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PARIVAR



TAX AUDIT

CRITICAL ISSUES &
PREPARATION

RELEVANT FOR AY 2024-25



CA. DEEPAK GARG
(FORMER CHAIRMAN - NIRC OF ICAI)



TAX AUDIT – CRITICAL ISSUES AND PREPARATION

- Relevant for Assessment Year 2024-25



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CONTENTS

About the Author	01
Preface	02
Chapter 1 Introduction of Tax Audit	03
Chapter 2 Applicability of Tax Audit	04
Chapter 3 Applicability of Tax Audit – Special Cases	06
Chapter 4 Types of Tax Audit Reports	08
Chapter 5 Fines & Penalties	10
Chapter 6 Pre-requisites of Tax Audit	11
Chapter 7 Clauses in Form 3CD with Explanations	14
Chapter 8 Format of Documents and Confirmations.	51

About the Author



CA. Deepak Garg, Fellow Member of The Institute of Chartered Accountants of India. He has completed his Chartered Accountancy in the year 1996. He is a Commerce Graduate as well as Law Graduate.

In 2002, he has completed his **Diploma in Information System Audit (DISA)** from the ICAI, reflecting his dedication to staying at the forefront of technological advancements in the audit profession. His extensive experience encompasses a wide array of auditing and taxation services, making him a respected authority in the industry.

He has experience of more than 28 years in the field of audit and taxation and Since 2011, Deepak Garg has been a partner at AAJV and Associates, Chartered Accountants, where he has played a crucial role in shaping the firm's strategic direction and service delivery. His leadership and expertise have been instrumental in the firm's growth and success.

His contributions to the profession extend beyond his practice.

His Experience with in North India Regional Council of The ICAI is:

1. **Chairman of The Northern Indian Regional Council of the Institute of Chartered Accountants of India (NIRC of ICAI) in 2016 for the term 2016-19 and NICASA Chairman in 2015 for the term 2013-2016,**
2. **Secretary of the Faridabad Branch of NIRC of ICAI** for two terms, in **2010 and 2008**, for the term 2007-10, 2010-2013 where he was pivotal in initiating several key initiatives for the branch's growth and member engagement.

He is also a Peer Reviewer empaneled with Peer Review Board of the Institute of Chartered Accountants of India since 2010.

He has been Central Statutory Auditor (CSA) of Public Sector Bank in 2019 to 2021 and other Various Banking Companies, Listed and unlisted corporates and non-corporate entities for years and his knowledge and expertise in the field guided many young and emerging CAs in the industry.

Through his vast experience and unwavering dedication, CA. Deepak Garg has made significant contributions to the field of chartered accountancy, continually inspiring excellence and integrity in the profession.

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Preface

It gives me immense pleasure to present before the readers the first edition of the book –

“Tax Audit – Critical Issues and Preparation”.

This book has been meticulously crafted to serve as a comprehensive resource for professionals, students, and enthusiasts in the field of taxation and audit. Our aim is to provide a clear, detailed, and practical understanding of the intricate processes involved in tax audit preparation and analysis.

The ever-evolving landscape of tax regulations and compliance requirements poses significant challenges to practitioners. In this context, the need for a structured and thorough guide becomes imperative. This book endeavors to fill that gap by offering insights into the latest tax laws, audit techniques, and best practices.

In developing this book, we have drawn upon the expertise of seasoned tax professionals, auditors, and academics. Their contributions have been invaluable in ensuring the accuracy and relevance of the content. We have also taken into account feedback from practitioners in the field, which has helped us address common pain points and challenges faced during tax audits.

This book is divided into several chapters, each focusing on a specific aspect of tax audit preparation and analysis. The appendices include templates, checklists, and additional resources to further support the readers in their audit endeavors.

As the field of taxation is dynamic and subject to frequent changes, we have also included sections that discuss the impact of recent legislative updates and judicial pronouncements on tax audits. This will help readers stay current with the latest developments and be better prepared to navigate the complexities of tax compliance.

I would like to express my heartfelt gratitude to all the contributors, reviewers, and supporters who have made this book possible. Their dedication and hard work have been instrumental in bringing this project to fruition. I also extend my sincere thanks to the readers for their interest in this book. I am confident that this guide will prove to be an invaluable asset in your professional journey and contribute significantly to your success in the field of tax auditing.

I hope you find this book both informative and engaging. Your feedback and suggestions for future editions are most welcome and will be highly appreciated.

Happy reading and best wishes for your endeavors in tax audit preparation and analysis!

Sincerely,

CA. Deepak Garg

Chapter 1

Introduction of Tax Audit

Section 44AB of The Income Tax Act, 1961 has provided the provisions for the Tax Audit and about finding out compliances or otherwise with the provisions of The Income Tax Law. It is important for both the auditor and auditee to understand the underlying provisions and relevant changes therein.

Important things to be noted in respect of Tax Audit report:

- (i) Tax Audit is not an investigation like special audit under section 142(2A) *Sahara India (Firm) Vs. CIT [2008] 169 Taxman 328 (SC)*.
- (ii) Tax Audit is not a substitute for audits under other sections as may be applicable.
- (iii) Tax Auditor is required to upload the tax audit report directly on the Income Tax Portal.
- (iv) Tax Audits can now be accepted by the Auditee through Adhaar OTP Authentication also. Earlier only Digital Signature Certificate (DSC) authorization was permitted.

By the end of this book, readers will have a comprehensive understanding of tax audits under the Income-tax Act, 1961, and will be well-equipped to handle the audit process with confidence and clarity.

Chapter 2

Applicability of Tax Audit

Applicability of Tax Audit under section 44AB is based on the turnover of business or profession in the previous year.

Tax Audit applicability for Person carrying on Business

Section 44AB is applicable when the total sales, turnover or gross receipts from a business exceeds rupees 1 crores in the previous year or 10 crores (if the total gross receipts or payments in cash exceeds 5% of the total receipts and payments respectively) in such previous year.

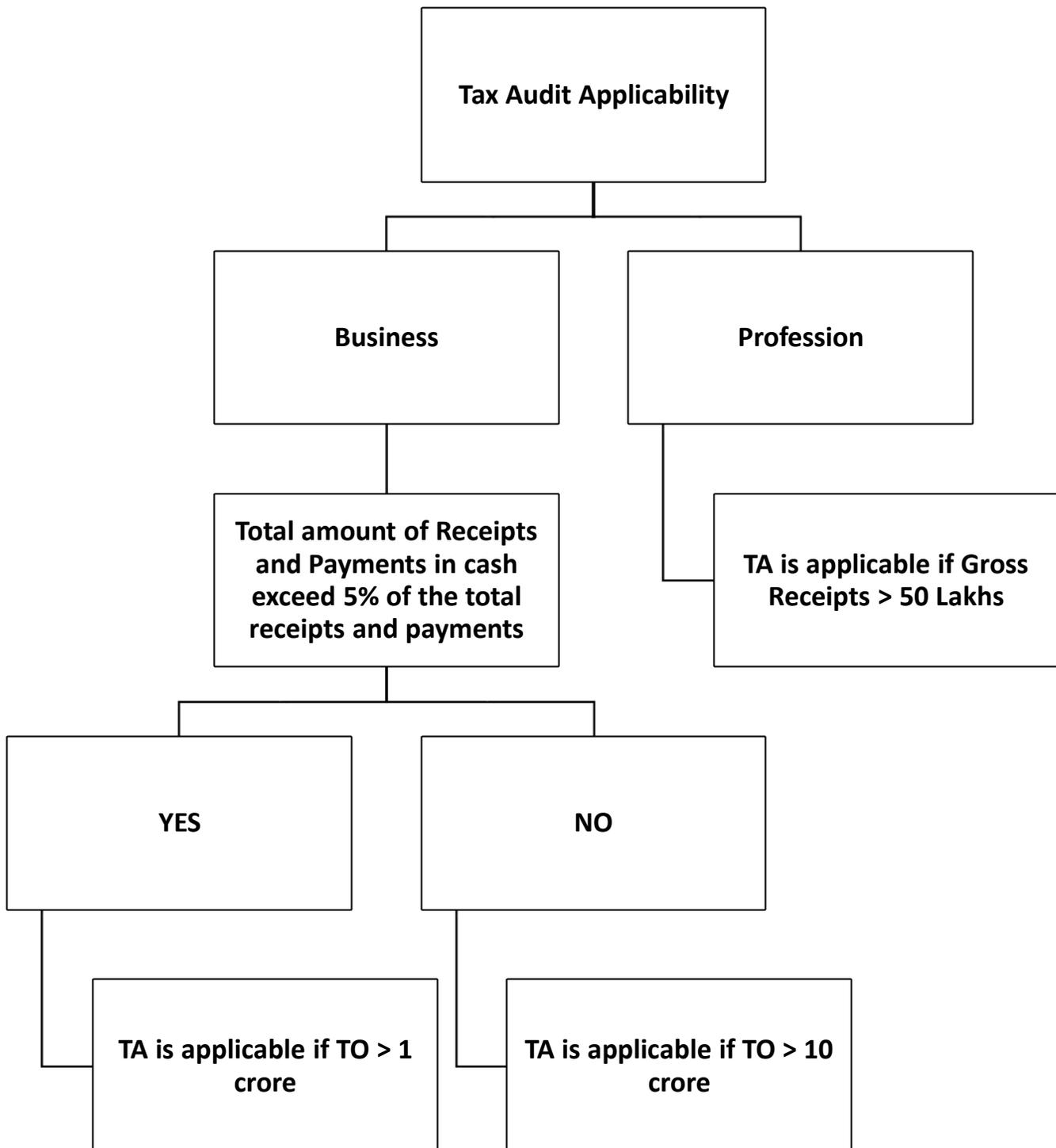
Section 44AB shall not apply to any person who declares profits and gains for the previous year in accordance with the provisions of section 44AD(1) and his total sales, turnover or gross receipts, as the case may be does not exceed 2 crore rupees or 3 crores (if the total gross receipts or payments in cash does not exceeds 5% of the total receipts and payments respectively) in such previous year.

Section 44AB shall also not apply to the person, who derives income of the nature referred to in section 44B (profit and gains of shipping business in case of non-residents) or section 44BBA (profit and gains of the business of operation of aircraft in the case of non-residents).

Tax Audit applicability for Person carrying on Profession

Section 44AA (1) defines profession as *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.* (Currently the professions notified in the official gazette are Film Artists, Authorized Representatives and Company Secretary).

As per section 44AB(b), carrying on profession shall, if his gross receipts in profession exceed 50 Lakh rupees in the previous year.

