

**Query No. 17**

**Subject:** *Accounting treatment of disputes as per Ind AS 37, 'Provisions, Contingent Liabilities and Contingent Assets'.<sup>1</sup>*

**A. Facts of the Case**

1. A public sector undertaking (hereinafter referred as 'the Company') has been incorporated on 19<sup>th</sup> December, 2017 as a Special Purpose Vehicle (SPV) for the implementation and development of Exhibition-cum-Convention Centre (ECC) (hereinafter referred as 'the project'), with 100% equity from the Government through Department for Promotion of Industry and Internal Trade (DPIIT).

2. *Brief facts about the project:*

(a) Union Cabinet in its meeting held on 23.03.2016 granted the approval for the following:

- Transfer of land measuring 89.72 hectares (Ha) free from all encumbrances, to DPIIT at a nominal sum of Re. 1/- within six weeks of the decision by the Cabinet as a special case so that directions can be given to Delhi Development Authority (DDA) under section 21(i) of the Delhi Development (DD) Act, 1957 read with section 41(1) of the Act. The ownership of the said land will vest in and remain with the DPIIT.
- Permission for mixed land use of project site will be accorded by DDA/Ministry of Urban Development (MoUD) expeditiously for development of a global scale Exhibition cum-Convention Centre, arena and allied facilities on an integrated mixed land use basis.

(b) Subsequently, Ministry of Urban Development vide gazette notification dated 12<sup>th</sup> May, 2016 modified the Master Plan for Delhi-2021 and changed the land use of 89.72 Ha to Public & Semi-Public (PS-I, socio cultural facilities) and permitted the land use for international convention centre, exhibition space, convention and meeting space, office space/commercial office, retail trade and hotels).

(c) DDA has transferred and handed the land of 89.5832 Ha land (except 0.1368 Ha unacquired land) to DPIIT on 06.09.2016.

(d) South Delhi Municipal Corporation (SDMC) vide resolution dated 23.02.2017 has approved the layout plan of 89.58 Ha land. The use-wise break-up of land area is as under:

<b>Permissible land use</b>	<b>Area in Sq. Mtr</b>
<b>Public &amp; Semi Public Use</b>	
Exhibition, Convention, Foyer and Arena	2,61,984.00
<b>Commercial Use</b>	
For retail trade, office space/commercial space, hotels and related activities	1,19,502.90

<sup>1</sup> Opinion finalised by the Committee on 20.8.2024.

Road area & surface parking	1,33,245.10
Open Space/Green Area	3,81,100.00
<b>Total Area</b>	<b>8,95,832.00</b>

- (e) Union Cabinet in its meeting held on 10.11.2017 approved the development of Exhibition and Convention Centre and incorporation of SPV.
- (f) The Company was incorporated on 19.12.2017 as SPV. Subsequently, on 8<sup>th</sup> March, 2018, the Company has entered into a lease agreement with DPIIT for said 89.5832 hectare of land for implementation and development of ECC. The lease is granted for a period of 99 years from the date of the agreement at a lease rental of ₹ 1/- per year. As per the agreement, lease rent of ₹ 99/- for the entire term of the lease is paid in advance in financial year (F.Y.) 2017-18. The lease can be renewed for an additional term of 99 years with the mutual consent of the parties.
3. South Delhi Municipal Corporation (SDMC) started raising (from January 2019) demand of vacant land tax on the Company from the date of lease agreement (i.e. 8<sup>th</sup> March, 2018) and of service charges from DPIIT for the period 06.09.2016 to 07.03.2018.
4. The querist has stated that as per section 119 of Delhi Municipal Corporation Act, 1957 (DMC Act), Union properties are exempt from the property taxes specified in section 114 of the DMC Act. Further, as per section 120 (Incidence of Tax) of DMC Act, the property tax on any land and building shall be primarily leviable upon the owner thereof, i.e. DPIIT in the present case. Accordingly, demand of property tax was contested by the Company.
5. Subsequently, SDMC stated that as per Judgement of Hon'ble Supreme Court in case of Rajkot Municipal Corporation & Ors, Union properties are liable to pay service charges. The extract of Judgement of said case is as under:

“We dispose of appeals and pending applications by recording the following broad agreement between the parties:

