

[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 30<sup>th</sup> March, 2019

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), the Central Government, in consultation with the National Financial Reporting Authority, 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, 2019.

(2) They shall come into force on 1<sup>st</sup> day of April, 2019.

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)”,-

I. in “Indian Accounting Standard (Ind AS) 101”, -

(i) after paragraph 39AC, the following paragraphs shall be inserted, namely:-

“39AD \*

39AE \*

39AF Appendix C, *Uncertainty over Income Tax Treatments*, to Ind AS 12 added paragraph E8. An entity shall apply that amendment when it applies Appendix C to Ind AS 12.”;

(ii) In Appendix E, the following paragraphs shall be inserted, namely:-

“E1 \*

E2 \*

E3 \*

E4 \*

E5 \*

E6 \*

E7 \*

### **Uncertainty over income tax treatments**

E8 A first-time adopter whose date of transition to Ind ASs is before the date of notification of this Appendix may elect not to reflect the application of the Appendix C, *Uncertainty over Income Tax Treatments*, to Ind AS 12, *Income Taxes*, in comparative information in its first

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\* Refer Appendix 1

Ind AS financial statements. An entity that makes that election shall recognise the cumulative effect of applying Appendix C to Ind AS 12 as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of its first Ind AS reporting period.”;

(iii) In Appendix 1,

(a) for paragraph 9, the following paragraph shall be substituted, namely:-

“9. Paragraphs E1-E2 of Appendix E of IFRS 1 provides ‘Short-term exemptions from IFRSs’, however Ind AS 101 does not provide the aforesaid short-term exemptions. In order to maintain consistency with paragraph numbers of IFRS 1, the same have been retained in Ind AS 101.”;

(b) in paragraph 12, after item (vii), the following shall be inserted, namely:-

(viii) Paragraphs E3-E7.”;

(c) for paragraph 14, the following paragraph shall be substituted, namely:-

“14. Paragraphs 34 to 39W and 39Y to 39AB and 39AD of IFRS 1 have not been included in Ind AS 101 as these paragraphs relate to effective date and are not relevant in Indian context. Paragraph 39AE has not been included since it refers to amendments due to issuance of IFRS 17, *Insurance Contracts*, for which corresponding Ind AS is under formulation. However, in order to maintain consistency with paragraph numbers of IFRS 1, these paragraph numbers have been retained in Ind AS 101.”.

II. in “Indian Accounting Standard (Ind AS) 103”, -

(i) after paragraph 42, the following paragraph shall be inserted, namely:-

“42A When a party to a joint arrangement (as defined in Ind AS 111, *Joint Arrangements*) obtains control of a business that is a joint operation (as defined in Ind AS 111), and had rights to the assets and obligations for the liabilities relating to that joint operation immediately before the acquisition date, the transaction is a business combination achieved in stages. The acquirer shall therefore apply the requirements for a business combination achieved in stages, including remeasuring its previously held interest in the joint operation in the manner described in paragraph 42. In doing so, the acquirer shall remeasure its entire previously held interest in the joint operation.”;

(ii) after paragraph 64M, the following paragraphs shall be inserted, namely:-

“64 N \*

64 O *Annual Improvements to Ind AS (2018)* added paragraph 42A. An entity shall apply those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 April, 2019.”;

(iii) in Appendix 1, for paragraph 5, the following paragraph shall be substituted, namely:-

“5 Paragraphs 64-64J and 64L of IFRS 3 related to effective date have not been included in Ind AS 103 as these are not relevant in Indian context. Paragraph 64N has not been included since it refers to amendments due to issuance of IFRS 17, *Insurance Contracts*,

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\* Refer Appendix 1

for which corresponding Ind AS is under formulation. However, in order to maintain consistency with paragraph numbers of IFRS 3, these paragraph numbers are retained in Ind AS 103.”.

III. in “Indian Accounting Standard (Ind AS) 109”, -

(i) after paragraph 7.1.5, the following paragraphs shall be inserted, namely:-

“7.1.6 \*

7.1.7 *Prepayment Features with Negative Compensation* (Amendments to Ind AS 109), added paragraphs 7.2.1–7.2.34 and B4.1.12A and amended paragraphs B4.1.11(b) and B4.1.12(b). An entity shall apply these amendments for annual periods beginning on or after 1 April, 2019.

## 7.2 Transition<sup>1</sup>

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7.2.1 An entity shall apply this Standard retrospectively, in accordance with Ind AS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, except as specified in paragraphs 7.2.4-7.2.14. This Standard shall not be applied to items that have already been derecognised at the date of initial application.

7.2.2 \*

### Transition for classification and measurement (Chapters 4 and 5)

7.2.3 At the date of initial application, an entity shall assess whether a financial asset meets the condition in paragraphs 4.1.2(a) or 4.1.2A(a) on the basis of the facts and circumstances that exist at that date. The resulting classification shall be applied retrospectively irrespective of the entity’s business model in prior reporting periods.

7.2.4 If, at the date of initial application, it is impracticable (as defined in Ind AS 8) for an entity to assess a modified time value of money element in accordance with paragraphs B4.1.9B–B4.1.9D on the basis of the facts and circumstances that existed at the initial recognition of the financial asset, an entity shall assess the contractual cash flow characteristics of that financial asset on the basis of the facts and circumstances that existed at the initial recognition of the financial asset without taking into account the requirements related to the modification of the time value of money element in paragraphs B4.1.9B–B4.1.9D.

