

TALDA LEARNING CENTRE

Building Conceptions

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INCOME TAX & INDIRECT TAXES

CA IPC

MAY 2016

AMENDMENTS BY FINANCE ACT, 2015

& Significant Circulars & Notifications
issued between 1st May 2014 & 30th 31st
October 2015

BY

CA. AMIT TALDA

INCOME TAX AMENDMENT'S BY FINANCE ACT, 2015

RATE OF SURCHARGE INCREASED BY 2% TO COVER THE WEALTH TAX

- Wealth Tax Act has been abolished.
- To cover the revenue earned by Wealth Tax, Surcharge has been increased by 2%.

SURCHARGE ON DIFFERENT PERSONS (TAX ON TAX) (JYADA KAMAANE KI SAZZA):

Assessee	Rate of Tax	Applicable Surcharge			Rate of EC+SHEC
		TI < 1 Crore	TI > ₹1 Crore, but TI ≤ ₹10 Crore	TI > ₹10 Crore	
1. Domestic Companies	30%	-	7%	12%	3%
2. Foreign Companies	40%	-	2%	5%	3%
3. Firms and LLP	30%	-	12%		3%
4. Local Authorities	30%	-	12%		3%
5. Co- operative Society	Slabs	-	12%		3%
6. Individuals/HUF	Slabs	-	12%		3%

Note: there has been no change in rate of surcharge for Foreign Companies.

CONCEPT OF MARGINAL RELIEF: (tax should not be more than income)

- Relief from Tax payable shall be given, where Tax payable together with surcharge exceeds the Income earned by an Assessee in excess of 1 Crore. Such Relief is known as Marginal Relief.
- The principal in marginal Relief is that Additional Amount of Income Tax Payable with Surcharge in excess of Income over ₹ 1 Crore, should not be more than the amount in excess of ₹ 1 Crore.

STEPS OF COMPUTATION:

1. Change in Tax because of Surcharge: Tax on Total Income (including Surcharge) – Tax on Income of 1 Crore.
2. Change in Income: Total Income – 1 Crore
3. Marginal Relief (available Only if 1>2): 1-2.

Illustrations:

1. Mr. A, Resident in India, aged 65 years, has earned an total income of Rs. 1,02,00,000/- during PY 2015-16. Compute the Tax Payable after considering the Marginal Relief available.

2. ABC Ltd, a resident company, has earned a Total Income of Rs. 1,03,00,000/- Compute taxable payable after considering marginal relief available.

3. ABC Ltd, a resident company, has earned a Total Income of Rs. 10,05,00,000/- Compute taxable payable after considering marginal relief available.

4. XYZ Ltd, a foreign company, has earned a total income of Rs. 1,01,00,000 during PY 2015-16. Compute the tax payable after considering the marginal relief available.

5. XYZ Ltd, a foreign company, has earned a total income of Rs. 10,03,00,000 during PY 2015-16. Compute the tax payable after considering the marginal relief available.

RESIDENTIAL STATUS OF COMPANY TO BE DETERMINED ON THE BASIS OF PLACE OF EFFECTIVE MANAGEMENT	➤ Earlier Provisions: A Company is said to be resident in India in any Previous Year if: (a) it is an Indian Company; or (b) During that Previous Year, the control and management of its affairs is situated wholly in India. ➤ Need for Amendment: Since the condition for a company to be resident was that the WHOLE of Control and Management should be situated in India and that too for whole of the year, a company could easily avoid becoming resident by simply holding a board meeting outside India. ➤ New Provision: ➤ A company is said to be resident in India in any Previous Year if: (i) it is an Indian Company; or (ii) it's <i>place of effective management</i>, in that year, is in India. ➤ <i>"Place of Effective Management (POEM)"</i> is a globally recognized concept for determination of residence of a company incorporated in a foreign jurisdiction. Place of Effective Management means a Place where key management and Commercial Decisions that are necessary for the conduct of the entity's business as a whole, are, in substance, made. ➤ Incorporation of the concept of POEM in Indian Income Tax Act, 1961 to determine the residence of a company is in line with International Standards. It also help in aligning the provisions of the Act with Double Taxation Avoidance Agreement (DTAA) entered into by India with other countries. ➤ <i>This Provision will now discourage the creation of Shell Companies outside India but being controlled and managed from India.</i> ➤ A set of principles to be followed in determination of POEM would be issued for the guidance of taxpayers as well as Tax Administration.
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YOGA INCLUDED IN DEFINITION OF CHARITABLE PURPOSE	➤ Under Section 11, A trust or Institution is eligible for exemption of the income derived from property held under Trust if it is applied for Charitable Purposes in India. ➤ Charitable Purpose includes relief of the Poor, Education, Medical Relief, Preservation of Environment, Preservation of Monuments or Places or Objects of artistic or historic interest and advancement of any other object of general public utility. ➤ Advancement of any other object of general public utility shall not be a charitable purpose if it involves the carrying on of any activity in nature of Trade, Commerce or Business or any activity of rendering any service in relation to any Trade, Commerce or Business, for a Cess or fee or any other consideration irrespective of the nature of use or application of fee. However, this restriction does not apply if the aggregate value of receipts from the activities referred above is Rs. 25 Lakhs or less in PY. ➤ Institutions which as part of genuine charitable activities, undertake activities like Publishing Books or holding program on Yoga or other programs as a part of carrying out objects of charitable nature are put to hardship due to the above restriction, since they fall under the residual clause “Advancement of object of general public utility”. ➤ Since the activity of Yoga is one of the present focus areas, which has been granted International Recognition by United Nations (UN), Yoga has now been included as a Specific Category in the definition of Charitable Purpose.
ADVANCEMENT OF ANY OTHER OBJECT OF GENERAL PUBLIC UTILITY AMENDED	➤ Advancement of any other object of general public utility shall not be a charitable purpose if it involves the carrying on of any activity in nature of Trade, Commerce or Business or any activity of rendering any service in relation to any Trade, Commerce or Business, for a Cess or fee or any other consideration irrespective of the nature of use or application of fee, Unless: a) Such activity is undertaken in the course of actual carrying out of such advancement of any other object of general public utility; and b) The aggregate receipts from such activity, during PY, does not exceed 20% of the total receipts of the trust or institution for that PY. (earlier this was Rs. 25 Lakhs absolute)
EXEMPTION OF SPECIFIED INCOME OF CORE SETTLEMENT GUARANTEE FUND SET	The Clearing Corporations are required to establish a fund called as Core Settlement Guarantee Fund for each segment of each recognized stock exchange to guarantee the settlement of trades executive in respective segments.

