

# REGULATORY RADAR

14<sup>th</sup> EDITION

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MAY'24



# KEY HIGHLIGHTS

## Major Regulatory Amendments – May'2024

### ✓ **Income Tax:**

- The Cost Inflation Index (CII) for the financial year 2024-25 is set at 363, effective from April 1, 2025, and applicable for the Assessment Year (AY) 2025-26 onwards.

### ✓ **SEBI:**

- The circular focus on entities to use E-KYC Aadhaar authentication services of UIDAI in securities market as sub-KUA.
- Comprehensive guidelines are provided for Investor Protection Fund (IPF) and Investor Services Fund (ISF) for Stock Exchanges having commodity derivatives segment.

### ✓ **DGFT:**

- Public Notice no. 05/2024 Amendment in 4.59 handbook of procedures, 2023 and modification in standard input output norms M-1 to M-7 for export of Jewellery.

### ✓ **Custom Duties:**

- Customs updates Duty Drawback rates effective May 3, 2024, with changes in unit measurements, enhanced rates for goods (e.g., marine products, radar apparatus), rationalized caps (e.g., golf gloves), new tariff items, and Duty Drawback rates for defense sector. Stakeholders urged to report implementation issues.

### ✓ **GST:**

- Requiring taxpayers dealing in specific goods to provide information, this notification introduced two forms: GST SRM-I for machine registration and disposal, and GST SRM-II for monthly input and output details. Taxpayers can register machines via the GST Portal using Form GST SRM-I. SRM-II will soon be available for input-output reporting.
- GSTN announces the launch of the E-Way Bill 2 Portal on June 1, 2024, offering critical E-Way Bill services with high availability and synchronization with the main portal.

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## 01 INCOME TAX

Topic Name	Dated on	Circular/ notification number	Brief Summary
<a href="#">Cost Inflation Index (CII) for the FY 2024-25</a>	24 <sup>th</sup> May, 2024	44/2024- Income Tax	The notification introduces a new entry in the Table after serial number 23, providing the CII for the FY 2024-25 as 363. It states that the notification will be effective from April 1, 2025, and will apply to the AY 2025-26 and subsequent years.
<a href="#">RBI Notification under Section 206AB(3)(ii) of the Income-tax Act</a>	27 <sup>th</sup> May, 2024	45/2024- Income Tax	In exercise of the powers conferred by section 206AB(3)(ii) of the Income-tax Act, 1961 (43 of 1961), the Central Government hereby notifies the RBI to be a person referred to in the said clause. 2. This notification shall come into force from the date of its publication in the Official Gazette.
<a href="#">Exemption of RBI from Section 206CCA of the Income-tax Act</a>	27 <sup>th</sup> May, 2024	46/2024- Income Tax	Exempting the RBI from the ambit of Section 206CCA, this notification states that the Central Government, using its authority under a specific part of the Income-tax Act, has officially declared that the RBI is included as one of the entities mentioned in that particular clause. The notification becomes effective immediately upon its publication in the Official Gazette

# 01 INCOME TAX

Topic Name	Dated on	Circular/ notification number	Brief Summary
<a href="#">Exemption of Tamil Nadu Electricity Regulatory Commission (TNERC) from Taxation</a>	8 <sup>th</sup> May, 2024	42/2024-Income Tax	This notification exempts the Tamil Nadu Electricity Regulatory Commission from taxation on specific income, including government grants, certain fees, penalties under the Electricity Act, and interest on bank deposits. The exemption is subject to conditions: the Commission must not engage in commercial activity, the nature of income and activities must remain consistent, and it must file its ITR accordingly. The notification applies retrospectively for AY 2018-19 to 2022-23, corresponding to financial years 2017-18 to 2021-22.
<a href="#">Tax Exemption Notification for Tamil Nadu Water Supply and Drainage Board (Chennai)</a>	22 <sup>nd</sup> May, 2024	43/2024-Income Tax	A notification u/s 10(46) of the ITA, 1961, regarding the Tamil Nadu Water Supply and Drainage Board, Chennai. The notification exempts specific incomes of the Board, including water charges, centage charges, project report preparation charges, and interest on bank deposits from taxation. Certain conditions apply: the Board must not engage in commercial activity, maintain consistency in activities and income nature, and file its ITR accordingly. This notification is applicable for AY 2024-25 to 2028-29, corresponding to FY 2023-24 to 2027-28.

