

Tax audit u/s. 44AB of the IT Act Recent Developments

V RAMNATH B COM FCA
COIMBATORE
ramnath@ksp.co.in

APPLICABILITY OF SEC 44AB

- 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 "**five crore rupees**" had been substituted; (amendment from AY 2020-21) Or*

APPLICABILITY OF SEC 44AB

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

APPLICABILITY OF SEC 44AB - CONTD...

- (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

APPLICABILITY OF SEC 44AB - CONTD...

- **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:
- **Provided further** that this section shall not apply**section 44B or section 44BBA,.....** :
- **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.

APPLICABILITY OF SEC 44AB - CONTD...

- **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.

Applicability of sec 44AB (proviso to Cl(a) - Limit Rs.5 cr as against Rs.1 Cr - business)

- Amendment applies for the Current audit as well
- 5% of cash transactions in receipts and payments permitted
- Both capital and current account transactions are to be considered for this limit
- capital introduction / drawings - in cash - whether to be counted for this purpose??
 - In case of proprietor
 - In case of firm/AOP/BOI
- Exception in clause (a) only - Not for cases coming out of section 44AD(4) - because that case is falling under clause (e) of sec 44AB

APPLICABILITY OF SEC 44AB - CONTD...

- M/s. Vinoth P Ltd carries on business of trading in Electrical Items
 - During this FY its turnover from business was Rs.98.5 lacs
 - Also, the company sold its car for Rs.3.5 lacs during the year
 - The sale of car was shown as turnover for the purpose of GST returns.
 - Whether sec 44AB is applicable in this case?
- (a) • Every person,—
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*

APPLICABILITY OF SEC 44AB - CONTD....

- M/s. Brindha Ltd achieved a turnover of Rs.101 lacs during the financial year
- Also, it has sales return of Rs.2.5 lacs
- Out of the sales returns of Rs.2.5 lacs, Rs.2.25 lacs represents the return out of sales made during the earlier year
- Whether tax audit is applicable?
- View - I - Turnover minus sales return - Rs.98.5 lacs (i.e. 101-2.5)
- View - II - Turnover minus sales return out of sales of Current year - Rs.100.75 lacs (i.e., 101 - 0.25)

APPLICABILITY OF SEC 44AB - CONTD...

- Mr. A is carrying different business
 - Retail trade - Turnover - Rs.90 lacs - In Cochin
 - Construction of buildings - Turnover - Rs.50 lacs - In Trichur
 - Liquor manufacturing - Turnover - Rs. 75 lacs - in Karnataka
- He would like to know whether sec 44AB is applicable for each business wise or for all business put together.
- Every person,—
 - (a) carrying on business shall, 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 ;

APPLICABILITY OF SEC 44AB - CONTD...

- Dr R is a medical practitioner, having clinic and medical shop.
 - His turnover/gross receipts are as under:
 - Fees from Profession - Rs. 40 lacs
 - Sales in medial Shop - Rs. 70 lacs
 - Advise whether sec 44AB is applicable to him.
- 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 ; **Or**
- (b) carrying on profession shall, if **his gross receipts in profession** exceed fifty lakh rupees in any previous year;

APPLICABILITY OF SEC 44AB - PRESUMPTIVE CASES - comparative study

Particulars	Sec 44AD	Sec 44ADA	Sec 44AE
Type of assessee	INDL. HUF, Firm (Other than LLP) - all residents	Resident assessee	No restrictions
When %/sum not offered, Sec 44AB applies	Only when income exceeds basic limit & Ss (4) applies	When income exceeds basic limit	Whether or not income exceeds basic limit
	For partnership firm incurring losses, can it be said that it is less than basic limit?? - hence no audit		
In case of firm, allowability of Partners' salary & interest	Deemed to be allowed	Deemed to be allowed	From the presumptive income, claim can be made

Amendment in section 44AD

From A Y 2017-18 onwards

(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).

Prior to AY 2017-18

(4) The provisions of Chapter XVII-C shall not apply to an eligible assessee in so far as they relate to the eligible business.

Amendment in section 44AD

From A Y 2017-18 onwards

(5) Notwithstanding anything contained in the foregoing provisions of this section, an eligible assessee to whom the provisions of sub-section (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.

Upto AY 2016-17

(5) Notwithstanding anything contained in the foregoing provisions of this section, an eligible assessee who claims that his profits and gains from the eligible business are lower than the profits and gains specified in sub-section (1) 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.

