The Institute of Chartered Accountants of India
(Set up by An Act of Parliament)
Organised by: Direct Tax Committee
Hosted by: Hyderabad Branch of SIRC of ICAI

CA INDIA

CPE 6HRS
FEE
1250+GST

SEMINAR ON

TAX AUDIT

THURSDAY
SEP-03
9:30AM TO 5:15PM

THE PARK,
SOMAJIGUDA,
HYDERABAD

TOPICS		RESOURCE PERSONS
	INAUGURAL SESSION	
Clause to Clause Analysis of form 3CA, 3CB, 3CD- Revisiting one last Time !!!	CA. NAVEEN KHARIWAL	
	TEA BREAK	
Tax Audit Compliances -Issues – Latest Developments	CA. K. GURURAJ ACHARYA	
	LUNCH BREAK	
Tax Audit - Know Beyond Basics	CA. COTHA SRINIVAS	
	TEA BREAK	
Practical Aspects of Tax Audit	CA. PRAMOD JAIN	

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Seminar on Tax Audit

hosted by

Hyderabad Branch of SIRC of ICAI

03.09.26

Tax Audit – Compliances & Issues – Latest Developments

CA K. Gururaj Acharya, *Bangalore*
acharya@kgacharya.com

Foreign Assets of Small Taxpayers - Disclosure Scheme 2026 (FAST-DS 2026)

Notified on 16th Aug 2026 upto 31st Dec. 2026

Reveal undisclosed foreign assets/income with immunity from tax / penalty & prosecution **–**

Nature of asset / income	Tax incl. penalty	Condition
Undisclosed foreign asset or undisclosed foreign income	60% of foreign Asset / Income disclosed	Aggregate value of **undisclosed foreign asset & income** ≤ ₹1 crore

Nature of default	Fee payable	Condition
FA not disclosed – such FA acquired (for multiple years also) → **WEF AY 2012-13** - **During the status as NR, or** - **From disclosed income**	**Flat fee of ₹1 lakh** **If same asset not disclosed in multiple years, Fee of 1 L only in I year of non-disclosure & not for each year (FAQs issued by ITD)**	Value of **Foreign asset** ≤ ₹5 crore

- ***Scheme applicable for undisclosed immovable property also.*** →
- **Rule for determination of FMV - on <u>Valuation Date (VD) = 31st Mar 2026</u> given.**
  If valuation is not carried out on VD, indexed cost of acquisition deemed to be FMV.
- ***Scheme not applicable if***
  - *Income / assets represent proceeds of crime*
  - *Assessment proceedings under BMA already been completed*
- **<u>File Form 1</u>** - Get **<u>order in Form-2</u>** by end of next month - Pay within 2 M of order or in next 2 M with interest @ 1% PM & initiate **<u>payment in Form 3</u>** (Payments allowed in parts) - **<u>Final order in Form – 4.</u>**

To enable resolution of <u>inadvertent non-disclosures for small taxpayers arising from ESOPs or RSUs, dormant/low-value foreign bank a/c's of former students, insurance policies of returning NRIs & assets</u> held on overseas deputation cases with payment of tax or fee based on nature & source of acquisition and **grant of limited immunity from penalty & prosecution under BMA**.

Tax + Penalty on undisclosed foreign income **@ 30% + 90% = 120% + applicable interest & possible prosecution** (under BMA)

Tax Audit – Not required if Turnover

Below	**Business**
Rs. 1 Cr	**For All Assesses** U/s.44AB (Except those covered below)
Rs. 2 Cr	Individual, HUF, Firm **opting** for Presumptive tax U/s. 44AD (Except those covered below)
Rs. 3 Cr [WEF AY 2024-25]	Individual, HUF, Firm opting for Presumptive tax U/s. 44AD **IFF** **Cash receipts@ < 5% of turnover or gross receipts** (Except those covered below)
Rs. 10 Cr	**For All Assesses** U/s.44AB **IFF** **Cash receipts@ < 5% of total receipts AND cash payments@ < 5% of total payments**

Below	**Specified Professionals →**
Rs. 50 L	Individual, HUF, Firm **Covered** under Presumptive tax U/s.44ADA (Except those below)
Rs. 75 L [WEF AY 2024-25]	Individual, HUF, Firm **Covered** under Presumptive tax U/s.44ADA **IFF** **Cash receipts@ < 5% of gross receipts**

@ Non-account payee cheque / DD equivalent to cash for computing 5% threshold.

