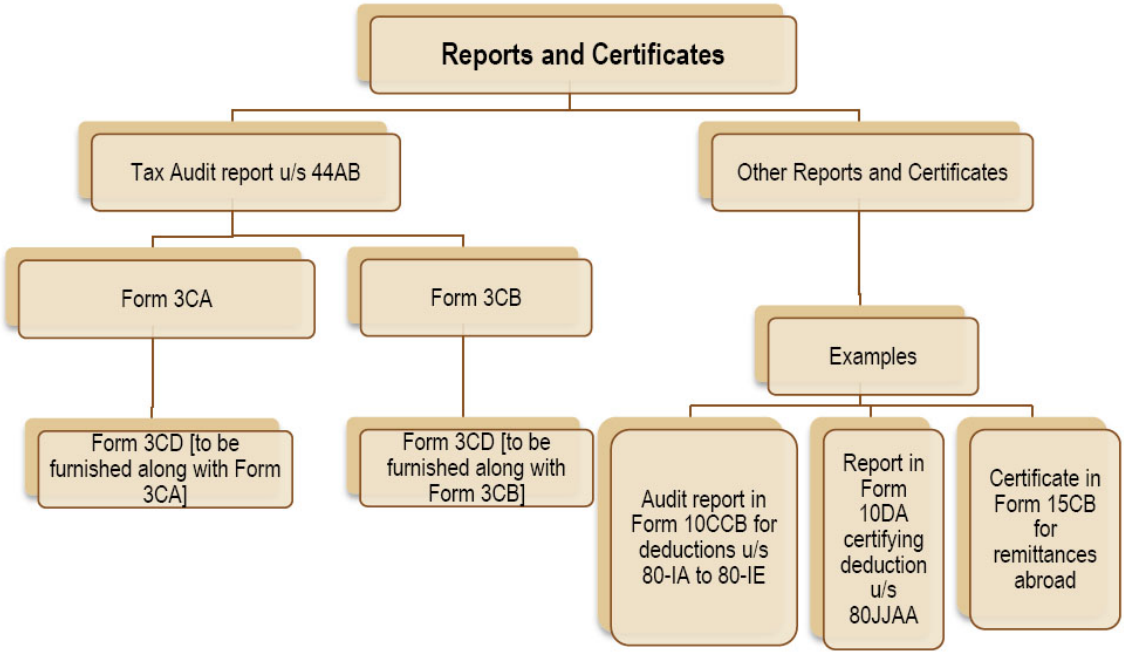
CHAPTER 55. TAX AUDIT & ETHICAL COMPLIANCES

LEARNING OUTCOMES

After studying this chapter, you would be able to –

- **appreciate** the provisions relating to tax audit and other audit reports and certificates under the Income-tax Act, 1961;
- **examine** the cases where the assessee is mandatorily required to get the books of accounts audited;
- **comprehend and apply** the provisions of section 44AD read with Rule 6G to identify the Form No. under which tax audit report is to be furnished;
- **comprehend** the clause-by-clause reporting requirements in Form 3CD;
- **analyse** the ethical implications in case of failure to comply with the reporting requirements.

CHAPTER OVERVIEW ➔



INTRODUCTION

The provisions relating to tax audit were inserted by the Finance Act, 1984 applicable w.e.f. 01.04.1985, marking a milestone in the history of chartered accountancy profession in the realm of professional opportunity in direct taxes. Since tax audit was introduced to ensure the accuracy of books of accounts maintained, which forms the basis of computation of income, this significant responsibility was entrusted by the Government to chartered accountants.

Time and again changes were made in the reporting requirements of tax audit report widening the scope of tax audit. Considering the significant responsibility entrusted by the Government to chartered accountants, the ICAI has issued Guidance Note on Tax Audit u/s 44AB of the Income-tax Act, 1961" offering guidance to members for conduct of tax audit, making of report and related matters.

Audit Reports & Reports and Certificates under the provisions of the Income-tax Act, 1961

In addition to section 44AB, there are other provisions in the Income-tax Act, 1961 which require furnishing of report by a chartered accountant. Section 12A(1)(b) requires audit of accounts of a trust or institution and furnishing of audit report in Form 10B/10BB before the specified date for claiming the benefit of exemption under section 11 or section 12. Also, the provisions permitting deductions in respect of certain incomes under sections 80-IA to 80-IE of Chapter VI-A of the Income-tax Act, 1961 require audit of accounts and furnishing of audit report in Form 10CCB before the specified date, declaring that the undertaking or enterprise has satisfied the conditions stipulated under the respective

sections for claim of deduction and the amount of deduction claimed is as per the provisions of the Income-tax Act, 1961.

For claiming deduction under section 80JJAA, report of a chartered accountant in Form 10DA has to be furnished before the specified date certifying the deduction to be claimed. Further, every company to which the provisions of minimum alternate tax under section 115JB applies has to furnish a report in Form 29B from a chartered accountant certifying the correctness of computation of book profit. There is a similar requirement for every person to whom the provisions of alternate minimum tax under section 115JC are applicable. The report in this case would be in Form 29C certifying that the adjusted total income and alternate minimum tax have been computed in accordance with the provisions of the Act. In case of slump sale under section 50B, the assessee has to furnish in Form 3CEA, a report of a chartered accountant certifying the correctness computation of the net worth of the undertaking or division.

Also, there are certain provisions under the Income-tax Act, 1961 which require certification by a chartered accountant. For instance, certificate from a chartered accountant in Form 15CB is required in case of remittances to non-residents where the remittance or aggregate of such remittances exceed Rs. 5 lakh during the financial year and the remittances are chargeable under the provisions of the Income-tax Act, 1961.

Government's trust on competence and integrity of Chartered Accountants

The requirement of audit of accounts and furnishing of report of chartered accountant certifying the correctness of computations under different provisions of the Income-tax Act, 1961 indicate the trust reposed by the Government on a chartered accountant. Also, Revenue Authorities rely upon the integrity of the chartered accountant to assist tax authorities. The decision rendered by the Delhi High Court in the case of *Additional CIT v. Jay Engineering Works Ltd. (1978) 113 ITR 389* indicates the extent to which the income-tax authorities place reliance on the audit reports -

"It is quite competent for the income-tax authorities not only to accept the auditor's report but also to draw proper inference from the same. The income-tax authorities can, therefore, come to the conclusion that, since the auditors were required by the statute to find out if the deductions claimed by the assessees were supported by the relevant entries in their account books, the auditors must have done so and must have found that the account books supported the claims for deductions.

Where the original account books of the assessee had been destroyed in a fire, it was held that the Appellate Tribunal, in allowing a deduction, could rely upon other material mainly consisting of the auditor's reports from which it could be inferred that the deductions were properly supported by the relevant entries in the account books".

This clearly demonstrates the faith which the Government and the Revenue Authorities have in the competency and integrity of a chartered accountant due to which various statutory duties and responsibilities have been cast upon them under the provisions of the Act. It is in this context that the conduct of the chartered accountant has to be appreciated. Chartered accountants cannot be oblivious to their professional duties and sign audit reports and certificates in a mechanical manner.

Paras 13.3 and 13.4 of the Guidance Note on Tax Audit under section 44AB read as follows -

"The audit report given under section 44AB is to assist the income-tax department to assess the correct income of the assessee. The tax auditor should keep necessary working papers about the evidence on which he has relied upon while conducting the audit. Such working papers should include the auditor's notes on the following, amongst other matters:

(a) *work done while conducting the audit and by whom;*

(b) *explanations and information given to him during the course of the audit and by whom;*

(c) *decision on the various points taken;*

(d) *the judicial pronouncements relied upon by him while making the audit report; and*

(e) *certificates issued by the client/management letters*

The requirements of documentation are applicable in respect of tax audit conducted by chartered accountants. For this purpose, attention is also invited to SA 230, Audit Documentation, which provides that the tax auditor should prepare documentation that provides a sufficient and appropriate record of the basis for the auditor's report and evidence that the audit was planned and performed in accordance with SA's and applicable legal and regulatory requirements."

A chartered accountant in practice would be deemed to be guilty of professional misconduct under clauses (7) of Part I of the Second Schedule to the Chartered Accountant Act, 1949, if he does not exercise due diligence, or is grossly negligent in the conduct of his professional duties. Further, as per clause (8) of Part I of the Second Schedule to the Chartered Accountants Act, 1949, a chartered accountant in practice shall be deemed to be guilty of professional misconduct, if he fails to obtain sufficient information which is necessary for expression of an opinion or its exceptions are sufficiently material to negate the expression of an opinion.

In this chapter, we would be first discussing the reporting requirements under different clauses of Form 3CD. Thereafter, with the aid of case studies, the ethical aspects to be considered by a chartered accountant while undertaking tax audit and issuing reports and certificates under the different provisions of the Income-tax Act, 1961 and the Rules made thereunder have been explained.

It may be noted that in certain clauses the tax auditor, in addition to the reporting requirements under the said clauses, has to qualify his report in para 3 of Form 3CA or para 5 of Form 3B, as the case may be.

It may also be noted that penalty under section 271J would be attracted in the hands of, *inter alia*, an accountant for furnishing incorrect information in any report or certificate furnished under any provision of the Income-tax Act, 1961 or Income-tax Rules, 1962. The quantum of penalty is Rs. 10,000 for each such report or certificate.

TAX AUDIT UNDER SECTION 44AB

Under section 44AB, it is obligatory in the following cases for a person carrying on business or profession to get his accounts audited before the "specified date" by a Chartered Accountant:

(i) if the total sales, turnover or gross receipts in business exceeds Rs. 1 crore in any previous year.
However, tax audit is not required in case of such person carrying on business whose total sales, turnover or gross receipts in business < Rs. 10 crore in the relevant previous year (P.Y.), if:-
- aggregate cash receipts including amount received for sales, turnover, gross receipts in the relevant previous year ≤ 5% of such receipts; **and**
- aggregate cash payments including amount incurred for expenditure in the relevant P.Y. ≤ 5% of such payments.

Payment or receipt by a cheque or by a bank draft which is not account payee, would be deemed to be made in cash.

The twin conditions of paragraph with respect to cash receipts and cash payments is to be satisfied together. Further, if the sales, turnover or gross receipts is > 10 crores, the person is required to get his accounts audited even if these conditions are fulfilled.

(ii) if the gross receipts in profession exceed Rs. 50 lakhs in any previous year.

(iii) where the assessee is covered under section 44AE, 44BB or 44BBB and claims that the profits and gains from business are lower than the profits and gains computed on a presumptive basis in any previous year.

(iv) where the assessee is carrying on a notified profession under section 44AA, and he claims that the profits and gains from such profession are lower than the profits and gains computed on a presumptive basis under section 44ADA and his income exceeds the basic exemption limit in any previous year.

(v) where the assessee is covered under section 44AD(4) and his income exceeds the basic exemption limit in any previous year.

The persons mentioned above has to get his accounts audited by an accountant before one month prior to the due date of filing return of income specified under section 139(1) and furnish by that

date, the report of such audit in the prescribed form duly signed and verified by such accountant and setting forth such particulars as may be prescribed.

Section 44AB is not applicable in case of a person who declares profits or gains for the previous year in accordance with the provisions of section 44AD(1) or 44ADA(1). This section shall also not apply to an assessee, being a non-resident who derives income of the nature referred to in section 44B i.e., from operation of ships or section 44BBA i.e., from operation of aircraft.

For this purpose, the CBDT has prescribed under Rule 6G, Forms 3CA/3CB/3CD containing forms of audit report and particulars to be furnished therewith. In the case of a person who carries on business or profession and who is required by or under any other law to get his accounts audited, Form 3CA has to be furnished. In the case of a person who carries on business or profession whose accounts are not required to be audited under any other law, Form 3CB has to be furnished. The particulars required to be furnished under section 44AB is to be furnished in Form 3CD. In a case where the accounts of a person are required to be audited by or under any other law before the specified date, it will be sufficient compliance if the person gets his accounts audited under such other law before the specified date and also furnishes by the said date, the report of audit required under such other law and a further report by an accountant in Form 3CA.

Sales, Turnover and Gross Receipts

The provisions relating to tax audit under section 44AB apply to every person carrying on business, if his total sales, turnover or gross receipts in business exceed the prescribed limit (Rs. 1 crore or, in certain specified cases, Rs. 10 crore) and to a person carrying on a profession, if his gross receipts from profession exceed the prescribed limit (Rs. 50 lakhs) in the previous year 2023-24. However, the terms "sales", "turnover" or "gross receipts" are not defined in the Act, and therefore, the meaning of the aforesaid terms has to be considered for the applicability of the section.

The words "Sales", "Turnover" and "Gross receipts" are commercial terms, they should be construed in accordance with the method of accounting regularly employed by the assessee. Section 145(1) provides that income chargeable under the head "Profits and gains of business or profession" or "Income from other sources" should be computed in accordance with either cash or mercantile system of accounting regularly employed by the assessee. The method of accounting followed by the assessee is also relevant for the determination of sales, turnover or gross receipts.

Applying the above generally accepted accounting principles, a few typical cases may be considered:

(i) Discount allowed in the sales invoice will reduce the sale price and, therefore, the same can be deducted from the turnover.