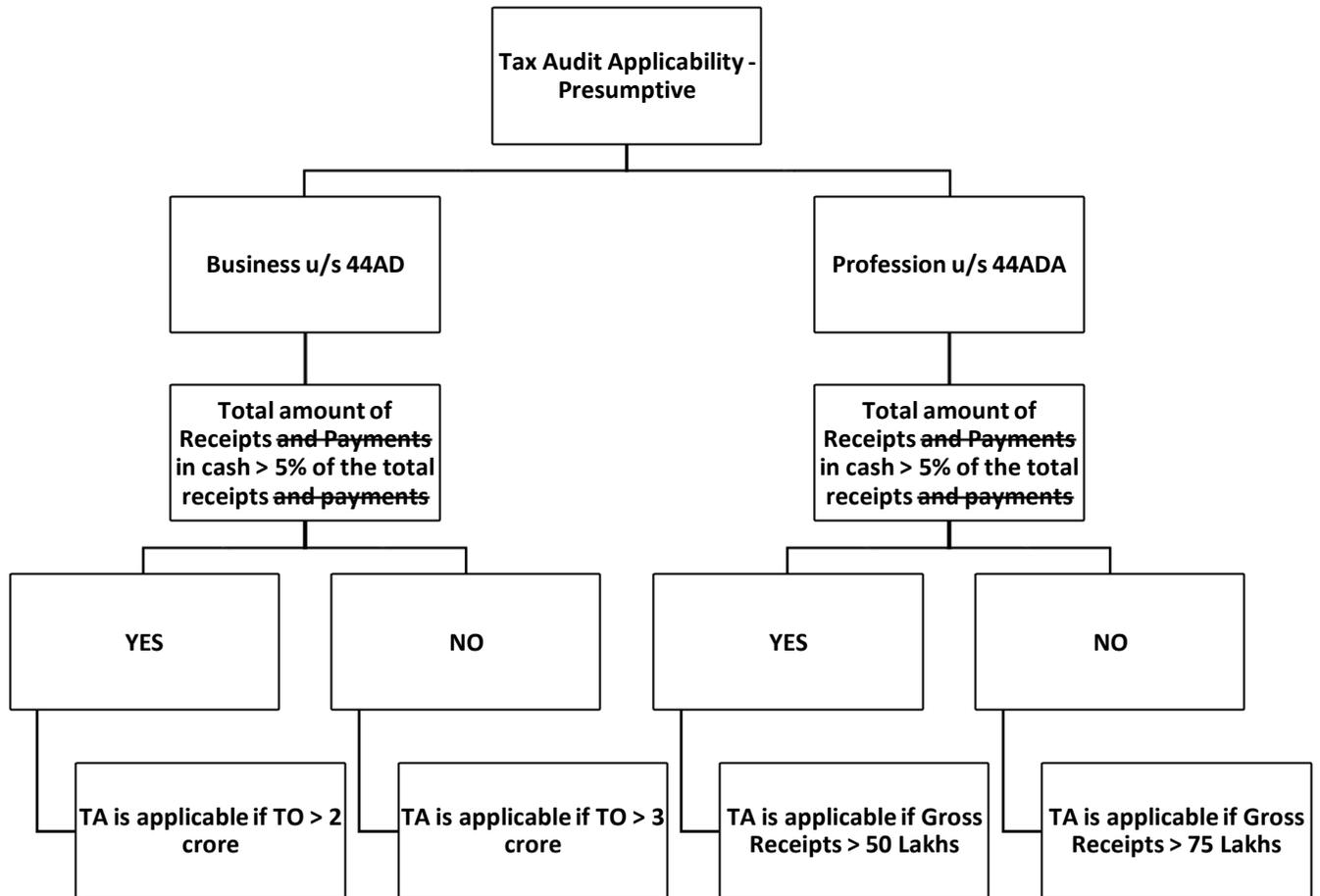


Chapter 3

Applicability of Tax Audit – Special Cases

This chapter covers cases of applicability of tax audit in certain special cases.

1. Presumptive income u/s 44AD and 44ADA



2. Futures and Options/Derivatives

Futures and Options/Derivatives trading is treated as a separate business and shall also be liable to tax audit if the turnover from Futures and Options trading exceeds Rs. 10 Crores (as there is no cash receipts and payments in case of futures and options trading).

Calculation of Turnover in case of Futures and Options/Derivatives:

The total sales value provided in the trading report is not to be considered for deriving the total turnover of futures and options, although nothing in relation to computation of turnover is mentioned in The Income Tax Act, 1961, the guidance note by The Institute of Chartered Accountants of India provided the method for calculation of turnover.

The Total of Favourable and Unfavourable differences from the transactions are to be taken in absolute terms and aggregated to get the turnover of futures and options/derivatives.

Let's understand this with below example,

EXAMPLE:

S. No	Particulars	Net Gain/Loss	Absolute Amount
1	FO_NIFTY50_23.06.2023	-3,14,56,700.00	3,14,56,700.00
2	FO_NIFTY50_25.09.2023	-24,35,678.00	24,35,678.00
3	FO_NIFTY50_25.09.2023	22,344.00	22,344.00
4	FO_NIFTY100_23.10.2023	-1,21,33,456.00	1,21,33,456.00
5	FO_NIFTY100_02.12.2023	89,89,900.00	89,89,900.00
	Total	<u>-3,70,13,590.00</u>	<u>5,50,38,078.00</u>

In the above example, The net gain and loss are made absolute and aggregated to get the turnover of Rs. 5,50,38,078.00, since the turnover is less than Rs. 10 Crore, hence the tax audit under section 44AB of The Income Tax Act, 1961 is not applicable.

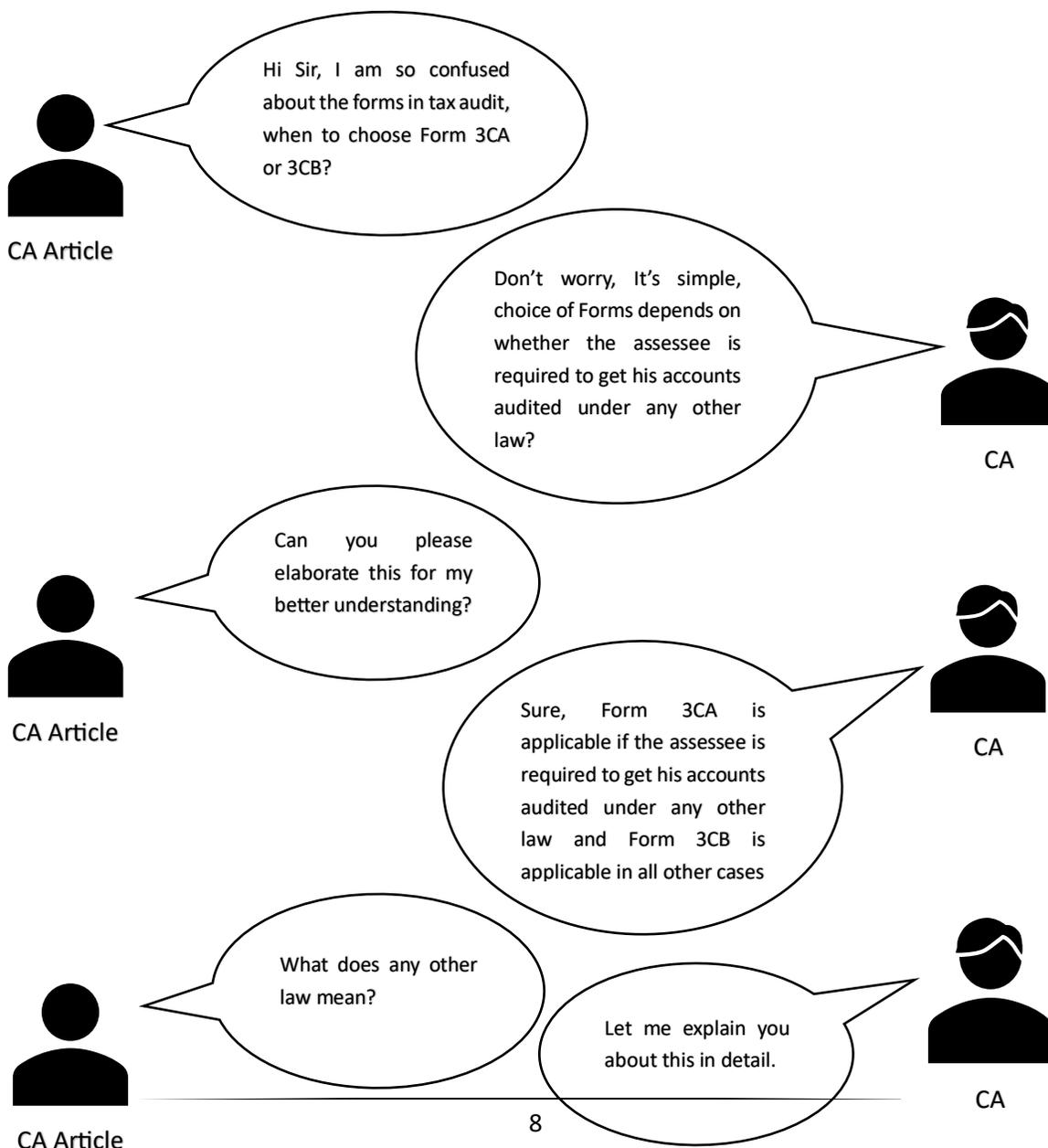
Chapter 4

Types of Tax Audit Reports

Section 44AB of The Income Tax Act, 1961 mandates audit of accounts of certain persons carrying on business or profession. The Report is issued in Form 3CA or 3CB along with the statement of particulars required to be furnished under section 44AB in Form 3CD in each case.

Applicability of Form 3CA and Form 3CB

Applicability of both the forms depend on the fact that whether the assessee is required to get his books of accounts audited under any other law.



Audit under any other law

Audit under any other law means audit of accounts required under any law other than The Income Tax Act, 1961, for example;

- Statutory Audit of Companies under Companies Act, 2013
- Audit of Limited Liability Partnerships (LLPs) under Limited Liability Partnership Act, 2008, etc.

Since, audit is mandatory under any other law, tax audit report under section 44AB is to be made in **Form 3CA**.

In other cases, for instance, in case of Individuals, HUFs, Firms, etc., since they are not required to get their accounts audited under any other act, **Form 3CB** is applicable.

EXCEPTIONS FOR FORM 3CB IN CASE WHERE AUDIT IS REQUIRED UNDER ANY OTHER LAW

Following are the exceptions for selecting Form 3CB in place of Form 3CA:

1. If the accounting year followed by the entity is different from the previous year as specified under the Income Tax Act, 1961.
2. If statutory auditor of the entity is unable to give his audit report for the year.

In all such cases Form 3CB is applicable.

AUDIT REPORT IN FORM 3CA/FORM 3CB BY THE AUDITOR

Auditor is required to report on the following for their true and correct view;

1. Books of Accounts, including relevant documents and explanations, and
2. Particulars given in Form 3CD.

In case, the auditor is having any observations/qualifications, he is required to report the said observations/qualifications in the Form 3CA/Form 3CB.

Form 3CA does not contain Auditor's opinion on the financial statements whereas the auditor gives his true and fair view on the financial statements in Sr. No 3.

SPECIAL NOTE:

The statement of particulars required to be prepared in Form 3CD is prepared by the management/auditee and the auditor certifies it to be true and correct in Form 3CA/Form 3CB.

Chapter 5

Fines & Penalties

Failure to comply with the tax audit requirements can result in significant penalties. Section 271B of the Income Tax Act, 1961 states that -

“If any person fails to get his accounts audited in respect of any previous year or years relevant to an assessment year or furnish a report of such audit as required under section 44AB, the Assessing Officer may direct that such person shall pay, by way of penalty, a sum equal to one-half per cent of the total sales, turnover or gross receipts, as the case may be, in business, or of the gross receipts in profession, in such previous year or years or a sum of one hundred fifty thousand rupees, whichever is less.”

Which means that in case of non-compliance of the tax audit requirement, penalty shall be levied at lower of –

- (a) 0.5% of gross sales, turnover or gross receipts, or
- (b) Rs. 1,50,000

Special Note: This is in nature of penalty as specified in section 271B, hence it shall, in no condition be allowed as deduction from income tax in the year of payment.

Chapter 6

Pre-requisites of Tax Audit

Tax Audit under section 44AB of The Income Tax Act, 1961 is just like any other audit which requires auditor to review the information and provide

There are certain pre-requisites for tax audit, which are as follows:

1. **Engagement Letter**
2. **Working Papers**
3. **Management Representation Letter**
4. **Certificates**

Now, we'll discuss all of these in detail

1. ENGAGEMENT LETTER

Engagement Letter is the primary requirement for any audit/ other engagement. The Auditor should the engagement terms to be accepted by the management in writing in form of engagement letter so as to cater with any mis-communication or to get proper understanding of roles and responsibilities, audit procedures to be performed, Audit fees and other relevant & required terms and conditions relating to the assignment.

Details to be agreed upon with management by an Engagement Letter

1. **Responsibility of Auditor:** Auditor's responsibility related to review of details provided by management and expressing his opinion that the details mentioned in Form 3CD are true and correct and to provide qualifications/observations as he may think fit.
2. **Responsibility of Management:** Management's responsibility related to preparation of financial results, Form 3CD, proper presentation and completeness of information, disclosure requirements, etc.
3. **Audit Procedures:** The audit procedures to be performed by the tax auditors are to be mentioned in the engagement letter. (For Ex. Auditing on test check basis, etc.)
4. **Audit Fee and payment terms:** The Audit fee and relevant payment terms as agreed upon with the assessee are to be mentioned in the engagement letter.
5. **Terms of engagement:** Any other terms of engagement as the tax auditor or management agrees, shall be recorded in the engagement letter.