# 01 INCOME TAX

Topic Name	Dated on	Circular/ notification number	Brief Summary
<a href="#">Tax benefits Notification for Mathura Vrindavan Development Authority (MVDA)</a>	29 <sup>th</sup> May, 2024	47/2024- Income Tax	This notice, issued by the Central Government under a specific part of the Income-tax Act, recognizes the Mathura Vrindavan Development Authority (MVDA) as eligible for certain tax benefits. MVDA is an authority established under the Uttar Pradesh Urban Planning and Development Act, 1973. Starting from the AY 2024-25, MVDA will be considered for tax exemptions as outlined in the mentioned clause. However, this is contingent upon MVDA maintaining its status as an authority established under the Uttar Pradesh Urban Planning Development Act, 1973, and continuing to fulfill one or more of the specified purposes mentioned in the section 10(46A)(a) of the Income-tax Act.

## 02 GST

Topic name:-Advisory on launch of E-Way Bill 2 Portal  
Dated on:- 28<sup>th</sup> May, 2024

Brief Summary:- GSTN announces the launch of the E-Way Bill 2 Portal on June 1, 2024, offering critical E-Way Bill services with high availability and synchronization with the main portal. It allows independent generation and updating of E-Way Bills, provides web and API modes, and facilitates seamless operations between the two portals. Users can access it with main portal credentials and utilize it during technical glitches or emergencies. Cross-portal operations for printing and updating Part-B of E-Way Bills are enabled, ensuring continuity of services.

Read more at:- [Advisory on launch of E-Way Bill 2 Portal](#)

Topic name:-Information from manufacturers of Pan Masala and Tobacco taxpayers  
Dated on:- 16<sup>th</sup> May, 2024

Brief Summary:- The government issued Notification No. 04/2024 – Central Tax dated 05-01-2024, requiring taxpayers dealing in specific goods to provide information. This notification introduced two forms: GST SRM-I for machine registration and disposal, and GST SRM-II for monthly input and output details. Taxpayers dealing in the specified goods can now register their machines using the facility provided on the GST Portal through Form GST SRM-I. Additionally, Form GST SRM-II for reporting monthly input and output data will soon be available on the portal.

Read more at:- [Information from manufacturers of Pan Masala and Tobacco taxpayers](#)

## 03 RBI

Topic Name	Dated on	Notifications	Brief Summary
<a href="#">Introduction of Interest-Bearing Accounts for Derivative Contract Margins: Foreign Exchange Management (Deposit) (4th Amendment) Regulations, 2024</a>	06 <sup>th</sup> May, 2024	FEMA 5(R)/(4)/2024-RB	The Foreign Exchange Management (Deposit) (4 <sup>th</sup> Amendment) Regulations, 2024, introduced a new provision allowing authorized dealers in India to permit residents outside India to open and maintain interest-bearing accounts in INR and/or foreign currency. These accounts are specifically for posting and collecting margin in India for derivative contracts as per the Foreign Exchange Management (Margin for Derivative Contracts) Regulations, 2020. The regulations come into force upon their publication in the Official Gazette.
<a href="#">Amendment to Foreign Exchange Management (Non-debt Instruments) Rules: Implications for Investment Vehicles</a>	21 <sup>th</sup> May, 2024	RBI/2024-25/36 A.P. (DIR Series) Circular No. 7	The Foreign Exchange Management (Non-debt Instruments) Rules were recently amended to allow investment vehicles to issue partly paid units to individuals residing outside India. To address issuances made before this amendment, Alternative Investment Funds can now regularize them through compounding under the Foreign Exchange Management Act, 1999. Authorized Dealer Category-I banks are instructed to inform their relevant customers about these guidelines.