UP BY A RECOGNIZED CLEARING CORPORATION	Specified Income exempt from tax: (a) income by way of contribution received from specified persons (For example: Any Contributor, any clearing member of Clearing Corporation, etc) (b) income by way of penalties imposed by recognized clearing corporation and credited to Core Settlement Guarantee Fund or (c) Income from investment made by the fund.
PERCENTAGE OF GOVERNMENT GRANT NOTIFIED TO DETERMINE WHETHER INSTITUTION IS SUBSTANTIALLY FINANCED BY GOVT	➤ Income of certain education institutions, universities and hospitals which exist solely for educational purpose or solely for Philanthropic purposes and not for the purpose of profit and which are Wholly or Substantially financed by Government are exempt u/s 10(23C). ➤ Earlier, Substantially Financed was not defined. Now an Explanation has been added to Section 10(23C). ➤ Any University or educational Institution or Hospital or other institution shall be considered as being substantially financed by Government for any Previous year if Government Grant to such University or Educational Institute or Hospital or other institute exceeds 50% of the total receipts including Voluntary Contributions during relevant PY.
INCREASE IN LIMIT OF EXEMPTION FOR TRANSPORT ALLOWANCE	The Maximum limit upto which transport allowance can be claimed as an exemption by an employee to meet his expenditure for purpose of commuting between place of business and place of his duty has been increased from Rs. 800 p.m. to Rs. 1,600 p.m. and in case of blind or handicapped employee with disability, the maximum limit has been revised from Rs. 1,600 p.m. to Rs. 3,200 p.m. <i>Further the exemption has been extended for Deaf & Dumb Assesseees.</i>
BALANCE 50% OF ADDITIONAL DEPRECIATION TO BE ALLOWED IN SUBSEQUENT YEAR WHERE P & M IS USED FOR LESS THAN 180 DAYS	➤ Additional Depreciation is allowable u/s 32(1)(ia) @ 20% of the cost of new Plant and Machinery acquired and installed in addition to the normal depreciation allowable u/s 32(1). ➤ However, if the New Plant & Machinery is put to use for less than 180 days in PY then deduction shall be restricted to 50% of 20% i.e 10%. And remaining 10% was not allowed to be carried forward to subsequent year and get lapsed as this is a onetime additional depreciation in year of purchased and installation. ➤ To remove this discrimination in the matter of allowing additional depreciation, it is provided that balance 50% of the additional depreciation (i.e 10%) on new plant & machinery acquired and used for less than 180 days which has not been allowed in the year of acquisition and installation, shall be allowed in the immediately succeeding previous year.
MANUFACTURING	➤ In order to encourage the setting up of Industrial undertakings in the

INDUSTRIES SET UP IN NOTIFIED BACKWARD AREAS OF SPECIFIED STATES TO GET A DEDUCTION OF 15% OF ACTUAL COST OF P & M (Section 32AD)	backward areas of States of Andhra Pradesh, Bihar, Telangana and West Bengal, New Section 32AD has been inserted to provide a deduction of an amount equal to 15% of the actual cost of New Plant & Machinery acquired & Installed in the PY if the following conditions are satisfied: (a) The assessee sets up an undertaking for manufacture of any article or thing on or after 1st April 2015 in any backward area notified by the Central Government in the state of Andhra Pradesh or Bihar or Telangana or West Bengal; and (b) The assessee acquires and installs new plant and machinery for the purposes of the said undertaking during the period between 1st April 2015 and 31st March 2020. (5 Years) ➤ For the purpose of this section, “New Plant and Machinery” does not include: ✓ Any Ship or Aircraft; ✓ Any Plant or Machinery which before its installation by the assessee, was used either within or Outside India by any other person; ✓ Any Plant or Machinery installed in any Office premises or any Residential accommodation including accommodation in nature of guest house; ✓ Any office appliances including Computers or Computer Software; ✓ Any Vehicle; ✓ Any Plant or Machinery, the whole of actual cost of which is allowed as deduction (whether by way of Depreciation or otherwise) in computing income chargeable under PGBP of any PY. ➤ Lock in on Transfer: Section 32AD(2) provides that if any New Plant or Machinery acquired and installed by the assessee is sold or otherwise transferred except in connection with amalgamation or demerger or re-organisation of business, within a period of 5 years from the date of its installation, the amount allowed as deduction in respect of such new plant and machinery shall be deemed to be income chargeable under the Head PGBP of the PY in which such new plant and machinery is sold or transferred, in addition to taxability of gains, arising on account of transfer of such new plant and machinery. (Reversal of deduction + new gains on transfer) ➤ Where the assessee is a company, Deduction u/s 32AD would be available over and above the existing deduction available u/s 32AC.
ADDITIONAL DEPRECIATION @ 35% TO BE ALLOWED TO ASSESSEE SETTING UP MANUFACTURING UNITS IN NOTIFIED BACKWARD AREAS FOR ACQUIRING & INSTALLING NEW	➤ In order to encourage acquisition and installation of plant and machinery for setting up of manufacturing units in the notified backward areas of the States of Andhra Pradesh, Bihar, Telangana & West Bengal, A proviso has been inserted to Section 32(1)(iia) to allow higher additional depreciation @ 35% (instead of 20%) in respect of actual cost of New Plant & Machinery acquired and installed during the period 1st April 2015 and 31st March 2020. ➤ Such additional depreciation shall be restricted to 17.5% (50% of 35%)

PLANT & MACINERY INSTEAD OF ADDITIONAL DEPRECIATION @ 20% NORMALLY ALLOWED	if new plant and machinery acquired is put to use for the purpose of business for less than 180 days in the year of acquisition and installation. ➤ The balance of additional depreciation shall be allowed in immediately succeeding financial year. Question: X Ltd set up a manufacturing unit in notified backward area in the state of Telangana on 01.06.2015. it invested Rs. 30 Crores in new plant and machinery on 01.06.2015. Further, it invested Rs. 25 Crore in the plant and machinery on 01.11.2015, out of which Rs. 5 Crore was second hand plant and machinery. Compute the depreciation allowable u/s 32. Is X Ltd entitled for any other benefit in respect of such investment? If so, what is the benefit available? Would your answer change where such manufacturing unit is set up by a Firm, Say X & Co instead of X Ltd?
RATE OF	The following renewable energy devices would be eligible for depreciation

DEPRECIATION IN RESPECT OF WINDMILL INSTALLED ON OR AFTER 1ST APRIL 2014	@80% from AY 2015-16, if they are installed on or after 1st April 2014: (i) Wind Mills and any specially designed devices which run on Wind Mills; (ii) Any special devices including electric generators and pumps running on wind energy; <table><tr><th>Date of Installation</th><th>AY 2015-16</th><th>AY 2016-17</th></tr><tr><td>On or before 31.03.2014</td><td>15%</td><td>15%</td></tr><tr><td>On or After 01.04.2014</td><td>80%</td><td>80%</td></tr></table>	Date of Installation	AY 2015-16	AY 2016-17	On or before 31.03.2014	15%	15%	On or After 01.04.2014	80%	80%
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ENHANCEMENT OF LIMIT OF DEDUCTION U/S 80D AND ALLOWABILITY OF DEDUCTION IN RELATING TO EXP OF VERY SENIOR CITIZEN	Old Clause: Section 80D inter alia provides for deduction of: (1) upto Rs. 15,000 to an Assessee being an Individual in respect of: a) Health Insurance Premium, paid by any mode other than cash, to effect or keep in force an insurance on the health of the Assessee or his Family; b) Any contribution made by the Central Government health scheme or any other notified scheme; and c) Any payment made on account of Preventive health check up of the assessee or his family; (2) An additional deduction of Rs. 15,000 is provided to an Individual to effect or keep in force an insurance on health of his or her parent or parents. If sum paid above is for a senior citizen then the limit specified would be Rs. 20,000 instead of Rs. 15,000. ❖ On account of continuous rise in cost of medical expenditure, the limit of deduction u/s 80D has been increased from Rs. 15,000 to Rs. 25,000. ❖ Further, the limit for Senior Citizen has also be raised from Rs. 20,000 to Rs. 30,000. ❖ As a welfare measure towards very senior citizens (persons of age of 80 years or more) and resident in India, Section 80 D has been amended to provide that deduction of upto Rs. 30,000 would be allowed in respect of any payment made on account of medical expenditure in respect of very senior citizen. ❖ Following table summarizes the provisions of Section 80D:									

