

ICDS OVERVIEW

AS AMENDMENTS

CASH RESTRICTIONS

SCHEDULE III AMENDMENTS



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FCA, FCS, FCMA, LL.B, MIMA, DISA

Shared at

Mayur Vihar Study Circle of NIRC of ICAI

4th June 2017

CASH RESTRICTIONS



DEDUCTION U/S 80 G

- Not admissible if donation made exceeding Rs. 2000 in cash by a person (Earlier Rs. 10000/-). Cl. 33 Form 3CD
- ABC Trust receives Rs. 9000/- from Mr. B in cash on 4th June 2017. Is there any implication on Trust or Mr. B ?
- Mr. X gives following donations to PQR Trust.?:
 - 20.5.2017 Rs. 2100/-
 - 25.5.2017 Rs. 1900/-
 - 04.6.2017 Rs. 1500/-
- Nil
- Mr. A gives following donations:
 - To ABC Trust Rs. 2500/-
 - To PQR Trust Rs. 1500/-
 - To XYZ Trust Rs. 1500/-



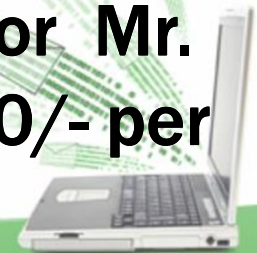
S. 40A(3) / 40A (3A)

- **Expenditure u/s 40A(3) / 40A(3A) disallowed in payment made in cash exceeding Rs. 10000/- per person per day (Old Rs. 20000/-)**
- **Limits:**
 - **Rs. 2500/- 1.4.1969**
 - **Rs. 10000/- 1.4.1989**
 - **Rs. 20000/- 1.4.1997**
 - **Rs. 10000/- 1.4.2017**
- **Reportable in clause 21 (d) of Form 3CD**



S. 40A(3) / 40A (3A)

- ABC & Co pays wages to 100 employees as per the minimum wages Act Rs. 13000/- per month in cash?
- Service of Car of Rs. 10500/-?
- Payment of Rent Rs. 15000/- pm?
- Payment of bill at Restaurant of Rs. 11400/-
- XYZ P. Ltd. purchases raw material through an invoice dt 28.5.2017 of Rs. 54000/-. Makes payment Rs. 9000/- per day?
- Would there be any difference if invoice is of Rs. 2.50 Lakhs and payment is less than Rs. 10K per day?
- XYZ P. Ltd. makes payment to its Sundry Creditor Mr. A of FY 2015-16 of Rs. 1.50 Lakhs of Rs. 15000/- per day in cash in **May 2017?**



ASSETS

- Depreciation disallowed on cash component of asset cost exceeding Rs. 10000/- per person per day.
 - Capital Gain?
 - Deferred Tax?
 - MAT?
 - Rule 6DD?
- S. 35AD benefit not allowed on exp. incurred exceeding Rs. 10000/- per person per day



SECTION 269 ST

- No person to receive an amount \geq Rs. 2 L in cash
 - in aggregate from a person in a day; or
 - in respect of a single transaction; or
 - in respect of transactions relating to one event or occasion from a person



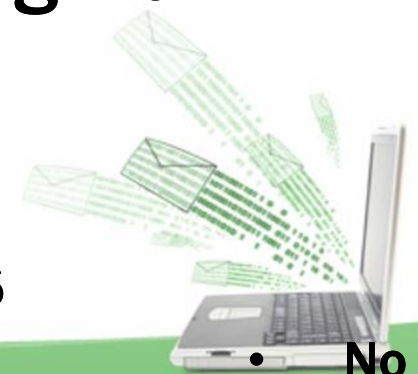
SECTION 269 ST

- Not applicable to receipts by:
 - Government,
 - Bank,
 - Post Office Savings Bank or Co-operative Bank,
 - S. 269SS transactions
 - Such other persons or class of persons or receipts, which the CG may notify
- No applicable to receipts from Bank, Post Office Savings Bank or Co-operative Bank
- Penalty of equal amount u/s 271DA
- Rule 6DD?



