

Clause by Clause Analysis of 3CD - Tax Audit – A Y 2021-22

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Agenda

**A: Discussion of Forms 3CA/3CB
and 3CD**

B: Common mistakes

C: Cross Checking with ITR





Part A: Form 3CA / 3CB and 3CD



Form 3CA / 3CB

1: Note the difference between 3CA and 3CB

If the assessee is already subjected to Audit under any other Law for the same period : 3CA is relevant;

In other cases: 3CB is relevant

Accounting Year is 1st Jan to 31st Dec and the accounts are already audited?

Which form is to be used? Again 3CB is relevant



Form 3CA:

FORM NO. 3CA

[See rule 6G(1)(a)]

Audit report under section 44AB of the Income-tax Act, 1961, in a case where the accounts of the business or profession of a person have been audited under any other law

*I/we report that the statutory audit of M/s. (Name and address of the assessee with [*Permanent Account Number or Aadhaar Number*]) was conducted by *me/us/ M/s in pursuance of the provisions of the Act, and *I/we annex hereto a copy of *my/our/their audit report dated along with a copy of each of :—

- (a) the audited *profit and loss account/income and expenditure account for the period beginning from to ending on
- (b) the audited balance sheet as at,; and
- (c) documents declared by the said Act to be part of, or annexed to, the *profit and loss account/income and expenditure account and balance sheet.

2. The statement of particulars required to be furnished under section 44AB is annexed herewith in Form No. 3CD.



Form 3CA:

3. In *my / our opinion and to the best of *my / our information and according to examination of books of account including other relevant documents and explanations given to *me / us, the particulars given in the said Form No. 3CD are true and correct subject to the following observations/qualifications, if any:

- (a)
- (b)
- (c)

.....
**(Signature and stamp/Seal of the signatory)

Place:

Name of the signatory

Date:

Full address

Notes :

1. *Delete whichever is not applicable.
2. **This report has to be signed by a person eligible to sign the report as per the provisions of section 44AB of the Income-tax Act, 1961.
3. Where any of the requirements in this Form is answered in the negative or with qualification, give reasons therefor.
4. The person who signs this audit report shall indicate reference of his membership number / certificate of practice / authority under which he is entitled to sign this report.



Form 3CB:

FORM NO. 3CB

[See rule 6G(1)(b)]

**Audit report under section 44AB of the Income-tax Act, 1961,
in the case of a person referred to in clause (b) of sub-rule (1) of rule 6G**

1. *I/we have examined the balance sheet as on,, and the *profit and loss account/
income and expenditure account for the period beginning from to ending on
....., attached herewith, of (Name), (Address),
([Permanent Account Number or Aadhaar Number]).
2. *I/we certify that the balance sheet and the *profit and loss/income and expenditure account
are in agreement with the books of account maintained at the head office at and
** branches.



Form 3CB:

3. (a) *I/we report the following observations / comments / discrepancies / inconsistencies; if any:

(b) Subject to above,—

- (A) *I/we have obtained all the information and explanations which, to the best of *my/our knowledge and belief, were necessary for the purpose of the audit.
- (B) In *my/our opinion, proper books of account have been kept by the head office and branches of the assessee so far as appears from *my/our examination of the books.
- (C) In *my/our opinion and to the best of *my/our information and according to the explanations given to *me/us, the said accounts, read with notes thereon, if any, give a true and fair view :—
 - (i) in the case of the balance sheet, of the state of the affairs of the assessee as at 31st March; and
 - (ii) in the case of the *profit and loss account / income and expenditure account of the *profit/loss or *surplus/deficit of the assessee for the year ended on that date.

4. The statement of particulars required to be furnished under section 44AB is annexed herewith in Form No. 3CD.

5. In *my/our opinion and to the best of *my/our information and according to explanations given to *me/us, the particulars given in the said Form No. 3CD are true and correct subject to following observations / qualifications, if any:

- (a)
- (b)
- (c)

*** (Signature and stamp / Seal of the signatory)

Place:

Date:

Name of the signatory

Full address



Form 3CA / 3CB: Issues

1: Mention the Assessee's responsibility and Tax Auditor's responsibility in the Tax Audit Report itself.

Many of the Tax Audit reports do not have the paragraphs relating to Assessee's responsibility and Tax Auditor's responsibility as required by the Guidance Note in respect of SA 700;

Some of the tax audit reports contained a reference about the attached physically signed tax audit reports which mention these Paragraphs thereby complying with the requirement of SA 700.

However, as per the Guidance Note on Tax Audit the same are specifically required to be mentioned / reported under clause (3) of Form No.3CA or Clause (5) of Form No.3CB, as the case may be.



Form 3CA / 3CB: Issues [Para 11. 9 of GN and SA 700 'Forming an opinion and Reporting on FS']

1: Mention the Assessee's responsibility and Tax Auditor's responsibility in the Tax Audit Report itself. [Example] [Clause 3 of 3CA; Clause 5 of 3CB]

- **The assessee is responsible for the preparation** of the statement of particulars required to be furnished under section 44AB of the Income-tax Act, 1961 annexed herewith in Form No. 3CD read with Rule 6 G (1) (b) of Income Tax Rules, 1962 that give true and correct particulars as per the provisions of the Income-tax Act, 1961 read with Rules, Notifications, Circulars etc. that are to be included in the Statement.....
- **Our responsibility is to provide reasonable assurance** about whether the particulars furnished in Form No. 3CD as a whole are free from material misstatement, whether due to fraud or error. We conducted our audit in accordance with the Standards on Auditing (SAs) issued by the Institute of Chartered Accountants of India (ICAI).....

Form 3CA / 3CB: Issues [Refer 14.5 of GN on Tax Audit]

2: Duty in relation to 'Qualifications'.

Where any of the requirements in this form is answered in negative or with qualification, the report shall state the reasons thereof. The tax auditor should state this qualification in the audit report so that the same becomes a comprehensive report and the user of the audited statement of particulars can realize the impact of such qualifications



Form 3CA / 3CB: Issues [Refer 15.5 of GN on Tax Audit]

3: Clauses where 'observations / qualifications' are to be reported.

