

[TO BE PUBLISHED IN THE GAZETTE OF INDIA, EXTRAORDINARY, PART II,  
SECTION 3, SUB-SECTION (i)]

Government of India  
Ministry of Corporate Affairs  
Notification

New Delhi, dated, the \_\_\_\_, 2014

G.S.R. \_\_\_\_ (E).- In exercise of the powers conferred by sub-section (2) of section 123 read with sub-section (1) of section 467 of the Companies Act, 2013 (18 of 2013), the Central Government hereby makes the following alterations to Schedule II to the said Act, namely:-

1. In Schedule II,

(1) in Part 'A', in para 3, for sub-paragraphs (i) to (iii), the following sub-paragraphs shall be substituted, namely:-

“(i) The useful life of an asset shall not be longer than the useful life specified in Part 'C' and the residual value of an asset shall not be more than five per cent. of the original cost of the asset:

Provided that where a company uses a useful life or residual value of the asset which is different from the above limits, justification for the difference shall be disclosed in its financial statement.

“(ii) For intangible assets, the provisions of the accounting standards applicable for the time being in force shall apply, except in case of intangible assets (Toll Roads) created under 'Build, Operate and Transfer', 'Build, Own, Operate and Transfer'

or any other form of public private partnership route in case of road projects.  
Amortisation in such cases may be done as follows:-

(a) Mode of amortisation

$$\text{Amortisation Rate} = \frac{\text{Amortisation Amount}}{\text{Cost of Intangible Assets (A)}} \times 100$$

**Amortisation Amount =**

$$\text{Cost of Intangible Assets (A)} \times \frac{\text{Actual Revenue for the year (B)}}{\text{Projected Revenue from Intangible Asset (till the end of the concession period) (C)}}$$

(b) Meaning of particulars are as follows :-

Cost of Intangible Assets (A)	=	Cost incurred by the company in accordance with the accounting standards.
Actual Revenue for the year (B)	=	Actual revenue (Toll Charges) received during the accounting year.
Projected Revenue from Intangible Asset (C)	=	Total projected revenue from the Intangible Assets as provided to the project lender at the time of financial closure / agreement.

The amortisation amount or rate should ensure that the whole of the cost of the intangible asset is amortised over the concession period.

Revenue shall be reviewed at the end of each financial year and projected revenue shall be adjusted to reflect such changes, if any, in the estimates as will lead to the actual collection at the end of the concession period.

(c) Example:-

Cost of creation of Intangible Assets	:	Rs. 500/- Crores
Total period of Agreement	:	20 Years
Time used for creation of Intangible Assets	:	2 Years
Intangible Assets to be amortised in	:	18 Years

Assuming that the Total revenue to be generated out of Intangible Assets over the period would be Rs. 600 Crores, in the following manner:-

Year No.	Revenue ( In Rs. Crores)	Remarks
Year 1	5	Actual
Year 2	7.5	Estimate *
Year 3	10	Estimate *
Year 4	12.5	Estimate *
Year 5	17.5	Estimate *
Year 6	20	Estimate *
Year 7	23	Estimate *
Year 8	27	Estimate *
Year 9	31	Estimate *
Year 10	34	Estimate *
Year 11	38	Estimate *
Year 12	41	Estimate *
Year 13	46	Estimate *
Year 14	50	Estimate *
Year 15	53	Estimate *
Year 16	57	Estimate *
Year 17	60	Estimate *
Year 18	67.5	Estimate *
Total	600	

‘\*’ will be actual at the end of financial year.

Based on this the charge for first year would be Rs. 4.16 Crore (approximately) (i.e. Rs. 5/Rs. 600 x Rs. 500 Crores) which would be charged to profit and loss and 0.83% (i.e. Rs. 4.16 Crore/ Rs 500 Crore x 100) is the amortisation rate for the first year.

Where a company arrives at the amortisation amount in respect of the said Intangible Assets in accordance with any method as per the applicable Accounting Standards, it shall disclose the same.”.

(2) in Part ‘C’, in para 5, in item IV, in sub-item (i), for clause (b), the following clause shall be substituted, namely:-

“(b) continuous process plant for which no special rate has been prescribed under (i) below [NESD] 25 years”.

(3) under the heading ‘Notes’, appearing after Part ‘C’, paragraph 5 shall be omitted.

2. This notification shall come into force with effect from \_\_\_\_\_.\*

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(Renuka Kumar)

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