???

- Mr. A sells his personal Innova car to Mr. Y for Rs. 4 Lakhs in Cash
 - Yes
- Ramlal an agriculturist sells his produce to M/s ABC & Co. for Rs. 3 Lakhs in Cash
 - Yes
- Son receives gift Rs. 5 L in cash from his father
 - Yes
- X receives Rs. 2.10 Lakhs for following from Y in cash on 27.5.2017:
 - Loan Rs. 0.18 Lakhs
 - Against sale of Car Rs. 1.92 Lakhs
 - No



???

- X sells the following to Y:
 - Car for Rs. 1.50 Lakhs on 1.5.2017
 - Jewellery for Rs. 1.75 Lakhs on 4.5.2017
- Y makes the payment in cash as follows:
 - Rs. 1.70 Lakh on 2.5.2017
 - Rs. 1.55 Lakhs on 6.5.2017
- Father of Ms. C receives gifts from various persons on occasion of C's marriage aggregating Rs. 5 Lakhs?
 - No
- X takes cash loan of Rs. 2.10 Lakhs from Y?
 - No 269ST, but 269SS
- X makes repayment of loan along with interest of Rs. 2.30 Lakhs in Cash to Y?
 - Yes, also 269T



- On the occasion of marriage Mr. B's father made payments of Rs. 3.00 Lakhs in cash to following:
 - To horse cart – Rs. 75K
 - To event manager for party Rs. 2.25 Lakhs
 - On the occasion of marriage of Ms. C the event manager receives Rs. 4.25 L on 20.5.2017 in cash:
 - Rs. 1.50 Lakhs from mother of C
 - Rs. 1.75 Lakhs from father of C
 - Rs. 1 Lakh from brother of C
- 2.25 L
- If single bill, could be issue



???

- On the occasion of marriage of Ms. C, AB Jewellers sold jewellery as under:
 - Mother of Ms. C Rs 1.50 Lakhs on 18.4.2017
 - Mother of Ms. C Rs. 1.75 Lakhs on 20.4.2017
 - Mother-in Law of Ms. C Rs. 2.50 Lakhs on 18.4.17
 - Sister of Ms. C Rs. 1.50 Lakhs on 20.4.2017
 - Bua of Ms. C Rs. 1 lakh on 20.4.2017
- Mr. Y from Australia comes to India. On arrival he falls ill & is hospitalised. His bill is of Rs. 2.25 Lacs which he wants to pay in 3500 dollars as he doesn't have rupees?

• 2.50 L

• Doubtful, but should be no

???

- **Mr. A receives cash payment of Rs. 2.75 Lakhs from ABC P. Ltd. on 15th May 2017 for the following:**
 - **Rs. 2.10 Lakhs part payment for invoice no. 4. dt. 17.4.2017 of Rs. 3 Lakhs**
 - **Rs. 45K part payment for invoice no. 6 dt. 30.4.2017 of Rs. 2.50 Lakhs**
 - **Rs. 20K part payment for invoice no. 12 dt 10.5.2017 of Rs. 1.50 Lakhs**
- **Implications are:**
 - **271DA penalty on Mr. A for Rs. 2.75 Lakhs**
 - **Mr. A to report Rs. 2.10 Lakhs in AIR in Form 61A**
 - **ABC P. Ltd expense of Rs. 2.75 Lakhs would be disallowed u/s 40A(3)**



???

- A charitable trust organises 3 days Satsang of Pandit ji. It receives followings in cash:
 - Rs. 10 lacs as donations from various persons in 3 days
 - Rs. 4.50 lacs from 3 sponsorship in equal amounts
- It pays the following:
 - Rs. 1 lacs per day for tent
 - Rs. 1.50 lacs per day to caterers
 - Rs. 75000 per day for security and sevadar to manpower consultant
 - Yes, In hands of receiver for payment made by Trust



???

