS SPECIFIED FOR COMPUTATIONAL ADJUSTMENTS** IN INCOMES AS PER BOOKS OF A/Cs AND CORRESPONDING DISCLOSURE REQUIREMENTS IN THAT RESPECT
- ❑ **TOTAL 10 STANDARDS ARE PRESCRIBED** (EVEN MORE CAN BE EXPECTED IN FUTURE)
- ❑ **NO PROVISIONS/ REGULATIONS/ PRACTICAL RULES OR GUIDELINES ARE YET PRESCRIBED RE. CERTIFICATION OR AUDIT OF COMPLIANCES OF ICDS** WHILE FILING THE ITR (ASSESSING AUTHORITY IS THE SOLE AUTHORITY FOR DECIDING ABOUT THE ADEQUACY OF DUE COMPLIANCES MADE AS PER ICDS BY ASSESSEE)
- ❑ **IF THERE IS ANY CONFLICT BETWEEN PROVISIONS OF I TAX ACT AND ICDS, THEN PROVISIONS UNDER LAW WILL PREVAIL** (WHETHER ASSESSEE HAS

LIST OF ICDS

ICDS 1: ACCOUNTING POLICIES

ICDS 2: VALUATION OF INVENTORIES

ICDS 3: CONSTRUCTION CONTRACTS

ICDS 4: REVENUE RECOGNITION

ICDS 5: TANGIBLE FIXED ASSETS

ICDS 6: EFFECTS OF CHANGES IN FOREIGN EXCHANGE RATES

ICDS 7: GOVT GRANTS

ICDS 8: SECURITIES

ICDS 9: BORROWING COSTS

ICDS 10: PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

ICDS 1 : **ACCOUNTING POLICIES**

- REF TO ACCOUNTING STANDARD 1 (ICAI)
- SIGNIFICANT ACCOUNTING POLICIES TO BE DISCLOSED
- ESTIMATED OR EXPECTED LOSSES NOT ALLOWED TO BE RECOGNISED
- MATERIALITY (QUANTUM) OF ANY ADJUSTMENT IS IMMATERIAL (LEADING TO EVEN SMALL ADDITIONS MADE DURING ASSESSMENT)
- CHANGES IN ACCOUNTING POLICIES NOT ALLOWED W/O REASONABLE CAUSE (NOT DEFINED UNDER ICDS OR EVEN UNDER I TAX LAW)
- NO GUIDELINE AS TO HOW ICDS 1 TO BE APPLIED FOR ASSESSEE HAVING INCOME FROM OTHER SOURCES (BOOKS OF ACCOUNTS NOT MAINTAINED FOR THAT HEAD /NOT COVERED UNDER SEC 44AA ALSO)

ICDS 2 :

VALUATION OF INVENTORIES

- REF TO ACCOUNTING STANDARD 2 (ICAI)
- VALUATION OF MATERIAL INVENTORY ON THE BASIS OF LOWER OF TOTAL COST OR NET REALISABLE VALUE
- DEFINITION OF ' COST ' IS WIDER THAN PRESCRIBED IN AS -2
- VALUE OF WORK IN PROGRESS IN THE BUSINESS OF SERVICE PROVIDERS HAS BEEN INCLUDED IN ICDS 2 (EXCLUDED IN AS-2)
- COST OF PURCHASE OF MATERIAL SHALL INCLUDE EVEN DUTIES AND TAXES RECOVERABLE SUBSEQUENTLY FROM TAXATION AUTHORITIES
- EVEN CENVAT CREDIT AVAILABLE ALSO TO BE INCLUDED IN THE COST OF INVENTORY ON HAND AT THE END OF THE ACCOUNTING PERIOD (REF. SEC 145A)

ICDS 2 CONTD...

- COST OF WORK IN PROGRESS UNDER INCOMPLETE SERVICES WOULD INCLUDE LABOUR COST AND OTHER PERSONNEL COST DIRECTLY ENGAGED IN PROVIDING THE SERVICES INCLUDING SUPERVISORY PERSONNEL AND ATTRIBUTABLE OVERHEADS
- SPECIAL TREATMENT IN THE EVENTS OF DISSOLUTION OF P'SHIP BUSINESS (DETAILED GUIDELINES AWAITED)
- CERTIFICATION OF COMPLIANCE UNDER THIS ICDS WILL FALL UNDER SCOPE OF TAX AUDIT (REVISED FORMAT OF AUDIT REPORT 3 CD IS AWAITED)
- FOR NON-AUDIT ASSESSEES SELF DECLARATION FOR COMPLIANCES MADE WOULD BE REQUIRED

ICDS 3 :

CONSTRUCTION CONTRACTS

- REF TO ACCOUNTING STANDARD 7 (ICAI)
- APPLICABLE FOR CONSTRUCTION CONTRACTORS
- APPLICABLE TO PROMOTERS, DEVELOPERS, BUILDERS ALSO (THOUGH NOT EXPRESSLY MENTIONED)
- APPLIES EVEN TO SERVICE PROVIDERS SUCH AS ARCHITECTS, PROJECT MANAGERS , ASSOCIATED WITH CONSTRUCTION CONTRACTING
- APPARENTLY NOT APPLICABLE TO ASSESSEES FOLLOWING PRESUMPTIVE TAXATION OPTION (SEC 44AD , 44BB ETC)
- PERCENTAGE OF COMPLETION METHOD (POCM) MANDATORY W.E.F. 2002 UNDER AS-7
- COMPLETED CONTRACT METHOD HAS BEEN DISAPPROVED EVEN IN AS-7
- SAME METHOD (POCM) HAS BEEN RECOGNISED UNDER ICDS -3
- MANDATORY FOR EVERY CONTRACT EVEN ENTERED PRIOR TO 1.4.2015
- MANDATORY FOR EVERY CONTRACT AFTER HAVING COMPLETED LEVEL

ICDS 3 CONTD...