- **Observations / Qualifications effecting ;**

His reporting about **obtaining all the information** and explanations which were necessary for the purposes of the audit;

About the **keeping of proper books of account** by the head office and branches of the assessee; **and**

about the true and fair view of the financial statements.

Specify these at Clause 3(a) of Form 3CA or 3CB. [Further, specify these in clause 3(a) only if 'Clarificatory in nature'. Else, specify in Notes to accounts]

- **Other observations / Qualifications: Specify in the Notes to accounts.**

- **No qualifications: Mention 'Nil'**



Form 3CD: [Para 17 of GN]

FORM NO. 3CD

[See rule 6 G(2)]

**Statement of particulars required to be furnished under
section 44AB of the Income-tax Act, 1961**

PART - A

1. Name of the assessee
2. Address
3. Permanent Account Number or Aadhaar Number
4. Whether the assessee is liable to pay indirect tax like excise duty, service tax, sales tax, *goods and services tax*, customs duty, etc. if yes, please furnish the registration number or *GST number* or any other identification number allotted for the same.....
5. Status.....
6. Previous year from.....to.....
7. Assessment year.....
8. Indicate the relevant clause of section 44AB under which the audit has been conducted

¹[8a. *Whether the assessee has opted for taxation under section 115BA/115BAA/115BAB/115BAC/115BAD?.*]



Snapshot of Sec 115BAA vis-à-vis Sec 115BAB

Sec 115BAA: Tax on income of Certain Dom Cos.,	Sec 115BAB: Tax on income of Certain New Dom Mfg. Cos.,
Who is eligible? Domestic Companies	Domestic Manufacturing Companies Set up and regd on or after 1 st Oct 2019 and commence mfr operations on or before 31 st March 2023; Restrictions on formation style
What needs to be foregone? Sec 10AA; Sec 32(1)(iia); Sec 32AD; Sec 33AB; Sec 33ABA; Sec 35(1)(ii)/(iia)/(iii); Sec 35(2AA)/(2AB); Sec 35AD; Sec 35CCC; Sec 35CCD; Sec 80H to 80TT other than 80JJAA	What needs to be foregone? Same list
When to choose? Before filing of the ROI for AY 2020-21 or subsequent AYs	Before filing its first return
Tax Rate: 22% + Surcharge of 10% + HEC of 4% = 25.168%	Tax Rate: 15% + Surcharge of 10% + HEC of 4% = 17.16%
MAT? Not applicable	MAT? Not applicable
TP? No	TP? Yes

Form 3CD: Issues in computation

Where the entity opted for Sec 115BAB, the income from manufacturing shall be taxed at 15% on net basis; where as other income say [IHP / IOS] shall be taxable on gross basis at 22% [Say even without allowing standard deduction of 30% of GAV while computing the IHP] [Refer 1st proviso to Sec 115BAB]



Form 3CD: [Para 18 and 19 of the GN]

PART - B

9. (a) If firm or association of persons, indicate names of partners/members and their profit sharing ratios.

(b) If there is any change in the partners or members or in their profit sharing ratio since the last date of the preceding year, the particulars of such change.....

10. (a) Nature of business or profession (if more than one business or profession is carried on during the previous year, nature of every business or profession)

(b) If there is any change in the nature of business or profession, the particulars of such change.
.....



Form 3CD: [Para 20 and 21]

11. (a) Whether books of account are prescribed under section 44AA, if yes, list of books so prescribed.

(b) List of books of account maintained and the address at which the books of account are kept.

(In case books of account are maintained in a computer system, mention the books of account generated by such computer system. If the books of account are not kept at one location, please furnish the addresses of locations along with the details of books of account maintained at each location.)

(c) List of books of account and nature of relevant documents examined.

12. Whether the profit and loss account includes any profits and gains assessable on presumptive basis, if yes, indicate the amount and the relevant section (44AD, 44AE, 44AF, 44B, 44BB, 44BBA, 44BBB, Chapter XII-G, First Schedule or any other relevant section.)



13. (a) Method of accounting employed in the previous year.....

(b) Whether there had been any change in the method of accounting employed vis-a-vis the method employed in the immediately preceding previous year.

(c) If answer to (b) above is in the affirmative, give details of such change, and the effect thereof on the profit or loss.

Serial number	Particulars	Increase in profit (Rs.)	Decrease in profit (Rs.)

(d) Whether any adjustment is required to be made to the profits or loss for complying with the provisions of income computation and disclosure standards notified under section 145(2)

(e) if answer to (d) above is in the affirmative, give details of such adjustments:

		Increase in profit (Rs.)	Decrease in profit (Rs.)	Net Effect (Rs.)
ICDS I	Accounting Policies			
ICDS II	Valuation of Inventories			
ICDS III	Construction Contracts			
ICDS IV	Revenue Recognition			
ICDS V	Tangible Fixed Assets			
ICDS VI	Changes in Foreign Exchange Rates			
ICDS VII	Governments Grants			
ICDS VIII	Securities Borrowing Costs			
ICDS IX				
ICDS X	Provisions, Contingent Liabilities and Contingent Assets			
	Total			

Form 3CD: [Refer Taxation Guide on ICDS]

(f) Disclosure as per ICDS :

(i) ICDS I - Accounting Policies

(ii) ICDS II - Valuation of Inventories

(Hi) ICDS III - Construction Contracts

(iv) ICDS IV - Revenue Recognition

(v) ICDS V - Tangible Fixed Assets

(vi) ICDS VII - Governments Grants

(vii) ICDS IX - Borrowing Costs

(viii) ICDS X - Provisions, Contingent Liabilities and Contingent Assets.



Form 3CD: [Para 23 and 24 of GN]

14. (a) Method of valuation of closing stock employed in the previous year.

(b) In case of deviation from the method of valuation prescribed under section 145A, and the effect thereof on the profit or loss, please furnish :

Serial number	Particulars	Increase in profit (Rs.)	Decrease in profit (Rs.)

15. Give the following particulars of the capital asset converted into stock-in-trade:—

(a) Description of capital asset;

(b) Date of acquisition;

(c) Cost of acquisition;

(d) Amount at which the asset is converted into stock-in-trade.

