MINISTRY OF CORPORATE AFFAIRS

NOTIFICATION

New Delhi, the 13th August, 2025

G.S.R. 549(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, 2025.

(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, in the "Annexure", under the heading "B. Indian Accounting Standards (Ind AS)", -

(A) in "Indian Accounting Standard (Ind AS) 101", in Appendix 1, —

(a) in paragraph 7, for item (v), the following shall be substituted, namely:—

"(v) Paragraphs D31AA-D31AL includes the transitional provisions of IFRS 11 Joint Arrangements. Accordingly, paragraph D31 of IFRS 1 has not been included;";

(b) in paragraph 8, in sub-paragraph (c), for item (2), the following shall be substituted, namely:—

"(2) Paragraph D9AA has been added to provide for transitional relief to first-time adopter lessor while applying Ind AS 116, *Leases*. D9AA provides an entity to use the transition date facts and circumstances for lease arrangements which includes both land and building elements to assess the classification of each element as finance or an operating lease at the transition date to Ind ASs.";

(c) in paragraph 12, item (vii) shall be omitted;

(B) in "Indian Accounting Standard (Ind AS) 107", —

(i)after paragraph 44II, the following paragraph shall be inserted, namely:—

"44JJ *Supplier Finance Arrangements,* which also amended Ind AS 7, amended paragraph B11F. An entity shall apply that amendment when it applies the amendments to Ind AS 7.";

(ii) in Appendix B, in paragraph B11F, for items (h) and (i), the following items shall be substituted, namely:—

"(h) has instruments that allow the entity to choose whether it settles its financial liabilities by delivering cash (or another financial asset) or by delivering its own shares;

(i) has instruments that are subject to master netting agreements; or

(j) has accessed, or has access to, facilities under supplier finance arrangements (as described in paragraph 44G of Ind AS 7) that provide the entity with extended payment terms or the entity's suppliers with early payment terms.";

(C) in "Indian Accounting Standard (Ind AS) 108", in Appendix 1, in paragraph 1, for the letters and figures "IFRS 108", the letters and figure "IFRS 8" shall be substituted;

(D) in "Indian Accounting Standard (Ind AS) 109", in Appendix 1, for paragraph 3, the following 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. However, in order to maintain consistency with paragraph numbers of IFRS 9, these paragraph numbers are retained in Ind AS 109.";

(E) in "Indian Accounting Standard (Ind AS) 115", in Appendix D, in Information note 2, in the table,—
(i) for letters and figures "Ind AS 17", the letters and figures "Ind AS 116" shall be substituted;
(ii) for letters and figures "Ind AS 18", the letters and figures "Ind AS 115" shall be substituted;
(iii) for the words and letter "This Appendix A", the words and letter "This Appendix D" shall be substituted;

(F) in "Indian Accounting Standard (Ind AS) 1", —

(i) in paragraph 60, for the word and figures "**paragraphs 66–76**", the word, figures and letter "**paragraphs 66–76B**" shall be substituted;

(ii) in paragraph 69, for item (d), the following item shall be substituted, namely: —
"**(d) it does not have the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period.**";

(iii) before paragraph 70, the following heading shall be inserted, namely: —

"*Normal operating cycle (paragraph 69(a))*";

(iv) before paragraph 71, the following heading shall be inserted, namely: —

"*Held primarily for the purpose of trading (paragraph 69(b)) or due to be settled within twelve months (paragraph 69(c))*";

(v) in paragraph 71, for the words and figures "paragraphs 74 and 75", the words, figures and letter "paragraphs 72A-75" shall be substituted;

(vi) after paragraph 72, the following heading and paragraphs shall be inserted, namely:—

"*Right to defer settlement for at least twelve months (paragraph 69(d))*

72A An entity's right to defer settlement of a liability for at least twelve months after the reporting period must have substance and, as illustrated in paragraphs 72B–73 and 75, must exist at the end of the reporting period.

72B An entity's right to defer settlement of a liability arising from a loan arrangement for at least twelve months after the reporting period may be subject to the entity complying with conditions specified in that loan arrangement (hereafter referred to as 'covenants'). For the purposes of applying paragraph 69(d), such covenants:
(a) affect whether that right exists at the end of the reporting period—as illustrated in paragraphs 74–75—if an entity is required to comply with the covenant on or before the end of the reporting period. Such a covenant affects whether the right exists at the end of the reporting period even if compliance with the covenant is assessed only after the reporting period (for example, a covenant based on the entity's balance sheet at the end of the reporting period but assessed for compliance only after the reporting period);
(b) do not affect whether that right exists at the end of the reporting period if an entity is required to comply with the covenant only after the reporting period (for example, a covenant based on the entity's balance sheet six months after the end of the reporting period).";

(vii) for paragraphs 73 and 74, the following paragraphs shall be substituted, namely: —

"73 If an entity has the right, at the end of the reporting period, to roll over an obligation for at least twelve months after the reporting period under an existing loan facility, it classifies the obligation as non-current, even if it would otherwise be due within a shorter period. If the entity has no such right, the entity does not consider the potential to refinance the obligation and classifies the obligation as current.