## 03 RBI

Topic Name	Dated on	Notifications	Brief Summary
<a href="#">Fincare Small Finance Bank's Removal from the Second Schedule to the Reserve Bank of India Act, 1934</a>	24 <sup>th</sup> May, 2024	RBI/2024-25/38 DOR.RET.REC.23/ 12.07.160/2024- 25	Fincare Small Finance Bank Limited" has been removed from the Second Schedule to the Reserve Bank of India Act, 1934, effective April 01, 2024, due to its cessation of banking operations from the same date.
<a href="#">Sovereign Gold Bond Scheme: Premature Redemption Details</a>	24 <sup>th</sup> May, 2024	2024-2025/372	The Sovereign Gold Bond Scheme allows for premature redemption after the 5 <sup>th</sup> year from the issue date, with the next redemption date being May 27, 2024. The redemption price is determined based on the simple average of the closing gold price of 999 purity over the previous 3 business days, as published by the India Bullion and Jewellers Association Ltd (IBJA). For the upcoming premature redemption on May 27, 2024, the redemption price is set at ₹ 7296 per unit of SGB.

## 03 RBI

Bank Name	Penalty Amount	Nature of Penalty
The Urban Co-operative Bank Ltd.,	Rs.7,00,000	RBI imposed a Rs 7.00 lakh monetary penalty Budaun for failing to comply with specific directives under the Supervisory Action Framework (SAF) and RBI's guidelines on investments by primary co-operative banks. This penalty was imposed under the Authority vested in RBI by the Banking Regulation Act, 1949.
ICICI Bank Ltd.	Rs.1,00,00,000	RBI imposed penalty for failing to comply with directions on loans and advances. The penalty was based on bank sanctioning term loans without proper due diligence and using budgetary resources for repayment. The action is regulatory and doesn't question the validity of transactions, leaving room for further RBI action.
Yes Bank Ltd.	Rs.91,00,000	RBI imposed penalty for failing to comply with directions on customer service and unauthorized internal account operations. The penalty was based on charges for non-maintenance of minimum balance in certain accounts and unauthorized internal account operations. The action is regulatory and doesn't question the validity of transactions, leaving room for further RBI action.
The HSBC Limited	Rs.36,38,000	RBI imposed penalty on The HSBC Limited Bank for violating reporting requirements under the Liberalised Remittance Scheme of FEMA Act, 1999. The penalty followed a SNC and the bank's submissions, with RBI concluding that violations were substantiated. This regulatory action doesn't question the validity of the bank's transactions with customers.

## 04 MCA

Topic Name :- Relaxation of additional fees and extension of last date of filing of Form no. LLP BEN-2 and LLP Form No. 4D under the limited Liability Partnership Act, 2008.

Dated on:-May 7<sup>th</sup>, 2024

Circular No. :-03/2024

Brief Summary :-The Ministry of Corporate Affairs has issued new rules for Limited Liability Partnerships (LLPs). One set of rules, effective from November 9, 2023, requires LLPs to declare significant beneficial owners using Form LLP BEN-2. Another set, effective from October 27, 2023, mandates LLPs to declare beneficial interests in contributions using Form LLP Form No. 4D. To facilitate compliance during the transition of MCA-21 to version-3, LLPs can file these forms without paying additional fees until November 1, 2024.

Read more at:- <https://www.mca.gov.in/bin/ebook/dms/getdocument?doc=NDM5MDM1MjA0&docCategory=Circulars&type=open>

## 05 SEBI AND CORPORATE LAWS

Topic Name :- Periodic reporting format for Investment Advisors

Dated on :- May 07<sup>th</sup>, 2024

Circular No. :- SEBI/HO/MIRSD/MIRSD-PoD-2/P/CIR/2024/38

Brief Summary :-SEBI has mandated investment advisers (IAs) to submit periodic reports in a standardized format developed in consultation with the Industry Standards Forum (ISF). These reports are to be submitted half-yearly, ending on September 30 and March 31 of each financial year. The Investment Advisers Administration and Supervisory Body (IAASB) will oversee the implementation and collection of these reports. The circular is effective immediately, aiming to enhance transparency and regulatory oversight in the securities market.

Read more at:-[https://www.sebi.gov.in/legal/circulars/may-2024/periodic-reporting-format-for-investment-advisers\\_83230.html](https://www.sebi.gov.in/legal/circulars/may-2024/periodic-reporting-format-for-investment-advisers_83230.html)

Topic Name:-Master Circular for Alternative Investment Funds (AIFs)

Dated on:-May 07<sup>th</sup>, 2024

Circular No:-SEBI/HO/AFD-1/AFD-1-PoD/P/CIR/2024/39

Brief Summary:- SEBI has issued a new Master Circular for Alternative Investment Funds (AIFs), incorporating provisions from various circulars issued until March 31, 2024. This circular supersedes the previous Master Circular dated July 31, 2023. AIFs are required to comply with additional requirements specified by SEBI for market intermediaries. Any previous actions or obligations under rescinded circulars are deemed to have been taken under the corresponding provisions of this Master Circular. The trustee/sponsor of AIFs must ensure compliance with all chapters of this circular. This issuance is in line with SEBI's mandate to protect investor interests and regulate the securities market.

