

INCOME COMPUTATION AND DISCLOSURE STANDARDS

The Central Board of Direct Taxes (“CBDT”) vide Notification no. 87 dated 29th September 2016 (“Notification”) has notified revised Income Computation and Disclosure Standards (“ICDS”) along with FAQs for clarifying certain issues vide Circular No. 10/2017 dated 23rd March 2017 (“Circular”).

As per the Notification, the revised ICDS are applicable from AY 2017-18 on all assesses following mercantile system of accounting for the purpose of computation of income under the head Profit and Gains of Business or profession (“PGBP”) or Income from other sources (“IOS”). However, the said ICDS are not applicable on any individual or HUF who is not required to get the accounts audited in accordance of provisions of Section 44AB of the Income Tax Act (“Act”).

The Circular issued by CBDT has clarified that the recently notified ICDS shall apply to a person computing income under the relevant presumptive taxation scheme (Eg: Section 44AD, 44AE, 44ADA, 44B, 44BB, 44BBA).

The CBDT has also clarified that general provisions of ICDS shall apply to all persons (including for example - Banks, Non-banking financial institutions, Insurance companies, Power sector) unless there are sector specific provisions contained in the ICDS or the Act. The revised ICDS shall also apply to companies required to prepare their accounts as per IND-AS.

Consequent to said notification, CBDT has also made suitable amendments in following ITR forms for AY 2017-18 to incorporate effect of ICDS on profit:

- (i) ITR-3 – For individuals and HUFs having income from a proprietary business or profession
- (ii) ITR-5 - For persons other than,- (i) individual, (ii) HUF, (iii) company and (iv) person filing Form ITR-7
- (iii) ITR-6 - For Companies other than companies claiming exemption under section 11

Further, as per Circular, the reporting for effect and compliances of ICDS shall be done in tax audit report issued by auditor.

Keeping in mind the above for the calculating the income for AY 2017-18, the assessee is required to adhere to these standards while filing their ITR. Being the first year of applicability of ICDS, it would be prudent that due attention be given to this requirement of Income Tax Act’ 1961.

The above is limited information in summary form and may change based on future developments.

We will be pleased to discuss with you, any clarification that you may require, regarding the above.

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