74 Where there is a breach of a material covenant of a long-term loan arrangement on or before the end of the reporting period with the effect that the liability becomes payable on demand on the reporting date, the entity does not classify the liability as current, if the lender agreed, after the reporting period and before the approval of the financial statements for issue, not to demand payment as a consequence of the breach. However, in such circumstances, the entity shall disclose information as per paragraphs 18 and 19 of Ind AS 107 for each breach.";

(viii) in paragraph 75, for the words "However, an entity classifies the", the words "An entity classifies the" shall be substituted;

(ix) after paragraph 75, the following paragraph shall be inserted, namely: —

"75A Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability for at least twelve months after the reporting period. If a liability meets the criteria in paragraph 69 for classification as non-current, it is classified as non-current even if management intends or expects the entity to settle the liability within twelve months after the reporting period, or even if the entity settles the liability between the end of the reporting period and the date the financial statements are approved for issue. However, in either of those circumstances, the entity may need to disclose information about the timing of settlement to enable users of its financial statements to understand the impact of the liability on the entity's balance sheet (see paragraph 17(c)).";

(x) after paragraph 76, the following heading and paragraphs shall be inserted, namely: —

"*Settlement (paragraphs 69(a), 69(c) and 69(d))*

76A For the purpose of classifying a liability as current or non-current, settlement refers to a transfer to the counterparty that results in the extinguishment of the liability. The transfer could be of:

(a) cash or other economic resources—for example, goods or services; or

(b) the entity's own equity instruments, unless paragraph 76B applies.

76B Terms of a liability that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments do not affect its classification as current or non-current if, applying Ind AS 32 *Financial Instruments: Presentation*, the entity classifies the option as an equity instrument, recognising it separately from the liability as an equity component of a compound financial instrument.

76ZA In applying paragraphs 69–75, an entity might classify liabilities arising from loan arrangements as non-current when the entity's right to defer settlement of those liabilities is subject to the entity complying with covenants within twelve months after the reporting period (see paragraph 72B(b)). In such situations, the entity shall disclose information in the notes that enables users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period, including:

(a) information about the covenants (including the nature of the covenants and when the entity is required to comply with them) and the carrying amount of related liabilities.

(b) facts and circumstances, if any, that indicate the entity may have difficulty complying with the covenants—for example, the entity having acted during or after the reporting period to avoid or mitigate a potential breach. Such facts and circumstances could also

include the fact that the entity would not have complied with the covenants if they were to be assessed for compliance based on the entity's circumstances at the end of the reporting period.";

(xi) for paragraph 139U, the following paragraph shall be substituted, namely: —

"139U *Classification of Liabilities as Current or Non-current* and *Non-current Liabilities with Covenants*, amended paragraphs 60, 69, 71, 73, 74 and 75 and added paragraphs 72A, 72B, 75A, 76A, 76B and 76ZA. An entity shall apply those amendments for annual reporting periods beginning on or after the 1st April 2025 retrospectively in accordance with Ind AS 8. However, for annual reporting periods beginning on or after the 1st April 2026, an entity shall follow following paragraphs 74, 75, 75A and 76 retrospectively in accordance with Ind AS 8.

74 When an entity breaches a covenant of a long-term loan arrangement on or before the end of the reporting period with the effect that the liability becomes payable on demand, it classifies the liability as current, even if the lender agreed, after the reporting period and before the approval of the financial statements for issue, not to demand payment as a consequence of the breach. An entity classifies the liability as current because, at the end of the reporting period, it does not have the right to defer its settlement for at least twelve months after that date.

75 However, an entity classifies the liability as non-current if the lender agreed by the end of the reporting period to provide a period of grace ending at least twelve months after the reporting period, within which the entity can rectify the breach and during which the lender cannot demand immediate repayment.

