

[TO BE PUBLISHED IN THE GAZETTE OF INDIA, EXTRAORDINARY, PART II,  
SECTION 3, SUB-SECTION (i)]

GOVERNMENT OF INDIA  
MINISTRY OF CORPORATE AFFAIRS  
NOTIFICATION

New Delhi, the 20 September, 2018

G.S.R..... (E).— In exercise of the powers conferred by section 133 read with section 469 of the Companies Act, 2013 (18 of 2013) and sub-section (1) of section 210A of the Companies Act, 1956 (1 of 1956), the Central Government, in consultation with the National Advisory Committee on Accounting Standards, hereby makes the following rules further to amend the Companies (Indian Accounting Standards) Rules, 2015, namely:—

1. Short title and commencement.—(1) These rules may be called the Companies (Indian Accounting Standards) Second Amendment Rules, 2018.

(2) They shall come into force on the date of their publication in the Official Gazette.

2. In the Companies (Indian Accounting Standards) Rules, 2015 (hereinafter referred to as the principal rules), in the “Annexure”, under the heading “B. Indian Accounting Standards (Ind AS)”, -

(a) in “Indian Accounting Standard (Ind AS) 20”, -

(i) for paragraphs 23-28, the following paragraphs shall be substituted, namely:-

“23 A Government grant may take the form of a transfer of a non-monetary asset, such as land or other resources, for the use of the entity. In these circumstances, it is usual to assess the fair value of the non-monetary asset and to account for both grant and asset at that fair value. An alternative course that is sometimes followed is to record both asset and grant at a nominal amount.

**24 Government grants related to assets, including non-monetary grants at fair value, shall be presented in the balance sheet either by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset.**

25 Two methods of presentation in financial statements of grants or the appropriate portions of grants related to assets are regarded as acceptable alternatives.

26 One method recognises the grant as deferred income that is recognised in profit or loss on a systematic basis over the useful life of the asset.

- 27 The other method deducts the grant in calculating the carrying amount of the asset. The grant is recognised in profit or loss over the life of a depreciable asset as a reduced depreciation expense.
- 28 The purchase of assets and the receipt of related grants can cause major movements in the cash flow of an entity. For this reason and in order to show the gross investment in assets, such movements are often disclosed as separate items in the statement of cash flows regardless of whether or not the grant is deducted from the related asset for presentation purposes in the balance sheet.”;

(ii) for paragraphs 32-33, the following paragraphs shall be substituted, namely:-

**“32 A Government grant that becomes repayable shall be accounted for as a change in accounting estimate (see Ind AS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*). Repayment of a grant related to income shall be applied first against any unamortised deferred credit recognised in respect of the grant. To the extent that the repayment exceeds any such deferred credit, or when no deferred credit exists, the repayment shall be recognised immediately in profit or loss. Repayment of a grant related to an asset shall be recognised by increasing the carrying amount of the asset or reducing the deferred income balance by the amount repayable. The cumulative additional depreciation that would have been recognised in profit or loss to date in the absence of the grant shall be recognised immediately in profit or loss.**

**33 Circumstances giving rise to repayment of a grant related to an asset may require consideration to be given to the possible impairment of the new carrying amount of the asset.”;**

(iii) after paragraph 39, following shall be inserted, namely:-

“40 \*

**“Effective date**

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\* Refer Appendix 1

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48A Paragraphs 23-24, 26, 28 and 32 are amended, and paragraphs 25, 27, 33 and 40-48A have been added to allow the option of recording of non-monetary government grants at nominal value and presentation of government grants related to assets by deducting the same from the carrying amount of the asset. An entity shall apply these amendments for the annual periods beginning on or after April 1, 2018.”;

(iv) In Appendix 1,-

(A) paragraphs 1 and 2 shall be omitted;

(B) after paragraph 5, the following paragraphs shall be inserted, namely:-

“6 Paragraph 40 of IAS 20 related to transitional provisions has not been included in Ind AS 20 since transitional provisions considered relevant have been included in Ind AS 101, *First Time Adoption of Indian Accounting Standards*.

7 Paragraphs 41-48 of Effective date of IAS 20 have not been included in Ind AS 20 since these are not relevant in Indian context.”.

(b) in “Indian Accounting Standard (Ind AS) 12”, -

(i) for paragraph 33, the following paragraph shall be substituted, namely:-

“33 One case when a deferred tax asset arises on initial recognition of an asset is when a non-taxable Government grant related to an asset is deducted in arriving at the carrying amount of the asset but, for tax purposes, is not deducted from the asset’s depreciable amount (in other words its tax base); the carrying amount of the asset is less than its tax base and this gives rise to a deductible temporary difference. Government grants may also be set up as deferred income in which case the difference between the deferred income and its tax base of nil is a deductible temporary difference. Whichever method of presentation an entity adopts, the entity does not recognise the resulting deferred tax asset, for the reason given in paragraph 22.”;

(ii) in Appendix 1, paragraph 7 shall be omitted;

(c) in “Indian Accounting Standard (Ind AS) 16”, -

(i) for paragraph 28, the following paragraph shall be substituted, namely:-

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\* Refer Appendix 1

“28 The carrying amount of an item of property, plant and equipment may be reduced by Government grants in accordance with Ind AS 20, *Accounting for Government Grants and Disclosure of Government Assistance*.”;

(ii) in Appendix 1, paragraph 3 shall be omitted;

(d) in “Indian Accounting Standard (Ind AS) 38”, -

(i) for paragraph 44, the following paragraph shall be substituted, namely:-

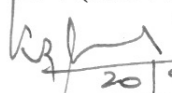
“44 In some cases, an intangible asset may be acquired free of charge, or for nominal consideration, by way of a Government grant. This may happen when a Government transfers or allocates to an entity intangible assets such as airport landing rights, licences to operate radio or television stations, import licences or quotas or rights to access other restricted resources. In accordance with Ind AS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, an entity may choose to recognise both the intangible asset and the grant initially at fair value. If an entity chooses not to recognise the asset initially at fair value, the entity recognises the asset initially at a nominal amount (the other treatment permitted by Ind AS 20) plus any expenditure that is directly attributable to preparing the asset for its intended use.”;

(ii) for paragraph 77, the following paragraph shall be substituted, namely:-

“77 The revaluation model is applied after an asset has been initially recognised at cost. However, if only part of the cost of an intangible asset is recognised as an asset because the asset did not meet the criteria for recognition until part of the way through the process (see paragraph 65), the revaluation model may be applied to the whole of that asset. Also, the revaluation model may be applied to an intangible asset that was received by way of a Government grant and recognised at a nominal amount (see paragraph 44).”;

(iii) in Appendix 1, paragraph 1 shall be omitted.

[F. No. 01/01/2009-CL-V (Part VII)]

  
20/9/18  
(K. V. R. MURTY)  
Jt. Secy.

Note :The principal rules were published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i), dated the 16th February, 2015 vide number G.S.R. 111(E) dated the 16<sup>th</sup> February, 2015 and were subsequently amended vide notifications number G.S.R. 365 (E), dated the 30th March, 2016, number G.S.R. 258(E), dated the 17th March, 2017 and number G.S.R. 310(E), dated the 28th March, 2018.