7.2.5 If, at the date of initial application, it is impracticable (as defined in Ind AS 8) for an entity to assess whether the fair value of a prepayment feature was insignificant in accordance with paragraph B4.1.12(c) on the basis of the facts and circumstances that existed at the initial recognition of the financial asset, an entity shall assess the contractual cash flow characteristics of that financial asset on the basis of the facts and circumstances that existed at the initial recognition of the financial asset without taking into account the exception for prepayment features in paragraph B4.1.12.

7.2.6 \*

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\* Refer Appendix 1

<sup>1</sup> Paragraphs 7.2.1-7.2.28 under the heading ‘Transition’ have been added as a consequence of issuance of *Prepayment Features with Negative Compensation* (Amendments to Ind AS 109), and proposed Ind AS 117, *Insurance Contracts*. Accordingly, these transitional provisions can be considered only for the purpose of aforesaid amendments or where specifically mentioned.

7.2.7 \*

7.2.8 At the date of initial application an entity may designate:

- (a) a financial asset as measured at fair value through profit or loss in accordance with paragraph 4.1.5; or
- (b) an investment in an equity instrument as at fair value through other comprehensive income in accordance with paragraph 5.7.5.

Such a designation shall be made on the basis of the facts and circumstances that exist at the date of initial application. That classification shall be applied retrospectively.

7.2.9 At the date of initial application an entity:

- (a) shall revoke its previous designation of a financial asset as measured at fair value through profit or loss if that financial asset does not meet the condition in paragraph 4.1.5.
- (b) may revoke its previous designation of a financial asset as measured at fair value through profit or loss if that financial asset meets the condition in paragraph 4.1.5.

Such a revocation shall be made on the basis of the facts and circumstances that exist at the date of initial application. That classification shall be applied retrospectively.

7.2.10 At the date of initial application, an entity:

- (a) may designate a financial liability as measured at fair value through profit or loss in accordance with paragraph 4.2.2(a).
- (b) shall revoke its previous designation of a financial liability as measured at fair value through profit or loss if such designation was made at initial recognition in accordance with the condition now in paragraph 4.2.2(a) and such designation does not satisfy that condition at the date of initial application.
- (c) may revoke its previous designation of a financial liability as measured at fair value through profit or loss if such designation was made at initial recognition in accordance with the condition now in paragraph 4.2.2(a) and such designation satisfies that condition at the date of initial application.

Such a designation and revocation shall be made on the basis of the facts and circumstances that exist at the date of initial application. That classification shall be applied retrospectively.

7.2.11 If it is impracticable (as defined in Ind AS 8) for an entity to apply retrospectively the effective interest method, the entity shall treat:

- (a) the fair value of the financial asset or the financial liability at the end of each comparative period presented as the gross carrying amount of that financial asset or the amortised cost of that financial liability if the entity restates prior periods; and
- (b) the fair value of the financial asset or the financial liability at the date of initial application as the new gross carrying amount of that financial asset or the new amortised cost of that financial liability at the date of initial application of this Standard.

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\* Refer Appendix 1

- 7.2.12 \*
- 7.2.13 \*
- 7.2.14 At the date of initial application, an entity shall determine whether the treatment in paragraph 5.7.7 would create or enlarge an accounting mismatch in profit or loss on the basis of the facts and circumstances that exist at the date of initial application. This Standard shall be applied retrospectively on the basis of that determination.
- 7.2.14A \*
- 7.2.15 \*
- 7.2.16 \*
- 7.2.17 \*
- 7.2.18 \*
- 7.2.19 \*
- 7.2.20 \*
- 7.2.21 \*
- 7.2.22 \*
- 7.2.23 \*
- 7.2.24 \*
- 7.2.25 \*
- 7.2.26 \*
- 7.2.27 \*
- 7.2.28 \*

### **Transition for *Prepayment Features with Negative Compensation***

- 7.2.29 An entity shall apply *Prepayment Features with Negative Compensation* (Amendments to Ind AS 109) retrospectively in accordance with Ind AS 8, except as specified in paragraphs 7.2.30–7.2.34.
- 7.2.30 An entity that first applies these amendments at the same time it first applies this Standard shall apply relevant provisions of Ind AS 101 instead of paragraphs 7.2.31–7.2.34.
- 7.2.31 An entity that first applies these amendments after it first applies this Standard shall apply paragraphs 7.2.32–7.2.34. The entity shall also apply the other transition requirements in this Standard necessary for applying these amendments. For that purpose, references to the date of initial application shall be read as referring to the beginning of the reporting period in which an entity first applies these amendments (date of initial application of these amendments).
- 7.2.32 With regard to designating a financial asset or financial liability as measured at fair value through profit or loss, an entity:
  - (a) shall revoke its previous designation of a financial asset as measured at fair value

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\* Refer Appendix 1

through profit or loss if that designation was previously made in accordance with the condition in paragraph 4.1.5 but that condition is no longer satisfied as a result of the application of these amendments;

- (b) may designate a financial asset as measured at fair value through profit or loss if that designation would not have previously satisfied the condition in paragraph 4.1.5 but that condition is now satisfied as a result of the application of these amendments;
- (c) shall revoke its previous designation of a financial liability as measured at fair value through profit or loss if that designation was previously made in accordance with the condition in paragraph 4.2.2(a) but that condition is no longer satisfied as a result of the application of these amendments; and
- (d) may designate a financial liability as measured at fair value through profit or loss if that designation would not have previously satisfied the condition in paragraph 4.2.2(a) but that condition is now satisfied as a result of the application of these amendments.

Such a designation and revocation shall be made on the basis of the facts and circumstances that exist at the date of initial application of these amendments. That classification shall be applied retrospectively.