Read more at:- [https://www.sebi.gov.in/legal/master-circulars/may-2024/master-circular-for-alternative-investment-funds-aifs-\\_83229.html](https://www.sebi.gov.in/legal/master-circulars/may-2024/master-circular-for-alternative-investment-funds-aifs-_83229.html)

## 05 SEBI AND CORPORATE LAWS

Topic Name:-Master Circular for Credit Rating Agencies

Dated on:-May 16<sup>th</sup>, 2024

Circular No. :-SEBI/HO/DDHS/DDHS-POD3/P/CIR/2024/47

Brief Summary :-SEBI has issued a Master Circular for Credit Rating Agencies (CRAs), consolidating guidelines from multiple circulars issued under the Securities and Exchange Board of India (Credit Rating Agencies) Regulations, 1999. This Master Circular, effective from May 16, 2024, compiles operational and procedural aspects for CRAs, providing comprehensive access to applicable circulars and directions in one document. Any actions or applications made under rescinded circulars are deemed to have been taken under corresponding provisions of this Master Circular. This issuance aims to protect investor interests and regulate the securities market, in accordance with SEBI's mandate.

Read more at: <https://www.sebi.gov.in/legal/master-circulars/may-2024/master-circular-for-credit-rating-agencies-cras-83417.html>

Topic Name:-Comprehensive guidelines for Investor Protection Fund (IPF) and Investor Services Fund (ISF) for Stock Exchanges having commodity derivatives segment

Dated on:-May 30<sup>th</sup>, 2024

Circular No. :-SEBI/HO/MRD/MRD-PoD-1/P/CIR/2024/71

Brief Summary :-SEBI issues new guidelines effective from June 1, 2024, for the Investor Protection Fund (IPF) and Investor Services Fund (ISF) applicable to stock exchanges with commodity derivatives segments. These guidelines mandate exchanges to establish an IPF managed by a Trust with specified trustees and outline contribution sources, claims process, disbursement procedures, and permissible investments. Exchanges are required to conduct half-yearly reviews of the IPF corpus, disclose balance and utilization details, and ensure transparent policies on processing investor claims.

Read more at:- [https://www.sebi.gov.in/legal/circulars/may-2024/comprehensive-guidelines-for-investor-protection-fund-ipf-and-investor-services-fund-isf-for-stock-exchanges-having-commodity-derivatives-segment\\_83718.html](https://www.sebi.gov.in/legal/circulars/may-2024/comprehensive-guidelines-for-investor-protection-fund-ipf-and-investor-services-fund-isf-for-stock-exchanges-having-commodity-derivatives-segment_83718.html)

## 06 CUSTOM DUTIES

**Topic Name:- Exemptions and Impositions on Agricultural Imports and Exports.**

**Dated on:- 03<sup>rd</sup> May, 2024**

**Notification No:-24/2024-Customs**

**Brief Summary:-**CBIC amends specified customs tariff notifications to exempt applicable import duty on imports of desi chana (HS 0713 20 20) up to 31.03.2025; to impose export duty of 40% on exports of Onions (HS 0703 10); to extend the specified condition of exemption to imports of Yellow Peas (HS 0713 10 10) to bill of lading issued on or before 31.10.2024 vide Notification No. 24/2024-Customs

Read more at:-<https://taxinformation.cbic.gov.in/view-pdf/1010068/ENG/Notifications>

**Topic Name:-Amendments to the All Industry Rates of Duty Drawback.**

**Dated on:- 07<sup>th</sup> May,2024**

**Notification No:-04/2024-Customs.**

**Brief Summary:-**Circular No. 04/2024-Customs, issued by the Government of India's Ministry of Finance, Department of Revenue, announces amendments to Duty Drawback rates effective from May 3, 2024. The changes include clarifications on unit measurements, enhancements in rates for various goods like marine products and radar apparatus, rationalization of caps for certain items like golf gloves, creation of new tariff items for better product classification, and introduction of Duty Drawback rates for defense sector products. Stakeholders are encouraged to report implementation difficulties for necessary action.