75A Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability for at least twelve months after the reporting period. If a liability meets the criteria in paragraph 69 for classification as non-current, it is classified as non-current even if management intends or expects the entity to settle the liability within twelve months after the reporting period, or even if the entity settles the liability between the end of the reporting period and the date the financial statements are approved for issue. However, in either of those circumstances, the entity may need to disclose information about the timing of settlement to enable users of its financial statements to understand the impact of the liability on the entity's balance sheet (see paragraphs 17(c) and 76(d)).

76 If the following events occur between the end of the reporting period and the date the financial statements are approved for issue, those events are disclosed as non-adjusting events in accordance with Ind AS 10, *Events after the Reporting Period*:

(a) refinancing on a long-term basis of a liability classified as current (see paragraph 72);

(b) rectification of a breach of a long-term loan arrangement classified as current (see paragraph 74);

(c) the granting by the lender of a period of grace to rectify a breach of a long-term loan arrangement classified as current (see paragraph 75); and

(d) settlement of a liability classified as non-current (see paragraph 75A).";

(xii) after paragraph 139V, the following shall be inserted, namely: —

"139W [Refer Appendix 1].";

(xiii) in Appendix 1, —

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

"9 Paragraph 74 has been modified to clarify that long-term loan arrangement need not be classified as current on account of breach of a material covenant, for which the lender has agreed to waive before the approval of financial statements for issue. Consequent to this, disclosure has been added and paragraph 76 has been deleted.";

(b) for paragraph 11, the following shall be substituted, namely: —

"11 Amendments to IAS 1 have been issued in two parts - *Classification of Liabilities as Current or Non-current* issued in January 2020, and *Non-current Liabilities with Covenants* issued in October 2022. Accordingly, transition and effective date related provisions have been given separately in paragraphs 139U and 139W, respectively. Since combined amendments to Ind AS 1 have been issued corresponding to aforesaid two amendments to IAS 1, transition and effective date related provisions relevant in Indian context have been included in paragraph 139U only. However, in order to maintain consistency with paragraph numbers of IAS 1, the paragraph number 139W is retained in Ind AS 1.";

(G) in "Indian Accounting Standard (Ind AS) 7", —

(i) after paragraph 44E, the following paragraphs shall be inserted, namely: —

"**Supplier finance arrangements**

44F An entity shall disclose information about its supplier finance arrangements (as described in paragraph 44G) that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows and on the entity's exposure to liquidity risk.

44G Supplier finance arrangements are characterised by one or more finance providers offering to pay amounts an entity owes its suppliers and the entity agreeing to pay according to the terms and conditions of the arrangements at the same date as, or a date later than, suppliers are paid. These arrangements provide the entity with extended payment terms, or the entity's suppliers with early payment terms, compared to the related invoice payment due date. Supplier finance arrangements are often referred to as supply chain finance, payables finance or reverse factoring arrangements. Arrangements that are solely credit enhancements for the entity (for example, financial guarantees including letters of credit used as guarantees) or instruments used by the entity to settle directly with a supplier the amounts owed (for example, credit cards) are not supplier finance arrangements.

44H To meet the objectives in paragraph 44F, an entity shall disclose in aggregate for its supplier finance arrangements:

(a) the terms and conditions of the arrangements (for example, extended payment terms and security or guarantees provided). However, an entity shall disclose separately the terms and conditions of arrangements that have dissimilar terms and conditions.

(b) as at the beginning and end of the reporting period:

(i) the carrying amounts, and associated line items presented in the entity's balance sheet, of the financial liabilities that are part of a supplier finance arrangement.

(ii) the carrying amounts, and associated line items, of the financial liabilities disclosed under (i) for which suppliers have already received payment from the finance providers.

(iii) the range of payment due dates (for example, 30–40 days after the invoice date) for both the financial liabilities disclosed under (i) and comparable trade payables that are not part of a supplier finance arrangement. Comparable trade payables are, for example, trade payables of the entity within the same line of business or jurisdiction as the financial liabilities disclosed under (i). If ranges of payment due dates are wide, an entity shall disclose explanatory information about those ranges or disclose additional ranges (for example, stratified ranges).

(c) the type and effect of non-cash changes in the carrying amounts of the financial liabilities disclosed under (b)(i). Examples of non-cash changes include the effect of business combinations, exchange differences or other transactions that do not require the use of cash or cash equivalents (see paragraph 43).";

(ii) before paragraph 53, the heading shall be substituted, namely: —

"**Effective date and transition**";

(iii) after paragraph 61, the following paragraphs shall be inserted, namely: —

"62 *Supplier Finance Arrangements* added paragraphs 44F–44H. An entity shall apply those amendments for annual reporting periods beginning on or after the 1st April 2025.