Illustration:

Mr. Arjun Aged 52 years furnishes the following particulars in respect of the following payments:

Sr No	Particulars	Amount
1.	Premium paid for insuring the health of:	
	Self	10,000
	Spouse	8,000
	Dependent Son	4,000
	Mother	18,000
2.	Paid for preventive health check up of	
	Himself	2,000
	Spouse	1,500
	Mother	4,000
3.	Incurred medical expenditure of Rs. 25,000 and Rs. 15,000 for his mother, aged 80 years and father, aged 85 years. Both mother and father are resident	

Compute the deduction available u/s 80D for AY 2016-17.

INCREASE IN LIMIT OF DEDUCTION U/S 80dd AND 80U by Rs. 25,000/-	<table><tr><th colspan="3">DEDUCTION u/s 80DD</th></tr><tr><th>Maintenance & treatment of</th><th>AY2015-16</th><th>AY2016-17</th></tr><tr><td>Persons with disability</td><td>50,000</td><td>75,000</td></tr><tr><td>Persons with Severe Disability</td><td>1,00,000</td><td>1,25,000</td></tr></table> <table><tr><th colspan="3">DEDUCTION u/s 80U</th></tr><tr><th>Maintenance & treatment of</th><th>AY2015-16</th><th>AY2016-17</th></tr><tr><td>Persons with disability</td><td>50,000</td><td>75,000</td></tr><tr><td>Persons with Severe Disability</td><td>1,00,000</td><td>1,25,000</td></tr></table>	DEDUCTION u/s 80DD			Maintenance & treatment of	AY2015-16	AY2016-17	Persons with disability	50,000	75,000	Persons with Severe Disability	1,00,000	1,25,000	DEDUCTION u/s 80U			Maintenance & treatment of	AY2015-16	AY2016-17	Persons with disability	50,000	75,000	Persons with Severe Disability	1,00,000	1,25,000
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ENHANCED LIMIT OF DEDUCTION FOR EXPENDITURE ON MEDICAL TREATMENT OF VERY SENIOR CITIZEN (SECTION 80 DDB)	Section 80 DDB provides that an assessee, being a resident in India is allowed a deduction of sum not exceeding Rs. 40,000, (in case of Senior Citizen Not exceeding Rs. 60,000) being the amount actually paid for the medical treatment of certain chronic diseases such as Cancer, etc. Section 80DDB has been amended to provide a higher limit of deduction of upto Rs. 80,000 for the expenditure incurred in respect of medical treatment of himself or a dependent, being very senior citizen. (<i>Very Senior Citizen is an Individual who is of age of 80 years or more</i>)																								
DEDUCTION FOR EMPLOYMENT OF NEW REGULAR WORKMEN EXTENDED TO ALL ASSESSEES DERIVING PROFITS AND GAINS FROM MANUFACTURE OF GOODS IN A FACTOR (Section 80JJAA)	A deduction equal to 30% of additional wages paid to the new regular workmen employed is allowed to an Indian Company u/s 80 JJAA. Additional wages means wages paid to new regular workmen in excess of 100 workmen employed during the year. For the purpose of encouraging generation of employment, the section has been amended to extend the benefit so far available only to corporate assessees to all assessee whose gross total income includes profit and gains derived from manufacture of goods in a factory. In order to enable the smaller units to claim the benefit of deduction under this section, Additional wages has been amended to mean wages paid to new regular workmen in excess of 50 workmen employed during the year.																								
SCOPE OF SECTION 80G EXPANDED TO	<table><tr><th colspan="2">NATIONAL FUND FOR CONTROL OF DRUG ABUSE (W.E.F. AY 2016-17)</th></tr><tr><td>Eligible Assessee</td><td>All Assessee</td></tr></table>	NATIONAL FUND FOR CONTROL OF DRUG ABUSE (W.E.F. AY 2016-17)		Eligible Assessee	All Assessee																				
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ALLOW 100% DEDUCTION IN RESPECT OF DONATION TO SWACHH BHARAT, CLEAN GANGA AND NATIONAL FUND FOR CONTROL OF DRUG ABUSE	Purpose of Fund	Fund created by GOI in year 1989 under Narcotics Drugs act to control drug abuse.
	Deduction	Since the National Fund for control of drug abuse is also a fund of national importance, 100% deduction would be allowable in respect of donations made to the said fund.
	SWACHH BHARAT: (W.E.F AY 2015-16)	
	Eligible Assessee	All Assessee
	Purpose	Set up by the Central Government to mobilize resources for improving sanitation facilities in rural and urban areas and school premises through Swachh Bharat Abhiyan.
	Amount of Deduction	100% of the amount donated
	Restriction	Any sum spent in pursuance of Corporate Social Responsibility u/s 135 (5) of Companies Act, 2013 will not be eligible for deduction.
	CLEAN GANGA FUND (W.E.F. AY 2015-16)	
	Eligible Assessee	Resident Assessee
	Purpose of Fund	Established by Central Government to attract voluntary contribution to rejuvenate river Ganga.
	Amount of Deduction	100% of amount donated to Clean Ganga Fund
	Restriction	Any sum spent in pursuance of Corporate Social Responsibility u/s 135 (5) of Companies Act, 2013 will not be eligible for deduction.
EXEMPTION OF INCOME OF SWACHH BHARAT AND CLEAN GANGA FUND (W.E.F. AY 2015-16)	Taking into consideration the importance of Swachh Bharat and Clean Ganga fund, the scope of Section 10(23C) has been expanded to exempt the income of Swachh Bharat and Clean Ganga fund set up by Central Government from income tax.	
ALLOWABILITY OF DEDUCTION U/S 10AA ON TRANSFER OF TECHNICAL MANPOWER IN CASE OF SOFTWARE INDUSTRY	Restriction on transfer of existing technical manpower to a new SEZ in the first year of commencement of business increased from 20% to 50% of total technical manpower actually engaged in development of software or IT enabled products.	
TAX TO BE DEDUCTED @ 10% ON PREMATURE TAXABLE WITHDRAWAL FROM EMPLOYEES PROVIDENT FUND w.e.f 01.06.2015	If an Employee withdraws the accumulated fund in the Provident Fund Accounts before continuous service of 5 years (Other than termination due to ill health, etc) and does not transfer the accumulated balance to new employer, the withdrawal would be subject to tax. Tax on withdrawn amount is required to be calculated by recomputing the tax liability of years for which contribution to RPF has been made by treating the same as contribution to Unrecognized Provident Fund. New Section 192A has provided for deduction of tax @ 10% on premature taxable withdrawal from employees provident fund account scheme. Tax Deduction at source has to be made only if the amount of such payment or aggregate of payments is Rs. 30,000 or more.	

