

F. No. 52/1/CAB-2012
Government of India
Ministry of Corporate Affairs
Cost Audit Branch

B-1 Wing, 2nd Floor,
Paryavaran Bhavan,
CGO Complex,
New Delhi-110003

Dated the 25th May, 2012

To,

The Secretary General,
Construction Federation of India,
1103, Antriksh Bhawan,
22, K.G. Marg,
New Delhi - 110 001

Subject: Exemption from applicability of Cost Accounting Records Rules to the Construction Industry.

Sir,

Please refer your letter dated 23rd March, 2012 on the subject cited. CFI had earlier made a similar reference on 19th December, 2011 and the matter was discussed in MCA on 11th January, 2012 with the representatives of CFI and of few leading construction/development companies wherein it was observed that all such companies are already maintaining cost accounting records for their internal requirements. Cost Accounting Records Rules 2011 do not visualize companies to change their cost accounting system if already in-place; but they are required to comply with the Generally Accepted Cost Accounting Principles and Cost Accounting Standards issued by the Institute of Cost Accountants of India, to the extent these are found to be relevant and applicable and also file compliance report with the Central Government. It was also observed that existence of structured & verified cost accounting records would enable the companies to fulfill regulatory requirements; comply with the Tax Accounting Standards; and assist in their tax assessments.

2. Based on the discussions held, detailed clarifications were issued on 16th January, 2012 that were duly acknowledged by the CFI vide their letter dated 27th January, 2012 and also conveyed to all their member companies for implementation.

3. However, the matter has been once again examined in the Ministry and it has been decided that there appear no reasons for granting any special exemption to the construction (incl. development or real estate) industry from the applicability of the Companies (Cost Accounting Records) Rules 2011. Hence the decisions already conveyed earlier vide letter dated 16th January, 2012 are being reiterated as under:

- a) All companies engaged in the construction and/or development (real estate) businesses who meet with the threshold limits laid down in Rule 3 of the Companies (Cost Accounting Records) Rules, 2011 shall be required to maintain cost accounting records and file compliance report with the Central Government in accordance with the provisions of these Rules. This includes companies undertaking construction jobs with the use of own materials [whether self manufactured/produced or procured from outside] and/or development of residential, commercial or industrial estates i.e. development of township, residential units, commercial complex, office blocks, industrial parks [including SEZ], etc. or construction of highways, rails, roads, bridges, industrial & non-industrial structures, or other infrastructure facilities etc or construction activities undertaken under BOT/BOOT mode, or the projects undertaken as EPC contractor or the projects undertaken abroad by a company incorporated in India.
- b) As per MCA's General Circular No. 67/2011 dated 30th November 2011, companies engaged in construction business as contractors or sub-contractors wherein they are paid only the conversion charges are exempted from the applicability of Companies (Cost Accounting Records) Rules, 2011.
- c) Companies (Cost Accounting Records) Rules, 2011 do not apply to such Joint Ventures that are non-corporate entities [i.e. not companies registered under the Companies Act] or to unlisted companies that are below the specified threshold limits or to a body corporate governed by any special Act.

d) As on date, no cost audit is applicable on the companies engaged in the construction and/or development (real estate) business. Hence, these companies are only required to maintain cost accounting records and file compliance report with the Central Government that can be signed by their employee cost accountant as defined in Rule 2(c) of the Companies (Cost Accounting Records) Rules, 2011.

Yours faithfully,

(B.B.Goyal)
Adviser (Cost)
Tel: 011-24366005

Copy to:

1. The General Manager, Confederation of Real Estate Developers' Associations of India, 703, Ansal Bhavan, 16, Kasturba Gandhi Marg, New Delhi - 110 001 with reference to their letter no. 59/MCA/2012 dated 3rd April, 2012. You are requested to bring this to the notice of all your member companies & associations for due compliance.
2. The President, Institute of Cost Accountants of India, 12, Sudder Street, Kolkata - 700 016 with a request to circulate this for the information of all concerned.