



Voices on Reporting

12 August 2016

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Welcome



Series of knowledge sharing calls

Covering current and emerging reporting issues

Scheduled towards the end of each month

Look out for our Accounting and Auditing Update, IFRS Notes and First Notes publications

Speakers for the call



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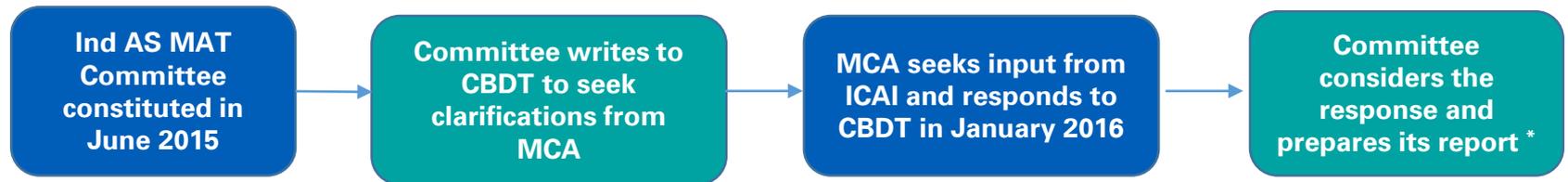
Ajit Viswanath
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Agenda

**Revisions to the Framework proposed by the MAT - Ind AS
Committee**

Background¹



Committee mandate - To suggest a framework for computation of book profits for the purposes of levy of MAT under Section 115JB of the Income-tax Act, 1961 (IT Act) for Ind AS compliant companies in the year of adoption of Ind AS and thereafter.

Key recommendations of the Committee:

- No further adjustments to be made to net profits - other than those already specified under Section 115JB of the IT Act.
- Items that will permanently be recorded in reserves and hence never be reclassified to the statement of profit and loss, to be included in the book profits for MAT at an appropriate time.
- Adjustments recorded in retained earnings on first-time adoption of Ind AS and never be reclassified to the statement of profit and loss, to be included in the book profits for MAT in the year of first-time adoption of Ind AS.

* On 18 March 2016, the Committee issued a report proposing a framework for computation of book profits for Ind AS compliant companies (the Framework) for the computation of book profit for the purpose of levy of MAT under Section 115JB of the IT Act.

Overview of the recent modified recommendations²

On 5 August 2016, the CBDT issued modified recommendations/suggestions submitted by the Committee in its report dated 23 July 2016 (the report) relating to first-time adoption of Ind AS.

Overview of the recent recommendations

Property, plant and equipment and intangible assets

Requirements of Ind AS 101, *First-Time Adoption of Indian Accounting Standards*

Recommendation

- Permits an entity to measure items of PPE at the date of transition at their recomputed values in accordance with Ind AS 16, *Property, Plant and Equipment*, from inception
 - Alternatively, a first-time adopter of Ind AS can opt to apply the 'deemed cost' exemption and measure items of PPE either at their fair value or at carrying value as per the previous GAAP, on the date of transition
 - At the date of transition the resulting adjustments in the carrying value of existing PPE are recorded in retained earnings.
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- Ignore adjustments in retained earnings pertaining to revaluation of assets on first-time adoption of Ind AS while computing book profits
 - Compute depreciation and gains or losses on disposal of such assets by ignoring the retained earnings adjustment on first-time adoption
 - Also ignore other adjustments to PPE on the date of transition such as decommissioning liability, foreign exchange capitalisation, borrowing costs, etc.
 - Same principles to be applied to items of intangible assets on the date of transition.

Overview of the recent modified recommendations² (cont.)

Leases

Requirements of AS 19, Leases and Ind AS 17, Leases

- As per AS 19:
 - Operating lease rentals to be straight-lined even if payments to the lessor are structured to increase in line with expected general inflation
 - Recognise corresponding lease equalisation liability/asset under AS 19.
- As per Ind AS 17:
 - Operating lease payments not to be recognised on a straight-line basis if rentals increase in line with expected general inflation
 - Adjust any existing lease equalisation liability/asset to retained earnings on the date of transition.

Recommendation

- Include retained earnings adjustment in the book profits for levy of MAT over a period of three years starting from the year of first-time adoption of Ind AS.

Overview of the recent modified recommendations² (cont.)

Investments

Requirements of Ind AS 109, *Financial Instruments*

- Permits measurement of certain financial assets or financial liabilities at fair value through profit or loss in specific circumstances. For example:
 - Investments in equity instruments or mutual fund units
 - Investments in subsidiaries/associates/joint ventures where the entity has opted to measure these at fair value through profit or loss in their separate financial statements
 - Investment in debt instruments that do not meet the criteria for amortised cost measurement
 - Derivative assets or liabilities
 - Any other financial asset or liability designated at fair value through profit or loss under Ind AS 109.
- Adjustments arising from recognition of above items at fair value on the date of transition to Ind AS to be recognised in retained earnings.

Recommendation

- Retained earnings adjustment to be included in book profit over a period of three years starting from the year of first-time adoption of Ind AS.

Overview of the recent modified recommendations² (cont.)

Other issues

All other adjustments relating to first-time adoption of Ind AS recorded in retained earnings, which would never subsequently be reclassified to the statement of profit and loss should be included in the book profit over a period of three years starting from the year of first time adoption of Ind AS.