Form 3CD: [Para 25 of GN]

16. Amounts not credited to the profit and loss account, being, -

- (a) the items falling within the scope of section 28;
- (b) the proforma credits, drawbacks, refund of duty of customs or excise or service tax, or refund of sales tax or value added tax where such credits, drawbacks or refunds are admitted as due by the authorities concerned;
- (c) escalation claims accepted during the previous year;
- (d) any other item of income;
- (e) capital receipt, if any.



Form 3CD: [Para 26 of GN]

²[17. Where any land or building or both is transferred during the previous year for a consideration less than value adopted or assessed or assessable by any authority of a State Government referred to in section 43CA or 50C, please

<i>Details of property</i>	<i>Consideration received or accrued</i>	<i>Value adopted or assessed or assessable</i>	<i>Whether provisions of second proviso to sub-section (1) of section 43CA or fourth proviso to clause (x) of sub-section (2) of section 56 applicable? [Yes/No]</i>

Form 3CD: [Para 27 of GN]

18. Particulars of depreciation allowable as per the Income-tax Act, 1961 in respect of each asset or block of assets, as the case may be, in the following form :—

- (f) Description of asset/block of assets.
- (g) Rate of depreciation.
- (h) Actual cost of written down value, as the case may be.

²[(ca) *Adjustment made to the written down value under section 115BAC/115BAD (for assessment year 2021-2022 only)*

(cb) *Adjustment made to written down value of Intangible asset due to excluding value of goodwill of a business or profession*.....

(cc) *Adjusted written down value*.....]

- (i) Additions/deductions during the year with dates; in the case of any addition of an asset, date put to use; including adjustments on account of —

- (i) Central Value Added Tax credits claimed and allowed under the Central Excise Rules, 1944, in respect of assets acquired on or after 1st March, 1994,

- (ii) change in rate of exchange of currency, and

- (iii) subsidy or grant or reimbursement, by whatever name called.

- (j) Depreciation allowable.

- (k) Written down value at the end of the year.....



Form 3CD: Sec 32AC to Sec 35E [Para 28 of GN]

19. Amounts admissible under sections :

Section	Amount debited to profit and loss account	Amounts admissible as per the provisions of the Income-tax Act, 1961 and also fulfils the conditions, if any specified under the relevant provisions of Income-tax Act, 1961 or Income-tax Rules, 1962 or any other guidelines, circular, etc., issued in this behalf.
32AC		
32AD		
33AB		
33ABA		
35(1)(i)		
35(1) (ii)		
35(1)(iia)		
35(1)(iii)		
35(1)(iv)		

Refer Drop down in the Utility



Form 3CD: [Para 29 of GN]

20. (a) Any sum paid to an employee as bonus or commission for services rendered, where such sum was otherwise payable to him as profits or dividend. [Section 36(1)(ii)]

(b) Details of contributions received from employees for various funds as referred to in section 36(1)(va):

Serial number	Nature of fund	Sum received from employees	Due date for payment	The actual amount paid	The actual date of payment to the concerned authorities

Form 3CD: [Para 30 of GN]

21. (a) Please furnish the details of amounts debited to the profit and loss account, being in the nature of capital, personal, advertisement expenditure etc.

Nature	Serial number	Particulars	Amount in Rs.
Capital expenditure			
Personal expenditure			
Advertisement expenditure in any souvenir, brochure, tract, pamphlet or the like published by a political party			
Expenditure incurred at clubs being entrance fees and subscriptions			
Expenditure incurred at clubs being cost for club services and facilities used.			
Expenditure by way of penalty or fine for violation of any law for the time being force			
Expenditure by way of any other penalty or fine not covered above			
Expenditure incurred for any purpose which is an offence or which is prohibited by law			



Form 3CD: [Para 31 of GN]

(b) Amounts inadmissible under section 40(a):-

(i) as payment to non-resident referred to in sub-clause (i)

(A) Details of payment on which tax is not deducted:

(I) date of payment.....

(II) amount of payment.....

(III) nature of payment.....

(IV) name and address of the payee.....

(B) Details of payment on which tax has been deducted but has not been paid during the previous year or in the subsequent year before the expiry of time prescribed under section 200(1)

(I) date of payment.....

(II) amount of payment.....

(III) nature of payment.....

(IV) name and address of the payee.....

(V) amount of tax deducted.....



Form 3CD: [Para 31 of GN]

(ii) as payment referred to in sub-clause (ia)

(A) Details of payment on which tax is not deducted:

(I) date of payment.....

(II) amount of payment.....

(III) nature of payment.....

(IV) name and address of the payee.....

(B) Details of payment on which tax has been deducted but has not been paid on or before the due date specified in sub- section (1) of section 139.

(I) date of payment.....

(II) amount of payment.....

(III) nature of payment.....

(IV) name and address of the payer*.....

* Should be read as 'Payee'.

(V) amount of tax deducted.....

(VI) amount out of (V) deposited, if any



Form 3CD: [Para 31 and 32 of GN]

(b) Amounts inadmissible under section 40(a):-

(iii) under sub-clause (ic) [Wherever applicable]

(iv) under sub-clause (ia)

(v) under sub-clause (ib)

(vi) under sub-clause (iii)

(A) date of payment

(B) amount of payment

(C) name and address of the payee

(vii) under sub-clause (iv)

(viii) under sub-clause (v)

(c) Amounts debited to profit and loss account being, interest, salary, bonus, commission or remuneration inadmissible under section 40(b)/40(ba) and computation thereof;

Form 3CD: [Para 33 of GN]

(d) Disallowance/deemed income under section 40A(3):

(A) On the basis of the examination of books of account and other relevant documents/evidence, whether the expenditure covered under section 40A(3) read with rule 6DD were made by account payee cheque drawn on a bank or account payee bank draft. If not, please furnish the details :

Serial number	Date of payment	Nature of payment	Amount	Name and Permanent Account Number or Aadhaar Number of the payee, if available

(B) On the basis of the examination of books of account and other relevant documents/evidence, whether the payment referred to in section 40A(3A) read with rule 6DD were made by account payee cheque drawn on a bank or account payee bank draft If not, please furnish the details of amount deemed to be the profits and gains of business or profession under section 40A (3A);

Serial number	Date of payment	Nature of payment	Amount	Name and Permanent Account Number or Aadhaar Number of the payee, if available

Form 3CD: [Para 34 to 38 of GN]

- (e) provision for payment of gratuity not allowable under section 40A(7);
- (f) any sum paid by the assessee as an employer not allowable under section 40A(9);
.....
- (g) particulars of any liability of a contingent nature;
- (h) amount of deduction inadmissible in terms of section 14A in respect of the expenditure incurred in relation to income which does not form part of the total income;
- (i) amount inadmissible under the proviso to section 36(1)(iii).