BASICS OF 3CD

- Form No: 3CD is an annexure to Form 3CA/3CB.
- The primary responsibility to provide accurate data in Form 3CD is on the assessee.
- The tax auditor only verifies the data furnished by the assessee
- Adequate documentation is necessary
- Materiality concept vis a vis True and correct view
 - In our opinion and to the best of our information and according to examination of books of account including other relevant documents and explanations given to us, **the particulars given in the said Form No.3 CD are true and correct**

BASICS OF 3CD (Contd..)

- Difference of opinion between assessee and tax auditor
 - Para 3 of Form 3CA
 - In our opinion and to the best of our information and according to examination of books of account including other relevant documents and explanations given to us, the particulars given in the said Form No.3 CD are true and correct **subject to the following observations/qualifications, if any:**
 - Para 5 of Form 3CB
 - In our opinion and to the best of our information and according to explanations given to us, the particulars given in the said Form No.3 CD are true and correct **subject to following observations/qualifications, if any:**
- Impact - Sec 143(1)(a)(iv)
 - **“disallowance of expenditure indicated in the audit report but not taken into account in computing the total income in the return”**

Basic details - Clause 1 to 8

- Clause 2 deals with the address of the assessee
- To report whether
 - Residential address or business address of Individual assessee?
 - Address as on balance sheet date and address on audit report signing date, where there is change?
- Need to verify ROC records
- Necessary to cross verify
 - IT PAN Card details
 - Profile page of IT Department website
 - Software used for uploading the ROI of assessee
 - Office records of the tax auditor

Basic details - Clause 1 to 8 (contd..)

- Clause 4 - details of **indirect tax** registration details
 - Only tax registration details to be given.
 - For customs - no registration number ??????
 - **GST registration number is to be given**
 - If not obtained - although levy applicable - ??????
 - Mr. A is liable to pay Goods and service tax.
 - But he did not obtain the GST Registration number.
 - How to report this in Clause 4 of Form 3CD??
- Clause 8 - sec 44AB clause applicable (a, b, c, d, e or third proviso)

Books and documents - Clause 11 (b)

- ❖ Prescribed
 - For Specified 11 professionals - as per Rule 6F
 - For other professionals and all business - not yet prescribed
- ❖ Maintained
 - In More than one place - Whether all such place to be reported??
 - In such cases whether the details of books maintained at each such place to be reported???
 - Refer to sec 133A
- ❖ Examined
 - Whether details of underlying evidences are to be reported??
 - Books **and other relevant documents**

Inadmissible Deductions

- Employee share of Labour welfare contributions - Cl 20(b)
 - Employee share - due date - as per sec 139(1) or respective statute?
 - Remedy for the addition in the intimation u/s. 143(1) - **appeal or rectification??**
- Due date for PF - whether 15th or 20th ?
- Whether delayed cases alone to be reported or entire details are to be reported?

Inadmissible Deductions (Contd..)

- Sec 43B - cl 26
- Applies to mercantile system of accounting
- Indirectly mandates to follow cash system
- Covers only
 - Tax, cess, duty
 - Labour welfare contributions
 - Bonus
 - Interest on term loan WC loan from Scheduled Banks & Public Financial Institutions
 - Leave encashment (SC reversed Kol HC Judgement)
 - **Rent for use of railway properties**

Inadmissible Deductions (Contd..)

- Reporting of info
 - About disallowances made in the last year for which payment made/ not made during the year
 - About the items outstanding as at year end for which payment made / not made before the due date of filing the Return of income
 - **Payment made after issue of TAR - since one month gap is there in between the due date of TAR / Filing of ROI**
- Advance ED/GST paid - allowable in which year???
- **Use** of railway assets
 - If third party, whether TDS u/s. 194I or TDS u/s.194C?? - basis

Inadmissible Deductions (Contd..)

- Bonus provision for FY 2018-19 - Rs.10 lacs disallowed - since it is not paid within the due date of filing of ROI.
- Rs 8 lacs paid in December 2019 (In FY 2019-20)
- Rs.2 lacs paid in June 2020 (In FY 2020-21 but before the due date of FY 2019-20)
- How much would be allowable for the FY 2019-20?
- Fixed Deposit made with bank in Dec 2019 for 3 years
- Loan against the FD taken in Feb 2020
- Interest accrued on FD - Rs.1.5 lacs
- Interest accrued on Loan against FD - Rs.1.1 lacs (Not paid upto due date)
- Applicability of sec 43B

Inadmissible Deductions (Contd..)

