Income Tax Act , 1961

Tax Audit – Know Beyond Basics

Hyderabad Branch (SIRC)
03.09.2026

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Topics for Today's Discussion 01 - 52

INCOME TAX ACT & RULES

SECTION 44AB	
44AB(a)	**Business -** Total sales, Turnover or Gross Receipts **> 1 Crore** in any previous year
44AB(a) 1st Proviso	**Business -** Total sales, Turnover or Gross Receipts **> 10 Crore** in any previous year - if Aggregate Cash Receipts during PY <=5% of Total receipts During PY **And** if Aggregate Cash Payments during PY <=5% of Total Payments During PY
44AB(b)	**Profession -** Gross receipts in profession **> 50 Lakh** in any previous year.
44AB(c)	**Business U/s. 44AE, 44BB {10%} or 44BBB {10%} -** Declared income < Deemed income in any previous year.
44AB(d)	**Profession U/s. 44ADA {50%} -** Declared income < Deemed income in any previous year and Income > BEL in any PY.
44AB(e)	**Business U/s. 44AD {6% of 8%} (as applicable) -** Declared income < Deemed income in any previous year and Income > BEL in any PY.
3rd Proviso to 44AB	**Audit under any other law**

INCOME TAX ACT & RULES

BUSINESS AND PROFESSION	
2(13)	**"business"** includes any trade, commerce or manufacture or any adventure or concern in the nature of trade, commerce or manufacture
2(36)	**"profession"** includes vocation
2(12A)	**"books or books of account"** includes ledgers, day-books, cash books, account-books and other books, whether kept in the written form or in electronic form or in digital form or as print-outs of data stored in such electronic form or in digital form or in a floppy, disc, tape or any other form of electro-magnetic data storage device;
145	**"Method of accounting"** – Income chargeable under PGBP or IFOS shall be accounted either on cash or mercantile system of accounting. Further, the Central Govt. may notify ICDS to be followed.

RULE 6G	
Rule 6G	(1) The report of audit of the accounts of a person required to be furnished under section 44AB shall, be in (a) **Form 3CA** - 3CD, for persons who are required by or under any other law to get their accounts audited; (b) **Form 3CB** - 3CD, for persons not being a person referred to in clause (a). (2) The particulars to be furnished under section 44AB shall be in **Form No. 3CD**. (3) The audit report can be revised, which necessitates recalculation of disallowance u/s. 40 or 43B.

INCOME TAX ACT & RULES

DUE DATES & LATE FEE

Section	Report / Return / Fee	Due Date	Remarks	
44AB	Tax Audit Report	30th September	Audit without report u/s. 92E	
		31st October	Audit with report u/s. 92E	
139(1)	Original Return	31st October	Audit without report u/s. 92E	
		30th November	Audit with report u/s. 92E	
139(4)	Belated Return	31st December	No Return filed u/s. 139(1)	
139(5)	Revised Return	31st March	Return filed u/s. 139(1) **OR** Return filed u/s. 139(4)	
139(8A)	Updated Return	Upto 48 M Delay	No Return filed **OR** Return filed u/s. 139(1) **OR** 139(4) **OR** 139(5)	
234F & 234I	Fee for Default in furnishing return of income	Total Income > 5,00,000 Total Income <= 5,00,000	Rs. 5,000/- Fee Rs. 1,000/- Fee	Applicable for both returns filed u/s. 139(4) / 139(5)

ACCOUNTING STANDARDS

NEED AND APPLICABILITY OF ACCOUNTING STANDARDS

To harmonize the diverse accounting policies and practices in use in India; and
keeping in view the international developments,
the ICAI has issued Accounting Standards {AS}
AS apply for both Corporate and Non-corporate Entities
AS is applicable for financials statements audited u/s. 44AB
AS is classified as Large Non-co., entities and MSME Non-co., entities
MSME includes Individuals, Proprietorship, Partnership and LLP Firms

Wef. 01.04.2024 - Level II, III and IV entities is merged and shall be read as **'Micro, Small and Medium Sized Entity'** and Level I entity shall be read as a **'Large Entity'**. Large entity is a Non-company entity that is not an MSME

MSME's means Non-Company entities-

(a) Not listed or are not in the process of listing,
(b) Not a bank, financial institutions or insurance company,
(c) T.O. < 250 Cr. in immediate preceding accounting year
(d) Borrowings < 50 Cr. at any time in immediate preceding accounting year and
(e) which is not a holding or subsidiary of an entity which is not a MSME.

ACCOUNTING STANDARDS

APPLICABILITY OF AS FOR NON-COMPANY ENTITIES

Sl. No.	Particulars	Accounting Standards	No. of AS
1	AS's wholly applicable to MSME's	1, 2, 4, 5, 7, 9, 12, 13 & 16	09
2	AS's wholly exempted to MSME's	3, 14, 17, 20, 21, 23, 24, 25 & 27	09
3	AS's in which some paras are not applicable to MSME's	10, 11, 15, 18, 19, 22, 26, 28 & 29	09
	Total		**27**

Sl. No	List of AS's wholly applicable to MSME's	
	AS	Particulars
1	01	Disclosure of Accounting Policies
2	02	Valuation of Inventories
3	04	Contingencies and Events Occurring After the Balance Sheet Date
4	05	Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies
5	07	Construction Contracts
6	09	Revenue Recognition
7	12	Accounting for Government Grants
8	13	Accounting for Investments
9	16	Borrowing Costs

Sl. No	List of the AS's wholly exempted to MSME's	
	AS	Particulars
1	03	Cash Flow Statements
2	14	Accounting for Amalgamations
3	17	Segment Reporting
4	20	Earnings Per Share
5	21	Consolidated Financial Statements
6	23	Accounting for Investments in Associates in Consolidated Financial Statements
7	24	Discontinuing Operations
8	25	Interim Financial Reporting
9	27	Financial Reporting of Interests in Joint Ventures

ACCOUNTING STANDARDS

APPLICABILITY OF AS FOR NON-COMPANY ENTITIES

Sl. No	List of the AS's (Relaxations/exemptions from certain requirements)		
	AS	Particulars	Relaxations/exemptions from certain requirements
1	10	Property, Plant and Equipment	Para 87 - Relating to Encouraged Disclosure
2	11	The Effects of Changes in Foreign Exchange Rates	Para 44 - Relating to Encouraged Disclosure
3	15	Employee Benefits	Para11 to 16 - recognition and measurement of short-term accumulating compensated absences which are non-vesting Para 46 & 139 - discounting of amounts that fall due more than 12 months after the balance sheet date Para 50-116- Recognition and measurement principles Para 117 to 123 -presentation and disclosure requirements
4	18	Related Party Disclosures	Whole standard is not applicable if, a) Turnover ≤ **50Cr** in the immediately PAY; b) Borrowings ≤ **10Cr** at any time in immediately PAY; and c) which is not a Holding and subsidiary of an MSME not covered above.
5	19	Leases	Para 22 (c), (e), (f), Para 25 (a), (b), (e), Para 37 (a), (f), (g), - All paras relating to disclosure. Para 38 & Para 46 (b), (d), (e)
6	22	Accounting for Taxes on Income	Para 9 - Relating to Recognition Para 20 - Relating to Measurement Para 27 and 28 - Relating to presentation and disclosure
7	26	Intangible Assets	Para 90(d),90(d)(iii); 90(d)(iv) and 98 - Disclosure
8	28	Impairment of Assets	Whole standard is not applicable if, a) Turnover ≤ **50Cr** in the immediately PAY; b) Borrowings ≤ **10Cr** at any time in immediately PAY; and c) which is not a Holding and subsidiary of an MSME not covered above If above criteria is satisfied then below paras are exempted Para - 121(c)(ii),121(d)(i),121(d)(ii),121(g) & 123 - relating to disclosures.
9	29	Provisions, Contingent Liabilities and Contingent Assets	Para 66 & 67 - Relating to disclosure

ACCOUNTING STANDARDS

APPLICABILITY OF AS FOR NON-COMPANY ENTITIES

NOTES FORMING PART OF ACCOUNTS

A. 1) Background of the Assessee:

M/s __________________________ is a Partnership Firm, with 5 Partners and the Concern is engaged in the Business of Electrical Consultants and Contractors during the previous year.