Form 3CD: [Para 39 to 42 of GN]

22. Amount of interest inadmissible under section 23 of the Micro, Small and Medium Enterprises Development Act, 2006.
23. Particulars of payments made to persons specified under section 40A(2)(b).
24. Amounts deemed to be profits and gains under section 32AC *or* [32AD *or*] 33AB or 33ABA or 33AC.
25. Any amount of profit chargeable to tax under section 41 and computation thereof.



Form 3CD: [Para 46 of GN]

26. In respect of any sum referred to in clauses (a),(b), (c), (d), (e), [(f) or (g)] of section 43B, the liability for which:—

- (A) pre-existed on the first day of the previous year but was not allowed in the assessment of any preceding previous year and was
 - (a) paid during the previous year;
 - (b) not paid during the previous year;
- (B) was incurred in the previous year and was
 - (a) paid on or before the due date for furnishing the return of income of the previous year under section 139(1);
 - (b) not paid on or before the aforesaid date.

(State whether sales tax, customs duty, excise duty or any other indirect tax, levy, cess, impost, etc., is passed through the profit and loss account.)

Form 3CD: [Para 44 to 46 of the GN]

27. (a) Amount of Central Value Added Tax credits availed of or utilised during the previous year and its treatment in the profit and loss account and treatment of outstanding Central Value Added Tax credits in the accounts.

(b) Particulars of income or expenditure of prior period credited or debited to the profit and loss account.

28. Whether during the previous year the assessee has received any property, being share of a company not being a company in which the public are substantially interested, without consideration or for inadequate consideration as referred to in section 56(2)(viia), if yes, please furnish the details of the same.

29. Whether during the previous year the assessee received any consideration for issue of shares which exceeds the fair market value of the shares as referred to in section 56(2)(viib), if yes, please furnish the details of the same.



Form 3CD: [Para 47 of the GN]

[29A. (a) Whether any amount is to be included as income chargeable under the head 'income from other sources' as referred to in clause (ix) of sub-section (2) of section 56? (Yes/No)

(b) If yes, please furnish the following details:

(i) Nature of income :

(ii) Amount thereof:

29B. (a) Whether any amount is to be included as income chargeable under the head 'income from other sources' as referred to in clause (x) of sub-section (2) of section 56? (Yes/No)

(b) If yes, please furnish the following details:

(i) Nature of income :

(ii) Amount (in Rs.) thereof :]



Form 3CD: [Para 48 of the GN]

30. Details of any amount borrowed on hundi or any amount due thereon (including interest on the amount borrowed) repaid, otherwise than through an account payee cheque. [Section 69D]

.....

[30A. (a) *Whether primary adjustment to transfer price, as referred to in sub-section 1) of section 92Ce, has been made during the previous year? (Yes/No)*

(b) If yes, please furnish the following details:—

- (i) Under which clause of sub-section (1) of section 92CE primary adjustment is made?*
- (ii) Amount (in Rs.) of primary adjustment:*
- (iii) Whether the excess money available with the associated enterprise is required to be repatriated to India as per the provisions of sub-section (2) of section 92CE? (Yes/No)*
- (iv) If yes, whether the excess money has been repatriated within the prescribed time (Yes/No)*
- (v) If no, the amount (in Rs.) of imputed interest income on such excess money which has not been repatriated within the prescribed time:*



Form 3CD: [Para 48 of the GN]

30B. (a) Whether the assessee has incurred expenditure during the previous year by way of interest or of similar nature exceeding one crore rupees as referred to in sub-section (1) of section 94B? (Yes/No.)

(b) If yes, please furnish the following details:—

- (i) Amount (in Rs.) of expenditure by way of interest or of similar nature incurred:*
- (ii) Earnings before interest, tax, depreciation and amortization (EBITDA) during the previous year (in Rs.):*
- (iii) Amount (in Rs.) of expenditure by way interest or of similar nature as per (i) above which exceeds 30% of EBITDA as per (ii) above :*
- (iv) Details of interest expenditure brought forward as per sub-section (4) of section 94B:*

<i>A.Y.</i>	<i>Amount (in Rs.)</i>

(v) Details of interest expenditure carried forward as per sub-section (4) of section 94B:

<i>A.Y.</i>	<i>Amount (in Rs.)</i>



Form 3CD: [Para 48 of the GN]

30C. (a) Whether the assessee has entered into an impermissible avoidance arrangement, as referred to in section 96, during the previous year? (Yes/No.)

(b) If yes, please specify:—

(i) Nature of impermissible avoidance arrangement:

(ii) Amount (in Rs.) of tax benefit in the previous year arising, in aggregate, to all the parties to the arrangement:]



Form 3CD: [Para 49 to 51 of the GN]

[31. (a) *Particulars of each loan or deposit in an amount exceeding the limit specified in section 269SS taken or accepted during the previous year: —*

- (i) name, address and Permanent Account Number or Aadhaar Number (if available with the assessee) of the lender or depositor;*
- (ii) amount of loan or deposit taken or accepted;*
- (iii) whether the loan or deposit was squared up during the previous year;*
- (iv) maximum amount outstanding in the account at any time during the previous year;*
- (v) whether the loan or deposit was taken or accepted by cheque or bank draft or use of electronic clearing system through a bank account;*
- (vi) in case the loan or deposit was taken or accepted by cheque or bank draft, whether the same was taken or accepted by an account payee cheque or an account payee bank draft.*



Form 3CD: [Para 49 to 51 of the GN]

(b) Particulars of each specified sum in an amount exceeding the limit specified in section 269SS taken or accepted during the previous year: —

- (i) name, address and Permanent Account Number or Aadhaar Number (if available with the assessee) of the person from whom specified sum is received;*
- (ii) amount of specified sum taken or accepted;*
- (iii) whether the specified sum was taken or accepted by cheque or bank draft or use of electronic clearing system through a bank account;*
- (iv) in case the specified sum was taken or accepted by cheque or bank draft, whether the same was taken or accepted by an account payee cheque or an account payee bank draft.*

(Particulars at (a) and (b) need not be given in the case of a Government company, a banking company or a corporation established by the Central, State or Provincial Act.)