Read more at:- <https://taxinformation.cbic.gov.in/view-pdf/1003195/ENG/Circulars>

## 06 CUSTOM DUTIES

Topic Name:-Undertaking from the producers (who includes the Importer) of the base oil or lubrication oil for clearance of consignment-Reg.

Dated on:- 17<sup>th</sup> May, 2024

Notification No:-13/2024-Customs

Brief Summary:-The Ministry of Environment, Forest and Climate Change issued the Hazardous and Other Waste (Management and Transboundary Movement) Second Amendment Rules, 2023, effective from April 1, 2024. These rules require producers and importers of base oil/lubrication oil to register with the Central Pollution Control Board (CPCB) through an online portal. However, as the portal is expected to be launched by May 2024, CPCB has requested releasing consignments after obtaining an undertaking from producers/importers. Officers are instructed to be brief on this matter, and any difficulties should be reported to the Board.

Read more at:- <https://taxinformation.cbic.gov.in/view-pdf/1000506/ENG/Instructions>

## 07 DGFT

### Topic Name:-Amendment in the Export policy of Onions.

Brief Summary:-The Government of India, through the DGFT, has amended the export policy for onions, shifting them from the 'prohibited' category to 'free' for export, but with a Minimum Export Price (MEP) of USD 550 per Metric Ton (MT). This move aims to facilitate onion exports, potentially benefiting farmers and strengthening India's position in the global market. However, the MEP serves to regulate prices, preventing volatility in the domestic market and ensuring fair pricing for exports.

Read more at:- <https://content.dgft.gov.in/Website/dgftprod/4b6e4af0-79f3-4a57-a00d-b869f956e12e/Notification%20No.%2010%202024-25-English.pdf>

### Topic Name:-Extension in Import Period for Yellow Peas under ITC

Brief Summary:-The recent notification, issued on May 8th, 2024, brings a significant amendment to the Import Policy Conditions for Yellow Peas. Previously, imports were "Free" without Minimum Import Price (MIP) and Port Restriction if the Bill of Lading was issued on or before June 30, 2024. Now, this period has been extended to October 31, 2024, providing importers with a broader window for trade. Imports with Bill of Lading issued after October 31, 2024, will face restrictions, reverting to previous policy conditions. Additionally, all imports of Yellow Peas before October 31, 2024, require compulsory registration under the online Import Monitoring System.

Read more at:- <https://content.dgft.gov.in/Website/dgftprod/03ba3774-7c3f-485f-a5a1-c524f5e6d869/English%20Noti%2012.pdf>



**Topic Name:-Enabling provisions for import of inputs that are subjected to mandatory Quality Control Orders (QCOs) by Advance Authorization holders, EOU and SEZ**

**Brief Summary:-**Regarding imports of inputs under Quality Control Orders (QCOs) for Advance Authorization holders, Export Oriented Units (EOU), and Special Economic Zones (SEZ). The update exempts certain QCOs, including those from the Ministry of Mines, aiming to streamline import procedures and promote ease of doing business for export-oriented entities. This amendment reflects the government's commitment to facilitating the flow of inputs required for export manufacturing.

Read more at:- <https://content.dgft.gov.in/Website/dgftprod/e12459ca-b5a4-488f-bf6b-1f738e77422e/PN%2004%20E%20dated%2010.05.2024%20-%20QCO.pdf>

**Topic Name:-Amendment in HoP 4.59 & Modification of SION M-1 to M-7 for Jewellery Export**

**Brief Summary:-**The notice amends the Handbook of Procedures, 2023, by modifying Standard Input Output Norms (SION) M-1 to M-7 for jewellery exports. It outlines permissible wastage percentages for gold, platinum, and silver content across different categories of jewellery, including plain and studded jewellery, as well as items produced by mechanised or non-mechanised processes. Furthermore, it revises SION to specify the quantities of these precious metals permitted for import, depending on the type of jewellery being exported.

Read more at:- <https://content.dgft.gov.in/Website/dgftprod/a133557b-b966-48e8-a0b8-9a8a6425d5c4/Public%20Notice%20No.%2005%20English.pdf>

**Topic Name:-**Tentative Board decisions are provided for those interested in following the Board's deliberations. All of the reported decisions are tentative and may be changed at future Board meetings.

