Key Issues in Sec 44AB and Sec 44AD and Certain Mistakes to be avoided in doing the tax audit

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Agenda

A: Key Aspects in Sec 44AB and Sec

44AD

B: Common mistakes

C: Cross Checking with ITR

D. Clauses of Form 3CD

Part A: Key Aspects in Sec 44AB and Sec 44AD

Key Aspects in Sec 44AB and Sec 44AD: [Sec 44AB – Extract] [Audit of accounts of certain persons carrying on business or profession]

Every person,—

(a) Carrying on **business** shall, if his total sales, turnover or gross receipts, as the case may be, in business exceed or exceeds **[one crore rupees]** in any previous year:

Provided that in the case of a person whose—

- (a) aggregate of all amounts received including amount received for sales, turnover or gross receipts during the previous year, in cash, does not exceed five per cent of the said amount; and
- (b) aggregate of all payments made including amount incurred for expenditure, in cash, during the previous year does not exceed five per cent of the said payment,

this clause shall have effect as if for the words "one crore rupees", the words " [ten] crore rupees" had been substituted: Provided further that for the purposes of this clause, the payment or receipt, as the case may be, by a cheque drawn on a bank or by a bank draft, which is not account payee, shall be deemed to be the payment or receipt, as the case may be, in cash; or

(b) Carrying on **profession** shall, if his gross receipts in profession **exceed fifty lakh rupees** in any previous year; or

Key Aspects in Sec 44AB and Sec 44AD: [Sec 44AB – Extract]

- (c) Carrying on **the business** shall, if the profits and gains from the business are deemed to be the profits and gains of such person under section 44AE or section 44BB or section 44BBB, as the case may be, and he has claimed his income to be lower than the profits or gains so deemed to be the profits and gains of his business, as the case may be, in any previous year; or
- (d) Carrying on the **profession** shall, if the profits and gains from the profession are deemed to be the profits and gains of such person **under section 44ADA** and he has claimed such income to be lower than the profits and gains so deemed to be the profits and gains of his profession **and his income exceeds the maximum amount** which is not chargeable to income-tax in any previous year; or
- (e) Carrying on the **business** shall, if the provisions of sub-section (4) of section 44AD are applicable in his case and his income exceeds the maximum amount which is not chargeable to income-tax in any previous year,

get his accounts of such previous year audited by an accountant before the specified date and furnish by that date the report of such audit in the prescribed form duly signed and verified by such accountant and setting forth such particulars as may be prescribed:

1st Proviso: Provided that this section shall not apply to the person, who declares profits and gains for the previous year in accordance with the provisions of sub-section (1) of section 44AD and his total sales, turnover or gross receipts, as the case may be, in business does not exceed two crore rupees in such previous year:

2nd Proviso: Provided [further] that this section shall not apply to the person, who derives income of the nature referred to in section 44B or section 44BBA, on and from the 1st day of April, 1985 or, as the case may be, the date on which the relevant section came into force, whichever is later:

Key Aspects in Sec 44AB and Sec 44AD: [Sec 44AB – Extract]

3rd Proviso: Provided also that in a case where such person is required by or under any other law to get his accounts audited, it shall be sufficient compliance with the provisions of this section if such person gets the accounts of such business or profession 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 under this section.

Explanation.—For the purposes of this section,—

- (i)"accountant" shall have the same meaning as in the Explanation below sub-section (2) of section 288;
- (ii) "specified date", in relation to the accounts of the assessee of the previous year relevant to an assessment year, means date one month prior to the due date for furnishing the return of income under sub-section (1) of section 139.

Key Aspects in Sec 44AB and Sec 44AD: [Sec 44AD- Extract] [Special provision for computing profits and gains of business on presumptive basis.]

(1) Notwithstanding anything to the contrary contained in sections 28 to 43C, in the case of an eligible assessee engaged in an eligible business, a sum equal to eight per cent of the total turnover or gross receipts of the assessee in the previous year on account of such business or, as the case may be, a sum higher than the aforesaid sum claimed to have been earned by the eligible assessee, shall be deemed to be the profits and gains of such business chargeable to tax under the head "Profits and gains of business or profession":

Provided that this sub-section shall have effect as if for the words "eight per cent", the words "six per cent" had been substituted, in respect of the amount of total turnover or gross receipts which is received by an account payee cheque or an account payee bank draft or use of electronic clearing system through a bank account [or through such other electronic mode as may be prescribed during the previous year or before the due date specified in sub-section (1) of section 139 in respect of that previous year.

- (2) Any deduction allowable under the provisions of sections 30 to 38 shall, for the purposes of sub-section (1), be deemed to have been already given full effect to and no further deduction under those sections shall be allowed.
- (3) The written down value of any asset of an eligible business shall be deemed to have been calculated as if the eligible assessee had claimed and had been actually allowed the deduction in respect of the depreciation for each of the relevant assessment years.

Key Aspects in Sec 44AB and Sec 44AD: [Sec 44AD- Extract] [Special provision for computing profits and gains of business on presumptive basis.]

- (4) Where an eligible assessee declares profit for any previous year in accordance with the provisions of this section and he declares profit for any of the five assessment years relevant to the previous year succeeding such previous year not in accordance with the provisions of sub-section (1), he shall not be eligible to claim the benefit of the provisions of this section for five assessment years subsequent to the assessment year relevant to the previous year in which the profit has not been declared in accordance with the provisions of sub-section(1).
- (5) Notwithstanding anything contained in the foregoing provisions of this section, an eligible assessee to whom the provisions of subsection (4) are applicable and whose total income exceeds the maximum amount which is not chargeable to income-tax, shall be required to keep and maintain such books of account and other documents as required under sub-section (2) of section 44AA and get them audited and furnish a report of such audit as required under section 44AB.
- (6) The provisions of this section, notwithstanding anything contained in the foregoing provisions, shall not apply to—
 - (i) a person carrying on profession as referred to in sub-section (1) of section 44AA;
 - (ii) a person earning income in the nature of commission or brokerage; or
 - (iii) a person carrying on any agency business.

Key Aspects in Sec 44AB and Sec 44AD: [Sec 44AD– Extract] [Special provision for computing profits and gains of business on presumptive basis.]

Explanation.—For the purposes of this section,—

(a) Eligible assessee means,—

an individual, Hindu undivided family or a partnership firm, who is a resident, but not a limited liability partnership firm as defined under clause (n) of sub-section (1) of section 2 of the Limited Liability Partnership Act, 2008 (6 of 2009); and who has not claimed deduction under any of the sections 10A, 10AA, 10B, 10BA or deduction under any provisions of Chapter VIA under the heading "C. - Deductions in respect of certain incomes" in the relevant assessment year;

(b) Eligible business means,—
any business except the business of plying, hiring or leasing goods carriages referred to in section 44AE; and
whose total turnover or gross receipts in the previous year **does not exceed an amount of two crore rupees.**

1: Whether interest and remuneration from firm is considered for turnover purposes of individual partners?

No; Refer [Perizad Zorabian Irani Vs PCIT] [2022] 139 taxmann.com 164 (Bombay-HC)

Where assessee was only a partner in a partnership firm and was not carrying on any business independently, remuneration received by assessee from said partnership firm could not be treated as gross receipts of assessee and, accordingly, assessee was justified in not getting her accounts audited under section 44AB with respect to such remuneration.

2: Calculation of Turnover for F & O Purposes [Refer 5.14 of GN on Tax Audit 2022 Edition]

Derivatives, futures and options: Such transactions are completed without actual delivery of shares or securities or commodities etc. These are squared up by receipts/payments of differences. The contract notes are issued for the full value of the underlined shares or securities or commodities etc. purchased or sold but entries in the books of account are made only for the differences. The transactions may be squared up any time on or before the striking date. The buyer of the option pays the premia. The turnover in such types of transactions is to be determined as follows:

- (i) The total of favourable and unfavourable differences shall be taken as turnover.
- (ii) Premium received on sale of options is also to be included in turnover. However, where the premium received is included for determining net profit for transactions, the same should not be separately included.
- (iii) In respect of any reverse trades entered, the difference thereon, should also form part of the turnover.

3: Requirements of 3CD for a Charitable Trust [Refer 6.1 of GN on Tax Audit 2022 Edition]

A trust/association/institution carrying on business may enjoy exemptions as the case may be under sections 10(21) or 10(23A) or 10(23B) or section 10(23BB) or section 10(23C) or section 11. A co-operative society carrying on business may enjoy deduction under section 80P. Such institutions/associations of persons will have to get their accounts audited and to furnish such audit report for purposes of section 44AB if their turnover in business exceeds the prescribed limit.

5: Objective of Tax Audit [Refer 6.2 of GN on Tax Audit 2022 Edition]

It may be appreciated that the object of audit under section 44AB is only to assist the Assessing Officer in computing the total income of an assessee in accordance with different provisions of the Act.

6: Turnover from different Businesses – How to consider? [Refer 5.20 of GN on Tax Audit 2022 Edition]

A question may arise in the case of an assessee carrying on business and at the same time engaged in a profession as to what are the limits applicable to him under section 44AB for getting the accounts audited. In such a case, if his professional receipts are, say, rupees **fifty four lakhs** but his total sales, turnover or gross receipts in business are, say, rupees seventy two lakhs, it will be necessary for him to get his accounts of the profession and also the accounts of the business audited because the gross receipts from the profession exceed the limit of rupees fifty lakhs. If however, the professional receipts are, say, rupees forty two lakhs and total sales turnover or gross receipts from business are, say, rupees eighty six lakhs, in these circumstances, gross receipts, turnover etc. from profession or business is not in excess of the limits specified in section 44AB for mandate of audit.

7: Turnover from different Businesses – How to consider? [Refer 5.21 of GN on Tax Audit 2022 Edition]

It may, however, be noted that in cases where the assessee carries on more than one business activity, the results of all business activities should be clubbed together. In other words, the aggregate sales, turnover and/or gross receipts of all businesses carried on by an assessee would be taken into consideration in determining whether the prescribed limit (Presently Rs. 1 crore & Rs 10 crore for certain specified cases) as laid down in section 44AB has been exceeded or not. However, where the business is covered by section 44B or 44BBA, turnover of such business shall be excluded. Similarly, where the business or profession is covered by section 44AD or 44ADA or 44AE and the assessee opts to be assessed under the respective sections on presumptive basis, the turnover thereof shall be excluded.

8: Tax Audit in different situations?

a: Turnover from Business: Rs 80 lakhs; Gross Receipts in profession: Rs 30 Lakhs [No]

b: Turnover from Business: Rs 1.10 Crore; Gross Receipts in profession: Rs 30 Lakhs [Yes] [No option to go for 8% in this case for business as he has income from profession also. Note the wordings in the section.]

c: Turnover from business is lower than Rs 1 Crore; Can I opt for tax audit and offer a loss? [Check whether in the earlier years he had already opted for 8% taxes; If he had already opted for the same, then 'Yes'.]

Part B: Common Mistakes

1: Upload the correct CSV Files

We use CSV files at various places like 'Additions to fixed assets'; 'PF / ESI Remittances'; [Keep the back ups and ensure that the file names are 'XYZ Ltd_PF_FY2122...;' 'XYZ Ltd_Additions_FA_FY212022.....'] So that the correct files are uploaded in to the portal.

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

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

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

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

Ask the client to reject the 3CD uploaded and upload the new one;

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

4: Ensure that correct UDIN numbers are quoted

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



5: Be aware of the latest amendments

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

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

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

[3CB/3CA/3CD/3CEB (TP Audit) /56F [Relating to Sec 10AA] /10CCB [Relating to 80-IA, etc deduction], Master File etc, [Note: Form 56F is omitted by the IT (21st) Amendment Rules, 2021 w.e.f 29/7/2021 read with Rule 130]

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

CbCR is to be filed by '1 year + Parent company's year close'. Clause 43(a) of the 3CD. For instance, where a parent is following calendar year, then for calendar year 2021, we need to disclose in 3CD, the due date for CbCR as '31st Dec 2022'

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

You need to keep ready the PAN / Aadhar numbers in the case of 'Bad debts' where the amount is exceeding Rs 1 Lakh. Else, they are disallowing in Sec 143(1)(a); However, you may win in appeal; But it results in litigation. [ITR 6; SI No 47 of Part A – Ind AS P&L for the AY 2022-23]



8: Keep ready of the returns of earlier years also

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



Common mistakes while doing Tax Audit: Form 3CA / 3CB related Issues

9: Note the difference between 3CA and 3CB

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

In other cases: 3CB is relevant

Accounting Year is 1st Jan to 31st Dec and the accounts are already audited? Which form is to be used? Again 3CB is relevant

Common mistakes while doing Tax Audit: Form 3CA / 3CB related Issues [Para 13.11 of GN and SA 700 'Forming an opinion and Reporting on FS']

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

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

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

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

Common mistakes while doing Tax Audit: Form 3CA / 3CB related Issues [Para 13.11 of GN and SA 700 'Forming an opinion and Reporting on FS']

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

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

Common mistakes while doing Tax Audit: Form 3CA / 3CB related Issues [Refer Para 18 of GN on Tax Audit]

11: Duty in relation to 'Qualifications'.

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

Common mistakes while doing Tax Audit: Form 3CA / 3CB related Issues [Refer 18.5 of GN on Tax Audit]

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

Observations / Qualifications effecting ;

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

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

about the true and fair view of the financial statements.

Specify these at Clause 3(a) of Form 3CB. [Further, specify these in clause 3(a) only if 'Qualifying in nature'. Else, specify in clause 5 of 3CB]

- Other observations / Qualifications: Specify clause 5 of 3CB / clause 3 of 3CA.
- No qualifications: Mention 'Nil'

Common mistakes while doing Tax Audit: : Issues in computation

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

Part C:Cross Checking with ITRs

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

A' General

- 10. (a) Nature of business or profession (if more than one business or profession is carried on during the previous year, nature of every business or profession)
- (b) If there is any change in the nature of business or profession, the particulars of such change.

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

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

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

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

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

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

| • | | |
|---------------|---|--|
| (i) ICDS I | - Accounting Policies | |
| (ii) ICDS II | - Valuation of Inventories | |
| (Hi) ICDS III | - Construction Contracts | |
| (iv) ICDS IV | - Revenue Recognition | |
| (v) ICDS V | - Tangible Fixed Assets | |
| (vi) ICDS VII | - Governments Grants | |
| (vii)ICDS IX | - Borrowing Costs | |
| (viii) ICDS X | - Provisions, Contingent Liabilities and Contingent Assets. | |

(f) Disclosure as per ICDS:

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

- 18. Particulars of depreciation allowable as per the Income-tax Act, 1961 in respect of each asset or block of assets, as the case may be, in the following form :—
- (a) Description of asset/block of assets.
- (b) Rate of depreciation.
- (c) Actual cost of written down value, as the case may be.