(ii) Cash discount otherwise than that allowed in a cash memo/sales invoice is in the nature of a financing charge and is not related to turnover. The same should not be deducted from the figure of turnover.

(iii) Turnover discount is normally allowed to a customer if the sales made to him exceed a particular quantity. This being dependent on the turnover, as per trade practice, it is in the nature of trade discount and should be deducted from the figure of turnover even if the same is allowed at periodical intervals by separate credit notes.

(iv) Special rebate allowed to a customer can be deducted from the sales if it is in the nature of trade discount. If it is in the nature of commission on sales, the same cannot be deducted from the figure of turnover.

(v) Price of goods returned should be deducted from the figure of turnover even if the returns are from the sales made in the earlier year/s.

(vi) Sale proceeds of fixed assets would not form part of turnover since these are not held for resale.

(vii) Sale proceeds of property held as investment property will not form part of turnover.

(viii) Sale proceeds of any shares, securities, debentures, etc., held as investment will not form part of turnover. However, if the shares, securities, debentures etc., are held as stock-in-trade, the sale proceeds thereof will form part of turnover.

The term "gross receipts" is also not defined in the Act. It will include all receipts whether in cash or in kind arising from carrying on of the business which will normally be assessable as business income under the Act. Broadly speaking, the following items of income and/or receipts would be covered by the term "gross receipts in business":

(i) Cash assistance (by whatever name called) received or receivable by any person against exports under any scheme of the Government of India;

(ii) Any indirect tax re-paid or repayable as drawback to any person against exports under the Customs and Central Excise Duties and Service Tax Drawback Rules, 1995;

(iii) The aggregate of gross income by way of interest received by the money lender;

(iv) Commission, brokerage, service and other incidental charges received in the business of chit funds;

(v) Reimbursement of expenses incurred (e.g. packing, forwarding, freight, insurance, travelling etc.) and if the same is credited to a separate account in the books, only the net surplus on this account should be added to the turnover for the purposes of section 44AB;

(vi) The net exchange rate difference on export sales during the year on the basis of the principle explained in (v) above will have to be added;

(vii) Hire charges of cold storage;

(viii) Liquidated damages;

(ix) Insurance claims - except for fixed assets;

(x) Sale proceeds of scrap, wastage etc. unless treated as part of sale or turnover, whether or not credited to miscellaneous income account;

(xi) Gross receipts including lease rent in the business of operating lease;

(xii) Finance income to reimburse and reward the lessor for his investment and services;

(xiii) Hire charges and instalments received in the course of hire purchase;

(xiv) Advance received and forfeited from customers.

(xv) The value of any benefit or perquisite, whether convertible into money or not, arising from business or the exercise of a profession.

Note *- Where the assessee carries on more than one business activity, the results of all business activities should be clubbed together. In other words, the aggregate sales, turnover and/or gross receipts of all businesses carried on by an assessee would be taken into consideration in determining whether the prescribed limit (i.e.,* Rs. *1 crore &* Rs. *10 crore for certain specified cases) as laid down in section 44AB has been exceeded or not.*

However, where the business is covered by section 44B or 44BBA, turnover of such business shall be excluded. Similarly, where the business or profession is covered by section 44AD or 44ADA or 44AE and the assessee opts to be assessed under the respective sections on presumptive basis, the turnover thereof shall be excluded.

Example 1. DB Pvt. Ltd. has a total turnover of Rs. 10.25 crore for the F.Y. 2023-24. Its receipts and payment during the P.Y. 2023-24 are made otherwise than by way of cash.

DB Pvt. Ltd has to mandatorily get its books of account audited under section 44AB, since its turnovers for the P.Y. 2023-24 exceed Rs. 10 crores, irrespective of the fact that its entire receipts and payments are in a mode other than cash.

Example 2. DB Ltd. has a total turnover of Rs. 9 crores for the F.Y.2022-23. Out of this, only Rs. 7 crores is received during the previous year 2022-23. These amounts are received through account payee cheque/bank draft and other permissible electronic modes. Apart from this, it also received advance of Rs. 4 crores for the future supply of goods. Out of such advance, it received Rs. 46 lakhs in cash. Assume that all payments are made otherwise than by way of cash. Is DB Pvt. Ltd. mandatorily required to get its accounts audited?

For the purpose of computing the threshold limit of cash receipts, total receipts including the amount received for turnover need to be considered. Since in the present case, Rs. 46 lakhs does not exceed Rs.

55 lakhs i.e., 5% of total receipts of Rs. 11 crores (Rs. 7 crores *plus* Rs. 4 crores), DB Pvt. Ltd. is not required to mandatorily get its accounts audited.

TAX AUDIT REPORT UNDER SECTION 44AB READ WITH RULE 6G

	Form 3CA	Form 3CB
Applicability	Tax audit report is to be furnished in Form No.3CA, in a case where the accounts of the business of profession of a person have been audited under any other law like the Companies Act, 2013 or the Limited Liability Partnership Act, 2008.	Tax audit report is to be furnished in Form No.3CB, in case of a person who carries on business or profession but who is not required to by or under any other law to get his accounts audited. In the case of companies having their accounting year which is different from the financial year, accounts of the financial year are required to be prepared and audited. The audit report shall be in Form No.3CB. This has been clarified vide Circular No.561 dated 22.5.1990.
Requirement	In this case, it is not required for the tax auditor appointed under section 44AB to give his opinion, as to whether or not the accounts give a true and fair view. It would only be necessary for him to annex a copy of the audited accounts as well as a copy of the audit report given by the statutory auditor along with his (tax auditor's) report in Form NO.3CA with statement of particulars required to be furnished under section 44AB is annexed in Form No.3CD. The tax auditor is required to give his opinion whether the prescribed particulars furnished in Form 3CD by the assessee are true and correct, subject to observations and qualifications, if any.	In this case, the tax auditor is required to give his opinion as to whether or not the accounts audited by him give a true and fair view: (i) in the case of the balance sheet of the state of affairs as at the last date of the accounting year. (ii) in the case of profits and loss account, of profit or loss of the assessee for the relevant accounting year. The second part of the report states that the statement of particulars required to be furnished under section 44AB is annexed to the audit report in Form No.3CD. The tax auditor is required to give his opinion whether the prescribed particulars furnished by the assessee are true and correct, subject to observations and qualifications if any The tax auditor may have a difference of opinion with regard to the particulars furnished by the assessee. These differences are to be reported in Para 5 of Form 3CB. [Para 18.6 of the Guidance Note on Tax Audit]
Revision of Tax audit report	As per Rule 6G(3), the report of audit furnished in Form 3CA/3CB along with particulars in Form 3CD may be revised by the person by getting revised report of audit from an accountant, duly signed and verified by such accountant, if there is payment by such person after furnishing of such report which necessitates recalculation of disallowance under section 40 or section 43B. The revised report of audit has to be furnished before the end of the relevant assessment year for which the report pertains. Thus, a scenario may arise where, after issuing the audit report, but before the due date for filing the return u/s 139(1), the assessee may make payment of tax deducted	

	at source or of tax, duty, cess, fee or other payments referred to in section 43B, deduction for which is allowed only on actual payment basis. A question may arise as to whether the revised audit report can be revised again. There is no limit to revise the tax audit reports.

PARTICULARS OF FORM 3CD

This form prescribes the statement of particulars required to be furnished under section 44AB of the Income-tax Act, 1961 in case of both corporate and non-corporate assessees carrying on business or profession as Annexure to the audit report in Form 3CA or Form 3CB. This form has been designed to facilitate the determination of assessee's income from business or profession.

As per Para 19.3 of the Guidance Note on Tax Audit, while furnishing the particulars in Form No. 3CD, it would be advisable for the tax auditor to consider the following:

(a) If a particular item of income/expenditure is covered in more than one of the specified clauses in the statement of particulars, care should be taken to make a suitable cross reference to such items at the appropriate places.

(b) If there is any difference in the opinion of the tax auditor and that of the assessee in respect of any information furnished in Form No. 3CD by the assessee, the tax auditor may consider stating both the view points and also the relevant information related to matter in order to enable the tax authority to take a decision in the matter.

(c) If any particular clause in Form No. 3CD is not applicable, he should state that the same is not applicable.

(d) In computing the allowance or disallowance, he should keep in view the law applicable in the relevant year, even though the form of audit report may not have been amended to bring it in conformity with the amended law.

(e) In case the assessee has furnished prescribed particulars in part or piecemeal or relevant form is incomplete or the assessee does not give the information against all or any of the clauses, the auditor should not withhold the audit report. In such a case, he should qualify his report in para 3 of Form 3CA or para 5 of Form 3CB as applicable on matters in respect of which information is not furnished or if furnished, are inadequate/insufficient.

(f) The information in Form No. 3CD should be based on the books of accounts, records, documents, information and explanations made available to the tax auditor for his examination.

(g) In case the auditor relies on a judicial pronouncement, he may mention the fact as his observations in para 3 of Form No. 3CA or para 5 provided in Form No. 3CB, as the case may be.

(h) Where in respect of any particular aspect, reporting is required at more than one clause, in that case, information may be furnished at any one of the clause and reference may be given at other clause.

Clause by clause analysis of Form 3CD

Clause	Particulars	Reporting requirements in relation to the relevant clause
		PART A
1.	Name of the assessee	**(i)** The name of the assessee whose accounts are being audited under section 44AB should be given as specified in PAN. **(ii)** In case there is a different trade name, the same should be reported. **(iii)** If the tax audit is in respect of a branch, name of such branch should be mentioned along with the name of the assessee. **(iv)** In case of change in the name of the assessee, if the change has taken place during the financial year, name at the end of the financial year should be stated. However, if the change in name has taken place after the close of the financial year but before signing of tax audit report, name as at the year ending date should be

		mentioned. In either case, fact of name change should be suitably clarified as an observation in audit report.
2.	Address	**(i)** The address to be mentioned should be the same as has been communicated by the assessee to the Income-tax Department as on the date of signing of the audit report. **(ii)** If the tax audit is in respect of a branch or a unit, the address of the branch or the unit should be given. **(iii)** In the case of a company, the address of the registered office should be stated. **(iv)** In the case of other assessees, the address of the principal place of business should be stated. The tax auditor should verify the relevant details of the assessee from the available income tax records or from the profile of the assessee on Income-tax portal. In case of difference, the same should be given as an observation in the audit report.
3.	Permanent Account Number or Aadhaar Number	**(i)** The permanent account number (PAN) allotted to the assessee should be indicated. **(ii)** Clause further asks to mention Aadhaar number (in case of individuals) as an alternative. **(iii)** It may be noted that in the e-filing format, PAN is a mandatory field and Aadhaar is an optional field.
4	Whether the assessee is liable to pay indirect tax like excise duty, service tax, sales tax, goods and services tax, customs duty, etc. If yes, please furnish the registration number, GST number or any other identification number allotted for the same.	The auditor is required to examine from the appropriate evidence, the registration number or any other identification number, if any. For any indirect tax, if multiple registration numbers are available, all registration numbers should be examined by the tax auditor and duly reported. The auditor should obtain the list of indirect taxes applicable on him if the different types of indirect taxes are leviable on him and that too in multiple states. It is recommended that the tax auditor should obtain from the assessee: - list of indirect taxes applicable on him - copy of registration certificates issued by the various authorities clearly mentioning the registration number under that relevant law. The auditor should obtain the list of indirect taxes applicable on him if the different types of indirect taxes are leviable on him and that too in multiple states. It is recommended that the tax auditor should obtain from the assessee: The auditor should obtain the list of indirect taxes applicable on him if the different types of indirect taxes are leviable on him and that too in multiple states. It is recommended that the tax auditor should obtain from the assessee: - list f indirect taxes applicable on him - copy of registration certificates issued by the various authorities clearly mentioning the registration number under that relevant law. Where indirect tax law does not require any registration, appropriate identification number may be reported in this clause. For example, in Customs Act, 1962, since there is no registration

		number, a copy of Importer Exporter Code (IEC) may be obtained, and information be accordingly furnished.
5	Status	The status of the assessee is to be mentioned as included in the definition of person in section 2(31) namely, individual, Hindu Undivided Family, company, firm, an association of persons or a body of individuals, whether incorporated or not, a local authority or artificial juridical person. It should not be confused with the residential status. In case of proprietorship concern, the status shall be quoted as individual.
6	Previous year	The relevant previous year should be mentioned i.e., starting from 1st April to 31st March. If the business is started during the year, the date of starting of business to 31st March. In case of amalgamations, demergers, reconstitution, new business, closure of existing business etc., the date of beginning and ending of the previous year may be different, the auditor may accordingly mention the relevant date of beginning and ending of the previous year.
7	Assessment Year	The assessment year relevant to the previous year for which the accounts are to be audited should be mentioned
8	Indicate the relevant clause of section 44AB under which the audit has been conducted.	The auditor is required to mention the relevant clause of section 44AB under which the audit has been conducted. In case the assessee is carrying on business and his total sales, turnover or gross receipts as the case may be, exceeds one crore rupees in the relevant previous year, the auditor is required to mention clause (a) of section 44AB. If the assessee is carrying on profession and his gross receipts exceed fifty lakh rupees in the relevant previous year the auditor is required to mention clause (b) of section 44AB. Likewise, if the audit under section 44AB is being conducted by virtue of provisions of section 44AE, 44BB and 44BBB, the auditor is required to mention clause (c). For audit being conducted by virtue of provisions of section 44ADA, clause (d) is to be mentioned under this head. Where a person is required by or under any other law to get his accounts audited say a company, a society etc. then audit under section 44AB is conducted under the third proviso to section 44AB and not under clause (a) or (b) of that section.
8a	Whether the assessee has opted for taxation u/s 115BA/ 115BAA/ 115BAB/ 115BAC/ 115BAD/115BAE?	Assessee is required to pay income-tax at the rates specified in the annual Finance Act. However, sections 115BA, 115BAA, 115BAB, 115BAD and 115BAE provide option to the assessee to pay tax at special rates and forego certain deductions, exemptions etc. The assessee can opt to pay tax under the rates prescribed in the Finance Act or the one made available by any of the aforesaid sections. The tax auditor has to mention whether the assessee has opted for taxation under any of the aforesaid sections and in case answer is Yes, then he has to select the appropriate section. With effect from A.Y. 2024-25, tax shall be payable as per section 115BAC, unless the assessee being an individual, HUF, AOP (other than co-operative society) or Bol or an artificial Juridical person exercises the option to shift out of the default schemes and pay tax under the optional tax regime as per the normal provisions of the Act.