- capital or revenue/personal expenses - cl 21(a)
 - Motor car used by director / partner
 - Renovation of rental premises
- Penalties & fines - Cl 21(a) - Three types of penalty
 - Penalty for violation of law
 - Any other penalty
 - Expenditure incurred for any purpose which is offence or prohibited by law

Inadmissible Deductions (Contd..)

- Sec 40A(3) - Ceiling limit of Rs.10000/- per day, month, year?
- Sec 40A(3A) cases to be reported
- Rule 6DD is to be taken care of while ascertaining the applicability of sec 40A(3).
 - Payment in cash on Sunday/bank holiday (Cl [j] omitted w e f 29-1-2020)
- Applicability of sec 40A(3) to
 - real estate transactions??
 - direct deposit in the supplier's bank account??
 - Foreign currency payment - ceiling of Rs.10000 (Ramlord Apparels - 2020 (9) TMI 322 Mum ITAT)
 - **Genuine transactions vs compelling circumstances (Natesan Krishnamoorthy - 2019 (1) TMI 607 Mad HC)**
- Documentation for sec 40A(3)

Inadmissible Deductions (Contd..)

- Eligibility of interest paid to partner - on current account balance
- Interest paid to partner
 - Implication for Rule 8D?
 - application of sec 40A(3)
 - non-resident partner - sec 40(a)(i)
- Interest paid by the partner to the firm - TDS applicability
- Interest paid / payable to MSME - cl 22
 - Interest paid, debited to PNL alone is to be reported
 - This requires to be disallowed

Inadmissible Deductions (Contd..)

- Sec 40A(2) payments - Cl 23
 - Only payments for expenditure are covered
 - NOT income side.
 - NOT capital expenditure
 - Trade discount not covered
 - TAR requires the details of payment
 - Tax auditor is not required to report the disallowable portion of expenses

Particulars of Depreciation

- Rate of depreciation allowable restricted to 40% - accelerated depreciation of 20% continues to be allowable (For First year/second year only)
- Printers and UPS - eligible @ 40% or 15%
- Whether depreciation on goodwill is permissible?
- Excess payment to retired partner - can it be claimed as goodwill ?
- Accelerated depreciation - balance 50% - how to claim
- Asset acquired in one year but put to use in the next year - second half - whether eligible for depreciation @ normal rate or half of such normal rate??

Particulars of Depreciation (Contd..)

- Interest on borrowed capital - whether to be capitalised for all petty assets also?
- Block value reducing because of subsidy - is it taxable?
- Cenvat/GST on assets to be reduced from the block value
 - Ineligible cenvat/ GST credit - can it be added to the asset??
- Surplus in sec 50 - Whether rerolling benefit / set off of loss can be claimed??

Particulars of depreciation - Amendment in Section 43(1) - Actual Cost - second proviso

- *Provided further that where the assessee incurs any expenditure for acquisition of any asset or part thereof in respect of which a payment or aggregate of payments made to a person in a day, otherwise than by an account payee cheque drawn on a bank or an account payee bank draft or use of electronic clearing system through a bank account, exceeds ten thousand rupees, such expenditure shall be ignored for the purposes of determination of actual cost”*
- Amendment is effective from **1-4-2017**
- Spending more than 10,000/- for **CAPEX in cash** - Will not form part of cost
- Limit for **freight on CAPEX** - not increased to Rs.35,000/- Kept at Rs.10,000/-

Capex In Cash - Certain Issues

- What if the advance is paid in cash for purchase of assets?
- What if the payment is made in the succeeding year?
- What if the cost of asset does not get into the block?
- What if the asset is held by charity
 - for regular activities?
 - For business purposes?
- What if the asset value exceeding Rs.10000/- but after excluding GST less than Rs.10000/-? (When output is fully taxable/fully exempt/partly taxable in GST)

Inventory and Cenvat

- Method of valuation of inventory - clause 14, 27& 35
 - Whether sec 145A is revenue neutral ?
 - Impact of ICDS - Partner taking over the business - valuation of inventory - cost or NRV only?
 - Whether closing balance of cenvat be claimed as duty paid u/s 43B?
 - Cenvat details to be given (Cl 27) - upto 30-06-2017 - no corresponding requirement to give the GST details post 1-7-17 in the Form notified. CBDT offline Utility of Form 3CD contains ITC as well
 - Quantitative particulars - cl 35 - Whether Disclaimer would result in scrutiny?