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

- 20. (a) Any sum paid to an employee as bonus or commission for services rendered, where such sum was otherwise payable to him as profits or dividend. [Section 36(1)(ii)]
- (b) Details of contributions received from employees for various funds as referred to in section 36(1)(va):

| al The actual date of |
|------------------------------|
| aid payment to the concerned |
| authorities |
| |
| |

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

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

Clause 21: The TDS related aspects of Clause 21 is to be broadly aligned with clause 34(a) in the 3CD and ensure that 30% or 100% of the sum is disallowed in ITR if there are any disallowances. [Part A – OI – SI no 8 – AY 2022-23]

- (b) Amounts inadmissible under section 40(a):-
 - (i) as payment to non-resident referred to in sub-clause (i)
 - (A) Details of payment on which tax is not deducted:
 - (I) date of payment.....
 - (II) amount of payment.....
 - (III) nature of payment.....
 - (IV) name and address of the payee.....

Clause 26: 43B Payments; Ensure that it is correctly aligned with SI No 11 of Part A – OI of the ITR 6 of AY 2022-22

- 26. In respect of any sum referred to in clauses (a),(b), (c), (d), (e), [(f) or (g)] of section 43B, the liability for which:—
- (A) pre-existed on the first day of the previous year but was not allowed in the assessment of any preceding previous year and was
 - (a) paid during the previous year;
 - (b) not paid during the previous year;
- (B) was incurred in the previous year and was
 - (a) paid on or before the due date for furnishing the return of income of the previous year under section 139(1);

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

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

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

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

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

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

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

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

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

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

Part D: Various clauses of 3CD

Form 3CA / 3CB

1: Note the difference between 3CA and 3CB

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

In other cases: 3CB is relevant

Accounting Year is 1st Jan to 31st Dec and the accounts are already audited? Which form is to be used? Again 3CB is relevant

Form 3CA:

*I/waranart that the etatutory audit of M/c

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 |
|-------|---|
| asses | see with [Permanent Account Number or Aadhaar Number]) was conducted by *me/us/ |
| M/s | in pursuance of the provisions of the Act, and *I/ |
| wear | nex 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 beginningfromto ending on; |
| (b) | the audited balance sheet as at,; and |
| (c) | documents declared by the said Act to be part of, or annexed to, the *profit and loss |

- account/income and expenditure account and balance sheet.
- 2. The statement of particulars required to be furnished under section 44AB is annexed herewith in Form No. 3CD.

Form 3CA:

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

| (a) | |
|-------|---|
| (b) | |
| (c) | |
| | |
| | |
| | **(Signature and stamp/Seal of the signatory) |
| | |
| lace: | Name of the signatory |
|)ate: | Fulladdress |

Notes:

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

Form 3CB:

FORMNO.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. 1/we have examined the balance sheet as on, | , and the *protit and loss account/ |
|--|--|
| income and expenditure account for the period begin | ning fromto ending on |
| , attached herewith, of(Nam | e),(Address), |
| ([Permanent Account Number or Aadhaar Number]). | |
| 2. *I/we certify that the balance sheet and the *profit an | nd loss/income and expenditure account |
| are in agreement with the books of account maintained | l at the head office atand |
| **branches. | |

Form 3CB:

3.(a)*I/we report the following observations/comments/discrepancies/inconsistencies; if any:
(b) Subject to above,—

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

 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 signator) |

| Place: | Name of the signatory |
|--------|-----------------------|
| Date: | Fulladdress |

Form 3CA / 3CB: Issues [Para 13.11 of GN and SA 700 'Forming an opinion and Reporting on FS']

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

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

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

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

Form 3CA / 3CB: Issues [Para 13.11 of GN and SA 700 'Forming an opinion and Reporting on FS']

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

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

Form 3CA / 3CB: Issues [Refer Para 18 of GN on Tax Audit]

2: Duty in relation to 'Qualifications'.

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

Form 3CA / 3CB: Issues [Refer 18.5 of GN on Tax Audit]

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

Observations / Qualifications effecting;

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

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

about the true and fair view of the financial statements.

Specify these at Clause 3(a) of Form 3CB. [Further, specify these in clause 3(a) only if 'Qualifying in nature'. Else, specify in clause 5 of 3CB]

Other observations / Qualifications: Specify in clause 5 of 3CB / 3 of 3CA.

No qualifications: Mention 'Nil'

Form 3CD: [Para 20 of GN]

FORM NO. 3CD

[See rule 6 G(2)]

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

PART - A

| 1. Name of the assessee |
|--|
| 2. Address |
| 3. Permanent Account Number or Aadhaar Number |
| 4. Whether the assessee is liable to pay indirect tax like excise duty, service tax, sales tax, goods and services tax, customs duty, etc. if yes, please furnish the registration number or GST number or any other identification number allotted for the same |
| 5. Status |
| 6. Previous year fromtoto |
| 7. Assessment year |
| 8. Indicate the relevant clause of section 44AB under which the audit has been conducted |
| ¹ [8a. Whether the assessee has opted for taxation under section 115BA/115BAA/115BAB/115BAC/ 115BAD?.] |

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

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

Form 3CD: Issues in computation

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

Form 3CD: [Para 21 and 22 of the GN]

PART - B

| 9. (a) If firm or association of persons, indicate names of partners/members and their profit sharing |
|---|
| ratios |
| (b) If there is any change in the partners or members or in their profit sharing ratio since the last date of the preceding year, the particulars of such change |
| 10. (a) Nature of business or profession (if more than one business or profession is carried on during the previous year, nature of every business or profession) |
| (b) If there is any change in the nature of business or profession, the particulars of such change. |
| |

Form 3CD: [Para 23 of the GN]

- 11. (a) Whether books of account are prescribed under section 44AA, if yes, list of books so prescribed.
- (b) List of books of account maintained and the address at which the books of account are kept.

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

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

- 13. (a) Method of accounting employed in the previous year.....
- (b) Whether there had been any change in the method of accounting employed vis-a-vis the method employed in the immediately preceding previous year.
- (c) If answer to (b) above is in the affirmative, give details of such change, and the effect thereof on the profit or loss.

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

- (d) Whether any adjustment is required to be made to the profits or loss for complying with the provisions of income computation and disclosure standards notified under section 145(2)
- (e) if answer to (d) above is in the affirmative, give details of such adjustments:

Increase in Decrease in Net Effect profit (Rs.) profit (Rs.) (Rs.)

| ICDS I | Accounting Policies |
|-----------|--|
| ICDS II | Valuation of Inventories |
| ICDS III | Construction Contracts |
| ICDS IV | Revenue Recognition |
| ICDS V | Tangible Fixed Assets |
| ICDS VI | Changes in Foreign Exchange Rates |
| ICDS VII | Governments Grants |
| ICDS VIII | Securities Borrowing Costs |
| ICDS IX | |
| ICDS X | Provisions, Contingent Liabilities and |
| | Contingent Assets |
| | Total |

Form 3CD: [Refer Taxation Guide on ICDS]

(f) Disclosure as per ICDS:

| (i) ICDS I | - Accounting Policies |
|---------------|---|
| (ii) ICDS II | - Valuation of Inventories |
| (Hi) ICDS III | - Construction Contracts |
| (iv) ICDS IV | - Revenue Recognition |
| (v) ICDS V | - Tangible Fixed Assets |
| (vi) ICDS VII | - Governments Grants |
| (vii)ICDS IX | - Borrowing Costs |
| (viii) ICDS X | - Provisions, Contingent Liabilities and Contingent Assets. |

Form 3CD: [Para 26 and 27 of GN]

- 14. (a) Method of valuation of closing stock employed in the previous year.
- (b) In case of deviation from the method of valuation prescribed under section 145A, and the effect thereof on the profit or loss, please furnish:

| Seria | l number | Particulars | Increase in profit | Decrease in profit |
|-------|----------|-------------|--------------------|--------------------|
| | | | (Rs.) | (Rs.) |
| | | | | |

- 15. Give the following particulars of the capital asset converted into stock-in-trade:—
- (a) Description of capital asset;
- (b) Date of acquisition;
- (c) Cost of acquisition;
- (d) Amount at which the asset is converted into stock-in-trade.

Form 3CD: [Para 28 of GN]

- Amounts not credited to the profit and loss account, being, -
- (a) the items falling within the scope of section 28;
- (b) the proforma credits, drawbacks, refund of duty of customs or excise or service tax, or refund of sales tax or value added tax where such credits, drawbacks or refunds are admitted as due by the authorities concerned;
- (c) escalation claims accepted during the previous year;
- (d) any other item of income;
- (e) capital receipt, if any.

Form 3CD: [Para 29 of GN]

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

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

Form 3CD: [Para 30 of GN]

| 18. Particulars of depreciation allowable as per the Income-tax Act, 1961 in respect of each asset orblock of assets, as the case may be, in the following form :— |
|---|
| (f) Description of asset/block of assets. |
| (g) Rate of depreciation. |
| (h) Actual cost of written down value, as the case may be. |
| ² [(ca) Adjustment made to the written down value under section 115BAC/115BAD (for assessment year 2021-2022 only) |
| (cb) Adjustment made to written down value of Intangible asset due to excluding value of goodwill of a business or profession |
| (cc) Adjusted written down value] |
| (i) Additions/deductions during the year with dates; in the case of any addition of an asset, date putto use; including adjustments on account of – |
| (i) Central Value Added Tax credits claimed and allowed under the Central Excise Rules, 1944,in respect of assets acquired on or after 1st March, 1994, |
| (ii) change in rate of exchange of currency, and |
| (iii) subsidy or grant or reimbursement, by whatever name called. |
| (j) Depreciation allowable. |
| (k) Written down value at the end of the year |

Form 3CD: Sec 32AC to Sec 35E [Para 31 of GN]

19. Amounts admissible under sections:

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

Refer Drop down in the Utility

Form 3CD: [Para 32 of GN]

- 20. (a) Any sum paid to an employee as bonus or commission for services rendered, where such sum was otherwise payable to him as profits or dividend. [Section 36(1)(ii)].....
- (b) Details of contributions received from employees for various funds as referred to in section 36(1)(va):

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

Form 3CD: [Para 33 of GN]

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

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

Form 3CD: [Para 34 of GN]

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

- (i) as payment to non-resident referred to in sub-clause (i)
 - (A) Details of payment on which tax is not deducted:
 - (I) date of payment.....
 - (II) amount of payment.....
 - (III) nature of payment.....
 - (IV) name and address of the payee.....
 - (B) Details of payment on which tax has been deducted but has not been paid during the previous year or in the subsequent year before the expiry of time prescribed under section 200(1)
 - (I) date of payment.....
 - (II) amount of payment.....
 - (III) nature of payment.....
 - (IV) name and address of the payee.....
 - (V) amount of tax deducted.....

Form 3CD: [Para 34 of GN]

| (ii) | as payment referred to in sub-clause (ia) |
|------|--|
| | (A) Details of payment on which tax is not deducted: |
| | (I) date of payment |
| | (II) amount of payment |
| | (III) nature of payment |
| | (IV) name and address of the payee |
| | (B) Details of payment on which tax has been deducted but has not been paid on or before the due date specified in sub- section (1) of section 139. |
| | (I) date of payment |
| | (II) amount of payment |
| | (III) nature of payment |
| | (IV) name and address of the payer* * Should be read as 'Payee'. |
| | (V) amount of tax deducted |
| | (VI) amount out of (V) deposited, if any |

Form 3CD: [Para 34 and 35 of GN]

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

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

(iv) under sub-clause (iia)

(v) under sub-clause (iib)

(vi) under sub-clause (iii)

(A) date of payment

(B) amount of payment

(C) name and address of the payee

(vii) under sub-clause (iv)