- B.** *The Union of India and its departments will pay service charges for the services provided by the appellant municipal corporations. They will not pay any property tax. The service charges will be paid at 75%, 50% and 33 1/3% respectively of the property tax levied on private owners, depending upon whether Union of India or its department is utilising the full services, or partial services or nil services. The Union of India represented by its concerned department will enter into agreements/understandings in regard to service charges for each of its properties, with the respective municipal corporation.*
- C.** The above arrangement is open to modification or periodical revisions by mutual consent. In the event of disagreement on any issue, parties will resort to a dispute resolution mechanism by reference to a three Member Mediation Committee consisting of a representative of the Central government, a representative of the concerned municipal corporation and a senior representative (preferably the Secretary in charge of the department of municipal administration) of the State of Gujarat.
- D.** If Railways or any other department of Union of India owning a property changes the agreement/understanding unilaterally, or fail to reach a settlement through the Mediation Committee in regard to any disputes, or fails to clear the dues, it is open

to the concerned Municipal Corporation to initiate such action, as it deems fit in accordance with law by approaching the jurisdictional courts/tribunal for final and interim reliefs.

- E.** The municipal corporations shall not resort to coercive steps (such as stoppage of supplies / services) nor resort to revenue recovery proceedings for recovery of any service charge dues from Union of India or its departments.
- F.** The service charges payable by Union of India will under no circumstances be more than the service charges paid by state government for its properties. Wherever exemptions or concessions are granted to the properties belonging to the state government, the same shall also apply to the properties of Union of India.
- G.** If the Railways does not to abide by the four general circulars of the Union of India dated 10.5.1954, 29.3.1967, 28.5.1976 and 26.8.1986 and the general consensus set out above, it is open to municipal corporation to take such action as is permissible in law.”

(Emphasis supplied by the querist.)

6. Ministry of Urban Development vide Office Memorandum (OM) dated 17<sup>th</sup> December, 2009 (A copy of OM has been separately provided by the querist for the perusal of the Committee) had issued the direction to implement the aforesaid order of Hon’ble Supreme Court for payment of service charges on union properties, according to which the concerned department will execute the agreements with respective Municipal Corporation for applicable slab of service charges based upon the utilisation of services by the department. The Union of India and its departments will pay service charges for the services provided by the appellant municipal corporations. They will not pay any property tax. The service charges will be paid at 75%, 50% and 33 1/3% respectively of the property tax levied on private owners, depending upon whether Union of India or its department is utilising the full services, or partial services or nil services.

7. According to the querist, as there is no clarity on the applicability of service charges on vacant land and no agreement has been entered into by the concerned Government department with SDMC for payment of service charges on vacant land as per Ministry of Urban Development (now MoHUA) OM dated 17 December 2009 regarding payment of service charges, DPIIT has not admitted the demand of service charges raised by SDMC. As per section 120 (Incidence of Tax) of DMC Act, the property tax on any land and building is primarily leviable upon the owner (in present case i.e. DPIIT). Accordingly, the matter of applicability of vacant land tax/service charges with respect to the provisions of DMC Act and Ministry of Urban Development OM dated 17<sup>th</sup> December, 2009 was referred to Ministry of Housing and Urban Affairs (MoHUA) by DPIIT vide letter dated 16<sup>th</sup> July, 2020.

8. Subsequently, meetings were held at the level of MoHUA with the officials of DPIIT, SDMC and the Company. The Company had deposited Rs. 175.75 lakhs towards service charges (@ 33.33 per cent of property tax levied for the period from 08.03.2018 to 31.03.2021) under protest. Thereafter, meetings were held at the level of MoHUA, however no final decision could be arrived at and further no amount was deposited.

9. The latest demand raised by SDMC vide letter dated 16.05.2023 is for ₹ 1,614.09 lakhs (after adjustment of ₹175.75 lakhs paid to SDMC) for the period 06.09.2016 to 31.03.2024 towards service charges @ 75% as per below details:

(₹ in lakhs)

S.No.	Period	Service Charge includes Edu Cess	Interest	Total
1.	For the period prior to the lease agreement date (Period 06.09.2016 to 07.03.2018)	198.97	153.68	352.65
2.	08.03.2018 to 31.03.2023 (after adjusting payment of ₹175.75 lakh)	784.46	259.12	1043.58
3.	01.04.2023 to 31.03.2024	217.86	-	217.86
	<b>Total</b>	<b>1,201.29</b>	<b>412.80</b>	<b>1,614.09</b>

10. In view of the pending decision of MoHUA regarding applicability of service charges on 89.58 hectare land, the demand raised by SDMC for ₹ 1,043.57 upto the period of 31.03.2023 towards service charges plus interest thereon on vacant land is shown as 'Contingent Liability' in Note 29 along with all relevant disclosures in accordance with the provisions of Ind AS 37, 'Provisions, Contingent Liabilities and Contingent Assets' and as per the accounting policy of the Company related to 'Contingent Liability' as disclosed in note 2.17.2 forming part of the financial statements for the F.Y. 2022-23.