		Companies can pay tax as per the normal provisions of the Income-tax Act, 1961 or opt to pay tax as per section 115BAA or section 115BAB, subject to fulfillment of conditions stipulated thereunder and forgoing certain exemptions/ deductions. Likewise, Co-operative Societies can pay tax as per the normal provisions of the Income-tax Act, 1961 or opt to pay tax as per section 115BAD or section 115BAE, subject to fulfillment of conditions stipulated thereunder the forgoing certain exemptions/deductions. The tax auditor has to examine the income tax return of the previous year to verify the option which has been exercised by the assessee. For the purpose of reporting under clause 8a, the tax auditor should verify whether – • The application for exercise of option in the prescribed form being 10-IB, 10-IC, 10-ID, and 10-IF has been furnished electronically under section 115BA, 115BAA, 115BAB and 115BAD. • In case of section 115BAC, the auditor should verify whether the assessee has furnished in Form 10-IEA the option to shift out of the default tax scheme under section 115BAC and pay tax under the optional tax regime as per the normal provisions of the Act, is filled by the assessee. • In case, the assessee has not filled the relevant form, written representation from the assessee should be obtained whether he will be availing the concessional regime or otherwise and based on written representation, the reporting under this clause should be made. • Where reporting is made solely on the basis of assessee's representation, the fact should be stated in paragraph (3) of Form 3CA or paragraph (5) of Form 3CB.

PART B			
9	**(a)**	If firm or association of persons, indicate name of partners/members and their profit sharing ratios.	Where the assessee is a firm or association of persons (AOP) or body of individuals, the names of partners of the firm or members of the AOPs or BOIs and their profit sharing ratios (%) have to be stated. In case where the partner of a firm or the member of AOP/BOI acts in a representative capacity, the name of the beneficial partner/member should be stated. Thus, the details of partners or members during the entire previous year will have to be furnished • The particulars in this clause should be verified from the instrument or agreement or any other document evidencing partnership or AOPs including any supplementary documents or other documents effecting such changes. • The tax auditor should obtain certified copies of the deeds, documents, understanding, notice of changes etc. including copies of the acknowledgement, if any, evidencing filing of documents with the concerned authorities, if registered. • In case of certain AOPs/BOIs, where shares are not precisely ascertainable during the previous year resulting in a situation wherein the shares of members are indeterminate or unknown, the relevant fact should be stated.

	(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.	If there is any change in the partners of the firm or members of the AOPs/ BOIs or their profit or loss sharing ratio since the last date of the preceding year, the particulars of such change must be stated. All the changes occurring during the entire previous year must be stated.
10	**(a)**	Nature of the business or profession (if more than one business or profession is carried on during the previous year, nature of every business or profession).	The principal line of each business is to be reported. If the assessee is in more than one business, the information has to be furnished in respect of all business. i.e., the sector in which the business or profession falls such as manufacturing, trading, commission agent, builder, contractor, professionals, service sector, financial service sector or entertainment industry. In case a person belongs to service sector, the nature of each type of service should be broadly stated. Thereafter, the auditor is required to mention the sub-sector pertaining to the sector selected. The code is to be mentioned against the nature of business pertains to the main area of business activity.
	(b)	If there is any change in the nature of business or profession, the particulars of such change.	Any material change in the business should be precisely set out. The change will include change from manufacturer to trader as well as change in principal line of business. Likewise, any addition to or other than temporary discontinuance of, a particular line of business may also amount to change requiring reporting. However, temporary suspension of the business may not amount to change and therefore need not be reported. A review of business report or the minutes of meetings would enable the tax auditor to note the change, if any. He may make necessary enquiries on this basis and seek information to determine whether any change has occurred or not. If need be, the tax auditor should get a declaration from the assessee regarding change in the nature of business. In case of a business reorganization/reconstruction, if there is a similar line of activity, no reference needs to be made. However, if a new line of activity emerges, the same may be stated. If any line of activity is being hived off in case of restructuring, the same may be reported.
11	**(a)**	Whether books of account are prescribed under section 44AA, if yes, list of books so prescribed.	As per section 2(12A), boos or books of account includes ledgers, daybooks, cash books, account-books and other books, whether kept in the written form or in electronic form or in digital form or as print-outs of data stored in such electronic form or in digital form or in a floppy, disc, tape or any other form of electro-magnetic data storage device. 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 section 44AA(1). Section 44AA(2) provides that persons carrying on business or profession, other than those specified in section 44AA(1), shall keep and maintain such books of account and other documents as may enable the Assessing Officer to compute his total income in accordance with the provisions of the Income-tax Act, if his income from business or profession exceeds the

			monetary limits prescribed under section 44A(2) or his total sales, turnover or gross receipts in business or profession exceed the monetary limits prescribed under section 44AA(2) in any one of the three years immediately preceding the previous year.
	(b)	Lists of books of account maintained and the address at which the books of account are kept. (In case books of account are maintained in a computer system, mention the books of account operated by such computer system. If the books of account are not kept at one location, please furnish the addresses of locations along with the details of books of account maintained at each location).	The address at which the books so maintained are kept is also required to be mentioned under this clause. In case the books of accounts are kept at more than one location then the details of address of each such location along with the detail of books of account maintained thereof is to be stated. In case, where book of account are maintained and generated through computer system, the details of address of the place where the server is located or the principal place of business/ Head office or registered office by whatever name called is to be mentioned under this clause. Where the books of account are stored on cloud or online, IP address (unique) of the same may be reported. It is to be specified which books of account have been maintained in computer system and which of the records have been maintained in hard copy form. The tax auditor should obtain from the assessee a complete list of books of account and other documents maintained by him (both financial and non-financial records) and make appropriate marks of identification to ensure the identification of the books and record produced before him for audit. The list of books of account maintained by the assessee should be given under this clause.
	(c)	List of books of account and nature of relevant documents examined.	Books of accounts examined would constitute the books of original entry and the other books of account. In addition to the list of books of accounts examined, the extent of examination is also to be reported. Whereas sub-clause (b) requires furnishing list of books of account maintained by the assessee and address of the place where books of account are kept, sub-clause (c) requires the tax auditor to state a list of books of account and the nature of relevant documents that he has examined. The list of books of account prescribed, maintained and examined has to be stated under this clause. There may be difference between the three lists. For example, books of account may have been prescribed but all the prescribed books might not have been maintained or the entire books of accounts maintained might not have been produced for examination. The tax auditor should exercise his professional judgment in order to arrive at the conclusion whether such a situation warrants any disclosure or qualifications while forming his opinion on the matters covered by reporting requirements in Form No.3CB.
12		Whether the profit or loss account includes any profits and gains assessable on presumptive basis, if yes, indicate the	Where the profit and gains of the business are assessable to the tax under presumptive basis under any of the given sections, the amount of such profit and gains credited to the profit and loss account should be stated under this clause. The amount to be mentioned in this clause means amount included in the profit and loss account. The tax auditor is not required to

		amount and the relevant section [44AD,44ADA, 44AE, 44AF, 44B, 44BB, 44BBA, 44BBB, Chapter XII-G (provisions relating to shipping business), First Schedule (Insurance business) or any other relevant section].	indicate as to whether such amount corresponds to the amount assessable under the relevant section relating to presumptive taxation. As such, the report requirement gets satisfied, if the amount as per profit and loss account is reported. Even where the assessee opts for presumptive taxation, the tax auditor should consider to impress upon the assessee that it would be advisable to maintain some basic records to support the turnover/gross receipts declared for presumptive taxation.
13	**(a)**	Method of accounting employed in the previous year.	Section 145 provides that the income chargeable under the head "Profits and gains of business or profession" or "Income from other sources" must be computed in accordance with either cash or mercantile system of accounting regularly employed by the assessee. The hybrid system of accounting, viz. mixture of cash and mercantile, is not permitted. However, the assessee may adopt cash system of accounting for one business and mercantile system of accounting for other business. Once the choice of method of accounting is decided, the assessee must follow consistently the method of accounting employed.
	(b)	Whether there had been any change in the method of accounting employed vis-à-vis the method employed in the immediately.	If there is any change in the method of accounting, that is to be reported and the effect thereof i.e., increase or decrease in profits has to be stated under this clause. The tax auditor should apply reasonable checks to the earlier year's accounts to ascertain whether there is any change in the method of accounting as compared to that of the year under audit, after obtaining a written confirmation from the assessee as to the method of accounting followed. 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. **Note** – A change in an accounting policy does not amount to change in method of accounting. A change in the method of valuation of stock will be a change in accounting policy and hence, such change need not be mentioned in clause 13(b).
	(c)	If answer to (b) above is in affirmative, give details of such change, and the effect thereof on the profit or loss with increase/decrease in profits.	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. As regards the impact on profit the concept of materiality is the basic governing factor. If it is not possible to quantify the effect of the change in the method of accounting, appropriate disclosure should be made under this clause.
	(d)	Whether any adjustment is required to be made	In exercise of the powers conferred by section 145(2), the Central Government notified the ICDSs to be followed by all assesses (who are required to get their books of account audited) following

		to the profits or loss for complying with the provisions of income computation and disclosure standards notified under section 145(2)?	the mercantile system of accounting, for the purposes of computation of income chargeable to income-tax under the head "Profits and gains of business or profession" or "Income from other sources". This clause requires the auditor to state whether any adjustment is required to be made to profit and loss for complying with the provisions of income computation and disclosure standards (ICDS). Such adjustment is required to be stated separately. The increase/decrease in profit and net effect should be reported in the absolute terms. The tax auditor should obtain draft computation of the total income and disclosures required under ICDS. For the purpose of clause (d), the tax auditor should obtain draft computation of total income and disclosures required under ICDS. Based on information and books of account, the tax auditor should consider whether any adjustment is required to be made to the profit or loss and if the answer is in affirmative, to state 'yes' otherwise to state 'no'. While reporting, auditor has to consider draft of income computation provided by the assessee. This fact should be mentioned in Audit report in paragraph 3 of Form No.3CA and paragraph 5 of Form No.3CB.
	(e)	If answer to (d) above is in the affirmative, give details of such adjustments ICDs wise with increase or decrease in profit and net effect.	If answer to 'd' above is in affirmative, the tax auditor is required to quantity the amount of adjustment against each ICDS in clause 'e'. Tax auditor may refer technical guide on ICDS issued by the ICAI in July, 2017. In working paper of ICDS, checklist should be prepared and maintained alongwith computation working for any increase/decrease in income as per ICDS. Also, last year tax audit report should be reviewed to ascertain any effect in current year.
	(f)	Disclosure as per ICDS (to be given ICDS wise)	This clause requires disclosure of significant income computation and disclosure policies adopted by a person for computation of income chargeable under the head "Profits and gains from business or profession" or "Income from other sources." In this clause, if information furnished is based on income computation furnished by the assessee, appropriate disclosure of this fact should be mentioned in Form No.3CA or 3CB as the case may be.
14	**(a)**	Method of valuation of closing stock employed in the previous year.	Ascertain the method of valuation of closing stock employed during the year. Where there is change in the basis of determining cost, market value or net realizable value even though there is no change in the method of valuation. The auditor should understand the procedure followed by the assessee in taking the inventory of closing stock at the end of the year and valuation thereof. The tax auditor should – • obtain the inventory of closing stock, indicating the basis of valuation thereof for reporting on the method of valuation of closing stock • review the methods of valuation adopted for valuation of closing stock and compare the same with the method prescribed under section 145A.
	(b)	In case of deviation from the method of valuation prescribed under section 145A, and the effect thereof on the profit and loss	