- PQR P. Ltd receives Rs. 5 lacs each from its 2 subscribers on incorporation in cash
 - Yes
- Mr. B introduces Rs. 3 Lacs a capital in partnership firm ABC & Co?
 - Yes
- Mr. B partner withdraws the following in cash from ABC & Co. during FY 2017-18:
 - Rs. 1.80 Lacs remuneration Rs. 15K p.m.
 - Rs. 36000 being interest on 31.3.2017
 - Rs. 3 L on different dates, being profit
 - S. 40A(3)



SCHEDULE III AMENDMENTS



SCHEDULE III

- ✖ Amended w.e.f. 30th March 2017.
- ✖ Every company to disclose details of SBN held & transacted during 8/11/2016 to 30/12/2016 .

	SBNs	Other denomina tion notes	Total
Closing cash in hand as on 8.11.2016			
(+) Permitted receipts			
(-) Permitted payments			
(-) Amount deposited in Banks			
Closing cash in hand as on 30.12.2016			

AUDITOR'S REPORT

- ✗ Whether the company had provided requisite disclosures in its financial statements as to holdings as well as dealings in Specified Bank Notes during the period from 8 November 2016 to 30 December 2016
- ✗ And if so
- ✗ Whether these are in accordance with the books of accounts maintained by the company.



ICAI IMPLEMENTATION GUIDE

- ✖ **ICAI implementation Guide for amendment to Auditor Report & Schedule III issued on 15th April 2017**
- ✖ **Disclosure should be mentioned in terms of INR, thus there is no specific requirement to mention the denomination also in which closing cash balance during the specified period was held**
- ✖ **Auditors also to report for all reports issued after 30th March 2017**



WHAT TO DO

- ✗ Obtain cash balance certificates with denominations as on 8.11.16 & 30.12.16
- ✗ Obtain cash book and bank statements for demonetization period – keep a signed copy in audit documents, wherever feasible
- ✗ Perform audit procedures
- ✗ Verifying permitted SBN transactions
- ✗ Obtain due MR
- ✗ Issue report accordingly



	SBNs		Other Denomination Notes		Total	
	Denom ination	Amo unt	Denominati on	Amount	Denomi nation	Amo unt
Closing Balance as on 8.11.2016						
Add: Withdrawal from bank	NA	Nil				
Add: Receipts for permitted transactions						
Add: Receipts for non-permitted transactions						
Less: Paid for permitted transactions						
Less: Paid for non-permitted transactions						
Less: Deposited in Bank						
Closing Balance as on 30.12.2016						

SUGGESTED M. R.

- ✖ We have appropriately disclosed {Refer Note []}, the details of Specified Bank Notes (SBN) held and transacted during the period from 8.11.2016 to 30.12.2016 pursuant to the requirement of Notification G.S.R 308(E) dated 30th March 2017.
- ✖ Further we confirm that we have complied with all relevant guidelines / notifications issued by RBI from time to time in respect of holding and dealing with SBN, and that the company had proper controls, system and procedures in place for such compliances.



REPORTING FORMATS

✖ **Clean Report:**

- + Based on audit procedures and relying on the management representation we report that the disclosures are in accordance with books of account maintained by the Company and as produced to us by the Management – Refer Note [*]

✖ **Where clause not applicable:**

- + The Company did not have any holdings or dealings in Specified Bank Notes during the period from 8th November, 2016 to 30th December, 2016 – Refer Note [*]
- + The disclosure requirement as envisaged in Notification G.S.R 308(E) dated 30th March 2017 is not applicable to the Company - Refer Note [*]



REPORTING FORMATS

- ✖ **Company provided details, but auditor could not verify due to non-availability of sufficient and appropriate audit evidence resulting into scope limitation**
- + **The Company has provided requisite disclosures in the financial statements as to holdings as well as dealings in Specified Bank Notes during the period from 8th November, 2016 to 30th December, 2016. However, we are unable to obtain sufficient and appropriate audit evidence to report on whether the disclosures are in accordance with books of account maintained by the Company and as produced to us by the Management – Refer Note [*];**
- ✖ **Also comment in report – not received information**



