



Preface

In February 2011, the Ministry of Corporate Affairs (MCA) had hosted 35 Indian Accounting Standards (Ind AS), which are converged with IFRS on its website. However, date for implementation of these Ind AS by Indian companies was not notified. One of the main reasons for deferment of Ind AS in 2011 was that the tax provisions of the Ind AS adjustments were not clear at that point in time.

In February 2015, MCA notified Ind ASs and prescribed the Companies (Indian Accounting Standards) Rules, 2015 as per section 133 to Companies Act, 2013 which laid down a roadmap for implementation of Ind AS. These rules were further amended in March 2016 vide Companies (Indian Accounting Standards) Amendment Rules, 2016.

As per the Ind AS roadmap under Companies Act, 2013, with effect from financial year beginning 1 April 2016 (financial year 2016-17), phase I companies i.e., listed and unlisted companies with net worth of Rs. 500 crores or more have applied Ind AS, along with their holding, subsidiary, joint venture and associate companies.

With effect from financial year beginning 1 April 2017 (financial year 2017-18), phase II companies i.e., the remaining listed companies and unlisted companies with net worth of Rs. 250 crores or more have to apply Ind AS, along with their holding, subsidiary, joint venture and associate companies.

The Central Board of Direct Taxes (CBDT) had issued an order on 8 June 2015 to constitute a Committee to suggest a framework for computation of book profit for the purposes of levy of Minimum Alternate Tax (MAT) under section 115JB of the Income-tax Act, 1961 (the Act) for Ind AS compliant companies in the year of adoption and thereafter.

The Committee, on deliberation, had provided its recommendations which were placed in public domain vide press release dated 28 April

2016 for comments/suggestions. The Committee, after examining the comments/suggestions received from stakeholders, released additional recommendations in August on the main issues relating to first time adoption raised by the stakeholders.

The Committee submitted second interim report in August 2016 which also placed in public domain. The comments and suggestions received in respect of the first and second interim report were examined by the Committee. After taking into account all the suggestions and comments received, the Committee submitted its final report on 22 December 2016.

Based on the Committee Report, the Finance Minister in the Finance Bill, 2017 introduced provisions to deal with the computation of book profit for Ind AS compliant companies. The Bill was passed and the Finance Act enacted with some changes in the proposed provisions. The Memorandum to the Finance Bill, 2017 stated that it proposed to amend section 115JB so as to provide the framework for computation of book profit for Ind AS compliant companies in the year of adopt and thereafter.

CBDT issued circular dated 25th July 2017 - Issues arising from the implementation of Minimum Alternate Tax (MAT) provisions relating to Indian Accounting Standards (Ind AS) compliant companies. Further there are proposals to amend section 115JB with a view to clarify the requirements.

The above provisions contain certain important provisions specifically in the context of Ind AS transition adjustments to fixed assets, intangible assets, lease equalisation assets/liabilities, foreign currency translation, demerger schemes, preference shares and financial assets and liabilities. Many Ind AS adjustments have been made MAT neutral with an objective to simplify the impact by ignoring the impact of transition revaluation adjustments for MAT purposes. Operationally, of course, several of these requirements would require companies to track these adjustments in future until the end of the estimated useful lives of the underlying assets.

Ind AS is a new financial reporting framework and, as a country, we are still on a learning curve with regards to the same. The consequential MAT implications arising on Ind AS adjustments may further add layers of complexities to the transition process. It is therefore important that companies make careful choices of Ind AS first time adoption accounting options and ongoing policy choices since these may have significant MAT implications.

The endeavour of this book is to explain, in simple language with numerical worked examples containing journal entries, key accounting impact on account of Ind AS, and explain the consequential MAT impact, explained in easy-to-understand numerical form. The chapters of the book are arranged based on Ind AS standards so as to enable the reader to identify the relevant Ind AS adjustments and understand the MAT impact. The author has provided practical perspectives based on real-life experience by way of commentaries throughout the book.

The views and illustrations provided in the book are the author's personal views on the subject. The readers should consider obtaining appropriate consultation before relying on the content of the book.

The book incorporates the latest updates on the subject until 13 September 2017. In case the readers have any feedback and wish to contact the author, he can be accessed on santoshmaller@gmail.com.

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