2) Basis of preparation of financial statements

The accounts are prepared under the historical cost convention on accrual basis of accounting, in accordance with the generally accepted accounting principles in India. The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting and comply with the Accounting Standards issued by the Institute of Chartered Accountants of India (ICAI), to the extent applicable.

The Partnership Entity is a Micro, Small and Medium Size Entities (MSMEs) as defined in the "Revised Scheme for Applicability of Accounting Standards'' to Non corporate Entities issued by ICAI w.e.f. 01st April 2024. Accordingly, the Entity has complied with Revised Scheme for applicability of Accounting Standards applicable to MSME.

ACCOUNTING STANDARDS

APPLICABILITY OF AS FOR NON-COMPANY ENTITIES

NOTES FORMING PART OF ACCOUNTS

B. Summary of Significant Accounting Policies:

1. AS 1 - Disclosure of Accounting Policies

The accounting policies refer to the specific accounting principles and the methods of applying those principles adopted by the enterprise in the preparation and presentation of financial statements, Such accounting policies should represent a true and fair view of the state of affairs of the enterprise as at the Balance sheet date and of the profit or loss for the period ended on that date. Changes in accounting policies, if any, are made only when required by statute or to provide more reliable and relevant information.

2. AS 2 – Inventories

Inventories should be valued at the lower of cost and net realizable value (NRV). The cost of inventories includes all costs of purchase, conversion, and other costs incurred to bring the inventories to their present location and condition. NRV is defined as the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. Accepted cost formulas for assigning cost to inventory include FIFO (First-In, First-Out) and Weighted Average Cost.

3. AS 4 - Contingencies and Events Occurring After the Balance Sheet Date

Contingencies are conditions or situations with uncertain outcomes that may affect financial results. Events after the balance sheet date are those that occur between the balance sheet date and the date of approval of the financial statements. If such events provide additional evidence of conditions existing at the balance sheet date (adjusting events), the financial statements are adjusted accordingly. Non-adjusting events are are indicative of conditions that arose after the balance sheet date, these are disclosed if material.

ACCOUNTING STANDARDS

APPLICABILITY OF AS FOR NON-COMPANY ENTITIES

4. AS 5 - Net Profit or Loss for the Period, Prior Period Items, and Changes in Accounting Policies

All items of income and expense recognized during the period are included in the determination of net profit or loss for the period, unless otherwise required by an accounting standard. Prior period items, which arise from errors or omissions in earlier periods, are separately disclosed in the statement of profit and loss to reflect their impact clearly. Changes in accounting policies are made only if required by statute, accounting standards, or if the change results in a more appropriate presentation of financial statements.

5. AS 7 - Construction Contract

Revenue from construction contracts is recognized in accordance with Accounting Standard 7 (AS 7) using the percentage of completion method. Under this method, contract revenue and costs are recognized in the profit and loss account in proportion to the stage of completion of the contract activity at the reporting date. The stage of completion is determined with reference to the cost incurred to date compared to the estimated total cost.

6. AS 9 - Revenue Recognition

Revenue is recognized when it is probable that the economic benefits will flow to the enterprise and the revenue can be measured reliably.

For goods, revenue is recognized when the significant risks and rewards of ownership pass to the buyer. For services, Revenue from service transactions is usually recognised as the service is performed, either by the proportionate completion method or by the completed service contract method.

Interest income is recognized on a time proportion basis, royalties on an accrual basis as per agreement terms, and dividends when the right to receive payment is established.

ACCOUNTING STANDARDS

APPLICABILITY OF AS FOR NON-COMPANY ENTITIES

7. AS 10 - Property, Plant and Equipment

Property, Plant, and Equipment (PPE) are tangible fixed assets held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and are expected to be used over more than one accounting period. PPE is initially recognized at cost, including purchase price, import duties, and any directly attributable costs to bring the asset to working condition. Subsequent costs are capitalized only if they enhance the future economic benefits.

Depreciation is charged systematically over the asset's estimated useful life, reflecting the pattern in which the asset's economic benefits are consumed. Common depreciation methods used is Straight Line Method (SLM) or Written down value method (WDV).

8. AS 11 - Foreign Currency Transactions

Foreign exchange transactions are recorded in reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and foreign currency at the date of transaction.

Exchange differences arising on foreign exchange transactions settled during the year are recognized in the income and expenditure account for the year.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated at the closing exchange rate on that date; the resultant exchange differences are recognized in statement of income and expenditure. Non-monetary items are recorded at historical exchange rates.

9. AS 12 - Government Grants

Government grants are recognized when there is reasonable assurance that the enterprise will comply with the conditions attached to them and the grants will be received. Grants related to revenue are recognized in the profit and loss account on a systematic basis over the periods in which the related costs, for which the grants are intended to compensate, are incurred. Grants related to assets are deducted from the carrying amount of the asset or shown as deferred income and recognized in the profit and loss account over the useful life of the asset.

ACCOUNTING STANDARDS

APPLICABILITY OF AS FOR NON-COMPANY ENTITIES

10. AS 13 - Investments

Investments are classified as long-term or current based on the Company's intention. Long-term investments are carried at cost less any permanent decline in value, while current investments are valued at the lower of cost or market value. Provision for diminution in the value of long-term investments is made only if such a decline is other than temporary.

11. AS 15 - Employee Benefit

The Policy is to recognise a liability when an employee has provided service in exchange for employee benefits to be paid in the future and an expense when the enterprise consumes the economic benefit arising from services provided by an employee in exchange for employee benefits.

Employee benefit includes short-term employee benefits, such as wages, salaries and social security contribution, paid annual leave, profit-sharing and bonuses (if payable within twelve months of the end of the period), non-monetary benefits for current employees ; post-employment benefits such as gratuity, pension, other retirement benefits; other long-term employee benefits, including long-service leave or sabbatical leave and termination benefits. An employee may provide services to an enterprise on a full-time, part-time, permanent, casual or temporary basis and also includes whole-time directors and other management personnel.

12. AS 16 - Borrowing Cost

Borrowing costs are recognized as an expense in the period in which they are incurred, except to the extent that they are directly attributable to the acquisition, construction, or production of a qualifying asset. Such borrowing costs are capitalized as part of the cost of the asset. A qualifying asset is one that necessarily takes a substantial period of time to get ready for its intended use or sale. Capitalization of borrowing costs commences when expenditures and borrowing costs are being incurred and activities to prepare the asset are in progress, and ceases when substantially all the activities necessary to prepare the asset for its intended use or sale are complete.

ACCOUNTING STANDARDS

APPLICABILITY OF AS FOR NON-COMPANY ENTITIES

13. AS 18 - Related Parties

This Policy is applied in reporting related party relationships and transactions between a reporting enterprise and its related parties. Related parties are identified based on the criteria prescribed in AS 18, which includes relationships involving control, significant influence, key management personnel, and their relatives. This policy is intended to highlight any potential influence that related parties may have on the financial results and position of the Enterprise.

14. AS 19 - Leases

Leases are classified either as finance leases or operating leases. Finance leases are those that transfer substantially all risks and rewards of ownership to the lessee, title may or may not eventually be transferred, while operating leases are those where the lessor retains significant risks and rewards.

Assets taken on finance lease are capitalized at the lower of fair value or present value of minimum lease payments, with a corresponding liability recognized. Such assets are depreciated as per the Company's policy, and lease payments are apportioned between finance charges and reduction of liability. In the case of operating leases, lease payments are recognized as an expense on a straight-line basis over the lease term.

15. AS 22 - Taxes on Income

Tax expenses comprises both current and deferred taxes. Deferred income taxes reflects the impact of current year timing difference between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

ACCOUNTING STANDARDS

APPLICABILITY OF AS FOR NON-COMPANY ENTITIES

16. AS 26 - Intangible Assets

An Intangible asset is an identifiable non-monetary asset, without physical substance, held for use in the production or supply of goods or services, for rental to others, or for administrative purposes.

An intangible asset is recognized if it is probable that future economic benefits attributable to the asset will flow to the enterprise and the cost of the asset can be measured reliably.

Intangible assets are amortized over the estimated useful life on Written down value (WDV) basis, commencing from the date of asset is available to the company for its use.