			• obtain from the assessee, the inventory valuation sheet of the stock in trade giving quantitative details, method of valuation, rate and total value of each item. • ascertain whether the method of valuation is such that the value of closing stock includes the amount of any tax, duty or cess actually paid or incurred by the assessee to bring the goods to the place of its location and conditions as on the date of valuation.
15	Give the following particulars of the capital asset converted into stock-in-trade: **(a)** Description of capital asset; **(b)** Date of acquisition; **(c)** Cost of acquisition; **(d)** Amount at which the asset is converted into stock-in-trade.		For furnishing the particulars required under this clause, the provisions of section 2(47) [meaning of transfer], section 45(2) [conversion of capital asset into stock-in-trade deemed to be transfer of the previous year in which conversion took place], proviso below to section 47(iv) & (v) transfer of capital asset by a holding company to its subsidiary or vice versa not considered as transfer by virtue of clause (iv) or (v) of section 47 if condition specified thereunder are satisfied. However, such benefit would not be available where capital asset is transferred by a subsidiary company to its holding company or vice versa as stock-in trade] and section 47A [Where transfer of capital asset by a holding company to its subsidiary or vice versa not considered as transfer by virtue of clause (iv) or (v) of section 47 but such capital asset is converted into stock-in trade within eight years from the date of transfer, such capital gain would be deemed to be capital gains of the previous year in which such transfer took place] have to be kept in mind. The particulars to be stated under this clause should be furnished with respect to the previous year in which the capital asset have been converted into stock in trade. The clause does not require the details regarding the taxability of capital gains or business income arising from deemed transfer. The description of the capital asset is required to be mentioned, for example, shares, securities, land, building, plant, machinery etc. For ascertaining the correct date, the tax auditor will have to refer the accounts of the financial year in which such capital assets is acquired. The date is important to determine whether assets is long term capital assets or short term capital assets. In this clause the cost of acquisition as per books of accounts is to be mentioned. In case of depreciable assets, the carrying cost appearing in the books will be written down value. Bu the value to be reported should be the original cost of acquisition. The amount recorded in the books at which the asset is converted into stock in trade should be stated. Such an amount may not be fair market value as per the date of conversion. The valuation of stock-in-trade is to be examined with reference to AS-2: Valuation of Inventories or Ind AS-2: Inventories, as applicable.
16	Amounts not credited to the profit and loss account, being -		
	(a)	The items falling within the scope of section 28;	Under this clause various amounts falling within the scope of section 28 which are not credited to the profit and loss account are to be stated.

			Example: A Ltd., a manufacturing company sponsored the Dubai trip of Mr. B, seller of construction material, along with his spouse, upon achieving of sales target set by the company. Neither any money received in the books, nor any expenses incurred through the books. The same is chargeable to tax as benefit or perquisite arising from business or profession by virtue of section 28(iv). Thus, the same is required to be reported though it is not credited to the profit and loss account.
	(b)	The proforma credits, drawbacks, refund of duty of customs or excise or service tax, or refund of sales tax or value added tax where such credits, drawbacks or refunds are admitted as due by the authorities concerned;	For this clause, the tax auditor should examine all relevant correspondence, records, assessee's particulars on portal o the department and evidence in order to determine whether any particular refund/claim has been admitted as due and accepted during the relevant financial year. The words 'admitted by the concerned authorities' would mean 'admitted by the authorities within the relevant previous year'. Credits/claims which have been admitted as due after the relevant previous year need not be reported here. If the assessee is following cash basis of accounting, it should be clearly reported by the auditor that acceptance of claim during the relevant year without actual receipt has no significance. Where such amounts have not been credited to the profit and loss account but netted against the relevant expenditure/ income heads, such fact should be clearly brought out.
	(c)	Escalation claims accepted during the previous year;	The escalation claim accepted during the previous year but not credited to the profit and loss account has to be stated here. Escalation claims would normally arise pursuant to a contract (including contracts entered into in earlier years), if so permitted by the contract. Only those claims to which the other party has signified unconditional acceptance could constitute accepted claims. Mere making of claims by the assessee or claims under negotiations or claims which are sub-judice [CIT v. Hindustan Housing & Land Development Trust Ltd. [1986] 161 ITR 524 (SC)] cannot constitute claims accepted.
	(d)	Any other item of income:	Any other item which the auditor considers as an income based on his verification of records and other documents and information gathered, but which has not been credited to the profit and loss account. If employees contribution to any provident fund or superannuation fund or any other fund is not paid on or before the due date under the respective Act, then it becomes income of the assessee. Such information is to be stated in this clause. Similar information is also furnished in clause 20(b) of Form 3CD, therefore, cross referencing may be required. **Note** – In giving the details under sub-clauses (c) and (d), due regard should be given to AS-9: Revenue Recognition / Ind AS 115: Revenue from Contracts with Customers, as applicable.
	(e)	Capital receipt, if any	The tax auditor should use his professional expertise and judgement in determining whether a receipt is capital or revenue. The capital receipts are not generally credited to the profit and loss account, hence, the auditor should take enough care to check out any transaction generating receipts of capital nature.

			Note – The information under sub-clauses (a), (d) and (e) of clause (16) is to be given with reference to the entries in the books of account and records made available to the tax auditor for the purpose of tax audit under section 44AB. The auditor should check thoroughly the bank account of the assessee and also the cash book find out any credits regarding any income earned but not credited to the profit and loss account of the assessee. The tax auditor may obtain a management representation in writing from the assessee in respect of all items falling under this clause The tax auditor may use his professional expertise and judgement in determining whether the receipt is taxable or not for the purpose of reporting under sub-clauses (a) to (d) of clause 16 and may report in the observation para of audit report, disclosing the basis of the same.
17		Where any land or building of both is transferred during the previous year for a consideration less than value adopted or assessed or assessable by any authority of the State Government referred to in section 43CA or 50C, please furnish details of property, consideration received or accrued and value adopted or assessable.	Where any land or building or both is transferred during the previous year for a consideration less than the value adopted or assessed or assessable by any authority of a State Government referred to in section 43CA or 50C, the auditor is required to furnish the following details: **(a)** Details of property **(b)** Consideration received or accrued **(c)** Value adopted or assessed or assessable The tax auditor has to furnish the details about the nature of property i.e., whether the property transferred during the year is land or building along with the address of such property. The tax auditor should obtain the list of all properties transferred by the assessee during the previous year. The tax auditor has to furnish the amount of consideration received or accrued, during the relevant previous year of audit, in respect of land/building transferred during the year as disclosed in the books of account of the assessee. For reporting the value adopted or assessed or assessable, the tax auditor should obtain from the assessee relevant information with regard to the sale of Land or Building or both during the previous year. In case the property is not registered, the auditor may verify relevant documents from relevant authorities or obtain third party expert like lawyer, solicitor representation to satisfy the compliance of section 43CA/section 50C. In exceptional cases where the auditor is not able to obtain relevant documents, he may state the same through an observation in his report in Form 3CA/CB.
18		Particulars of depreciation allowable as per the Income Tax Act, 1961 in respect of each asset or block of asset, as the case may be, in the following form:-	With respect to this clause, the tax auditor is required to examine the following: **(a)** Classification of the asset **(b)** Classification thereof to a block **(c)** actual cost or written down value **(d)** The date of acquisition and the date on which it is put to use **(e)** The applicable rate of depreciation **(f)** The additions / deductions and dates thereof **(g)** Adjustments required – specified as well as on account of sale, etc.

	(a)	Depreciation of asset/block of assets	For the purpose of determining the rate of depreciation, the tax auditor has to examine the classification of the assets into various blocks. The tax auditor should ensure that the classification as made by the assessee is in consonance with legal principles. In this connection, he should traverse through judicial pronouncements as well as through the past assessment history of the assessee, and upon an analysis thereof, if he comes to the conclusion that the matter is not free from doubt or controversy, he has to indicate the fact in his report by way of suitable qualification. It may also be necessary to rely upon technical data for determining the proper classification of the block. Since the tax auditor is not a technical expert, he has to obtain suitable certificate from concerned experts.
	(b)	Rate of depreciation	Once the classification has been ascertained and checked properly, the rates applicable as per the Income-tax Rules, 1962 follow as a natural corollary. The tax auditor must have due regard to the Income-tax Rules, 1962, relevant clarifications from the Department and judicial decisions. Under sub-clauses (a) to (b), information in respect of description of assets, block of classifiable and the rate of depreciation are to be stated. This will include information about the existing assets. In respect of the existing assets, the computation of depreciation would involve stating the opening written down value of the block of assets which should be taken from the relevant income-tax records. The tax auditor should ensure the opening block of assets matches with the income-tax return filed for the immediately preceding previous year.
	(c)	Actual cost or written down value, as the case may be.	For the purpose of determination of actual cost, the tax auditor has to be guided by the relevant legal provisions. Since determination of actual cost has got accounting implications, he can rely on the relevant Accounting Standards and Guidance Notes. Depreciation is also allowable on intangible assets like know-how, patents, copyrights, trademarks, licenses, franchises or any other business or commercial rights of similar nature for which the assessee might have incurred costs. From 01.04.2021, intangible asset being goodwill does not qualify for depreciation. The tax auditor should examine this and the basis on which the cost of such intangible assets has been arrived at.
	(ca)	***Adjustment made to the written down value under the proviso to section 115BAC(3***	***As per the second proviso to section 115BAC(3), where individual/ HUF/ AoP/ Bol/Artificial Juridical Person has not opted out of the aforesaid section and the income-tax on his/its total income is computed under aforesaid section and there is a depreciation allowance in respect of a block of asset from an earlier assessment year attributable to additional depreciation u/s 32(1)(iia), which has not been given full effect prior to A.Y. 2024-25 and which is not allowed to be set-off in the A.Y.2024-25 due to section 115BAC corresponding adjustment shall be made to the WDV of such block of assets as on 1.4.2023 in the prescribed manner i.e., the WDV as on 1.4.2023 will be increased by the unabsorbed additional depreciation not allowed to be set-off.***

			Adjustment to written down value in relation to depreciation allowance as provided under the second proviso to section 115BAC(3) required to be disclosed in Form 3CD
	(d)	Additions/ deductions during the year with dates; in the case of any addition of an asset, date put to use; including adjustment on account of: (i) Central Value Added Tax credits claimed and allowed under the Central Excise Rules, 1944, in respect of assets acquired on or after 1st March 1994, (ii) change in rate of currency, and (iii) subsidy or grant or reimbursement, by whatever name called.	In case an asset is purchased in foreign currency on deferred payment basis, the auditor should verify the actual cost on the basis of section 43A. Addition or reduction will be limited to the exchange difference actually paid during the previous year. The tax auditor is required to verify that the adjustments in the cost of fixed assets on account of changes in the rate of exchange of currency in the schedule of fixed assets prepared for computation of deprecation as per Income-tax Rules are in accordance with the provisions of section 43A and information about such adjustment is provided under sub-clause (ii) of clause 18(d) of Form 3CD. The provisions of Section 36(1) (iii) and Explanation 8 to section 43(1) i.e., interest related to the period after asset first put to use should not form part of actual cost of such asset, should be kept in mind for capitalization of interest to the cost of assets. Explanation 10 to section 43(1) provides that where a portion of the cost of an asset acquired by the assessee has been met directly or indirectly by the Central Government or a State Government or any authority established under any law or by any other person, in the form of a subsidy or grant or reimbursement (by whatever name called), then, so much of the cost as is relatable to such subsidy or grant or reimbursement shall not be included in the actual cost of the asset to the assessee. Subsidy in respect of asset acquired in any earlier year(s) and received during the year has to be deducted from the written down value of such assets in the year of receipt. Any expenditure for acquisition of any asset etc. exceeding Rs.10,000 otherwise than account payee cheque/draft on a bank or use of electronic clearing system, then such expenditure shall be ignored for determining actual cost. The tax auditor should also verify that the amount of GST input credit deducted from cost of capital goods tallies with the credit availed on this account. The additions/deductions during the year have to be reported, with dates. Where any addition was made, the date on which the asset was put to use is to be reported. In respect of deductions, the sale value of the asses disposed of along with dates should be mentioned. To ascertain when the asset has been put to use, the tax auditor could call for basic records like production records/ installation details/ excise records/ service tax records/ goods and service tax records / records relating to power connection for operating the machine, title deeds or building completion certificate etc. in case of immovable assets and any other relevant evidence. In the absence of any specific documentation with regard to the effective date from which the asset is put to use, he could get a representation letter from the management, in respect of the assets acquired.
	(e)	Depreciation allowable	The amount of depreciation and written down value of the block at the year-end is calculated correctly by taking the relevant figure at

	(f)	Written down value at the end of the year.	the beginning of the year and adjusted in respect of the additions/deductions during the year. The tax auditor shall check the WDV at the beginning of the year in respect of each block of assets. Whenever a claim for depreciation involves any reliance on any judgement or opinion or other contentions (as to its classification, rate applicable, cost, date on which put to use etc.), it may be advisable for tax auditor to disclose full particulars thereof and the basis on which the depreciation allowable has been determined and vouched by him.
19		Amounts admissible under sections: 33AB, 33ABA, 35(1)(i), 35(1)(ii), 35(1)(iia), 35(1)(iii), 35(1)(iv), 35(2AA), 35(2AB), 35ABB, 35ABA, 35AD, 35CCA, 35CCC, 35CCD, 35D, 35DD, 35DDA, 35E ***and any other relevant section***	In case the assessee has obtained a separate Audit Report for claiming deductions under any of these sections, he must make a reference to that report while giving the details under this clause. The Tax Auditor should indicate the amount debited to the Profit & Loss Account and the amount actually admissible in accordance with the applicable provisions of law. The amount not debited to the Profit & Loss Account but admissible under any of the sections mentioned in the clause have to be stated. For example, section 33AB and 33ABA allow deduction in respect of amount deposited in designated account for specified purposes which as per the accounting principles are not debited to the Profit and Loss A/c. The tax auditor should verify the claim of deductions by examining whether the assessee is eligible for deduction under the relevant section, the deduction is correctly computed and whether the assessee fulfills all the conditions specified in the relevant section for allowability of deduction. The tax auditor should also ensure the eligibility of the expenditure/ payment for deduction and compliance of the conditions prescribed in the sub-section including approval from the relevant/ prescribed authority, notification issued by the Central Government, any other guideline circular etc. issued in this behalf. Tax auditor should also refer Rule 6 of Income-tax Rules, 1962. In case the auditor relies on a judicial pronouncement, he may mention the fact in his observations para provided in Form No.3CA or Form No.3CB, as the case may be.

