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PRESS RELEASE

CBDT PUBLISHES DISCUSSION PAPER ON TAX ACCOUNTING STANDARDS

The Central Board of Direct Taxes (CBDT) has made public the discussion paper on accounting standards, to be known as Tax Accounting Standards (TAS)

2. The proposed TAS, while enabling smooth transition to International Financial Reporting Standards (IFRS), will provide certainty on accounting issues for tax purposes as it removes alternatives and will cover all tax accounting issues.
3. The TAS, applicable only to computation of taxable income under the Income Tax Act 1961, will be different from accounting standards issued by the Institute of Chartered Accountants of India (ICAI) and notified by the Ministry of Corporate Affairs under the Companies Act 1956. However, separate books of account are not required to be maintained under TAS, thus reducing compliance burden on businesses.
4. A Committee of experts from the government and professionals was constituted by the CBDT in December 2010 to suggest accounting standards for tax purposes that could be notified under section 145 of the Income Tax Act 1961. The Committee submitted its interim report in August 2011, suggesting the above measures. At present, section 145 provides that the method of accounting for computation of income under the head "Profits and gains of business or profession" and "Income from other sources" can either be the cash or mercantile system of accounting. The Finance Act, 1995 empowered the Central Government to notify Accounting Standards for any class of taxpayer or for any class of income.
