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A Study on Awareness of Income Computation and Disclosure Standards (ICDS) among Indian Professionals

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Abstract

In the present scenario shifting of tax Burden and adjustment for minimization of profit has taking place like anything. Every corporate would like to have a maximum profit at any cost but payment of tax to government always have to minimize. This mentality address the adjustment for minimizing tax liabilities professionally we are knowing as Tax Planning. Behind the tax planning there are always adjustment for the purpose of tax evasion. Every person doing this types of tax planning to minimize the liabilities. Major adjustment for this evasion are taking place through Business and profession related transaction. To put as a part of solution government implemented Income Computation and Disclosure Standard so that taxa planning and evasion do not impacted in the reduction of tax liabilities. The main objective of this paper is assessing the awareness level of ICDS concepts among Indian professionals. Majority time it has been observed that consultant and professional are highly involve in such practices. ICDS is beyond the Accounting. Primary data was collected through a questionnaire and data analysis was performed by Chi-Square test using SPSS software. The finding of study is no relationship between occupation and awareness level and most of respondents believe that ICDS has an impact on taxation. Many respondents also believes that ICDS can be used as a fraud detection tool. So, ultimately we can see that many Indian professional are aware about the concept of forensic accounting.

Keywords: Taxation, income tax, accounting policies, PGBP, IFOS, Indian professionals

Introduction

Various initiatives by Government has taken like Digital India, Make In India, GST, Demonetization, Ind AS Etc. for the purpose of providing strength to economy. At same time there are need of finance for the development of economy. Majority corporate are hiding the revenue by way of tax planning so there are need of system which can provide transparent system for recognition of income and expense through some harmonised system. Government has come with solution and the solution is Income Computation and Disclosure Standards which are nothing but the guideline issue by government for computation of income tax to tax payers and income tax department to minimize the income as per accounting and income as per taxation. This ICDS are applicable for computation of Income under the head of Profit and Gain from Business and Profession and Income from Other Sources i.e. PGBP and IFOS. ICDS do not aim to create any burden of maintenance of separate books of accounts and other related document. Here are some adjustment get reduce so that accounting income and Taxation income are at par. Every entity are pursuing a goal of profit maximization at anyhow. We are having an example in these regard to failure like Satyam, 2-G Spectrum distribution, Stamp paper etc. are

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having a negative influence on the growth of Indian economy. Infact this types of practice majority time involve a professional and consultant. ICDS is mechanism which may provide a tools for detection of fraud and integrity toward taxation system in India.

Review of Literature

(K Shravanan, K Muthu Lakshmi; 2017) ^[1] The author has conducted research on the tax saving instrument of income tax study on assessee of trichy city and found that effective tax planning reduce the liabilities of tax. Which are major concern area for any economy. Provided bifurcation of tax planning, tax evasion and tax saving. Tax saving instrument majorly used are life insurance policies and Provident fund. Ghuge, N. R. & Vasantrao, V. (2015) ^[2] has done study on Indian tax structure as an analytical perspective and investigated that Indian tax system is unorganized and unplanned due to some historical reason. They have taken reference of taxation system effect on economics also in this study. Main objective of study was to bring reform in to Indian tax system which is more complex. Suggestion also provided in this research study, major portion of bifurcation provide is direct tax and Indirect tax with their name and

relevance in this study. In this research they concluded that revenue received from indirect are double than direct tax. Lack of administration was responsible for unplanned structure that was concluded in this study.

Kumar, M., & Anees, M. (2014) [3] has done research on E-filing revolutionary steps in India and provide that role of government and intermediary is very important in this regard some of tax return preparer also provide some suggestions in this study. E filing includes submission of various return by self-filing as well as filing through intermediary. Road map is also discussed in this study to whom it is compulsory applicable in the filing. Main focus of this study was implementation of E-filing of return in this transition period. It has also mention that different researcher has different opinion in this regard. Some of important aspect also covered in this study.

(Chawla, C., Jain, V., Joshi, A., & Gupta, V.; 2013) [4] has done study on satisfaction level and awareness level of tax payers towards the E-filing of income tax returns with reference to Moradabad city found that technological aspect in the filing of income tax return are now a days become very useful although they found some challenges also. Mention about tax return preparer software in this study almost 300 respondent they have found and provided conclusion on the basis of likerscale and SPSS software and found that in initial period there is not much awareness in this regard but after some period of time knowledge provided by government and awareness created.

Income Computation and Disclosure Standards

Income Computation and Disclosure Standards is apply for the purpose of computation of Income under Income Tax. As we are aware that five heads of income are available under income tax... All five head do not have relevancy with ICDS. Only Profit and Gain from Business and Profession (PGBP) and Income from Other Sources (IFOS) has effect of ICDS. It is important to note that this standards are not applicable for maintenance of books of accounts. In case of any difference of interpretation or provision Act shall have overriding effect on ICDS. So, we can say that ICDS is only portion of Taxation.

