

### Executive Summary of ICDS

**ICDS** (Income Computation and Disclosure Standards) are applicable for the Year ending on 31.03.2017 (Ay 2017-18)

1. ICDS are applicable to **all** kinds of taxpayers (resident or **non**-resident both) where **taxpayers** opting of **mercantile** system of accounting.
2. ICDS are **not** applicable where taxpayer is an **Individual** or a **HUF** and also **not** required to get accounts **audited** under section **44AB** of Income Tax Act, 1961
3. ICDS are also applicable to the tax payers where taxpayer is **computing** income chargeable to tax under **presumptive** basis (Section 44AD, 44AE, 44ADA, 44B, 44BBA of Income Tax Act, 1961)
4. ICDS are applicable where incomes under head **Profits** and **Gains** from Business and Profession or **Other** Sources. **10** ICDS are issued by **CBDT** vide Notification No. **33**, dated March 31, **2015**
5. ICDS are applicable **beside** taxpayers are adopting **Ind AS** or **AS** to maintain their books of accounts.
6. ICDS are **not** applicable for computing income under **MAT** provisions but applicable for **AMT**.
7. ICDS are **not** applicable for maintenance of **Books** of Accounts or preparing of **financial** statements. ICDS are only applicable for **computing** incomes for the purpose of **payment** of income **tax** liability.
8. ICDS are **not** applicable where **conflict** is existed with Income tax **Act** or **Rules**. Henceforth Income Tax **Act** or **Rules** will **prevail** over **ICDS**
9. ICDS are applicable where **conflict** is existed with courts **judgments** and judicial precedents. Henceforth **ICDS** will **prevail** over courts judgments and judicial precedents.
10. ICDS are **not** applicable where sector specific provisions **not** contained in **ICDS** i.e **no** specified ICDS for **real** estate developers, **BOT** (Build-Operate-Transfer) projects and leases **etc**.

11. **Net** effect on **incomes** due to application of **ICDS** is to be **disclosed** in the **Return** of Incomes. **Significant** Accounting **policy** and specific **disclosures** are also required to disclose in **tax audit** report (Form **3CD**)

12. Assessing Officer is permitted to make **best Judgement** assessment under section **144** of Income Tax Act, 1961 where incomes are **not** computed under provisions of **ICDS**.

### 13. Accounting Policies

(I) ICDS are **not** recognizing the concept of **prudence**

(II) ICDS are **not** allowing recognition of **expected** losses or mark-to-market **losses** unless **specifically** permitted by ICDS

(III) ICDS are **not** permitting the concept of **materiality**

(IV) ICDS are **not** permitting the **changes** in accounting policies without **reasonable** cause

### 14. Inventories and Investments

(I) ICDS are **not** permitting the use of **standard** cost method for **computation** of cost of **inventories**

(II) ICDS are covering the **Securities** held as stock-in trade at **cost** or net **realizable** value whichever is **lower**

(III) ICDS are permitting to value **category** wise **not** 'each' **individual** security

(IV) ICDS are permitting to **value** at **cost** where securities **not** quoted or quoted **irregularly**.

### 15. Provisions, Contingent Liabilities and Contingent Assets

(I) ICDS are **not** permitting **recognition** of provisions and contingent **liabilities** until **reasonably** certain

(II) ICDS are permitting **recognition** of contingent **assets** where inflow of economic benefits are **reasonably** certain.

### 16. Construction Contracts and Revenue Recognition

(I) ICDS are **not** permitting **accounting** under **Completed** contract method

- (II) ICDS are permitting **accounting** under **percentage** of completion method
- (III) ICDS are **not** recognitioning of **margins** during **early** stage of contract
- (IV) ICDS are **not** recognitioning of **expected** losses
- (V) ICDS are permitting **transitional** provisions against **open** contracts as on March 31 **2016**
- (VI) **Cumulative** revenue and cost as recognized **before** March 31, **2016** be considered for revenue recognition from **transition** date

### 17. Borrowing Costs

- (I) ICDS are **not** defining any **minimum** period for classification of asset as **qualifying** asset
- (II) ICDS are permitting to **capitalise** the borrowing **costs** where asset does **not** take **substantial** time to construct
- (III) ICDS are **not** permitting the **interest** as borrowing **cost** against **exchange** differences as arising from foreign currency **borrowings**
- (IV) ICDS are permitting the **capitalization** where active development of qualifying asset is **interrupted**
- (V) ICDS are **not** permitting capitalisation of borrowing cost **after** asset is put to use
- (VI) (a) ICDS are **not** permitting to capitalise the incomes from **temporary** deployment of **unutilised** borrowed funds  
(b) Henceforth these **incomes** be taxed in **year** of earning

### 18. Effects of Changes in Foreign Exchange Rates

- (I) ICDS are permitting the **premium** or **discount** be amortised over the life of contract against foreign currency **option** contracts and other **similar** contracts
- (II) ICDS are permitting the exchange **differences** on translation of **non** integral **foreign** operations as **income** or **expense**

### 19. Additional Set of Books of Accounts under ICDS

- (I) ICDS **not** requiring **additional** set of books of accounts
- (II) ICDS are requiring to prepare **additional** records and **reconciliations** to be prepared and kept available for future purpose

### 20. Expected in Future

(I) ICDS are **not** considering the Guidance **Notes** & Accounting Standard Interpretations etc. as issued by ICAI which may impact the **computation** of taxable incomes

(II) CBDT has made **suitable** modifications in Income Tax Return Forms & Form No. **3CD** [Clause No. **13(f)**] to determine **taxable** income in accordance to ICDS

## 21. Disclosure under ICDS

### (I) For Each Class of Provision

- (a) Brief description of **nature** of obligation
- (b) Carrying amount of provision at **beginning** and **end** of period
- (c) **Additional** provisions made in previous year and **increase** in existing provisions
- (d) Amount **used** against provisions
- (e) Amount of provisions **reversed** during previous year
- (f) Amount of **expected** reimbursement against provisions

### (II) For Each Class of Asset

- (a) Brief description of **nature** of asset & related incomes
- (b) Carrying amount of asset at **beginning** and **end** of previous year
- (c) **Additional** amount of asset & related incomes recognized during the year
- (d) Amount of **asset** and related incomes **reversed** during previous year

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