Form 3CD: [Para 49 to 51 of the GN]

(ba) Particulars of each receipt in an amount exceeding the limit specified in section 269ST, in aggregate from a person in a day or in respect of a single transaction or in respect of transactions relating to one event or occasion from a person, during the previous year, where such receipt is otherwise than by a cheque or bank draft or use of electronic clearing system through a bank account:—

- (i) Name, address and Permanent Account Number or Aadhaar Number (if available with the assessee) of the payer;*
- (ii) Nature of transaction;*
- (iii) Amount of receipt (in Rs.);*
- (iv) Date of receipt;*

(bb) Particulars of each receipt in an amount exceeding the limit specified in section 269ST, in aggregate from a person in a day or in respect of a single transaction or in respect of transactions relating to one event or occasions from a person, received by a cheque or bank draft, not being an account payee cheque or an account payee bank draft, during the previous year;—

- (i) Name, address and Permanent Account Number or Aadhaar Number (if available with the assessee) of the payer;*
- (ii) Amount of receipt (in Rs.);*



Form 3CD: [Para 49 to 51 of the GN]

(bc) Particulars of each payment made in an amount exceeding the limit specified in section 269ST, in aggregate to a person in a day or in respect of a single transaction or in respect of transactions relating to one event or occasions to a person, otherwise than by a cheque or bank draft, or use of electronic clearing system through a bank account, during the previous year:—

- (i) Name, address and Permanent Account Number or Aadhaar Number (if available with the assessee) of the payee;*
- (ii) Nature of transaction;*
- (iii) Amount of payment (in Rs.);*
- (iv) Date of payment;*



Form 3CD: [Para 49 to 51 of the GN]

(bd) Particulars of each payment made in an amount exceeding the limit specified in section 269ST, in aggregate to a person in a day or in respect of a single transaction or in respect of transactions relating to one event or occasions to a person, made by a cheque or bank draft, not being an account payee cheque or an account payee bank draft, during the previous year:—

(i) Name, address and Permanent Account Number or Aadhaar Number (if available with the assessee) of the payee;

(ii) Amount of payment (in Rs.);

(Particulars at (ba), (bb), (bc) and (bd) need not be given in the case of receipt by or payment to a Government company, a banking Company, a post office savings bank, a cooperative bank or in the case of transactions referred to in section 269SS or in the case of persons referred to in Notification No. S.O. 2065(E) dated 3rd July, 2017);]



Form 3CD: [Para 49 to 51 of the GN]

(c) Particulars of each repayment of loan or deposit or any specified advance in an amount exceeding the limit specified in section 269T made during the previous year:—

- (i) name, address and Permanent Account Number or Aadhaar Number (if available with the assessee) of the payee;*
- (ii) amount of the repayment;*
- (iii) maximum amount outstanding in the account at any time during the previous year;*
- (iv) whether the repayment was made by cheque or bank draft or use of electronic clearing system through a bank account;*
- (v) in case the repayment was made by cheque or bank draft, whether the same was repaid by an account payee cheque or an account payee bank draft.*



Form 3CD: [Para 49 to 51 of the GN]

(c) Particulars of each repayment of loan or deposit or any specified advance in an amount exceeding the limit specified in section 269T made during the previous year:—

- (i) name, address and Permanent Account Number or Aadhaar Number (if available with the assessee) of the payee;*
- (ii) amount of the repayment;*
- (iii) maximum amount outstanding in the account at any time during the previous year;*
- (iv) whether the repayment was made by cheque or bank draft or use of electronic clearing system through a bank account;*
- (v) in case the repayment was made by cheque or bank draft, whether the same was repaid by an account payee cheque or an account payee bank draft.*



Form 3CD: [Para 49 to 51 of the GN]

(d) Particulars of repayment of loan or deposit or any specified advance in an amount exceeding the limit specified in section 269T received otherwise than by a cheque or bank draft or use of electronic clearing system through a bank account during the previous year:—

- (i) name, address and Permanent Account Number or Aadhaar Number (if available with the assessee) of the payer*;*
- (ii) repayment of loan or deposit or any specified advance received otherwise than by a cheque or bank draft or use of electronic clearing system through a bank account during the previous year.*

(e) Particulars of repayment of loan or deposit or any specified advance in an amount exceeding the limit specified in section 269T received by a cheque or bank draft which is not an account payee cheque or account payee bank draft during the previous year:—

- (i) name, address and Permanent Account Number or Aadhaar Number (if available with the assessee) of the payer*;*
- (ii) repayment of loan or deposit or any specified advance received by a cheque or a bank draft which is not an account payee cheque or account payee bank draft during the previous year.*

(Particulars at (c), (d) and (e) need not be given in the case of a repayment of any loan or deposit or any specified advance taken or accepted from the Government, Government company, banking company or a corporation established by the Central, State or Provincial Act).

Form 3CD: [Para 52 of the GN]

32. ³[(a) Details of brought forward loss or depreciation allowance, in the following manner, to the extent available:

<i>Sl No</i>	<i>Assessment Year</i>	<i>Nature of loss/ allowance (in rupees)</i>	<i>Amount as returned* (in rupees)</i>	<i>All losses/ allowances not allowed under section 115BAA/ 115BAC/ 115BAD</i>	<i>Amount as adjusted by withdrawal of additional depreciation on account of opting for taxation under section 115BAC/115BAD[^]</i>	<i>Amounts as assessed (give reference to relevant order)</i>	<i>Remarks</i>
<i>(1)</i>	<i>(2)</i>	<i>(3)</i>	<i>(4)</i>	<i>(5)</i>	<i>(6)</i>	<i>(7)</i>	<i>(8)</i>

**If the assessed depreciation is less and no appeal pending than take assessed.*

[^] To be filled in for assessment year 2021-22 only.]