*Matter of Dispute:*

11. During the course of annual accounts audit, the Comptroller and Auditor General of India (CAG Auditor) observed as follows:

“The Company is Special Purpose Vehicle for developing Exhibition cum Convention Centre. For this, land admeasuring 89.58 hectare was handed over (6 September 2016) by Delhi Development Authority (DDA) to Department for Promotion of Industry and Internal Trade (DPIIT, Ministry of Commerce and Industry). DPIIT leased (8 March 2018) the land to the Company for a period of 99 years.

South Delhi Municipal Corporation (SDMC) started raising (from January 2019) demand towards Property tax (Service charge) on the said land with latest demand raised (16 May 2023) for Rs.16.14 crore for financial years 2016-17 to 2023-24 (Rs.13.96 crore up to 2022-23). The Company had deposited (March 2021) Rs. 1.75 crore towards service charges (@33.33 per cent of property tax levied for the period from 08.03.2018 to 31.03.2021) under protest. The matter went into discussion between the Company, SDMC, DPIIT and the Ministry of Housing and Urban Affairs (MoHUA). DPIIT requested (September 2020) MoHUA to take a considered view on payment of vacant land tax/service charges and till then SDMC may be asked not to initiate any punitive action.

In this connection, it has been noticed that the properties of the Union Government are exempt from payment of Property Tax. However, the Ministry of Urban Development (now MoHUA) vide letter dated 17 December 2009 directed that Union of India and its Departments will pay Service Charges to the concerned Municipal Corporation depending upon the utilization of services by the concerned Department. For this, Agreements would be entered into between Municipal Corporation and concerned Department of Union of India. This letter was issued in reference to the Hon'ble

Supreme Court's order (November 2009).

In view of the above, the Company is liable to pay service charges to SDMC from the date of lease agreement (March 2018) with DPIIT. However, the applicable rate would be decided as per the agreement entered into with SDMC.

No provision, however, has been made by the Company towards Service Charges payable for the period 8 March 2018 to 31 March 2023 and the Company has shown Rs.10.43 crore under contingent liabilities (after netting of Rs.1.75 crore paid under protest).

The matter was adjudged significant in Audit, as the issue needs to be resolved expeditiously with SDMC and till then the Company needs to make suitable provision in this regard.”

12. The querist has separately supplied the following additional information:

(i) The demand raised by SDMC regarding property tax/service charges on the Company is currently under dispute. This matter has also been referred to the Department of Legal Affairs through DPIIT for a legal opinion.

(ii) The areas of disputes referred to Department of Legal Affairs are as under:

“1. Whether property tax/service charge is applicable on 89.58 ha land owned by DPIIT?

2. If yes, what is the applicable rate of service charges?

3. As per Section 120 (Incidence of Tax) of DMC Act, the property tax on any land and building shall be primarily leviable upon the owner thereof i.e. DPIIT in the present case. As per DMC Act, who is liable for payment of service charges, DPIIT or the Company?

4. In other words, on whom (DPIIT or the Company) SDMC should make assessment of service charges?

5. SDMC vide resolution No. 499 dated 23.02.2017 approved the master plan of 89.58 Ha land. The Company, being a government company, has spent estimated amount of Rs.1955 crore in development of roads, connectivity from expressway, connectivity from metro, waste management system, sewage, water, street light and allied infrastructure. SDMC has demanded the service charges/property tax on 89.58 ha land w.e.f 06.09.2016, whereas the master plan was approved on 23.02.2017.

The area statement as per approved master plan is as under:

<b>Permissible land use</b>	<b>Area in Sq. Mtr</b>
Public & Semi Public Use	
Exhibition, Convention, Foyer and Arena	2,61,984.00
Commercial Use	
For retail trade, office space/Commercial space, Hotels and related activities	1,19,502.90

Road area & Surface parking	1,33,245.10
Open Space/Green Area	3,81,100.00
<b>Total Area</b>	<b>8,95,832.00</b>

Whether the road area, surface parking area, open space/green area will be counted as vacant land and service charges are payable on the same?"