	The receiver of the amount that is the employee has to furnish his PAN at the time of deduction otherwise Tax shall be deducted at Maximum Marginal Rate of Tax.
TAX DEDUCTION FROM INTEREST ON COMPENSATION AWARDED BY MOTORS ACCIDENT CLAIM TRIBUNAL TO BE MADE WHERE INTEREST EXCEEDS Rs. 50,000 (01.06.2015)	➤ Section 194A provides for deduction of tax at source from income credited or paid by way of interest on compensation amount awarded by Motor Accident Claim Tribunal where the amount of interest during a financial year exceeds Rs. 50,000. ➤ Section 145A provides that interest received on compensation or enhanced compensation shall be deemed to be income of the year in which it is received. Section 56(2)(viii) brings the income of such interest received under the head IFOS after allowing a deduction of 50% of income. ➤ The requirement of tax on such interest on accrual basis at the time of credit of such income, in case it is earlier than payment causes hardship. ➤ Consequently, Section 194A has been amended to provide for deduction of tax thereunder from interest on the compensation amount awarded only at the time of payment and that too only if amount of interest during a financial year exceeds Rs. 50,000.
INTEREST ON RECURRING DEPOSITS TO BE SUBJECT TO TDS U/S 194A (1.06.2015)	The definition of Time Deposit has been amended to include the term recurring Deposit Since recurring deposit is also for fixed tenure and is similar to time deposit.
EXEMPTION FROM APPLICABILITY OF TDS U/S 194C TO BE AVAILABLE TO TRANSPORT OPERATOR OWNING TEN OR LESS GOODS CARRIAGE ON FURNISHING PAN (01.06.2015)	No TDS to be deduction u/s 194C if the transport operator quotes PAN number. However, now the section has been amended to provide that this exemption is available to only Transporter who owns ten or less good carriage at any time during the previous year and has furnished a declaration to this effect along with PAN. Intention of law was to provide relief only to small transport operators. That means, now transporter who own more than 10 goods carriage shall be liable to deduct TDS u/s 194C even if they quote PAN.
FEES PAYABLE U/S 234E TO BE PAID AT THE TIME OF PROCESSING OF TDS STATEMENTS	Normally Fee for delayed filing of Returns is charged separately, but Section 200A has been amended to provide for charging Fee for Late filing of TDS returns at the time of processing of TDS Statements itself and not at the later date. So, now onwards if an assessee is filing late return he has to first pay the late fee chargeable u/s 234E then only he can file late return.
NOTIFIED DEDUCTORS NOT REQUIRED TO OBTAIN AND QUOTE TAN NUMBER	Normally, if an person wants to deduct tax he has to first obtain TAN number. But there is an exception provided u/s 194IA requiring tax deduction for payment made for acquisition of immovable property from a resident transferor. As per the provision of that section, the Deductor is not required to obtain and quote PAN and he is allowed to report tax deducted by quoting his PAN.
CII notified for FY 2015-	1081

TALDA LEARNING CENTRE

INDIRECT TAX

(Amendments by Finance Act, 2015 & Significant Notifications/Circulars issued between 01.05.2014 to 30.04.2015)

CENTRAL EXCISE DUTY	
STANDARD AD VALOREM RATE OF EXCISE DUTY INCREASED FROM 12% TO 12.5% (w.e.f. 01.03.2015)	The Standard Ad Valorem Rate of Excise Duty has been increased from 12% to 12.5%. Further, Education Cess levied on all excisable goods as a duty of excise has been fully exempted vide Notification No. 14/2015 CE Dated 01.03.2015. Similarly, SHEC Leviable on excisable goods as a duty of excise has been fully exempted vide Notification No. 15/2015 CE Dated 01.03.2015. Thus, in effect the effective general rate of excise duty has been increased from 12.36%(inclusive of cesses) to 12.50%(with cesses exempted)
CENTRAL EXCISE REGISTRATION TO BE GRANTED ONLINE WITHIN 2 WORKING DAYS	With effect from 01.03.2015, an online registration can be made for obtaining Central Excise Registration and the same will be granted within 2 working days of the receipt of a duly completed application form. Verification of documents and premises, as the case may be, can be carried out after the grant of registration. (Notification No. 7/2015 CE)
AUTHENTICATION OF INVOICES BY DIGITAL SIGNATURE	An invoice issued under Central Excise Law by a Manufacturer may now be authenticated by means of Digital Signature. However, where the duplicate copy of the invoice meant for transporter is digitally signed, a hard copy of the duplicate copy of the invoice meant for transporter and self attested by Manufacturer would be used for Transport of Goods. (Notification No. 8/2015 CE dated 01.03.2015)
SERVICE TAX	
SERVICE TAX RATE ENHANCED FROM 12% TO 14% W.E.F 01.06.2015	The rate of Service Tax has been increased from 12% to 14%. Further, Education Cess @ 2% and SHEC @ 1% have been subsumed in the revised rate of Service Tax. Thus, effective increase in service tax rate is from existing 12.36% (inclusive of Cesses) to 14%, subsuming the Cesses.
2% SWACHH BHARAT CESS TO BE LEVIED ON VALUE OF ALL OR ANY OF TAXABLE SERVICES (NOT YET NOTIFIED)	Central Government may impose a Swachh Bharat Cess on all or any of the taxable services at a rate of 2% on the value of such services. The details of the coverage of this cess would be notified in due course. However, no notification has been issued in this regard, as yet.
EXPLANATION 2 TO DEFINITION OF SERVICE SUBSTITUTED	❖ Service means any activity carried out by a person for another for consideration and includes a declared service. The definition inter alia excludes any activity which constitutes merely a transaction in money or actionable claim. ❖ Finance Act, 2015 has substituted Explanation 2 which reads as under: For the purpose of this clause, the expressions “Transaction in Money or Actionable Claim” shall not include: (i) Any activity relating to use of money or its conversion by cash or by any other mode, from one form, currency or denomination, to another form, currency or denomination for which a separate consideration is charged; (ii) any activity carried out for a consideration in relation to, or for facilitation of, a transaction in money or actionable claim, including the activity carried