Specified professionals U/s.44AA(1)	
1. Legal 2. Medical 3. Engineering 4. Architectural 5. Accountancy 6. Technical consultancy 7. Interior decoration	Plus thro Notification 1. Auth. representative 2. Film artist → 3. Company secretary 4. Information Technology 5. Sports Activities →

- S.194J – Covers above 7+5 professionals as in S.44AA & also covers **Advertising** professionals
- S.194C – Contract for any Work includes Advertising.

Cir. No.714 /1995

- When client makes payment to advt. agency - It is Contract U/s.194C and

- When agency pays to their models, artists, Photographers..- It is covered U/s.194J.

Cir. No.720 /1995

- Any payment is liable for TDS only under one section.

Company cannot be a professional

Specified professionals U/s.44AA(1)

Film Artist	**Sports Activities**
1. Actor	1. Sports Persons
2. cameraman	2. Umpires and Referees
3. Director including assistant director	3. Coaches and Trainers
4. Music director including assistant music director	4. Team Physicians and Physiotherapists
5. Art director including an assistant art director	5. Event Managers
6. Dance director including assistant dance director	6. Commentators
7. editor	7. Sports Columnists
8. Singer	8. Anchors
9. Lyricist	*Vide Notification No. 2085(E), dated 21-08-2008*
10. Story writer	
11. Screenplay writer	
12. Dialogue writer; and	
13. Dress designer.	

Payment to stunt artists not covered- DCIT v Movies Stunt Artists Association [2006] 6 SOT 204 (Mum.- Trib)

Stunt artists/dupes had not been specifically mentioned in the list of film artists notified by the Board and held that, since it would be farfetched to categorise them as actor. Thus, payments to stunt artists/dupes could not be s.t TDS by treating them as 'fees for professional services'.

Tax Auditor's – Responsibility

- **Qualification & Disqualification** – ACCOUNTANT U/s.288 (For Non-Corporates too)
- **Communication with previous Auditor**
- **Ceiling** on No. of Tax Audit →
- **3CA V 3CB** →
- **UDIN** – Generate in 60 days – Revoke in 48 hours – Update in IT Portal in 15 Calendar days of uploading – ***Else TAR /certificate invalid.*** →
- 91 + 2 sections referred + 5 chapters + I schedule - in Form 3CD
- **IC & DS** (For Mercantile system with IBP or IOS in Clause 13 e & f)
- **Revision** of TAR - 11th Edition - **Concluding edition** - Released on 31st July 2026 →
- **SA 700** Reporting format →

  Disallowance U/s.40(a)(ia) - For voluminous info., tax auditor can apply materiality principles (new in 2025 GN), tests-checks & compliance tests for verifying info. required under clause 21(b). Para 34.17.
- **AUDIT Documentation -** Be Peer Review Ready
  1. Appointment Letter
  2. Acceptance Letter
  3. Engagement Letter
  4. Management Representation Letter - **MRL**
  5. Other Supporting evidence -
     1. Assemble within 60 days – No New document to be recorded /created after audit process completed.
     2. Retain For 7 Y
  6. Tax Audit Register

Form No. 3CA - [See rule 6G(1)(a)]

Audit report U/s. 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

1. *I / we report that the statutory audit of M/s. __________________ (Name and address of the assessee with Permanent Account 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.

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.3 CD 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…………

Form No. 3CB - [See rule 6G(1)(b)]

Audit report U/s. 44AB of IT Act 1961, in 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 *P&L a/c / income & exp. a/c for the period beginning from ______ to ending on ________ attached herewith, of __________________________(Name), _______________ (Address), ____________(PAN).

2. *I / we certify that the balance sheet and the *P&L / income & exp. a/c are in agreement with the books of account maintained at the head office at _____________ and ** ___________ branches.

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 & 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 case of balance sheet, of state of the affairs of assessee as at 31st March ; and

(ii) in case of the *P&L a/c of the *profit / loss 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.3 CD are true and correct **subject to following observations/qualifications, if any:**

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

Place : ____________

Name of the signatory …..

Date : ____________

Full address............