Income/deemed income

- Clause 12 - Presumptive Income credited to P&L
 - Income covered by Presumptive nature included in P&L to be reported
 - How much is the eligible presumptive income for tax purpose is not required to be mentioned
 - If separate books are maintained - no issues - else apportionment of expenses may be necessary
 - Sec 44AD - more than one business

Income/deemed income (Contd...)

- Clause 13 - other income not credited to P&L
 - Items covered by sec 28;
 - Duty Drawback, etc:
 - capital receipts,
 - escalation claims,
 - other income
- Principal waiver of loan
 - Mahindra & Mahindra - 404 ITR 1 (SC)

Deemed Income (Contd..)

- Sec 50C/43CA - Cl 17
 - Only as per books
 - Not applicable for personal transactions
 - For seller the defence could be sec 50C(2)
 - For business case - 36(1)(vii) r w s 36(2) could be defence
 - Agreement date V sale Date - parity for both sections
 - Stamp duty value
 - 5% tolerance from FY 2018-19
 - 10% tolerance from FY 2020-21
 - (105% / 110% of txn value is more than SD value - permissible)
 - **clauses not amended to incorporate the tolerance**
 - DVO value - Chapter XX-C - CB Gautham - SC
 - 15% margin - ????

Deemed Income (Contd...)

- **New clauses from FY 2017-2018**
- **Forfeiture of money received for transfer of capital asset where transfer does not take place - income as per sec 56(2)(ix) - cl 29A**
- **Specified Assets/money received for no consideration / inadequate consideration by any person from any person other than relatives - specified persons - income as per sec 56(2)(x) - cl 29B**
 - **ONLY BUSINESS TRANSACTIONS - NOT PERSONAL TRANSACTIONS**
- **Deemed dividend as per sec 2(22)(e) - cl 36A**

Loans and deposits - clause 31

- Sec applies to loans, deposits, specified sum
- Ceiling limit - Rs.20000 or less than Rs.20000???
- Whether the ceiling is to be seen for
 - Per annum?
 - Per month?
 - Per day?
 - Per transaction?
 - Including the opening balance of the year?
- Whether section would apply for payment of the interest on loan/deposit, if added to the loan /deposit account?

Loans and Deposits - Clause 31

- the “specified sum” is to be reported separately for all the reports issued on or after 19-07-2017
- ECS is also permitted mode
- For repayment two new sub-clauses introduced
- Out of repayment exceeding the limit u/s. 269T,
 - received during the year in cash
 - Received during the year by instrument (other than account payee) to be separately given

Loans and Deposits - Cl 31 (Contd...)

- Compliance of sec 269ST is to be reported for all the reports issued on or after 20-08-2018
- There are four sub-clauses introduced
 - Two of them are for the receipt of amount
 - Two of them are for payment of the amount - sec does not say anything about payment
 - Exception provided in section and notification are not required to be reported.
 - Circular issued can also be relied on for not reporting the transactions covered by the circular
 - Test check - disclaimer - possible????

Loans and Deposits - Cl 31 (Contd...)

- Whether the section is attracted for
 - Transaction between husband and wife
 - Transaction between Parents and their sons/daughters
 - Retiring partners balance payable
 - Directors current account transactions
- Whether all the transactions by “A/c payee” cheques to be reported or only the violation cases to be reported?
- Can there be 269SS & 269T on same party’s borrowing and repaying transactions?
- Sec 68 & sec 269SS - whether both possible?
- Can genuineness be defence?

Loss/ deductions u/c - VI-A

- Cl 32 (a)
 - Only brought forward loss to be reported
 - Current year loss not to be reported
 - Dispute, if any, to be suitably reported in Remarks
- Whether depreciation loss can be set off against the salary income
 - Chandra kumar - 2009 (11) TMI 549 (Chennai ITAT)
 - Commission Vs Salary
 - Applicability of sec 36(1)(ii)

Loss/ deductions u/c - VI-A (Contd...)

- Cl 32 (c)/(d)
 - Sec 73 - Speculative loss - current year only
 - Sec 73A - loss from specified business - current year only
- Cl 33 - chapter VI-A deductions / Chapter III - 10A/10AA
 - Only as per books - personal info need not be reported
 - Report as per other sections - to be cross verified

TDS/TCS

- Cl 21(b) replaces one line requirement of earlier clause 17(f) - amount inadmissible u/s. 40(a)
- Party wise details of TDS not deducted/ deducted but not remitted to be reported both for sec 40(a)(i) and sec 40(a)(ia)
- AID - 40(a)(ia) and not for 40(a)(i) **upto 31-03-2019**
- Other clauses of 40(a) are to be separately reported

TDS/TCS (Contd..)