17. AS 28 - Impairment of Assets

An asset should not be carried in the financial statements at more than its recoverable amount. If the carrying amount of an asset exceeds its recoverable amount, the asset is said to be impaired, and the difference must be recognized as an impairment loss in the profit and loss account.

The company assesses at each reporting date whether there is any indication that an asset may be impaired.

18. AS 29 - Provisions, Contingent Liabilities and Contingent Assets

Provision is recognised when as enterprises has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

Contingent Liabilities are not recognised in the Financial Statements. Contingent Assets is neither recognised nor disclosed in the Financial Statements.

ACCOUNTING STANDARDS

APPLICABILITY OF AS FOR NON-COMPANY ENTITIES

ACCOUNTING POLICIES WHOLLY EXEMPTED TO MSME

AS No.	Accounting Standards
AS 3	Cash Flow Statements
AS 14	Accounting for Amalgamations
AS 17	Segment Reporting
AS 20	Earning per Share
AS 21	Consolidated Financial Statements
AS 23	Accounting for Investments in Associates in Consolidated Financial Statements
AS 24	Discontinuing Operations
AS 25	Interim Financial Reporting
AS 27	Financial Reporting of Interests in Joint Ventures

ACCOUNTING STANDARDS

APPLICABILITY OF AS FOR NON-COMPANY ENTITIES

C. Notes to Accounts

1. Accounting Convention
The financial statements have been prepared under the historical cost convention on mercantile system of accounting.

2. Valuation of Inventory
Inventories are valued at the lower of cost and net realizable value (NRV).

3. Contingencies and Events Occurring After the Balance Sheet Date
There are no contingencies or events occurring after the balance sheet date requiring disclosure as per Accounting Standard 4 (AS 4) in the current financial year.

4. Net Profit or Loss for the Period, Prior Period Items, and Changes in Accounting Policies
All items of income and expense recognized during the period are included in the determination of net profit or loss for the period,

5. Revenue Recognition
Revenue is recognized on accrual basis.

6. Property, Plant and Equipment
Fixed Assets are valued at cost less accumulated depreciation.
Depreciation is provided on WDV method as per the rates prescribed under the Income Tax Act, 1961.

7. Investments
Investments are classified as long-term or current based on their nature and intended holding period. Long-term investments are stated at cost. Current investments are stated at lower of cost and quoted/fair value.

8. Employee Benefits
Employee related expenses constituting salary are recognized on Accrual basis in Profit and Loss Statement.

ACCOUNTING STANDARDS

APPLICABILITY OF AS FOR NON-COMPANY ENTITIES

9. Provisions, Contingent Liabilities and Contingent Assets
Provisions have been made in the financial statements towards income tax during the year amount to Rs.______________/- {P.Y. ________/-}

10. AS 7, AS 11, AS 12, AS 16, AS 18, AS 19, AS 26, and AS 28 are applicable to the entity. However, there are no transactions or events related to these standards during the current financial year requiring disclosure.

11. Previous years figures are regrouped or reclassified wherever necessary

12. Previous years figures are rounded off to nearest rupee.

	As per our report of even date
for ______________	**for ______________________ & ASSOCIATES** **Chartered Accountants – FRN ____________**
________________________ **Partner**	**CA. _________________ - Mem. No. ________** **Partner**
Place: Bengaluru **Date:**	**Place: Bengaluru** **Date:**
	UDIN:

ACCOUNTING STANDARDS

FORM OF FINANCIAL STATEMENTS FOR NON-COMPANY ENTITIES

Name of the Non-Corporate Entity ....
Balance Sheet as at ....

(Amount in Rs. XX)

	Particulars	Note	31 March 20XX	31 March 20XX
I	**OWNERS' FUNDS AND LIABILITIES**			
1	**Owners' Funds**			
(a)	Owners' Capital Account			
	(i) Owners'/Partners' Capital Account	3a	-	-
	(ii) Owners'/Partners' Current Account	3b	-	-
(b)	Reserves and surplus	4	-	-
			-	-
2	**Non-current liabilities**			
(a)	Long-term borrowings	5	-	-
(b)	Deferred tax liabilities (Net)	6	-	-
(c)	Other long-term liabilities	7	-	-
(d)	Long-term provisions	8	-	-
			-	-
3	**Current liabilities**			
(a)	Short-term borrowings	5	-	-
(b)	Trade payables	9	-	-
(c)	Other current liabilities	10	-	-
(d)	Short-term provisions	8	-	-
			-	-
	Total		-	-
II	**ASSETS**			
1	**Non-current assets**			
(a)	Property, Plant and Equipment and Intangible assets			
(i)	Property, Plant and Equipment	11	-	-
(ii)	Intangible assets	11	-	-
(iii)	Capital work in progress	11	-	-
(iv)	Intangible asset under development	11	-	-
(b)	Non-current investments	12	-	-
(c)	Deferred tax assets (Net)	6	-	-
(d)	Long Term Loans and Advances	13	-	-
(e)	Other non-current assets	14	-	-
			-	-
2	**Current assets**			
(a)	Current investments	12	-	-
(b)	Inventories	15	-	-
(c)	Trade receivables	16	-	-
(d)	Cash and bank balances	17	-	-
(e)	Short Term Loans and Advances	13	-	-
(f)	Other current assets	18	-	-
			-	-
	Total		-	-
	Brief about the Entity	1		
	Summary of significant accounting policies	2		
	The accompanying notes are an integral part of the financial statements			

Name of the Non-Corporate Entity ....
Statement of Profit and Loss for the year ended ....

(Amount in Rs.)

	Particulars	Note	31 March 20XX	31 March 20XX
I	Revenue from operations	19	-	-
II	Other Income	20	-	-
III	**Total Income (I+II)**		-	-
IV	**Expenses:**			
(a)	Cost of Material Consumed	21	-	-
(b)	Purhcase of Stock-in- Trade	21	-	-
(c)	Changes in inventories of finished goods, work in progress and stock-in trade	22	-	-
(d)	Employee benefits expense	23	-	-
(e)	Finance costs	24	-	-
(f)	Depreciation and amortization expense	25	-	-
(g)	Other expenses	26	-	-
	Total expenses		-	-
V	**Profit/(loss) before exceptional and extraordinary items, partners' remuneration and tax (III- IV)**		-	-
VI	Exceptional items (specify nature & provide note/delete if none)		-	-
VII	**Profit/(loss) before extraordinary items, partners' remuneration and tax (V-VI)**		-	-
VIII	Extraordinary Items (specify nature & provide note/delete if none)		-	-
IX	**Profit before, partners' remuneration and tax (VII-VIII)**		-	-
X	Partners' remuneration			
XI	Profit before tax (IX- X)			
XII	Tax expense:			
(a)	Current tax		-	-
(b)	Excess/ Short provision of tax relating to earlier years			
(c)	Deferred tax charge/ (benefit)	6	-	-
			-	-
XIII	**Profit/(Loss) for the period from continuing operations (IXI-XII)**		-	-
XIVII	Profit/(loss) from discontinuing operations		-	-
XVIII	Tax expense of discontinuing operations		-	-
XIVI	**Profit/(loss) from discontinuing operations (after tax) (XIVII-XVIII)**		-	-
XVII	**Profit/(Loss) for the year (XIII+XIVI)**		-	-
	The accompanying notes are an integral part of the financial statements			

ACCOUNTING STANDARDS

FORM OF FINANCIAL STATEMENTS FOR NON-COMPANY ENTITIES

Announcement regarding applicability of 'Guidance Note on Financial Statements of Non-Corporate Entities' and 'Guidance Note on Financial Statements of Limited Liability Partnerships' for annual reporting periods 2025-26 onwards - (31-03-2026)

Accounting Standards Board
The Institute of Chartered Accountants of India
March 31, 2026

Announcement

Announcement regarding applicability of 'Guidance Note on Financial Statements of Non-Corporate Entities' and 'Guidance Note on Financial Statements of Limited Liability Partnerships' for annual reporting periods 2025-26 onwards

The Institute of Chartered Accountants of India (ICAI), in August 2023, issued the *Guidance Note on Financial Statements of Non-Corporate Entities and the Guidance Note on Financial Statements of Limited Liability Partnerships.*

The Council at its 451st meeting held on 30th-31st March, 2026, has decided that these Guidance Note(s) shall be applicable to Non-Corporate Entities and Limited Liability Partnerships in a phased manner, as under:

	Applicable from	Criteria
Phase I:	Accounting periods beginning on or after April 1, 2025.	Entities whose turnover exceeds Rs. 5 crores
Phase II	Accounting periods beginning on or after April 1, 2026.	All entities

AUDITING STANDARDS

ROAD MAP FOR AUDITING

SA 200 & SQC 1 – Applicable Throughout the Audit Lifecycle

AUDITING STANDARDS

SA 210 – APPOINTMENT LETTER

Appointment Letter to be obtained every year -

<u>On the letterhead of the client</u>

To,

__________________,
__________________ ,
__________________.

Dear Sir,

Subject: Appointment of Tax Auditors for the Financial Year 2025-26.