UDIN portal – New Features

- **Year-wise summary of UDINs generated for past 5 years** – Bar Graph
- **Total & category / Sub-category-wise UDINs generated** – Pie Chart
  – Can identify the day with max. UDINs generated.
- **Tax Audit**
  - Count and remaining count for a selected FY
  - Captures PAN of assessee/auditee
  - Auditor's Opinion on Financial Statements $ →
  - Preceding Year's Audit Details – $ →

$ for GST & Tax Audit and **Audit & Assurance Functions -** Details captured for statistical purpose only - not visible to verifier

- **Bulk UDIN** feature -Enables members to generate multiple UDINs simultaneously (limited to 300 at one time), streamlining the documentation process for high-volume UDIN generation.
- **Bulk Verify**

UDIN within 2 days - **AQMM score**	
100%	30 points
80-99%	25 points
60–80%	20 points

UDIN

Audit Opinion

* Is Auditor's Opinion applicable to this audit: Yes

* Auditor's Opinion: --Select--

- --Select--
- Unmodified Opinion
- Qualified Opinion
- Adverse Opinion
- Disclaimer of Opinion
- Key Audit Matter (KAM)
- Emphasis of Matter (EOM)
- Other Matter

* Entity Type

Figures/Values:

S.no.	Particulars	Figures		
* 1.	Total Turnover as per Form 3CD			
* 2.	Net Profit/ Turnover (ratio) as per For	Figures in INR	Select	Figures in INR
* 3.	WDV of Fixed Assets	Figures in INR	Select	Figures in INR
* 4.	Assessment Year	YYYY-YYYY		
5.	PAN of the Assessee/ Auditee	PAN		

The information filled in by the members will not be visible to any third-party verifiers. UDIN Directorate – ICAI - 20th June 2025

Generate UDIN for all Reports & Certificates – including IARs.

For all GST & Tax Audit and the Audit & Assurance Functions

Details of Preceding year's of Audit

Is capturing details of the preceding auditor applicable to this audit/form?	
Yes	Enter previous year UDIN
Audit done by partner in same Firm	Enter MRN of the Auditor
No	• Enter MRN of the previous Auditor • Have you communicated with previous auditor – ○ If yes - Date of communication ○ If No - Reason for Non-Communication • Is there any O/s. audit fee to the previous year's audit as per the FS audited by you – Yes/No/Not Known
First year of Audit	

SA 700 STATEMENT

Assessee's Responsibility for FS and Statement of Particulars in Form 3CD:

i). The assessee is responsible for the preparation of the aforesaid financial statements that give a true and fair view of the financial position and financial performance (if applicable) in accordance with the applicable Financial reporting framework ~~Accounting Standards issued by ICAI referred to in S. 133 of the Companies Act, 2013~~. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

ii). ***The assessee is also 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 6G(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.***

Tax Auditor's Responsibility

i). Our responsibility is to express an opinion on these financial statements based on our audit. **We have conducted this audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India.** Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Cont'd...

ii). An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purposes of expressing an opinion on the effectiveness of the entity's internal control*. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

iii).We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

iv). We are also responsible for verifying 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 6G (1) (b) of Income-tax Rules, 1962. **We have conducted our verification of the statement in accordance with Guidance Note on Tax Audit under section 44AB of the Income-tax Act, 1961, issued by the Institute of Chartered Accountants of India.**

*** Deleted for Companies, iff Tax Auditor and Company Auditor are same, and where in Company Audit report - IFC report has been given.**

GN on Tax Audit 2026 — Key Changes from GN 2025

by DTC of ICAI released on 31st July 2026 (608 pages Vs. 590 pages in 2025 GN)