In view of the above, the Company is of view that the demand raised by SDMC is not in accordance with provisions of DMC Act.

- (iii) Pending resolution of the above disputed matters, Management of the Company is of the view that there is uncertainty regarding the crystallisation of the demand raised by SDMC against the Company. Accordingly, the demand raised by SDMC towards service charges plus interest thereon on vacant land is shown as "Contingent Liability" in Note 29 along with all relevant disclosures and as per the accounting policy of the Company related to 'Contingent Liability' as disclosed in Note 2.17.2 forming part of the financial statements for the F.Y. 2022-23.
- (iv) According to Section 119 of the Delhi Municipal Corporation Act, 1957 (DMC Act), Union properties are exempt from property taxes as outlined in Section 114. Furthermore, under Section 120 (Incidence of Tax), property tax on any land or building is primarily levied on the owner, which in this case is DPIIT. Consequently, the Company contested the property tax demand.

In view of the above, the liability to pay for property tax/service charges primarily is of DPIIT. However, in accordance with Clause 9.1(d) of the lease agreement between the Company and DPIIT, the Company is responsible for paying all taxes in respect to land from the execution date of the lease agreement.

If the demand for property tax/service charges on the 89.58 Ha land is accepted by the owner, the Company may pay the same in accordance with Clause 9.1(d) of the lease agreement, or, if DPIIT pays it, the Company may reimburse to DPIIT.

- (v) As per the views of the Company, it is liable to pay only by virtue of lease agreement between the Company and DPIIT.

## **B. Query**

13. In view of above, the Company now seeks the opinion of the Expert Advisory Committee of the Institute of Chartered Accountants of India on the following issues:

- (i) Whether the accounting treatment of disputed demand of property tax/service charges raised by SDMC shown as 'Contingent Liability' is as per applicable provisions of Ind AS 37, 'Provisions, Contingent Liabilities and Contingent Assets'.
- (ii) If not, then, how the said disputed demand is to be accounted for and what should be the basis for determination of provision in the given case?

### **C. Points considered by the Committee**

14. The Committee notes that the basic issue raised in the query relates to accounting treatment of disputed demand of service charges on land raised by SDMC on the Company. The Committee has, therefore, considered only this issue and has not examined any other issue arising from the Facts of the Case such as, accounting for land transferred by DDA to DPIIT, accounting for lease/transfer of land by DPIIT to the Company including accounting under lease arrangement, whether there is principal-agent relationship between the Company and DPIIT, appropriateness of determination of service charges, measurement of provision (if any), the date from when the Company is liable to pay service charge (i.e. only after the date of transfer of land by the DPIIT to the Company or from when the concerned land was transferred to DPIIT by DDA), whether or not payment of service charges to SDMC (if any) shall be governed by SC Order of 2009, treatment of amount paid under protest, accounting for interest/penalty levied or leviable (if any), etc. Further, the opinion is expressed purely from accounting perspective and not from any legal perspective or interpretation of terms of Delhi Municipal Corporation Act, DD Act, direction issued by Ministry of Urban Development vide Office Memorandum, judgement of Hon'ble Supreme Court, lease arrangement entered between the Company and DPIIT, etc. Furthermore, the opinion expressed hereinafter, is in the context of Indian Accounting Standards (Ind ASs) notified under the Companies (Indian Accounting Standards) Rules, 2015.

The Committee also wishes to mention that from facts supplied it appears that there is no dispute with regard to property tax due to provisions of DMC Act and the Judgement of Hon'ble Supreme Court, and consequently, there is no uncertainty in this regard. Accordingly, the Committee has examined the issue primarily from the perspective of service charges. However, in case there is a dispute with regard to levy of property tax on the Company also, similar accounting principles shall apply.

15. The Committee notes from the Facts of the Case that SDMC transferred land to DPIIT on 06.09.2016 and DPIIT leased the land to the Company for a period of 99 years on 08.03.2018. SDMC started raising (from January 2019) demand of service charges on the Company from the date of lease agreement (i.e. 8<sup>th</sup> March, 2018) and of service charges from DPIIT for the period 06.09.2016 to 07.03.2018.