- MANDATORY FOR EVERY CONTRACT AFTER HAVING COMPLETED LEVEL OF 25% COMPLETION
- RETENTION MONEY IS RECOGNISED AS REVENUE UNDER POCM
- ACTUAL LOSSES IN ANY CONTRACT RECOGNISED ON POCM BASIS AND NOT ALLOWED TOTALLY IN ONE PERIOD
- ANTICIPATED LOSSES NOT ALLOWED UNLESS ACTUALLY INCURRED
- PRECONSTRUCTION INCOME (INTEREST ETC) NOT ALLOWED TO BE ADJUSTED AGAINST COST OF CONTRUCTION
- CONTRACT COSTS/EXPENSES RELATING TO FUTURE ACTIVITY RECOGNISED AS ASSET WHETHER RECOVERABLE OR NOT
- INTEREST/BORROWING COSTS TO BE CONSIDERED AS PART OF COST OF CONTRACT
- NO GUIDENCE ON DECREASE IN CONTRACT REVENUE DUE TO DAMAGES PAYABLE / VARIATIONS (DECREASE) IN SCOPE OF WORK ETC
- IMPLICATIONS UPON COMPUTATION OF M A T U/S 115JB TO BE ANALYSED CLOSELY

ICDS 4 :

REVENUE RECOGNITION

- REF TO ACCOUNTING STANDARD 9 (ICAI)
- COVERS BASES FOR RECOGNITION OF REVENUE ARISING FROM ORDINARY COURSE OF BUSINESS OF SALE OF GOODS, RENDERING OF SERVICES AND USE OF OTHER PERSON'S RESOURCES YIELDING INTEREST, ROYALTIES, DIVIDENDS ETC
- ACCRUAL OF CLAIM TO RECEIVE THE REVENUE IS MAIN FACTOR FOR ITS RECOGNITION (CERTAINTY OF COLLECTION OF REVENUE AND ITS MEASURABILITY) UNDER AS-9
- IN THIS ICDS THE CRITERIA OF MEASURABILITY OF REVENUE HAS BEEN DONE AWAY WITH (SO REVENUE NEEDS TO BE MEASURED EVEN ON ESTIMATED BASIS IF IT IS RECEIVABLE WITH CERTAINTY)
- UNCERTAIN OR NON-MEASURABLE REVENUE ALSO NEED TO BE DISCLOSED
- REVENUE FROM SERVICES SHOULD BE RECOGNISED ON POCM BASIS AND NOT ON COMPLETED CONTRACT BASIS
- RELEVANT DISCLOSURES TO BE MADE
- APPLICABLE FOR ' INCOME FROM OTHER SOURCES ' ALSO (e.g. INTEREST ON S/B A/C, CUMULATIVE BANK FD, CUMULATIVE BONDS ETC)

ICDS 5 : **TANGIBLE FIXED ASSETS**

- REF TO ACCOUNTING STANDARD -10 (ICAI)
- RELATED TO CAPITALISATION OF DIFFERENT COSTS ON TO COST OF TANGIBLE FIXED ASSETS
- MACHINERY SPARES IN THE NATURE OF INSURANCE SPARES TO BE CAPITALISED ON PLANT MACHINERY AND TO BE MADE SUBJECTED FOR DEPRECIATION
- MAJOR INSPECTION COSTS TO BE CAPITALISED
- INITIAL/START UP EXPENSES, TESTING COSTS AND EXPERIMENTAL PRODUCTION ETC TILL BEGINNING OF COMMERCIAL PRODUCTION/ACTIVITIES OF PLANT , TO BE CAPITALISED
- COST OF SELF CREATED/CONSTRUCTED ASSET AS PER AS 10

ICDS 5 CONTD...

- IN THE EVENT OF EXCHANGE OF ASSET AGAINST ANOTHER ASSET (BARTER) COST BE RECOGNISED AT OWN FAIR VALUE
- COST OF IMPROVEMENTS / REPAIRS AS PER AS 10
- REVALUATION OF ASSETS NOT DEALT WITH IN ICDS
- ICDS IS SILENT ON SPECIAL CASES LIKE HIRE PURCHASE ASSETS
- FOREIGN EXCHANGE LOSSES /DIFFERENCES TO BE CHARGED OFF TH' REVENUE (REF SEC 43A)
- DEFERRED TAX ADJUSTMENTS NEEDED TO BE DONE
- ALSO IMPACT ON M A T WORKING

OTHER ICDS

ICDS 6 : CHANGES IN FOREIGN EXCHANGE RATES

- REF TO AS -11 (ICAI)

ICDS 7 : GOVERNMENT GRANTS

- REF TO AS -12 (ICAI)

ICDS 8 : SECURITIES

- REF TO AS -13 (ICAI)

ICDS 9 : BORROWING COSTS

- REF TO AS- 16 (ICAI)

ICDS 10 : PROVISIONS,CONTINGENT LIABILITIES AND CONTINGENT ASSETS

- REF TO AS- 29 (ICAI)

THANK YOU...