Gross receipts / turnover	**Includes** gains from VDAs & carbon credits for dealers. **Excludes** Bad-debt recovery, Remission of liability U/s. 41 & capital receipts **not credited to P&L.**
Tax auditor ceiling ~~Note-2 to para 9.33 in ED~~	• ~~Revised audits by a different member count toward that member's 60-audit ceiling.~~ → • Multiple branches of 1 auditee count as 1 tax audit. (para 9.36) • HO + branch audits for same assessee/year are 1 tax audit assignment, but separate UDINs may still be generated —UDIN count doesn't have to match the ceiling count.
Financial statements **Format for NCE / LLPs**	**Phased applicability of ICAI GN :** (Relaxation announced by ACB of ICAI 19th Sep. 2025) → • **Phase I** WEF FY 2025-26 for entities with turnover > ₹5 crore; • **Phase II** from FY 2026-27 for all entities. Auditor must report non-compliance in 3CA/3CB if prescribed formats not followed.
DPDP Act, 2023 **Fully applicable WEF 13 May 2027** New paras 13.13–13.16	• **Emphasize statutory confidentiality obligations for sensitive data** such as PAN, Aadhaar, salary & bank details; • Firms must **strengthen governance, access controls, cloud/AI safeguards** & • **Add data-processing clauses &** draft strict confidentiality agreements for all staff & 3rd party vendors **to engagement letters.**
Use of caution for AI New para 13.16	**If AI is employed for Audit, ultimate responsibility lies with auditor.** Moreover, it is necessary to observe responsibilities flowing from CA Act/Regulations, CoE (2026) & SAs etc.
Last edition notice	This is last edition of GN on tax audit U/s. 44AB of ITA, 1961. WEF 1 April 2026, tax audit moves U/s. 63 of ITA, 2025, with transition U/s. 536.
TAQRB observations	**Highlighting common errors** *(in 26 Form 3CD clauses)* **found in Form 3CD** →
Sample MRL & Working paper list	• **MRL Substantially rewritten into formal numbered repn. format** aligned with AASB FAQs on MRL - many downstream representations remain broadly unchanged in substance - Appendix IXA → • Suggested Working Papers based on SA 230 - Appendix IXC

Common Mistakes identified by TAQRB

1. **Not Reporting SA-700 paras.**
2. Cl. 2 **Mismatch in address** reported in Form 3CD Vs. Annual Report/MCA records.
3. **Incomplete or incorrect reporting of indirect tax Regn -** not matching with CARO or PAN without appropriate qualification.
4. Cl.8 **Relevant Cl. of S.44AB not properly selected** - Clause (a) **wrongly selected** instead of 3rd proviso to S.44AB →
5. Cl. 11 **<u>Books of a/c prescribed</u>**
   - **i. Books Prescribed only for specified professionals** – Saying 'Yes' for companies is wrong.
   - ii. Maintained in 'Computer system' not reported
   - iii. Addresses where maintained not mentioned.
6. Cl.13 **<u>IC&DS</u> -** Disclosure
   - i. For all except (VI) Forex rate & (VII) securities - Incorrect or incomplete reporting of ICDS applicability
   - ii. (V) TFA same as cl. 18- Reference not given
   - iii. Inventory valuation (inclusive & exclusive)
   - iv. Inventory - Cost <u>AND</u> NRV instead of Cost <u>OR</u> NRV *(Hard copy correct version, if s/w has issues)*
7. Cl.17 **<u>50C/ 43CA</u>** - Report only if Consideration < SDV → Not otherwise.
8. Cl.18 **<u>FA & Depn.</u>**
   - i. Addition in TAR not matching with PPE schedule in FS – If so reco. to be prepared
   - ii. Date put to use or transferred – Same for all assets - most likely not correct
9. **<u>ESI/PF</u>** – PF Reported but ESI not reported, when it was evidently applicable.
10. (i) Late Filing fee u/s 234E or Additional FF to Roc- Not penalties but reported so.

    (ii) 'Penalty or fine for violation of law' - Report this separate compared to 'other penalties'
11. <u>Cl.21 (g)</u>: Reported all Contingent Liability even when not debited to P&L.
12. <u>Cl. 25:</u> **Remission of liability v/s 41** - Report even if credited to P&L

Common mistake observed by TAQRB - Taxation Audits Quality Review Board **in Tax Audit Report**

