

Accounting Standards Interpretation (ASI) 26¹

Accounting for taxes on income in the consolidated financial statements

Accounting Standard (AS) 21, Consolidated Financial Statements

[Pursuant to the issuance of this Accounting Standards Interpretation, General Clarification (GC) – 18/2002, issued in October 2002, stands withdrawn.]

ISSUE

1. For preparing consolidated financial statements, whether the tax expense (comprising current tax and deferred tax) should be recomputed in the context of consolidated information or the tax expense appearing in the separate financial statements of the parent and its subsidiaries should be aggregated and no further adjustments should be made for the purposes of consolidated financial statements.

CONSENSUS

2. While preparing consolidated financial statements, the tax expense to be shown in the consolidated financial statements should be the aggregate of the amounts of tax expense appearing in the separate financial statements of the parent and its subsidiaries.

BASIS FOR CONCLUSIONS

3. The amounts of tax expense appearing in the separate financial statements of a parent and its subsidiaries do not require any adjustment for the purpose of consolidated financial statements. In view of this, while preparing consolidated financial statements, the tax expense to be shown in the consolidated financial statements is the aggregate of the amounts of tax expense appearing in the separate financial statements of the parent and its subsidiaries.

¹ Published in 'The Chartered Accountant', March 2004, pp. 968-969. The authority of this ASI is the same as that of the Accounting Standard to which it relates. The contents of this ASI are intended for the limited purpose of the Accounting Standard to which it relates. ASI is intended to apply only to material items.