Form 3CD: [Para 53 to 56 of the GN]

(b) Whether a change in shareholding of the company has taken place in the previous year due to which the losses incurred prior to the previous year cannot be allowed to be carried forward in terms of section 79.

(c) Whether the assessee has incurred any speculation loss referred to in section 73 during the previous year, If yes, please furnish the details of the same.

(d) whether the assessee has incurred any loss referred to in section 73A in respect of any specified business during the previous year, if yes, please furnish details of the same.

(e) In case of a company, please state that whether the company is deemed to be carrying on a speculation business as referred in explanation to section 73, if yes, please furnish the details of speculation loss if any incurred during the previous year.



Form 3CD: [Para 57 of the GN]

33. Section-wise details of deductions, if any, admissible under Chapter VIA or Chapter III (Section 10A, Section 10AA).

Section under which deduction is claimed	Amounts admissible as per the provision of the Income-tax Act, 1961 and fulfils the conditions, if any, specified under the relevant provisions of Income-tax Act, 1961 or Income-tax Rules, 1962 or any other guidelines, circular, etc, issued in this behalf.

Form 3CD: [Para 58 to 60 of the GN]

34. (a) Whether the assessee is required to deduct or collect tax as per the provisions of Chapter XVII-B or Chapter XVII-BB, if yes please furnish:

Tax deduction and collection Account Number (TAN)	Section	Nature of payment	Total amount of payment or receipt of the nature specified in column (3)	Total amount on which tax was required to be deducted or collected out of (4)	Total amount on which tax was deducted or collected at specified rate out of (5)	Amount of tax deducted or collected out of (6)	Total amount on which tax was deducted or collected at less than specified rate out of (7)	Amount of tax deducted or collected on (8)	Amount of tax deducted or collected not deposited to the credit of the Central Government out of (6) and (8)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)

Form 3CD: [Para 58 to 60 of the GN]

(b) whether the assessee is required to furnish the statement of tax deducted or tax collected. If yes, please furnish the details :

<i>Tax deduction and collection Account Number (TAN)</i>	<i>Type of Form</i>	<i>Due date for furnishing</i>	<i>Date of furnishing, if furnished</i>	<i>Whether the statement of tax deducted or collected contains information about all details/ transactions which are required to be reported. If not, please furnish list of details/ transactions which are not reported.</i>

Form 3CD: [Para 58 to 60 of the GN]

(c) whether the assessee is liable to pay interest under section 201(1A) or section 206C(7). If yes, please furnish:

Tax deduction and collection Account Number (TAN)	Amount of interest under section 201(1A)/206C(7) is payable	Amount paid out of column (2) along with date of payment.



35. (a) In the case of a trading concern, give quantitative details of principal items of goods traded :

[Para 61 of the GN]

- (i) Opening Stock;
- (ii) purchases during the previous year;
- (iii) sales during the previous year;
- (iv) closing stock;
- (v) shortage/excess, if any

(b) In the case of a manufacturing concern, give quantitative details of the principal items of raw materials, finished products and by-products :

A. Raw Materials :

- (i) opening stock;
- (ii) purchases during the previous year;
- (iii) consumption during the previous year;
- (iv) sales during the previous year;
- (v) closing stock;
- (vi) yield of finished products;
- (vii) percentage of yield;
- (viii) shortage/excess, if any.

B. Finished products/by-products :

- (i) opening stock;
- (ii) purchases during the previous year;
- (iii) quantity manufactured during the previous year;
- (iv) sales during the previous year;
- (v) closing stock;
- (vi) shortage/excess, if any.



Form 3CD: [Omitted by IT (8th Amendment) Rules, 2021

36. In the case of a domestic company, details of tax on distributed profits under section 115-O in the following form :-

- (a) total amount of distributed profits;
- (b) amount of reduction as referred to in section 115-O (1A)(i);
- (c) amount of reduction as referred to in section 115-O (1A)(ii);
- (d) total tax paid thereon;
- (e) dates of payment with amounts.



Form 3CD: [Para 63 of the GN]

[36A. (a) *Whether the assessee has received any amount in the nature of dividend as referred to in sub-clause (e) of clause (22) of section 2? (Yes/No.)*

(b) If yes, please furnish the following details:—

(i) Amount received (in Rs.):

(ii) Date of receipt:]

37. Whether any cost audit was carried out, if yes, give the details, if any, of disqualification or disagreement on any matter/item/value/quantity as may be reported/identified by the cost auditor.

.....

38. Whether any audit was conducted under the Central Excise Act, 1944, if yes, give the details, if any, of disqualification or disagreement on any matter/item/value/quantity as may be reported/identified by the auditor.

Form 3CD: [Para 66 and 67 of the GN]

39. Whether any audit was conducted under section 72A of the Finance Act, 1994 in relation to valuation of taxable services, if yes, give the details, if any, of disqualification or disagreement on any matter/item/value/quantity as may be reported/identified by the auditor.

40. Details regarding turnover, gross profit, etc., for the previous year and preceding previous year:

Serial number	Particulars	Previous year	Preceding previous year
1.	Total turnover of the assessee		
2.	Gross profit/turnover		
3.	Net profit/turnover		
4.	Stock-in-trade/turnover		
5.	Material consumed/finished goods produced		

(The details required to be furnished for principal items of goods traded or manufactured or services rendered)

Form 3CD: [Para 68 of the GN]

41. Please furnish the details of demand raised or refund issued during the previous year under any tax laws other than Income-tax Act, 1961 and Wealth-tax Act, 1957 alongwith details of relevant proceedings.