We are happy to inform you that you have been appointed as Auditors to do the Tax Audit of the Books of Account of our concern for the Financial Year 2025-26. The professional fees for the same shall be mutually agreed upon by us before commencement of the audit work. We request you to send us a letter of acceptance for the same.

Thanking you,

Yours Faithfully,

for ________________

____
Proprietor / Partner / Director

Place: _____________
Date: _____________

AUDITING STANDARDS

SA 210 - ENGAGEMENT LETTER (REFER APPENDIX IX OF GNTA)

SL. No.	Particulars	Remarks
1.	Scope of Work	To audit financials u/s 44AB for PY and issue report
2.	Auditor’s Responsibility	To conduct audit as per SA and issue report
3.	Management Responsibility	To prepare BOA, Financials and Form 3CD & provide information
4.	Matters to be communicated to those charged with Governance	To communicate with audit committee / board of directors / management (wherever applicable)
5.	Working Papers	Property of the auditors and the same will be with the auditors.
6.	Confidentiality of Information	Confidentiality of the client information will be maintained
7.	Independence	Assessee should ensure auditors independence is not impaired
8.	Limitation of Damages	Liability of auditor is restricted to the audit fee paid by entity.
9.	Indemnification	Entity to protect auditor from third party claims, damages, etc.
10.	Fees	Fee structure and breakup to be discussed and finalized
11.	Invoicing	Invoices to be cleared within the agreed time and to the designated bank account.
12.	Governing Law, Jurisdiction & Dispute Resolution	Disputes (if any), to be resolved amicably, otherwise it shall be dealt as per the laws of India
13.	Anti Money Laundering & Prevention of Corruption	Both parties comply with the AML and POC activities
14.	Entire Agreement	This is complete agreement about the engagement.
15.	End-use	The report is addressed to the entity and not to other parties
16.	Termination of Agreement	Agreement can be terminated by anyone with 30 days written notice.

AUDITING STANDARDS

MATERIALITY, SAMPLING AND AUDIT EVIDENCE

MATERIALITY → **SA 320**

SAMPLING → **SA 530**

AUDIT EVIDENCE → **SA 500**

Sampling, Materiality and Audit Evidence are inter connected. They aren't isolated tasks; they are a chain reaction.

Materiality dictates ⇨ Sampling size, which ultimately determines the quality of Audit Evidence.

AUDITING STANDARDS

SA 530 - SAMPLING UNDER TAX AUDIT

Form 3CD Clause	Audit Area	Sampling Allowed?	Practical Application Strategy
Clause 19	Statutory Allowances (Sec 32, 35, etc.)	**No**	100% verification of asset additions.
Clause 21(a)	Capital, Personal or Advertisement Expenses	**Yes (Partial)**	100% check on high-value items. verify no hidden capital assets or personal expenses exist.
Clause 21(b)	Amounts inadmissible under Sec 40(a).	**No**	100% matching of non-resident payments and professional fees against TDS returns.
Clause 22	Interest inadmissible under MSMED Act.	**No**	100% aging report of accounts payable to flag any micro/small enterprise outstanding beyond 45 days.
Clause 34	TDS and TCS	**No**	100% verification of expenses to ascertain the applicability, remittance and returns filed.
Clause 44	Goods and Service Tax Compliance	**No**	100% review of expenses and vendors to have the breakup of registered and non-registered entities.

AUDITING STANDARDS

SA 230 – AUDIT DOCUMENTATION

Core Objective - "To prepare documentation that provides a sufficient and appropriate record of the basis for the auditor's report and evidence that the audit was planned and performed in accordance with SAs and applicable legal requirements."

What Must Be Documented? - Every standard audit file needs to capture the specific details of the work performed:

- Who & When : Who performed the audit work and the date it was completed, as well as who reviewed the work and the date of the review.
- Identifiers : The specific items or matters tested (e.g., sample selections, invoice numbers).
- Case Laws : In case, report is prepared based on certain judicial decisions, the copy of the same to be documented.
- Certificates : Certificate obtained by the client and management representation letter
- Signed Trial Balance: Trial balance based on which financials are prepared to be obtained by the management duly signed.
- Contradictory Info : If you find evidence that contradicts or is inconsistent with your final conclusion, you must document how you addressed and resolved that contradiction.

Timeline & Ownership Rules

Assembly of Final Audit File	Gathering, administrative sorting and closing out the file. No new tests or conclusions can be added	**Within 60 days** from the date of the auditor's report.
Retention Period	How long the firm must securely keep the working papers.	**Minimum of 7 years** from the date of the auditor's report.
Ownership	**Sole property of the auditor**.	The auditor may, at their discretion, make portions available to the client.

AUDITING STANDARDS

SA 580 – MANAGEMENT REPRESENTATION LETTER

a Mngt. Rep. Letter acts as your primary shield.
while it never replaces solid audit evidence,
confirms that Mngt. has given you accurate data,
holds responsibility for the financials, and
has disclosed hidden liabilities or transactions.

Basic Things to ensure while obtaining Management Representation Letter {MRL} -

Official Letterhead	It must be printed directly on the client's official letterhead.
Addressed to	Addressed explicitly to you or your CA firm by name.
Signature by	Signed by top management individuals who hold ultimate operational and financial authority (typically the Managing Director, CEO, or CFO or Managing Partner or Proprietor).
Date of MRL	The MRL must be dated on or just before the date you sign the Tax Audit Report (Form 3CA/3CB). Never date it after your report.

A. Core Management Acknowledgements -
Responsibility for Books
Basis for Preparation of Financial Statements
Share Capital, Sales/TO/Gross Receipts, etc.,
Completeness of Information
Absence of Fraud

B. Specific Tax Audit Disclosures –
Method of Accounting & ICDS
Personal Vs. Business Expenses
Payment to Related Parties
Cash Transactions
Statutory Dues (TDS/GST/PF)

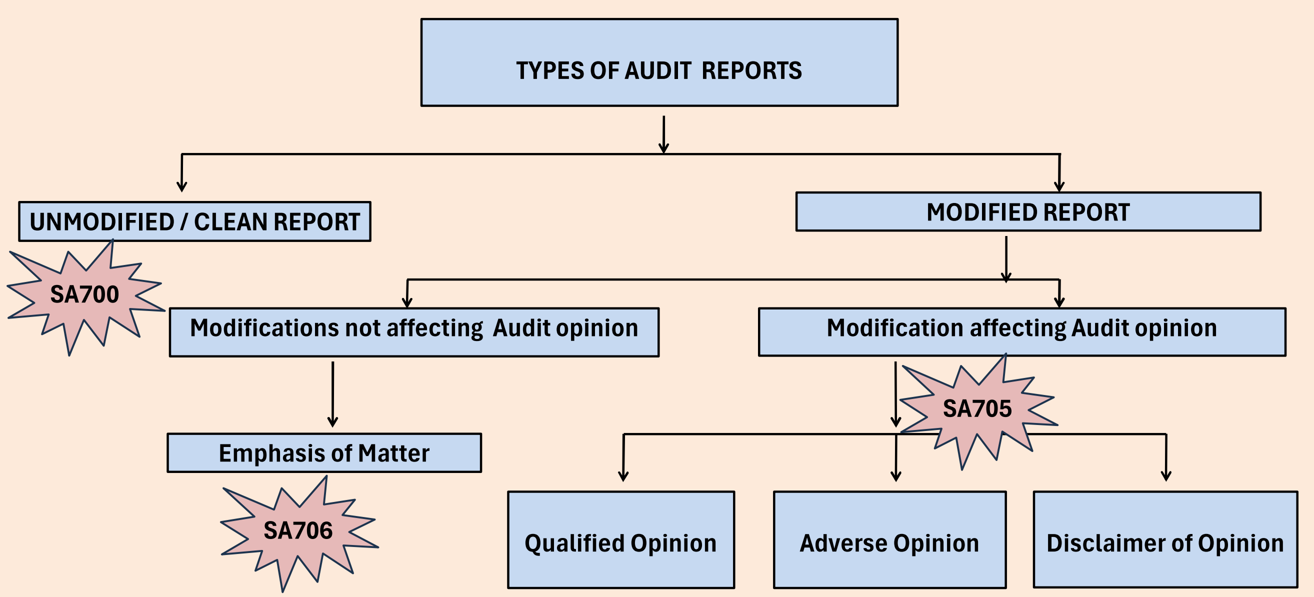
C. Valuation & Ownership Declarations –
Inventory Valuation
Fixed Assets & Depreciation