	out: (a) by a lottery distributor or selling agent in relation to promotion, marketing, organizing, selling of lottery or facilitating in organizing lottery of any kind in any manner; (b) by a foreman of chit fund for conducting or organizing a chit in any manner. ❖ <i>Foreman of Chit Fund shall have the same meaning as is assigned to the term Foreman in Clause (j) of Section 2 of Chit funds act, 1982.</i> ❖ <i>Lottery Distributor or Selling agent means a person appointed or authorized by a state for the purpose of promoting, selling or facilitating in organizing a lottery of any kind in any manner, organized by such state in accordance with provisions of lotteries regulation act, 1998.</i>
ALL SERVICES PROVIDED BY GOVERNMENT OR LOCAL AUTHORITY TO BUSINESS ENTITY REMOVED FROM NEGATIVE LIST (not yet notified)	Services provided by a Government (both Central and State) or a local authority shall not be liable to service tax. However, the following services provided by a Government or a local authority shall be taxable as it is excluded from the negative list. (i) Services provided by the Department of Posts by way of- (1) speed post, (2) express parcel post, (3) life insurance and agency services carried out on payment of commission to a person other than government (i.e. on non-Government business); (ii) services in relation to an aircraft or a vessel, irrespective of the fact whether the services are provided inside or outside the precincts of a port or an airport; (iii) transport of goods and/or passengers; or (iv) support services, other than services covered under clauses (i) to (iii) above, provided to business entities; The sub clause (iv) has been amended by substituting the words “Support Services” with the words “Any Service”. Thus, all services provided by government or local authority to a business entity <u>except the services that are specifically exempted or covered by any another entry in the negative list</u> would be liable to service tax.
DEFINITION OF GOVERNMENT INSERTED w.e.f. 14.05.2015	<i>“Government means the Departments of Central Government, a State Government and its Department and a Union Territory and its Department, but shall not include any entity, whether created by a statute or otherwise, the accounts of which are not required to be kept in accordance of Article 150 of Constitution or the rules made thereunder.”</i>
SERVICES BY WAY OF CARRYING OUT ANY PROCESS AMOUNTING TO MANUFACTURE OF	❖ Services by way of carrying out any process amounting to manufacture or production of goods were covered in the Negative List. [Clause (f)] ❖ Now, Clause (f) has been substituted as under: <i>“Services by way of carrying out any process amounting to manufacture or production of goods excluding alcoholic liquor for human consumption.”</i>

POTABLE LIQUOR MADE LIABLE TO SERVICE TAX	Consequently, Service tax would now be levied on contract manufacturing/ Job work for Production of Liquor for a consideration.
ADMISSION TO ENTERTAINMENT EVENTS OR ACCESS TO AMUSEMENT FACILITIES MADE LIABLE TO SERVICE TAX (w.e.f. 01.06.2015)	Clause (j) of Negative list relating to “admission to Entertainment Events or access to Amusement facilities” has been omitted. However, a new entry 47 has been inserted in the Mega Exemption Notification to give exemption in respect of services by way of right to admission to: (i) Exhibition of cinematographic films, circus, dance or theatrical performance including drama or ballet; (ii) recognized sporting event; (Pro Kabaddi) (iii) Award function, concert, pageant, musical performance or any sporting event other than recognized sporting event, where the consideration for admission is not more than Rs. 500 per person. Recognized Sporting event means any sporting event: (i) organized by recognized sports body where the participating team or individual represent any district, state, zone or country; (ii) Covered under Entry 11. Entry 11 Covers Sponsorship Events organized: a) by a national sports federation, or its affiliated federations, where the participating teams or individual represent any district, state or zone; b) by Association of Indian Universities, Inter University sports board, school games federation of India, All India Sports council for the deaf, Paralympics committee of India or special Olympics bharaat; c) by Central Civil services cultural and sports board; d) as part of national games by Indian Olympic Association; e) Under panchayat yuva kreeda khel Abhiyan scheme;
DEFINITION OF CONSIDERATION AMENDED	<i>Consideration includes:</i> (a) any amount that is payable for the taxable services provided or to be provided; (b) any reimbursable expenditure or cost incurred by the service provider and charged, in the course of providing or agreeing to provide a taxable service except in such circumstances and subject to such conditions as may be prescribed; (c) any amount retained by the lottery distributor or selling agent from gross sales amount of lottery ticket in addition to the fee or commission, if any, or as the case may be, the discount received, that is to say, the difference in the face value of lottery and the price at which the distributor or selling agent gets the ticket”
CONCEPT OF AGGREGATOR INTRODUCED	The word “Aggregator” means a whole formed by combining several elements formed by the combination of many separate items.

(w.e.f. 01.03.2015)	There are also many online website that follow “Aggregator” model. Under this model, an entity collects or aggregates information on a particular service from several sources on a single platform and draws customers to tis platform to connect them with the service provider. It may also facilitate the customers in comparing the prices and specifications on a particular service offered by multiple service providers. (For Example: policybazaar.com; Cardekho.com, etc) Therefore, companies which act as aggregator for service providers like Travel Portals, Food Portals or Cab services will now be liable to pay service tax. <i>“Aggregator means a person, who owns and manages a web based software application, and by means of the application and a communication device, enables a potential customer to connect with persons providing service of a particular kind under the brand name or trade name of the aggregator.”</i> <i>“Brand Name or Trade name means a Brand Name or Trade name whether registered or not, that is to say, a name or a mark, such as an:</i> • <i>Invented word or writing;</i> • <i>Or a symbol;</i> • <i>Monogram;</i> • <i>Logo;</i> • <i>Label;</i> • <i>Signature</i> <i>Which is used for the purpose of indicating or so as to indicate a connection, in the course of trade, between a service and some person using the name or mark with or without any indication of the identity of that person.”</i> Aggregator is liable to pay service tax on reverse charge basis. In case, the aggregator does not have physical presence in the taxable territory, any person representing the aggregator for any purpose in the taxable territory will be liable for paying service tax. However, if the aggregator neither has a physical presence nor does it have a representative for any purpose in the taxable territory, it will have to appoint a person in the taxable territory for the purpose of paying service tax and such person will be the person liable for paying service tax.
SERVICE TAX REGISTRATION PROCEDURE & DOCUMENTS REQUIRED	Order No. 1/15 ST Dated 28.02.2015, effective from 01.03.2015 has been issued, prescribing documentation, time limits and procedure for registration. It has been prescribed that registration for single premises will be granted within two days of filing the application. <u>General Procedure:</u> 1. Applicants have to apply online application for registration at ACES website in Form ST 1. 2. Following details are to be mandatorily furnished: a) PAN of proprietor or legal entity b) Email & Phone Number 3. Registration would be granted online within 2 days of filing a complete application form. On grant of registration, the applicant would be enabled to

