

Kottayam Branch of ICAI

Tax Audit Seminar – 05/09/2022

Income Tax Act 1961

Tax Audit u/s 44AB

A Practical Approach

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Part 1 – Statutory Provisions

Section 44 AB

Audit of accounts of certain persons *Cases covered {(a) to (e) }*

Clause (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:
- **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;

Section 44AB Contd...

Clause (b)

- Every person carrying on profession shall, if his gross receipts in profession exceed fifty lakh rupees in any previous year; or

Clause (c)

- Every person 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 (*Exploration of mineral oil etc.*) or section 44BBB (*Foreign Companies in turnkey projects*), 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

Section 44AB Contd...

Clause (d)

- Every person 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

Clause (e)

- Every person 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,

Section 44AB Contd...

What if a person falls in any of the clauses from (a) - (e)

- Shall 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 (Forms 3CA/3CB)
- and setting forth such particulars as may be prescribed (Form 3CD)

Section 44 AB contd...

Cases where audit not required

- **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 to the person, who derives income of the nature referred to in section 44B (*Shipping Business of Non Resident*) or section 44BBA (*Aircraft business of Non Resident*), 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 :
- **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.

Section 44AB contd... definitions

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; (*i.e. Chartered Accountant*)
- (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. (*31st Oct in TP cases and 30th Sep in other cases*)

Section 44AD – Presumptive tax in business

Main provision

- (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":

Section 44AD – Concessional rate – bank transactions

[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.

Section 44AD – Deductions and depreciation deemed as allowed

- (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.
- [***] *Working partners remuneration and interest which were earlier allowable had been since omitted*
- (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. *Deemed depreciation*

Sec 44AD – opted in one year – opted out in any of the next 5 years

(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).

Section 44AD – Consequence of opting out as referred to in subsection (4)

(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 *(i.e. opted out)*

whose total income exceeds the maximum amount which is not chargeable to income-tax, *(TI > BE)*

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

Section 44AD – Who cannot opt?

- (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.

Section 44AD - Definition

- *Explanation.*—For the purposes of this section,—
 - (a) "eligible assessee" means,—
 - (i) 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
 - (ii) 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;

Section 44AD - Definition

(b) "eligible business" means,—

(i) any business except the business of plying, hiring or leasing goods carriages referred to in section 44AE; and

(ii) whose total turnover or gross receipts in the previous year does not exceed an amount of two crore rupees

Section 44ADA – Presumptive Tax - Profession

- (1) Notwithstanding anything contained in sections 28 to 43C,
- in case of an assessee, being an individual or a partnership firm other than a limited liability partnership as defined under clause (n) of sub-section (1) of section 2⁶⁹ of the Limited Liability Partnership Act, 2008 (6 of 2009),
- who is a resident in India, and
- is engaged in a profession referred to in sub-section (1) of section 44AA and
- whose total gross receipts do not exceed fifty lakh rupees in a previous year,
- a sum equal to **fifty per cent of the total gross receipts** of the assessee in the previous year on account of such profession or, as the case may be, **a sum higher than the aforesaid sum** claimed to have been earned by the assessee, shall be deemed to be the profits and gains of such profession chargeable to tax under the head "Profits and gains of business or profession".

Section 44ADA – Deductions and depreciation deemed as allowed

- (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 used for the purposes of profession shall be deemed to have been calculated as if the assessee had claimed and had been actually allowed the deduction in respect of the depreciation for each of the relevant assessment years.

Section 44ADA – Consequence of declaring lower income

(4) Notwithstanding anything contained in the foregoing provisions of this section, an assessee who claims that his profits and gains from the profession 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 (1) of section 44AA and get them audited and furnish a report of such audit as required under section 44AB.]