MRL is not absolute proof. Auditor has to cross verify

Refer Appendix IXA of GN for Draft MRL format

AUDITING STANDARDS

AUDIT REPORT



FORM 3CA

RULE 6G(1)(a)

Audit report in a case where the accounts of a person have been audited under any other law

Para (1) – Assessee Details, Audit conducted under provisions of .... law , copy of audit report annexed along with a copy each of

- (a) Audited P&L / I&E Statement
- (b) Balance Sheet
- (c) Any documents to be part of financials as per the relevant act

Para (2) – Statement of particulars, annexed in Form 3CD

Para (3) – True and Correct in Form 3CD, subject to observations / qualifications, if any

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.

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 ....

FORM 3CB

RULE 6G(1)(b)

Audit report in a case where the accounts of a person have to be audited under IT Act, 1961

Para (1) – Assessee Details

Para (2) – Fin. Stat. in accordance with BOA Maintained

Para (3) - (a) Observations / Comments / Discrepancies / Inconsistencies

- (b) subject to above –
  - (A) Obtained all information & explanation
  - (B) Opinion about proper maintenance of BOA
  - (C) Opinion about (i) B/S - State of affairs
    - (ii) P&L- Profit / Loss

Para (4) – Statement of particulars, annexed in Form 3CD

Para (5) – True and Correct in Form 3CD, subject to observations / qualifications, if any

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).

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.

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: ______________ Name of the signatory ....

Date: ______________ Full address ....

CODE OF ETHICS

1. TAX AUDIT ASSIGNMENTS

Form of Practice	No. of Audits	Type of Tax Audits
Individual	60	Corporate or Non-corporate assesses
Proprietorship	60	Corporate or Non-corporate assesses
Firm of Chartered Accountants	60 (Per Partner)	Corporate or Non-corporate assesses

60 Audits is per Chartered Accountant irrespective of the Form of Practice he / she is into

- Audits U/s. 44AD, 44AE & 44ADA shall not be considered for the specified number (60) of tax audit assignments.
- Specified number of tax audit for each year's audit would be taken as a separate assignment.
- The audit of the head office and branch offices of a concern shall be regarded as one tax audit assignment.
- The audit of one or more branches of the same concern by one CA in practice shall be construed as only one tax audit.
- If a CA **Revises** the Tax Audit Report **Originally** certified by him, it will not be considered as additional Tax Audit.
- Part time practitioner in the firm shall not be considered for determining the specified limit of audits.
- A CA in practice needs to maintain Tax Audit Register relating to each AY in the prescribed format.
- CA firm can distribute the tax audit assignments per partner in accordance with SQC 1.

CODE OF ETHICS

2. MINIMUM AUDIT FEES

ICAI has revised Code of Ethics effective from 01.04.2026. This is the Thirteenth edition of the Code of Ethics released by ICAI. The revised Code of Ethics is segregated into three volumes, Volume-I is domestic provisions and Council Guidelines, Volume-II is converged with IESBA Code 2024 edition and Volume-III is Ethics Standards for Sustainability Assurance.

Volume I has 5 Chapters and **Chapter 4** deals with "**Guidelines on Ethical Issues, 2026**". Chapter 4 has further discussed under 10 more chapters regarding various aspects of ethical guidelines for members. Chapter 4 is covered from Page No. **159 to 166** in the Material.

Chapter 9 under the "Guidelines on Ethical Issues, 2026" deals with "Minimum fee in respect of Professional Services"

CHAPTER IX

"Minimum fee in respect of Professional Services"

- A member of the Institute in practice shall not charge fees less than the minimum fees mandated by the Central or State government or a Regulator, or prescribed by the Council **for any professional service** prescribed under **any law, rule or regulation** for the time being in force.

Different Situations ⇒

Appointment Date	Fees Fixation Date	Minimum Fees Applicability
Before 01.04.2026	Before 01.04.2026	Recommendatory
Before 01.04.2026	On or After 01.04.2026	Mandatory
On or After 01.04.2026	On or After 01.04.2026	Mandatory
On or After 01.04.2026	Before 01.04.2026	Not Applicable

This situation will not arise, dt of appointment is the starting point

CODE OF ETHICS

2. MINIMUM AUDIT FEES

AUDIT AND OTHER ASSIGNMENTS

Rate per day would depend on the complexity of the work and the number of days spent by each person :

Particulars	Class 'A' Cities (₹)	Class 'B' Cities (₹)	Class 'C' Cities (₹)
(i) Principal	18,000/- & Above per day	12,000/- & Above per day	8,000/- & Above per day
(ii) Qualified Assistants	10,000/- & Above per day	7,000/- & Above per day	5,000/- & Above per day
(iii) Semi Qualified Assistants	5,000/- & Above per day	4,000/- & Above per day	3,000/- & Above per day
(iv) Other Assistants	3,000/- & Above per day	2,000/- & Above per day	1,000/- & Above per day
Subject to Minimum Indicative Fees as Under :			
(i) Tax Audit	40,000/- & Above	30,000/- & Above	22,000/- & Above
(ii) Company Audit			
(a) Small Pvt. Ltd. Co. (Turnover up to ₹2 crore)	50,000/- & Above	35,000/- & Above	25,000/- & Above
(b) Medium Size Pvt. Ltd. Co./Public Ltd. Co.	80,000/- & Above	55,000/- & Above	35,000/- & Above
(c) Large Size Pvt. Ltd. Co./Public Ltd. Co.	See Note 1	See Note 1	See Note 1
(iii) Review of TDS Compliance	25,000/- & Above	18,000/- & Above	12,000/- & Above
(iv) Transfer Pricing Audit	See Note 1	See Note 1	See Note 1

Note 1 – Fees to be charged depending on the complexity and the time spent on the particular assignment.

CODE OF ETHICS

3. APPOINTMENT IN CASE OF NON-PAYMENT OF UNDISPUTED FEES

- A member of the Institute in practice shall not accept the appointment as auditor of an entity in case the undisputed audit fee of another CA has not been paid, except that of a Sick Unit.
- Sick Unit is a unit registered for not less than five years, which has at the end of any financial year accumulated losses equal to or exceeding its entire net worth.

4. NON-PAYMENT OF UNDISPUTED AUDIT FEES

Type of Audit	Undisputed Audit Fees is due for
Audit of Public Interest Entity for carrying out Statutory audit or under various other statutes	**One** immediately preceding year, having audited by him, has not been paid
Any other Entity	**Two** immediately preceding years, has not been paid
Company for which insolvency resolution process has been initiated and the RP has been appointed.	The above prohibition shall not apply.

PIE means - (a) A listed entity; (b) An entity one of whose main functions is to take deposits from the public;

(c) An entity: (i) Defined by regulation or legislation as a public interest entity; or (ii) Having borrowings of 500 crores of rupees or more (to be assessed at both the beginning and end of the year).

The provision for audit fee in accounts signed by both - the auditee and the auditor along with applicable taxes and other expenses, if any, incurred by the auditor in connection with the audit, shall be considered as “undisputed audit fees”.