REPORTING FORMATS

- ✘ **Company did not give disclosures:**
 - + The Company has not provided requisite disclosures in the financial statements as to holdings as well as dealings in Specified Bank Notes during the period from 8th November, 2016 to 30th December, 2016.
- ✘ **Company did not give certain requisite disclosures:**
 - + The Company has not provided certain requisite disclosures in the FS as to holdings as well as dealings in Specified Bank Notes during period from 8.11.2016 to 30.12.2016. Consequently we are unable to obtain sufficient and appropriate audit evidence to report whether the disclosures to the extent stated in the notes are in accordance with books of account maintained by the Company and as produced to us by the Management – Refer Note [*]
- ✘ **Also comment in both cases – not received information**



REPORTING FORMATS

- ✖ **Company has disclosed, but have transacted in non-permitted receipt/payments**
- + **The Company has provided requisite disclosures in the financial statements as to holdings as well as dealings in Specified Bank Notes during the period from 8th November, 2016 to 30th December, 2016. However, as stated in notes [*] to the financial statements amounts aggregating to Rs. [] as represented to us by the Management have been utilized for other than permitted transactions/received amount aggregating Rs. [] from transactions which are not permitted;**



CA. Pramod Jain

ACCOUNTING STANDARDS



AMENDED W.E.F. 30TH MARCH 2016

- ✖ **AS 2 (Valuation of Inventories)**
- ✖ **AS 4 (Contingencies and Events Occurring after the Balance Sheet Date)**
- ✖ **AS 6 (Depreciation Accounting requirements for depreciation are now incorporated in revised AS 10)**
- ✖ **As 10 (Property, Plant and Equipment)**
- ✖ **AS 13 (Accounting for Investments)**
- ✖ **AS 14 (Accounting for Amalgamation)**
- ✖ **AS 21 (Consolidated Financial Statements)**
- ✖ **AS 29 (Provisions, Contingent Liabilities and Contingent Assets)**



AS 6 & AS 10

- ✗ AS 6 omitted
- ✗ AS 10 – Property Plant & Equipment. For tangible only
- ✗ PPE are tangible items that:
 - ✗ Are held for use in production or supply of goods or services, for rental to others, or for administrative purposes; AND
 - ✗ Are expected to be used during more than a period of twelve months
- ✗ It now includes bearer plants, biological assets too
- ✗ Provides for recognizing & derecognizing costs of replacement of:
 - ✗ Parts (Other than small parts)
 - ✗ Major inspection costs



AS 10

- ✗ Capitalization of decommissioning, restoration & similar liabilities – other than for producing inventories)- in old AS too
- ✗ If deferred payments – interest subject to AS 16
- ✗ Revaluation model or Cost model
- ✗ Revaluation of entire class not specific asset
- ✗ Investment Property in AS 13 only at Cost Model
- ✗ Enhanced disclosures
 - + Existence and amounts of restrictions on title, and PPE pledged as security for liabilities
 - + Contractual commitments for PPE



AS 10

- ✖ **Component accounting**
- ✖ **Change in depreciation is now accounting estimate**
- ✖ **No gross block / net block but now – carrying amounts**
- ✖ **Spare parts, which were being treated as inventory & are now required to be capitalised as per AS 10, to be capitalised at their carrying amounts & depreciated over their remaining useful lives prospectively**



OTHER IMPORTANT AMENDMENTS

- ✖ AS 2 - Earlier - Machinery Spares which can be used only with item of a fixed asset were FA if its use is irregular.
 - + Now - spare parts, servicing equipment and standby equipment to be FA only as per AS 10 (PPE) – 12 month
 - + Common classification for inventories would include Stock-in-trade (in respect of goods acquired for trading)
- ✖ AS 4 – no provision for proposed dividends now