Responses to the recommendations can be submitted by 20 August 2016. While the Committee has sought comments on the recommendations issued on 5 August 2016, the Committee continues to examine other issues and is evaluating various alternative suggestions. Therefore, companies should send their comments and suggestions to the Committee.

Expected implementation challenges

Implementation challenges for first-time adopters

- Impact on MAT for entities where date of transition to Ind AS is 1 April 2015
- Clarity required for the 'three years period' over which the transition adjustments would be spread
- MAT computation could impact the selection of first-time adoption options available in Ind AS 101
- Computation of advance taxes.

Implementation challenges on an ongoing basis

- Maintenance of parallel books of account for tax purposes
- Impact of other unrealised gains and losses.



Q&A

Sources

1. Ministry of Finance press release dated 28 April 2016
2. MAT - Ind AS committee's report released by CBDT on 5 August 2016.

Glossary

- MAT - Minimum Alternate Tax
- CBDT - Central Board of Direct Taxes
- ICAI - The Institute of Chartered Accountants of India
- MCA - The Ministry of Corporate Affairs
- Ind AS - Indian Accounting Standard
- AS - Accounting Standard
- IT Act - Income-tax Act, 1961
- PPE - Property, Plant and Equipment
- GAAP - Generally Accepted Accounting Principles

Links to previous recordings of VOR

Month	Topics	Link
January 2016	<ul style="list-style-type: none">• Overview of Ind AS 21, <i>The Effects of Changes in Foreign Exchange Rates</i>• Key regulatory updates.	Click here
February 2016	<ul style="list-style-type: none">• Report of the Companies Law Committee• Securities and Exchange Board of India (SEBI) issues the Frequently Asked Question (FAQs) on the SEBI Listing Regulations, 2015.	Click here
April 2016	<ul style="list-style-type: none">• Updates on Ind AS convergence• Updates on SEBI regulations• Updates on the Companies Act, 2013 (2013 Act)• Updates on accounting and financial reporting	Click here
May 2016 (Special session)	<ul style="list-style-type: none">• Framework proposed by the MAT-Ind AS committee – new development	Click here
May 2016	<ul style="list-style-type: none">• ITFG clarification Bulletin 2• Amendments to Accounting Standards• Guidance Note on Accounting for Real Estate Transactions	Click here
June 2016	<ul style="list-style-type: none">• Ind AS reminders• Updates on the 2013 Act• Updates on SEBI regulations• Updates on accounting and financial reporting	Click here
July 2016	<ul style="list-style-type: none">• SEBI relaxes norms for Ind AS compliant quarterly results• MoF defers ICDS by one year• ITFG: Clarification Bulletin 3	Click here

For other archives of VOR calls, visit www.KPMG.com/in

KPMG in India's IFRS institute

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The website provides information and resources to help board and audit committee members, executives, management, stakeholders and government representatives gain insight and access to thought leadership publications on the evolving global financial reporting framework.



In addition to proprietary KPMG content, the website provides links to several other sources of information related to IFRS and its implementation. The site can be accessed by all interested parties at no cost. Additionally, the site provides the facility of registering as a member by providing certain minimal information.

To download KPMG content, become registered members of the website by following a few easy steps.

<https://www.in.kpmg.com/IFRS>

You can reach us for feedback and questions at:

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Revisions to the Framework proposed by the MAT-Ind AS Committee

10 August 2016

The Central Board of Direct Taxes (CBDT) issued a press release on 5 August 2016, announcing certain modified recommendations/suggestions on select matters submitted by the Minimum Alternate Tax (MAT) – Indian Accounting Standards (Ind AS) Committee (the Committee) in its report dated 23 July 2016 (the report).

Our IFRS Notes provide an overview of the recommendations suggested in the report.



SEBI issues a consultation paper on disclosure of financial information in offer document/placement memorandum and valuation of the units of Infrastructure Investment Trusts

20 July 2016

The Securities and Exchange Board of India (SEBI) issued a consultation paper on 15 June 2016, proposing continuous financial disclosures and other continuous disclosures to be made by Infrastructure Investment Trusts (InvITs) registered under the SEBI (Infrastructure Investment Trusts) Regulations, 2014 (InvIT Regulations).

Continuing with its recommendations, SEBI on 8 July 2016, issued a consultation paper proposing the following:

- Guidelines for financial disclosures in the offer document/placement memorandum
- Valuation of the units of InvITs.

This issue of IFRS Notes aims to provide an overview of the SEBI consultation paper.

Topics discussed in AAU and First Notes

Accounting and Auditing Update (AAU)



Issue no. 11/2016 | Healthcare

- Ind AS and its impact on the healthcare sector
- Segment reporting – a new approach in Ind AS
- Finance Act, 2016 – key impact areas
- GST – Will it heal the healthcare sector ?
- Conversation with Dr. Om Prakash Manchanda and Mr. Dilip Bidani
- Conversation with Krishnan Subramanian
- Internal financial controls
- Regulatory updates.

First Notes



The MCA amends share capital and debenture rules and documents to be submitted by airline companies

8 August 2016

On 19 July 2016, MCA through its notifications issued the following:

1. Companies (Share Capital and Debentures) Third Amendment Rules, 2016
2. Modification/exception to Section 381 of the 2013 Act: Accounts of foreign company.

Our First Notes provide an overview of the above mentioned notifications.

Others

Missed an issue of Accounting and Auditing Update



Missed an issue of First Notes



Coming up next

August 2016

New issue of:

- Accounting and Auditing Update
- First Notes
- IFRS Notes

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Thank you

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