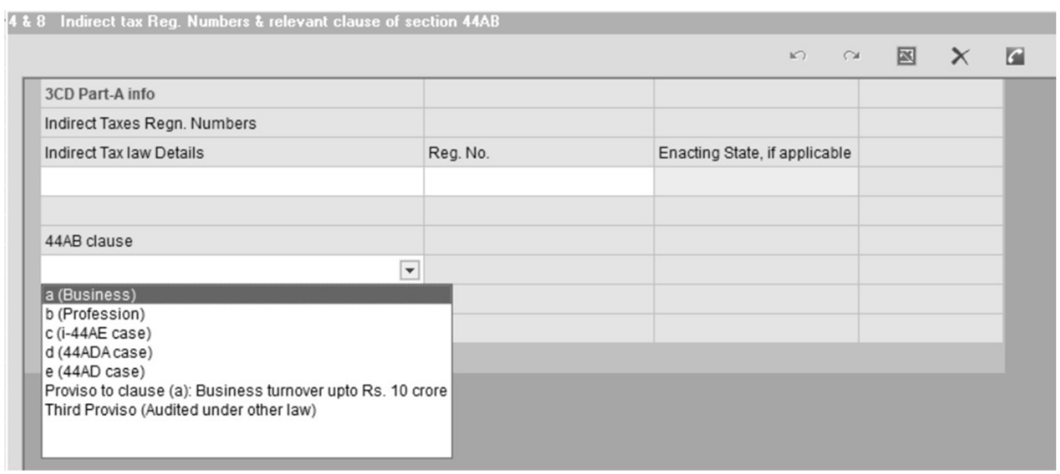
Majority of tax audit report of companies ***(reqd. to get their a/cs audited under Cos Act)*** **option (a) was selected** [Clause 44AB(a)-Total sales/ turnover/gross receipts in business exceeding specified limits"] **instead of option "Third Proviso to S. 44AB: Audited under any other law".**

Clause a to a to e of S. 44AB refers to audit of accounts done <u>under IT Act</u> *(i.e when Form 3CB is used)*

3rd Proviso to S.44AB

In a case where such <u>person is required by or **under any other law** to get his accounts audited</u>, it shall be sufficient compliance with the provisions of this section if such person gets the accounts of such B/P audited under such law before the specified date and furnishes by that date the report of the audit as required under such other law **and a further report by an accountant in the form prescribed** *(Form 3CA)* **under this section.**

The dropdown menu available in clause 8 is as under



Management Representation Letter (MRL) for Tax Audit

Revised MRL	Earlier MRL
1. We have fulfilled our responsibilities, as set out in the terms of the tax audit engagement, for the preparation of the books of account and the compilation of information in Form No. 3CD, duly signed and authenticated by us, which is enclosed herewith. 2. We have provided you with: • Access to all information of which we are aware that is relevant to the preparation and verification of the books of account and Form No. 3CD, including all records, documents, and other relevant matters; • All additional information that you have requested from us for the purpose of the tax audit; and • Unrestricted access to all persons within the entity from whom you determined it necessary to obtain audit evidence. 3. All accounting and financial transactions entered into by us during the year under audit have been duly recorded in the books of account and are accurately reflected in Form No. 3CD. There are no transactions that are required to be reported which have not been included in the details provided in Form No. 3CD. 4. The books of account and all required documents have been duly presented before you for the purpose of verification and confirmation of the details furnished in Form No. 3CD, on the basis of which you may form your opinion and issue your report in Form No. 3CA / 3CB, as the case may be. 5. Form No. 3CD has been prepared from the books of account and records maintained by us and, to the best of our knowledge and belief, gives true and correct information with respect to all the matters required to be disclosed therein. 6. We confirm that the information and details furnished in Form No. 3CD relate to all the accounting and financial transactions undertaken by us during the year, and the same have been properly and completely accounted for in the books of account maintained by us and presented before you for verification. 7. The significant accounting policies adopted in the preparation of the financial statements and books of account are appropriately described and consistently applied. The accounts are prepared on an accrual basis.	I/We acknowledge our responsibility to keep and maintain such books of account and other documents as may enable the tax auditor to do tax audit under section 44AB of the Income-tax Act, 1961, in accordance with the provisions of Income-tax Act, 1961. I/We understand our responsibility for the preparation of books of accounts, incorporating all the financial transactions entered into by me/us, to present a true and correct view of the accounts of my/our concern. We enclose herewith duly filled in Form No. 3CD signed and authenticated by me/us. The books of account and the required documents are presented before you to verify and confirm the same with the details filled in Form No. 3CD and on that basis form the opinion and issue the report in Form 3CA/3CB, as the case may be. Form 3CD has been prepared from the books of accounts and records maintained by me/us and give the true and correct information. I/We hereby confirm that the information and details given is for all the accounting and financial transactions done by me/us during the year and the same have been properly accounted by me/us in the books of accounts maintained by me/us and presented before you for verification. There are no other transactions which are done which are required to be reported other than the details provided in Form No.3CD

Update in Tax audit EL

We may use AI & other technology-enabled tools, including for training, knowledge enhancement, research, quality improvement, & the development of tax audit methodologies. Any such use shall be subject to appropriate safeguards for the confidentiality & security of information. The use of AI tools shall not replace our professional judgment, responsibility, or accountability in carrying out the tax audit & reporting under the applicable provisions of the Income-tax Act & Rules.