OTHER IMPORTANT AMENDMENTS

- ✖ **AS 13 – Investment property at cost model - AS 10 less depreciation and any impairment costs**
- ✖ **AS 14 – Amalgamation - Limited revision to include reference to Companies Act, 2013**
- ✖ **AS 21 - Where no subsidiary but an associate / JV, to prepare CFS as per applicable AS**
- ✖ **AS 29 - Discounting of decommissioning, restoration & similar liabilities as per AS 10 at pre-tax rate that reflect the current market assessment of time value of money & and the risks specific to the liability**



IND AS – ROADMAP FOR OTHER THAN NBFC & INSURANCE COS.

From FY
2015-16

- Any company voluntary

From FY
2016-17

- All companies having net worth of rupees 500 crore or more.
- Holding, subsidiary, joint venture or associate companies of above companies.

From FY
2017-18

- Cos. whose equity or debt securities are listed or are in the process of being listed on any stock exchange in India or outside India and having net worth of **< Rs. 500 crore.**
- **Unlisted companies** having net worth of **Rs. 250 crores or more but less than Rs. 500 crore.**
- Holding, subsidiary, joint venture or associate companies of above companies.





ICDS

Income Computation and
Disclosure Standards

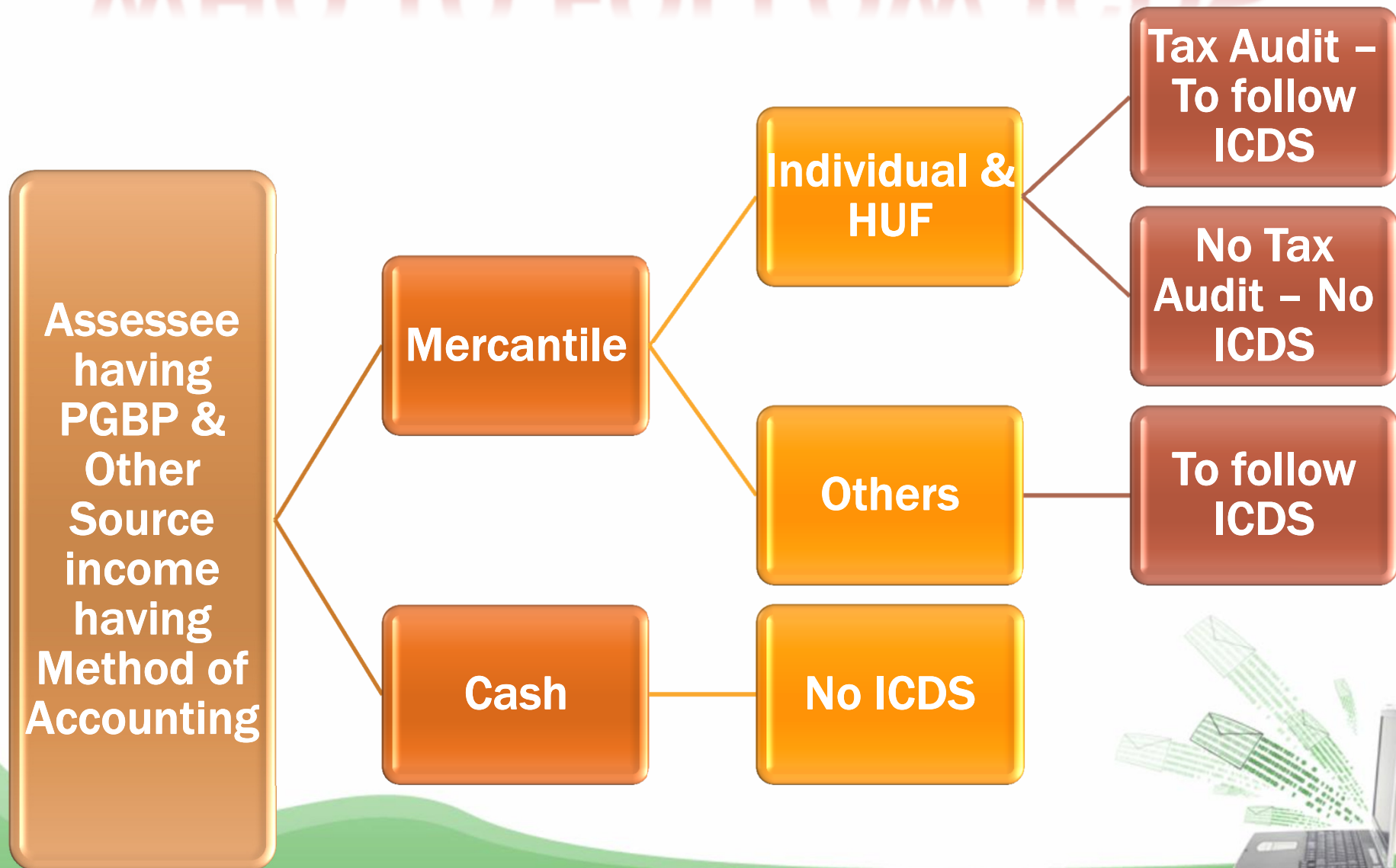


ICDS BACKGROUND

- ✖ CG notified 10 ICDS vide notification no. 32 of 2015 dated 31st March 2015 which were applicable from AY 2016-17 onwards
- ✖ Due to various issues & representations referred to Expert committee & deferred by 1 year (6.11.2016).
- ✖ CBDT rescinded the old ICDS through notification no. 86/2016 dated 29th September 2016 and issued revised ICDS vide notification no. 87/2016 and amended Tax Audit Form 3CD.