Section 44AE – Transport business – Presumptive tax

(1) Notwithstanding anything to the contrary contained in sections 28 to 43C,

in the case of an assessee, who owns not more than ten goods carriages [at any time during the previous year] and

who is engaged in the business of plying, hiring or leasing such goods carriages,

the income of such business chargeable to tax under the head "Profits and gains of business or profession" shall be deemed to be the aggregate of the profits and gains, from all the goods carriages owned by him in the previous year, **computed in accordance with the provisions of sub-section (2).**

Section 44AE - Computation

(2) For the purposes of sub-section (1), the profits and gains from each goods carriage,—

(i) **being a heavy goods vehicle**, shall be an amount equal to **one thousand rupees per ton of gross vehicle weight or unladen weight**, as the case may be, **for every month** or part of a month during which the heavy goods vehicle is owned by the assessee in the previous year or an **amount claimed to have been actually earned** from such vehicle, **whichever is higher**;

(ii) **other than heavy goods vehicle**, shall be an amount equal to **seven thousand five hundred rupees for every month** or part of a month during which the goods carriage is owned by the assessee in the previous year or an **amount claimed to have been actually earned** from such goods carriage, **whichever is higher**.

44AE – Deductions deemed as allowed and WP remuneration and interest

- (3) 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 :
[**Provided** that where the assessee is a firm, the salary and interest paid to its partners shall be deducted from the income computed under sub-section (1) subject to the conditions and limits specified in clause (b) of section 40.
- (4) The written down value of any asset used for the purpose of the business referred to in sub-section (1) shall be deemed to have been calculated as if the assessee had claimed and had been actually allowed the deduction in respect of the depreciation for each of the relevant assessment years.

Section 44AE – Tax audit

(5) The provisions of sections 44AA and 44AB shall not apply in so far as they relate to the business referred to in sub-section (1) and in computing the monetary limits under those sections, the gross receipts or, as the case may be, the income from the said business shall be excluded.

Sub section (6) is not relevant – hence not discussed

- (7) Notwithstanding anything contained in the foregoing provisions of this section, an assessee may claim lower profits and gains than the profits and gains specified in sub-sections (1) and (2), if he keeps and maintains such books of account and other documents as required under sub-section (2) of section 44AA and gets his accounts audited and furnishes a report of such audit as required under section 44AB.]

Section 44AE - Definitions

- *Explanation.*—For the purposes of this section,—

(a) the expressions "goods carriage", "gross vehicle weight" and "unladen weight" shall have the respective meanings assigned to them in section 2 of the Motor Vehicles Act, 1988 (59 of 1988);

(aa) the expression "heavy goods vehicle" means any goods carriage, the gross vehicle weight of which exceeds 12000 kilograms;

(b) an assessee, who is in possession of a goods carriage, whether taken on hire purchase or on instalments and for which the whole or part of the amount payable is still due, shall be deemed to be the owner of such goods carriage.

Section 44AA – Maintenance of Books

(1) Every person carrying on legal, medical, engineering or architectural profession or the profession of accountancy or technical consultancy or interior decoration or any other profession as is notified by the Board in the Official Gazette shall keep and maintain such books of account and other documents as may enable the Assessing Officer to compute his total income in accordance with the provisions of this Act. *(Specified / Notified Profession)*

Section 44AA – Books to be kept by other persons

(2) Every person carrying on business or profession [not being a profession referred to in sub-section (1)] shall,—

(i) if his income from business or profession exceeds one lakh twenty thousand rupees or his total sales, turnover or gross receipts, as the case may be, in business or profession exceed or exceeds ten lakh rupees in any one of the three years immediately preceding the previous year; or

(ii) where the business or profession is newly set up in any previous year, if his income from business or profession is likely to exceed one lakh twenty thousand rupees or his total sales, turnover or gross receipts, as the case may be, in business or profession are or is likely to exceed ten lakh rupees, during such previous year; or

(iii) where the profits and gains from the business are deemed to be the profits and gains of the assessee under section 44AE or section 44BB or section 44BBB, as the case may be, and the assessee 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, during such previous year; or

(iv) where 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

keep and maintain such books of account and other documents as may enable the Assessing Officer to compute his total income in accordance with the provisions of this Act:

Section 44AA – Certain relaxations in Subsection (2)

- **Provided** that in the case of a person being an **individual or a Hindu undivided family**, the provisions of clause (i) and clause (ii) shall have effect, as if for the words "**one lakh twenty thousand rupees**", the words "**two lakh fifty thousand rupees**" had been **substituted** :
- **Provided further** that in the case of a person being an **individual or a Hindu undivided family**, the provisions of clause (i) and clause (ii) shall have effect, as if for the words "**ten lakh rupees**", the words "**twenty-five lakh rupees**" had been **substituted.**]

Section 44AA – Powers of CBDT

- (3) The Board may, having regard to the nature of the business or profession carried on by any class of persons, prescribe, by rules (**Rule 6F**), the books of account and other documents (including inventories, wherever necessary) to be kept and maintained under sub-section (1) or sub-section (2), the particulars to be contained therein and the form and the manner in which and the place at which they shall be kept and maintained. (**Books registers etc prescribable only for notified / specified professionals**)
- (4) Without prejudice to the provisions of sub-section (3), the Board may prescribe, by rules, the **period for which the books of account and other documents to be kept and maintained** under sub-section (1) or sub-section (2) shall be retained. (**generally till such time assessment could not be reopened**)

Part 2 – Tax Audit Forms Analysed

FORM NO. 3CB

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

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

1. *I/We have examined the balance sheet as on, _____, and the *profit and loss account/income and expenditure account for the period beginning from _____ to ending on _____, attached herewith, of
(Name),
(Address), _____ (Permanent Account Number or Aadhaar Number).
2. *I/We certify that the balance sheet and the *profit and loss /income and expenditure account are in agreement with the books of account maintained at the head office at _____ and ** _____ branches.
3. (a) *I/We report the following observations/comments/discrepancies/inconsistencies; if any:

Comments etc. on accounts

(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 purposes of the audit.

(B) In *my/our opinion, proper books of account have been kept by the head office and branches of the assessee so far as appears from *my/our examination of the books.

(C) In *my/our opinion and to the best of *my/our information and according to the explanations given to *me/us, the said accounts, read with notes thereon, if any, give a true and fair view:-

 - (i) in the case of the balance sheet, of the state of the affairs of the assessee as at 31st March _____; and
 - (ii) in the case of the *profit and loss account/income and expenditure account of the *profit/loss or *surplus/ deficit of the assessee for the year ended on that date.
4. The statement of particulars required to be furnished under section 44AB is annexed herewith in Form No. 3CD.
5. In *my/our opinion and to the best of *my/our information and according to explanations given to *me/us, the particulars given in the said Form No. 3CD are true and correct subject to following observations/qualifications, if any: **Comments etc on 3CD information**

(Signature and stamp/seal of the signatory)

Place:

Name of the signatory:

Date:

Full Address:

Kottayam ICAI - Prasanth Srinivas –

05.09.2022

Forms 3CB

Form 3CB is for those persons whose accounts have not been audited under any other law. So we can say, this is for the people who are audited under the income tax act

Auditor has to certify two things

- Whether accounts are true and fair and
- Whether 3CD particulars are true and correct

Form 3CA

Form 3CA is for those persons whose accounts have been audited under any law other than the Income Tax laws

Here the auditor has to

- Make reference to the audit under the other Act
- certify whether 3CD particulars are true and correct

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

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

(a) the audited *profit and loss account/income and expenditure account for the period beginning from to _____ ending on _____ .

(b) the audited balance sheet as at _____ ; and _____ .

(c) documents declared by the said Act to be part of, or annexed to, the *profit and loss account/income and expenditure account and balance sheet.

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

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

a.