[42. (a) *Whether the assessee is required to furnish statement in Form No.61 or Form No.61A or Form 61B? (Yes/No)*

(b) If yes, please furnish :

<i>Income tax Department Reporting Entity Identification Number</i>	<i>Type of Form</i>	<i>Due date for furnishing</i>	<i>Date of furnishing, if</i>	<i>Whether the Form contains information about all details/furnished transactions which are required to be reported. If not, please furnish list of the details/ transactions which are not reported.</i>



Form 3CD:

43. (a) Whether the assessee or its parent entity or alternate reporting entity is liable to furnish the report as referred to in sub-section (2) of section 286? (Yes/No)

(b) If yes, please furnish the following details :

- (i) Whether report has been furnished by the assessee or its parent entity or an alternate reporting entity*
- (ii) Name of parent entity*
- (iii) Name of alternate reporting entity (if applicable)*
- (iv) Date of furnishing of report*



Form 3CD:

44. Break-up of total expenditure of entities registered or not registered under the GST:

Sl. No.	Total amount of Expenditure incurred during the year	Expenditure in respect of entities registered under GST				Expenditure relating to entities not registered under GST
		Relating to goods or services exempt from GST	Relating to entities falling under composition scheme	Relating to other registered entities	Total payment to registered entities	
(1)	(2)	(3)	(4)	(5)	(6)	(7)]



Part B: Common Mistakes



Common mistakes while doing Tax Audit: General

1: Upload the correct CSV Files

We use CSV files at various places like 'Additions to fixed assets'; 'PF / ESI Remittances'; [Keep the back ups and ensure that the file names are 'XYZ Ltd_PF_FY2021...;' 'XYZ Ltd_Additions_FA_FY202021.....'] So that the correct files are uploaded in to the portal.



Common mistakes while doing Tax Audit: General

2: Approval to the 3CD by the client from his / its login

Ensure that the 3CD is approved at the client end. In some cases, it is noticed that the 3CD is not approved and the return is treated as 'Defective'.



Common mistakes while doing Tax Audit: General

3: Is the B/S and P&L uploaded belong to the client?

The Tax Auditor have uploaded the B/S and P&L of another company while uploading the Form 3CD erroneously.

- Ask the client to reject the 3CD uploaded and upload the new one;
- If the client already approved and uploaded, then revise the Form 3CD in the sense that you may choose the same xml but while uploading the new 3CD, choose in the remarks column "Others – and mention therein that attachments uploaded are erroneous."



Common mistakes while doing Tax Audit: General

4: Ensure that correct UDIN numbers are quoted

Ensure that correct numbers are quoted; Due to last minute rush, it may so happen that the UDINs are generated and one UDIN generated may be used for others and so on. If you notice any mistake, revoke it and generate a fresh one.



Common mistakes while doing Tax Audit: General

5: Be aware of the latest amendments

For example, if the turnover is falling beyond 2 Crore, do not jump to the conclusion that Tax Audit is mandatory. Examine whether the cash receipts does not exceed 5% of the aggregate of all amounts received (Sales / turnover / gross receipts) etc,. Likewise, examine for the payments side also. If it is not exceeding, then **Tax Audit is not applicable up to Rs 10 Crores;**

[May be relevant for start up software companies, back to back subcontracting the whole tender cases, etc]



Common mistakes while doing Tax Audit: General

6: Ensure that various mandatory Audit Reports / Forms are uploaded prior to filing of the return.

[3CB/3CA/3CD/3CEB (TP Audit) /56F [Relating to Sec 10AA] /10CCB [Relating to 80-IA, etc deduction], Master File etc,

Likewise, the options chosen U/S 115BAA [22%] or 115BAB [15%] are to be through the Form 10-IC / 10-ID and they need to be filed before the filing of ITR.

CbCR is to be filed by '1 year + Parent company's year close'. Clause 43(a) of the 3CD. For instance, where a parent is following calendar year, then for calendar year 2020, we need to disclose in 3CD, the due date for CbCR as '31st Dec 2021'



Common mistakes while doing Tax Audit: General

7: PAN / Aadhar numbers in the case of bad debts exceeding Rs 1 Lakh

You need to keep ready the PAN / Aadhar numbers in the case of 'Bad debts' where the amount is exceeding Rs 1 Lakh. Else, they are disallowing in Sec 143(1)(a); However, you may win in appeal; But it results in litigation. [ITR 6; Sl No 47 of Part A – Ind AS P&L for the AY 2020-21]



Common mistakes while doing Tax Audit: General

8: Keep ready of the returns of earlier years also

Ensure that if there are any past losses, they have been properly claimed in the return. Else, you may lose those the set off option.





Part C: Cross Checking with ITRs



Common mistakes while doing Tax Audit: Cross checking the clauses in the 3CD with entries in ITR

Clause 10(a) of 3CD : Nature of Business to be aligned with ITR – 6: 'Part – A' General

10. (a) Nature of business or profession (if more than one business or profession is carried on during the previous year, nature of every business or profession)

(b) If there is any change in the nature of business or profession, the particulars of such change.
.....



Common mistakes while doing Tax Audit: Cross checking the clauses in the 3CD with entries in ITR

Clause 11(a) of 3CD: Books of account specified U/S 44AA? [For business assesses, it shall be filled in as 'No'.]

11. (a) Whether books of account are prescribed under section 44AA, if yes, list of books so prescribed.

(b) List of books of account maintained and the address at which the books of account are kept.

(In case books of account are maintained in a computer system, mention the books of account generated by such computer system. If the books of account are not kept at one location, please furnish the addresses of locations along with the details of books of account maintained at each location.)

(c) List of books of account and nature of relevant documents examined.



Common mistakes while doing Tax Audit: Cross checking the clauses in the 3CD with entries in ITR

Clause 13(f): ICDS Disclosures; Suitably disclose; Else, the CA may be liable for Sec 271J penalty;

(f) Disclosure as per ICDS :

<i>(i) ICDS I</i>	<i>- Accounting Policies</i>
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<i>(ii) ICDS II</i>	<i>- Valuation of Inventories</i>
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<i>(Hi) ICDS III</i>	<i>- Construction Contracts</i>
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<i>(iv) ICDS IV</i>	<i>- Revenue Recognition</i>
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<i>(v) ICDS V</i>	<i>- Tangible Fixed Assets</i>
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<i>(vi) ICDS VII</i>	<i>- Governments Grants</i>
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<i>(vii) ICDS IX</i>	<i>- Borrowing Costs</i>
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<i>(viii) ICDS X</i>	<i>- Provisions, Contingent Liabilities and Contingent Assets.</i>
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Common mistakes while doing Tax Audit: Cross checking the clauses in the 3CD with entries in ITR

Clause 18: Depn: Ensure that it matches with 'Schedule DPM' in the ITR;

18. Particulars of depreciation allowable as per the Income-tax Act, 1961 in respect of each asset or block of assets, as the case may be, in the following form :—

(a) Description of asset/block of assets.