Meaning

- ICDS is Guidelines provided for the purpose of computation of income to taxpayers and income tax department, to minimize the deviation from Accounting Income and Taxable Income under accounting and Income tax.

Key Aspects of ICDS are as Follows

- **Applicability:** It is applicable to all tax payers
- **Impact:** Do not have any impact on Minimum AlterNet Tax.
- **Overriding effect:** Provision of Income tax act shall have overriding effect on ICDS.
- **Implement:** Implementation is only for computation of PGBP or IFOS income and not for Preparation of Books of accounts.

Other Important Aspect

- In case of Noncompliance towards ICDS income tax authorities can go for best judgement assessment.
- Applicability of ICDS has been effected since 1st April, 2015.

- It has not provided any illustration only transitional provision are provided
- Majority ICDS are same like an Ind AS provided under accounting.

List of ICDS

Table 1: Following Ten ICDS are available for computation of income under PGBP and IFOS.

ICDS No.	Name of ICDS
1	Accounting Policies
2	Valuation of Inventories
3	Construction Contracts
4	Revenue Recognition
5	Tangible Fixed Assets
6	The Effects of Changes in Foreign Exchange Rates
7	Government Grants
8	Securities
9	Borrowing Cost
10	Provisions, Contingent Liabilities and Contingent Assets

Objective of Study

This study is carried out:

- To check level of the awareness about the concept of Income Computation and Disclosure Standards (ICDS) among Indian professionals.
- To create awareness among Indian Professionals about ICDS.

Research Methodology

This study is preliminary based on Primary data which includes 100 Indian professionals. A questionnaire was used as a data collection tool. For the purpose of sampling under this study convenient sampling method was used and the Analysis of data was done by Chi-Square test using SPSS software.

Hypothesis

H₀: There is no significant difference between the occupation and awareness level of ICDS among Indian Professionals.

H₁: There is a significant difference between the occupation and awareness level of ICDS among Indian Professionals.

Data Interpretation Findings

Are you aware about forensic accounting concepts?

*Occupation

Table 2: Occupation

		Occupation					
		Academician	Accountant	CA	CS	Other	Total
Are you aware about forensic accounting concepts	No	2	3	12	5	3	25
	Yes	10	17	31	10	7	75
Total		12	20	43	15	10	100

Table 3: Chi-Square Tests

	Value	df	Asymptotic significance (2 – sided)
Person Chi-Square	2.394	4	0.664
Likelihood ratio	2.514	4	0.642
N of valid Cases	100		

Chi square calculated value is 0.664 at 5% level of significance and table value is 7.8147. So the null hypothesis is accepted and an alternative hypothesis is rejected. It means there is no significant difference between the awareness level and the occupations. All most 34% of respondents are

strongly agreed that forensic accounting is a strong fraud detection tool, whereas 85% of respondents are believed that forensic accounting has a considerable impact on external auditing. 90% of respondents agrees that fraud detection in accounting is possible by the investigation.

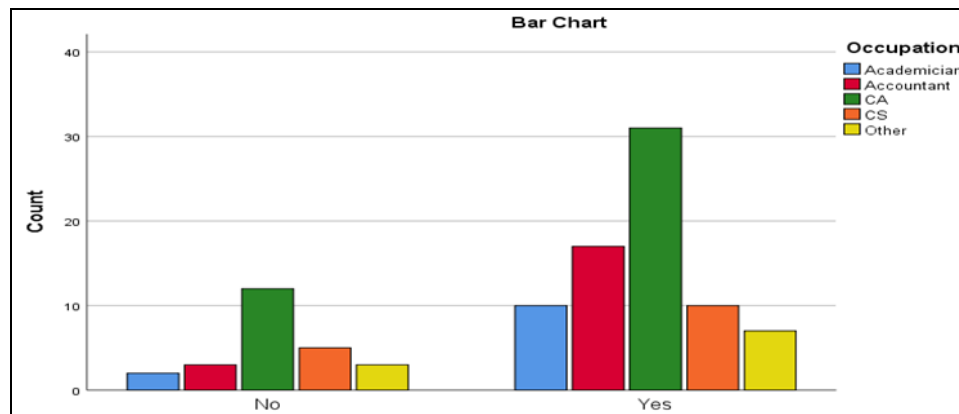


Fig 1: Are you aware about forensic accounting concepts?

Conclusion

In current scenario the corporate world is facing number of challenges. In the economy, no corporate remain unaffected from the virus called fraud. So organizations needs to changes in the financial reporting system in accounting pressures. As per study we can conclude that the majority professionals are knowing concept of Forensic Accounting. In furtherance, we need to have a number of webinars, conferences and seminars etc. for making aware to majority of professionals. Different programme in the colleges and university are may be preventive measure for making aware about the concept of Forensic Accounting.

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