Govt. to study impact of MAT on firms under new accounting regime

As corporate India gears up to switch to a new accounting standard (Ind- AS) from FY17, the government has set up a committee to assess the impact of minimum alternate tax (MAT) on companies under the new accounting regime.

The committee, supervised by the Central Board of Direct Taxes (CBDT), has experts from the Institute of Chartered Accountants of India (ICAI), taxation and senior officials of the tax department as its members. The committee will look at ways to resolve the differences, arising in MAT computation when a company adopts the International Financial Reporting Standards-compliant Ind- AS.

Several industry bodies had earlier made a representation to the CBDT that the issue of higher incidence of MAT on companies that follow the new accounting standard was making them cagey.

Speaking at a conference on financial reporting, Rajesh Kumar Bhoot, director, CBDT, said the committee was expected to submit its report by October. Tax experts said companies that were covered under MAT might experience significant increase in tax liability due to use of fair value method of accounting under Ind-AS.

“Due to increased use of fair value accounting under IndAS, unrealised gains on items such as derivatives, investments, etc., will get recognised in income statement, which is presently not done under Indian GAAP. Since, this will potentially increase the reported amount of accounting profits, it could also cause higher MAT outflows,” said Sumit Seth, partner and IFRS leader, PricewaterhouseCoopers.

(Business Standard)