**Dated on:-**May 8<sup>th</sup>, 2024

**Brief Summary:-**The FASB continued deliberations on Income Statement Expense Disaggregation disclosures, making decisions on joint ventures, industry-specific research, scope, and inventory and manufacturing expense approach. They allowed entities to disclose reimbursement amounts separately or map them to required expense categories and clarified certain exemptions. The Board opted against providing practical expedients for industry-specific guidance and directed staff to halt research on excluding nonissuer broker-dealers. They also pursued a single-level disaggregation approach, removing inventory and manufacturing expense as required categories and adding purchases of inventory.

Read More at:- [https://fasb.org/page/PageContent?pagelId=/news\\_and\\_meetings/past-meetings/05-08-24.html&bcpath=tff](https://fasb.org/page/PageContent?pagelId=/news_and_meetings/past-meetings/05-08-24.html&bcpath=tff)

**Topic Name:-**Registration Opens for June 10 FASB Webcast for Private Companies and Not-for-Profit Organizations

**Dated on:-**May 7<sup>th</sup>, 2024

**Brief Summary:-**Register now for the FASB's "FASB Update for Private Companies and Not-for-Profit Organizations" webcast, happening on June 10, 2024, from 1:00 to 3:05 p.m. EDT. This event provides insights into FASB's standard-setting activities relevant to private companies and not-for-profit organizations, with up to 2.5 hours of CPE credit available for live attendees. Featuring FASB Members, PCC representatives, and other experts, the webcast covers various agenda items, including revenue recognition, leases, and credit losses implementation updates, among others. Attendance is limited to the first one thousand participants. An archive of the webcast will be accessible afterward on the FASB website.

Read More at:- <https://www.fasb.org/news-and-meetings/in-the-news/registration-opens-for-june-10-fasb-webcast-for-private-companies-and-not-for-profit-organizations-418711>

Topic Name:- The Investor Advisory Committee

Dated on:- May 16<sup>th</sup>, 2024

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Brief Summary:-During the recent meeting, the IAC discussed various emerging issues and trends in accounting, including hyperinflation effects, interest rate risk disclosures, and challenges in acquisition accounting. Updates on FASB projects such as accounting for environmental credit programs and government grants were provided. The IAC also reviewed and supported proposed amendments to the income statement expense disaggregation disclosures, emphasizing the importance of enhanced transparency for investors. Additionally, discussions on accounting for software costs and intangibles highlighted the need for additional disclosures and challenges in asset recognition and valuation.

Read More at:- <https://www.fasb.org/Page/PageContent?PageId=/about-us/advisory-groups/iac/meeting-recap/iac-meeting-recap-May-16-2024.html>

Topic Name:- Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7)  
Dated on:- May 28<sup>th</sup>, 2024

Brief Summary:-The International Accounting Standards Board (IASB) is set to issue Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7) on May 30, 2024. Subscribers to IFRS Premium will have access to download the document from the IFRS Accounting Standards Navigator and the project page. PDF copies will also be available for purchase from the Web Shop. While efforts are made to provide accurate publication dates, circumstances may lead to changes. To stay updated, subscribers can sign up for email alerts on IFRS 18 by accessing their IFRS account dashboard and adjusting their alert preferences.

Read More at:- <https://www.ifrs.org/news-and-events/news/2024/05/iasb-to-issue-amendments-ifrs9-ifrs7/>

## 10 EXPERT ADVISORY CORNER – Accounting for Government Grants and Disclosure of Government Assistance as per Ind AS 20



**Tasnim Tankiwala- Partner**  
**Statutory audit, Ind AS, IFRS and other**  
**GAAPs**

### **Introduction:**

Almost every government supports certain categories of companies or business by providing grants or other kind of assistance. As this is a clear benefit or an advantage received by an entity as compared to other entities without such an assistance, it should be properly reported in the financial statements.

### **Objective of Ind AS 20:**

The main objective of Ind AS 20 is to prescribe the accounting for and the disclosure of

- The government grants – in simple terms, these are the actual resources, whether monetary or non-monetary, transferred to an entity by the government, in most cases upon satisfaction or achievement of certain conditions;
- The government assistance – these are other actions of the government designed to provide some economic benefit to an entity, for example free marketing, business advices, etc.