2. WORKING PAPERS

Working papers form an integral part of the audit, it is rightly said –
“THE WORK NOT DOCUMENTED IS THE WORK NOT DONE”

When an auditor’s work is being reviewed by an outside agency like a regulator or an investigator, the only way that such a reviewer can determine that auditor was independent or to satisfy himself about the sufficiency and appropriateness of the work performed by the auditor for arriving at his audit opinion is the evidence documented in the audit working paper file and other office records. So, Proper documentation is required.

Documents that form part of Audit Working Papers:

1. KYC of Clients.
2. Correspondence of appointment.
3. No Objection Certificate from previous auditor.
4. Audit Plan and Detailed Audit Program.
5. Minutes of Meetings of Board/Committee/Members/Partners.
6. Checklists for audit.
7. Copies of communications with experts, management and other concerned person.
8. Letters of representations from management.
9. Confirmations from internal and external parties.
10. Observations on accounts and points carried forward to next year.
11. Draft and final reports issued to clients.

NOTE:

This is not an exhaustive list and can be updated and modified time to time as per the requirements of the auditor.

3. MANAGEMENT REPRESENTATION LETTER

A Management Representation Letter is a formal document provided by the management of a company to its auditors during the process of audit. This letter serves as a written confirmation of certain representations made by management/auditee during the audit, including affirmations about the accuracy and completeness of the financial records, the existence of liabilities and assets, and the disclosure of all relevant information.

It acts as a key element in the auditor's assessment of the financial statements, ensuring that the management/auditee has taken responsibility for the integrity and reliability of the financial information provided.

Points to be considered while obtaining MRL from management regarding:

1. Acceptance from management regarding their responsibilities towards:
 - a. Preparation of financial statements on going concern basis.
 - b. Preparation of Form 3CD
 - c. Borrowings from Banks, NBFCs, related parties and others.
2. Contingent liabilities known, if any.
3. Completeness of information presented in the financial results.
4. Details of any Income Tax Appeals pending before the appellate authority, Income Tax cases, GST cases and appeals, Search conducted on assessee or third party in which assessee is related are to be obtained and confirmed via representation letter from the management/auditee.

NOTE:

Format of Management Representation Letter has been provided in Chapter-8.

4. CERTIFICATES

It is advisable to obtain certain certificates and confirmations from the management regarding any compliance part which is covered under the responsibility of the management. Certificates can be used to prove that the following information has been confirmed by the management and to work as a documentation in the working file.

Certain certificates that can be obtained from the management are stated below, the certificates and confirmations listed below are for illustrative purpose and it can be modified as per the requirements.

Certificates to be obtained from the management;

1. Certificate under section 40A(3)/(3A)
2. Certificate under section 269SS and 269T
3. Certificate under section 269ST
4. Certificate for Clause 44 of Form 3CD
5. Declaration of obtaining MSME Registration of Vendors.
6. Return of Books of Accounts and related documents.
7. Statement of Quantitative stock summary for the closing stock.

NOTE

Formats of the above-mentioned certificates are annexed to in chapter-8 of this book and can also be downloaded using the QR at the beginning of the book.

Chapter 7

Clauses in Form 3CD with Explanations

The Complete Form 3CD has been divided into 2 parts; Part A and Part B

PART A: CLAUSE 1 TO 8

CLAUSE 1: Name of the Assessee

In case of Proprietary concern, name of proprietary firm along with name of the assessee to mention. In other word, legal name and trade name, both can be mentioned.

If there is any change in the name of the assessee, for example, in case where a private company is converted into public company, then both the names can be mentioned under this clause.

CLAUSE 2: Address

Address of the assessee where business is situated is required to be given. Here only one address, which is primary address, that should be given.

CLAUSE 3: Permanent Account Number or Adhaar Number

It is important to note that in the e-filing format, PAN is a mandatory field and Aadhaar is an optional field.

CLAUSE 4: Details of Applicable Indirect Tax Laws

Registration details as provided by auditee for registration of the entity under different indirect tax laws are to be entered, in case of multiple registrations of the firm, all such registrations are to be mentioned.

CLAUSE 5: Status

This refers to the different classes of assessee like Individual, HUF, firm, company, etc. Status as on the last date of the previous year should be considered.

CLAUSE 6: Previous Year

In normal case, 1st April to 31st March.

In case of amalgamation, demerger, reconstitution, new business, closure of existing business etc. the date of starting or ending date of the previous year may be different and shall be taken into consideration for reporting under this clause.

CLAUSE 7: Assessment Year

Assessment year (A.Y.) relevant to previous year (PY) should be given. For Example, For P.Y. 2023-24, A.Y. is 2024-25.

CLAUSE 8: Indicate the relevant clause of section 44AB under which the audit has been conducted

Under this clause, it is required to mention the relevant clause of section 44AB under which the audit has been conducted.

It is important to note that, while signing the audit report, auditor is also required to generate UDIN. While generating UDIN, auditor need to select appropriate category under which audit has been conducted.

Income tax portal using AI, verify the clause selected in tax audit report with clause selected while generating UDIN. If both are different, then UDIN will not get linked to that particular form. So due care must be taken.

For the selection of relevant clause in tax audit report as well as while generating UDIN, various situation and applicable clause is summarized in below table:

S. No	Situation	Clause of 44AB	Form and Section for UDIN
1	Total sales/Turnover/Gross Receipts in business exceeds specified limits	44AB(a)	Form 3CB – Section 44AB(a)
2	Gross receipts of a profession exceed specified limits	44AB(b)	Form 3CB – Section 44AB(b)
3	Profit and gain lower than deemed profit under section – 44AE	44AB(c) – i	Form 3CB – Section 44AB(c)
4	Profit and gain lower than deemed profit under section – 44BB	44AB(c) – ii	
5	Profit and gain lower than deemed profit under section – 44BBB	44AB(c) – iii	
6	Profit and gain lower than deemed profit under section – 44ADA	44AB(d)	Form 3CB – Section 44AB(d)
7	When provisions of section 44AD(4) are applicable	44AB(e)	Form 3CB – Section 44AB(e)
8	Audited under any other law	3 rd Proviso to sec 44AB	Form 3CA – 3 rd Proviso to Section 44AB

CLAUSE 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.

In case where the partner/Member of a firm/AOP/ BOI is in a representative capacity, the name of the beneficial partner/member should be mentioned.

If there is any change in partners/ members or their profit-sharing ratio from the last date of preceding year, then:

- a. Obtain the certified copies partnership deeds / LLP agreement and other relevant documents.
- b. In case of LLP, confirm the changes with Forms filed with the Registrar.
- c. Ensure that all the changes, taken place in constitution or profit-sharing ratio since last date of preceding year has been mentioned.
- d. Verify acknowledgement of filing of notice of change to Registrar of firms, if any.
- e. Whether relevant facts have been mentioned in case, share of member of AOP is indeterminate.
- f. Written representation to be taken from the management.

CLAUSE 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).

Nature of business or profession is to be checked from the notes to accounts/Schedules annexed to the financial statements. Also, the incorporation documents to be verified such as LLP Agreement, partnership deed, MOA, trust deed, etc.

If more than one business, then Nature of each business is to be reported. The code is to be filled for the main area(s) of business activities.

(b) If there is any change in the nature of business or profession, the particulars of such change.

In case of multiple business, nature of all the businesses is required to be mentioned in this clause.

The change in business will include change from manufacturing to trading or change in the principal line of business or from trading/manufacturing to service providing.

Temporary suspension of the business will not be amount to change. So, no need to report.

NOTE

The documents stated above (Incorporation documents and schedules to financial statements) form part of the working papers.

CLAUSE 11:

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

The CBDT under Rule 6F has prescribed the books of account and other documents to be kept and maintained by a person carrying on certain professions specified in sub-section (1) of section 44AA (as stated above).

As such, every person carrying specified profession and whose total gross receipts exceed one lakh fifty thousand rupees in all the three years immediately preceding the previous year, or where the profession has been newly set up in the previous year, his total gross receipts in the profession for that year are likely to exceed the said amount, is required to maintain the following books of account:

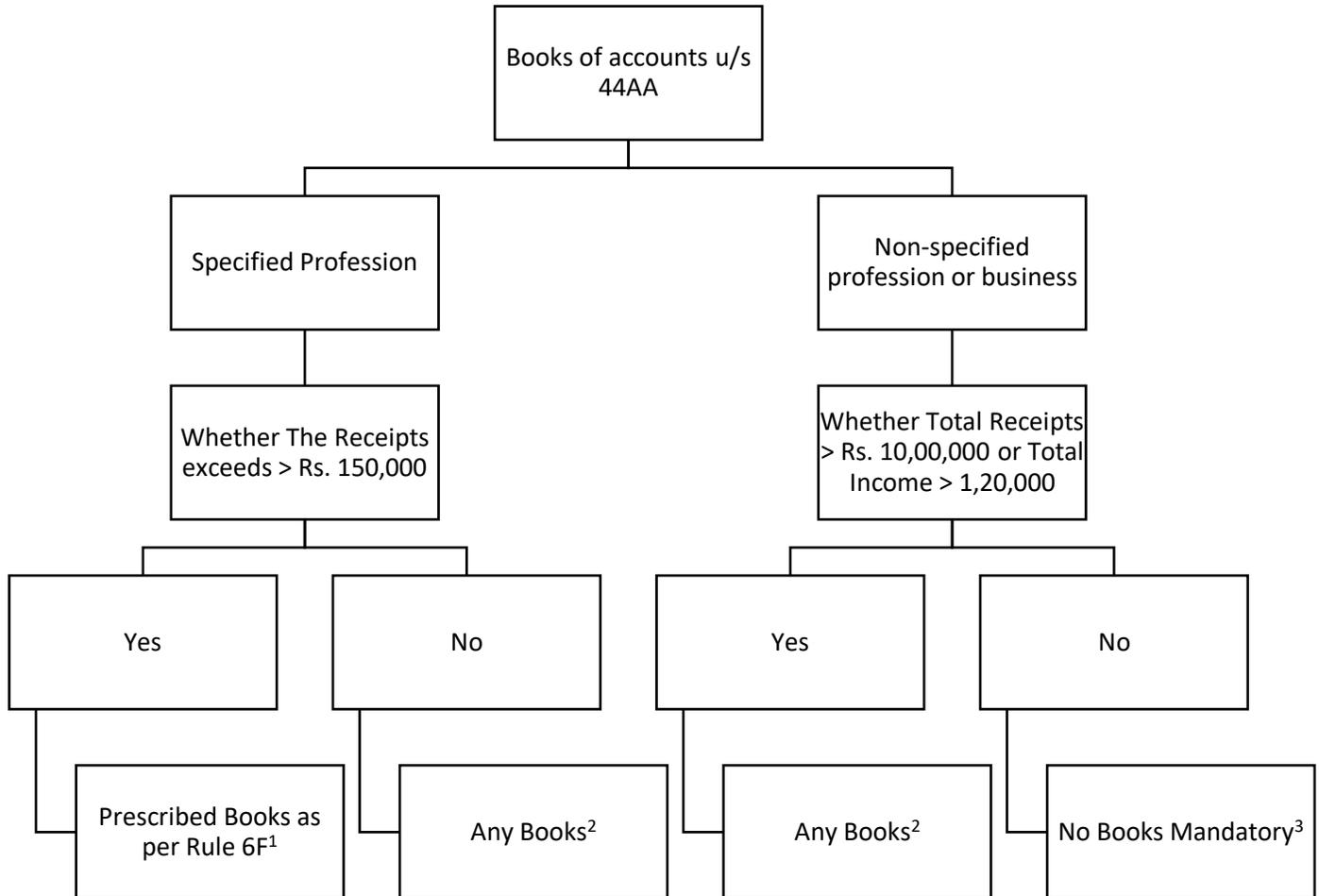
1. Cash book.
2. Journal, if the accounts are maintained according to the mercantile system of accounting.
3. Ledger.

Apart from the aforesaid books of account, a person carrying on medical profession is required to keep the following:

(a) daily case register in Form No. 3C showing data, patient's name, nature of professional services rendered, fees received and date of receipt; and

(b) an inventory under broad heads, as on the first and the last days of the previous year, of the stock of drugs, medicines and other consumable accessories used for the purpose of his profession.

(The above 2 records mentioned in (a) and (b) does not constitute the books of accounts and hence need not to be mentioned under this clause)



¹ Prescribed books of accounts are stated above.

² Any Books that will enable the assessing officer to compute his total income in accordance with the provisions with this Act.