20	**(a)**	Any sum paid to an employee as bonus or commission for services rendered, where such sum was otherwise payable to him as profits or dividend	Section 36(1)(ii) provides for deduction of any sum paid to an employee as bonus or commission for services rendered where such sum would not have been payable to him as profit or dividend, if it had not been paid as bonus or commission. The tax auditor should obtain the list of employees eligible for bonus or commission for services rendered with amounts and check the basis of calculation of bonus or commission.
	(b)	Details of contributions received from employees for various funds as	Section 2(24)(x) includes within the scope of income any sum received by the assessee from his employees as contributions to any provident fund or superannuation fund or ESI fund or any other fund for employees welfare.

		referred to in section 36(1)(va) namely, nature of fund, sum received from employees, due date for payment, actual amount paid and the actual date of payment in the concerned authorities.	Section 36(1)(va) permits deduction of any sum received by the assessee from any of his employees to which the provisions of section 2(24)(x) are applicable, if it is credited by the assessee to the account of the employees in the relevant statutory fund on or before the due date. In respect of such sum, if any extension is granted by respective authorities, it shall be considered. This can be taken into consideration for determining the due date of payment. Under this clause, details regarding the nature of fund, details of amount deducted, due date for payment, actual amount paid and actual date of payment to the concerned authorities in respect of provident fund, ESI fund or other staff welfare fund have to be stated. Under this clause, the requirement is only in respect of the disclosure of the amount and the tax auditor is not expected to express his opinion about its allowability or otherwise. The tax auditor should verify the employment/ contract details of the employees so as to ascertain the nature of payments. The tax auditor should get a list of various contributions recovered from the employees which come within the scope of this clause and the date on which it is deposited. He should also verify the documents relating to provident funds and other welfare funds. He should verify the agreement under which employees have to make contributions to provident fund and other welfare funds. The ledger account of contributions from employees should be reviewed; the due dates of payments and the actual dates of payment should be verified with the evidence available. In view of the voluminous nature of the information, the tax auditor can apply test checks and compliance tests to satisfy himself that the system of recovery and remittance is proper.
21	**(a)**	Please furnish the details of amounts debited to profit and loss account, being in the nature of capital, personal, advertisement expenditure, expenditure incurred at clubs, 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), expenditure incurred to	- Capital expenditure is not allowable in computing business income unless specifically provided in any sections of the Act. The details of capital expenditure, if any, debited to the profit and loss account should be maintained in a classified manner stating the amounts under various heads separately. The total amount of capital expenditure debited to the profit and loss account is to be reported under this clause in the e filing portal. Personal expenses debited to the profit and loss account are to be specified under this sub-clause as they are not deductible in the computation of total income under section 37. **Note** – Section 143(1)(e) of the Companies Act 2013 specifically requires the auditor to inquire whether personal expenses have been charged to revenue account. In the case of a person whose accounts of the business or profession have been audited under any other law, the tax auditor will have to report in respect of personal expenses debited in the profit and loss account. In the case of a person who carries on business or profession but who is not required by or under any other law to get his accounts audited, the tax auditor will have to verify the personal expenses. If debited in the expenses account while conducting the audit and verify the amount of expenses mentioned under this clause.

		compound an offence under any law for the time being in force, in India or outside India, 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.	- Section 37(2B) provides that no allowance shall be made in respect of expenditure incurred by an assessee on advertisement in any souvenir, brochure, tract, pamphlet or the like published by a political party. Therefore, the expenditure of this nature should be segregated and reported under this clause. The auditor may also keep in mind the provisions of section 80GGB and 80GGC which allow deduction in respect of contribution made by corporate and non-corporate assesses respectively to political parties and electoral trust, as required to be reported by him clause 33 of Form No.3CD. - The amount of payments made to clubs by the assessee during the year being cost for club services and facilities used should be indicated under this clause. The fact whether such expenses are incurred in the course of business or whether they are of personal nature should be ascertained. If they are personal in nature, they are to be shown separately under Clause 21(a) referred to earlier. - This clause requires separate reporting of penalty or fine for violation of any law for the time being in force, and any other penalty or fine. The tax auditor should obtain in writing from the assessee, the details of all payments by way of penalty or fine for violation of any laws have been made and paid or incurred during the relevant previous year and how such amounts have been dealt with in the books of accounts produced for audit. This clause covers only penalty or fine for violation of law and not the payment or fine for violation of law and not the payment or contractual breach or liquidator damages. The tax auditor should keep in mind the difference between the amount prohibited by law and the amount paid which is compensatory in nature under the relevant statue. Supreme Court in Mahalakshmi Sugar Mills Co. Ltd. vs CIT 123 ITR 429 and CIT vs Hyderabad Allwyn Metal Works Ltd 172 ITR 113 (SC) wherein it was held that when an amount paid by the assessee could be regarded as compensatory in character then it would be allowable u/s 37(1) and if it were penal in nature it was not allowable. The auditor is not required to express any opinion as to the allowability or otherwise of the amount of penalty or fine for violation of law. He is only required to give the details of such items as have been charged in the books of accounts. **Example**: XYZ Ltd. purchased goods from AP Ltd. (medium enterprise) having turnover of Rs.300 crores with a commitment to pay for the same within 30 days and in case of any delay, XYZ Ltd will pay interest @ 12% p.a. for the same. Whether such interest is required to be reported here or not? The term used in this point is expenditure by way of penalty or fine for violation of any law for the time being in force etc. Since this is not a penalty for violation of any law, the payment of interest by XYZ Ltd is not required to be reported here. However, in case AP Ltd. is a micro or small enterprise, such interest is required to be reported in Clause 22.
	(b)	Amounts inadmissible under section 40(a)(i)/(ia)	Section 40(a) specifies certain amounts which shall not be deducted in computing the income chargeable under the head "Profits and gains of business or profession". Under section 40(a)(i), 100%

		with details of payment on which tax has not deducted or after deduction, tax has not been paid on or before the due specified under section 139(1) and the amount inadmissible under section 40(a)(iib), 40(a)(iii), 40(a)(iv), 40(a)(v)[3]	disallowance attracted with respect to sum paid or payable to a non-resident and under section 40(a)(i)(ia) 30% disallowance attracted with respect to sum paid or payable to a resident payee on tax is deductible at source and such tax has not been deducted or after deduction has not been paid on or before the due date of furnishing return of income under section 139(1). Under this clause, the tax auditor is required to report the details f payment on which tax is not deducted at source and also the details of payment on which tax has been deducted but not paid during the previous year or before due date of filing return of income specified under section 139(1). The tax auditor is advised to give details under this clause for each individual payee. Sub clause 40(a)(iib) provides that (a) any amount paid by way of a royalty, license fees, service fees, privilege fees, service charge or any other fees or charge by whatever name called, which is levied exclusively on; or (b) which is appropriated, directly or indirectly from, a State Government undertaking by the State Government is inadmissible expenditure. The Tax auditor should verify any such payment made by State Government undertaking to the State Government and should report under clause. The amount of salary which is paid outside India or to a non-resident in respect of which tax has not been deducted but which is required to be deducted under the applicable provisions of the Income-tax Act, 1961 or tax has not been paid after deduction is not allowed as a deduction u/s . 40(a)(iii) and the same is required to be reported under this sub-clause. This information is required to be given for each individual payee. The tax auditor should also furnish the date of payment along with the name and address of the payee. 40(a)(iv) provides that any payment to a provident or other fund established for the benefit of employees of the assessee shall be disallowed, unless the assessee has made effective arrangements to secure that tax shall be deducted at source from any payments made from the fund which are chargeable to tax under the head “Salaries”. The tax auditor is also required to report the same under this sub-clause. Any tax paid by an employer or non-monetary perquisites is exempt in the hands of the employee as per section 10(10CC). Further, as per section 40(a)(v) the tax paid by the employer or non-monetary perquisites provided to employees shall not be deductible in computing profits and gains from business or profession. The tax auditor is required to report the amount of such tax paid by the employer, in case it is debited to the profit and loss account this sub-clause. For this purpose the tax auditor may examine the books of accounts and tax deduction returns. In case where the assessee submits that any sum debited to profit and loss account is not inadmissible under the provisions of section 40(a), the tax auditor may exercise his judgement in the light of the applicable laws and report accordingly about the compliance of this provision. The tax auditor may rely upon the judicial pronouncements while taking any particular view. In case of

			difference of opinion between the tax auditor and the assessee, the tax auditor should state both the view points. In case of voluminous nature of the information, the tax auditor can apply materiality principles, tests checks and compliance tests for verifying the information required to be provided under this clause. **Note**: Case Studies on the ethical aspects in relation to tax audit under section 44AB and other Audit Reports are presented at the end of this Chapter. Case Study 1 pertains to reporting under Clause 21(b)

	(c)	Amounts debited to profit and loss account being interest, salary, bonus, commission or remuneration inadmissible under section 40(b)/40(ba) and computation thereof;	Tax auditor is required to state the inadmissible amount under section 40(b)/40(ba) and such information is also required to be given in respect of interest/ remuneration paid to member of an AOP/BOI. The inadmissible remuneration, salary, bonus or commission under section 40(b) has to be determined on the basis of the provisions of sub-clause (v) of section 40(b) read with the limits laid down therein. Such limits are laid down as a percentage of book profits. It is advisable for the auditor to obtain from the assessee a detailed working of the inadmissible remuneration, salary, bonus or commission under section 40(b). He has to verify the computation from the instrument or agreement or any other document evidencing partnership including any supplementary documents or other documents effecting changes which would affect the computation of the inadmissible amounts under section 40(b). Under section 40(b)(iv), any payment of interest to any partner which is authorized by and is in accordance with, the terms of the partnership deed and relates to any period falling after the date of such partnership deed in so far as such amount exceeds the amount calculated at the rate specified under the Income-tax Act from time to time will not be admissible as a deduction. Section 40(ba) lays down that any interest or remuneration paid by an AOP to its members hall not be allowed as a deduction to the AOP. In order to determine the amount inadmissible under section 40(b), the tax auditor should obtain the computation of total income from the assessee. The tax auditor may note that the information required to be reported is the amount of inadmissible expenditure as per section 40(b)/40(ba) and not the total amount debited in the profit and loss account.
	(d)	Disallowance under section 40A(3) / deemed income under section 40A(3A) [On the basis of the examination of books of account and other relevant	Disallowance would be made if the payment or aggregate of payments, exceeding Rs.10,000 (Rs.35,000 in case of plying, hiring or leasing of goods carriage) is made to a person in a day otherwise than by an account payee cheque drawn on a bank or account payee bank draft or use of electronic clearing system through a bank account or through such other electronic mode as may be prescribed. However, no disallowance would be attracted in respect of cases and circumstances prescribed under Rule 6DD.