(viii) under sub-clause (v)
```

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

Form 3CD: [Para 36 of GN]

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

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

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

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

Form 3CD: [Para 37 to 41 of GN]

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

Form 3CD: [Para 42 to 45 of GN]

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

Form 3CD: [Para 46 of GN]

- 26. In respect of any sum referred to in clauses (a),(b), (c), (d), (e), [(f) or (g)] of section 43B, the liability for which:—
- (A) pre-existed on the first day of the previous year but was not allowed in the assessment of any preceding previous year and was
 - (a) paid during the previous year;
 - (b) not paid during the previous year;
- (B) was incurred in the previous year and was
 - (a) paid on or before the due date for furnishing the return of income of the previous year under section 139(1);

Form 3CD: [Para 47 to 50 of the GN]

- 27. (a) Amount of Central Value Added Tax credits availed of or utilised during the previous year and its treatment in the profit and loss account and treatment of outstanding Central Value Added Tax credits in the accounts.
- (b) Particulars of income or expenditure of prior period credited or debited to the profit and loss account.
- 28. Whether during the previous year the assessee has received any property, being share of a company not being a company in which the public are substantially interested, without consideration or for inadequate consideration as referred to in section 56(2)(viia), if yes, please furnish the details of the same.
- 29. Whether during the previous year the assessee received any consideration for issue of shares which exceeds the fair market value of the shares as referred to in section 56(2)(viib), if yes, please furnish the details of the same.

Form 3CD: [Para 51 and 52 of the GN]

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

- (b) If yes, please furnish the following details:
 - (i) Nature of income:
- (ii) Amount thereof:
- 29B. (a) Whether any amount is to be included as income chargeable under the head 'income from other sources' as referred to in clause (x) of sub-section (2) of section 56? (Yes/No)
- (b) If yes, please furnish the following details:
- (i) Nature of income:
- (ii) Amount (in Rs.) thereof:]

Form 3CD: [Para 53 and 54 of the GN]

- 30. Details of any amount borrowed on hundi or any amount due thereon (including interest on the amount borrowed) repaid, otherwise than through an account payee cheque. [Section 69D]
- [30A. (a) Whether primary adjustment to transfer price, as referred to in sub-section 1) of section 92Ce, has been made during the previous year? (Yes/No)
- (b) If yes, please furnish the following details:—
 - (i) Under which clause of sub-section (1) of section 92CE primary adjustment is made?
 - (ii) Amount (in Rs.) of primary adjustment:
 - (iii) Whether the excess money available with the associated enterprise is required to be repatriated to India as per the provisions of sub-section (2) of section 92CE? (Yes/No)
 - (iv) If yes, whether the excess money has been repatriated within the prescribed time (Yes/No)
 - (v) If no, the amount (in Rs.) of imputed interest income on such excess money which has not been repatriated within the prescribed time:

Form 3CD: [Para 55 of the GN]

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

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

A.Y.Amount (in Rs.) (v) Details of interest expenditure carried forward as per sub-section (4) of section 94B:

A.Y.Amount (in Rs.)

Form 3CD: [Para 56 of the GN]

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

- (b) If yes, please specify:—
 - (i) Nature of impermissible avoidance arrangement:
 - (ii) Amount (in Rs.) of tax benefit in the previous year arising, in aggregate, to all the parties to the arrangement:]

Form 3CD: [Para 57 of the GN]

- [31. (a) Particulars of each loan or deposit in an amount exceeding the limit specified in section 269SS taken or accepted during the previous year:—
 - (i) name, address and Permanent Account Number or Aadhaar Number (if available with the assessee) of the lender or depositor;
 - (ii) amount of loan or deposit taken or accepted;
 - (iii) whether the loan or deposit was squared up during the previous year;
 - (iv) maximum amount outstanding in the account at any time during the previous year;
 - (V) whether the loan or deposit was taken or accepted by cheque or bank draft or use of electronic clearing system through a bank account;
 - (vi) in case the loan or deposit was taken or accepted by cheque or bank draft, whether the same was taken or accepted by an account payee cheque or an account payee bank draft.

Form 3CD: [Para 57 of the GN]

- (b) Particulars of each specified sum in an amount exceeding the limit specified in section 269SS taken or accepted during the previous year:
 - (i) name, address and Permanent Account Number or Aadhaar Number (if available with the assessee) of the person from whom specified sum is received;
 - (ii) amount of specified sum taken or accepted;
 - (iii) whether the specified sum was taken or accepted by cheque or bank draft or use of electronic clearing system through a bank account;
 - (iv) in case the specified sum was taken or accepted by cheque or bank draft, whether the same was taken or accepted by an account payee cheque or an account payee bank draft.

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

Form 3CD: [Para 58 of the GN]

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

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

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

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

Form 3CD: [Para 58 of the GN]

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

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

Form 3CD: [Para 58 of the GN]

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

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

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

Form 3CD: [Para 59 of the GN]

- (c) Particulars of each repayment of loan or deposit or any specified advance in an amount exceeding the limit specified in section 269T made during the previous year:—
 - (i) name, address and Permanent Account Number or Aadhaar Number (if available with the assessee) of the payee;
 - (ii) amount of the repayment;
 - (iii) maximum amount outstanding in the account at any time during the previous year;
 - (iv) whether the repayment was made by cheque or bank draft or use of electronic clearing system through a bank account;
 - (v) in case the repayment was made by cheque or bank draft, whether the same was repaid by an account payee cheque or an account payee bank draft.

Form 3CD: [Para 60 to 61 of the GN]

- (d) Particulars of repayment of loan or deposit or any specified advance in an amount exceeding the limit specified in section 269T received otherwise than by a cheque or bank draft or use of electronic clearing system through a bank account during the previous year:—
 - (i) name, address and Permanent Account Number or Aadhaar Number (if available with the assessee) of the payer*;
 - (ii) repayment of loan or deposit or any specified advance received otherwise than by a cheque or bank draft or use of electronic clearing system through a bank account during the previous year.
- (e) Particulars of repayment of loan or deposit or any specified advance in an amount exceeding the limit specified in section 269T received by a cheque or bank draft which is not an account payee cheque or account payee bank draft during the previous year:—
 - (i) name, address and Permanent Account Number or Aadhaar Number (if available with the assessee) of the payer*;
 - (ii) repayment of loan or deposit or any specified advance received by a cheque or a bank draft which is not an account payee cheque or account payee bank draft during the previous year.

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

Form 3CD: [Para 62 of the GN]

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

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

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

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

Form 3CD: [Para 63 to 66 of the GN]

- (b) Whether a change in shareholding of the company has taken place in the previous year due to which the losses incurred prior to the previous year cannot be allowed to be carried forward in terms of section 79.
- (c) Whether the assessee has incurred any speculation loss referred to in section 73 during the previous year, If yes, please furnish the details of the same.
- (d) whether the assessee has incurred any loss referred to in section 73A in respect of any specified business during the previous year, if yes, please furnish details of the same.
- (e) In case of a company, please state that whether the company is deemed to be carrying on a speculation business as referred in explanation to section 73, if yes, please furnish the details of speculation loss if any incurred during the previous year.

Form 3CD: [Para 67 of the GN]

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

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

Form 3CD: [Para 68 of the GN]

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

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

Form 3CD: [Para 69 of the GN]

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

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

Form 3CD: [Para 70 of the GN]

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

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

| 35. (a) In the case of a trading concern, give quantitative details of principal items of goods traded: | |
|---|-----------------------|
| (i) Opening Stock; | [Para 71 and 72of the |
| (ii) purchases during the previous year; | GN] |
| (iii) sales during the previous year; | - |
| (iv) closing stock; | |
| (v) shortage/excess, if any | |
| (b) In the case of a manufacturing concern, give quantitative details of the principal items of ramaterials, finished products and by-products: | aw |
| A. Raw Materials: | |
| (i) opening stock; | |
| (ii) purchases during the previous year; | |
| (iii) consumption during the previous year; | |
| (iv) sales during the previous year; | |
| (v) closing stock; | |
| (vi) yield of finished products; | |
| (vii) percentage of yield; | |
| (viii) shortage/excess, if any | |
| B. Finished products/by-products: | |
| (i) opening stock; | |
| (ii) purchases during the previous year; | |
| (iii) quantity manufactured during the previous year; | |
| (iv) sales during the previous year; | |
| (v) closing stock; | |
| (vi) shortage/excess, if any. | |

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

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

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

Form 3CD: [Para 74 to 76 of the GN]

- [36A. (a) Whether the assesse has received any amount in the nature of dividend as referred to in sub-clause (e) of clause (22) of section 2? (Yes/No.)
- (b) If yes, please furnish the following details:—
 - (i) Amount received (in Rs.):
- (ii) Date of receipt:]
- 37. Whether any cost audit was carried out, if yes, give the details, if any, of disqualification or disagreement on any matter/item/value/quantity as may be reported/identified by the cost auditor.
- 38. Whether any audit was conducted under the Central Excise Act, 1944, if yes, give the details, if any, of disqualification or disagreement on any matter/item/value/quantity as may be reported/identified by the auditor.

Form 3CD: [Para 77 and 78 of the GN]

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

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

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

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

Form 3CD: [Para 79 and 80 of the GN]

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

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

(b) If yes, please furnish:

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

Form 3CD: [Para 81 of the GN]

- 43. (a) Whether the assessee or its parent entity or alternate reporting entity is liable to furnish the report as referred to in sub-section (2) of section 286? (Yes/No)
- (b) If yes, please furnish the following details:
 - (i) Whether report has been furnished by the assessee or its parent entity or an alternate reporting entity
 - (ii) Name of parent entity
 - (iii) Name of alternate reporting entity (if applicable)
 - (iv) Date of furnishing of report

Form 3CD: [Para 82 of the GN]

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

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

Q & A



Thank You

Rajendra Prasad Talluri (RP), TRP & CO

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FORM NO. 3CD

[See rule 6 G(2)]

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

PART - A

| 1. Name of the assessee |
|---|
| 2. Address |
| 3. Permanent Account Number or Aadhaar Number |
| 4. Whether the assessee is liable to pay indirect tax like excise duty, service tax, sales tax, <i>goods and services tax</i> , customs duty, etc. if yes, please furnish the registration number or <i>GST number or</i> any other identification number allotted for the same |
| 5. Status |
| 6. Previous year fromto |
| 7. Assessment year |
| 8. Indicate the relevant clause of section 44AB under which the audit has been conducted |
| ¹ [8a. Whether the assessee has opted for taxation under section 115BA/115BAA/115BAB/115BAC/ |
| 115BAD?.] |
| PART - B |
| 9. (a) If firm or association of persons, indicate names of partners/members and their profit sharing ratios. |
| (b) If there is any change in the partners or members or in their profit sharing ratio since the last date of the preceding year, the particulars of such change |
| 10. (a) Nature of business or profession (if more than one business or profession is carried on during the previous year, nature of every business or profession) |
| (b) If there is any change in the nature of business or profession, the particulars of such change. |
| 11. (a) Whether books of account are prescribed under section 44AA, if yes, list of books so prescribed. |
| (b) List of books of account maintained and the address at which the books of account are kept. |
| (In case books of account are maintained in a computer system, mention the books of account generated by such computer system. If the books of account are not kept at one location, please furnish the addresses of locations along with the details of books of account maintained at each location.) |
| (c) List of books of account and nature of relevant documents examined |
| |

^{1.} Substituted by the Income-tax (Eighth Amendment) Rules, 2021, w.e.f. 1-4-2021.

- 13. (a) Method of accounting employed in the previous year.....
- (b) Whether there had been any change in the method of accounting employed vis-a-vis the method employed in the immediately preceding previous year.
- (c) If answer to (b) above is in the affirmative, give details of such change, and the effect thereof on the profit or loss.

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

- (d) Whether any adjustment is required to be made to the profits or loss for complying with the provisions of income computation and disclosure standards notified under section 145(2)
- (e) if answer to (d) above is in the affirmative, give details of such adjustments:

Increase in Decrease in Net Effect
profit (Rs.) profit (Rs.) (Rs.)

ICDS I Accounting Policies

ICDS II Valuation of Inventories

ICDS IVRevenue RecognitionICDS VTangible Fixed Assets

ICDS VI Changes in Foreign Exchange Rates

ICDS VII Governments Grants

ICDS VIII Securities Borrowing Costs

ICDS IX

ICDS X Provisions, Contingent Liabilities and
Contingent Assets

Total

(f) Disclosure as per ICDS:

ICDS III

(i) ICDS I - Accounting Policies

(ii) ICDS II - Valuation of Inventories

Construction Contracts

(Hi) ICDS III - Construction Contracts

(iv) ICDS IV - Revenue Recognition

(v) ICDS V - Tangible Fixed Assets

(vi) ICDS VII - Governments Grants

(vii)ICDS IX - Borrowing Costs

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

| * * | of valuation of closing | | • | • | A, and the effect thereof on | | |
|---------------------------|---|---|--------------------------|--------------------------------------|---|--|--|
| ` ' | ss, please furnish: | illou or varu | ation prescribed t | inder section 1437 | A, and the effect thereof on | | |
| Serial number | | S | Increase in profit (Rs.) | De | ecrease in profit (Rs.) | | |
| | | | | | | | |
| 15. Give the fo | llowing particulars of t | he capital as | set converted into | stock-in-trade:— | | | |
| (a) Description | on of capital asset; | | | | | | |
| (b) Date of ac | equisition; | | | | | | |
| (c) Cost of ac | equisition; | • | | | | | |
| (d) Amount a | at which the asset is co | nverted into | stock-in-trade | | | | |
| 16. Amounts n | ot credited to the profi | t and loss ac | count, being, - | | | | |
| (a) the items | falling within the scop | e of section | 28; | | | | |
| or value | , | h credits, d | • | | e tax, or refund of sales tax as due by the authorities | | |