³ No Books Mandatory as per the section 44AA

(b) & (c): List of books of accounts maintained, examined and address at which it is kept

There can be difference between books maintained and examined. List of Books of accounts maintained and the list of books of accounts examined should be reported under this clause.

Also, Address at which the books of accounts are kept is to be reported and in case the books of accounts are kept at more than one location, then it is required to mention the details of address of each such location along with the detail of books of account maintained thereof.

In case of computerized system, location where the server is established and maintained is required to be reported.

In case of cloud-based system, Unique IP address is required to be reported.

CLAUSE 12: Whether profit and loss assessable on presumptive basis

If the profit and loss account does not include profit assessable on presumptive basis, then, there is no requirement to furnish the particulars under this clause.

No need to verify the correctness of amount. It is sufficient if the amount as per profit and loss account is reported.

CLAUSE 13 (a)(b) & (c): Method of accounting, change in method and impact of the same

(a) It may be noted that in view of Section 128 of the Companies Act, 2013, every company is required to keep books of account on accrual basis. The provisions of the Companies Act, 2013 are, however, not applicable to entities other than companies.

An Assessee, other than company may opt for cash or accrual basis of accounting. It is advisable to maintain books of accounts on cash basis in case of professionals only.

(b) whether there has been any change in the method of accounting employed vis-à-vis the method employed in the immediately preceding previous year is to be stated. As already noted, an assessee can follow either cash or mercantile system of accounting. Change in accounting policy is not to be considered as change in accounting estimates.

- (c) In case there is any change in the method of accounting employed vis-à-vis the method employed in the immediately preceding previous year, the details of the same along with the impact on the profit for the year need to be mentioned.

NOTE:

The method of accounting followed by the management/auditee and any change thereto should be confirmed from management/auditee via management representation letter.

CLAUSE 13 (d)(e) & (f): Income Computation and disclosure standards (ICDS)

ICDS is not applicable to entity who is following cash system of accounting. ICDS-wise reporting of the adjustments to be made in profit/ loss for ICDS compliance, separately for increase and decrease is required to be done.

Disclosure is required to be made ICDS wise. However, there is no disclosure requirement for ICDS-VI (Changes in Foreign Exchange Rates) and ICDS-VIII (Securities).

It is important to note that adjustment made as per ICDS will not impact on books of accounts. Adjustment is carried out only under Income Tax. Adjustment wise details should be kept ready so that same will be helpful during the assessment.

CLAUSE 14: Method of Valuation of closing stock and details of deviations, if any

Methods of valuation in regards to the articles or goods dealt in or manufactured by the assessee are to be mentioned in this clause. Closing stock is required to be valued at lower of cost or NRV, based on FIFO or weightage average method.

NOTE:

The method of valuation of closing stock followed by the management/auditee and any change there to should be confirmed from management/auditee via management representation letter. Also, the purchases and sales of April month of next year can be checked to get the cost and NRV information of the stock for better verification.

CLAUSE 15: Particulars of the capital asset converted to stock-in-trade

Particulars to be mentioned are as follows:

- (a) Description of capital asset
- (b) Date of acquisition

(c) Cost of acquisition

(d) Amount at which capital asset is converted to stock-in-trade

Under section 45(2), such a conversion or treatment of capital asset into stock-in-trade will be deemed to be a transfer of the previous year in which the asset is so converted or treated as stock-in-trade. However, the capital gains arising from such a transfer will become chargeable in the previous year in which such converted asset is sold or otherwise transferred.

In the case of long-term capital asset, indexation of cost of acquisition and cost of improvement, if any, will be with respect to the previous year in which such conversion took place. The fair market value of the asset, as on the date of such conversion or treatment as stock-in-trade, shall be deemed to be the full value of the consideration of the asset.

The excess of the sale price over the fair market value as on the date of conversion would be treated as business income and taxed under the head 'profits and gains of business or profession'.

CLAUSE 16: Amounts not credited to P&L A/c

Under this clause various items falling within the scope of section 28 of the Income Tax Act, which are not credited to the profit and loss account are required to be reported.

Following 5 items need to be reported:

1. The items falling within the scope of section 28:
2. The proforma credits, drawbacks, refund of duty of customs or excise or service tax, or refund of sales tax or value added tax, or refund of GST, where such credits, drawbacks or refunds are admitted as due by the authorities concerned
3. Escalation claims accepted during the previous year
4. Any other item of income
5. Capital receipt if any,

Some examples of items fall under the scope of Section 28 are:

- (i) the profits and gains of any business or profession,
- (ii) any compensation received on termination of employment, agency etc.
- (iii) income derived by a trade, professional or similar association from specific services performed for its members,
- (iiia) profits on sale of a licence granted under the Imports Control Order, 1955
- (iv) the value of any benefit or perquisite arising from business or the exercise of a profession, whether—
 - a. convertible into money or not; or

- b. in cash or in kind or partly in cash and partly in kind;
(PERQUISITES ON WHICH TDS IS DEDUCTABLE UNDER 194R)
- (v) any interest, salary, bonus, commission or remuneration, by whatever name called, received by a partner of the firm from such firm,
- (vi) any sum received under a Keyman insurance policy including the sum allocated by way of bonus on such policy.

Where speculative transactions constitute a business, such speculation business is deemed to be distinct and separate business from any other business.

In ITR, same information is required to be reported in Part A – OI (Other Information). Any kind of Loans and borrowings should not be stated under this clause.

CLAUSE 17: Transfer of land or building for a consideration less than value as per 43CA or 50C

Section 43CA is applicable where the assessee has transferred an asset (other than a capital asset) being land or building or both and Section 50C is applicable where the assessee has transferred a capital asset and the value of such an asset is less than the value adopted or assessed or assessable by any State Government authority for the purpose of payment of stamp duty. In such a case, for purpose of computing profit & gains from such transfer, the value so adopted or assessed or assessable shall be deemed to be the full value of consideration. **However, if the value so adopted or assessed or assessable does not exceed 110% of the consideration received or accruing as a result of the transfer, then the consideration received or accruing as a result of the transfer would be deemed to be the full value of consideration.**

Where consideration is less than the value adopted or assessed or assessable by any authority, following details to be furnished under this clause:

- (a) Details of property
- (b) Consideration received or accrued
- (c) Value adopted or assessed or assessable

Reporting under this clause is not required when consideration received and the value adopted u/s 43CA or 50C is same.

If the value adopted for stamp duty exceeds the fair market value, then calculation of difference between transaction value and fair market value is considered for the purpose of ascertaining income under section 43CA or section 50C, as the case may be. However, information to this effect is not asked in the clause. Therefore, reporting should be made notwithstanding this provision. Similar information is also furnished in clause 16(d), therefore cross- referencing may be required.

CLAUSE 18: Depreciation allowable as per The Income Tax Act, 1961

Provide the details of depreciation allowable as per The Income Tax Act, 1961. It is important to note that, for any addition or deductions, date wise reporting is needed.

With the amendment of section 115BAC by The Finance Act, 2023, new tax regime is default regime with effect from AY 2024-25, so adjustment to WDV must be done in relation to new tax regime. i.e. Unabsorbed additional depreciation is to be added back to the WDV and the depreciation should be claimed accordingly.

CLAUSE 19: Amount admissible under various sections

This clause is applicable to the assessee who claims deduction under the prescribed sections.

The amount debited to profit and loss and the amount admissible under The Income Tax Act, 1961 under sections (32AC,32AD, 33AB, 33ABA, 35, 35ABB, 35AC, 35AD, 35CCA, 35CCB, 35CCC, 35CCD, 35D, 35DD, 35DDA, 35E) are to be mentioned in this clause.

The details of amount debited to P&L A/c and amount admissible as deduction under each section are required to be given.

CLAUSE 20:

(A) Bonus paid to employee which was otherwise payable as profit or dividend

Provide the details of amounts paid, if any, to the employees as bonus or commission which is otherwise payable to him as profit or dividend as indirect distribution of dividend /profits in the name of bonus/commission is not deductible expense.

(B) Details of contributions received from employees for various funds

As per Section 36(1)(va) of the Income Tax Act, deduction of any sum received by the assessee (employer) from any of his employees to which the provisions of section 2(24)(x) are applicable, is allowed as deduction if it is credited by the assessee (employer) to the account of the employees in the relevant statutory fund on or before the due date of relevant applicable law like PF, ESI, etc.

Due date to deposit PF & ESI is 15th of the next month. Reporting is required to be made in following format:

Sr. 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
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SPECIAL NOTE: Special Focus should be kept while mentioning the actual amount paid and the date of actual payment as the disallowance shall be made based on the date and amount mentioned under this clause.

CLAUSE 21:

(A) Amount debited to profit and loss, being capital, personal, advertisement expenditure, etc.

Details of amount which are debited to profit and loss account are to be mentioned which are not allowed as expenditure in The Income Tax Act, 1961.

- (1) Capital Expenditure
- (2) Personal Expenditure
- (3) Advertisement expenditure in any souvenir, brochure, tract, pamphlet or the like published by a political party.
- (4) Expenditure incurred at clubs being entrance fees and subscriptions
- (5) Expenditure incurred at clubs being cost for club services and facilities used
- (6) Expenditure for any purpose which is an offence or is prohibited by law or expenditure by way of penalty or fine for violation of any law (enacted in India or outside India)
- (7) Expenditure by way of any other penalty or fine not covered above
- (8) Expenditure incurred to compound an offence under any law for the time being in force, in India or outside India
- (9) Expenditure incurred to provide any benefit or perquisite, in whatever form, to a person, whether or not carrying on a business or exercising a profession, and acceptance of such benefit or perquisite by such person is in violation of any law or rule or regulation or guideline, as the case may be, for the time being in force, governing the conduct of such person.

The difference between the **amount prohibited by law** and the **amount paid which is compensatory in nature** under the relevant Statute should be kept in mind while reporting under this clause.

Amount which is compensatory in nature, is allowable u/s 37(1) and is not reportable under this clause. For Example, Late Fees paid under GST law.

(B) Details of amount inadmissible under section 40(a)

Following details are to be mentioned under this clause:

- (A) Details of payment on which tax is not deducted during the previous year.

The details are to be furnished in the below format for the payments on which tax has not been deducted.

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

(B) Details of payment on which tax is deducted but not paid during the previous year.

The details are to be furnished in the below format for the payments on which tax has been deducted but not paid.

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

SPECIAL FOCUS TO BE MADE TO THE SECTION CODES SPECIFIED WITH THE SUB-CLAUSES

Section 40(a)(i) – TDS on to payments **made to Non-Residents** (Disallowance is 100% of the expenditure made).

Section 40(a)(ia) – TDS on payments made **to Residents** (Disallowance is 30% of the expenditure made).

CLAUSE 22: Amount of interest inadmissible under section 23 of The MSMED Act, 2006

Section 23 of the MSMED Act, 2006 states,

“Notwithstanding anything contained in the Income-tax Act, 1961 (43 of 1961), the amount of interest payable or paid by any buyer, under or in accordance with the provisions of this Act, shall not, for the purposes of computation of income under the Income-tax Act, 1961, be allowed as deduction.”

Under this clause, the details of amount of interest paid or payable to an entity registered under MSMED Act, 2006 is to be mentioned.

(The Amount is not allowed as deduction while computing income chargeable to tax).

CLAUSE 23: Payments made to persons specified u/s 40A(2)(b) (Related party)

Amount reported under this clause should match with the amount as mentioned in the Annual Report under AS-18 disclosure.

Person wise separate transaction needs to be reported and not the consolidated party wise figure.

The information required to be furnished under this clause in the given format:

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

CLAUSE 24: Amounts deemed to be profits and gains under section 32AC or 32AD or 33AB or 33ABA or 33AC.

Section 32AC allowed deduction @ 15% in respect of Investment in new Plant & Machinery to a company who is engaged in the business of manufacture or production of any article or thing, etc. and who acquires and installs new asset after the 31st day of March,2013 but before the 1st day of April,2015 and the aggregate actual cost of such new assets exceeds one hundred crore rupees.

Section 32AD allowed deduction for investment in new plant or machinery in notified backward areas in States of Andhra Pradesh or Bihar or Telangana or West Bengal in case an assessee, sets up an undertaking or enterprise for manufacture or production of any article or thing, on or after 01.04.2015 and acquires and installs any new asset for the purposes of the said undertaking or enterprise during the period beginning on 01.04.2015 and ending before 01.04.2020 in the notified backward area.