	electronically pay service tax. 4. Registration certificate can be downloaded from ACES Website would be accepted as proof of registration and there would be no need for a signed copy. <u>Document Required:</u> A self attested copy of following documents will have to be submitted by registered post/Speed post to the concerned division, within 7 days of filing form ST 1 online for the purpose of verification: 1. Copy of PAN Card of the Proprietor or Legal Entity 2. Photograph and proof of identity 3. Details of Main Bank Account 4. MOA/AOA/List of Directors 5. Documents to establish possession of the premises to be registered such as proof of ownership, lease or rent agreement, allotment letter from government, No objection certificate from legal owner. 6. Authorisation by BOD/Partners/Proprietor for the person filing the application 7. Business transaction numbers obtained from other government department such as Customs Registration Number, Sales Tax number, Company Index Number (CIN), etc.			
REVERSE CHARGE APPLICABLE TO SOME SERVICES	Reverse Charge applicable to the following services that means receiver of service shall be liable to pay service tax: a) Service provided by Mutual Fund Agent/Distributor to a Mutual fund or Asset management company (AMC) (w.e.f 01.04.2015) b) Service provided by Selling or Marketing Agent of Lottery tickets to a lottery distributor. (w.e.f 01.04.2015) c) All taxable services provided by Government or Local Authority to a business Entity. (Not yet Notified) d) Taxable services provided or agreed to be provided by a person involving an aggregator in any manner (w.e.f. 01.03.2015) e) Services provided or agreed to be provided by way of supply of manpower for any purpose or security services by any individual or HUF or Partnership Firm including AOP to a Business Entity registered as Body Corporate. (w.e.f. 01.04.2015)			
COMPOUNDED RATES OF TAXES REVISED (Sub Rule 7, 7A, 7B, 7C of Rule 6) (W.E.F. 01.06.2015)	Rule	Service	Old Rate	New Rate
	6(7)	Air Travel Agent's Service (Domestic Bookings)	0.6% of Basic Fare	0.7% of Basic Fare
		Air Travel Agent's Service (International Bookings)	1.2% of Basic Fare	1.4% of Basic Fare
	6(7A)	Life Insurance Service (First Year)	3% of the Premium Charged	3.5% of the Premium Charged
		Life Insurance Service (Subsequent Year)	1.5% of Premium Charged	1.75% of the Premium Charged

	6(7B)	Money Changing Service Upto Rs. 1,00,000	0.12% of the Gross Amount of Currency exchanged OR Rs. 30 whichever is higher.	0.14% of the Gross Amount of Currency exchanged OR Rs. 35 whichever is higher.
		Exceeding Rs. 1,00,000 and upto Rs. 10,00,000.	Rs. 120 + 0.06% of the [Gross Amount of Currency Exchanged – Rs. 1,00,000]	Rs. 140 + 0.07% of the [Gross Amount of Currency Exchanged – Rs. 1,00,000]
		Exceeding Rs. 10,00,000	Rs. 660 + 0.012% of the [Gross Amount of Currency Exchanged – Rs. 10,00,000] OR Rs. 6,000 whichever is Lower	Rs. 770 + 0.014% of the [Gross Amount of Currency Exchanged – Rs. 10,00,000] OR Rs. 7,000 whichever is Lower
	6(7C)	Lottery Distributor and Selling Agent's Service		
		Where the guaranteed lottery prize payout is > 80%	Rs. 7,000 on every Rs. 10 Lakhs (or part of Rs. 10 Lakhs) of aggregate face value of lottery tickets printed by organizing state for a draw	Rs. 8,200 on every Rs. 10 Lakh (or part of Rs. 10 Lakh) of aggregate face value of lottery tickets printed by the organizing state for a draw
		Where the guaranteed lottery prize payout is < 80%	Rs. 11,000 on every Rs. 10 Lakh (or part of Rs. 10 Lakh) of aggregate face value of lottery tickets printed by organizing state for a draw	Rs. 12,800 on every Rs. 10 Lakh (or part of Rs. 10 Lakh) of aggregate face value of lottery tickets printed by organizing state for a draw
SERVICES PROVIDED UNDER POWER SYSTEM DEVELOPMENT FUND SCHEME OF MINISTRY OF POWER EXEMPTED FROM ST (Notification No. 17/2015 dated 19.05.15)	Exemption has been granted to taxable services provided under the Power System Development Fund Scheme of Ministry of Power by way of: (a) Re-gasification of Liquefied Natural Gas (LNG) imported by Gas Authority of India Limited (GAIL) (b) Transportation of incremental Re-gasified Liquefied Natural Gas (RLNG) to specified power generating companies or plants. However, the exemption shall not be available if such RLNG and LNG are used for generation of electrical energy by Captive generating plant. Further, the exemption shall be valid only till 31.03.2017.			
YOGA INCLUDED IN DEFINITION OF CHARITABLE ACTIVITIES (Notification No	Mega Exemption Notification 25/2012 exempts services by an Entity registered u/s 12AA of Income tax act by way of Charitable activities. Activities relating to advancement of religion or spirituality are included in the definition of charitable activities. Now Yoga has been included therein. So			

20/2015 dated 21.10.2015)	Now Service tax will not be payable on fee charged for yoga camps conducted by charitable Trusts. (BABA RAMDEV TRUST)
SERIVCES PROVIDED BY BUSINESS FACILITATOR COVERED BY PRADHAN MANTRI JAN DHAN YOJANA EXEMPTED	With a view to promote financial inclusion, mega exemption notification 25/2012 has been amended to exempt services provided by a business facilitator or business correspondent to a banking company with respect to Basic Saving Deposit Accounts covered by Pradhan Mantri Jan Dhan Yojana (PMJDY) by way of account opening, cash deposits, cash withdrawals in the rural area branches of banking companies, from service tax. Further, the services provided by any person as an intermediary to a business facilitator or a business correspondent with respect to above mentioned services, have also been exempted from service tax.
70% Abatement available to ancillary services provided by GTA in course of transportation of goods (Circular No. 186/5/2015 dated 5.10.2015)	It has been clarified that ancillary services such as loading/unloading, packing/unpacking, temporary storage, etc would form part of the GTA service if such services are provided by GTA in course of transportation of goods and charges are included in invoice issued by GTA. Thus, abatement of 70% applicable to GTA service, would also be available to the ancillary services.
New Services exempted w.e.f. 01.03.2015 under Mega Exemption (these were applicable for NOV 2015 attempt also)	1. Ambulance services provided by all service providers (whether or not by clinical establishment or an authorized medical practitioner or paramedics) 2. General Insurance provided under Pradhan Mantri Suraksha Bima Yojna. 3. Life Insurance provided under: a) Varishtha Pension Bima Yojna (1.04.2015) b) Pradhan Mantri Jeevan Jyoti Bima Yojna (30.04.2015) c) Pradhan mantra Jan Dhan Yojna (30.04.2015) 4. Collection of contribution under Atal Pension Yojna. 5. Admission to a museum, national park, wildlife sanctuary, tiger reserve or Zoo (01.04.2015) 6. Exhibition of movie by exhibitor to distributor/Association of persons consisting of such exhibitor as one of its members (01.04.2015) 7. Service provided with respect to Kailash mansarovar and Haj pilgrimage. (28.08.2014)
Exemptions Withdrawn from Mega Exemption hence now taxable	1. Exemption to Construction, erection, commissioning or installation of original works pertaining to an Airport or port 2. Service tax payable on a performance in Folk or Classical Art forms of Music/Dance/Theatre if the consideration therefore exceeds Rs. 1,00,000. 3. Exemption to transportation of food stuff by rail or vessels or road limited to milk, salt and food grain including flours, pulses and rice. (so now Transportation of Tea, Coffee, Edible oil, Sugar will be liable to Service Tax) (01.04.2015)