(Signature and stamp/seal of the signatory)

Place: _____ Name of the signatory: _____

Date: _____ Full Address: _____

Form 3CD – Part A – Cl. 1 to 8a

FORM NO. 3CD

[See rule 6G(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 | : | to |
| 7 | Assessment year | : | |
| 8 | Indicate the relevant clause of section 44AB under which the audit has been conducted | : | |
| 8a | Whether the assessee has opted for taxation under section 115BA/115BAA/115BAB/115BAC/ 115BAD? | : | |

Form 3CD Cl. 9 to 12

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.
	List of books of account maintained and the address at which the books of accounts 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 accounts are not kept at one location, please furnish the addresses of locations along with the details of books of accounts 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 sections (44AD, 44ADA, 44AE, 44AF, 44B, 44BB, 44BBA, 44BBB, Chapter XII-G, First Schedule or any other relevant section.)

Form 3CD – Cl. 13

13	(a) Method of accounting employed in the previous year.			
	(b) Whether there had been any change in the method of accounting employed vis-a-vis the method employed in the immediately preceding previous year.			
	(c) If answer to (b) above is in the affirmative, give details of such change, and the effect thereof on the profit or loss.			
	Serial number	Particulars	Increase in profit (Rs.)	Decrease in profit (Rs.)
	(d) Whether any adjustment is required to be made to the profits or loss for complying with the provisions of income computation and disclosure standards notified under section 145 (2)			
	(e) If answer to (d) above is in the affirmative, give details of such adjustments			
		Increase in profit (Rs.)	Decrease in profit (Rs.)	Net Effect (Rs.)
	ICDS I - Accounting Policies ICDS II - Valuation of Inventories ICDS III - Construction Contracts ICDS IV - Revenue Recognition ICDS V - Tangible Fixed Assets ICDS VI - Changes in Foreign Exchange Rates ICDS VII - Governments Grants ICDS VIII - Securities ICDS IX - Borrowing Costs ICDS X - Provisions, Contingent Liabilities and Contingent Assets			
(f)	Disclosure as per ICDS: ICDS I - Accounting Policies ICDS II - Valuation of Inventories ICDS III - Construction Contracts ICDS IV - Revenue Recognition ICDS V - Tangible Fixed Assets ICDS VII - Governments Grants ICDS IX - Borrowing Costs ICDS X - Provisions, Contingent Liabilities and Contingent Assets			

Form 3CD – Cl. 14 – 16

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

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

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

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

(a) the items falling within the scope of section 28;

(b) the pro forma 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 – Cl. 17 & 18

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 furnish

Details of property	Consideration received or accrued	Value adopted or assessed or assessable	Whether provision of second provision to sub-section (1) of section 43CA or fourth provision to clause (x) of sub-section (2) of section 56 applicable [Yes/No]
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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 or written down value, as the case may be.
- (ca) Adjustment made to written down value under section 115BAC/115BAD (for assessment year 2021-2022 only)
- (cb) Adjustment made to the written down value of Intangible asset due to excluding value of goodwill of a business or profession
- (cc) Adjusted written down value
- (d) Additions/deductions during the year with dates; in the case of any addition of an asset, date put to use; including adjustments on account of—
 - (i) Central Value Added Tax credits claimed and allowed under the Central Excise Rules, 1944, in respect of assets acquired on or after 1st March, 1994,
 - (ii) change in rate of exchange of currency, and
 - (iii) subsidy or grant or reimbursement, by whatever name called.
- (e) Depreciation allowable.
- (f) **Written down value at the end of the year.**

Form 3CD – Cl. 19 & 20

32 AD – Investment in assets –
Notified backward areas
33 AB – Tea Development Account
33 ABA – Site Restoration Fund
35 – Scientific Research
35 ABA – Telecom Spectrum
35 ABB – Telecom License
35 AD – Capital Expenditure allowed
as deduction in specified businesses
35 CCA – Contribution to institutions
carrying out approved rural
development programme
35 CCC – Agricultural extension
project
35 CCD – Skill development project
35 D – Amortisation of preliminary
expense
35 DD – Amalgamation / De-merger
expenses
35 DDA – VRS expense
35 E – Expense for prospecting
minerals

19 Amounts admissible under sections-
a) 32AD, (b) 33AB, (c) 33ABA, (d) 35(1)(i), (e) 35(1)(ii), (f) 35(1)(iia), (g)
35(1)(iii), (h) 35(1)(iv), (i) 35(2AA), (j) 35(2AB), (k) 35ABA, (l) 35ABB,
(m)35AD, (n)35CCA, (o)35CCC, (p) 35CCD, (q) 35D, (r) 35DD, (s)35DDA,
(t)35E:

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.