Further, as stated by the querist, Ministry of Urban Development (now MoHUA) in December 2009, had issued the direction to implement the order of Hon'ble Supreme Court for payment of service charges on Union properties. According to such direction, the concerned department will execute the agreements with respective Municipal Corporation for applicable slab of service charges based upon the utilisation of services by the department. As per the querist, no such agreement has been entered into with the SDMC by the DPIIT.

The querist has also stated that as there is no clarity on the applicability of service charges on vacant land and no agreement has been entered into with the SDMC by the DPIIT, DPIIT has not admitted the demand of service charges raised by SDMC. Accordingly, the matter of applicability of service charges was referred to MoHUA and discussions were held between the Company, SDMC, DPIIT and the MoHUA. Subsequently, the Company had deposited (in March 2021) Rs. 1.75 crore towards service charges (@33.33 per cent of property tax levied for the period from 08.03.2018 to 31.03.2021) under protest. Further, in the latest SDMC's letter dated 16.05.23, demand has been raised on the Company for Rs. 16.14 crore towards service charges plus interest (including Rs. 10.43 crore after adjusting payment of Rs. 1.75 crore, for the period from 08.03.2018 to 31.03.2023), which is under dispute. This matter has

also been referred to the Department of Legal Affairs, GoI for their opinion, inter alia on incidence of service charges on the Company as to which entity (the Company or DPIIT) is liable for payment of service charges and on whom (the Company or DPIIT), SDMC should make the assessment. Thus, at present, it is not clear as to whether the liability for service charge is on the Company or DPIIT.

Pending resolution of the above disputed matters, the Company has not made any provision towards service charges payable for the period 8<sup>th</sup> March 2018 to 31<sup>st</sup> March 2023 and has shown the same, viz., Rs. 10.43 crore (after netting off Rs. 1.75 crore) under contingent liabilities.

At the outset, in this context, the Committee wishes to state that it has not examined the issue of appropriateness of raising of service charges against the Company and examined the issue only from accounting principles perspective.

16. With regard to accounting for disputed demand for service charges by SDMC, the Committee notes that Ind AS 37, 'Provisions, Contingent Liabilities and Contingent Assets' deals with accounting for disputed and uncertain obligations/liabilities. The requirements of Ind AS 37 are as follows:

*Ind AS 37*

**“A *provision* is a liability of uncertain timing or amount.**

**A *liability* is a present obligation of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits.**

**An *obligating event* is an event that creates a legal or constructive obligation that results in an entity having no realistic alternative to settling that obligation.”**

**“A *contingent liability* is:**

- (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or**
- (b) a present obligation that arises from past events but is not recognised because:**
  - (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or**
  - (ii) the amount of the obligation cannot be measured with sufficient reliability.”**

**“14 A *provision* shall be recognised when:**

- (a) an entity has a present obligation (legal or constructive) as a result of a past event;**

- (b) **it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and**
- (c) **a reliable estimate can be made of the amount of the obligation.**

**If these conditions are not met, no provision shall be recognised.**

### **Present Obligation**

**15 In rare cases, it is not clear whether there is a present obligation. In these cases, a past event is deemed to give rise to a present obligation if, taking account of all available evidence, it is more likely than not that a present obligation exists at the end of the reporting period.**

16 In almost all cases it will be clear whether a past event has given rise to a present obligation. In rare cases, for example in a lawsuit, it may be disputed either whether certain events have occurred or whether those events result in a present obligation. In such a case, an entity determines whether a present obligation exists at the end of the reporting period by taking account of all available evidence, including, for example, the opinion of experts. The evidence considered includes any additional evidence provided by events after the reporting period. On the basis of such evidence:

- (a) where it is more likely than not that a present obligation exists at the end of the reporting period, the entity recognises a provision (if the recognition criteria are met); and
- (b) where it is more likely that no present obligation exists at the end of the reporting period, the entity discloses a contingent liability, unless the possibility of an outflow of resources embodying economic benefits is remote (see paragraph 86).”

“23 For a liability to qualify for recognition there must be not only a present obligation but also the probability of an outflow of resources embodying economic benefits to settle that obligation. For the purpose of this Standard, an outflow of resources or other event is regarded as probable if the event is more likely than not to occur, ie the probability that the event will occur is greater than the probability that it will not. Where it is not probable that a present obligation exists, an entity discloses a contingent liability, unless the possibility of an outflow of resources embodying economic benefits is remote (see paragraph 86).”