- ✖ Also issued FAQs dated 25th March 2017
- ✖ Draft ICDS on Real Estate Transaction released for suggestion - 11.05.2017



WHO TO FOLLOW ICDS



SUMMARY

Source

- Section 145(2)

Effective Date

- W.e.f. AY 2017-18

Heads of Income

- Only on PGBP & Other Source
- If accounts on mercantile basis

No. of Standards

- 10 vide Not. Dt. 29.09.2016

Disclosure

- Para 13 of Form 3CD & ITR

CORRESPONDING AS / IND AS

ICD S	Name of ICDS	Correspondi ng AS	Corresponding Ind AS
I	Accounting Policies	1 & 5	1 & 8
II	Valuation of Inventories	2	2
III	Construction Contracts	7	11
IV	Revenue Recognition	9	11
V	Tangible Fixed Assets	10	16
VI	Changes in Foreign Exchange Rates	11	21
VII	Government Grants	12	20
VIII	Securities	13	109
IX	Borrowing Costs	16	23
X	Provisions, Contingent Liabilities & Contingent Assets	29	37

BASICS

- ✗ It's for income computation only and NOT for books maintenance
- ✗ Is separate books to be maintained?
- ✗ ICAI standards amended – Examples removed
- ✗ Would it impact incomes u/s 44AD, 44AE, etc?
- ✗ FAQ - Applicable on partnership firm u/s 44AD ...wherever possible – example construction contracts, revenue recognition??
- ✗ No ICDS details in ITR 1, 2 & 4



BASICS

- ✗ Would it impact MAT / AMT??
- ✗ ICDS not to apply on MAT but applicable on AMT – Q 6 FAQ
- ✗ Take care of AS 22
- ✗ What if assessee has no business income but only income from other sources?
- ✗ What if has one business on mercantile basis and other on cash ?
- ✗ Transitional provisions - neither double taxation nor escapement of income
- ✗ Disclosure requirements