PEER REVIEW

CONTENTS

E - UTILITY & TECHNOLOGY

1. Form 3CA/3CB

Form 3CA/3CB – E Filing Utility

Section	Field
General Information	Audit report form
	Return Type
	UDIN
Assessee Information	Name
	Post office
Auditor's Information	Name of the Auditor – Full Name
	First Name
	Middle Name
	Surname
	Membership No.
	Firm Name, if any
	Firm registration no.
	PAN of the proprietor/firm
	Designation

Section	Field
Auditors' Information	Address
	State
	Pin code
	Area / Locality
	Post office
	City / Place
	District
Audit Report Information	Accounting period – Start date
	Accounting period – End date
	Place of signing
	Statement of operations
	Results of operations
	Number of branches of the assessee, if any
	Place at which Head Office is located

E - UTILITY & TECHNOLOGY

1. Form 3CA/3CB

Qualifications / Observations in Form 3CD – E Filing Utility
➢ All the information and explanations which to the best of my/our knowledge and belief were necessary for the purpose of my/our audit has not been provided by the assessee.
➢ Amount of expense related to exempt income u/s 14A of Income-tax Act, 1961 could not be ascertained
➢ Creditors under Micro, Small and Medium Enterprises Development Act, 2006 are not ascertainable
➢ Documents necessary to verify the reportable transaction were not made available.
➢ Fair market value of shares u/s 56(2)(viib) is not ascertainable
➢ GP ratio is not ascertainable from the financial statements prepared by the assessee.
➢ Information regarding demand raised or refund issued during the previous year under any tax laws other than Income-tax Act, 1961 and Wealth tax Act, 1957 was not made available.
➢ It is not possible for me/us to verify whether the loans/deposits of Rs. 20,000 or more accepted or repaid otherwise than by an account payee cheque, bank draft, ECS or electronic modes prescribed in Rule 6ABBA, as the necessary information is not in the possession of the assessee.
➢ Prior period expenses are not ascertainable from books of account.
➢ Proper books of account, to enable reporting in form 3CD, have not been maintained by the assessee.
➢ Proper stock records are not maintained by the assessee.
➢ Records necessary to verify personal nature of expenses not maintained by the assessee
➢ Reports of audits carried by Excise/Service tax Department were not made available
➢ TDS returns could not be verified with the books of account.
➢ Valuation of closing stock is not possible.

E - UTILITY & TECHNOLOGY

2. Form 3CD

❖ CLAUSE 4 – INDIRECT TAXES

Sr. No	Relevant Indirect tax Law which requires registration	Place of Business/ profession/service unit for which registration is in place/ or has been applied for	Registration/ Identification number
1	2	3	4

❖ CLAUSE 11(b) – ADDRESS FOR MAINTENANCE OF BOA

Sr No.	Principal place of maintenance of books of account	Details of books maintained
1	2	3

❖ CLAUSE 21(a) – PERSONAL EXPENDITURE

Sl. No.	Nature and particulars of expenditure	Account head under which debited	Amount of expenditure	Remarks
1	2	3	4	5

❖ CLAUSE 21(a) – EXPENDITURE AT CLUBS

Sr. No.	Name of the Club	Nature of Amount paid			
		Entrance/ admission Fees	Subscription expenses	Cost of Club Services and facilities used	Remarks
(1)	(2)	(3)	(4)	(5)	(6)

❖ CLAUSE 21(b)(i)(A) – TDS NOT DEDUCTED - RES

Sr. No	Date of payment	Amount of payment	Nature of payment	Name and address of the payee	PAN of the payee, if available
1	2	3	4	5	6

❖ CLAUSE 21(b)(i)(B) – TDS DEDUCTED BUT NOT PAID - RES

Sr. No.	Date of payment	Amount of payment	Nature of payment	Name and address of the payee	PAN of the payee, if available	Amount of tax deducted
1	2	3	4	5	6	7

❖ CLAUSE 21(b)(ii)(A) – TDS NOT DEDUCTED - NR

Sr. No	Date of payment	Amount of payment	Nature of payment	Name and address of the payee	PAN of the payee, if available
1	2	3	4	5	6

❖ CLAUSE 21(b)(ii)(B) – TDS DEDUCTED BUT NOT PAID - NR

Sr. No.	Date of payment	Amount of payment	Nature of payment	Name and address of the payee	PAN of the payee, if available	Amount of tax deducted	Amount out of (7) deposited, if any
1	2	3	4	5	6	7	8

E - UTILITY & TECHNOLOGY

2. Form 3CD

❖ CLAUSE 21(b)(vi) – TDS ON SALARY PAID TO NR O/S INDIA

Sr No.	Date of payment	Amount of payment	Name of payee	PAN of the payee, if available	Address
1	2	3	4	5	6

❖ CLAUSE 21(c) – BRICS TO PARTNERS

Particulars	Section	Amount debited to P & L A/C	Amount admissible	Amount inadmissible	Remarks
1	2	3	4	5	6

Sr. No.	Nature of payments made to partner/member	Section 40(b)/ 40 (ba)	Amount debited to profit and loss account	Amount admissible u/s 40(b)/ 40(ba)	Amount inadmissible u/s 40(b)/ 40(ba) [difference between (d) and (e)	Remarks, if any
(a)	(b)	(c)	(d)	(e)	(f)	(g)

❖ CLAUSE 21(g) – LIABLITY OF CONTINGENT NATURE

Nature of liability	Amount	Remarks
1	2	3

❖ CLAUSE 21(d) – CASH PAYMENTS

Sl. No.	Nature and particulars of expenditure	Date of payment	Payment or aggregate payments made to a person in a day, otherwise than by an account payee cheque drawn on a bank or account payee bank draft	Total amount of expenditure	Name and Permanent Account number of the payee, if available	Remarks
1	2	3	4	5	6	7

❖ CLAUSE 22 – LIST OF MSMES

Sl. No.	Name of Supplier	Whether Registered under MSMED Act	Udyam Regn Number	Category (Micro/ Small)	Major Activity (Manufacture/ Service/ Trading etc)	Date of Regn. under MSMED	Amount Due to the supplier on Last Day of Previous Year	Amount Claimed as allowable expense for the Previous Year	Amount which is not allowable as expense for the Previous Year	Remarks

E - UTILITY & TECHNOLOGY

2. Form 3CD

❖ CLAUSE 22 – MSME U/S 15 OF MSMED ACT

Sl. No.	Name of Micro/ Small Supplier	Total Purchase of Goods/ Services during the year	Of this amount, paid within due date u/s 15 of MSMED Act	Amount Not Paid withing the Specified Time Limit	Interest not allowable as deduction

❖ CLAUSE 22– MSME DUES OUTSTANDING CLAIMED AS DEDUCTION

Sl. No.	Name of Micro/ Small Supplier	Bill No	Amount	Date of Acceptance/ Deemed Acceptance	Is there any Written Agreement regarding due date of payment*	Due Date in case of Written	In case where there is no written agreement, Appointed Day	Date of Actual Payment	Mode of Payment	Remarks

❖ CLAUSE 23 – PAYMENT TO RELATED PERSONS

Name of the related person	PAN of related person	Aadhaar Number of the related person, if available	Relation	Date	Nature of transaction	Payment made (Amount)
1	2	3	4	5	6	7

❖ CLAUSE 26 – DEDUCTION ON PAYMENT BASIS

S. No.	Section	Nature of liability	Amount
1	2	3	4

❖ CLAUSE 27(a) – CENVAT

Particulars	CENVAT Amount (Rs.)	Treatment in Profit & Loss /Accounts
Opening balance		
CENVAT Availed		
CENVAT utilized		
Closing/Outstanding Balance		

E - UTILITY & TECHNOLOGY

2. Form 3CD

❖ CLAUSE 27(d)– PRIOR PERIOD INCOME & EXPENSES

Sr. No.	Type	Particulars	Amount	Prior Period to which it relates (Year in yyyy-yy format)
1	2	3	4	5