		documents/ evidence, whether the expenditure covered under section 40A(3)/40A (3A) read with Rule 6DD were made by account payee cheque drawn on a bank or account payee bank draft or use of electronic clearing system though a bank account or through such other electronic mode as may be prescribed. If not, please furnish the details of date of payment, nature of payment, amount and name and PAN or Aadhar number of the payee, if available].	The tax auditor should obtain a list of all cash payments in respect of expenditure exceeding the prescribed limit under section 40A(3A). The list should be verified by the tax auditor with the books of accounts in order to ascertain whether the conditions for specific exemption granted under Rule 60D are satisfied. Details of payments which do not satisfy the above conditions should be stated under this clause. Certain audit tools are available to find out such payments expeditiously and accurately. These tools may be employed in case data is voluminous. Practically, it may not be possible be verify each payment, reflected in the bank statement, as to whether the payment has been made through account payee cheque, demand draft or use of electronic clearing system through a bank account or through such other electronic mode as may be prescribed, it is thus desirable that the tax auditor should obtain suitable certificate from the assessee to the effect that the payments for expenditure referred to in section 40A(3) and section 40A(3A) were made by account payee cheque drawn on a bank or account payee bank draft or use of electronic clearing system through a bank account or through such other electronic mode as may be prescribed, as the case may be. Where the reporting has been done on the basis of the certificate of the assessee, the fact has to be reported as an observation in para 3 of Form 3CA and para 5 of Form 3CB, as the case may be. The tax auditor, in his report, may comment on such violation as under:- "It is not possible for me/us to verify whether payments in excess of Rs.10,000 have been otherwise than by account payee cheque or bank draft or prescribed electronic modes, as the necessary evidence is not in the possession of the assessee". **Note**: Case Studies on the ethical aspects in relation to tax audit under section 44AB and other Audit Reports are presented at the end of this Chapter. Case Study 2 pertains to reporting under Clause 21(d).
	(e)	Provision for payment of gratuity not allowable under section 40A(7);	As per section 40A(7), no deduction shall be allowed in respect of any provision made by the assessee for the payment of gratuity to his employees on their retirement or on termination of their employment for any reason. The deduction, however, shall be allowed in relation to any provision made by the assessee for the purpose of payment of a sum by way of contribution towards an approved gratuity fund or for the purpose of payment of gratuity that has become payable during the previous year. The tax auditor should call for the order of the Principal Commissioner of Income-tax/ Commissioner of Income-tax granting approval to the gratuity fund, verify the date from which it is effective and also verify whether the provision has been made as provided in the trust deed.
	(f)	Any sum paid by the assessee as an	Under section 40A(9), any payment made by an employer towards the setting up or formation of or as contribution to any

		employer not allowable under section 40A(9);	fund, trust, company, association of person, body of individuals, society registered under Societies Registration Act or other institutions is not allowable. Tax Auditor shall maintain detailed working papers documenting the factual nature of such expenses incurred and debited to the Profit and Loss for the previous year under consideration which are considered disallowable u/s 40A(9). Tax Auditor should get the relevant content in working papers prepared for such disallowance duly confirmed by the assessee as a necessary safeguard. If any such contribution is made by the assessee in a capacity other than that of an employer, then such contribution is not to be considered as disallowable u/s 40A(9) of the Income-tax Act, 1961. Thus, the Tax Auditor should carefully examine the capacity of assessee while making such contribution before reaching any conclusions for allowing or disallowing such contribution. It may be noted that section 40A(9) allows deduction of any contributions made as an employer towards recognized provident fund or approved superannuation fund or notified pension scheme or approved gratuity fund or as required by or under any other law for the time being in force. Thus, any contribution made to Employees' Welfare Co-Op Society will not be allowed as a deduction in the case of the employer company under section 40A(9), unless such contribution is required by or under any other law for the time being in force. Instruction: No.1799, dated 3-10-1988.
	(g)	Particulars of any liability of a contingent nature;	The assessee is required to furnish particulars of any liability of a contingent nature debited to the profit and loss account. The tax auditor, for verifying the details of contingent liability debited to the profit and loss account, may conduct a detailed scrutiny of various account heads e.g., outstanding liabilities, provision etc., if required Accounting policy followed and disclosed would be helpful in ascertaining and verifying details. The tax auditor may also verify reporting under CARO and disclosure in the Notes on accounts. ICDS X, Para 9 provides that Contingent liability shall not be deductible. Tax auditor should note that the Contingent liability shown in Notes to Accounts is not required to be reported, as the amounts debited to Profit and Loss account are required to be reported in this sub-clause.
	(h)	Amount of deduction inadmissible in terms of section 14A in respect of the expenditure incurred in relation to income which	The expenditure which is relatable to the income which does not form part of total income is not allowed as deduction in terms of Section 14A of the Act. Rule 8D lays down the method of determining the amount of expenditure in relation to income not includable in total income. An assessee may claim that no expenditure has been incurred by him in relation to income which does not form part of total income, even in such case he provision of section 14A will apply.

		does not form part of total income;	The tax auditor has to verify the amount of inadmissible expenditure as estimated by the assessee with reference to established principles of allocation of expenditure based on logical parameters like proportion of exempt and taxable income recorded, turnover, man hours spent to earn the relevant income etc. For allocation of interest between taxable and nontaxable income, the quantum of investment, the period and the rate of interest are generally the relevant factors to be considered. It is primarily the responsibility of the assessee to furnish the details of amount of deduction inadmissible in terms of section 14A i.e., in respect of the expenditure incurred in relation to income, which does not form part of the total income. The tax auditor has to examine the details of amount of inadmissible expenditure as furnished by the assessee. While carrying out such examination the tax auditor is entitled to rely on the management representation.
	(i)	Amount inadmissible under the proviso to section 36(1)(iii)	The provisions of section 36(1)(iii) provide that the amount of interest paid in respect of capital borrowed for the purposes of business or profession would be allowed as a deduction in computing the income referred to in section 28. The proviso thereunder provides that any amount of the interest paid, in respect of capital borrowed for acquisition of an asset (whether capitalized in the books of account or not) for any period beginning from the date on which the capital was borrowed for acquisition of the asset till the date on which such asset was put to use, shall not be allowed as a deduction. The tax auditor, while determining the admissible/inadmissible amount under section 36(1)(iii) should also keep in mind the requirements of ICDS X relating to borrowing cost.
22		Amount of interest inadmissible under section 23 of the Micro, Small and Medium Enterprises Development Act, 2006 ***or any other amount not allowable under section 43B(h)***	The tax auditor is required to state the amount of interest inadmissible under section 23 of Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act). MSMED is an Act to provide for facilitating the promotion and development and enhancing the competitiveness of micro, small and medium enterprises. **Meaning of Micro and Small enterprise** **(1) In case enterprise in engaged in the manufacture or production of goods pertaining to any industry** **Micro enterprise** – Where the investment in plant and machinery ≤ Rs.25 lakhs **Small enterprise** – Where the investment in plant and machinery > Rs.25 lakhs ≤ Rs.5 crores **Note** – For calculating investment in plant and machinery, the cost of pollution control, research and development, industrial safety devices and such notified items shall be excluded. **(2) In case enterprise is engaged in providing or rendering services** **Micro enterprise** – Where the investment in equipment ≤ Rs.10 lakhs **Small enterprise**

		– Where the investment in equipment > Rs.10 lakhs ≤ Rs.2 crores Section 23 of the MSMED Act lays down that an interest payable or paid by the buyer, under or in accordance with the provisions of this Act, shall not for the purposes of the computation of income under the Income-tax Act, 1961 be allowed as a deduction. The inadmissible interest has to be determined on the basis of the provisions of the MSMED Act. Section 16 of the MSMED Act provides for the date from which and the rate at which the interest is payable. Accordingly, where a buyer fails to make payment of the amount to the supplier, being micro and small enterprise, as required under section 15, the buyer shall, notwithstanding anything contained in any agreement between the buyer and the supplier or any law for the time being in force, be liable to pay compound interest with monthly rests to the supplier on that amount from the appointed date or, as the case may be, from the date immediately following the date agreed upon, at three times of the bank rate notified by the Reserve Bank. Section 24 of MSMED Act provides that sections 15 to 23 shall have effect notwithstanding anything inconsistent therewith contained in any other law for the time being in force. Sections 15 to 24 of the MSMED Act make a buyer liable to pay interest but they, by themselves, do not require the buyer to make payment to the supplier. However, as payment of such interest is considered as penal in nature, no deduction is allowed under section 37 of the Income Tax Act, 1961. The tax auditor, while reporting in respect of clause 22, should: **(a)** seek information regarding status of the enterprise i.e., whether the same is covered under the MSMED Act, 2006. **(b)** cross check the disclosure made in the financial statements, since Section 22 of the MSMED Act, 2006 requires disclosure of information. **(c)** obtain a full list of suppliers of the assessee which fall within the purview of the definition of "Supplier" under section 2(n) of the Micro, Small and Medium Enterprises Development Act, 2006. It is the responsibility of the auditee to classify and identify those suppliers who are covered by this Act. **(d)** review the list so obtained. **(e)** verify from the books of account whether any interest payable or paid to the buyer in terms of section 16 of the MSMED Act has been debited or provided for in the books of account. **(f)** verify the interest payable or paid as mentioned above on test check basis. **(g)** verify the additional information provided by the auditee relating to interest under section 16 in his financial statement. If no test check basis, the tax auditor is satisfied, then the amount so debited to the profit and loss account should be reported under clause 22. In order to promote timely payments to micro or small enterprises, the Finance Act, 2023 include payments made to such enterprises within the ambit of section 43B of the Income-tax Act.

		Accordingly, a new clause (h) in section 43B has been inserted w.e.f. A.Y. 2024-25 to provide that any sum payable by the assessee to a micro or small enterprise beyond the time limit specified in section 15 of the MSMED Act shall be allowed as deduction only on actual payment. **Note** – Section 23 of MSMED AC specifically prohibits the assessee from claiming the deduction in respect of interest paid to MSME. Thus, no deduction would be allowed in respect of such interest even if such sum is actually paid by the assessee. However, any sum payable (not being interest referred under section 23 of MSMED Act, 2006) by the assessee to a micro or small enterprise (being a supplier) beyond the time limit specified in section 15 of MSMED Act, 2006 shall be allowed as deduction only on actual payment.
23	Particulars of payments made to persons specified under section 40A(2)(b)	The section enjoins on the Assessing Officer, the power to fix the quantum of disallowance. Under this clause, the particulars of payments stated to be made to persons covered under section 40A(2)(b) should be examined. The tax auditor in this connection: **(a)** Obtain full list of specified persons as contemplated in this section. **(b)** Obtain details of payments made to the specified persons. **(c)** Scrutinise all items of payments to the above persons. **(d)** Call for all the contracts or agreements entered into by the assessee and list out the contracts and agreements entered into with the specified persons and segregate the items of payments made to them under these agreements. Where the transactions are voluminous or the list contains several names, scrutiny to be made to the extent possible. In that case, reliance may be made on the information supplied by the client with adequate disclosure in the report.
24	Amounts deemed to be profits gains under section 33AB or 33ABA.	Section 33AB allowed deduction in respect of Tea Development Account, Coffee Development Account and Rubber Development Account. The auditor is required to report the deemed income chargeable as profits and gains of business under the circumstances specified in section 33AB(4)/(5)/(7)/(8). Section 33ABA allowed deduction in respect of Site Restoration Fund. The auditor is required to report the deemed income chargeable as profits and gains of business under the circumstances specified in section 33ABA(5)/(7)/(8). Tax auditor has to verify the details regarding the deposit account and site restoration account. He also has to verify the accuracy of details given by the assessee by scrutinizing the books of account and other relevant documents and evidence. He also has to verify whether the assets acquired through deposit account is not sold or transferred before expiry of eight years from the date of acquisition. Verify the manner of utilization of amount withdrawn from the specified reserve account.
25	Any amount of profit chargeable to tax under section 41	The tax auditor should obtain a list containing all the amounts chargeable under section 41 with the accompanying evidence, correspondence etc. He should examine the past records to satisfy

		and computation thereof.	himself about the correctness of the information provided by the assessee. The tax auditor has to state the profit chargeable to tax under this section. This information has to be given irrespective of the fact whether the relevant amount has been credited to the profit and loss account or not. The computation of the profit chargeable under this clause is also to be stated. The tax auditor should check whether amounts which have been written back in respect of trading liability by way of remission or cessation thereof or otherwise, is credited to Profit & Loss account. If any such liability credited to profit and loss account is already credited to profit and loss account is already offered to tax in any prior period, the same shall not, once again, be considered as income in the year in which it is so credited. In case the amount given in this clause regarding section 41 of the Act is not routed through profit and loss account or income and expenditure account, the auditor may include the said fact in the observation para of the audit report.
26		In respect of any sum referred to in clauses (a), (b), (c), (d), (e), (f) or (g) of section 43B, the liability for which:-	As per section 43B, deduction in respect of certain expenditure is allowable only on the basis of actual payment made within the time limits specified in section 43B. 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. If the assessee is maintaining its books of 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 and the return of income for the earlier assessment years so that the information about the aforesaid payments made in the subsequent year can be furnished. The tax auditor should clearly distinguish the liability incurred during the year in respect of all the specified sums for the liability that pre-existed on the first day of the relevant previous year. **Note** – In order to promote timely payments to micro and small enterprises, the Finance Act, 2023 include payments made to such enterprises within the ambit of section 43B of the Income-tax Act. Accordingly, a new clause (h) in section 43B has been inserted w.e.f. A.Y. 2024-25 to provide that any sum payable by the assessee to a micro or small enterprise beyond the time limit specified in section 15 of the MSMED Act shall be allowed as deduction only on actual payment. Section 15 of the Micro, Small and Medium Enterprises Development Act, 2006 mandates payment of goods or services to supplier, being a micro or small enterprises by the buyer on or before the date agreed upon between them in writing i.e., as per the written agreement, which cannot be more than 45 days. If
	(a)	Pre-existed on 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 during the previous year and was **(a)** paid on or before the due date for furnishing the return of income of the previous year under section 139(1); **(b)** not paid on or before the aforesaid date (State whether sales tax, customs duty, excise duty, or any other indirect	