	4. Exemption to Services by: i) Mutual Fund Agent/ Distributor to a Mutual Fund or AMC ii) Selling or Marketing Agent of lottery tickets to a distributor 5. Exemption withdrawn for services by way of making telephone calls from departmentally run public telephone, etc.
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SIGNIFICANT DEVIATIONS BETWEEN ICDS AND AS

ICDS I : ACCOUNTING POLICIES (Comparable with AS 1)

S. No.	Items	Treatment as per Accounting Standards	Treatment given as per ICDS	Implications
1.	Concepts of Prudence and Materiality	AS recommends consideration of Prudence and Materiality for the purpose of Selection and application of Accounting Policies.	It does not recognize the concepts of Materiality and Prudence. Some of the Examples where Concept of Prudence is not considered in ICDS – (a) As per the requirement of ICDS VII – Government Grants, recognition of a Government grant shall not be postponed beyond the date of actual receipt, even if conditions attached to the grant are not fulfilled. (b) ICDS IV – Revenue Recognition Absence of requirement of “reasonable certainty of ultimate collection” for recognition of revenue from service transactions and use of resources by others yielding interest, royalties and dividends in ICDS IV on Revenue Recognition. (c) ICDS III – Construction Contracts, does not provide for accounting for expected loss on Construction Contract. (d) ICDS X – does not recognize for Provision for loss on onerous contracts.	Non – Consideration of Prudence and Materiality in Selection and application of accounting policies may have the impact of earlier recognition of income and gains or later recognition of expenses or losses for tax computation.

2.	Requirement of “Reasonable Cause” for change in Accounting Policy	AS 5 permits change in Accounting Policies if adoption of different Accounting Policies is required by – (a) Status, or (b) for the purpose of Compliance with an Accounting Standard, or (c) If such change results in a more appropriate presentation of Financial Statements.	As per ICDS 1 an Accounting Policy should not be changed without any Reasonable Cause	The term ‘Reasonable Cause’ has not been defined and would involve exercise of Judgment by Management and Tax Authorities.
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ICDS II : VALUATION OF INVENTORIES (Comparable with AS 2)

S. NO.	Item	Treatment given as per Accounting Standards	Treatment given as per ICDS	Implications
1.	Standard Cost method not recognized for measurement of Cost of Inventories	AS permits Standard Cost method as one of the techniques for the measurement of the cost of inventories, for convenience if the results approximate the actual cost.	(a) The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects should be assigned by specific identification of their individual costs. (b) The cost of inventories, other than such inventories, should be assigned using the First - in First - out or Weighted Average Cost formula. (c) The formula should reflect the fairest possible approximation to the cost incurred in bringing the items of inventory to their present location and condition.	ICDS II does not permit adoption of Standard Cost as a technique, which may pose problems in Inventory Valuation and a Separate Reconciliation is required.
2.	Valuation of Inventory – Dissolution of Firm –	AS 2 requires adoption of Cost or Market Price whichever is Lower.	In case of dissolution of a Partnership Firm or Association of Persons or Body of Individuals, ICDS II	This requirement of ICDS II is in deviation from the Supreme Court ruling in Shakti

Business continued by partners		requires the inventory on the date of dissolution to be valued at the Net Realizable Value, irrespective of whether business is discontinued or not.	Trading Co. vs. CIT (2001) 250 ITR 871 , which held that the firm is entitled to adopt Cost or Market Price, whichever is Lower.
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ICDS III : CONSTRUCTION CONTRACTS (Comparable with AS 7)

S. No.	Item	Treatment given as per Accounting Standards	Treatment given as per ICDS	Implications
1.	Recognition of Expected Loss On Construction Contracts	(a) AS 7 permits recognition of Expected Loss On Construction Contract as well as Contract Costs, as an expense immediately if the recovery is not probable . (b) It also permits recognition of expected loss immediately as an expenses, when it is probable that total Contract Costs will exceed total Contract Revenue.	ICDS III does not specify to recognize such expected losses immediately as expense.	a. AS 7 and Judicial Rulings permitting immediate recognition of such losses, if the same are in accordance with the AS or justified by the Principle of Prudence.
2.	Treatment of Penalties arising from delays Caused by the Contractor in Completion of the Contract.	AS 7 permits Decrease in Contract Revenue as a result of penalties arising from delays caused by the contractor in the completion of the contract.	ICDS III does not permit such reduction in Contract Revenue.	Non-recognition of decrease in Contract Revenue as a result of penalties would have the effect of inflating the Taxable Income and Tax liability.
3.	Recognition of Retention Money.	As per AS 7, Contract Revenue should comprise the initial amount of Revenue agreed in the contract. No specific requirement to include Retention money.	ICDS III requires Retention Money to be treated as part of Contract Revenue and recognized on Percentage Of Completion Method. As per, ICDS III,	The payment of Retention Money in the case of contract is dependent on satisfactory completion of contract work . The right to receive the retention money accrues only after the obligations under the contract are fulfilled and, therefore, it

			“Contract Revenue” shall comprise of the initial amount of revenue agreed in the Contract, including retentions.	would not amount to income of the assessee in the year in which the amount is retained. [Associated Cables (P) Ltd. (2006) 286 ITR 596 (Bom.)], [Ignifluid Boilers (I) Ltd. (2006) 283 ITR 295 (Mad)]
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ICDS IV : REVENUE RECOGNITION (Comparable with AS 9)

S. No.	Item	Treatment given as per Accounting Standards	Treatment given as per ICDS	Implications
1.	Revenue recognition in case of rendering of Services and use by others of person's resources yielding Interest, Dividend or Royalty, where there is significant uncertainty as to collectability.	AS 9 requires recognition of revenue only if no significant uncertainty exist regarding the amount of consideration that will be derived from sale of goods, rendering of services or use by others of enterprise resources yielding Interest, Dividend or Royalty.	ICDS IV also requires revenue from sale of goods to be recognized when there is reasonable certainty of its ultimate collection. However, “reasonable certainty for ultimate collection” is not a criterion for recognition of revenue from rendering of services or use by others of person's resources yielding Interest, Dividend or Royalty. Revenue recognition cannot be postponed in case of uncertainty regarding collectability of consideration.	ICDS IV deviates from Supreme Court ruling in UCO Bank v. CIT (1999) 237 ITR 889, which held that Interest on sticky loans would not accrue if the same was not recoverable, and the Delhi High Court ruling in Brahmaputra Capital Financial Services Ltd. (2011) 335 ITR 182 (Del.), held that Interest on non-performing assets which is not received with no possibility of recovery may not be recognized.
2.	Recognition of Revenue from Service Transactions	AS 9 permits Revenue from Service Transactions to be recognized as the service is performed , either by the proportionate completion method or by the completed Service contract method, whichever	ICDS IV requires Revenue from service transactions to be recognized only on the Basis of Percentage Completion Method. This method may not be appropriate in case of all service transactions. For	ICDS IV deviates from Madras High Court ruling in Coral Electronics P Ltd. (2005) 274 ITR 336, which held as the amount received as Service Charges for Services to be rendered in future could not be considered as an Income and was not exigible to tax.