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

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

Serial number	Nature of fund	Sum received from employees	Due date for payment	The actual Amount paid	The actual date of payment to the concerned authorities
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Form 3CD – Cl. 21

21

(a) Please furnish the details of amounts debited to the profit and loss account, being in the nature of -

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

Cl 21 contd...

<p>(b) Amounts inadmissible under section 40(a):-</p> <p>(i) as payment to non-resident referred to in sub-clause (i)</p> <p>(A) Details of payment on which tax is not deducted:</p> <ul style="list-style-type: none">(I) date of payment(II) amount of payment(III) nature of payment(IV) name and address of the payee
<p>(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)</p> <ul style="list-style-type: none">(I) date of payment(II) amount of payment(III) nature of payment(IV) name and address of the payee(V) amount of tax deducted
<p>(ii) as payment referred to in sub-clause (ia)</p> <p>(A) Details of payment on which tax is not deducted:</p> <ul style="list-style-type: none">(I) date of payment(II) amount of payment(III) nature of payment(IV) name and address of the payee
<p>(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.</p> <ul style="list-style-type: none">(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

Cl 21 Contd

<p>21 (b) (iii) as payment referred to in sub-clause (ib)</p> <p>Details of payment on which levy is not deducted:</p> <p>(I) date of payment</p> <p>(A) (II) amount of payment</p> <p>(III) nature of payment</p> <p>(IV) name and address of the payee</p>	
<p>Details of payment on which levy has been deducted but has not been paid on or before the due date specified in sub-section (1) of section 139.</p> <p>(I) date of payment</p> <p>(B) (II) amount of payment</p> <p>(III) nature of payment</p> <p>(IV) name and address of the payer</p> <p>(V) amount of levy deducted</p> <p>(VI) amount out of (V) deposited, if any</p>	<p>(ib) – Equalisation levy</p>
<p>(iv) under sub-clause (ic) [Wherever applicable]</p>	<p>(ic) – FBT</p>
<p>(v) under sub-clause (iia)</p>	<p>(iia) – Wealth Tax</p>
<p>(vi) under sub-clause (iib)</p>	<p>(iib) – Royalty paid by State PSU to State Govt in lieu of dividend</p>
<p>(vii) under sub-clause (iii)</p> <p>(A) date of payment</p> <p>(B) amount of payment</p> <p>(C) name and address of the payee</p>	<p>(iii) – Salary to NR with out TDS</p>
<p>(viii) under sub-clause (iv)</p>	<p>(iv) – Unrecognised PF</p>
<p>(ix) under sub-clause (v)</p>	<p>(v) – Tax on non-monetary perquisites</p>

Form 3CD Cl 21 contd...

(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;				
(d)	Disallowance/deemed income under section 40A(3):				
(A)	On the basis of the examination of books of account and other relevant documents/evidence, whether the expenditure covered under section 40A(3) read with rule 6DD were made by account payee cheque drawn on a bank or account payee bank draft. If not, please furnish the details:				
	Serial number	Date of payment	Nature of payment	Amount	Name and Permanent Account Number or Aadhaar Number of the payee, if available
(B)	On the basis of the examination of books of account and other relevant documents/evidence, whether the payment referred to in section 40A(3A) read with rule 6DD were made by account payee cheque drawn on a bank or account payee bank draft If not, please furnish the details of amount deemed to be the profits and gains of business or profession under section 40A(3A);				
	Serial number	Date of payment	Nature of payment	Amount	Name and Permanent Account Number or Aadhaar Number of the payee, if available
(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 Cl 22 to 27

