Government postpones enforcement of new income disclosure norms by a year

Income Computation and Disclosure Standards (ICDS) will now be applicable from the current fiscal year as against 2015-16 notified earlier

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In a move set to provide respite to India Inc., the government has deferred implementation of the Income Computation and Disclosure Standards (ICDS) by one year. ICDS will now be applicable from the current fiscal year as against 2015-16 notified earlier.

Further, the tax department will also clarify on sticking points raised by industry over its implementation.

ICDS is a framework that lays down the way taxable income of corporate assessees is computed. But its implementation had raised concerns from industry, especially because of multiple prevalent accounting standards.

Multiple accounting methods, one for the books of accounts and another for tax purposes, creates confusion, interpretation issues, multiplicity of records and additional compliance burden which may outweigh the gains to be obtained by the application of ICDS.

Taxpayers are already grappling with regulatory changes brought about by the Companies Act, 2013, Ind AS (Indian Accounting Standards), and the proposed goods and services tax and should be allowed more time to deal with another change of this nature.

As per the existing guidelines, in case of conflict between the provisions of the I-T Act and ICDS, the latter will prevail. There is no clarity on what will happen in case there is a court judgement that is in conflict provisions. The implementation of Ind AS for companies with the ICDS from this year adds to the uncertainty as firms will need to follow one accounting standard to compute the profit and loss account and one for books of accounts to compute taxable income.

In a statement, the Central Board of Direct Taxes said that the tax department is looking at issuing clarifications to address concerns of taxpayers as recommended by the committee.

Source: Livemint