7.2.33 An entity is not required to restate prior periods to reflect the application of these amendments. The entity may restate prior periods if, and only if, it is possible without the use of hindsight and the restated financial statements reflect all the requirements in this Standard. If an entity does not restate prior periods, the entity shall recognise any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period that includes the date of initial application of these amendments in the opening retained earnings (or other component of equity, as appropriate) of the annual reporting period that includes the date of initial application of these amendments.

7.2.34 In the reporting period that includes the date of initial application of these amendments, the entity shall disclose the following information as at that date of initial application for each class of financial assets and financial liabilities that were affected by these amendments:

- (a) the previous measurement category and carrying amount determined immediately before applying these amendments;
- (b) the new measurement category and carrying amount determined after applying these amendments;
- (c) the carrying amount of any financial assets and financial liabilities in the Balance Sheet that were previously designated as measured at fair value through profit or loss but are no longer so designated; and
- (d) the reasons for any designation or de-designation of financial assets or financial liabilities as measured at fair value through profit or loss.”;

(ii) In Appendix B,

- (a) in paragraph B4.1.11, for item (b), the following item shall be substituted, namely:-
  - “(b) a contractual term that permits the issuer (ie the debtor) to prepay a debt instrument or permits the holder (ie the creditor) to put a debt instrument back to the issuer before

maturity and the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for the early termination of the contract; and”;

(b) in paragraph B4.1.12, for item (b), the following item shall be substituted, namely:-

“(b) the prepayment amount substantially represents the contractual par amount and accrued (but unpaid) contractual interest, which may include reasonable compensation for the early termination of the contract; and”;

(c) after paragraph B4.1.12, the following paragraph shall be inserted, namely:-

“B4.1.12A For the purpose of applying paragraphs B4.1.11(b) and B4.1.12(b), irrespective of the event or circumstance that causes the early termination of the contract, a party may pay **or** receive reasonable compensation for that early termination. For example, a party may pay or receive reasonable compensation when it chooses to terminate the contract early (or otherwise causes the early termination to occur).”;

(iii) In Appendix 1,

(a) for paragraph 3, the following paragraph shall be substituted, namely:-

“3. Paragraphs 7.1.1 to 7.1.3 of IFRS 9 related to effective date have not been included in Ind AS 109 as these paragraphs are not relevant in Indian context. Paragraph 7.1.6 has not been included as it refers to amendments due to issuance of IFRS 17, *Insurance Contracts*, for which corresponding Ind AS is under formulation. However, in order to maintain consistency with paragraph numbers of IFRS 9, these paragraph numbers are retained in Ind AS 109.”;

(b) after paragraph 3, the following paragraph shall be inserted, namely:-

“4. Following paragraphs related to transition have not been included as these paragraphs are not relevant in Indian context. However, in order to maintain consistency with paragraph numbers of IFRS 9, the paragraph numbers are retained in Ind AS 109.

- (i) Paragraph 7.2.2
- (ii) Paragraphs 7.2.6-7.2.7
- (iii) Paragraphs 7.2.12-7.2.13
- (iv) Paragraphs 7.2.14A-7.2.28.”.

IV. in “Indian Accounting Standard (Ind AS) 111”, -

(i) in Appendix B, after paragraph B33C, the following paragraph shall be inserted, namely:-

“B33CA A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in Ind AS 103. In such cases, previously held interests in the joint operation are not remeasured.”;

(ii) after Appendix B, the following Appendix shall be inserted, namely:-

## “Appendix C

*This Appendix is an integral part of the Ind AS and has the same authority as the other parts of*

the Ind AS.

## Effective date

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C1 \*

C1A \*

C1AA \*

C1AB *Annual Improvements to Ind AS (2018)* added paragraph B33CA. An entity shall apply those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 April, 2019.

(iii) In Appendix 1, for paragraph 1, the following paragraph shall be substituted, namely:-

“1 Paragraph C1 of Appendix C of IFRS 11 refers to Effective date that has not been included since the same is not relevant as the date of application is notified under the Companies Act. Paragraphs C1A and C1AA related to transitional provisions have not been included since, transitional provisions wherever considered appropriate have been included in Ind AS 101, *First-time Adoption of Indian Accounting Standards*, corresponding to IFRS 1, *First-time Adoption of International Financial Reporting Standards*. However, in order to maintain consistency with paragraph numbers of IFRS 11, the paragraph numbers are retained in Ind AS 111.”.

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

(i) paragraph 52B shall be omitted;

(ii) after paragraph 52B, for the words and numbers, “**Example illustrating paragraphs 52A and 52B**”, the following words and numbers shall be substituted, namely:-

“**Example illustrating paragraphs 52A and 57A**”;

(iii) after paragraph 57, the following paragraph shall be inserted, namely:-

“57A An entity shall recognise the income tax consequences of dividends as defined in Ind AS 109 when it recognises a liability to pay a dividend. The income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity shall recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.”;

(iv) after paragraph 98H, the following paragraph shall be inserted, namely:-

“98 I *Annual Improvements to Ind AS (2018)* added paragraph 57A and deleted paragraph 52B. An entity shall apply those amendments for annual reporting periods beginning on or after 1 April, 2019.”;

(v) after Appendix B, the following Appendix shall be inserted, namely:-

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\* Refer Appendix 1

## **“Appendix C, *Uncertainty over Income Tax Treatments***

*This appendix is an integral part of the Ind AS and has the same authority as the other parts of the Ind AS*