We and the assessee acknowledge our respective obligations under the Digital Personal Data Protection (DPDP) Act, 2023. For the purpose of this engagement, the **assessee shall act as the Data Fiduciary & we shall act as the Data Processor.** We commit to processing personal data strictly for executing tax audit procedures U/s. 44AB of the IT Act, 1961. To ensure data security, we have implemented robust data governance frameworks & strict staff confidentiality mandates to prevent unauthorized access or data breaches.

Amendment in Form No. 3CD Vide Notification 23 /2025 dated 28.03.2025

Clause	Pre	Post
22	Amount of interest inadmissible **u/s 23** of the MSMED Act, 2006 or any other amount not allowable u/s 43B(h) of the Income-tax Act, 1961.	(i) Amount of interest inadmissible u/s 23 of the MSMED Act, 2006; or# (ii) Total amount required to be **paid** to a MSE, u/s 15 of the MSMED Act, during the PY; (iii)Of amount referred to in (ii) above, amount – a) paid upto time given u/s 15 of MSMED Act; b) not paid up to time given u/s 15 of MSMED Act **AND** inadmissible for the PY;

(ICAI GN)

(i). **# Read as "and" since reporting (i) & those (II) & (III) are not alternative but are concurrent.**

(ii). **including amounts** not claimed as deduction in P&L A/c **& amounts** accrued during the year but not due on 31st Mar.

(iii.b). **Presumed that the clause seeks to cover only such payments covered U/s. 43B(h).**

Paid means "Actually paid" or **"incurred"** as per definition of terms relevant for PGBP U/s.43.

MSMEDA

S.15- Liability of Buyer to make Payment within 45 days or by agreement date WIE

S.23- Int not allowed as deduction for IT

New definition of MSMEs (Notified WEF 1.4.2025) - impact on S.43B

Type of entity	Investment in P&M threshold		Turnover threshold	
	Present	Revised 2.5X	Present	Revised 2X
Micro	₹ 1 crore	₹ 2.5 crore	₹ 5 crore	₹ 10 crore
Small	₹ 10 crore	₹ 25 crore	₹ 50 crore	₹ 100 crore
Medium	₹ 50 crore	₹ 125 crore	₹ 250 crore	₹ 500 crore

Revised MSME Disclosure Requirements under Tax Audit – Action Required

Qualification reg. Clause 22 of TAR

- Since the assessee has not furnished details in respect of amounts payable to MSE u/s. 15 of the MSMED Act, 2006 for the year in Clause 22 (ii) and (iii)(a) of Form 3CD, we are unable to verify and comment on the particulars required as per the said clauses;

- The Assessee is responsible for Identifying and classifying the suppliers into Micro and Small category as per MSMED Act, 2006 and providing a list of trade payables and current liabilities to whom amount is outstanding as on the last day of the financial year along with working of disallowance u/s 43B(h) of the Act required to be reported under Clause 22(iii)(b) and therefore we are unable to comment on the same

Qualification in clause 3 of Form 3CB

1. **Non-compliance with AS-10:**
   In the Financial Statements, the assessee has provided depreciation on PPE at the rates prescribed under the Income-tax Act, 1961, rather than on the basis of their estimated useful lives as required by AS 10- PPE, issued by the ICAI. The assessee has not maintained records of the estimated useful lives of individual PPE. Further, no technical assessment or management estimate of useful lives has been made available to us. In the absence of the necessary records & estimates relating to the useful lives of PPE, it is impracticable to reliably quantify the impact on the depreciation expense, carrying amount of PPE, and the net profit as required by AS-10. This however does not affect the calculation of depreciation, WDV and the ascertainment of the total income under the Income Tax Act, 1961.

2. **Non-compliance with GN on FS of NCEs:**
   The financial statements have not been prepared in accordance with the formats prescribed in the Guidance Note on Financial Statements of Non-Corporate Entities issued by ICAI. While this represents a departure from the recommended presentation and disclosure framework, in our opinion, it does not materially affect the recognition and measurement of income, expenses, assets, liabilities or owners fund, nor does it impact the ascertainment of the total income of the assessee.

Who is the Tax Auditor working for?

CA K. Gururaj Acharya
acharya@kgacharya.com
www.kgacharya.com