| | claims accepted durin | | us year; | | | | |
| | item of income; | | | | | | |
| • , | ceipt, if any. | | | | | | |
| | te adopted or assesse CA or 50C, please Consideration received or accrued | | pted or assessed or | Whether provision section (1) of sec | e Government referred to ons of second proviso to sub- tion 43CA or fourth proviso to section (2) of section 56 [Yes/No] | | |
| | | | | | | | |
| | of depreciation allowa | _ | | ct, 1961 in respec | t of each asset orblock of | | |
| - | on of asset/block of ass | | | | | | |
| . , | epreciation. | | | | | | |
| | st of written down value | | se may be | | | | |
| ² [(ca) Adjust | | ie written | down value | | 115BAC/115BAD (for | | |
| (cb) Adjustme | ent made to written | down valu | e of Intangible | asset due to excl | luding value of goodwill | | |
| of a busi | ness or profession <mark></mark> | | | | | | |
| (cc) Adjusted | written down value. | ••••• |] | | | | |
| | s/deductions during the adjustments on account | | lates; in the case of | of any addition of | an asset, date putto use; | | |
| * * | tral Value Added Tax of ect of assets acquired of | | | | | | |
| | nge in rate of exchange | | | | | | |
| (iii) subs | sidy or grant or reimbu | rsement, by | whatever name ca | ılled | | | |
| |) Depreciation allowable | | | | | | |

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

^{2.} Substituted by the Income-tax (Eighth Amendment) Rules, 2021, w.e.f. 1-4-2021.

19. Amounts admissible under sections:

| Section | Amount debited to profit and loss account | Amounts admissible as per the provisions of the Income-tax Act, 1961 and also fulfils the conditions, if any specified under the relevant provisions of Income-tax Act, 1961 or Income-tax Rules, 1962 or any other guidelines, circular, etc., issued in this behalf. |
|---------------------|---|--|
| 32AC | | |
| 32AD | | |
| 33AB | | |
| 33ABA | | |
| 35(1)(<i>i</i>) | | |
| 35(1) (<i>ii</i>) | | |
| 35(1)(iia) | | |
| 35(1)(<i>iii</i>) | | |
| 35(1)(<i>iv</i>) | | |
| 35(2AA) | | |
| 35(2AB) | | |
| 35ABB | | |
| 35AC | | |
| 35AD | | |
| 35CCA | | |
| 35CCB | | |
| 35CCC | | |
| 35CCD | | |
| 35D | | |
| 35DD | | |
| 35DDA | | |
| 35E | | |

- 20. (a) Any sum paid to an employee as bonus or commission for services rendered, where such sum was otherwise payable to him as profits or dividend. [Section 36(1)(ii)].....
- (b) Details of contributions received from employees for various funds as referred to in section 36(1)(va):

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

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

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

| _ | iture incurred for any purpose which is an or which is prohibited by law | | | |
|-------------------|---|---|----------------|------------------|
| | | | | |
| | | | | |
| | | | | |
| (b) Amou | ants inadmissible under section 40(a):- | 1 | _ | 1 |
| (<i>i</i>) as p | ayment to non-resident referred to in sub-clause (i |) | | |
| (A) | Details of payment on which tax is not deducted: | | | |
| | (I) date of payment | | | |
| | (II) amount of payment | | | |
| | (III) nature of payment | | | |
| | (IV) name and address of the payee | | | |
| (B) | Details of payment on which tax has been de previous year or in the subsequent year before t 200(1) | | - | |
| | (I) date of payment | | | |
| | (II) amount of payment | | | |
| | (III) nature of payment | | | |
| | (IV) name and address of the payee | | | |
| | (V) amount of tax deducted | | | |
| (ii) as p | ayment referred to in sub-clause (ia) | | | |
| (A) | Details of payment on which tax is not deducted: | | | |
| | (I) date of payment | | | |
| | (II) amount of payment | | | |
| | (III) nature of payment | | | |
| | (IV) name and address of the payee | | | |
| (B) | Details of payment on which tax has been deduced due date specified in sub-section (1) of section 1 | | ot been paid o | on or before the |
| | (I) date of payment | | | |
| | (II) amount of payment | | | |
| | (III) nature of payment | | | |
| | (IV) name and address of the payer* | | | |
| | (V) amount of tax deducted | | | |
| | (VI) amount out of (V) deposited, if any | | | |

^{*} Should be read as 'Payee'.

| (iii) under sub-cla | use (ic) [Wherever a | pplicable] | | | | |
|---|---|--|---|---|--|--|
| iv) under sub-clause (iia) | | | | | | |
| (v) under sub-claus | se (iib) | | | | | |
| (vi) under sub-cla | use (iii) | | | | | |
| (A) date of p | ayment | | | | | |
| (B) amount | of payment | | | | | |
| (C) name an | d address of the pay | ee | | | | |
| (vii) under sub-cla | use (iv) | | | | | |
| (viii) under sub- | clause (v) | | | | | |
| | • | _ | • | bonus, commission or of; | | |
| (d) Disallowance/d | leemed income unde | er section 40A(3): | | | | |
| whether the | expenditure covered | d under section 40 | A(3) read with ru | ant documents/evidence, le 6DD were made by If not, please furnish the | | |
| Serial number | Date of payment | Nature of | Amount | Name and Permanent | | |
| | | payment | | Account Number or | | |
| | | | | Aadhaar Number of the payee, if available | | |
| | | | | puyee, ir uvunuote | | |
| whether the payee cheque | payment referred to e drawn on a bank o | in section 40A(3A) are account payee bar | read with rule 6DE nk draft If not, plea | ont documents/evidence, O were made by account ase furnish the details of er section 40A (3A); | | |
| Serial number | Date of payment | Nature of | Amount | Name and Permanent | | |
| | T.U | payment | | Account Number or Aadhaar Number of the payee, if available | | |
| | | | | | | |
| | | | | | | |
| | | ot allowable under so | | | | |
| (f) any sum pa | • | e as an employer | not allowable | under section 40A(9); | | |
| (g) particulars of a | ny liability of a conti | ingent nature; | | | | |
| | | in terms of section 14 | - | e expenditure incurred in | | |
| | | - | | | | |
| i) amount inadmissible under the proviso to section 36(1)(iii). | | | | | | |

- 22. Amount of interest inadmissible under section 23 of the Micro, Small and Medium Enterprises Development Act, 2006. 23. Particulars of payments made to persons specified under section 40A(2)(b). 24. Amounts deemed to be profits and gains under section 32AC or [32AD or] 33AB or 33ABA or 33AC. 25. Any amount of profit chargeable to tax under section 41 and computation thereof. 26. In respect of any sum referred to in clauses (a),(b), (c), (d), (e), [(f) or (g)] of section 43B, the liability for which:— (A) pre-existed on the first day of the previous year but was not allowed in the assessment of any preceding previous year and was (a) paid during the previous year; (b) not paid during the previous year; (B) was incurred in the previous year and was (a) paid on or before the due date for furnishing the return of income of the previous year under section 139(1); (b) not paid on or before the aforesaid date. (State whether sales tax, customs duty, excise duty or any other indirect tax, levy, cess, impost, etc., is passed through the profit and loss account.) 27. (a) Amount of Central Value Added Tax credits availed of or utilised during the previous year and its treatment in the profit and loss account and treatment of outstanding Central Value Added Tax credits in the accounts. (b) Particulars of income or expenditure of prior period credited or debited to the profit and loss account. 28. Whether during the previous year the assessee has received any property, being share of a company not being a company in which the public are substantially interested, without consideration or for inadequate consideration as referred to in section 56(2)(viia), if yes, please furnish the details of the same. 29. Whether during the previous year the assessee received any consideration for issue of shares which exceeds the fair market value of the shares as referred to in section 56(2)(viib), if yes, please furnish the details of the same. [29A. (a) Whether any amount is to be included as income chargeable under the head 'income from other sources' as referred to in clause (ix) of sub-section (2) of section 56? (Yes/No) (b) If yes, please furnish the following details: (i) Nature of income: (ii) Amount thereof: 29B. (a) Whether any amount is to be included as income chargeable under the head 'income from other sources' as referred to in clause (x) of sub-section (2) of section (3)? (4)(b) If yes, please furnish the following details:
- (ii) Amount (in Rs.) thereof:]

(i) Nature of income:

- 30. Details of any amount borrowed on hundi or any amount due thereon (including interest on the amount borrowed) repaid, otherwise than through an account payee cheque. [Section 69D]
- [30A. (a) Whether primary adjustment to transfer price, as referred to in sub-section 1) of section 92Ce, has been made during the previous year? (Yes/No)
- (b) If yes, please furnish the following details:—
 - (i) Under which clause of sub-section (1) of section 92CE primary adjustment is made?
 - (ii) Amount (in Rs.) of primary adjustment:
 - (iii) Whether the excess money available with the associated enterprise is required to be repatriated to India as per the provisions of sub-section (2) of section 92CE? (Yes/No)
 - (iv) If yes, whether the excess money has been repatriated within the prescribed time (Yes/No)
 - (v) If no, the amount (in Rs.) of imputed interest income on such excess money which has not been repatriated within the prescribed time:
- 30B. (a) Whether the assessee has incurred expenditure during the previos year by way of interest or of similar nature exceeding one crore rupees as referred to in sub-section (1) of section 94B? (Yes/No.)
- (b) If yes, please furnish the following details:—
 - (i) Amount (in Rs.) of expenditure by way of interest or of similar nature incurred:
 - (ii) Earnings before interest, tax, depreciation and amortization (EBITDA) during the previous year (in Rs.):
 - (iii) Amount (in Rs.) of expenditure by way interest or of similar nature as per (i) above which exceeds 30% of EBITDA as per (ii) above:
 - (iv) Details of interest expenditure brought forward as per sub-section (4) of section 94B:

| A.Y. | Amount (in Rs.) |
|--------------------|--|
| (v) Details of int | erest expenditure carried forward as per sub-section (4) of section 94B: |
| | Amount (in Rs.) |

- 30C. (a) Whether the assessee has entered into an impermissible avoidance arrangement, as referred to in section 96, during the previous year? (Yes/No.)
- (b) If yes, please specify:—
 - (i) Nature of impermissible avoidance arrangement:
 - (ii) Amount (in Rs.) of tax benefit in the previous year arising, in aggregate, to all the parties to the arrangement:]

- [31. (a) Particulars of each loan or deposit in an amount exceeding the limit specified in section 269SS taken or accepted during the previous year:—
 - (i) name, address and Permanent Account Number or Aadhaar Number (if available with the assessee) of the lender or depositor;
 - (ii) amount of loan or deposit taken or accepted;
 - (iii) whether the loan or deposit was squared up during the previous year;
 - (iv) maximum amount outstanding in the account at any time during the previous year;
 - (v) whether the loan or deposit was taken or accepted by cheque or bank draft or use of electronic clearing system through a bank account;
 - (vi) in case the loan or deposit was taken or accepted by cheque or bank draft, whether the same was taken or accepted by an account payee cheque or an account payee bank draft.
- (b) Particulars of each specified sum in an amount exceeding the limit specified in section 269SS taken or accepted during the previous year:—
 - (i) name, address and Permanent Account Number or Aadhaar Number (if available with the assessee) of the person from whom specified sum is received;
 - (ii) amount of specified sum taken or accepted;
 - (iii) whether the specified sum was taken or accepted by cheque or bank draft or use of electronic clearing system through a bank account;
 - (iv) in case the specified sum was taken or accepted by cheque or bank draft, whether the same was taken or accepted by an account payee cheque or an account payee bank draft.

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

- (ba) Particulars of each receipt in an amount exceeding the limit specified in section 269ST, in aggregate from a person in a day or in respect of a single transaction or in respect of transactions relating to one event or occasion from a person, during the previous year, where such receipt is otherwise than by a cheque or bank draft or use of electronic clearing system through a bank account:—
 - (i) Name, address and Permanent Account Number or Aadhaar Number (if available with the assessee) of the payer;
 - (ii) Nature of transaction;
 - (iii) Amount of receipt (in Rs.);
 - (iv) Date of receipt;
- (bb) Particulars of each receipt in an amount exceeding the limit specified in section 269ST, in aggregate from a person in a day or in respect of a single transaction or in respect of transactions relating to one event or occasions from a person, received by a cheque or bank draft, not being an account payee cheque or an account payee bank draft, during the previous year;—

- (i) Name, address and Permanent Account Number or Aadhaar Number (if available with the assessee) of the payer;
- (ii) Amount of receipt (in Rs.);
- (bc) Particulars of each payment made in an amount exceeding the limit specified in section 269ST, in aggregate to a person in a day or in respect of a single transaction or in respect of transactions relating to one event or occasions to a person, otherwise than by a cheque or bank draft, or use of electronic clearing system through a bank account, during the previous year:—
 - (i) Name, address and Permanent Account Number or Aadhaar Number (if available with the assessee) of the payee;
 - (ii) Nature of transaction;
 - (iii) Amount of payment (in Rs.);
 - (iv) Date of payment;
- (bd) Particulars of each payment made in an amount exceeding the limit specified in section 269ST, in aggregate to a person in a day or in respect of a single transaction or in respect of transations relating to one event or occasions to a person, made by a cheque or bank draft, not being an account payee cheque or an account payee bank draft, during the previous year:—
 - (i) Name, address and Permanent Account Number or Aadhaar Number (if available with the assessee) of the payee;
 - (ii) Amount of payment (in Rs.);
- (Particulars at (ba), (bb), (bc) and (bd) need not be given in the case of receipt by or payment to a Government company, a banking Company, a post office savings bank, a cooperative bank or in the case of transactions referred to in section 269SS or in the cse of persons referred to in Notification No. S.O. 2065(E) dated 3rd July, 2017);]
- (c) Particulars of each repayment of loan or deposit or any specified advance in an amount exceeding the limit specified in section 269T made during the previous year:—
 - (i) name, address and Permanent Account Number or Aadhaar Number (if available with the assessee) of the payee;
 - (ii) amount of the repayment;
 - (iii) maximum amount outstanding in the account at any time during the previous year;
 - (iv) whether the repayment was made by cheque or bank draft or use of electronic clearing system through a bank account;
 - (v) in case the repayment was made by cheque or bank draft, whether the same was repaid by an account payee cheque or an account payee bank draft.

- (d) Particulars of repayment of loan or deposit or any specified advance in an amount exceeding the limit specified in section 269T received otherwise than by a cheque or bank draft or use of electronic clearing system through a bank account during the previous year:—
 - (i) name, address and Permanent Account Number or Aadhaar Number (if available with the assessee) of the payer*;
 - (ii) repayment of loan or deposit or any specified advance received otherwise than by a cheque or bank draft or use of electronic clearing system through a bank account during the previous year.
- (e) Particulars of repayment of loan or deposit or any specified advance in an amount exceeding the limit specified in section 269T received by a cheque or bank draft which is not an account payee cheque or account payee bank draft during the previous year:—
 - (i) name, address and Permanent Account Number or Aadhaar Number (if available with the assessee) of the payer*;
 - (ii) repayment of loan or deposit or any specified advance received by a cheque or a bank draft which is not an account payee cheque or account payee bank draft during the previous year.

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

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

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

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

- (b) Whether a change in shareholding of the company has taken place in the previous year due to which the losses incurred prior to the previous year cannot be allowed to be carried forward in terms of section 79.
- (c) Whether the assessee has incurred any speculation loss referred to in section 73 during the previous year, If yes, please furnish the details of the same.

3. Substituted by the Income-tax (Eighth Amendment) Rules, 2021, w.e.f. 1-4-2021.

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

^{*} As corrected by corrigendum GSR 841(E), dated 6-7-2017.