❖ CLAUSE 31(a) – LOAN OR DEPOSIT TAKEN OR ACCEPTED U/S. 269SS

Sr. No.	Name of the lender or depositor	Address of the lender or depositor	PAN/ Aadhaar No. of the lender or depositor, if available	Amount of loan or deposit taken or accepted	Code of the nature of such amount, as given in Note 1 (please see para 57.13 of the Guidance Note)	Whether the loan/ deposit was squared up during the previous year	Maximum amount outstanding in the account at any time during the Previous year	Whether the loan/ deposit was taken or accepted otherwise than by an account payee bank cheque or account payee bank draft
1	2	3	4	5	6	7	8	9

❖ CLAUSE 31(b) – SPECIFIED SUM TAKEN OR ACCEPTED U/S 269SS

Sr. No.	Name of the lender or depositor	Address of the lender or depositor	PAN/ Aadhaar number of the person from whom specified sum is received, if available	Amount of specified sum taken or accepted	Code of the nature of such amount, as given in Note 1 at the end of Clause 31 (Please See para 57.13 of Guidance Note)	Whether the specified sum was taken or accepted otherwise than by an account payee bank cheque or account bank draft or use of electronic clearing system through a bank account	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 bank cheque or an account payee bank draft
1	2	3	4	5	6	7	8

E - UTILITY & TECHNOLOGY

2. Form 3CD

❖ CLAUSE 31(bb)& (bd)– RECEIPT OR PAYMENT > 269ST LIMIT

S. N.	Name of the payer	Address of the payer	PAN/ Aadhaar number of the payer, if available	Nature of transaction	Date of receipt	Amount of receipt	Mode of receipt		Transaction/ Document/ Event reference
							Whether otherwise than by cheque, bank draft or use of electronic clearing system through a bank account	Whether otherwise than by account payee cheque, account payee bank draft	
1	2	3	4		5	6	7	8	9

S. N.	Name of the payee	Address of the payee	PAN/ Aadhaar number of the payee, if available	Nature of transaction	Date of payment	Amount of payment	Mode of payment		Transaction/ Document/ Event reference
							Whether otherwise than by cheque, bank draft or use of electronic clearing system through a bank account	Whether otherwise than by account payee cheque, account payee bank draft	
1	2	3	4		5	6	7	8	9

❖ CLAUSE 31(c) – REPAYMENT OF L /D /SPECIFIED SUM U/S 269T

Sr. No.	Name of the payee	Address of the payee	PAN or Aadhaar Number of the payee, if available	Amount of the repayment	Code of the nature of such amount, as given in Note 1 at the end of Clause 31 (Please See para 57.13 of Guidance Note)	Maximum amount outstanding in the account at any time during the previous year	Whether the repayment was made by cheque or bank draft or use of electronic clearing system through a bank account	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

❖ CLAUSE 31(d) – REPAYMENT OF L /D /SPECIFIED SUM U/S 269T

Sr. No.	Name of the payer	Address of the payer	PAN or Aadhaar Number of the payer, if available	Amount of 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
1	2	3	4	5

❖ CLAUSE 31(e) – REPAYMENT OF L /D /SPECIFIED SUM U/S 269T

Sr. No.	Name of the payer	Address of the payer	PAN or Aadhaar Number of the payer, if available	Amount of repayment of loan or deposit or any specified advance received by a cheque or bank draft which is not an account payee cheque or account payee bank draft during the previous year
1	2	3	4	5

E - UTILITY & TECHNOLOGY

2. Form 3CD

❖ CLAUSE 32– BROUGHT FORWARD LOSS OR DEPRECIATION ALLOWANCE

S. No.	Nature of loss	Amount of loss for the current year	Brought forward loss of the earlier year(s)	Total loss to be carried forward to the subsequent year	Break-up of the speculation loss in terms of the number of years for which it has been carried forward	Whether the speculation loss has been set off against any other income other than profit & loss, if any, of speculation business
1	2	3	4	5	6	7

❖ CLAUSE 32(e)– SPECULATION LOSSES

Sr No	Applicable section	Nature of loss	AY of incurring loss	Amount of Loss	Amount set off during current AY	Amount to be carried forward
1	2	3	4	5	6	7

❖ CLAUSE 41 – DEMAND OR REFUND UNDER ANY OTHER ACT

S. No.	Financial Year to which the Demand / refund relates	Name of the applicable Act	Demand/ Refund Order No., if any	Date of Demand raised/ refund issued	Amount of demand raised/ refund issued	Remarks
1	2	3	4	5	6	7

❖ CLAUSE 32(d)– SPECIFIED BUSINESS LOSSES

Sr. No.	Nature of specified business	Amount of loss incurred, if any, during the previous year, with regard to the specified business mentioned in (b)	Loss from specified business brought forward from the earlier year	Amount of loss being set off against other specified business	Year of loss	Amount of loss being carried forward to the next assessment year	Whether loss set off against any other income other than from specified business as per sec. 35AD of the Act
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)

❖ CLAUSE 44 – GST EXPENDITURE

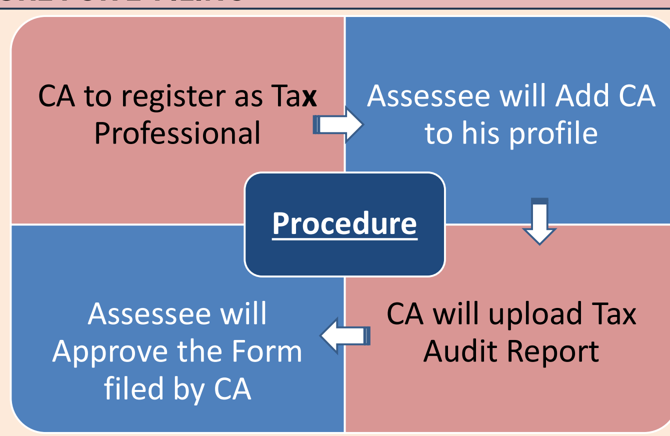
Expenditure head	Name of the entity to whom payment is made	GSTIN of the entity	Value debited to expenditure account	Value for which input tax credit is taken	Total amount paid to the vendor	Reason for NIL GST	General Remarks, if any

E - UTILITY & TECHNOLOGY

3. PROCEDURE FOR E-FILING

- **Report of audit u/s 44AB shall be furnished electronically**

- Notification No. 34 /2013/ F.No.142/5/2013-TPL dated 1st May, 2013 provided that where an assessee is required to furnish a report of audit under Sections 44AB, 92E or 115JB of the Act, he shall furnish the same electronically.



E - UTILITY & TECHNOLOGY

4. INCOME TAX RETURN (ITR)

Entity	Applicable ITR (Tax Audit Cases)
Individual (Business/Profession)	ITR-3
HUF (Business/Profession)	ITR-3
Partnership Firm	ITR-5
LLP	ITR-5
AOP / BOI	ITR-5
Company	ITR-6

Practical Reconciliations before Filing

- Books vs Financial Statements
- Financial Statements vs Form 3CD
- Form 3CD vs ITR
- Books vs GST Returns
- Books vs Form 26AS
- Books vs AIS/TIS
- Books vs GSTR-9/9C

Inter Link between Form 3CD and ITR

Clause in Form 3CD	Subject / Particulars	Relevant ITR Schedule & Row
Clause 18	Depreciation & Amortization	**Schedule DPM / DOA / DEP**
Clause 19	Expenditure on Scientific Research / Capital Assets	**Schedule ESR**
Clause 21(a)	Capital & Personal Expenses, Fines, Penalties, Illegal Expenses	**Schedule BP** *(Inadmissible Expenses under Sec 37)*
Clause 21(b)	Disallowances under Section 40(a) (Non-deduction/payment of TDS)	**Schedule BP** *(Item No. 7 / Schedule 40)*
Clause 22	Interest payable/disallowed under **MSMED Act, 2006** (Sec 23 MSMED)	**Schedule BP** *(Disallowance u/s 40A / Sec 43B(h))*
Clause 23	Payments to Specified Persons under Section 40A(2)(b)	**Schedule BP** / Information disclosures
Clause 26	Statutory Liabilities / Payments allowable only on actual payment (Sec 43B)	**Schedule BP**
Clause 32(a)	Brought Forward Loss / Unabsorbed Depreciation	**Schedule CFL** & **Schedule BFLA**
Clause 33	Chapter VI-A Deductions (Sec 80IA, 80IB, 80JJAA, 80M, etc.)	**Schedule VIA / Schedule 80JJAA**
Clause 34	Compliance with TDS / TCS Provisions (Tax deducted vs. deposited)	**Schedule TDS / TCS** & Form 26AS / AIS
Clause 44	Breakdown of Total Expenditure in respect of entities registered under GST	**Schedule P&L** / GST Returns