- Clause 34(a) replaces previous clause 27
- Party wise details not required to be given
- Payments are to be arranged section wise, TAN wise, deductions at normal rate, lesser or NIL rate, below threshold limit
- Amount not paid to be reported
- TCS details are also to be similarly reported
- Test check permissible as per ICAI guidance note

TDS/TCS (contd...) - Cl 34(b) - details of quarterly Returns filed

Reports issued upto 19-08-2018

- Need to be filled up only if delay
- Fact that all the cases requires to be reported are reported or not is to be reported

Reports issued on or after 20-08-2018

- Need to be filled up where there is requirement to furnish the statement of TDS
- Fact that all the cases requires to be reported are reported or not is to be reported
- If not, the details of unreported cases to be listed.

TDS/TCS (contd...)

- Cl 34(c) - details of interest u/s. 201(1A)/206C(7)
 - Details of interest paid and payable to be reported
 - Details as per assessee calculation and dept calculation may vary
 - Month - varying factor

Firm/AOP

- Cl 9 - details of sharing of profit - change, etc.
 - Details of each change to be reported
 - Sec 187/188
 - Death of one partner where there are only two partners - SC
- Cl 21(c) - inadmissible u/s. 40(b)/(ba)
 - Only inadmissible amount is to be reported
 - Computation of disallowance to be given
 - Munjal Sales Corporation - SC

COMPANY

- Cl 29 - income covered u/s. 56(2)(viib)
 - Issue at premium to residents only covered
 - Issue of shares at face value not covered
 - Issue of shares at face value - for recipient sec 56(2)(x)???
 - However, Company law provisions are to be taken into account

COMPANY (Contd..)

- Cl 32(b)/(e) deal with losses for company
 - Speculative loss as per expl to sec 73 - current year loss only
 - Disqualification of loss by invoking sec 79
 - Depreciation loss shall not be hit by sec 79
- Cl 36 deals with DDT (upto 31-03-2020)
 - DDT paid in the year of audit alone to be reported
 - Amount reducible u/s. 115O(1A(i&ii)) are also to be mentioned separately

OTHER ASPECTS

- Cl 37/38
 - Cost audit and central excise audit
 - Attaching the report dispensed with
 - Contents of the report to be studied and major observations are to be mentioned
- Cl 39
 - Service tax audit
 - Contents of the report to be studied and major observations are to be mentioned

OTHER ASPECTS (Contd..)

- Cl 40 - Ratios
 - Division wise ratios are not to be given but entity wise only to be given
 - For service organisation also ratio is necessary
- Cl 41 - Demands and refunds **other than direct tax**
 - Only **tax demand and refunds** - not other laws
 - To be suitably cross referenced with sec 28
 - Pending proceedings - finality reached in next year - need not be reported

New reporting requirements

- Reports issued on or after 20-08-2018
- Transfer pricing adjustments - secondary adjustments - details to be reported - Cl 30A
- Thin capitalisation Rule - Sec 94B - details to be reported - Cl 30B
- ~~GAAR - Impermissible avoidance agreement - sec 96 - Cl 30C~~
(NA for the FY 2019-20)
- Information from Statement in Form 61/61A/61B - cl 42
- Information from Statement u/s. 286 - Cl 43

New reporting requirements (contd..)

- Reports issued on or after 20-08-2018 postponed for one more year - NA for the FY 2019-20
- ~~Reconciliation of Expenditure based on GST of vendors - Cl 44~~
 - ~~Expenditure incurred vs Payment~~
 - ~~Capital or Revenue Expenditure~~
 - ~~Purchases vs Expenditure~~
 - ~~Advance payments / discounts~~
 - ~~Availability of info with the assessee~~
 - ~~MRL from Assessee~~
 - ~~Disclaimer~~

CONSEQUENCES

- Penalty u/s. 271B
- Alternative - penalty u/s. 271A
- Penalty u/s. 271A & 271B - both not possible
- Where presumptive income not offered, penalty for not auditing accounts may apply but income cannot be enhanced to presumptive level
- Audit report is dated 31-10-2020 - Consequences????

Thank you