### **Background**

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1. Ind AS 12, *Income Taxes*, specifies requirements for current and deferred tax assets and liabilities. An entity applies the requirements in Ind AS 12 based on applicable tax laws.
2. It may be unclear how tax law applies to a particular transaction or circumstance. The acceptability of a particular tax treatment under tax law may not be known until the relevant taxation authority or a court takes a decision in the future. Consequently, a dispute or examination of a particular tax treatment by the taxation authority may affect an entity's accounting for a current or deferred tax asset or liability.
3. In this Appendix:
  - (a) ‘tax treatments’ refers to the treatments used by an entity or that it plans to use in its income tax filings.
  - (b) ‘taxation authority’ refers to the body or bodies that decide whether tax treatments are acceptable under tax law. This might include a court.
  - (c) an ‘uncertain tax treatment’ is a tax treatment for which there is uncertainty over whether the relevant taxation authority will accept the tax treatment under tax law. For example, an entity's decision not to submit any income tax filing in a tax jurisdiction, or not to include particular income in taxable profit, is an uncertain tax treatment if its acceptability is uncertain under tax law.

### **Scope**

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4. This Appendix clarifies how to apply the recognition and measurement requirements in Ind AS 12 when there is uncertainty over income tax treatments. In such a circumstance, an entity shall recognise and measure its current or deferred tax asset or liability applying the requirements in Ind AS 12 based on taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates determined applying this Appendix.

### **Issues**

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5. When there is uncertainty over income tax treatments, this Appendix addresses:
  - (a) whether an entity considers uncertain tax treatments separately;
  - (b) the assumptions an entity makes about the examination of tax treatments by taxation authorities;
  - (c) how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
  - (d) how an entity considers changes in facts and circumstances.

### **Accounting Principles**

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#### **Whether an entity considers uncertain tax treatments separately**

6. An entity shall determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments based on which approach better predicts the resolution of the uncertainty. In determining the approach that better predicts the resolution of the uncertainty, an entity might consider, for example, (a) how it prepares its income tax filings and supports tax treatments; or (b) how the entity expects the taxation authority to make its examination and resolve issues that might arise from that examination.
7. If, applying paragraph 6, an entity considers more than one uncertain tax treatment together, the entity shall read references to an 'uncertain tax treatment' in this Appendix as referring to the group of uncertain tax treatments considered together.

### **Examination by taxation authorities**

8. In assessing whether and how an uncertain tax treatment affects the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, an entity shall assume that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations.

### **Determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates**

9. An entity shall consider whether it is probable that a taxation authority will accept an uncertain tax treatment.
10. If an entity concludes it is probable that the taxation authority will accept an uncertain tax treatment, the entity shall determine the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings.
11. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the entity shall reflect the effect of uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates. An entity shall reflect the effect of uncertainty for each uncertain tax treatment by using either of the following methods, depending on which method the entity expects to better predict the resolution of the uncertainty:
  - (a) The most likely amount—the single most likely amount in a range of possible outcomes. The most likely amount may better predict the resolution of the uncertainty if the possible outcomes are binary or are concentrated on one value.
  - (b) The expected value—the sum of the probability-weighted amounts in a range of possible outcomes. The expected value may better predict the resolution of the uncertainty if there is a range of possible outcomes that are neither binary nor concentrated on one value.
12. If an uncertain tax treatment affects current tax and deferred tax (for example, if it affects both taxable profit used to determine current tax and tax bases used to determine deferred tax), an entity shall make consistent judgements and estimates for both current tax and deferred tax.

### **Changes in facts and circumstances**

13. An entity shall reassess a judgement or estimate required by this Appendix if the facts and circumstances on which the judgement or estimate was based change or as a result of new information that affects the judgement or estimate. For example, a change in facts and

circumstances might change an entity's conclusions about the acceptability of a tax treatment or the entity's estimate of the effect of uncertainty, or both. Paragraphs A1–A3 set out guidance on changes in facts and circumstances.

14. An entity shall reflect the effect of a change in facts and circumstances or of new information as a change in accounting estimate applying Ind AS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*. An entity shall apply Ind AS 10, *Events after the Reporting Period*, to determine whether a change that occurs after the reporting period is an adjusting or non-adjusting event.

## Application Guidance

*This Application Guidance is an integral part of Appendix C and has the same authority as the other parts of Appendix C.*

### Changes in facts and circumstances (paragraph 13)

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A1 In applying paragraph 13 of this Appendix, an entity shall assess the relevance and effect of a change in facts and circumstances or of new information in the context of applicable tax laws. For example, a particular event might result in the reassessment of a judgement or estimate made for one tax treatment but not another, if those tax treatments are subject to different tax laws.

A2 Examples of changes in facts and circumstances or new information that, depending on the circumstances, can result in the reassessment of a judgement or estimate required by this Appendix include, but are not limited to, the following:

- (a) examinations or actions by a taxation authority. For example:
  - (i) agreement or disagreement by the taxation authority with the tax treatment or a similar tax treatment used by the entity;
  - (ii) information that the taxation authority has agreed or disagreed with a similar tax treatment used by another entity; and
  - (iii) information about the amount received or paid to settle a similar tax treatment.
- (b) changes in rules established by a taxation authority.
- (c) the expiry of a taxation authority's right to examine or re-examine a tax treatment.

A3 The absence of agreement or disagreement by a taxation authority with a tax treatment, in isolation, is unlikely to constitute a change in facts and circumstances or new information that affects the judgements and estimates required by this Appendix.