(b) Rate of depreciation.

(c) Actual cost of written down value, as the case may be.



Common mistakes while doing Tax Audit: Cross checking the clauses in the 3CD with entries in ITR

Clause 20: PF and ESI; Sec 36(1)(va): Ensure that these are correctly filled in the respective fields in ITR; Part A – OI;

20. (a) Any sum paid to an employee as bonus or commission for services rendered, where such sum was otherwise payable to him as profits or dividend. [Section 36(1)(ii)]

(b) Details of contributions received from employees for various funds as referred to in section 36(1)(va):

Serial number	Nature of fund	Sum received from employees	Due date for payment	The actual amount paid	The actual date of payment to the concerned authorities



Common mistakes while doing Tax Audit: Cross checking the clauses in the 3CD with entries in ITR

Clause 21: Penalties, club membership etc; Ensure that all these are correctly reflected in the ITR at the respective fields in the ITR; PART A – OI; [Else, it may be disallowed twice]

21. (a) Please furnish the details of amounts debited to the profit and loss account, being in the nature of capital, personal, advertisement expenditure etc.



Common mistakes while doing Tax Audit: Cross checking the clauses in the 3CD with entries in ITR

Clause 21: The TDS related aspects of Clause 21 is to be broadly aligned with clause 34(a) in the 3CD and ensure that 30% or 100% of the sum is disallowed in ITR if there are any disallowances. [Part A – OI – SI no 8 – AY 2020-21]

(b) Amounts inadmissible under section 40(a):-

(i) as payment to non-resident referred to in sub-clause (i)

(A) Details of payment on which tax is not deducted:

(I) date of payment.....

(II) amount of payment.....

(III) nature of payment.....

(IV) name and address of the payee.....



Common mistakes while doing Tax Audit: Cross checking the clauses in the 3CD with entries in ITR

Clause 26: 43B Payments; Ensure that it is correctly aligned with SI No 11 of Part A – OI of the ITR 6 of AY 2020-21

26. In respect of any sum referred to in clauses (a),(b), (c), (d), (e), [(f) or (g)] of section 43B, the liability for which:—

- (A) pre-existed on the first day of the previous year but was not allowed in the assessment of any preceding previous year and was
 - (a) paid during the previous year;
 - (b) not paid during the previous year;
 - (B) was incurred in the previous year and was
 - (a) paid on or before the due date for furnishing the return of income of the previous year under section 139(1);
 - (b) not paid on or before the aforesaid date.
- (State whether sales tax, customs duty, excise duty or any other indirect tax, levy, cess, impost, etc., is passed through the profit and loss account.)



Common mistakes while doing Tax Audit: Cross checking the clauses in the 3CD with entries in ITR

Clause 31: Sec 269ST / 269SS / 269T = Check back with SFT; [Acquiring rural agricultural lands are also covered; Cash gifts to relatives are also covered] [Leads to huge penalty]

(ba) Particulars of each receipt in an amount exceeding the limit specified in section 269ST, in aggregate from a person in a day or in respect of a single transaction or in respect of transactions relating to one event or occasion from a person, during the previous year, where such receipt is otherwise than by a cheque or bank draft or use of electronic clearing system through a bank account:—

- (i) Name, address and Permanent Account Number or Aadhaar Number (if available with the assessee) of the payer;*
- (ii) Nature of transaction;*
- (iii) Amount of receipt (in Rs.);*
- (iv) Date of receipt;*



Common mistakes while doing Tax Audit: Cross checking the clauses in the 3CD with entries in ITR

Clause 32: B/F losses; These are to be aligned to fields in the ITRs;

32. ³[(a) Details of brought forward loss or depreciation allowance, in the following manner, to the extent available:

<i>Sl No</i>	<i>Assessment Year</i>	<i>Nature of loss/ allowance (in rupees)</i>	<i>Amount as returned* (in rupees)</i>	<i>All losses/ allowances not allowed under section 115BAA</i>	<i>Amount as adjusted by withdrawal of additional depreciation on account of opting for taxation under section 115BAA^</i>	<i>Amounts as assessed (give reference to relevant order)</i>	<i>Remarks</i>
<i>(1)</i>	<i>(2)</i>	<i>(3)</i>	<i>(4)</i>	<i>(5)</i>	<i>(6)</i>	<i>(7)</i>	<i>(8)</i>



Common mistakes while doing Tax Audit: Cross checking the clauses in the 3CD with entries in ITR

Clause 33: Chapter VI-A; Align with ITR and also ensure the relevant forms like 56F, 10CCB, etc are filed and uploaded prior to the return;

33. Section-wise details of deductions, if any, admissible under Chapter VIA or Chapter III (Section 10A, Section 10AA).

Section under which deduction is claimed	Amounts admissible as per the provision of the Income-tax Act, 1961 and fulfils the conditions, if any, specified under the relevant provisions of Income-tax Act, 1961 or Income-tax Rules, 1962 or any other guidelines, circular, etc, issued in this behalf.



Common mistakes while doing Tax Audit: Cross checking the clauses in the 3CD with entries in ITR

Clause 40: Turnover should map with the 'Revenue disclosed in the Manufacturing account and Trading account' in the ITR-6; [i.e Revenue from operations alone shall be considered in 3CD; Do not consider the 'Interest income, forex fluctuations' etc for the purpose of turnover for Clause 40 purposes] [Likewise, GP occurring in Clause 40 should be aligned with the GP appearing in Manufacturing and Trading Account of the ITR-6]



Q & A



Thank You

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