- (d) whether the assessee has incurred any loss referred to in section 73A in respect of any specified business during the previous year, if yes, please furnish details of the same.
- (e) In case of a company, please state that whether the company is deemed to be carrying on a speculation business as referred in explanation to section 73, if yes, please furnish the details of speculation loss if any incurred during the previous year.
- 33. Section-wise details of deductions, if any, admissible under Chapter VIA or Chapter III (Section 10A, Section 10AA).

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

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

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

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

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

| (c) whether the assessee is lia please furnish: | ble to pay interest under section 201(| 1A) or section 206C(7). If yes, |
|--|---|---|
| Tax deduction and collection Account Number (TAN) | Amount of interest under section 201(1A)/206C(7) is payable | Amount paid out of column (2) along with date of payment. |
| | | |
| 35. (a) In the case of a trading of | concern, give quantitative details of prin | ncipal items of goods traded: |
| (i) Opening Stock; | | |
| (ii) purchases during the | previous year; | |
| (iii) sales during the prev | ious year; | |
| (iv) closing stock; | | |
| (v) shortage/excess, if ar | ny | |
| (b) In the case of a manufact materials, finished products an | uring concern, give quantitative detail d by-products: | s of the principal items of raw |
| A. Raw Materials: | | |
| (i) opening stock; | | |
| (ii) purchases during the pr | evious year; | |
| (iii) consumption during th | e previous year; | |
| (iv) sales during the previous | us year; | |
| (v) closing stock; | | |
| (vi) yield of finished produ | cts; | |
| (vii) percentage of yield; | | |
| (viii) shortage/excess, if an | y. <mark></mark> | |
| B. Finished products/by-products | ducts: | |
| (i) opening stock; | | |
| (ii) purchases during the | previous year; | |
| (iii) quantity manufacture | ed during the previous year; | |
| (iv) sales during the prev | ious year; | |
| (v) closing stock; | | |
| (vi) shortage/excess, if ar | | |
| 36. ⁴ [***] | | |

- [36A. (a) Whether the assesse has received any amount in the nature of dividend as referred to in sub-clause (e) of clause (22) of section 2? (Yes/No.)
- (b) If yes, please furnish the following details:—
- (i) Amount received (in Rs.):
- (ii) Date of receipt:]
- 37. Whether any cost audit was carried out, if yes, give the details, if any, of disqualification or disagreement on any matter/item/value/quantity as may be reported/identified by the cost auditor.
- 38. Whether any audit was conducted under the Central Excise Act, 1944, if yes, give the details, if any, of disqualification or disagreement on any matter/item/value/quantity as may be reported/identified by the auditor.
- 39. Whether any audit was conducted under section 72A of the Finance Act,1994 in relation to valuation of taxable services, if yes, give the details, if any, of disqualification or disagreement on any matter/item/value/quantity as may be reported/identified by the auditor.
- 40. Details regarding turnover, gross profit, etc., for the previous year and preceding previous year:

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

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

- 41. Please furnish the details of demand raised or refund issued during the previous year under any tax laws other than Income-tax Act, 1961 and Wealth-tax Act, 1957 alongwith details of relevant proceedings.
- [42. (a) Whether the assessee is required to furnish statement in Form No.61 or Form No.61A or Form 61B? (Yes/No)
- (b) If yes, please furnish:

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

- 43. (a) Whether the assessee or its parent entity or alternate reporting entity is liable to furnish the report as referred to in sub-section (2) of section 286? (Yes/No)
- (b) If yes, please furnish the following details:
 - (i) Whether report has been furnished by the assessee or its parent entity or an alternate reporting entity
 - (ii) Name of parent entity
 - (iii) Name of alternate reporting entity (if applicable)
 - (iv) Date of furnishing of report
- 44. Break-up of total expenditure of entities registered or not registered under the GST:

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

| | *(Signature | e and stamp/seal of the signatory) |
|--------|---------------------|------------------------------------|
| Place: | Name of the signate | ory |
| Date: | Full address | |

.....

Notes:

1. *This Form has to be signed by the person competent to sign Form No. 3CA or Form No. 3CB, as the case may be.

Tax Audit Under Income-tax, 1961 – Clause By Clause Analysis

Expectations from Auditors



- CA RAMDEV BHUTADA 09849005844

Email id:Ramdevbhutadaca@gmail.com

- The concept of Tax Audit U/s 44AB was introduced from 1985-86 by Sec`11 of Finance act, 1984.
- The ICAI has issued guidance note to facilitate members in understanding various "terms" & "phrases" and to clarify on reporting requirements.
- Latest guidance note (revised) issued in August 2022

 "The very purpose of introduction of the provisions of Audit u/s 44AB was to ensure that the books of accounts and other records are properly maintained, that they *faithfully* reflect the income of the taxpayer and claims for deduction are *correctly* made by him and accordingly this *responsibility* is posed on Chartered Accountants."

Clarification of ICAI specifies that –

"Guidance notes are recommendatory in nature. A member should ordinarily follow recommendations in a guidance note relating to an auditing matter *except* where he is satisfied that in the *circumstances* of the case, it may not be necessary to do so: Similarly while discharging his attest function, a member should examine whether the recommendations in a guidance note relating to an accounting matter have been followed, the member should consider whether keeping in view the circumstances of the case, a *disclosure* in his report is necessary.

• As per Sec` 44AB r/w Rule 6G:

Every person whose Gross receipts in business exceeds Rs. 1 Crore or in profession exceeds Rs. 50 Lakhs *OR* who declares lower profits than prescribed u/s 44AD, 44ADA, 44AE, 44BB or 44BBB, is required to get his books of accounts audited.

Sec' 44AA provides for maintenance of books of accounts and documents –

- Business/Profession If income from business/profession exceed Rs. 1,20,000, or Gross Receipts exceeds Rs. 10,00,000.
- Specified Profession Rule 6F.
- If the income is lower than prescribed u/s 44AE, 44BB or 44BBB.
- If the income is prescribed u/s 44AD and hit by sub sec (4) and income exceeds maximum amount exempt from tax.
- W.e.f AY 18-19 for Individuals & HUFs limits are 250000/= & 25 Lakhs

Turnover normally excludes Trade discounts, ancillary charges billed and such other sum directly relatable to turnover or sales for commission agent/Brokers refer circular No. 452 dt. 17th March 1986.

Appointment letter shall be signed by the person who is competent to sign the return and such letter shall specify the remuneration vide SA 210

- Better to have preconditions as to access over books & records etc.

Central Govt; vide notification no. S.O.69(E) dt. 25th Jan` 1996 has notified two AS wef AY 1997-98. The notified AS are disclosure of accounting policies. Prior Period and extra ordinary items.

10 standards of ICDS are notified u/s 145(2) w.e.f 31st March 2015 vide notification no. 32/2015

Following considerations govern the selection and application of accounting policies -

- Prudence
- Substance
- Materiality

Tax Audit is to be conducted by applying the generally accepted auditing procedures which are applicable for any other audit.

Tax Audit casts responsibility on the Auditors for the report made hence it is required to maintain and preserve all working papers including work done, explanation/information obtained/provided, decisions taken, certificates issued by clients and judicial pronouncements relied upon.

- The CBDT has substituted new forms 3CA, 3CB and 3CD vide Income Tax (7th Amendment) Rules, 2014 Notification No. 33/2014 dated July 25th 2014
- Form 3CD was further modified w.e.f AY 17-18 to include ICDS in clause 13.
- Form 3CD is further more modified in July 2017 to amend clause 31.
- Form 3CD is Further amended w.e.f 20th August 2018 Vide Notification No. 33/2018/F No. 370142/9/2018 – TPL dt. 20th July 2018
- This Amendment Proposed to Change & Clause and Insert 7 New Clauses and Substitute one table in Clause no. 34.

FORM NO. 3CA

- Audit report for those Assessees who are required to get their books audited under any other Act.
- If statutory audit is done by a different auditor then this fact may be mentioned along with date of such report.

FORM NO.3CB

- Audit report for those Assessees who are not required to get their books audited under any other Act.
- It contains two parts as under:

First Part: Reporting true & fair view on financial statements.

Second Part: Reporting on information furnished in Form 3CD as true and correct.

- Observations/discrepancies/comments are to be incorporated.
- Only Qualificatory remarks to be reported and other remarks and observations can be reported or mentioned in notes on accounts.

 In clause 5 of 3CB form the opinion about true & correct state of affairs can be subjected to observations/qualifications if any

E-filing portal specifies following Qualifications:

- Proper Books of account, to enable reporting in form 3CD, have not been maintained by Assessee.
- All the information and explanations which to the best of my/our knowledge.
- Documents necessary to verify the reportable transaction were not made available.
- Proper Stock records are not maintained by the Assessee.
- Valuation of closing stock is not possible.
- Yield/percentage of wastage is not ascertainable.
- Records necessary to verify personal nature of expenses not maintained.
- TDS returns could not be verified with books of account.
- Records produced for verification of payments through a/c payee cheque were not sufficient.

- Amount of expense related to exempt income u/s 14A of I.T. Act, 1961 could not be ascertained.
- Creditors under Micro, small & medium enterprises Development Act, 2006 are not ascertained.
- Prior period expenses are not ascertainable from books of account.
- Fair market value of shares u/s 56(2) (viia) (viib) is not ascertainable.
- Reports of audits carried for excise/service Tax Dept. were not made available.
- GP Ratio is not ascertainable from financial statements prepared by Assessee.
- Information regarding demand raised or refund issued during the previous year under any laws other I.T. Act, 1961 and Wealth Tax Act, 1957 was not made available.
- Others.

FORM 3CD

- Statement of particulars to be obtained from Assessee.
- Ensure factual accuracy of particulars given.
- For first time Audit, ensure compliance with SA 510 "Initial Audit Engagements – Opening Balances."
- Revised Audit report can be made to accommodate revision of accounts, change of law, change in interpretation E.g.
 CBDT circular(s), judgment(s) etc;

IMPORTANT CHANGES IN FORM 3CD

- There are several critical changes in form 3CD
- Total number of clauses are 44 besides addition of several new sub clauses to the existing clauses and substitutions of few clauses and sub clauses
- Clause 13 requires reporting on ICDS compliances
- Clause 31 requires reporting on acceptance/repayments of Loans/deposits/specified sums/specified advances.

Changes WEF 20th Aug 2018

- ➤ New Clause 29 A required reporting of income chargeable u/s 56(2) (ix) relating to forfeiture of advance received in connection with transfer of capital asset
- ➤ New Clause 29 requires reporting of income chargeable u/s 56(2) (X) relating trfr of immovable properties without or at lower values than stamp duty value if different is of 50K or 5% of consideration which ever is more.

- ➤ New clauses 30A,30B and 30C requires reporting of international transfer pricing transactions where various exceeds one crore <u>or</u> interest paid in excess of limits on borrowings from related entities <u>or</u> impermissible avoidance arrangements are entered upon.
- New sub clauses (ba) (bb)(bc)&(bd) in clause 31 requires reporting of transactions specified in sec' 269ST for receipts as well as Payments.
- Table specified in sub clause (b) of clause34 to be substituted with new table which specifies that an assessee who is required to furnish TDS/TCS statement shall furnish the details of TAN, Form Type, Due date, Actual date and confirm whether all transactions reported and if not report such transactions now.

- New Clause 36A requires reporting of deemed dividends u/s 2(22)(e)
- New clause 42 requires reporting details relating to furnishing of forms 61,61A and 61B
- New clause 43 requires to comment on furnishing of forms 3CEAE to 3CEAE relating to international group as specified in sec'286(2).
- ➤ New clause 44 requires reporting on total expenditure and its Breakup relating to GST registered entities and non registered entities.

- The Auditor should make a specific reference to those clauses in Form 3CD in which he has expressed his reservations, difference of opinion, disclaimer etc; This reporting is to be done in clause 5 of Form no. 3CB.
- If any particular clause is not applicable then mention "NOT APPLICABLE"
- In the absence of relevant information, the tax auditor would have no option but to state in his report that the relevant information has not been furnished by the Assessee.

CLAUSES 1 to 8 - PART 'A' of 3CD

- Preliminary information to be given.
- If the Assessee is individual or HUF and is proprietor of a business concern then mention the name of Assessee followed by "Proprietor of M/S"

Choose correct sub clause of sec'44AB

Clause 4 of Part 'A' requires for ascertaining whether assessee is liable to any indirect tax and if yes then registration no. or any other identification no. is required to be furnished.

E-filing portal specifies following options:

- a) Central Excise Duty
- b) Central Custom Duty
- c) Service Tax
- d) Sales Tax/VAT
- e) State Excise Duty
- f) Other Indirect Tax/Duty
- It does not ask for quantification of any liability
- The onus is on auditor to verify and determine whether the assessee is liable for any indirect tax liability

- Clause 5 requires to report status of the assessee.
- Clause 6 requires to report period of previous year unlike only ending date as existed earlier
- Clause 7 requires mentioning of Assessment Year.

- Clause 8 requires to indicate under which clause of sec`44AB audit is conducted
- There are **five** clauses viz a) b) c) d) and (e) sec`44AB

E-filing portal mentions following clauses of Sec'44AB:

Clause 44AB (a) – Total Sales/Turnover/Gross receipts in business exceeding 1 crore.

- Clause 44AB (b) Gross receipts in profession exceeding Rs. 50 Lakhs.
- Clause 44AB (c) -
- a. Profits & gains lower than deemed profit u/s 44AE.
- b. Profits & gains lower than deemed profit u/s 44BB.
- c. Profits & gains lower than deemed profit u/s 44BBB.
- Clause 44AB (d) Profits lower than deemed profits u/s 44AD.
- Clause 44AB (e) covered by 44AD(4) and total income exceeds maximum limit

<u>CLAUSE 9(a) and 9(b)</u>

• **Requirement**: Indicate names of partners/members and their profit sharing ratios and state the changes if any in these regards.

• Compliance:

- Verify P/S deed obtain a copy of same.
- Obtain a declaration from Assessee with respect to the changes.

CLAUSE 10(a) and 10(b)

• **Requirement:** State the nature of business/profession and changes if any.

Compliance:

- Verify the sector in which business or profession falls Eg: manufacturing, trading, commission, Financial services etc;
- Changes like manufacturing to trading or vice versa OR change in principal line of activity, wholesale to trade etc; are to be reported. Even new activity added is also a change.
- Temporary suspension of activity may not amount to change.
- Material changes are to be reported.
- Review of business reports, meeting minutes etc; would enable to form opinion.
- If there are more than one activity then each shall be reported.

"Clause 10 - Following Types of Business are mentioned in the E-filing portal

- a) Manufacturing Industry
- b) Trading: a. Wholesaler b. Retailer c. Chain Sector d. Others
- c) Commission
- d) Builders
- e) Contractors
- f) Professionals
- g) Service Sector
- h) Financial Service Sector
- i) Others

CLAUSE 11(a) to 11(c)

Requirement: State the books prescribed u/s 44AA, books maintained and Books examined and location/address where they are kept and also report relevant documents examined.

Compliance:

- If no specific books are prescribed then mention this fact with a clarification that the books/records maintained are proper and sufficient to determine the true and correct profit.
- CBDT has prescribed specific books for certain professionals whose gross receipt exceed Rs. 1,50,000.
- a) Cash Book
- **b**) Journal (if mercantile system followed)
- **c**) Ledger
- d) Daily case register and inventory for medical profession

Clause 11 Cont..

- Mention the fact of accounts maintained on Computer System along with reports generated.
- Obtain list of books from the Assessee.