		tax, levy, cess, impost, etc., is passed through the profit and loss account).	there is no such written agreement, the payment shall be made before the appointed day i.e., within 15 days. If the sum payable by the assessee to a micro or small enterprise is paid as per written agreement (maximum within 45 days) or within 15 days in case of no agreement, the deduction can be claimed on accrual basis if mercantile method of accounting is followed by the assessee. However, if the sum payable by the assessee to a micro or small enterprise is not paid as per written agreement or within 15 days in case of no agreement, the deduction would be allowed in the previous year in which it is actually paid. The deduction with respect payments mentioned in clause (a) to (g) would be allowed during the previous year, if actual payment is made on or before the due date of furnishing return of income. However, deduction in respect of payment made to micro or small enterprises referred in clause (h) beyond the time limit specified in section 15 of the MSMED Act, 2006 would be allowed only on actual payment basis.
27	**(a)**	Amount of Central Value Added Tax credits availed of or utilised during the previous year and its treatment in the profit and loss account and treatment of outstanding Central Value Added Tax credits in the accounts.	The amount of CENVAT/GST availed or utilized should be reported under this clause. In some cases, CENVAT/GST availed may be lesser than the CENVAT/GST credit utilized during the year on account of opening balance in CENVAT/GST account or vice versa as such it would be advisable, in order to avoid any misleading conclusion and inferences to report the opening and closing balances of CENVAT/GST. Regarding the reporting of accounting treatment of CENVAT/GST credit, the clause requires that its treatment in profit and loss account and the treatment of outstanding CENVAT/GST credit in the account have to be reported upon. The tax auditor should verify and maintain the information in his working papers for the purpose of reporting in the format given in the e-filing utility.
	(b)	Particulars of income or expenditure of prior period credited or debited to the profit and loss account	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. It may be noted that there is a difference between expenditure of any earlier year debited to the profit and loss account and the expenditure relating to any earlier year, which has crystalised during the relevant year. Material adjustments necessitated by circumstances which though related to previous period but determined in the current period, will not be considered as prior period items. In such cases, though the expenditure may relate to the earlier year, it can be considered as arising during the year on the basis that the liability materialized or crystalised during the year and

			such cases will not be reported under this clause. Similar consideration will apply in relation to income also.
29		Whether during the previous year the assessee received any consideration for issue of shares which exceeds the fair market value of the shares as referred to in section 56(2)(viib), if yes, please furnish details of the same.	Section 56(2)(viib) provides that where a company, not being a company in which the public are substantially interested receives in any previous year, from any person being a resident, any consideration for issue of shares that exceeds the face value of such shares, the aggregate consideration received for such shares as exceeds the fair market value of the shares shall be chargeable to income-tax under the head "Income from other sources". This clause is applicable where a company has issued shares during the year. This can be checked from the financial statement / share register / MCA records etc. The tax auditor has to check whether during the previous year the assessee received any consideration for issue of shares which exceeds the fair market value of the shares as referred to in section 56(2)(viib). Section 56(2)(viib) is applicable to companies in which public are not substantially interested therefore reporting under this clause to be done only for corporate assessee. **Note** – In case of doubt about the valuation of the assets, it is advisable to obtain the valuation report from the certified valuer.
29A	**(a)**	Whether any amount is to be included in income chargeable under the head 'income from other sources; as referred to in clause (ix) of sub-section (2) of section 56? (Yes/No)	This clause requires disclosure of whether any amount is chargeable to tax under section 56(2)(ix), and if so, to furnish prescribed details of such income. Section 56(2)(ix) provides for taxability as Income from Other Sources of any sum of money received as an advance or otherwise in the course of negotiations for transfer of a capital asset, if such sum is forfeited and the negotiations do not result in transfer of such capital asset. The auditor is not required to report any such forfeited amount if it is in respect of a personal capital asset, where such asset or the advance or the forfeiture is not recorded in the books of account relating to the business or profession.
	(b)	If yes, please furnish the following details: **(i)** Nature of income **(ii)** Amount thereof	If an advance has been received and has been outstanding for a considerable period of time or has become time barred, there is no requirement to report such amount unless and until it is forfeited by an act of the assessee. Forfeiture of amounts received as advance towards transfer of a capital asset is required to be reported under this clause. Any advances received and forfeited towards sale of stock-in-trade would be taxable under section 28(i) and would not be required to be reported since the amount would be credited to profit & loss account. The tax auditor should obtain a representation from the assessee regarding all such advances received towards transfer of capital assets which have forfeited during the year. He should examine whether any amount of such advances has been written back during the year and examine the basis of such write back was on account of an act of forfeiture.
28	**(a)**	Whether any amount is to be included as income chargeable under	This clause requires reporting as to whether any amount is to be included as income chargeable under the head 'income from other sources' as referred to in section 56(2)(x).

		the head 'Income from other sources' as referred to in clause (x) of sub-section (2) of section 56? (Yes/No)	Section 56(2)(x) provides that where any person receives in any previous year, from any person or persons money, immovable property, or other property and conditions stated in the clause are satisfied then, it is treated as income of the recipient. Receipt of assets, other than immovable property or assets included within the purview of property under the said section, would not be covered by the provisions of this section, and would, therefore not be required to be reported. For e.g., Stock-in-trade, not being a capital asset, is not covered by this provision. The tax auditor should obtain a representation from the assessee regarding any such receipts or profession and recorded in the books of account of such business or profession. He should also scrutinize the books of account to verify whether receipt of any such amount or asset has been recorded therein. Based on such verification, tax auditor has to consider whether the question is to be answered in affirmative or otherwise. In case answer to clause 29B(a) is yes, then tax auditor has to furnish the following details namely nature of income and amount. In case of nature of income, tax auditor should state whether the income is by way of receipt of any sum of money or from acquisition of any immovable property like land, building etc. or other than immovable property like shares and securities, jewellery, drawings, paintings etc.
	(b)	If yes, please furnish the following details: **(i)** Nature of income: **(ii)** Amount (in Rs.) thereof:	
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 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. The tax auditor should obtain from the assessee, particulars of any amount borrowed on hundi or any amount due thereon, including interest on the amount borrowed or repaid otherwise than by an account payee cheque. The tax auditor should check whether any such repayment / payment has been made otherwise than by an account payee cheque. If yes, list out the amount involved on a transaction-to-transaction basis indicating date of payment and mode of payment.
30A	**(a)**	Whether primary adjustment to transfer price, as referred to in sub-section (1) of 92CE, has been made during the previous year? (Yes/No)	This clause is requiring reporting of primary adjustments and various other details, for the purpose of making secondary adjustments under section 92CE. The tax auditor should obtain a certificate from the assessee as to what transfer pricing adjustments has been made during the previous year so that the primary onus should be with the management and then the same should also be verified from the tax records to check whether there is any such occurrence.
	(b)	If yes, please furnish the following details:-	Clause 30A requires reporting of whether primary adjustment to transfer price, as referred to in section 92CE(1), has been made during the previous year. Thus the tax auditor is required to verify whether any primary adjustment is 'made' in terms of section

		(i) Under which clause of sub-section (1) of 92CE primary adjustment is made? **(ii)** Amount (in Rs.) of primary adjustment **(iii)** Whether the excess money available with the associated enterprise is to be repatriated to India as per the provisions of sub-section (2) of section 92CE? (Yes/No) **(iv)** If yes, whether the excess money has been repatriated within the prescribed time (Yes/No) **(v)** If no, the amount (in Rs.) of imputed interest income on such excess money which has not been repatriated within the prescribed time.	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. For instance, an assessment order in relation to say, F.Y. 2020-21 may be passed in during F.Y.2022-23 wherein AO has made a primary adjustment and the same has been accepted by the taxpayer. Such primary adjustment may need to be reported in the tax audit report of F.Y.2022-23. The tax auditor then needs to report the relevant clause of section 92CE(1) under which the relevant adjustment falls, and the amount of adjustment. Under clause 30A(b)(iii), the requirement is to report whether the excess money available with the associated enterprise is required to be repatriated to India as per the provisions of section 92CE(2). In case any such primary adjustment has taken place, which requires repatriation of the excess money or part thereof, the tax auditor should verify whether the excess money has been received, and whether it has been received within the prescribed time. He should report accordingly. In case the excess money or part thereof has not been repatriated within the prescribed time, the imputed interest income, which would be the secondary adjustment, needs to be computed. Since the reporting is for the previous year, it is advisable for the tax auditor to ensure that the amount of interest imputed till the end of the previous year is furnished. In case the interest up to the date of filing of the tax audit report is given, it is advisable for the tax auditor to provide a break-up of the amount of interest imputed till end of the relevant previous year and for the period post the end of the relevant previous year ending with the date of filing tax audit report. It is possible that interest income may be imputed during the relevant previous year in connection with primary adjustment made during the earlier previous years. Such interest income arising from primary adjustment made in earlier year is also taxable during the previous year under consideration and will be included in the return of income of the concerned previous year. Thus, it may be advisable for the taxpayer to furnish and tax auditor to verify and report the information pertaining to such primary adjustments in respect of interest income which is chargeable u/s. 92CE(2). The tax auditor should obtain a certificate from the assessee, as to what transfer pricing adjustments have been made in the return(s) of income filed during the previous year, whether any advance pricing agreement was entered into during the previous year, whether any transfer pricing adjustment was made/ confirmed in an assessment order/appellate authority order passed during the previous year, or whether any agreement has been arrived at under a Mutual Agreement Procedure during the previous year. The tax auditor should also verify tax records to check whether there is

			any such occurrence. In this regard, the auditor should also obtain a prior management representation on the information obtained to be true and accurate, basis which he should make the disclosure in the tax audit report. Hence the primary onus should be with the management.
30B	**(a)**	Whether the assessee has incurred expenditure during the previous year by way of interest or of similar nature exceeding one crore rupees as referred to in sub section (1) of section 94B? (Yes/ No)	This clause requires reporting for the purposes of examining allowability of expenditure by way of interest in respect of debt issued by a non-resident. Associated Enterprises under section 94B while computing income under the head "Profits and gains from business and profession". The excess interest is to be calculated as the lower of total interest paid or payable in excess of 30% of earnings before interest, taxes, depreciation and amortization (EBITDA) of the borrower in the previous year or interest paid or payable to associated enterprises for that previous year. The excess interest which is disallowed, is allowed to be carried forward for a period of 8 assessment years following the year of disallowance, to be allowed as a deduction against profit and gain of any business in subsequent years, to the extent of maximum allowable interest expenditure under this section. In computing the limit of Rs.1 crore, only interest and expenditure of similar nature which is deductible while computing income under the head "Profits and Gains of Business or Profession" should be considered, and not interest deductible under any other head of income or interest which is otherwise not deductible. Therefore, any interest disallowable under section 14A, under the proviso to section 36(1)(iii), under section 40(a)(i) or section 40A(2) should not be considered as interest for the purposes of section 92B(1). Similarly, interest disallowed on account of transfer pricing under section 92, should also not be considered, since such interest is not allowable in computing income under the head "Profits and Gains of Business or Profession". In case of such interest exceeds Rs.1 crore, details in part (b) of the clause need to be given. In item (i) of sub-clause (b), details of expenditure incurred by way of interest or of similar nature need needs to be provided. The language in the clause creates a doubt whether details that need to be given are of the total amount of interest and similar expenditure claimed as a deduction and not just the interest paid to non-resident AE(s). However, in view of the requirement of clause (a) where a specific question has been asked only with respect to section 94B(1) the subsequent clauses seem to be consequential and flowing from clause (a). Section 94B(1) confines itself to interest paid to Non-resident AE and section 94B(2) can be regarded as controlled by section 94B(1) since Section 94B(2) operates "for the purposes of sub-section (1)". The computation of "excess interest" as per section 94B(2) should be within the boundaries of interest referred to in section 94B(1), which is NR AE interest paid. The language of para 46.3 of CBDT Circular No.2 of 2018 containing Explanatory Notes to Provisions of Finance Act, 2017 (dated 15 February 2018) is similar to the format of reporting prescribed by CBDT in clause
	(b)	If yes, please furnish the following details:- **(i)** Amount (in Rs.) of expenditure by way of interest or of similar nature incurred: **(ii)** Earnings before interest tax, depreciation and amortization (EBITDA) during the previous year: **(iii)** Amount (in Rs.) of expenditure by way of interest or of similar nature as per (i) above which exceeds 30% of EBIDA as per (ii) above: **(iv)** Details of interest expenditure carried forward as per section 94B(4)	