## Disclosure

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A4 When there is uncertainty over income tax treatments, an entity shall determine whether to disclose:

- (a) judgements made in determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates applying paragraph 122 of Ind AS 1, *Presentation of Financial Statements*; and
- (b) information about the assumptions and estimates made in determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates applying

paragraphs 125–129 of Ind AS 1.

A5 If an entity concludes it is probable that a taxation authority will accept an uncertain tax treatment, the entity shall determine whether to disclose the potential effect of the uncertainty as a tax-related contingency applying paragraph 88 of Ind AS 12.

## **Effective date and transition**

*This Section is an integral part of Appendix C and has the same authority as the other parts of the Appendix C.*

### **Effective date**

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B1 An entity shall apply this Appendix for annual reporting periods beginning on or after April 1, 2019.

### **Transition**

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B2 On initial application, an entity shall apply this Appendix either:

(a) retrospectively applying Ind AS 8, if that is possible without the use of hindsight; or  
(b) retrospectively with the cumulative effect of initially applying the Appendix recognised at the date of initial application. If an entity selects this transition approach, it shall not restate comparative information. Instead, the entity shall recognise the cumulative effect of initially applying the Appendix as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate). The date of initial application is the beginning of the annual reporting period in which an entity first applies this Appendix.”;

(vi) in Appendix 1,-

(a) in the related *Note*, after the words “*Income Taxes*,” and before the words and figure “*and SIC 25*,” the words and figure “*IFRIC 23 Uncertainty over Income Tax Treatments*” shall be inserted;

(b) in the heading, after the words “*Income Taxes*”, the word and figure “*IFRIC 23*” shall be inserted;

(c) in paragraph 4, for items (iv) to (x), the following items shall be substituted, namely:-  
“(iv) paragraph 52B  
(v) paragraph 61  
(vi) paragraphs 62(b) and (d)  
(vii) paragraph 69  
(viii) paragraph 70  
(ix) paragraph 77A  
(x) paragraph 81(b)  
(xi) paragraph 83.”.

VI. in “Indian Accounting Standard (Ind AS) 19”, -

(i) in paragraph 57, in item (c), for sub-item (i), the following sub-item shall be substituted, namely:-

“(i) current service cost (see paragraphs 70–74 and paragraph 122A).”;

(ii) for paragraph 99, the following paragraph shall be substituted, namely:-

**“99 When determining past service cost, or a gain or loss on settlement, an entity shall remeasure the net defined benefit liability (asset) using the current fair value of plan assets and current actuarial assumptions, including current market interest rates and other current market prices, reflecting:**

- (a) the benefits offered under the plan and the plan assets before the plan amendment, curtailment or settlement; and**
- (b) the benefits offered under the plan and the plan assets after the plan amendment, curtailment or settlement.”;**

(iii) after paragraph 101, the following paragraph shall be inserted, namely:-

**“101A When a plan amendment, curtailment or settlement occurs, an entity shall recognise and measure any past service cost, or a gain or loss on settlement, in accordance with paragraphs 99–101 and paragraphs 102–112. In doing so, an entity shall not consider the effect of the asset ceiling. An entity shall then determine the effect of the asset ceiling after the plan amendment, curtailment or settlement and shall recognise any change in that effect in accordance with paragraph 57(d).”;**

(iv) in paragraph 120, for item (a), the following item shall be substituted, namely:-

**“(a) service cost (see paragraphs 66–112 and paragraph 122A) in profit or loss;”;**

(v) after paragraph 122, the following paragraph shall be inserted, namely:-

**“ Current service cost**

**122A An entity shall determine current service cost using actuarial assumptions determined at the start of the annual reporting period. However, if an entity remeasures the net defined benefit liability (asset) in accordance with paragraph 99, it shall determine current service cost for the remainder of the annual reporting period after the plan amendment, curtailment or settlement using the actuarial assumptions used to remeasure the net defined benefit liability (asset) in accordance with paragraph 99(b).”;**

(vi) for paragraph 123, the following paragraph shall be substituted, namely:-

**“123 An entity shall determine net interest on the net defined benefit liability (asset) by multiplying the net defined benefit liability (asset) by the discount rate specified in paragraph 83.”;**

(vii) after paragraph 123, the following paragraph shall be inserted, namely:-

**“123A To determine net interest in accordance with paragraph 123, an entity shall use the net defined benefit liability (asset) and the discount rate determined at the start of the annual reporting period. However, if an entity remeasures the net defined benefit liability (asset) in accordance with paragraph 99, the entity shall determine net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement using:**

- (a) the net defined benefit liability (asset) determined in accordance with paragraph 99(b); and**

(b) the discount rate used to remeasure the net defined benefit liability (asset) in accordance with paragraph 99(b).

**In applying paragraph 123A, the entity shall also take into account any changes in the net defined benefit liability (asset) during the period resulting from contributions or benefit payments.”;**

(viii) for paragraph 125, the following paragraph shall be substituted, namely:-

“125 Interest income on plan assets is a component of the return on plan assets, and is determined by multiplying the fair value of the plan assets by the discount rate specified in paragraph 123A. An entity shall determine the fair value of the plan assets at the start of the annual reporting period. However, if an entity remeasures the net defined benefit liability (asset) in accordance with paragraph 99, the entity shall determine interest income for the remainder of the annual reporting period after the plan amendment, curtailment or settlement using the plan assets used to remeasure the net defined benefit liability (asset) in accordance with paragraph 99(b). In applying paragraph 125, the entity shall also take into account any changes in the plan assets held during the period resulting from contributions or benefit payments. The difference between the interest income on plan assets and the return on plan assets is included in the remeasurement of the net defined benefit liability (asset).”;