		relates the revenue to the work accomplished.	example, in case of Courier Services, Revenue is recognized only when the goods are delivered at the specified destination. Also it is not practicable to establish the Percentage of Completion in many cases.	It is only when the Service is done, does the assessee have a right over the amount that was deposited. Till then, he has no right over the same. Hence, it cannot be considered as income of the assessee.
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ICDS VI : EFFECT OF CHANGES IN FOREIGN EXCHANGE RATES (Comparable with AS 11)

S. No.	Item	Treatment given as per Accounting Standards	Treatment given as per ICDS	Implications
1.	Treatment of Exchange differences in translation of Financial Statements of Non – Integral Foreign Operations	AS 11 requires the resulting Exchange differences in translating the Financial Statements of a Non – integral Foreign operation to be accumulated in a Foreign Currency Translation Reserve until the disposal of the Net Investment.	ICDS VI requires such exchange differences to be recognized as Income or as Expenses in that previous year.	The requirement as per ICDS VI to recognize such exchange differences as Income or Expenses would result in Volatility in tax liability due to currency fluctuations.

ICDS VII : GOVERNMENT GRANTS (Comparable with AS 12)

S. No.	Item	Treatment given as per Accounting Standards	Treatment given as per ICDS	Implications
1.	Recognition of Government Grants	AS 12 provides that Government Grants should not be recognized until there is a reasonable assurance that the enterprise will comply with the conditions attached to them and the grants will be received.	As per ICDS VII recognition of Government Grant shall not be postponed beyond the date of actual receipt.	Initial recognition of Government Grants cannot be postponed beyond the date of actual receipt even in a case where all recognition conditions in accordance with AS 12 are not met.
2.	Treatment of Government Grants of Capital nature and	AS 12 permits Government Grants in the nature of Promoters' Contribution, i. e.	(a) ICDS VII does not contain specific requirement to capitalize Government Grants	ICDS VII deviates from SC rulings in Ponni Sugar Mills (2008) 306 ITR 392 , which held that the object for which the

Government Grants in the nature of Promoter's Contribution	grants given with reference to the total investment in an undertaking or by way of contribution towards its total Capital Outlay (for example, Central Investment Subsidy Scheme) to be treated as Capital Reserve which can neither be distributed as Dividend nor considered as Deferred Income.	in the nature of Promoter's Contribution. (b) In case of Grant relating to a depreciable Fixed Asset, then it has to be reduced from WDV or Actual Cost. (c) All other grants have to be recognized as upfront income or as income over the periods necessary to match them with the related costs which they are intended to compensate.	Subsidy/Assistance is given which determines the nature of the Subsidy. If the subsidy is to run business more profitably is a Revenue Subsidy, and where subsidy given for setting up a New Business Unit or Expansion of Existing Unit is a Capital Subsidy.
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ICDS VIII : SECURITIES(Comparable with AS 13)

S. No.	Item	Treatment given as per Accounting Standards	Treatment given as per ICDS	Implications
1.	Manner of comparison of cost and NRV for valuation of Securities held as Stock-in-trade	As per AS-13, the carrying amount for current Investments is lower of Cost and Fair Value	ICDS VIII requires Securities held as stock-in-trade to be valued at lower of Actual Cost initially recognized or Net Realizable Value at the end of the year. This comparison is to be done category-wise and not for each individual security.	The term net realizable Value is not defined under this ICDS. Due to absence of Specific definition of a term, the meaning attributable for applying the principle may be questioned. Also, though the term "Net Realizable Value" is defined in ICDS II, it is not clear, whether the same definition can be extended to ICDS VIII also.
2.	Valuation of Unlisted or irregularly traded securities at actual cost initially recognized.	As per AS-13, the carrying amount for current Investments is lower of Cost and Fair Value. This is considered as a Prudent method of determining the carrying amount to be stated in the Balance Sheet.	ICDS VIII requires valuation of the following Securities at actual cost initially recognized – (a) Securities not listed on a recognized stock exchange, or (b) Securities listed but not quoted on a recognized stock exchange with regularity from time to time.	This requirement in ICDS VIII to value such Securities at Cost would also impact computation of Taxable Income and consequent tax liability.

ICDS IX : BORROWING COSTS (Comparable with AS 16)

S. No.	Item	Treatment given as per Accounting Standards	Treatment given as per ICDS	Implications
1.	Minimum period for classification of an asset as a Qualifying Asset	(a) As per AS 16, "Qualifying Asset" means an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. (b) AS 16 also clarifies that ordinarily a period of 12 months is considered as Substantial Period of time unless a shorter or longer period can be justified on the basis of facts and Circumstances of the case.	ICDS IX does not provide any minimum period for treating an asset as a Qualifying Asset (except in the case of Inventories).	Borrowing Costs in respect of assets have to be capitalized even if the asset, like, Land or Building or Plant or Machinery, does not take a Substantial Period of time to get ready for intended use.
2.	Treatment of Income earned from Temporary Investment of Borrowed Funds	AS 16 permits Income earned on temporary Investment of Borrowed Funds pending their expenditure on the Qualifying Asset to be deducted from Borrowing Costs incurred.	ICDS IX does not permit such reduction from Borrowing Costs.	This deviation between AS 16 and ICDS IX would result in Increase in Taxable Income.
3.	Suspension of capitalization of Borrowing Costs	AS 16 permits suspension of capitalization of Borrowing Costs during extended periods in which active development is interrupted.	ICDS IX does not permit suspension of capitalization of Borrowing Costs in such cases.	This deviation between AS 16 and ICDS IX would result in Increase in Taxable Income.

ICDS X : PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS (Comparable with AS 29)

S. No.	Item	Treatment given as per Accounting Standards	Treatment given as per ICDS	Implications
1.	Condition for	AS 29 requires	ICDS X requires	The requirement of

	recognition of Provision	recognition of a provision when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.	recognition of a provision only when it is reasonably certain that an outflow of resources embodying economic benefits will be required to settle the obligation.	“reasonable certainty” in ICDS X to recognize a provision is more stringent as compared to the requirement of “probability” in AS 29. This will have the effect of postponing the recognition of provision for tax purposes and consequently, result in earlier payment of taxes.
2.	Condition for recognition of Contingent Asset	The Recognition of Contingent Assets and related Income is required in AS 29, if Inflow of economic benefits is “Virtually Certain” .	The Recognition of Contingent Assets and related Income is required in ICDS X if Inflow of economic benefits is “Reasonable Certain” .	The requirement of “reasonable certainty” in ICDS X to recognize a contingent asset and the related income is more stringent as compared to “Virtual Certainty” in AS 29. This deviation between AS 29 and ICDS X would have the effect of advancing recognition of Income for tax purposes and result in earlier payment of taxes.