- Ensure that books/records maintained are proper and sufficient to determine true and correct profit of business/profession.
- In case stock records are not properly maintained due to nature, level, volume and variety of items/transactions, the tax auditor will have to consider the concept of materiality and practicality while giving particulars in Form 3CD.
- Preferably insist for hard copies.

- Sub clause (b) of clause 11 requires to report address at which books of accounts are kept along with list of books of account maintained
- Earlier only list of books of account was to be reported
- Further if books of accounts are kept at more than one location then each such location is to be reported

 Sub clause (c) of clause 11 requires to furnish list of relevant documents examined and their nature is to be specified.

- What are the relevant documents is not clear.

CLAUSE 12

<u>Requirement</u>: Mention whether presumptive profits included or not and if yes, report the amount there of.

Compliance:

- The reporting requirement gets satisfied if the amount as per P&L A/c is mentioned.
- Where several businesses are carried out including the one mentioned in presumptive sections and no separate books are maintained then reasonable estimates duly supported by evidences are to be reported and if that is not possible then report the amount as per P&L A/c with suitable note expressing inability.

Clause 12 requires reporting of income s under presumptive basis if any included in the profit and gains. Notable change is that it requires to report profits of assesses covered by Chapter XII – G, first schedule i.e. special provisions relating to income of shipping companies.

- Select from the following options provided in E-filing portal:

44AD

44AE

44AF

44B

44BB

44BBA

44BBB

Chapter XII - G

First Schedule

Any other Section

Form does not refer to 44ADA

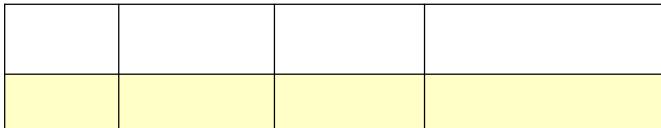
CLAUSE 13(a) to 13(f)

Requirements: Method of accounting employed and if any change in the method and effect thereof are to be reported and FURTHER details of deviation from AS prescribed u/s 145 are to be reported.

Compliance:

- Sec`145 prescribes **ICDS** 10 standards
- Helpful to refer to Guidance note on Accrual basis of Accounting issued by ICAI.
- Companies cannot follow cash system of accounting unless exempt under Companies Act 2013
- Also helpful to refer to technical guide on ICDS

- 13. (a) Method of accounting employed in the previous year
- (b) Whether there had been any change in the method of accounting employed vis-a-vis the method employed in the immediately preceding previous year.
- (c) If answer to (b) above is in the affirmative, give details of such change, and the effect thereof on the profit or loss
- (d) Whether any adjustment is required to be made to the profits or loss for complying with the provisions of income computation and disclosures standards notified under sec 145 (2).



| (e) If answer to (d) above is in the affirmative, give details of such adjustments: | | | | |
|---|--|--|--|--|
| Increase Decrease Net effect | | | | |
| in profit (Rs) in profit (Rs.) (Rs.) | | | | |
| ICDS I Accounting policies | | | | |
| ICDS II Valuation of inventories | | | | |
| ICDS III Construction contracts | | | | |
| ICDS IV Revenue Reconginition | | | | |
| ICDS V Tangible Fixed Assets | | | | |
| ICDS VI Changes in Foreign exchanges rates | | | | |
| ICDS VII Government Grants | | | | |
| ICDS VIII Securities in Borrowing Costs | | | | |
| ICDS IX Provisions, Contingent Liabilites and Contingent Assets | | | | |
| | | | | |
| TOTAL_ | | | | |

| (f) Disclosures as per ICDS: |
|---|
| (i) ICDS I Accounting policies |
| (ii) ICDS II Valuation of inventories |
| (iii) ICDS III Construction contracts |
| (iv) ICDS IV Revenue Recongnition |
| (v) ICDS V Tangible Fixed Assets |
| (vi ICDS VI Changes in Foreign exchanges rates |
| (vii) ICDS VII Government Grants |
| (viii) ICDS VIII Securities in Borrowing costs |
| (ix)ICDS IX Provisions, Contingent Liabilites and Contingent Assets |

SPECIMEN OF DISCLOSURES

| (f) Disclosure | es as per ICDS: | | | | | |
|-----------------------|----------------------------|--------------|-----------------------------------|---------------|---------|-------------|
| () | Accounting policies MER | | | ASIS OF ACCOU | JNTING | IS FOLLOWE |
| AND IIILKL I | S NO CHANGE ON DEVIA | 110N 15 N | OTICED | | | |
| (ii) <u>ICDS II</u> | Valuation of inventories | | O AT COST OR NET HEVER IS LESS | | ALUE | |
| (iii) <u>ICDS III</u> | Construction contracts_ | NOT APPI | LICABLE | | | |
| · / — | Revenue Recongnition A | | | REASONABLY | CERTAIN | N <u>OF</u> |
| OLLECTION | AND ARE ACCOUNTED | ACCORD | <u>INGLY</u> | | | |
| (v) ICDS V | Tangible Fixed Assets AC | | D FOR WDV MET HED IN CLAUSE | | ΓAILS | |
| (vi <u>ICDS VI</u> | Changes in Foreign excha | nges rates | _:_ NOT APPLICA | ABLE | | |
| (vii) <u>ICDS VI</u> | I Government Grants: | NOT AP | PLICABLE | | | |
| (viii) <u>ICDS VI</u> | III Securities in Borrowir | ng costs | : NOT APPLICA | ABLE | | |
| (ix)ICDS IX | Provisions, Contingent L | iabilites an | d Contingent Assets | NOT APPLIC | ABLE | |

CLAUSE 14(a) and 14(b)

Requirement: Method of valuation of closing stock and details of deviation, if any, from the one prescribed u/s 145A with effect on P&L shall be reported.

Compliance:

- State the method followed with respect to articles/goods dealt with
- Stock includes all finished, semi finished, unfinished, raw materials etc;

ICDS II prescribes that inventories are to be valued at cost OR net realisable value which ever is less.

- -AS 2 of ICAI "valuation of inventories"
- Procedure followed in taking inventory and valuation thereof should be examined.
- Method should be consistently followed.
- Auditor must ensure that the method followed should result in disclosure of correct profits/gains.
- Overheads costs can be reasonably included in stock values including fixed costs. In CIT Vs British Paints Ltd; the SC held that exclusion of overhead costs from stock valuation is not the correct method.
- Change in method need not be reported in 3CD but shall be reported in financial statements *but however deviation and impact to be reported*.

- ICDS prescribes that any tax, duty, cess or fee incurred on inventory should be included in cost of inventory.
- CENVAT credit can be considered through exclusive option OR inclusive option. Under Exclusive option valuation of inputs Net of input duty and under inclusive option cenvat credit availed in respect of consumption of inputs would be reduced from the total cost of inputs consumed. However AS 2 of ICAI does not permit inclusive method.
- Sate level VAT input is in the nature of "taxes recoverable from taxing authorities hence cannot be included in cost of purchases.
- The adjustments envisaged u/s 145 A will not have any impact on the Trading A/c and G/P will be same under exclusive/inclusive methods.

• Sub clause (b) of clause 14 require to report deviation for method of stock valuation from the one u/s 145A and effect on P & L is to be furnished in detail as per the table prescribed. Where as, earlier only net effect was to be reported.

| Serial Number | Particulars | Increase in Profit (Rs.) | Decrease in Profit (Rs.) |
|---------------|-------------|--------------------------|-----------------------------|
| | | | |

CLAUSE 15

Requirement: Furnish details of capital asset converted into stock in trade. Details to be reported are:

- a) Description of asset
- b) Date of acquisition
- c) Cost of acquisition
- d) Amount at which converted as stock in trade

Compliance:

- Provisions of sec` 2(47), 45(2), 47(iv), 47(v) and 47A are to be kept in mind.
- Upto date of conversion it is capital gains and after that it is business income.
- FMV as on date of conversion is to be considered and indexation of cost of acquisition is to be done upto that year.
- Cost of acquisition to be stated is the original cost and not the one recorded in books.
- If it is not possible to report original cost then state this fact.
- If market value is considered in books then verify valuer's report and refer to SA 600-699 using the work of others.

CLAUSE 16(a) to 16(e)

Requirement: Following if not included/credited to P&L then, to be reported:

- a) Items falling within sec`28
- b) Proforma credits drawbacks, refunds admitted as due by authorities
- c) Escalation claims accepted
- d) Other item of income
- e) Capital receipt

<u>Compliance</u>: - Items reported in sub-clauses b), c) & d) need not be reported in sub-clause a)

- Information on clause a), d) and e) is to be given with reference to entries in books of accounts.
- Scrutinize the records, documents for reporting in sub-clause b). Only amounts admitted in the relevant previous year is to be reported.

For reporting in sub clause (b), following options are mentioned in E-filing portal

- Proforma credits
- Drawbacks
- Refund of Duty of customs
- Refund of duty of excise
- Refund of duty of Service Tax
- Refund of duty of Sales Tax
- Refund of Value added Tax
- Others

- Where amounts not credited to P&L A/c but netted against relevant expenditure/income heads, such fact should be clearly brought out.
- Only those escalation claims which the other party has unconditionally accepted could constitute accepted claims.

- For reporting any other item of income only books/records examined be the basis.
- AS 9 "Revenue Recognition" may be referred to *and also ICDS IV should be complied*.
- Scrutinize all items of casual and non-recurring nature.

- Professional judgment is essential for determining capital receipt/revenue receipt.
- Reliance on judicial pronouncements can be made.
- Capital subsidy, Grants, Capital investment, Compensation for surrendering rights, Profit on sale of fixed assets, etc; are few instances of capital receipts.
- Certain income, for E.g.: u/s 41(1) or 43CA, if not credited to P&L A/c is to be reported.

CLAUSE 17

- It requires to report that where land/Building is transferred during the relevant previous year and the consideration/value received/accrued is less than the value adopted/assessed or assessable by stamp valuation officer as specified in sec`43CA or 50C
- Question is if sale consideration/value is not less than the adopted/assessed value then is it necessary to furnish these details? ANSWER IS YES
- A table is provided for furnishing above information requiring to furnish details of property, consideration received/accrued and valued adopted/assessed/assessable

| Serial No. | | Value Adopted or assessable |
|------------|--|-----------------------------|
| | | |

CLAUSE 18(a) to 18(f)

Requirement: Particulars of depreciation *allowable* is to be stated along with Description/block of asset, Rate of Depreciation, Actual cost/WDV, Additions/Deductions, adjustments, WDV c/d;

Compliance: - The reporting can be made in the following format:

BLOCK OF ASSET: Eg "A" - Rate of Depreciation: xxx -

| | Descr. of Assets | WDV as on 01-04- 13 | Additio n (Date) | (Date) | Adjustment on a/c of Cenvat Credit/subsidi ary/Exchange rate | on | WDV as on 31-03- 2014 |
|--|------------------------|---------------------------|---------------------|--------|--|----|--------------------------------|
| | | | | | | | |

Refer to ICDS V – Tangible Fixed Assets

- Verify classification from past records and report if wrong classification is made.
- Verify ownership and date of acquisition.
- Utmost care is required for intangible assets.
- Verify CENVAT credit with relevant documents. If depreciation on entire cost is claimed then CENVAT credit is not allowable. Refer to CENVAT credit rules, 2004.
- Fluctuations in exchange rates to be verified with market quotations/Bank statements.
- Call for experts` reports where ever necessary for classification purposes.
- Verify whether correct rates of depreciation are applied or not.
- VAT refundable shall not form part of cost of asset.
- Adjustments on account of sale of asset is to be reported.

CLAUSE 19

Requirement:

Report amounts admissible u/s 32AC, 33AB, 33ABA, 35, 35ABB, 35AC, 35AD, 35CCA, 35CCB, 35CCC, 35CCD, 35D, 35DD, 35DDA and 35E.

Specify amounts debited to P&L A/c and amounts allowable

W.e.f 20^{th} Aug'18 deduction u/s 32AD which is inserted by FA 2015 is also to be reported .

Compliance:

- Make reference to separate audit report if available for deductions.
- State amount deductible under each subsection of sec`35 (Scientific Research) and 35D (Preliminary expenses).
- Ensure whether conditions prescribed for deductions are complied or any other guidelines, circular etc. are complied?
- For 32 AD verify the List of P & M installed during PY in the notified backward areas and check compliance of section.

- -Tabular form of reporting is introduced.
- For reporting few new sections are added viz 32AC, 35AD, 35CCC and 35CCD.
- **Earlier** even amounts not debited to the P & L A/c under are these sections were required to be reported but now this is removed.

Following table is provided for reporting:

| Section | Amount debited to profit and loss account | Amounts admissible as per the Income Tax Act, 1961 and also fulfils the conditions, if any, specified under the relevant 14 provisions of the Income Tax Act, 1961 or Income Tax Rules, 1961 or any other guidelines, circular etc., issued in this behalf. |
|---------|---|---|
|---------|---|---|

CLAUSE 20(a) and 20(b)

Requirement: Report bonus paid to employees and contributions received from employees towards various funds.

Compliance:

- Bonus paid is deductible u/s 36(1) (ii) if it is not in the nature of profit/dividend.
- Customary bonus is fully deductible if it is wholly and exclusively paid for business/profession and is under exception from disallowance.
- Amounts received from employees as contribution is to be reported. No need to express any opinion.
- Verify the employment/contract details.
- Contributions of employer is deductible u/s 36(1) (va).
- Due date of payment includes grace period.
- Verify contributions received and deposited.
- Verify how much statutory compliance is violated i.e. whether regularly or exceptionally.

- - Sub clause (b) of clause 20 requires to furnish details of contributions received from employees for various funds referred to in sec`36 (1) (va) in the tabular form.
 - **Earlier** only contributions for PF/SAF/any other fund mentioned in sec`2 (24) (x) were required to be reported.
 - Change is that information for all types of funds is to be furnished and also actual date and amount paid under each type/nature of fund is to be reported.

Following Table with options is mentioned in E-filing portal:

| Serial No | Nature of Fund | Sum received from Employees | Due date for payment | The actual amount paid | The actual date of payment to the concerned authorities |
|---|----------------------|--------------------------------------|-------------------------|------------------------|---|
| a) Provident Fund b) Superannuation Fund c) Gratuity Fund d) Any fund setup under the provisions of ESI ACT, 1948 e) Any other. | | | | | |

• CLAUSE 21(a) to 21(i)

Requirement:

- Reporting of inadmissible expenses/payments under various

categories which are debited to P & L a/c.

- It is the lengthiest clause in Form 3CD hence sub-clause wise discussion is required.

• <u>21(a)</u>: <u>Expenditure of capital nature</u>:

- -Normally capital expenditure is not allowable to be deducted from business income.
- -The word "Capital Expenditure" is not defined in the Act. Judicial rulings may be helpful to decide whether capital or revenue.
- Some tests which are generally applied include:
- a) Benefit of enduring nature.
- b) Basic frame work of fixed Asset. c) Acquisition of intangible Asset.
- d) Permanent nature etc;.

• <u>21(a)</u>: <u>Expenditure of personal nature</u>:

- Sec`37 disallows personal expense of Assessee.
- Sec`227(1A) of Co`s Act, 1956 specifically requires reporting of personal expenses.

E-filing report is to be made in following format:

| | Amount of expenditure | Remarks |
|--|-----------------------|---------|
| | | |

<u> 21(a): Expenditure on advertisement:</u>

- Sec`37 (2B) disallows expenditure on advertisement in material of Political Party
- Discretions are vital because other association/unions formed by political parties may not be covered u/s 37(2B).
- Donations to political parties which may not be deductible u/s 8oGGB/8oGGC are distinct hence care must be taken.
- Payment to Electoral fund is different.

- Sub clause (a) of clause 21 requires to furnish details of capital, personal, advertisement expenditure etc; debited to P & L a/c
- It requires to furnish nature, particulars and amounts of each such item debited to P & L a/c
- The changes from earlier requirements are as under:
- a. Earlier advertisement expenditure in Political Party Materials were to be reported but now it is mentioned as "advertisement expenditure" hence it is not restricted to Political Party alone.
- **b**. The etc; used in changed form is confusing as it suggests that all expenses debited to the P & L a/c are to be reported hence clarity is required on this count.

21(a): Expenditure incurred at clubs:

- Payments towards cost of facilities and services etc; are covered.
- Expenditure in respect Director(s)/Employee(s) are covered by this clause.
- The fact whether such expenses are personal are in due course of business, must be ascertained and if personal, then to be reported.