Section 33AB allowed deduction in respect of Tea Development Account, Coffee Development Account and Rubber Development Account.

Section 33ABA allowed deduction in respect of Site Restoration Fund.

Section 33AC allowed deduction in respect of reserve created out of the profit of the assessee engaged in shipping business to be utilized in accordance with the provision of sub section (2) of section 33AC.

The Information to be furnished under this clause in the below mentioned format:

Section	Description	Amount	Remarks
1	2	3	4

CLAUSE 25: Profits chargeable to tax u/s. 41

Under this clause, following items are covered:

1. Reversal/writing back of trading liability
2. Sale of assets of undertaking
3. Sale of assets used in scientific research
4. Recovery of Bad Debts allowed earlier
5. Withdrawal from special reserve
6. Adjustment/ Set off of loss against above income

It is important to note that above amount is required to be reported irrespective of the fact whether the relevant amount has been credited to the P&L A/c or not.

CLAUSE 26:

In respect of any sum referred to in clause (a), (b), (c), (d), (e), (f), (g) or (h) 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.

In the case of an assessee maintaining its accounts on the mercantile system, the tax auditor should verify the aforesaid particulars of section 43B from the books of account for the year under audit as well as from the books of account, vouchers and documents of the immediately succeeding assessment year as well as return of income for the earlier assessment years so that the information about the aforesaid payments made in the subsequent year can be furnished.

Section 43B is applicable in respect of expenditure for which a deduction is otherwise allowable under the Act. Therefore, where any expenditure is reported under any other clause indicating that deduction is otherwise not allowable, there is no need of reporting such expenditure under this clause.

It should be kindly noted that the liability which pre-existed on the first day of the previous year but not allowed in assessment of any preceding previous years is paid after the end of the previous year then the amount will be allowed as a deduction in the previous year in which it is paid.

The Information to be provided in the given format:

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

Also, Section 43B(h) has been inserted by the Finance Act, 2023 states that,

any sum payable by the assessee to a Micro & Small Enterprise for goods supplied or services given beyond the time limit specified in Section 15 of the MSMED Act shall be allowed as a deduction only in the previous year in which the sum has been actually paid (irrespective of the accounting method employed)

Basic Considerations:

1. The seller should be registered as Micro or Small enterprise under the MSMED Act.
2. The supplier should be a manufacturer or service provider but not the trader of goods.
3. The registration of the buyer (Auditee) is not mandatory for the applicability of these provisions.

Time Limit:

1. Enterprises are required to make payment to MSMEs within 45 days, depending on the presence of a written agreement.
2. In the absence of any written agreement, payment should be made within 15 days.
3. In case there is a written agreement, payment shall be made as per the agreed-upon timeline but not exceeding 45 days.

As per the section 15 of MSMED Act, 2006,

“Where any supplier supplies any goods or renders any services to any buyer, the buyer shall make payment therefor on or before the date agreed upon between him and the supplier in writing or, where there is no agreement in this behalf, before the appointed day:

*Provided that in no case the period agreed upon between the supplier and the buyer in writing shall exceed forty-five days from the **day of acceptance or the day of deemed acceptance.**”*

As per the section 2 (b) of MSMED Act, 2006,

(i) the day of acceptance" means,

*(a) the day of the **actual delivery of goods** or the rendering of services; or*

*(b) where any **objection is made** in writing by the buyer regarding acceptance of goods or services **within fifteen days** from the day of the delivery of goods or the rendering of services, **the day on which such objection is removed by the supplier;***

*(ii) "the day of deemed acceptance" means, **where no objection is made** in writing by the buyer regarding acceptance of goods or services within fifteen days from the day of the delivery of goods or the rendering of services, **the day of the actual delivery of goods or the rendering of services;***

Penalties for failure to make Payment:

Rate of interest: Compound interest at the 3 times the bank rate notified by the Reserve Bank of India (RBI).

Date from which interest is payable: The day following immediately after the expiry of the date as per the agreement or the period of fifteen days from the day of acceptance or the day of deemed acceptance of any goods or any services by a buyer from a supplier, as the case may be.

Further, the **deduction of this interest is not allowed as an expense**, as per the Income-tax Act, 1961.

Examples of Due Date & Allowance of Amount:

Sr. No.	Day of acceptance of any goods or services by a buyer from a supplier	Credit period (Days)*	Due Date as per MSME Act	Actual date of payment	Deduction allowed in which FY
1	29/03/2024	60	13/05/2024	25/05/2024	FY 2024-25
2	01/04/2024	45	16/05/2024	21/05/2024	FY 2024-25
3	31/01/2024	15	15/02/2024	20/02/2024	FY 2023-24
4	11/09/2023	20	01/10/2023	03/10/2023	FY 2023-24
5	30/11/2023	30	30/12/2023	20/12/2023	FY 2023-24
6	21/04/2024	40	31/05/2024	20/06/2024	FY 2024-25
7	15/12/2023	-	30/12/2023	05/04/2024	FY 2024-25
8	10/11/2023	-	25/11/2023	30/11/2023	FY 2023-24

Important Note:

As you are aware, due date for filing Tax Audit Report is 30th September. However, due date for filing ITR is 31st October. It may possible that Assessee pay outstanding amount after 30th September bur before filing the ITR.

In such situation, at the time of filing of Tax Audit Report by 30th September, auditor may require reporting the same in audit report. However, as it is paid at the time of filing the return of income, no disallowance is required to be made in ITR. This will create a mismatch in Audit report and ITR. This may attract the notice u/s 143(1)(a).

To overcome this situation and as per practice , Revised Tax Audit report need to file .

CLAUSE 27:**(a) CENVAT Credit**

Since implementation of GST from July 1, 2017, central excise duty is subsumed in GST and is leviable only on 6 products i.e petroleum crude, diesel, petrol, aviation turbine fuel, natural gas and tobacco.

The tax auditor should verify that there is a proper reconciliation between balance of CENVAT credit in the accounts and relevant excise records. Amount of CENVAT availed and utilized should be reported under this clause.

Information relating to CENVAT Credit to be reported in the below format:

CENVAT	Amount	Treatment in Profit & Loss /Accounts
Opening balance		
CENVAT Availed		
CENVAT utilized		
Closing/outstanding Balance		

(b) Income or expenditure of prior period credited or debited to the P&L A/c

It may be noted that information under this clause would be relevant only in those cases where the assessee follows mercantile system of accounting. Under cash system of accounting, expenses debited/ income credited to the profit and loss account would be current *year's* expenses/income even though they may relate to earlier years. The tax auditor should obtain the particulars of expenditure or income of any earlier year debited or credited to the profit and loss account of the relevant previous year when mercantile system of accounting is followed.

The required information to be reported in the given format:

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

CLAUSE 28: Acquisition of Shares Covered u/s 56(2)(viiia)

Provisions of section 56(2)(viiia) are not applicable w.e.f. AY 2018-19. Hence, no reporting is required under this clause.

CLAUSE 29: Issue of shares at a price which exceeds FMV, as per 56(2)(viib)

Reporting under this clause is applicable only when the shares are issued at a price which is more than the face value i.e. at a premium.

This clause not applicable in following cases:

1. Shares issued by a company in which public are substantially interested.
2. Shares issued by Venture Capital Undertaking from Venture Capital Company or Venture Capital fund as defined in 10(23FB).
3. Shares issued to non-residents.
4. Shares issued by start-up companies.

The details are to be provided in the below mentioned format:

Sr No	Name and status of the person to whom shares have been issued	PAN of person, if available	Whether the company is a company in which public are substantially interested	No. of Shares issued	Consideration received	Fair Market value as per Rule 11UA(1) (c)/11UA (2)	Face value of shares issued	Amount taxable under section 56(2)(viib) (Report the difference (f)-(g), ONLY if (f) is greater than (g), else report "Not Applicable"*)
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)

CLAUSE 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]

Details of the amount borrowed on hundi (including interest on such amount borrowed) and details of repayment of such borrowings otherwise than by an account payee cheque, are required to be indicated under this clause.

The tax auditor should obtain a complete list of borrowings and repayments of hundi loans otherwise than by account payee cheques and verify the same with the books of account.

Information is required to be reported in the below format:

Sr. No.	Name of the person from whom the amount borrowed or repaid on hundi	PAN of (b), if available	Address of (b) with city, state and PIN code.	Amount borrowed during the previous year	Date of borrowing	Amount due including interest	Amount repaid (including interest) during the previous year	Date of repayment
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)

CLAUSE 30A: Primary adjustment to transfer price as referred to in Section 92CE(1)

Details regarding the primary adjustment to transfer price made during the previous year, if any, is to be reported under this clause.

Clause 30A requires reporting of primary adjustments to the taxable income and various other details, for the purpose of making secondary adjustments under section 92CE. Section 92CE, providing for secondary transfer pricing adjustments, requires making of a secondary adjustment in certain cases where primary transfer pricing adjustments have been made.

As per sub-section (1) of section 92CE, the secondary adjustment is required in the following cases where primary transfer pricing adjustment has been:

- (a) made by the assessee of his own accord in his return of income;
- (b) made by the assessing officer and accepted by the assessee;
- (c) determined under an Advance Pricing Agreement entered into by the assessee under section 92CC on or after 1st day of April 2017;
- (d) made as per Safe Harbour Rules framed under section 92CB; or
- (e) arising as a result of a resolution of an assessment under Mutual Agreement Procedure under a double taxation avoidance agreement (DTAA) entered into under section 90 or 90A.

The tax auditor is required to verify whether any primary adjustment is 'made' in terms of Section 92CE(1) during the previous year under consideration. The primary adjustment made may not necessarily relate to previous year under consideration.

It is also necessary that the disclosure under Clause 30A may need to be done in respect of each and every type of primary adjustment made in the relevant financial year, irrespective of the previous year to which this adjustment pertains to.

CLAUSE 30B: Expenditure by way of interest referred to in section 94B

Clause 30B requires reporting for the purposes of examining allowability of expenditure by way of interest or of similar nature in respect of debt issued by a non-resident associated enterprise ("AE") under section 94B, while computing income under the head "Profits and Gains of Business or Profession".

Section 94B provides that, where an **Indian company or a permanent establishment of a foreign company in India, incurs any expenditure by way of interest** or of similar nature **exceeding Rs. 1 crore** which is deductible in computation of income under the head "Profits & Gains of Business or Profession" in respect of a debt issued by a non-resident AE, such interest, **to the extent of excess interest, shall not be deductible.**

Further, if the debt is issued by a lender who is not associated, but an AE provides either an implicit or explicit guarantee to such lender, or deposits a corresponding and matching amount of funds with the lender, such debt is also regarded as having been issued by an AE

The Excess interest is computed as:

Lower of –

- (a) Total Interest paid or payable in excess of 30% of earnings before interest, tax, depreciation & amortization (EBITDA) of the borrower in the previous year; or
- (b) Interest paid or payable to AEs for that previous year.

SPECIAL NOTES

1. If the assessee is not a company or the PE of a foreign company, the provisions of section 94B do not apply, and details under this clause are not required to be provided.
2. The section will be applicable only where the total interest in such cases exceeds Rs. 1 Crore. In case the interest and similar expenditure paid or payable to nonresident AE(s) (or non-resident lender of such debt) does not exceed Rs. 1 crore, the section is not applicable.

CLAUSE 30C: Whether Assessee has entered into impermissible avoidance agreement as referred to in section 96.

Clause 30C of Form 3CD requires the Tax Auditor to report “Impermissible Avoidance Arrangements” (as referred to in Section 96) entered into by the assessee during the previous year and to quantify the tax benefit arising in the aggregate in the previous year to all the parties to such arrangement.

CLAUSE 31:

(a) Loans and deposits taken exceeding limits specified under section 269SS

(b) specified sum exceeding the limit specified in section 269SS

Clause (a) seeks certain particulars of each loan or deposit in an amount exceeding the limit specified in section 269SS taken or accepted during the previous year. For the purposes of this section, "loan or deposit" means loan or deposit of money.

Particulars of each loan or deposit falling within the scope of this section as mentioned above taken or accepted during the previous year have to be stated under this sub-clause. Reporting is required only where each loan or deposit in an amount of Rs. 20,000 or more severally or in aggregate of the three sums, as specified in the section.