(ix) for paragraph 126, the following paragraph shall be substituted, namely:-

“126 Interest on the effect of the asset ceiling is part of the total change in the effect of the asset ceiling, and is determined by multiplying the effect of the asset ceiling by the discount rate specified in paragraph 123A. An entity shall determine the effect of the asset ceiling at the start of the annual reporting period. However, if an entity remeasures the net defined benefit liability (asset) in accordance with paragraph 99, the entity shall determine interest on the effect of the asset ceiling for the remainder of the annual reporting period after the plan amendment, curtailment or settlement taking into account any change in the effect of the asset ceiling determined in accordance with paragraph 101A. The difference between interest on the effect of the asset ceiling and the total change in the effect of the asset ceiling is included in the remeasurement of the net defined benefit liability (asset).”;

(x) in paragraph 156, for item (a), the following item shall be substituted, namely:-

“(a) service cost (see paragraphs 66–112 and paragraph 122A);”;

(xi) after paragraph 171, the following paragraphs shall be inserted, namely:-

## “Transition and effective date

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172 \*

173 \*

174 \*

175 \*

176 \*

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\* Refer Appendix 1

177 \*

178 \*

179 *Plan Amendment, Curtailment or Settlement* (Amendments to Ind AS 19), added paragraphs 101A, 122A and 123A, and amended paragraphs 57, 99, 120, 123, 125, 126 and 156. An entity shall apply these amendments to plan amendments, curtailments or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1 April, 2019.”;

(xii) in Appendix 1, after paragraph 5, the following paragraph shall be inserted, namely:-

“6 Paragraphs 172 to 177 of IAS 19 have not been included as these paragraphs relate to transition and effective date that are not relevant in Indian context. Paragraph 178 has not been included as it refers to amendments due to issuance of IFRS 17, *Insurance Contracts*, for which corresponding Ind AS is under formulation. However, in order to maintain consistency with paragraph numbers of IAS 19, the paragraph numbers are retained in Ind AS 19.”.

VII. in “Indian Accounting Standard (Ind AS) 23”, -

(i) for paragraph 14, the following paragraph shall be substituted, namely:-

“14 **To the extent that an entity borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the entity shall determine the amount of borrowing costs eligible for capitalisation by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate shall be the weighted average of the borrowing costs applicable to all borrowings of the entity that are outstanding during the period. However, an entity shall exclude from this calculation borrowing costs applicable to borrowings made specifically for the purpose of obtaining a qualifying asset until substantially all the activities necessary to prepare that asset for its intended use or sale are complete. The amount of borrowing costs that an entity capitalises during a period shall not exceed the amount of borrowing costs it incurred during that period.”;**

(ii) after paragraph 28, the following paragraph shall be inserted, namely:-

“28A *Annual Improvements to Ind AS (2018)* amended paragraph 14. An entity shall apply those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments.”;

(iii) after paragraph 29C, the following paragraph shall be inserted, namely:-

“29D *Annual Improvements to Ind AS (2018)* amended paragraph 14 and added paragraph 28A. An entity shall apply those amendments for annual reporting periods beginning on or after 1 April, 2019.”.

VIII. in “Indian Accounting Standard (Ind AS) 28”, -

(i) after paragraph 14, the following paragraph shall be inserted, namely:-

“14A An entity also applies Ind AS 109 to other financial instruments in an associate or joint venture to which the equity method is not applied. These include long-term

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\* Refer Appendix 1

interests that, in substance, form part of the entity's net investment in an associate or joint venture (see paragraph 38). An entity applies Ind AS 109 to such long-term interests before it applies paragraph 38 and paragraphs 40–43 of this Standard. In applying Ind AS 109, the entity does not take account of any adjustments to the carrying amount of long-term interests that arise from applying this Standard.”;

(ii) paragraph 41 shall be omitted;

(iii) after paragraph 45E, the following paragraphs shall be inserted, namely:-

“45F \*

45G *Long-term Interests in Associates and Joint Ventures*, added paragraph 14A and deleted paragraph 41. An entity shall apply those amendments retrospectively in accordance with Ind AS 8 for annual reporting periods beginning on or after 1 April, 2019, except as specified in paragraphs 45H–K

45H An entity that first applies the amendments in paragraph 45G at the same time it first applies Ind AS 109 shall apply the transition requirements in Ind AS 109 to the long-term interests described in paragraph 14A.

45I An entity that first applies the amendments in paragraph 45G after it first applies Ind AS 109 shall apply the transition requirements in Ind AS 109 necessary for applying the requirements set out in paragraph 14A to long-term interests. For that purpose, references to the date of initial application in Ind AS 109 shall be read as referring to the beginning of the annual reporting period in which the entity first applies the amendments (the date of initial application of the amendments). The entity is not required to restate prior periods to reflect the application of the amendments. The entity may restate prior periods only if it is possible without the use of hindsight.

45J \*

45K If an entity does not restate prior periods applying paragraph 45I, at the date of initial application of the amendments it shall recognise in the opening retained earnings (or other component of equity, as appropriate) any difference between:

- (a) the previous carrying amount of long-term interests described in paragraph 14A at that date; and
- (b) the carrying amount of those long-term interests at that date.

## Appendix A

### Illustrative Example-Long-term Interests in Associates and Joint Ventures

This example portrays a hypothetical situation illustrating how an entity (investor) accounts for long-term interests that, in substance, form part of the entity's net investment in an associate (long-term interests) applying Ind AS 109 and Ind AS 28 based on the assumptions presented. The entity applies Ind AS 109 in accounting for long-term interests. The entity applies Ind AS 28 to its net investment in the associate, which includes long-term interests. The analysis in this example is not intended to represent the only manner in which the requirements in Ind AS 28

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\* Refer Appendix 1

could be applied.