63 In applying *Supplier Finance Arrangements*, an entity is not required to disclose:

(a) comparative information for any reporting periods presented before the beginning of the annual reporting period in which the entity first applies those amendments.

(b) the information otherwise required by paragraph 44H(b)(ii)–(iii) as at the beginning of the annual reporting period in which the entity first applies those amendments.

(c) the information otherwise required by paragraphs 44F–44H for any interim period presented within the annual reporting period in which the entity first applies those amendments.";

(H) in "Indian Accounting Standard (Ind AS) 10", —

(i) in paragraph 3, —

"(a) in the closing paragraph, for the word "**provision**", the word "**covenant**" shall be substituted;

(b) closing paragraph shall be omitted for annual reporting periods beginning on or after the 1st April 2026.";

(ii) after paragraph 23C, the following paragraph shall be inserted namely: —

"23CA *Classification of Liabilities as Current or Non-current and Noncurrent Liabilities with Covenants* (Amendments to Ind AS 1), amended paragraph 3 for annual accounting periods beginning on or after the 1st April 2026.";

(iii) In Appendix 1, in paragraph 2, for the word "provision", the word "covenant" shall be substituted.;

(I) in "Indian Accounting Standard (Ind AS) 12", —

(i) after paragraph 4, the following paragraph shall be inserted, namely: —

"4A This Standard applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (OECD), including tax law that implements qualified domestic minimum top-up taxes described in those rules. Such tax law, and the income taxes arising from it, are hereafter referred to as 'Pillar Two legislation' and 'Pillar Two income taxes'. As an exception to the requirements in this Standard, an entity shall neither recognise nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes.";

(ii) after paragraph 88, the following paragraphs shall be inserted, namely: —

"**International tax reform—Pillar Two model rules**

88A An entity shall disclose that it has applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes (see paragraph 4A).

88B An entity shall disclose separately its current tax expense (income) related to Pillar Two income taxes.

88C In periods in which Pillar Two legislation is enacted or substantively enacted but not yet in effect, an entity shall disclose known or reasonably estimable information that helps users of financial statements understand the entity's exposure to Pillar Two income taxes arising from that legislation.

88D To meet the disclosure objective in paragraph 88C, an entity shall disclose qualitative and quantitative information about its exposure to Pillar Two income taxes at the end of the reporting period. This information does not have to reflect all the specific requirements of the Pillar Two legislation and can be provided in the form of an indicative range. To the extent information is not known or reasonably estimable, an entity shall instead disclose a statement to that effect and disclose information about the entity's progress in assessing its exposure.

Examples illustrating paragraphs 88C–88D
Examples of information an entity could disclose to meet the objective and requirements in paragraphs 88C– 88D include: (a) qualitative information such as information about how an entity is affected by Pillar Two legislation and the main jurisdictions in which exposures to Pillar Two income taxes might exist; and (b) quantitative information such as: (i) an indication of the proportion of an entity's profits that might be subject to Pillar Two income taxes and the average effective tax rate applicable to those profits; or (ii) an indication of how the entity's average effective tax rate would have changed if Pillar Two legislation had been in effect.

(iii) After paragraph 98L, the following paragraph shall be inserted, namely: —

"98M International Tax Reform—Pillar Two Model Rules, added paragraphs 4A and 88A–88D. An entity shall:

(a) apply paragraphs 4A and 88A immediately upon the issue of these amendments and retrospectively in accordance with Ind AS 8; and

(b) apply paragraphs 88B–88D for annual reporting periods beginning on or after 1 April 2025. An entity is not required to disclose the information required by these paragraphs for any interim period ending on or before 31 March 2026.";

(J) in "Indian Accounting Standard (Ind AS) 28", in Appendix 1, for paragraph 6, the following shall be substituted, namely: —

"6. Paragraph 45J 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 erstwhile IFRS 4, *Insurance Contracts*, has not been included in Ind AS 28 since the said exemption was not given under erstwhile Ind AS 104. However, in order to maintain consistency with paragraph numbers of IAS 28, the paragraph numbers are retained in Ind AS 28.";

(K) in "Indian Accounting Standard (Ind AS) 32", in Appendix A, before paragraph AG36, for the heading, the heading "**Treasury Shares (paragraphs 33-34)**" shall be substituted.

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

BALAMURUGAN D, Jt. Secy.

Note : The principal rules were published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i), vide number G.S.R. 111(E), dated the 16th February, 2015 and last amended vide notification number G.S.R. 291(E), dated the 07th May, 2025.

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