Dipen D Shah & Associates
CHARTERED ACCOUNTANTS

UNION BUDGET 2026

INCOME COMPUTATION AND DISCLOSURE STANDARDS ("ICDS")

TO

INDIAN ACCOUNTING STANDARDS (IND As)

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- The Union Budget 2026–27 proposes a major change in India's accounting and tax framework by removing ICDS and aligning tax computation with Ind AS principles. This shifts the country away from a dual system—one for financial reporting and another for tax—and moves towards a single, principles based approach. It aims to make reporting more consistent and reduce distortions.

- Even though Ind AS is not required for all entities, removing ICDS means that Ind AS concepts will now influence tax calculations for every type of business—companies, LLPs, partnerships, and even sole proprietorships. This brings greater focus on economic substance, the time value of money, and professional judgment rather than rigid rules.

- However, the shift comes with challenges. Moving from a rule based to a principles based approach requires a mindset change for both taxpayers and officials. Ind AS also allows recognition of unrealised gains and losses, and without clear guidance, deciding which of these should be taxed could create confusion. Transitioning from earlier ICDS based practices—such as for revenue, forex differences, or construction contracts—needs careful rules to avoid double taxation. Smaller businesses may also find the sophisticated Ind AS concepts difficult unless simplified versions are introduced.

- On the positive side, removing ICDS reduces duplicate work and makes tax calculations more aligned with actual financial performance. Since many disputes arise from differences between ICDS and accounting records, this move may reduce litigation in the long run. It also brings India closer to global practices where tax is based on financial accounting.

- With tax computation now flowing from audited financials, governance improves—boards have better oversight, aggressive tax strategies become more visible, and better disclosures build trust with authorities. This shifts the focus from compliance to transparent, principle based reporting.

- Professionals will need stronger Ind AS knowledge, better valuation and estimation skills, and broad reskilling efforts. Overall, integrating ICDS into Ind AS is a wide reaching reform that simplifies processes, enhances transparency, and prepares India for a more modern financial ecosystem.

Closing Remarks :

India's move from ICDS to an Ind AS–aligned tax framework marks a major step toward simplification, transparency, and global alignment. While the shift demands adjustment, it ultimately creates a more consistent, credible, and future ready system for both taxpayers and regulators.