## Assumptions

The investor has the following three types of interests in the associate:

- (a) O Shares—ordinary shares representing a 40% ownership interest to which the investor applies the equity method. This interest is the least senior of the three interests, based on their relative priority in liquidation.
- (b) P Shares—non-cumulative preference shares that form part of the net investment in the associate and that the investor measures at fair value through profit or loss applying Ind AS 109.
- (c) LT Loan—a long-term loan that forms part of the net investment in the associate and that the investor measures at amortised cost applying Ind AS 109, with a stated interest rate and an effective interest rate of 5% a year. The associate makes interest-only payments to the investor each year. The LT Loan is the most senior of the three interests.

The LT Loan is not an originated credit-impaired loan. Throughout the years illustrated, there has not been any objective evidence that the net investment in the associate is impaired applying Ind AS 28, nor does the LT Loan become credit-impaired applying Ind AS 109.

The associate does not have any outstanding cumulative preference shares classified as equity, as described in paragraph 37 of Ind AS 28. Throughout the years illustrated, the associate neither declares nor pays dividends on O Shares or P Shares.

The investor has not incurred any legal or constructive obligations, nor made payments on behalf of the associate, as described in paragraph 39 of Ind AS 28. Accordingly, the investor does not recognise its share of the associate's losses once the carrying amount of its net investment in the associate is reduced to zero.

The amount of the investor's initial investment in O Shares is ₹200, in P Shares is ₹100 and in the LT Loan is ₹100. On acquisition of the investment, the cost of the investment equals the investor's share of the net fair value of the associate's identifiable assets and liabilities.

This table summarises the carrying amount at the end of each year for P Shares and the LT Loan applying Ind AS 109 but before applying Ind AS 28, and the associate's profit (loss) for each year. The amounts for the LT Loan are shown net of the loss allowance.

At the end of	P Shares applying Ind AS 109 (fair value)	LT Loan applying Ind AS 109 (amortised cost)	Profit (Loss) of the associate
Year 1	₹110	₹90	₹50
Year 2	₹90	₹70	₹(200)
Year 3	₹50	₹50	₹(500)
Year 4	₹40	₹50	₹(150)
Year 5	₹60	₹60	—
Year 6	₹80	₹70	₹500

Year 7	₹110	₹90	₹500
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### Analysis

#### Year 1

The investor recognises the following in Year 1:

Investments in the associate:

DR. O Shares	₹200
DR. P Shares	₹100
DR. LT Loan	₹100
CR. Cash	₹400

*To recognise the initial investment in the associate*

DR. P Shares	₹10
CR. Profit or loss	₹10

*To recognise the change in fair value (₹110 – ₹100)*

DR. Profit or loss	₹10
CR. Loss allowance (LT Loan)	₹10

*To recognise an increase in the loss allowance (₹90 – ₹100)*

DR. O Shares	₹20
CR. Profit or loss	₹20

*To recognise the investor's share of the associate's profit (₹50 × 40%)*

At the end of Year 1, the carrying amount of O Shares is ₹220, P Shares is ₹110 and the LT Loan (net of loss allowance) is ₹90.

#### Year 2

The investor recognises the following in Year 2:

DR. Profit or loss	₹20
CR. P Shares	₹20

*To recognise the change in fair value (₹90 – ₹110)*

DR. Profit or loss	₹20
CR. Loss allowance (LT Loan)	₹20

*To recognise an increase in the loss allowance (₹70 – ₹90)*

DR. Profit or loss	₹80
CR. O Shares	₹80

*To recognise the investor's share of the associate's loss (₹200 × 40%)*

At the end of Year 2, the carrying amount of O Shares is ₹140, P Shares is ₹90 and the LT Loan (net of loss allowance) is ₹70.

### Year 3

Applying paragraph 14A of Ind AS 28, the investor applies Ind AS 109 to P Shares and the LT Loan before it applies paragraph 38 of Ind AS 28. Accordingly, the investor recognises the following in Year 3:

DR. Profit or loss	₹40
CR. P Shares	₹40
<i>To recognise the change in fair value (₹50 – ₹90)</i>	
DR. Profit or loss	₹20
CR. Loss allowance (LT Loan)	₹20
<i>To recognise an increase in the loss allowance (₹50 – ₹70)</i>	
DR. Profit or loss	₹200
CR. O Shares	₹140
CR. P Shares	₹50
CR. LT Loan	₹10

*To recognise the investor's share of the associate's loss in reverse order of seniority as specified in paragraph 38 of Ind AS 28 (₹500 × 40%)*

At the end of Year 3, the carrying amount of O Shares is zero, P Shares is zero and the LT Loan (net of loss allowance) is ₹40.

### Year 4

Applying Ind AS 109 to its interests in the associate, the investor recognises the following in Year 4:

DR. Profit or loss	₹10
CR. P Shares	₹10
<i>To recognise the change in fair value (₹40 – ₹50)</i>	

Recognition of the change in fair value of ₹10 in Year 4 results in the carrying amount of P Shares being negative ₹10. Consequently, the investor recognises the following to reverse a portion of the associate's losses previously allocated to P Shares:

DR. P Shares	₹10
CR. Profit or loss	₹10

*To reverse a portion of the associate's losses previously allocated to P Shares*

Applying paragraph 38 of Ind AS 28, the investor limits the recognition of the associate's losses to ₹40 because the carrying amount of its net investment in the associate is then zero. Accordingly, the investor recognises the following:

DR. Profit or loss	₹40
CR. LT Loan	₹40
<i>To recognise the investor's share of the associate's loss</i>	

At the end of Year 4, the carrying amount of O Shares is zero, P Shares is zero and the LT Loan

(net of loss allowance) is zero. There is also an unrecognised share of the associate's losses of ₹30 (the investor's share of the associate's cumulative losses of ₹340 – ₹320 losses recognised cumulatively + ₹10 losses reversed).