- All payments made to credit card agencies should be carefully scrutinized.

 The changed form does not require to furnish entrance fee and subscription expenses of club. Only cost for club facilities and services used is to be reported.

Following table is provided in E-filing portal & Form 3CD

| Nature | Serial No | Particulars | Amount in Rs. |
|--------|-----------|-------------|---------------|
| | | | |
| | | | |
| | | | |

• <u>21(a)</u>: Expenditure by way of fine, penalty, offence etc:

- Obtain details of all payments relating to fine, penalties, offence etc;
- Verify how such amounts dealt with in the books of accounts.
- Auditor can rely on the opinion of expert regarding intricacies of law, offence, prohibitions etc;
- Payment for breach of contract or liquidator damages are not covered.

- The tax auditor should keep in mind the difference between the amount prohibited by law and the amount paid which is compulsory in nature under the relevant statute.
- Contest by Assessee will have no relevance as far as reporting is concerned. Order of concerned authority is vital.
- Composite payment including compensation and penalty is to be bifurcated.
- Penalty/fine even if directly relate to trade but yet may not deductible.

• <u>21(b)</u>: <u>Amounts inadmissible u/s 40(a)</u>:

Sec`40 (a) does not allow certain payments from being deducted and such payments are:

- Payments outside India without TDS Interest, royalty, Fees etc;
- Payments to residents without TDS Interest, Commission/brokerage, rent, royalty, Fees, contract/job work.
- For payment outside India if paid in subsequent year within time stipulated in sec`200 (1), it is deductible.
- For payments to residents if paid on or before due date of filing of return u/s 139(1) then deductible.

- The Tax Auditor may rely up on legal opinion/certificate of CA based upon which remittances made without TDS.
- DTAA should be referred to wherever required.
- Make note that particulars given under this clause should not differ from particulars in clause 27(b) of form no. 3CD.
- Tax paid by employer on non monetary perquisites is not deductible u/s 4o(a)(v).
- Income Tax paid/provided is not deductible u/s 4o(a) (ii) and similarly wealth tax is not deductible u/s 4o(a) (iia).

- Salary paid outside India without TDS is not deductible u/s 40(a) (iii).
- Sec`40 (a) (iv) disallowed payments to employee`s fund if payments made from such funds are chargeable under the head "Salaries" and no Tax is deducted at Source there from.
- In case of difference of opinion between Assessee and Auditor, on disallowability of a sum, both views shall be reported.
- Tax Auditor can rely on Judicial Pronouncements.

Earlier only one figure of amount inadmissible u/s 40(a) was to be mentioned but in the new form details like date/amount/nature of payment AND name and address of payee is also required to be furnished.

FBT under chapter XII-H [payments u/s 40(a) (ic)] is also to be reported whereas same was withdrawn from A.y. 10-11 (introduced by FA 2005 wef 1-4-2006) – Newly introduced reporting requirement.

21(c): Interest, Salary, Bonus, Commission or remuneration inadmissible u/s 40(b) or 40(ba):

- Tax Auditor will have to examine the facts and conditions for allowance and accordingly determine inadmissible amount for e.g. Remuneration to partners.
- Sec`40 (ba) disallows interest/remuneration paid to a member of BOI, AOP by that BOI/AOP.
- Advisable to obtain computation of Total Income of Assessee.
- Circular no. 739 DT: 25/03/1996 may be referred to while working out inadmissible amount u/s 40(b).

E-filing Portal provides the following table

| Serial No | Particulars | Amount debited to P&L Account | Amount Inadmissib le | |
|-----------|-------------|-------------------------------------|----------------------------|--|
| | | | | |

21(d): <u>Amount inadmissible/deemed income u/s 40A(3) r/w Rule</u> 6DD:

- Obtain certificate from Assessee regarding payments covered by Sec`40A(3). Even though the new form does not require it, but still it is good to do so.
- Payments exceeding Rs. 10,000/= (Rs. 35,000/= for hiring Goods carriage) are to be paid through A/c payee Cheque/draft.
- Several payments in a day are to be aggregated for this purpose.
- Verify applicability of clauses (a) to (j) of Rule 6DD.
- Scrutinize cash Book.

- Disallowance/DEEMED INCOME u/s 40A(3) is to be reported in sub clause (d) of clause 21 of the new form
- Earlier only disallowance was to be reported
- Disallowance/deemed income is to be determined based on examination of books of account and other relevant documents/evidence

- Name & PAN (if available) of payee is to be furnished
- Violation of sec`40A (3) entails disallowance but the form 3CD contains a table which requires for reporting the date, nature and amount of payment. Thus no specific column is provided for reporting disallowance
- Earlier only amount disallowable was to be reported
- A new requirement of reporting is required for reporting deemed income as per sec`40A(3A) r/w Rule 6DD
- It is covered by Para (B) of sub clause (d) of clause 21 of the form
- Sec`40A (3A) specifies that if any expenditure is claimed in a year which is paid subsequently otherwise than by A/c payee cheque/draft than such payment is deemed to be income

-Here also the information is to be furnished in specific table which does not have column for reporting deemed income.

Following table is provided for reporting on 40A(3) and 40A(3A):

| Serial No | Date of Payment | Nature of Payment | Name & PAN of Payee, if available. |
|-----------|--------------------|----------------------|------------------------------------|
| | | | |

21(e): Provision for gratuity not allowable u/s 40A(7):

- Sec`40 A(7) disallows any sum paid to employees on retirement or termination of service.
- However contributions to approved gratuity fund is allowable as deduction.
- Verify orders of CIT if it is approved and cross check contributions.

21(f): Sums not allowable u/s 40A(9):

- Sec`40A(9) allows contributions to recognized P/F, approved super annuation fund, notified pension scheme or approved gratuity fund.
- Any sum paid by employer for setting up of any other fund, Trust,
 Society, Company, AOP etc; is not allowable.
- Instructions No. 1799 DT: 3/10/1988 may be referred.

- >21(g): Particulars of liability of contingent nature:
- Detailed scrutiny of books visa vis provision, outstanding liabilitie setc;
- Accounting policy consistently followed shall be looked into.
- Records/documents of disputed claims shall be verified.
- Earlier year's provision need not be reported in this clause.
- Reference may be made to AS 29 'provisions, contingent liabilities,
 Contingent Assets.
- Refer ICDS X provisions, CL &CA

<u> 21(h): Deductions inadmissible u/s 14A:</u>

- Sec`14A disallows expenses relating to incomes which does not form part of Total Income (Exempted income).
- It depends on facts and circumstances of each case.
- Rule 8D provides for computation of disallowance of such expenses by AO the formula given is A*B/C

A= Interest Expense.

B=Average Value of investment (Average of op: & Clo: Balances

C=Average of Total Assets (Average of Op; Clo; totals)

- Logical parameters and reasonable assumptions play vital role in determining such expenses.
- Reference may be made to SA 540 "Audit of Accounting Estimates".
- Auditor can give qualified opinion/Adverse opinion/Disclaimer of opinion depending on facts of the case.

21(i): Amount inadmissible under the proviso to sec`36(1) (iii):

Proviso to sec`36(1) (iii) specifies that interest on borrowed capital cannot be allowed for the period beginning from date of borrowal till date of use of asset where borrowing is made for purchase of capital asset in connection with extension of business/profession.

- Tax Auditor while determining the admissible/inadmissible amount u/s 36(1) (iii) should also keep in mind the requirements of Accounting standards 16 of Indian GAAP – "borrowing Cost".
- Also verify treatment given to such asset under other provisions of the Act.
- Verify all documents relevant to new asset.

Also Refer ICDS IX – Borrowing costs.

CLAUSE 22

Requirement: Reporting of amount inadmissible u/s 23 of micro small and medium enterprises Development Act, 2006.

Compliance:

- This clause was inserted through notification No. 336/2009 DT: 13/04/2009.
- MSME Act provide for facilitating the promotion and development and enhancing the competitiveness of MSMEs.

- Sec`23 of MSME Act states that interest paid/payable by the buyer shall not be allowed under the Income Tax Act, 1961.
- Sec`15 & 16 of MSME Act provides that if buyer does not make
 payment to supplier on or before agreed/appointed date then
 he is liable to pay interest at 3times of the rate notified by RBI which is
 compoundable at monthly rests.
- Obtain list of all suppliers and verify whether they fall under MSME Act or not.
- Verify books to determine interest paid/payable/accrued.
- Verify whether such interest debited to P & L A/c or not.

CLAUSE 23

Requirement: Details of payments made to persons specified u/s 40 A(2) (b) is to be furnished.

Compliance:

- Payments made to such persons can be disallowed by AO if he is of opinion that these are excessive and unreasonable.
- -AO may consider FMV, legitimate needs, Benefits derived.

- No disallowance can be made in respect of a specified domestic transaction referred to in sec`92BA if such transaction is at ALP in terms of clause (ii) of sec`92F.
- Auditor is required to report payments and not opinion on allowance/disallowance.
- Obtain list of specified persons and verify payments made to them or payable to them.
- Verify contracts/agreements, if available.

Following Table is provided in E-filing portal:

| Serial No | Name of Related Person | PAN of Related Person | Relation | Payment Made (Amount) |
|-----------|------------------------------|-----------------------------|----------|-----------------------------|
| | | | | |

CLAUSE 24

Requirement: Reporting of deemed profits & gains u/s 32AC or 33AB or 33ABA or 33AC. And 32AD (Wef 20th Aug 18)

Compliance:

- 33AB allows deductions for TEA development., Coffee Development, and Rubber Development but under certain circumstances as specified in sub sections (4), (5), (7) & (8) of 33AB, deemed income is chargeable to Tax.
- 33ABA allows deduction for site Restoration Fund but under certain circumstances as specified in subsections (5), (7) and (8) of sec` 33ABA, deemed income is chargeable to Tax.
- 33AC allows deduction for reserve created out of profit of shipping business. BUT HOWEVER NO DEDUCTION IS ALLOWABLE U/S 33AC WITH EFFECT FROM A.Y. 2005-06.
- 32AD Verify whether any assets sold on which deduction is claimed and if so report the amount so claimed which is to be added to profit.

Following Table is provided in E-filing portal:

| Serial No | Section | Description | Amount |
|-----------|---------|-------------|--------|
| | | | |

Note: sec '32AC (Investment allowance) is added for reporting purposes. This section is introduced by FA 2013 wef 01-04-2014.

CLAUSE 25

Requirement: Reporting of profit chargeable to TAX u/s 41

Compliance: - Profits chargeable u/s 41 include:

- Cessation/remission of liability.
- Recovery of expenditure/loss.
- Excess money recovered on sale/discard of fixed Asset over and above its` WDV.
- Amount withdrawn from special Reserve created u/s 36(1) (vii).

Note: Liability does not cease until Assessee clears his intention to not to honour the same even though as per limitation Act, 1963 it is barred by time.

- Capital gains, if any, on sale/discard of fixed assets is to be computed as per as per sec`50A.
- Tax Auditor is required to compute and state the profit chargeable u/s 41 hence he should be careful in relying on the information supplied by the Assessee.
- E-Filing requires reporting of Computation alone.

- Clause 25 requires to report amount of profit chargeable to tax u/s 41 and computation thereof.
- Same as was existing earlier.

Following table is provided in E-filing portal:

| Serial No | Name of Person | Amount of Income | Section | Description of Transaction | Computatio n, if any. |
|-----------|-------------------|---------------------|--|----------------------------|--------------------------|
| | | | 41(1)(a) 41(1)(b) 41(2) 41(3) 41(4) 41(4A) 41(5) | | |

CLAUSE 26

Requirement: Reporting of existing, paid and current years liability u/s 43B.

Compliance:

- Sec`43B specifies statutory liabilities like Sales Tax, VAT, Customs Duty, excise Duty, other indirect tax, levy, cess, including PF, Bonus, payment to Indian Railways.
- These liabilities are deductible on its` payment.
- Even interest on loan from FIs/Bank/SFIs etc; are covered by sec`43B.
- Leave encashment payable by employer is aloes covered by sec`43B.

- Tax Auditor should clearly distinguish between pre existed and currently accrued liability under all the clauses (a to f) of sec`43B.
- Payments made up to extended due date also qualify for deduction.
- Circular No. 7/2006 DT: 17/07/2006 specifies that where interest is converted in to loan/advance same is not allowable.
- For payments to Railways take note of fact that it is concerning only for use of assets of Railways hence does not include fare freight but include hiring of wagons/ slidings.

• These details are required to be furnished whether or not these are debited to P & L A/c.

Following table is provided in E-filing portal:

| Serial No | Section | Nature of Liability | Amount |
|-----------|---------|---------------------|--------|
| | | | |

<u>CLAUSE 27(a) and 27(b)</u>

Requirement:

Clause 27 seeks two varied particulars. Under sub clause (a) credits availed or utilized under CENVAT its` treatment in P & L A/c and outstanding credits are to be reported.

Under sub clause (b) particulars of prior period income/expenditure recorded in P & L a/c are to be reported.

Compliance:

- Factual position is to be reported and not any opinion.
- Verify records maintained under central excise Rules, 1944 and CENVAT Rules, 2004 and ascertain credit on eligible inputs and amount utilized during the previous year. RGH -23 is vital document/record for this purpose.
- Reconcile balance of CENVAT credit between books of accounts and returns/records of excise/service Tax.

- Advisable to report opening and closing balances of CENTVAT credit.
- Treatment of credit in Books of account is to be reported basing on method of accounting followed i.e. exclusive or inclusive.

- The reporting requirement under sub clause(b) is applicable to Assessees following mercantile method of accounting.
- Close scrutiny of ledger is needed to check prior period items.

- Where liability has crystallized or materialized in the current year though relate to earlier year these are not prior period items.
- AS 5 and AS(IT) II may be referred to.
- Income/expenditure arising in current year due to errors and omission of earlier year(s) will be considered as prior period items.

Clause 28

- It requires furnishing the details of receipt of shares of a closely held or Pvt. Co; without consideration or with inadequate consideration exceeding the value of Rs. 50,000 as specified in sec`56(2) (viia)
- clause (viia) is redundant w.e.f 01/04/2017
- A new clause (X) is introduced w.e.f 01/04/2017 (AY 18-19)

Following Table is provided in E-filing portal:

| Serial No | Name of the person from which shares received | the person, if | Name of the company whose shares are received | CIN of the company | No. of share received | Amount of considera tion paid | Fair Market Value of the shares. |
|-----------|---|-------------------|---|--------------------------|-----------------------------|-------------------------------|--|
| | | | | | | | |

CLAUSE 29 CLAUSE 29

- It requires furnishing the details where consideration received exceeds FMV as referred to in sec`56(2) (viib) by Rs 50,000

- 56(2) (viib) refers to taxability of sum exceeding the FMV of shares issued by closely held company including private company.

Following table is provided in E-filing portal:

| Serial No | Name of the person from whom consideratio n received for Issue of shares | PAN of the person, if available | No of shares issued. | Amount of consideration received | FMV of the shares. |
|-----------|--|---------------------------------|----------------------|----------------------------------|--------------------|
| | | | | | |

CLAUSE 29A & 29B : WEF 20th AUG 18

Requirement: Amounts includible in income u/s 56(2)(iX) AND 56(2) (X) are to be reported regarding for feiture of Advance in connection with transfer of capital Asset **AND** Difference in value on transfer of immovable property

- forfeiture of advance against sale of stock in trade is taxable u/s
 28(i) hence not to be reported here .
- Notice of forfeiture ipso facto does not result in forfeiture until written back.
- > Refer to contract and conditions there in

<u>CLAUSE 30</u>

Requirement: Amounts borrowed on hundi, repaid and due otherwise than by A/c payee cheque is to be reported.

<u>Compliance</u>:

- Refer circular no. 208 DT: 15/11/1976 which explains provisions of sec`69 D.
- Auditor can rely on suitable certificate from management in this regard if satisfactory evidence is not available.

Following Table is provided in E-filing portal:

| Serial No | Name of the person from whom amount borrowed or repaid on hundi | PAN of the person, if availab le | Addr ess | Amount borrowed | due | Amount Repaid & Date of repayme nt |
|--------------|---|---|-------------|--------------------|-----|--|
| | | | | | | |

<u>CLAUSE 30A 30B AND 30C</u> - <u>WEF 20th Aug 18</u>

Requirement: These clauses specifies reporting of transfer pricing adjustment, repatriation of money to India, interest exceeding the limits and impermissible avoidance agreements all As specified in sec's 92CE(1), 92CE(2),94B(1) and 96 respectively.

CLAUSE 31(a) to 31(e)

Requirement:

- Reporting of loans/deposits and specified sums taken/accepted during the previous year in excess of limit prescribed u/s 269SS and repayment of same in excess of limit prescribed u/s 269T.
- Wef 20th Aug 18 new sub clause (ba) (bb) (bc) and (bd) are inserted for reporting on transaction specified in sec'269ST.
- Sub clauses © (d) & € are amended to rectify certain errors existing since introductions from 19/07/2017

<u>Compliance</u>:

- Loan/Deposit/specified sum/specified advance is of money.
- 269SS and 269T provides for limit of Rs. 20,000/=.
- In absence of satisfactory evidence, following suggested comment can be made:

"It is not possible for me/us to verify whether loans or deposits have been taken or accepted otherwise than by an a/c payee cheque or a/c payee bank draft as the necessary evidence is not in possession of the Assessee".

- E Filing portal does not provide for making above note.
- Current A/c is not excluded from definition of deposit.
- In case of Mixed A/c each type of transaction shall be segregated.
- Sale advances are not loans/deposits.
- Opening balance need not be reported but to be reckoned while mentioning maximum outstanding in the account.

- In case of Co` Assessee loan or deposit is defined to mean repayable after notice or after a period hence in case of Co's. Loan/Deposit repayable on demand will not be considered for reporting in sub-clause (b) i.e. repayment of loan/deposits.
- Loans/deposits discharged by means of transfer entries constitute repayment otherwise than by a/c payee cheque/draft.
- RTGS etc, which are capable of being tracked would not be treated as violation of sec`269SS and 269T.

- Sub-clause(b) of clause(31) requires reporting of receipt of 'Specified sum' in an amount exceeding the limit specified in Sec'269SS
- Specified sum means monies received/ receivable in relation to transfer of immovable property whether or not transfer takes place
- Sub-Sub clauses (iii) & (iv) are confusing

- Sub clause (c) of clause (31) requires reporting of repayments of loan or deposit or Specified sum
- Sub sub clause (v) is very Hicklish which mention that if repayment is by cheque/ draft whether same was taken or accepted by a/c payee mode.

• Sub clause (d) of clause (31) requires reporting of repayment of loan or deposit or specified Advance which is received otherwise than by cheque/draft or ECS mode.

• Sub clause (e) of Clause (31) requires reporting of repayment of loan or deposit or specified advance which is received by cheque/draft which is not an a/c payee.

CLAUSE 32(a) to 32(e)

Requirement:

This clause deals with several distinct aspects.

Compliance: - **Sub clause (a:)**

- B/fd; loss or depreciation allowance is to be stated based on returns and assessment orders.

- Facts about pending assessments, appeals, delays etc; is to be reported in remarks column of the specified table.

Sub clause (a) of 32 requires to report details of b/fd; loss or b/fd; depreciation allowance to the extent available

Following table is provided in the E-filing portal:

| Sl No | Asst Year | Nature of Loss/allowance | Amount as returned | Amount as assessed Amount Order u/s & Date | Remarks |
|----------|--------------|---|--------------------------|--|---------|
| | | a) House property loss b) Loss from business other than speculative business & specified business c) Loss from speculative business d) Loss from specified business e) Short term capital loss f) Long term capital loss g) Loss from owning & maintaining race horses h) Unabsorbed Depreciation i) Unabsorbed disallowance under sec`35(\$) | | | |

<u>Sub clause (b)</u>:

- Sec`79 prohibits C/fd; and set off of loss of a closely held/Pvt; Ltd; Co; if due to change in share holding at the end of previous year results in reduction of voting power below 51% from the same beneficiaries.
- Sec`79 does not apply to death, gift, amalgamations of subsidiary.
- Unabsorbed depreciation can be set off vide CIT Vs Concord Industries Ltd; (SC) and CIT Vs Shri Subbu laxmi Mills Ltd; (SC).

- In clause 32 of the form, three sub clause viz (c), (d) and (e) are newly added requirements
- Sub clause (c) requires to furnish details of speculation loss incurred u/s 73
- Sub clause (d) requires to furnish details of c/fd; & setoff of losses incurred u/s 73A i.e. of specified business referred to in sec`35AD
- Sub clause (e) requires to furnish details of speculation loss in stock trading incurred by a company as referred to in explanation to sec`73

CLAUSE 33

• **Requirement**: Reporting section wise admissible deductions under chapter VI A or Chapter III (Sec`10A and 10AA).

• Compliance:

- Chapter VI A provides for various deductions from GTI based on payments, Income and other factors.
- Items covered under chapter VI A if reflected in books of accounts audited then only to be reported.

- Several deductions are subject to certain conditions hence ensure that these conditions are satisfied.
- Several deductions like 80 2IA, 80 IB, 80 JJA etc; requires separate audit for such deductions. In such cases refer to such audit reports.
- If deduction is based on expenditure or payments like deductions then verify full evidences.
- Since reporting is of admissibility of deductions, utmost precaution is required.

- Clause 33 requires to furnish admissible deductions under chapter VIA or Chapter III (Sec`10A & 10AA) in the prescribed table
- Information on chapter III is new requirement
- Sec`10 A relates to special provisions for Free Trade zones
- Sec`10AA relates to special provisions for special Economic zones

• Following Table is specified in E-filing portal & then new form:

| Sl No | Section under which deduction is claimed | Amts admissible as per the provision of the IT Act, 1961 and fulfil the conditions, if any, specified under the relevant provisions of IT Act, 1961 or IT Rule, 1962 or any other guidelines, circular, etc., issued in these behalf. |
|-------|--|---|
| | | |

CLAUSE 34(a) to 34(c)

Requirement:

This clause relates to answering on compliance of TDS and TCS provisions covered by Chapter XVII – B & XVII - BB and accordingly if compliance is lacking then TDS amount, short deduction, late deduction, non filing of statement and nonpayment is to be reported.

- Clause 34 of the requires information relating to TDS & TCS
- ➤ W.e.f 20th Aug 18 Table in Sub clause(b) is to be substitutes and the applicability based is reporting required.

<u>In sub clause (a)</u>:

- Following table is prescribed
- Besides chapter XVII B (TDS), now information relating to chapter XVII – BB (TCS is also to be furnished
- Payee wise/Receiver wise, as the case may be, details are to be furnished.
- Earlier only compliance aspect was to be reported but now entire details are to furnished

| TAN Numb er | Section | Nature of Payme nt | Total amoun t of payme nt or receipt of the nature specified in col 3 | Total amoun t on which tax was required to be deducted or collected out of col 4 | Total amoun ton which tax was deduct ed or collect ed at specified rate out of col 5 | Amou nt of tax deduct ed or deduct ed out of col 6 | Total amoun ton which tax was deduct ed or collect ed at less than specified rate out of col 7 | Amou nt of tax deduct ed or collect ed on col 8 | Amou nt of tax deduct ed or collect ed not deposi ted to the credit of the Centra I Govt, out of col 6 and col 8 |
|-------------------|---------|-----------------------------|---|--|--|---|--|--|--|
| (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) |

- **Sub clause** (**b**) of clause 34 requires to furnish information about filing of return of TDS/TCS if same is/are not furnished within the prescribed time.
- The last column of table prescribed in this sub clause asks for correctness of the return(s) with respect to entire transactions, and reporting on those transactions which are though required but not reported in the returns.
- It is the new requirement not existing earlier.
- The change is basic from 'if furnished' to 'whether required to furnish'

Following Table is specified in E-filing portal and new form:

| Serial No | TAN | Type of Form | Due Date for Furnishing | Date of Furnishing, if furnished | Whether the statement of tax deducted or collected contains information about all transactions which are required to be reported. |
|-----------|-----|-----------------|----------------------------|--|---|
| | | | | | |

- **-Sub clause (c)** of clause 34 requires to furnish details of interest payable and paid u/s 201 (1a) and 206C (7) for TDS/TCS
- It is the additional information to be furnished which was not required earlier

Following Table is specified in E-filing portal and new form:

Amt paid out of column (2) along with date of payment

| | | _ | |
|-------|--|--------|-----------------|
| Sl No | Amt of Interest u/s 201(1A)/206C(7) is payable | Amount | Date of Payment |
| | | | |

- If voluminous transactions are there then apply test checks.
- Ensure that no item is omitted.
- It is the primary responsibility of the Assessee to prepare statement on this count for facilitating verification by auditor.

- One should verify and compare the statutory returns with books of accounts.

- In case of debatable matters, reliance can be placed on judicial decisions.

- Certificate of "No deduction" OR "Lower Deductions" if available has to be considered.
- In cases of payments to non-residents, Provisions of DTAA are to be considered as applicable thereof with regard to rate of Tax etc;
- It is pertinent to note that tax deposited late need not be reported.
- E-filing portal requires for each issue in the tabular format and even new form has prescribed it.

CLAUSE 35(a) and 35(b)

Requirement:

This clause requires reporting of quantitative details for both trading concerns as well as manufacturing concerns. The details for trading concerns are covered in sub-clause (a) where as for manufacturing concerns by sub-clause (b).

Compliance: -

- Obtain certificate with respect to principal items traded with details thereof.
- If there is any shortage/excess then reasons there for are to be given.
- The information is required to be given to the extent available with the auditee.

Checking can be based on sample basis, if it is voluminous data.

- Information on principal items is to be given and not petty items.
- Information should be given only in respect of those items where it is practicable to do so having regard to the records maintained by the Assessee.
- Guidance note on revised schedule VI to Co`s Act, 1956may be referred to.

- **Clause 35** of form requires for furnishing quantitative details.
- E-filing portal provides for quantity units like Gms/Kgs/Ltrs/Kiloltrs/Carats/etc.

• Requirement:

- Reporting of tax on distributed profits **u**/**s 115 O** in case of a domestic company with respect to distributed profit, tax paid and date of payment.
- This Clause is Omitted by the Income-tax (Eight Amendment) Rules, 2021, w.e.f. 01-04-2021.

<u>CLAUSE 36A</u> – <u>Wef 20th Aug 18</u>

Requirement: Receipt of income u/s 2(22)(e) ie deemed dividend is to be reported with details about amount & date

- obtain list of beneficial owners of shares with 10% or more voting power
- obtain list of Loans/Advances to such persons
- Verify form 26 AS
- Dis claimer in form 3CA/3CB

• Requirement:

 Reporting of fact of cost audit carried out and important/ major contents of such audit report

• Compliance:

- Ascertain whether any such audit was carried out and it yes then obtain copy of report of such audit.

- No opinion is to be given if such audit is ordered but not carried out/completed till date of tax audit.
- Information is to be given if cost audit is required for a period covered by previous year which is subject to Tax audit.

- Clause 37 of the form requires that if cost audit was carried out then details of such report like disqualification/disagreement etc to be furnished.
- Earlier it was required to enclose such report. Now such report need not be enclosed because details of major points are being furnished.

Requirement:

Required to report as to whether any audit under central excise Act, 1944 is conducted and if yes then furnish major contents of such report

Compliance:

- Ascertain whether any such audit was conducted or not.
- If yes then note material observations from the audit report which impacts audit report.
- No opinion is required if such audit though ordered but not conducted/completed till date of Tax audit.
- Information is required to be given only in respect of such excise audit report the time period of which falls within the relevant previous year.

 Clause 38 of the form requires that if Excise Audit is done then details of such report like disqualification/disagreement etc are to be furnished.

- **Earlier** it was required to enclose such report. Now such report need not be enclosed because details of major points are being furnished.

- Clause 39 of the form requires that if service Tax Audit was conducted u/s 72A of FA 1994 then details of such report like disqualification/disagreement etc; are to be furnished.

- It is newly added clause which was not existing earlier.

Requirement:

Accounting ratios and calculation with respect to G/P visa vis T, N/P visa vis T, stock in trade visa vis T AND Material consumed visa vis finished goods produced are to be reported.

Compliance:

- This clause is not applicable for Assessees who are carrying on profession.

Following Table is specified in E-filing portal and new form

| Sl. No. | <u>Particulars</u> | <u>Previous</u> <u>year</u> | Preceding year |
|------------|---|--------------------------------|-------------------|
| a) | Total turnover of the assessee | (%) | (%) |
| b) | Gross profit/Turnover | (%) | (%) |
| c) | Net Profit/Turnover | (%) | (%) |
| d) | Stock in trade/Turnover | (%) | (%) |
| e) | Finished goods produced/material consumed | (%) | (%) |

- All the ratios are to be calculated in terms of value only.
- Ratio for net profit means net profit before tax.
- Refer to guidance note on Terms used in Financial statements.
- The term Stock in trade "does not include stores, spare parts or loose tools and also would not include Raw material. It means only stock of finished goods is to be considered.
- Material consumed would include raw materials, Stores, Spares, Loose Tools etc;.
- -The only change from previous form is that even preceding previous years' figures are also to be furnished.

- Clause 41 of the form requires that details of demand raised or refund issued during the previous year under ANY TAX LAWS <u>other than</u> Income Tax Act/ Wealth Tax act are to be furnished.
- It is also required to furnish details of relevant proceedings.
- It is new requirement which was not existing earlier.

CLAUSE 42 Wef 20th Aug' 18

Requirement: If assessee is required to furnish forms 61 OR 61A OR 61B, all relating to specified transactions as prescribed in Rules 114B,114C,114D,114E and 114G then details as mentioned in table is to be reported.

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

(b) If yes, please furnish:

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

CLAUSE 43 Wef 20th Aug' 18

Requirement: Entity covered by any International group as specified u/s 286(2) have to furnish for ms 10CEAC to 10 CEAE as per Rule 10DB. Details about such furnishing of forms is to be reported.

CLAUSE 44 Wef 20th Aug' 18

Requirement : Reporting breakup of total expenditure of entities registered OR not registered under GST.

NOTE: It was deferred till 31-03-2021 but however it is mandatory form 01-04-2021 i.e for FY 2021-22 (AY 22-23)

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

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

• If the assessee is not in a position to give the details as required in clause 44, an appropriate disclosure/disclaimer may be made by the auditor in Form 3CA/3CB. Where the assessee has provided reason for not being able to provide details, the same may be reported, if found appropriate.

MISCELLANEOUS

- The liability of the tax auditor in respect of Tax audit will be the same as in any other audit assignment.
- In case the Assessee is found guilty of concealment, it would not ipso facto mean that the tax auditor is also responsible.
- AO can refer for disciplinary proceedings to ICAI if he notices gross negligence on part of the Tax auditor.
- AO can issue summon to tax auditor calling for evidence/documents.

- Disciplinary action can be taken against qualified assistant if he is found to be grossly negligent.
- It is not mandatory for AO to accept the figures reported in Form 3CD.
- Opinion expressed by the TAX auditor is not binding on the Assessee.
- Responsibility for maintenance of books and records and that for preparations of financial statements is that of the Assessee.

WISH YOU HAPPY TAXING TIME





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