### **Items which are not treated as government grant or assistance as per Ind AS 20 are:**

- Government assistance in the form of tax reliefs (tax breaks, tax holidays, etc.),
- Grants related to agriculture under Ind AS 41;
- Grants in the FS that reflect the effect of changing prices and
- Government acting as a part-owner of the business or an entity.

### **Recognition of Government grants in the books of accounts:**

Government grants shall not be recognized until there is a reasonable assurance that:

- The entity will comply with all the conditions attached to them
- There is a certainty that the grants will be received.

## 09 EXPERT ADVISORY CORNER – Accounting for Government Grants and Disclosure of Government Assistance as per Ind AS 20

### **How to Account for Government Grants:**

Before we deep dive into the topic let us be very clear that Ind AS 20 does not permit direct credit of any grant into the equity. Further, Ind AS 20 mandates measuring non-monetary grants only at fair value and measuring at nominal value is not permitted.

Further, Capital Approach of accounting Government grants is not permitted by Ind AS 20.

Instead, Ind AS prescribes the “income approach” – to recognize grants as income over the relevant periods to match them with the related expenditures or costs they should compensate.

In reality, accounting treatment depends on the purpose for which the grant is received. An entity may receive a grant either for:

- Acquisition of Assets or
- For reimbursement of cost already incurred or to be incurred

### **Grant related to acquisition of Asset:**

IAS 20 gives an option to present the grants related to assets, including non-monetary grants at fair value 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.

Ind AS 20 requires presentation of such grants in balance sheet only by setting up the grant as deferred income. Thus, the option to present such grants by deduction of the grant in arriving at the carrying amount of the asset is not available under Ind AS 20.

The grant set up as deferred income is recognized in profit or loss on a systematic basis over the useful life of the asset.

### **Grant related to income (reimbursement of expenditures):**

Here, we need to differentiate between the grants received for past costs (already incurred) or the grants received for current or future costs.

If the grant is provided to reimburse costs incurred in the past, then it is recognized immediately in the statement of profit & loss.

If the grant is provided to reimburse the costs incurred or to be incurred at the present time or in the future, then the grant is recognized in profit or loss in the periods when the relevant costs are incurred.

From the presentation point of view, there are 2 options:

- 1.To present the grant income as a separate line item as “other income”, or
- 2.To deduct the grant income from the related expense.

### **Disclosure of Government grants:**

The entity shall disclose the following in relation to Government grants:

- The accounting policies adopted including the method of presentation adopted in the financial statements
- the nature and extent of government grants recognized in the financial statements and an indication of other forms of government assistance from which the entity has directly benefited; and
- unfulfilled conditions and other contingencies attached to government assistance that has been recognized.

# CONTENT CONTRIBUTORS

➤ Goods & Service Tax

➤ Income Tax

➤ Securities Exchange Board of India

➤ Reserve Bank of India

➤ DGFT

➤ Custom Duties

➤ Financial Accounting Standards Board

➤ Strategic Guide



HUZEIFA UNWALA

➤ Overall Co-ordinator & Reviewer for this Activity



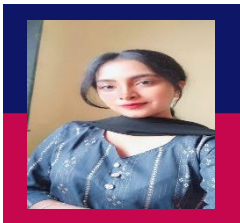
ZENAB TOPIWALA



SURENDER KAUR



DARPAN KESHRI



ZAIBA SHAIKH



VIRGIL SIMON

## **DISCLAIMER**

Insights to help you sharpen your Governance, Risk and Compliance Knowledge Issued by Knowledge Management team of

### **JHS About Regulatory Radar:-**

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**Below are the links for previous months Regulatory Radar**

**February :-** <https://drive.google.com/file/d/1a0UB6Y90eYeHD8cpjxh0te2o-9KXI5uz/view>

**MARCH :-** <https://jhsassociates.in/wp-content/uploads/2024/04/RR-March-2024-1.pdf>

**APRIL :-** [https://drive.google.com/file/d/1-WFPoJ1vYUsbkapJ0I5uzWsF28iXrxb4/view?usp=drive\\_link](https://drive.google.com/file/d/1-WFPoJ1vYUsbkapJ0I5uzWsF28iXrxb4/view?usp=drive_link)



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