Under **sub-clause (b)**, particulars of any “specified sum” taken or accepted in relation to transfer of an immovable property, whether or not the transfer takes place has been dealt with. Such specified sum may be any sum of money receivable whether by way of advance or otherwise. Explanation (iv) to Section 269SS defines "specified sum" as any sum of money receivable, whether as advance or otherwise, in relation to transfer of an immovable property, whether or not the transfer takes place. Reporting of specified sum taken or accepted is required under the circumstances specified above.

Information under this clause is to be reported in below format:

Sr. No.	Name of the lender or depositor	Address of the lender or depositor	PAN/ Aadhaar number of the person from whom specified sum is received, if available	Amount of specified sum taken or accepted	Whether the specified sum was taken or accepted otherwise than by an account payee bank cheque or account bank draft or use of electronic clearing system through a bank account	In case the specified sum was taken or accepted by cheque or bank draft, whether the same was taken or accepted by an account payee bank cheque or an account payee bank draft
1	2	3	4	5	6	7

Clause 31(ba)

This sub-clause deals with receipts by the assessee of an amount of Rs 2 lakh or more as stated in section 269ST otherwise than by way of a cheque or bank draft or use of electronic clearing system through a bank account. The details required to be furnished are:

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

Clause 31(bb)

This Sub-clause deals with receipts by the assessee of an amount of Rs 2 lakh or more as stated in section 269ST by way of a cheque or bank draft not being an account payee cheque or account payee bank draft. The details required to be furnished are:

(i) Name, address and PAN or Aadhaar Number (if available with the assessee) of the payer;

(ii) Amount of receipt.

Clause 31(bc)

This Sub-clause deals with payments made by the assessee of an amount of Rs 2 lakh or more as stated in section 269ST otherwise than by way of a cheque or bank draft or use of electronic clearing system through a bank account. The details required to be furnished are:

(i) Name, address and PAN or Aadhaar Number (if available with the assessee) of the payee;

(ii) Nature of transaction;

(iii) Amount of payment;

(iv) Date of payment

Clause 31(bd)

This Sub-clause deals with payments made by the assessee of an amount of Rs 2 lakh or more as stated in section 269ST by way of a cheque or bank draft not being an account payee cheque or account payee bank draft. The details required to be furnished are:

(i) Name, address and PAN or Aadhaar Number (if available with the assessee) of the payee;

(ii) Amount of payment.

NOTES

In each of the above cases, as discussed earlier, the particulars have to be given of receipts or payments, as the case may be, in an amount exceeding the limits 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.

AS PER OUR OPINION

Following documents to be obtained:

- i) Confirmed copy of account of all unsecured loans stating their PAN Nos. with reconciliation statement.
- ii) Loan agreements, if any
- iii) ITR Copy for Credit worthiness and TDS Deduction on Interest Payment.
- iv) Check whether any of the loans have been taken or repaid in cash during the year.

THESE DOCUMENTS WILL ALSO BE USEFUL DURING ASSESSMENT PROCEEDINGS (IF ANY)

CLAUSE 31(c) (d) & (e): Repayment of loans and deposits exceeding the limits specified under section 269T

Sub clause 31(c) seeks information in respect of all the repayments made by the assessee of loan or deposit or any specified advance in an amount exceeding the limit specified in section 269T made during the previous year.

Section 269T is attracted upon repayment of the loan or deposit or specified advance made by a person, where the aggregate amount of such loans or deposits held by such person or specified advances received by such person either in his own name or jointly with any other person on the date of such repayment together with interest, if any, payable on such loan or deposit or specified advance is **Rs. 20,000 or more and is made otherwise than by an account payee cheque or account payee bank, or other electronic modes.**

Sr. No.	Name of the payee	Address of the payee	PAN or Aadhaar Number of the payee, if available	Amount of the repayment	Maximum amount outstanding in the account at any time during the previous year	Whether the repayment was made by cheque or bank draft or use of electronic clearing system through a bank account	In case the repayment was made by cheque or bank draft, whether the same was repaid by an account payee cheque or an account payee bank draft
1	2	3	4	5	6	7	8

Clause 31(d)

Under this sub-clause, the tax auditor has to provide details of repayment received by the assessee from a person in respect of loan or deposit or specified advance 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 based on the examination of books of account & other relevant documents. In the case of a repayment of any loan or deposit or any specified advance taken or accepted from Government, Government company, banking company or a corporation established by a Central, State or Provincial Act, the particulars under this sub-clause need not be given.

However, section 269T does not exclude loans repaid by Government companies, banking companies, corporation established by a Central, State or Provincial Act from the scope of its applicability.

Clause 31(e)

Under this sub-clause, the tax auditor has to provide details of repayment received by the assessee from a person in respect of loan or deposit or specified advance 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 based on the

examination of books of account & other relevant documents. In the case of a repayment of any loan or deposit or any specified advance taken or accepted from Government, Government company, banking company or a corporation established by a Central, State or Provincial Act, the particulars under this sub-clause need not be given.

The relevant details are to be furnished in the below mentioned format:

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

CLAUSE 32: Losses and Unabsorbed Depreciation

(a) Details of Brought forward losses or depreciation allowance.:

It is Important note that, under this clause details are required to be given before making adjustment for current year, i.e. details as on first day of previous year needs to be given.

(b) Details of change in shareholding due to which losses incurred prior to the previous year cannot be allowed to be carried forward.

Section 79 provides that where a change in shareholding has taken place in a previous year in the case of a company, not being a company in which the public are substantially interested, no loss shall be carried forward and set off against the income of the previous year unless on the last day of the previous year the shares of the company carrying not less than 51% of the voting power were beneficially held by persons who beneficially held shares of the company carrying not less than 51% of the voting power on the last day of the year or years in which the loss was incurred.

The comparison of the shareholding is to be done with reference to the last day of the current previous year and the last day of every previous year in which the loss was incurred.

It has no effect on carry forward of unabsorbed depreciation.

(c) Details of Speculation Loss.

Speculation loss can be set-off only against speculation income. Speculation loss can be carryforward up to 4 years. Intraday Transactions in derivatives (F&O) and commodity derivatives is not a speculative transaction.

(d) Details of losses of specified business.

Loss from specified business can be set off only against income from specified business. Change in nature of specified business cannot restrict set off of loss.

CLAUSE 33: Details of deductions admissible u/c VIA or u/c III

The reporting requirement under this clause is in relation to the deductions admissible under Chapter VIA, section 10A and section 10AA. The same should be with reference to the items appearing in the books of account audited by the tax auditor.

The details are to be provided in below mentioned format:

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.

Since, from AY 2024-25 onwards, new scheme u/s 115BAC is the default scheme and the deductions allowed under the scheme are under:

1. **Section 80CCD(2)** : Employer’s contribution to NPS account
2. **Section 80CCH(2)**: Agniveer Corpus Fund
3. **Section 80JJAA** : Deduction for additional employee cost

CLAUSE 34:

(a) Details of TDS & TCS

If an assessee is liable to deduct/collect TDS/TCS, then mention 'YES'. otherwise mention 'NO' in primary question.

Details of each TAN should be given under this clause along with the required information in the below mentioned format.

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

In case assessee is liable to deduct/collect but does not possess TAN, then select 'YES' is primary question. Further details cannot be submitted in this case as TAN is mandatory to furnish various details under this clause. In such case, qualification in this regard should be given in Form 3CA/3CB.

In case the tax deducted/collected at a rate lower than the specified rate of section on the basis of certificate issued u/s 195/197, then the lower rate or nil rate, as the case shall be considered as the specified rate.

The information given in this clause should be reconciled with the disallowances reported u/s 40(a) in clause 21(b) to the extent applicable, for cross checking.

(b) Details of TDS/TCS statements filed

Details of TDS/TCS returns filed is required to be given under this clause. Date of filing of original return should be mentioned.

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 transactions which are required to be reported. If not, please furnish list of details/transactions which are not reported

The information given in clause 34(a) and (b) should be reconciled with the disallowances reported under section 40(a) in clause 21(b) to the extent applicable for cross checking appropriateness of reporting under both the clauses.

(c) Details of interest u/s. 201(1A) & 206C (7)

It is required to furnish detailed information in case the assessee is liable to pay interest under section 201(1A) or section 206C(7) of the Act. Section 201(1A) provides for payment of interest at a specified rate in case the tax has not been deducted wholly or partly or after deduction has not been paid to the credit of Central Government as required by the Act. Similarly, section 206C(7) provides for payment of interest at a specified rate in case the tax is not collected wholly or partly or if collected not paid to the credit of the Central Government as required by the Act.

Under mercantile system of accounting, interest if not paid till 31st March and provision is also not made, its impact on true and fair view should be considered.

The required details are to be mentioned in the format below:

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.

NOTES:

1. Obtain all TDS Returns and Challans
2. Obtain TDS Reconciliation
3. Declaration and copy of ITR of the deductee is to be obtained, in case of non-filers of ITR, TDS is to be deducted at higher rates (20%).

CLAUSE 35: Quantitative details of stock

In the case of a trading concern, quantitative details of the principal items of goods traded is required to be given.

In the case of a manufacturing concern, quantitative details of the principal items of raw materials, finished products and by-products is required to be given.

For the purpose of this clause, Principal items would mean the items which constitute more than 10% of the aggregate value of purchases or sales.

NOTES:

1. Obtain certified quantitative stock statement and the stock statement submitted with bank or NBFCs (in case of CC/OD).
2. Stock to be verified, in case of multiple items in stock, use sampling method for the verification.
3. Sale and Purchase details of April month of next year to be checked for better understanding of actual status of stock.

CLAUSE 36A: Details of receipt of dividend u/s 2(22)(e)

Clause 22 of section 2 defines the term 'dividend' in an inclusive manner. Sub-clause (e) deems certain payments to be dividend. Conditions for attracting the provisions of the sub-clause (e) are as under:

(i) Payment should be by a company in which public are not substantially interested (referred here as 'closely held company');

(ii) Payment should be by way of advance or loan or the payment by such company on behalf, or for the benefit, of any specified shareholder;

(iii) Specified shareholder means a person who is the beneficial owner of shares holding not less than 10% of the voting power. It may be noted

that for considering the 10% of the voting power, what is relevant is the shareholding of the assessee alone and shareholding of his relatives is not required to be considered;

(iv) Payment by way of advance or loan should be to the shareholder or any concern in which the shareholder is a member or a partner and in which he has substantial interest;

(v) The company making the payment should have accumulated profits, at least to the extent of loan or advance or payment, as the case may be. The amount of dividend is restricted to the extent to which the company possesses accumulated profits.

CLAUSE 37: Details of Cost Audit

This clause is applicable only in case where cost audit is carried out.

There is no need to express any opinion in a case where cost audit is applicable but has not been carried out.

If cost audit has been ordered but not completed by the time tax audit is filed, there is a need to mention the fact that cost audit is not completed and the cost audit report is not available with the assessee.

NOTES:

Obtain the cost audit report

CLAUSE 38: Audit under Central Excise Act, 1944

If any such audit has been conducted under the Central Excise Act, 1944, auditor must obtain the copy of audit report and any disqualifications or disagreements must be reported under this clause.

In cases where excise audit which might have been ordered is not completed by the time the tax auditor gives his report, he has to report appropriately in this report stating that since excise audit is not completed, the excise audit report is not available with the assessee.

The tax auditor should examine the time period for which the excise audit, if any, has been required to be carried out. 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. In effect, the information is required to be given in respect of that excise audit report which is received up to the date of tax audit report.

CLAUSE 39: Audit u/s 72A of Finance Act, 1994

At present, no service tax is applicable, and as such no reporting is to be done under this clause unless where any service tax demand is due for the period April 1 to 30 June 2017 in the year 2023-24 (AY 2024-25) or a demand has been raised or a demand has been confirmed in the year 2024-25, the impact of the said demand or provisions or refund involved has to be reported in the Audit Report.

CLAUSE 40: Turnover, gross profit, etc.

Details of turnover, gross profit, net profit are to be provided to calculate comparable ratios of previous year and preceding previous years in the below mentioned format.

