

Tax Hotline

November 07, 2000

DEFERRED TAX TO BE SHOWN AS LIABILITY IN THE BOOKS OF ACCOUNTS

The Securities and Exchange Board of India (**SEBI**) has finalised the move of making it mandatory for the Indian corporates (a select category to begin with) to start showing deferred taxation as a liability in their annual reports, in line with the norms of International Accounting Standards (**IAS**) from financial year 2001-2002. The guidelines for this disclosure are expected to be issued by the Institute of Chartered Accountants of India (**ICAI**) sometime later, however till such time, SEBI has decided to go ahead with the IAS from the beginning of the next fiscal year i.e. April 01, 2001.

A committee on corporate governance had earlier proposed that four sets of financial disclosures viz. consolidation of accounts, segment-wise reporting, related party transactions and treatment of deferred taxation should be introduced at the earliest. Of these, ICAI has already come out with guidelines for segment-wise reporting of accounts and for related party transactions.

SEBI has also decided to make the consolidation of accounts mandatory on lines with IAS with effect from April 01, 2001, if ICAI is unable to come out with guidelines till then. In such case the companies would have to disclose consolidated accounts of all its subsidiaries in which they hold more than 51% stake.

Source: The Economic Times, November 07, 2000

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