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	<p>In respect of any sum referred to in clauses (a), (b), (c), (d), (e), (f) or (g) of section 43B, the liability for which:-</p> <p>(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</p> <p>(a) paid during the previous year;</p> <p>(b) not paid during the previous year.</p> <p>(B) Was incurred in the previous year and was</p> <p>(a) paid on or before the due date for furnishing the return of income of the previous year under section 139(1);</p> <p>(b) not paid on or before the aforesaid date.</p> <p>(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.)</p>
27	<p>Amount of Central Value Added Tax credits/ Input Tax Credit (ITC) 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/ Input Tax Credit (ITC) in the accounts.</p> <p>(a)</p> <p>(b) Particulars of income or expenditure of prior period credited or debited to the profit and loss account.</p>

Form 3CD

Cl 28 to 29 B

Gift received by firm or company – Section 56 (2) (viiia)

Securities premium – Section 56 (2) (viiib)

Advance forfeited - – Section 56 (2) (ix)

Gift received by other persons – Section 56 (2) (x)

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)(viiia), 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)(viiib), 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 section 56(2)(ix)?
	(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 section 56(2)(x)?
	(b) If yes, please furnish the following details: (i) Nature of income (ii) Amount (in Rs.) thereof

Form 3CD

Cl 30 to 30C

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	<p>(a) Whether primary adjustment to transfer price, as referred to in section 92CE(1), has been made during the previous year?</p> <p>(b) If yes, please furnish the following details</p> <p>(i) Under which clause of section 92CE(1) primary adjustment is made?</p> <p>(ii) Amount (in Rs.) of primary adjustment</p> <p>(iii) Whether the excess money available with the associated enterprise is required to be repatriated to India as per the provisions of section 92CE(2)?</p> <p>(iv) If yes, whether the excess money has been repatriated within the prescribed time</p> <p>(v) If no, the amount (in Rs.) of imputed interest income on such excess money which has not been repatriated within the prescribed time</p>	
30B	<p>(a) Whether the assessee has incurred expenditure during the previous year by way of interest or of similar nature exceeding one crore rupees as referred to in section 94B(1)?</p> <p>(b) If yes, please furnish the following details:</p> <p>(i) Amount (in Rs.) of expenditure by way of interest or of similar nature incurred</p> <p>(ii) Earnings before interest, tax, depreciation and amortization (EBITDA) during the previous year (in Rs.)</p> <p>(iii) Amount (in Rs.) of expenditure by way of interest or of similar nature as per (i) above which exceeds 30% of EBITDA as per (ii) above</p> <p>(iv) Details of interest expenditure brought forward as per sub-section (4) of section 94B</p> <p>(v) Details of interest expenditure carried forward as per sub-section (4) of section 94B</p>	
30C	<p>(a) Whether the assessee has entered into an impermissible avoidance arrangement, as referred to in section 96, during the previous year?</p> <p>(b) If yes, please specify:-</p> <p>(i) Nature of the impermissible avoidance arrangement:</p> <p>(ii) Amount (in Rs.) of tax benefit in the previous year arising, in aggregate, to all the parties to the arrangement:</p>	This clause was kept in abeyance till 31-Mar-2022

Form 3CD Cl 31 (269SS)

- 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.)

Form 3CD – Cl 31 – 269ST

(ba)	<p>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:</p> <ul style="list-style-type: none">(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)	<p>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, received by a cheque or bank draft, not being an account payee cheque or an account payee bank draft, during the previous year:</p> <ul style="list-style-type: none">(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)	<p>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 occasion 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:</p> <ul style="list-style-type: none">(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;

(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	(a) Details of brought forward loss or depreciation allowance, in the following manner, to the extent available:						
Sl No	Assessment Year	Nature of loss/allowance (in rupees)	Amount as returned (in rupees) [^]	All losses/allowances not allowed under section 115BAA/115BAC/115BAD	Amount as adjusted by withdrawal of additional depreciation on account of opting for taxation under section 115BAC/115BAD	Amount as assessed (give reference to relevant order)	Remarks
[^] If the assessed depreciation is less and no appeal pending then 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.						
(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 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						