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		

NOTES:

- In case the preceding previous year is not subject to audit, nothing should be mentioned in the relevant column.
- These ratios have to be calculated for assessees who are engaged in manufacturing or trading activities, except ratio No. 5 which need not be required to be furnished for trading concern. In respect of service provider, only information at S. No. (1) and (3) need to be furnished.
- Net profit mentioned here should be before tax.

CLAUSE 41: Demands raised or refund issued under any other tax laws other than Income Tax and Wealth Tax

This clause usually covers the tax laws such as Goods and Service Tax (GST), Central Excise Duty, Service Tax, Customs Duty, Value Added Tax, Central Sales Tax, Professional Tax etc.

The details to be provided in the below mentioned format for reporting under this clause

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

The details of relevant proceedings should be furnished in remarks column by stating the authority before which the matter is pending.

CLAUSE 42: Whether the assessee is required to furnish statement in Form No.61 or Form No. 61A or Form No. 61B?

The tax auditor is further required to state whether the Form contains information about all details or furnished transactions which are required to be reported. In case it is not, the tax auditor is required to furnish list of the details of transactions which are not reported.

Form No. 61, 61A and 61B uploaded on the income tax portal should be examined by the tax auditor for the purpose of reporting under this clause.

Form No.	Section & Rule	Particulars & Conditions
61	Section 139A(5)(c), Rule 114B, 114C and 114D	Form No. 61 is to be filed by certain persons who have received any declaration in Form No. 60. Persons who have to file Form No. 61 are persons referred to in: (i) Rule 114C(1)(a) to (k), and (ii) Following persons who are required to get their accounts audited under section 44AB of the Act: - persons raising bill in respect of payment made in cash for amount exceeding Rs. 50,000 to a hotel or restaurant, - persons raising bill in connection with foreign travel or purchase of foreign currency payment for which payment is made in cash for an amount exceeding Rs. 50,000, and - person raising bill in respect of transactions of sale or purchase of goods or services other than those specified at serial numbers 1 to 17 of the Table in Rule 114B where value of the transaction exceeds Rs. 2 lakhs per transaction.
61A	Section 285BA, Rule 114E	Rule 114E(2) provides for the nature and value of transaction in respect of which the statement is required to be filed and persons who are required to file the statement.
61B	Rule 114F, 114G and 114H	Rule 114F defines various terms, Rule 114G prescribes the information to be maintained and reported and Rule 114H prescribes the due diligence requirements.

CLAUSE 43: Reporting under section 286(2)

As per section 286(2), Every parent entity or the alternate reporting entity, resident in India, shall, for every reporting accounting year, in respect of the international group of which it is a constituent, furnish a report, to the prescribed authority within a period of 12 months from the end of the said reporting accounting year, in the form and manner as may be prescribed

Clause 43(a) requires the auditor to state whether the assessee or its parent entity or alternate reporting entity is liable to furnish the report referred to in section 286(2). Thus, the obligation to furnish the report referred to in section 286(2) arises under following situations requiring reply in affirmative to clause 43(a):

(i) If the assessee itself is the parent entity of the international group and is resident in India, it will have the obligation to furnish the report under section 286(2);

(ii) If the assessee is resident in India and has been designated as the alternate reporting entity of the international group, it will have obligation to furnish the report under section 286(2);

(iii) If the assessee is a constituent of the international group with its parent entity resident in India and the group has not designated any other resident constituent entity as the alternate reporting entity, the parent entity will have the obligation to file the report under section 286(2);

(iv) If the assessee is neither the parent entity nor has it been designated as the alternate reporting entity, but other constituent entity resident in India of the international group has been designated as the alternate reporting entity by the group, such other constituent entity resident in India will have obligation to file the report under section 286(2).

Following details to be reported under this clause if the answer to sub-clause (1) is affirmative:

- (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

If the assessee has filed a report, the tax auditor should verify acknowledgement for furnishing the same. If the report has been filed either by the parent of the assessee or another constituent entity of the international group, the tax auditor should ask for a copy of the report and acknowledgement for filing the report.

This clause is not applicable if the consolidated group revenue of the international group does not exceed 6400 crore as per Rule 10DB.

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

Total expenditure including purchases as per the above format may be given. It also requires to ensure if all the required details have been submitted and if not, then the unreported details/ transactions are required to be reported.

Nature of information and manner of reporting under this clause can be summarized as under:

Sl. No.	Total amount of Expenditure incurred during the year	Expenditure in respect of entities registered 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

Chapter 8

Formats of Documents and Confirmations

1. Certificate under section 40A(3) of The Income Tax Act, 1961:

<Letter head>

CERTIFICATE U/S 40A(3)

To
<Name of the auditor>
Chartered Accountants
<Address>

Subject:- Tax Audit of the accounts for the year ended on 31st March, 2024

We hereby certify that all the payments made for expenditure covered u/s 40A (3) of the Income Tax Act, 1961 during the previous year were made by account payee cheques drawn on a bank or account payee bank draft. No such payment is made in cash or through bearer cheques.

For M/s _____

(Partner/ Proprietor/ Director/ Member)

2. Certificate under section 269SS and 269T of The Income Tax Act, 1961:

<Letter head>

CERTIFICATE FOR THE SECTION 269SS AND 269T

To

<Name of Auditor>
Chartered Accountants
<Address>

Sub: - Audit u/s 44AB of the Income Tax Act, 1961 for the year ended on 31st March, 2024.

Dear Sir,

We hereby certify that all the loan /deposits taken / accepted in an amount exceeding the limits specified in section 269SS of Income Tax Act, 1961 and repayment thereof as specified u/s 269T of Income tax Act 1961 during the assessment year under consideration are either through an account payee cheque or an account payee bank draft.

We further certify that no loan/deposit was accepted in cash or through bearer cheque and no repayment was made in a mode other than specified in section 269SS or 269T of the Income Tax Act, 1961.

For M/s _____

Partner/ Proprietor/ Director/ Member

3. Document Certificate:

<on letter head>

To

<Name of Auditor>

<Address>

Sub: Receipt of all Documents and Books of Accounts from the auditor for the F.Y. 2023-24

Dear Sir,

I, <Name of concerned person> S/o _____, R/o <Address of the concerned person> (PAN: _____) Partner/ Proprietor/ Director/ Member of M/s _____ have received all documents, Bank Book, Purchase Register, Sale Register and all other Books of Accounts (computerized) from the auditor after completion of my audit.

I further acknowledge that all the above said documents are in my possession for future references.

For M/s _____

(Partner/ Proprietor/ Director/ Member)

4. DSC Authorisation Certificate:

<Letter head>

To

<Name of auditor>

Chartered Accountants

<Address>

Sub: Authorization of Digital Signature for the F.Y 2023-24

Dear Sir,

I, <Name of concerned person> S/o _____, R/o <Address of the concerned person> (PAN: _____) Partner/ Proprietor/ Director/ Member of M/s _____ authorize you (i.e. <Name of the CA>, M.No.-[____]) to use by Digital Signature for all Income Tax Matters.

For M/s _____

(Partner/ Proprietor/ Director/ Member)

5. Engagement Letter for Tax Audits:

Draft Tax Audit Engagement Letter for Companies

[The draft engagement letter should be amended according to the status, nature, requirements and circumstances relevant to the engagement. This engagement letter should be issued on the letter head of the Practicing Unit.]

Date:

To,
The Board of Directors
(NAME OF THE ENTITY)
(Address)

Re: Tax Audit u/s 44AB of Income Tax Act, 1961 of the Company for the period of FY-2023-24.

Dear Sir,

We refer to the letter dated _____ informing us about our appointment as the tax auditors' u/s 44AB of the Income Tax Act, 1961 of the (name of the Entity), covering the Form No. 3CA/ 3CB and Form 3CD. You have requested that we conduct the said audit of the Company for the financial year beginning April 1, 20XX and ending March 31, 20YY. We are pleased to confirm our acceptance and our understanding of this audit engagement by means of this letter. However, you need to add us as your Chartered Accountant for this purpose for issuance and uploading of Form No. 3CA/ 3CB and Form 3CD on the website maintained by the income tax department for this purpose.

Our audit will be conducted with the objective of our expressing an opinion on Form No. 3CA/3CB and Form 3CD that give a true and correct view of particulars furnished therein in conformity with the applicable Auditing Standards and the Guidance Note on Tax Audit Under Section 44AB of the Income Tax Act, 1961 issued by Institute of Chartered Accountants of India (ICAI).

We will conduct our audit in accordance with the Standards on Auditing (SAs), issued by the Institute of Chartered Accountants of India (ICAI) and generally accepted in India and with the requirements of Income Tax Act 1961. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the particulars furnished in Form No. 3CA/ 3CB and Form 3CD are true and correct. A tax audit involves examining, on a test basis, performing procedures to obtain evidence about the amounts and the disclosures in the Form 3CD.

An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Management/auditee, as well as evaluating the overall presentation of the financial statements.

However, having regard to the test nature of an audit, persuasive in rather than conclusive nature of audit evidence together with inherent limitations of an audit, including the possibility of collusion or improper management/auditee override of controls there is an unavoidable risk that material misstatements due to fraud or error may occur and not be detected, even though the audit is properly planned and performed in accordance with the SAs.

The Statutory audit of the financial statements of the concern is not part of this engagement and this engagement shall not have any relation with giving any opinion on the true and fair view of the financial statements.

The form and content of our report in Form No. 3CA/3CB and Form 3CD may need to be amended in the light of our audit findings. As per the requirements of the Income Tax Laws we shall upload our report in Form No. 3CA/ 3CB and form 3CD on the website maintained by the income tax department for this purpose. *(In case Form 3CB is issued due to the reason that the financial statements are not being audited under the provisions of the Companies Act 2013 due to any reason, a separate engagement letter may be issued for forming an opinion on true and fair view of the state of affairs of the company).*

Our audit will be conducted on the basis that the Management/auditee and those charged with governance acknowledge and understand that they have the responsibility:

(a) For the preparation of information in Form 3CD in accordance with the Income Computation and Disclosure Standards notified under section 145(2) of the Income Tax Act, 1961.

(b) For the preparation of Form 3CD that gives true & correct view of all particulars furnished therein;

(c) Informing us of facts that may affect the information in Form 3CD, of which Management may become aware during the period from the date of our report to the date the Form 3CD are issued.

(d) Adding us as your Chartered Accountant for issuance and uploading of Form No. 3CA/3CB and Form 3CD on the website maintained by the income tax department for this purpose well before the time;

(e) To provide us, inter alia, with:

(i) Access, at all times, to all information, including the books, accounts, vouchers and other records whether electronic or otherwise including access to your relevant account on statutory authority compliance websites and documentation of the Concern, whether kept at the Head Office or elsewhere, of which the Management is aware that are relevant to the preparation of Form 3CD such as records, documentation and other matters. This will include books of account maintained in electronic mode and any of these may be required to be make available at our office premises for the purpose of this engagement;

(ii) Additional information that we may request from the Management for the purposes of our audit;

(iii) Unrestricted access to persons within the Concern from whom we deem it necessary to obtain audit evidence. This includes our entitlement to require from the officers of the Company such information and explanations as we may think necessary for the performance of our duties as the tax auditors of the Company; and

(iv) All the required support to discharge our duties as the tax auditors as stipulated under the Guidance Notes on Tax Audit/ ICAI standards on auditing and applicable guidance.

As part of our audit process, we will request from the Management written confirmation concerning representations made to us in connection with our audit.

The documentary evidences for this engagement are the property of <AUDIT FIRM> and constitute confidential information. However, we may be requested to make certain working papers available to any authority/person pursuant to prevailing law or any regulation. If requested, access to such working papers will be provided under the supervision of <AUDIT FIRM> personnel. Also, if the requirements, documents, details, etc are provided in electronic mode through e- mails or otherwise by either party, we shall in no case be responsible for leakage or hacking of such information/data. Any dispute relating to this engagement shall be subject to Delhi courts / authorities. However, in any case the limitation of our responsibility being financial or otherwise due to this engagement shall not exceed one time the fee received for this engagement.

If you intend to publish or otherwise reproduce the tax audit report and make reference to our firm, you agree to provide us with printers' proofs or masters for our review and approval before printing. You also agree to provide us with a copy of the final reproduced material for our approval before it is distributed. The report shall not be inferred or used for any purpose other than for which it was specifically prepared.

We also wish to invite your attention to the fact that our audit process is subject to 'peer review' under the Chartered Accountants Act, 1949. The reviewer may examine our working papers during the course of the peer review.