### **“Contingent liabilities**

**27 An entity shall not recognise a contingent liability.**

28 A contingent liability is disclosed, as required by paragraph 86, unless the possibility of an outflow of resources embodying economic benefits is remote.”

**“86 Unless the possibility of any outflow in settlement is remote, an entity shall**

**disclose for each class of contingent liability at the end of the reporting period a brief description of the nature of the contingent liability and, where practicable:**

- (a) an estimate of its financial effect, measured under paragraphs 36–52;**
- (b) an indication of the uncertainties relating to the amount or timing of any outflow; and**
- (c) the possibility of any reimbursement.”**

The Committee notes from the above that a provision is a *liability* of uncertain timing or amount and is recognised when an entity has a present obligation (legal or constructive), for which it is probable that an outflow of resources will be required and a reliable estimate can be made for the same. Further, where it is not probable (more likely) that a present obligation exists, the entity should disclose a contingent liability, unless the possibility of an outflow of resources embodying economic benefits is remote. Thus, an element of judgement is required to determine whether there exists a present obligation and whether a provision needs to be recognised or not. It is for the management of the entity to exercise that judgement and the auditor to assess in the specific facts and circumstances of the entity, considering all the evidences /factors available as on the reporting date (including any additional evidence provided by events after the reporting period).

In the extant case, as discussed in paragraph 15 above, the Committee notes from the facts supplied by the querist that there is lack of clarity on the applicability/incidence of service charges on the Company and the demand raised for the same has also not been admitted by the Company. Thus, the existence of a present obligation or liability itself in respect of payment of service charges is not certain.

Accordingly, the Committee is of the view that in the extant case, the Company should carefully evaluate all the facts and circumstances and all the evidences available on the reporting date, including for example, legal opinion of experts, experience of the Company or other enterprises in similar cases, decisions of appropriate authorities (such as, the referred Supreme Court order validating the applicability of service charges on Union properties, subsequent direction issued by the then Ministry of Urban Development (MoUD) to implement such SC order), circumstances leading to payment of partial demand under protest to SDMC subsequent to the discussion with MoHUA, etc. and also any additional evidence provided by events after the reporting period, to determine whether it is more likely than not that a present obligation exists at the end of the reporting period or not. Accordingly, on the basis of above evaluation, if it is determined that it is more likely than not that a present obligation exists at the end of the reporting period, the Company should recognise a provision (if the recognition criteria are met) and where it is more likely that no present obligation exists at the end of the reporting period, the Company should disclose a contingent liability, unless the possibility of an outflow of resources embodying economic benefits is remote, as per the requirements of Ind AS 37.

The Committee also wishes to clarify that the mere fact that the DPIIT has not entered into any agreement with SDMC as per the directions issued by the MoUD/MoHUA is not sufficient for not providing for any liability or creating any provision towards service charges.

## **D. Opinion**

17. On the basis of the above and subject to paragraphs 14 and 15 above, the Committee is of the following opinion on the issue raised in paragraph 13 above:

- (i) and (ii) As discussed in paragraph 16 above, an element of judgement is required to determine whether there exists an obligation and whether a provision needs to be recognised or not. It is for the management of the entity to exercise that judgement and the auditor to assess in the specific facts and circumstances of the entity, considering all the evidences/factors available as on the reporting date (including any additional evidence provided by events after the reporting period). Therefore, in the extant case, the Company should carefully evaluate all the facts and circumstances and all the evidences available on the reporting date, including for example, legal opinion of experts, experience of the Company or other enterprises in similar cases, decisions of appropriate authorities (such as, the referred Supreme Court order validating the applicability of service charges on Union properties, subsequent direction issued by the then Ministry of Urban Development (MoUD) to implement such SC order), circumstances leading to payment of partial demand under protest to SDMC subsequent to the discussion with MoHUA, etc. and also any additional evidence provided by events after the reporting period, to determine whether it is more likely than not that a present obligation exists at the end of the reporting period or not. Accordingly, on the basis of above evaluation, if it is determined that it is more likely than not that a present obligation exists at the end of the reporting period, the Company should recognise a provision (if the recognition criteria are met) and where it is more likely that no present obligation exists at the end of the reporting period, the Company should disclose a contingent liability, unless the possibility of an outflow of resources embodying economic benefits is remote, as per the requirements of Ind AS 37.

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