STRUCTURE



Preamble

Scope

Contents

Transitional Provisions

Disclosure



PREAMBLE

- 1. This Income Computation and Disclosure Standard is applicable for computation of income chargeable under the head "Profits and gains of business or profession" or "Income from other sources" and not for the purpose of maintenance of books of account.**
- 2. In the case of conflict between the provisions of the Income-tax Act, 1961 ('the Act') and this Income Computation and Disclosure Standard, the provisions of the Act shall prevail to that extent.**



WHAT TO DO

Prepare FS complying AS / Ind AS



Check the applicability of ICDS



Compute Income complying ICDS



Certify ICDS details in Form 3CD



Fill ICDS details in ITR



ICDS CHECKLIST

ICDS	Name of ICDS	Whether Applicable	Amounts in ITR & 3CD	Disclosures in 3CD	Remarks
I	Accounting Policies	Yes			
II	Valuation of Inventories				
III	Construction Contracts				
IV	Revenue Recognition	Yes			
V	Tangible Fixed Assets				
VI	Changes in Foreign Exchange Rates				
VII	Government Grants				
VIII	Securities				
IX	Borrowing Costs				
X	Provisions, Contingent Liabilities & Contingent Assets				

FORM 3CD – CLAUSE - 13

- ✗ (a) Method of accounting employed in previous year
- ✗ (b) Change in method of accounting applied
- ✗ (c) If, yes, effect thereof on profit / loss
- ✗ (Old d) Deviation in method of accounting from accounting standards prescribed u/s 145 and effect thereof on P/L
- ✗ ICDS reporting brought in w.e.f. 1.4.2017



FORM 3CD – CLAUSE - 13

- ✗ (d) – whether any adjustment is required to be made to the profits or loss for complying with the ICDS notified u/s 145(2)
- ✗ (e) – Is, yes, give details
- ✗ (f) – Disclosure as per ICDS
 - + For 8 standards
 - + Two omitted as no disclosure required as per the standard:
 - ✗ Changes in Foreign Exchange Rates
 - ✗ Securities



FORM 3CD – CLAUSE – 13(E)

ICD S	Name of ICDS	Increase in Profit	Decrease in Profit	Net (Rs.)	Descripti on
I	Accounting Policies				
II	Valuation of Inventories				
III	Construction Contracts				
IV	Revenue Recognition				
V	Tangible Fixed Assets				
VI	Changes in Foreign Exchange Rates				
VII	Government Grants				
VIII	Securities				
IX	Borrowing Costs				
X	Provisions, Contingent Liab & Assets				
	Total				

FORM 3CD – CLAUSE – 13(F)

ICDS	Name of ICDS	Disclosures
I	Accounting Policies	
II	Valuation of Inventories	
III	Construction Contracts	
IV	Revenue Recognition	
V	Tangible Fixed Assets	
VII	Government Grants	
IX	Borrowing Costs	
X	Provisions, Contingent Liab & Assets	

ITR

Schedule ICDS Effect of Income Computation Disclosure Standards on profit		
Sl. No.	ICDS	Amount
(i)	(ii)	(iii)
I	Accounting Policies	
II	Valuation of Inventories	
III	Construction Contracts	
IV	Revenue Recognition	
V	Tangible Fixed Assets	
VI	Changes in Foreign Exchange Rates	
VII	Government Grants	
VIII	Securities	
IX	Borrowing Costs	
X	Provisions, Contingent Liabilities and Contingent Assets	
XI	Total Net effect (I+II+III+IV+V+VI+VII+VIII+IX+X)	0

✗ Is there any impact of this disclosure on Computation in ITR automatically?



WHAT IF ICDS NOT FOLLOWED

- ✗ **Section 145(3) - AO has the power to make best judgement assessment u/s. 144 if he is not satisfied about the :-**
 - + **Correctness or completeness of the accounts of the assessee ; or**
 - + **Method of accounting is not regularly followed ;or**
 - + **Income not computed as per ICDS**
- ✗ **Hence ICDS has to be mandatorily followed or else best judgement assessment can be done by Assessing Officer.**



THANK YOU!



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