In case income tax return is furnished online from auditor's premises and the auditee has brought the required digital signatures to the auditor's office staff for the digital signing of the IT return, we shall not in any case be liable for the accuracy, correctness or any other matter related to IT Return.

We look forward to full cooperation from your management and staff and we trust that they shall make available to us reasonable access to all records, documents, and other information as requested by our team from time to time and shall be responsible for both the completeness and accuracy of the information supplied to us.

Our fees and out-of-pocket expenses for the tax audit for the year have been fixed by Board and ourselves. We will bill the same as the work progresses. We will notify you promptly of any circumstance we encounter that could significantly affect our estimate of fees and discuss with you any additional fees, as necessary.

Please sign and return the attached copy of this letter to indicate your acknowledgement of, and agreement with, the arrangements for my / our audit of the financial statements including our respective responsibilities.

Yours faithfully,

Signature on behalf of <AUDIT FIRM>

CA.....
PARTNER

Date:
Place:

Acknowledged on behalf of <<NAME OF THE ENTITY>>

Date:
Place:

Signature of Director
Name of Director/CFO Managing Director/Designation

6. Management Representation Letter:

Draft Management Representation for Tax Audit

(This proforma should be amended according to the status, nature, requirements and circumstances relevant to each engagement. This may be obtained from the auditee on his letter head apart from separate certificates/representations and should form part of the audit file)

To

<NAME OF PU>

Chartered Accountants

<ADDRESS>

Re: Management Representation for tax audit u/s 44AB the year ending 31 March 20XX

Dear Sirs,

We are required to get our audit done u/s 44AB of the Income Tax Act, 1961. We have prepared the information to be disclosed in Form 3CD and submitted for the purpose of audit. With reference to the Financial Statements of the entity for the year ended March 31, 20XX as submitted to you for the purpose of audit under section 44AB of the Income Tax Act, 1961.

I confirm that the information as contained in Form No. 3CD are true and correct.

I also confirm that the information annexed is complete in all respects and there is no other information which has not been made available to you or that will affect materially any of the information required to be given in the statement of particulars in Form No. 3CD or on your forming an opinion on the particulars contained in the said Form No. 3CD. we do hereby certify that:

1. Our PAN is XXXXX1111X. We do not hold any other PAN
2. Our TAN is YYYY2222Y. We do not hold any other TAN.
3. Books of accounts have not been prescribed for us u/s 44AA. However, we have maintained books of accounts as stated in the tax audit report and at the location (address) mentioned therein. The said books are properly maintained through computer.
4. We are liable to pay indirect taxes only under those Indirect Tax Laws which are mentioned in Clause 4 of Form 3CD. We have taken registration under the required indirect tax laws and the registration / identification numbers are as mentioned under that Clause.
5. We are carrying on the business of <_____> and there is no change in the nature of business undertaken during the current previous year as compared to that prevalent in the immediate preceding previous year.

6. There is no change in the method of accounting employed during the current previous year as compared to that prevalent in the immediate preceding previous year.

7. The adjustment required due to applicability of Income Computation and Disclosure Standards (ICDS) is given at clause 13(d), (e) & (f) of Form 3CD which is true and correct.

8. There is no deviation in the method of valuation of Closing Stock as prescribed under section 145A. or The deviation in valuation in closing stock from the method prescribed u/s 145A is given in clause 14(b) of Form 3CD, however there is no impact on profits.

9. No capital asset has been converted into Stock-in-trade during the year.

10. We have not received/earned any amount, which is not credited to profit & loss account relating to following items:

a) Items falling within the scope of section 28.

b) The Performa credits, drawbacks, refund of duty of customs or excise or refund of sales tax, where such credits, refunds or drawbacks are due by the authorities concerned.

c) Escalation claims accepted during the previous year.

d) Any other items of income

e) Capital Receipts.

11. No land or building or both has been transferred 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 except as disclosed in clause 17 of Form 3CD.

12. The details of fixed asset and depreciation thereon as given in clause 18 of Form 3CD are true and correct.

13. The amounts given in clause 19 of Form 3CD as admissible are correct. The stated amounts are admissible as per the provisions of the Income-tax Act, 1961 and also fulfills the conditions, if any specified under the relevant provisions of Income-tax Act, 1961 Income-tax Rules, 1962 or any other guidelines, circular, etc., issued in this behalf

14. No amount has been paid to employees as bonus or commission for services rendered, where such sum was otherwise payable as profits or dividend.

15. No other contributions were received from employees except those which are mentioned in clause 20(b) of Form 3CD. The relevant details mentioned at the said clause are true and correct.

16. We have not debited any expenditure of capital and/or personal nature to the profit and loss Account except as disclosed in clause 21(a) of Form 3CD.

17. No expenditure has been incurred on advertisement in any souvenir, brochure, tract, pamphlet published by a political party except as disclosed in clause 21(a) of Form 3CD

18. No expenditure has been incurred at clubs as cost for club service & facilities except as disclosed in clause 21(a) of Form 3CD .

19.No expenditure has been incurred during the year by way of -

- a) Penalty or fine for violation of law for the time being in force.
- b) Any other fine or penalty which is not covered in point a)
- c) For any purpose which is an offence or which is prohibited by law, except as mentioned in clause 21(a) of Form 3CD.

20. No amount is inadmissible under section 40 of the I.T. act 1961 except as shown in clause 21(a)/(b) of Form 3CD.

21. No payment has been made in excess no payments made in excess of Rs. 20,000/- to other than transporters and Rs. 35000/- to transporters in cash or other than account payee cheques on a bank or other than account payee bank draft in contravention of section 40A (3) read with rule 6DD of the Income Tax Act, 1961.

22. The amount of Gratuity disallowable is Rs.____ under section 40A(7) except as mentioned in clause 21(e) of Form 3CD.

23. No sum has been paid which is not allowable under section 40A(9) of the I.T. act 1961 except as mentioned in clause 21(f) of Form 3CD.

24. No contingent liability has been debited to Profit & Loss Account except as mentioned in clause 21(g) of Form 3CD.

25. No amount is inadmissible in terms of section 14A of the I.T. Act 1961 in respect expenditure incurred in relation to income, which does not form part of total income except as mentioned in clause 21(h) of Form 3CD.

26. No amount is inadmissible under the proviso to section 36(1)(iii) except as mentioned in clause 21 (i) of Form 3CD.

27. There is no relevant information available with us about the creditors who are registered under MSMED Act, 2006. Hence amount due and interest payable cannot be ascertained.

28. No payment has been made to persons specified under section 40A(2)(b) except as mentioned in clause 23 of Form 3CD. All payments made to persons specified u/s 40A(2)(b) have been duly disclosed under the said clause.

29. No any amount is deemed to be profits and gains under section 32AC or 33AB or 33ABA or 33AC except as mentioned in clause 24 of Form 3CD.

30. No amount of profit is chargeable to tax under section 41 of the I.T. Act 1961 except as mentioned in clause 25 of Form 3CD.

31. There is no liability which pre-existed in the previous year but not allowed as deduction under section 43B(a), (b), (c), (d), (e) or (f) as referred to) in the preceding assessment year except as mentioned in clause 26(A) of Form 3CD.

32. The amount as disclosed (In respect of any sum referred to in Section 43B(a),(b), (c), (d), (e) ,(f),(g) or (h) as referred to) has been paid on or before the due date except as mentioned in clause 26(B) of Form 3CD.

33. No Prior Period Income/Expenditure has been credited or debited to the profit and loss account except as mentions in clause 27(b) of Form 3CD.

34. Amount of Central Value Added Tax Credit availed of or utilized of as mentioned in clause 27(a) of Form 3CD is true and correct.

35. No property, being share of a company not being a company in which the public are substantially interested had been received without consideration or for inadequate consideration as referred to in section 56(2)(viiia) except as mentioned in clause 28 of Form 3CD.

36. No consideration had been received for issue of shares which exceeds the fair market value of the shares as referred to in section 56(2)(viib) except as mentioned in clause 29 of Form 3CD.

37. No amount has been borrowed on hundi nor is any amount due thereon except as mentioned in clause 30 of Form 3CD.

38. We have not accepted or repaid any other Loan/Deposit except as mentioned in clause 31 (a) & (b) of Form 3CD.

39. Our brought forward losses and unabsorbed depreciation are correct as stated at clause 32(a) of Form 3CD. The said losses / unabsorbed depreciation are true and correct and legally allowed to be carried forward in compliance with all applicable provisions of the IT Act.

40. There is no change in shareholding of the company due to which the losses incurred prior to the previous year cannot be allowed to be carried forward in terms of section 79 except as mentioned in clause 32(b) of Form 3CD.

41. No speculation loss referred to in section 73 had been incurred except mentioned in clause 32(c) of Form 3CD.

42. No loss had been incurred referred to in section 73A in respect of any specified business u/s 35AD as mentioned in clause 32(d) of Form 3CD.

43. There are no other deductions which are admissible under Chapter VIA or Chapter III (Section 10A, Section 10 AA) except as mentioned in clause 33 of Form 3CD. The stated amounts are admissible as per the provision of the Income Tax Act, 1961 and fulfills 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.

44. We have complied with the provision of Chapter XVIIB or Chapter XVII-BB of the Income Tax Act as under:-

a) We have disclosed all the payments made on which the provisions of Chapter XVIIB (TDS) are applicable under Clause 34(a)

b) We have deducted the tax properly and timely on which the tax is to be deducted except as mentioned under Clause 21 and clause 34.

c) We have submitted the Statements of TDS on the due dates prescribed under the Income Tax Act except as mentioned under clause 34 (b) of Form 3CD.

d) The statement of tax deducted filed contained information about all transactions which are required to be reported in the said statements except as stated under clause 34(b) of Form 3CD.

e) The calculation of Interest on TDS under clause 34(c) is correct and it has been provided in the books and paid before the finalization of the Tax Audit except as stated in the said clause.

f) TCS provisions under Chapter XVII-BB are not applicable to us.

45. The quantitative details of principal items of goods traded under trading concern disclosed in clause 35 (a) of Form 3CD are correct.

46. The quantitative details of principal items of goods traded under manufacturing concern disclosed in clause 35 (b) of Form 3CD are correct

47. Particulars mentioned at clause 37, 38 and 39 related to Audit under Cost Audit Rules/Central Excise Rules/Finance Act, 1994 are true and correct.

48. No demand was raised on us or any refund was issued to us during the previous year under any laws other than Income-tax Act, 1961 and Wealth Tax Act, 1957 except as mentioned under clause 41 of Form 3CD.

49. The information furnished in Form 3CD and signed by us is true and correct to the best of our knowledge, information and belief.

Name of Client's Accounts Head	Signature
Name of Director/Partner/Partner	Signature
Place	Date

7. Details under Clause 44 of Form 3CD

COMPANY NAME						
Clauses no. 44 of Tax Audit - Break-up of total Expenditure of entities registered or not						
Particulars	Total Amount of expenditure incurred during the year	Expenditure in respect of entities registered under the GST				Expenditure relating to entities not registered under GST
		Relating to the goods or services exempt under GST	Relating to the entities falling under composition scheme	Relating to the other registered entities	Total Payment to Registered entities	
PART-I						
Purchases	-	-	-	-	-	-
(Expense 1)	-				-	-
(Expense 2)	-				-	-
(Expense 3)	-				-	-
(Expense 4)	-				-	-
(Expense 5)	-	-			-	-
Total	-	-			-	-
PART-II						
Fixed Assets purchased (Give Details, if more than one)					-	-
					-	-
AMT TO BE REPORTED IN CLAUSE 44	-	-			-	-
						-
PART-III (GST INAPPLICABLE)						
Salary	-					-
Depreciation	-				-	-
Short and Excess	-					-
Other	-					-
Total	-	-			-	-
						-
TOTAL OF EXPENDITURE (I+II+III)	-	-			-	-
						-
TOTAL OF EXPENDITURE - P&L	-	-			-	-
TOTAL OF EXPENDITURE - FIXED ASSET					-	-
TOTAL EXPENDITURE	-	-			-	-

न किसी से ईर्ष्या, न किसी से होड़.
हमारी अपनी मंज़िले, हमारी अपनी दौड़.



**FOUNDER PRESIDENT
HAMARA CA PARIVAR
FARIDABAD**

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