***INCOME COMPUTATION AND DISCLOSURE STANDARDS***

As if tax provisions were not complicated enough, a third dimension has now been added to the computation of taxable income, Income Computation and Disclosure Standards (ICDS), which have been notified on 31 March 2015. Our partner, CA Isha Gupta, presented on the topic “Basics of Income Computation and Disclosure Standards” in Direct Tax Workshop .

ICDS apply to computation of income under the heads “profits and gains of business or profession” and “income from other sources”. ICDS are not to be used for maintenance of books of account, but are to be used only for computation of income. ICDS apply from assessment year 2016-17 (i.e., financial year 2015-16), which means that they are already applicable for the current year. ICDS apply to all taxpayers following the mercantile system of accounting, and not those following the cash system. If ICDS are in conflict with the provisions of the income-tax Act, the provisions of the Act would prevail.

Most taxpayers may feel that ICDS may not affect them; that is, however, not true. Almost every taxpayer has income taxable under the head “income from other sources”—bank interest, interest on company deposits, interest on debentures and bonds, annuities, and so on. Therefore, it is very important to have basic knowledge of Income Computation and Disclosure Standards. For full presentation refer to:-[E:\presentations\icds on 25th May\icds.pptx](file:///E%3A%5Cpresentations%5Cicds%20on%2025th%20May%5Cicds.pptx)