

## **Cos need not maintain 2 account books: FinMin proposal**

Companies wanting to migrate to international auditing norms, IFRS, may be spared from maintaining two books of accounts - one under the Companies Act and the other for taxation purposes, if a Finance Ministry proposal gets implemented.

The proposal, which was floated in a Discussion Paper on Tax Accounting Standards (TAS) issued by the ministry today, aims at "reducing the complinace burden on businesses".

"It would be burdensome for affected tax payers to maintain two sets of books of account i.e. one in accordance with the Accounting Standards issued by the ICAI/notified under the Companies Act, 1956; and another in accordance with the Accounting Standards notified under the (Income Tax) Act.

"Accordingly, the Accounting Standards notified under the Act should be made applicable only to the computation of taxable income and a taxpayer should not be required to maintain books of account on the basis of Accounting Standards notified under the Act", the paper said.

According to the proposal, the companies will be required to pay taxes as per the TAS, while books of accounts will have to be maintained in accordance with the ICAI norms notified under the Companies Act, 1961.

"The proposed TAS, while enabling smooth transition to International Financial reporting Standard (IFRS), will provide certainty on accounting issues for tax purposes as it removes alternatives and will cover all tax accouting issues," the Finance Ministry discussion paper said.

The Central Board of Direct Taxes (CBDT) has invited suggestions on the paper, prepared by an expert committee, by November 11, 2011.

The Committee was formed in 2010 to study the harmonisation of ICAI's accounting standards with the direct tax laws in India, suggesting methods for determining tax base for the purpose of Minimum Alternate Tax (MAT) in case of companies migrating to IFRS and appropriate amendments to the Income Tax Act in view of transition to IFRS regime.

Though uncertainty still looms over the implementation date of the IFRS, as per the earlier road map laid out by the MCA, companies will have to prepare their accounts as per the new norm in a phased manner, beginning with companies that have a networth of over Rs 1,000 crore from April 1.

Further, while scheduled commercial banks and urban cooperative banks will adopt IFRS from April 1, 2013, all insurance companies will have to convert their opening balance sheets under IFRS from April, 2012.

Large, listed non-banking finance companies (NBFCs), will converge their opening books of accounts with IFRS norms from April 1, 2013.