- 34** 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:
- (a)
- 1 Tax deduction and collection Account Number (TAN)
 - 2 Section
 - 3 Nature of payment
 - 4 Total amount of payment or receipt of the nature specified in column (3)
 - 5 Total amount on which tax was required to be deducted or collected out of (4)
 - 6 Total amount on which tax was deducted or collected at specified rate out of (5)
 - 7 Amount of tax deducted or collected out of (6)
 - 8 Total amount on which tax was deducted or collected at less than specified rate out of (5)
 - 9 Amount of tax deducted or collected on (8)
 - 10 Amount of tax deducted or collected not deposited to the credit of the Central Government out of (6) and (8)

(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 details/transactions which are not reported.
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(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.
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- 35 (a) In the case of a trading concern, give quantitative details of principal items of goods traded:
- (i) opening Stock;
 - (ii) purchases during the previous year;
 - (iii) sales during the previous year;
 - (iv) closing Stock;
 - (v) shortage/excess, if any.
- (b) In the case of manufacturing concern, give quantitative details of the principal items of raw materials, finished products and by-products:
- A Raw materials :
- (i) opening stock;
 - (ii) Purchases during the previous year;
 - (iii) consumption during the previous year;
 - (iv) sales during the previous year;
 - (v) closing stock;
 - (vi) yield of finished products;
 - (vii) percentage of yield;
 - (viii) shortage/excess, if any.
- B Finished products/By-products :
- (i) opening stock;
 - (ii) purchases during the previous year;
 - (iii) quantity manufactured during the previous year;
 - (iv) sales during the previous year;
 - (v) closing stock;
 - (vi) shortage/excess, if any.

Form 3CD

Clause 36A to 41

	(v) shortage/excess, if any.
36A	(a) Whether the assessee has received any amount in the nature of dividend as referred to in section 2(22)(e)?
	(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: 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 along with details of relevant proceedings.

Form 3CD – Cl. 42 & 43

42	(a)	Whether the assessee is required to furnish statement in Form No.61 or Form No. 61A or Form No. 61B?				
	(b)	If yes, please furnish:				
		Income-tax Department Reporting Entity Identification Number	Type of Form	Due date for furnishing	Date of furnishing, if furnished	Whether the Form contains information about all details/ transactions which are required to be reported. If not, please furnish list of the details/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 section 286(2)				
	(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				
	(c)	if not due, Expected date of filing				

Form 3CD – CI 44

44	Break-up of total expenditure of entities registered or not registered under the GST:					
Total amount of Expenditure incurred during the year	Expenditure in respect of entities registered under GST				Expenditure relating to entities not registered under GST	This clause was kept in abeyance till 31-Mar-2022
	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		

(Signature and stamp/seal of the signatory)

Place:

Name of the signatory:

Date:

Full Address :

□

Part 3 – Other Matters

Other matters

- Time is the essence – Due dates not likely to be extended this year – Well begun is half done
- Getting finalised accounts is very important
- Data analytics is the key
- Penalty – 271A (Non maintenance of Books – Rs. 25,000), 271B (Not getting accounts audited – 0.50% of TO up to Rs. 1,50,000)
- Auditing standards – Documentation – Sampling etc.
- AS / ICDS & AS for non corporates issued by ICAI
- ICAI guidance note (*Latest one is circulated*)
- Clause 44
- Sec 194 Q vs. 206C(1H)

Other matters

- Tax audit regarding charitable trusts – top priority as delay is fatal
- Transfer pricing – Audit Report – Form 3CEB
- UDIN and UDIN uploading in tax site
- Maintain list of tax audits done
 - Ceiling on no. of audits – 60 / member
 - Peer review purposes
 - Empanelment purposes
- Billing to commensurate the volume of work – Don't underquote

For your valuable views...

Thanks for this learning opportunity