### Year 5

Applying Ind AS 109 to its interests in the associate, the investor recognises the following in Year 5:

DR. P Shares	₹20
CR. Profit or loss	₹20
<i>To recognise the change in fair value (₹60 – ₹40)</i>	
DR. Loss allowance (LT Loan)	₹10
CR. Profit or loss	₹10
<i>To recognise a decrease in the loss allowance (₹60 – ₹50)</i>	

After applying Ind AS 109 to P Shares and the LT Loan, these interests have a positive carrying amount. Consequently, the investor allocates the previously unrecognised share of the associate's losses of ₹30 to these interests.

DR. Profit or loss	₹30
CR. P Shares	₹20
CR. LT Loan	₹10

*To recognise the previously unrecognised share of the associate's losses*

At the end of Year 5, the carrying amount of O Shares is zero, P Shares is zero and the LT Loan (net of loss allowance) is zero.

### Year 6

Applying Ind AS 109 to its interests in the associate, the investor recognises the following in Year 6:

DR. P Shares	₹20
CR. Profit or loss	₹20
<i>To recognise the change in fair value (₹80 – ₹60)</i>	
DR. Loss allowance (LT Loan)	₹10
CR. Profit or loss	₹10
<i>To recognise a decrease in the loss allowance (₹70 – ₹60)</i>	

The investor allocates the associate's profit to each interest in the order of seniority. The investor limits the amount of the associate's profit it allocates to P Shares and the LT Loan to the amount of equity method losses previously allocated to those interests, which in this example is ₹60 for both interests.

DR. O Shares	₹80
DR. P Shares	₹60
DR. LT Loan	₹60

CR. Profit or loss ₹200

*To recognise the investor's share of the associate's profit ( $\text{₹}500 \times 40\%$ )*

At the end of Year 6, the carrying amount of O Shares is ₹80, P Shares is ₹80 and the LT Loan (net of loss allowance) is ₹70.

### Year 7

The investor recognises the following in Year 7:

DR. P Shares ₹30

CR. Profit or loss ₹30

*To recognise the change in fair value ( $\text{₹}110 - \text{₹}80$ )*

DR. Loss allowance (LT Loan) ₹20

CR. Profit or loss ₹20

*To recognise a decrease in the loss allowance ( $\text{₹}90 - \text{₹}70$ )*

DR. O Shares ₹200

CR. Profit or loss ₹200

*To recognise the investor's share of the associate's profit ( $\text{₹}500 \times 40\%$ )*

At the end of Year 7, the carrying amount of O Shares is ₹280, P Shares is ₹110 and the LT Loan (net of loss allowance) is ₹90.

### Years 1–7

When recognising interest revenue on the LT Loan in each year, the investor does not take account of any adjustments to the carrying amount of the LT Loan that arose from applying Ind AS 28 (paragraph 14A of Ind AS 28). Accordingly, the investor recognises the following in each year:

DR. Cash ₹5

CR. Profit or loss ₹5

*To recognise interest revenue on LT Loan based on the effective interest rate of 5%*

### Summary of amounts recognised in profit or loss

This table summarises the amounts recognised in the investor's profit or loss.

Items recognised During	Impairment (losses), including reversals, applying Ind AS 109	Gains (losses) of P Shares applying Ind AS 109	Share of profit (loss) of the associate recognised applying the equity method	Interest revenue applying Ind AS 109
Year 1	₹(10)	₹10	₹20	₹5

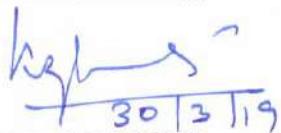
Year 2	₹(20)	₹(20)	₹(80)	₹5
Year 3	₹(20)	₹(40)	₹(200)	₹5
Year 4	–	₹(10)	₹(30)	₹5
Year 5	₹10	₹20	₹(30)	₹5
Year 6	₹10	₹20	₹200	₹5
Year 7	₹20	₹30	₹200	₹5

(iv) In Appendix 1, after paragraph 4, the following paragraphs shall be inserted, namely:-

“5. Paragraph 41 appears as ‘deleted’ in IAS 28. In order to maintain consistency with paragraph numbers of IAS 28, the paragraph number is retained in Ind AS 28.

6. Paragraph 45F of IAS 28 has not been included as it refers to amendments due to issuance of IFRS 17, *Insurance Contracts*, for which corresponding Ind AS is under formulation. Paragraph 45J of IAS 28 related to temporary exemption from IFRS 9 in accordance with IFRS 4, *Insurance Contracts*, has not been included in Ind AS 28 since the said exemption has not been given under Ind AS 104. However, in order to maintain consistency with paragraph numbers of IAS 28, the paragraph numbers are retained in Ind AS 28.”.

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

  
 30/3/19  
 (K. V. R. MURTY)  
 Joint Secretary

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, number G.S.R. 310(E), dated the 28th March, 2018, G.S.R. 903(E), dated the 20th September, 2018 and G.S.R.....(E), dated the 30<sup>th</sup> March, 2019.