E - UTILITY & TECHNOLOGY

5. TECHNOLOGY		
1.	Operating Software	Word, Excel
2.	Accounting Software	Tally, Zoho Books, SAP, etc.,
3.	GST	Relyon, Winman, etc.,
4.	Payroll	Greytip, Teamnest, etc.,
5.	E-TDS	Win TDS, RPU, Saral, etc.,
6.	ITR Filing	Winman, IT Portal, etc.,
7.	Financial Statements	Black Horse
8.	UDIN	ICAI UDIN Portal
9.	Legal Research Databases	Taxmann, Taxsutra, Lexlegis, etc.,
10.	AI Softwares	Perplexity, ChatGPT, Gemini AI, Claude, etc.,

E - UTILITY & TECHNOLOGY

6. UNIQUE DOCUMENT IDENTIFICATION NUMBER {UDIN}

What	UDIN (Unique Document Identification Number) is an **18-digit** system-generated unique number mandated by the ICAI.
When	It must be generated at the time of signing or within **60 calendar days** of signing any certified document or audit report. For Tax Audits on the e-filing portal, it must also be updated **within 15 days** of uploading the report. (As per FAQs issued by IT Dept.)
Why	It prevents non-CAs from forging CA signatures and help stakeholders and regulators to instantly verify document authenticity.
How	Log into udin.icai.org using your ICAI membership credentials to generate UDIN

Step - by - Step Process

Step 1	Log in to UDIN Portal
Step 2	Select **"Generate UDIN"** from the dashboard menu to open the entry form.
Step 3	Select Document Category Choose the applicable category from the dropdown: **Tax Audit (for Tax Audit Reports)**
Step 4	Enter Key Financial & Client Details like Date of signing, Client Name and PAN / Aadhar / GSTIN, Financial figures (e.g., Turnover, Net Profit to Turnover ratio, Asset Value)
Step 5	Verify via OTP
Step 6	Download and Mention the 18-digit UDIN on the physical or digital copy of the report
Step 7	Link or update UDIN on the Income Tax e-Filing portal - Log in to the Income Tax e-Filing Portal using your **CA credentials** - **View/Update UDIN Details**. - Single PAN/TAN' tab - list of all audit reports accepted by assessees that are awaiting UDIN updation will display. - Update UDIN- Enter 18 digit UDIN and AY - Declare and Submit

MISCELLANEOUS PROVISION

1. TAQRB OBSERVATIONS

Key Observations of Tax Audit Quality Review Board of ICAI – Deficiencies & Common Errors

Clause 4
Registrations under other indirect tax laws referred to in the CARO Report were not fully reported under this clause.

Clause 8
Companies whose accounts were audited under the Companies Act, 2013 incorrectly selected clause (a) (audit under section 44AB(a)) instead of the option "Audited under any other law" as required under the third proviso to section 44AB.

Clause 11
Incorrect reporting was noticed under this clause, including reporting prescribed books of account where none were prescribed, failure to report the location and mode of maintenance of books of account, and omission to report relevant supporting documents and records examined during the course of the audit.

Clause 13
- Required disclosures relating to the applicability and impact of ICDS were not reported.
- Inconsistencies were noticed in the reporting of inventory valuation vis-à-vis the requirements of the applicable ICDS.

Clause 18
- Additions and deletions reported in the Tax Audit Report were not reconciled with the corresponding figures reported in the audited financial statements.
- Uniform dates were reported for purchase, put-to-use, and sale of multiple assets, and in some cases, consolidated dates of additions were reported instead of the actual dates for individual assets.

Clause 20
- Incomplete reporting was noticed under Clause 20(b), including nonreporting of ESI contributions which was clearly reflected in the Annual report of the company.
- Incorrect reporting of due dates for statutory fund payments.

Clause 21(a)
- Penalty or fine for violation of law and other penalties/fines were reported together instead of being reported separately under the prescribed sub-headings.
- Late filing fees under section 234E were incorrectly reported as a penalty or fine under this clause, though such fees do not constitute a penalty.

MISCELLANEOUS PROVISION

1. TAQRB OBSERVATIONS

Clause 21(g)
Provisions created in the books of account were reported under this clause instead of liabilities of a contingent nature debited to the profit and loss account, as required.

Clause 22
Interest provided for or paid under the MSME Act was not reported under this clause as an inadmissible expenditure under section 23 of the MSME Act.

Clause 31(a)
- Loan details were reported on a consolidated basis without mentioning the names of the respective lenders.
- Observations/qualifications in Form 3CA/3CB were reproduced from the Guidance Note without appropriate modification to suit the audit report.

Clause 32(a)
The section under which the assessment order was passed and the date of the order were not reported in certain cases.

Clause 34(c)
Date-wise details of interest payments and the corresponding amounts were not reported under the relevant columns of this sub-clause.

Clause 35(c)
- Quantitative details of principal traded goods were not reported, despite trading being disclosed as a business activity.
- Where closing stock was reported as nil, quantitative details of opening stock, purchases, and sales during the year were not reported.

Clause 37
Reporting under this clause was based solely on management representations without obtaining and examining the cost audit report.

Clause 40
- In cases where the clause was not applicable, particularly for service sector entities, "Not Applicable" was not reported and the clause was left blank.
- Scrap sales were not considered for reporting under this clause in certain cases.
- Net profit after tax was incorrectly reported under this clause, instead of net profit before tax.
- The stock-in-trade/turnover ratio was computed using average stock instead of stock as prescribed in the Guidance Note.

Detailed observations are contained in the TAQRB publication-"*Study on compliances in reporting in tax audit report*"

MISCELLANEOUS PROVISION

2. TAX AUDIT REGISTER

FORM OF TAX AUDIT PARTICULARS TO BE FURNISHED BY MEMBERS/FIRM

Record of Tax Audit Assignments

1. Name of the Member accepting the assignment
2. Membership No.
3. Financial year of audit acceptance
4. Name and Registration No. of the firm/ firms of which the member is a proprietor or partner.

Sl. No.	Name of the Auditee	AY of the Auditee	Date of Appointment	Date of Acceptance	Name of the firm on whose behalf the member has accepted the assignment	Date of communication with the previous auditor (if applicable)
1.						
2.						
3.						
4.						
5.						
6.						
7.						

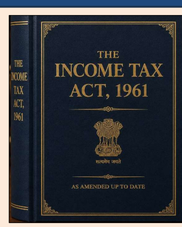
CHEKLIST FOR TAX AUDIT

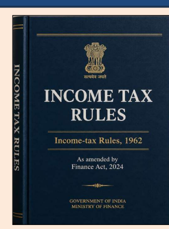
CONTENTS

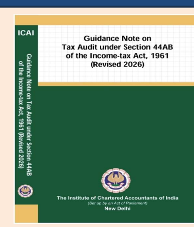
1. Letter of Appointment
2. Engagement Letter
3. Study Background of Assessee
4. Check the Permanent Documents – MOA, AOA, P/ship Deed, LLP Agreements, PAN, TAN, GST, etc.,
5. Audit Programme
6. Audit Schedule
7. Collecting Documents for Working Papers
8. Obtain external Certificates and also Certificates from Management
9. Signed Trial Balance
10. Financial Statements with Significant Accounting Policies and Notes to Accounts
11. Management Representation Letter
12. Check the Validity of DSC of Client
13. Check the Validity of DSC of CA
14. Update the No. of Tax Audit Certified in Tax Audit Register
15. Generate UDIN
16. ADD CA

SOURCE

REFERENCE MATERIAL







AI ASSISTANCE

Lexlegis.ai

Gemini

ChatGPT

TECHNICAL SUPPPORT

CA. Vaibhavi B P

CONCEPTUALISATION
VISUALISATION
PRESENTATION

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