			30B of Form No.3CD. The better view is to disclose interest paid only to non-resident AE(s). Thus, the tax auditor has to obtain and report the expenditure incurred by ay of interest or of similar nature paid to its non-resident AE or to the lender to whom the AE has provided an implicit or explicit guarantee or has deposited a matching amount of funds, out of the total interest and similar expenditure claimed as deduction. It should be kept in mind that word 'paid' in terms of section 43(2) means actually paid or incurred according to the method of accounting employed.
30C	**(a)**	Whether the assessee has entered into an impermissible avoidance, arrangement, as referred to in section 96, during the previous year? (Yes/No)	This clause 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 parties to such arrangement. The auditor should examine if, in any earlier year, whether any reference has been made for declaring an arrangement as an impermissible avoidance arrangement, if such reference has been made, the auditor should report the fact in Form 3CA/3CB. In the light of the Chapter X-A, provisions of the Income-tax Act relating to GAAR, the rules made thereunder and CBDT Circular thereto, the auditor should examine the following: **(i)** The tax auditor should examine whether the Principal Commissioner or the Commissioner or the Approving Panel has, in any earlier previous year, declared any arrangements as IAA. In case, if any arrangement has been declared to be an IAA in any earlier previous year, the tax auditor should further examine if any transaction pertaining or in connection with such declared IAA has taken place during the previous year under the audit. **(ii)** The tax auditor should examine if, in any earlier previous year, whether any reference has been made for declaring an arrangement as an impermissible avoidance arrangement, if such references been made, the auditor should report the fact in Form 3CA or Form 3CB, as the case may be. In both the cases, the auditor should further examine if any transaction pertaining or in connection with such declared IAA or such arrangement in respect of which reference has been made, has taken place during the previous year under the audit. If any transaction pertaining or in connection with such declared IAA or such arrangement has taken place during the previous year under the audit, the tax auditor should report this fact along with the tax benefit arising to all parties. If, however, he is unable to ascertain the tax benefit in the previous year arising, in aggregate, to all the parties to the arrangement, he should indicate the same in Form 3CA or Form 3CB, as the case may be. In either case, whether the assessee has given response to any show cause notice or has preferred an appeal, along with outcome thereof should be taken into consideration while reporting.
	(b)	If yes, please specify:- **(i)** Nature of the impermissible avoidance arrangement: **(ii)** Amount (in Rs.) of tax benefit in the previous year arising, in aggregate, to all the parties to the arrangement";	
31	**(a)**	Particulars of each loan or deposit in an amount exceeding	This clause seek certain particulars of each loan or deposit in an amount exceeding the limit specified in section 269SS taken or accepted during the previous year.

		section 269SS taken or accepted during the previous year – **(i)** name, address and PAN or Aadhaar Number (if available with the assessee) of the lender or depositor; **(ii)** amount of loan or deposit taken or accepted; **(iii)** whether the loan or deposit was squared up during the year; **(iv)** maximum amount outstanding at any time during the previous year; **(v)** whether the loan or deposit was taken or accepted by cheque or bank draft or use of electronic clearing system through a bank account; **(vi)** in case the loan or deposit was taken or accepted by cheque or bank draft, whether the same was taken or accepted by an account payee cheque or account payee bank draft.	Particulars of each loan or deposit falling within the scope of this section taken or accepted during the previous year have to be stated under this 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. This sub-clause requires six specific particulars in respect of each loan or deposit including the permanent account number or Aadhaar number of the lender or depositor, if available. The tax auditor should obtain the details from the assessee in respect of each reportable loan or deposit and verify the same from the records and evidence available with the assessee. There will be practical difficulties while verifying the loan or deposit taken or accepted by the account payee cheque or an account payee bank draft. In such cases, the tax auditor should verify the transactions with reference to such evidence which may be available. In the absence of satisfactory evidence, for answering, as to whether bank cheque or bank draft was 'account payee', the tax auditors should make a suggested comment in his report. The suggested comment is as follows: "It is not possible for me/us to verify whether loans or deposits have been taken or accepted otherwise than by an account payee cheque or account payee bank draft, as the necessary evidence is not in the possession of the assessee". Note – The Finance Act, 2023 has amended section 269SS to provide for higher threshold limit of Rs.2,00,000 where a deposit is accepted by a primary agricultural credit society or a primary cooperative agricultural and rural development bank from its member or a loan is taken from a primary agricultural credit society or a primary cooperative agricultural and rural development bank by its member [For more details, please refer Chapter 19: Miscellaneous provisions].
	(b)	Particulars of each specified sum in an amount exceeding the limits specified in section 269Ss taken or accepted during the previous year: **(i)** name, address and PAN or Aadhaar number (if available with the	Under this clause 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 or not the transfer takes place. The tax auditor should ascertain whether the assessee has any immovable property which has been transferred or was proposed to be transferred during the year and review the relevant agreements, documents etc. in this regard. The auditor should satisfy himself that the proceeds arising from such transfer, based on the review of documents has been duly credited to the bank account by an account aye cheque or account payee bank draft or

		assessee) of the person from whom specified sum is received; **(ii)** amount of specified sum taken or accepted; **(iii)** whether the specified sum was taken or accepted by cheque or bank draft or use of electronic clearing system through a bank account; **(iv)** in case the specified sum was taken or accepted by cheque or bank draft, whether the same was taken or accepted by an account payee cheque or account payee bank draft (Particulars at (a) and (b) need not be given in the case of a Government company a banking company or a corporation established by the Central, State or Provincial Act)	use of electronic clearing system through a bank account or through such other electronic mode as may be prescribed.
	(ba)	Particulars of each receipt in an amount exceeding the limit specified in section 269ST, in aggregate from a person in a day or in respect of a single transaction or in respect of transactions relating to one event or occasion from a person, during the previous year, where such	The sub-clauses (ba), (bb), (bc) and (bd) of clause 31 deal with reporting of transactions of receipts and payments in excess of the specified limit made otherwise than by the modes specified in section 269ST. Section 296ST does not distinguish between receipt on capital account and revenue account. Accordingly, sub-clauses (ba), (bb), (bc) and (bd) of clause 31 do not distinguish between receipts and payments on capital account and revenue account. Once the receipt or the payment, as the case may be, exceeds the limit specified in section 269ST, the particulars of such transactions will have to be reported under these clauses. The tax auditor should bear this in mind while examining the books of account and records of the assessee. Particulars are required to be given if receipts or payments, even though individually are lower than Rs. 2 lakh but in aggregate amount to Rs.2 lakh or more if such receipts or payments are to or from one person in a day (whether related to a single

		receipt is otherwise than by a cheque or bank draft or use of electronic clearing system through a bank account – **(i)** Name, address, PAN or Aadhaar Number (if available with the assessee) of the payer; **(ii)** Nature of transaction; **(iii)** Amount of receipt (in Rs.) **(iv)** Date of receipt;	transaction or otherwise) or relate to a single transaction (even if the receipts or the payments, as the case may be, are on different dates and individual receipts or payments are less than Rs.2 lakh) or are in respect of more than one transaction but relate to a single event or occasion (even if the receipts or the payments, as the case may be, are on different dates and individual receipts or payment are less than Rs.2 lakh). Sub-clauses (ba) and (bb) of clause 31 requires particulars to be furnished in respect of transactions exceeding Rs.2 lakh **where assessee has received the amount** from a person, whereas sub-clauses (bc) and (bd) of clause 31 requires information about the transactions exceeding Rs.2 lakh **where the payment has been made** by the assessee to a person. While it is comparatively simple to work out receipts or payments to or from a single person in a day, the tax auditor will have to exercise care and caution while arriving at the particulars of receipts or payments pertaining to a single transaction or relating to a single event or occasion. The tax auditor will need to link all receipts and payments, as the case may be, otherwise than by the modes specified in this section received/made in respect of single transaction and verify if the aggregate amount exceeds the limits specified in section 269ST. A Single invoice may relate to multiple transactions and vice-a-versa, multiple bills may related to a single transaction. The tax auditor will have to exercise his judgement to decide whether the receipts / payments is pertaining to a single transaction. Similarly, the tax auditor will have to exercise judgement in deciding whether receipts/payments through pertaining to more than one transaction, pertain to a single event or occasion. For example, for a function organized by a person, assessee contractor may have been given catering contracts as well as contract for flower decoration. In such a case, while the transactions may be different, the occasion or event would be the same and provisions of section 296ST will be attracted if the receipts exceeding the limits specified under section 269ST are by mode other than those specified in the section. It is possible that the assessee may have purchased goods or services while simultaneously he may have sold goods or services to the same party, consideration for which exceeds Rs.2 lakh. In such a case, if the amount of consideration for purchase is set off against the amount receivable for the sale of goods or services, such set off is not a receipt as contemplated under section 269ST. If the amount of such set off exceeds Rs.2 lakh, the tax auditor may give appropriate note to the effect that such set off not being a receipt or payment has not been included in the particulars given and the relevant sub-clause. If such receipts or payments are otherwise than by account payee cheque or an account payee draft or by use of electronic clearing system through a bank account, then, the tax auditor will have to verify the mode of the receipt or payment, as the case may be. He
	(bb)	Particulars of each receipt in an amount exceeding the limit specified in section 269ST, in aggregate from a person in a day or in respect of a transactions relating to one event or occasions from a person, received by a cheque or bank draft, not being an account payee cheque or an account payee bank draft, during the previous year:- (i) Name, address and Permanent Account Number or Aadhaar Number (if available with the assessee) of the payer; (ii) Amount of receipt (in Rs.)	
	(bc)	Particulars of each payment made in an amount exceeding the limit specified in section 269ST, in	

		aggregate to a person in a day or in respect of a single transaction or in respect of transactions relating to one event or occasions to be person, otherwise than by a cheque or bank draft or use of electronic clearing system through a bank account during the previous year:- **(i)** Name, address and PAN or Aadhaar number (if available with the assessee) of the payee; **(ii)** Nature of transaction; **(iii)** Amount of payment (in Rs.); **(iv)** Date of payment;	will have to classify the receipt or the payment, as the case may be, as under: **(i)** otherwise than by cheque or bank draft or use of electronic clearing system through a bank account, into receipt or payment; **(ii)** by cheque or bank draft not being an account payee cheque or an account payee bank draft. While section 269ST deals only with receipts exceeding Rs.2 lakh or more otherwise than by the specified modes, sub-clauses (ba), (bb), (bc) and (bd) of clause 31 require details to be furnished of both receipts and payments. The particulars required under these sub-clauses need not be given in case of a receipt by a or payment to a government company, banking company, a post office saving bank, co-operative bank or in the case of transactions referred to in section 269SS.
	(bd)	Particulars of each payment in an amount exceeding the limit specified in section 269ST, in aggregate to a person in a day or in respect of a single transaction or in respect of transactions relating to one event or occasions to a person, made by a cheque or bank draft, not being an account payee cheque or an account payee bank draft during the previous year:	

		(i) Name, address and PAN or Aadhaar number (if available with the assessee) of the payee; **(ii)** Amount of payment (in Rs.) (Particulars at (ba), (bb), (bc) and (bd) need not be given in the case of receipt by or payment to a Government company, a banking Company, a post office savings bank, a cooperative bank or in the case of transactions referred to in section 269Ss or in the case of persons referred to in Notification No.S.O. 2065(E) dated 3rd July, 2017)	
	(c)	Particulars of each repayment of loan or deposit or any specified advance in an amount exceeding the limit specified in section 269T made during the previous year: **(i)** Name address, PAN or Aadhaar number (if available with the assessee) of payee; **(ii)** amount of repayment; **(iii)** maximum amount outstanding at any time during the previous year; **(iv)** whether the repayment was made by cheque or	This sub-clause requires particulars of each repayment of loan or deposit in an amount exceeding the limit specified in section 269T made during the previous year. Section 269T is attracted where repayment of the loan or deposit is made to a person, where the aggregate amount of loan or deposits held 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 deposit is Rs.20,000 or more. In the case of company assessee, loan or deposit is defined to mean deposit repayable after notice or loan or deposit repayable after a period. Therefore, in case of a company, loan or deposit repayable on demand will not be considered for the purpose of his section as loan or deposit. However, in the case of non-company assessee, loan or deposit is defined to mean loan or deposit of any nature. This distinction will have to be kept in mind while giving information under this sub-clause. Loan or deposits discharged by means of transfer entries in the books of account constitute repayment of loan or deposits otherwise than by account payee cheque or account payee bank draft. Hence, such entries have to be reported under this clause. The tax auditor has to take into account the technological advancements in the field of banking and information technology, where loans have been repaid otherwise than through an account

		bank draft or use of electronic clearing system through a bank account; **(v)** in case repayment was made by cheque or bank draft, whether the same was repaid by an account payee cheque or bank draft.	payee cheque or bank draft which are capable of being tracked such as bank draft which are capable of being tracked such as bank transactions made electronically through the internet or through mail transfer or telegraphic transfer. These types of payments, though not made by account payee cheques in the conventional manner, are capable of being tracked. In order to judicially apply the provisions of section 269T, the tax auditor need not report such cases under this clause. The "use of electronic clearing system through a bank account" is a permissible mode for the purposes of section 269T. The entries that relate to transactions with a supplier and customer on account of purchase or sale of goods/services will not be treated as loans or deposits repaid. The monetary limit of Rs.20,000 or more is applicable in respect of a banking company or a co-operative bank with reference to each branch and in all other cases, assessee as a whole. **Note** – The Finance Act, 2023 has amended section 269T to provide for higher threshold limit of Rs.2,00,000, where a deposit is made by a primary agricultural credit society or a primary co-operative agricultural and rural development bank to its member or a loan is repaid to a primary agricultural credit society or a primary cooperative agricultural and rural development bank by its member. [For more details, please refer Chapter 19: Miscellaneous Provisions].
	(d)	Particulars of repayment of loan or deposit or any specified advance in an amount exceeding the limit specified in section 269T received otherwise than by a cheque or bank draft or use of ECS through a bank account during the previous year: **(i)** Name, address, PAN or Aadhaar number (if available with the assessee) of the payer, **(ii)** amount of repayment of loan or deposit or any specified advance received otherwise than by a cheque or bank draft or use of	Under this clause the tax auditor has to provide the details of repayment received by the assessee from a person in respect of loan or deposit or specified advances exceeding the limit specified in section 269ST received otherwise than by a cheque or bank draft or use of electronic cleaning system through a bank account during the previous year based on the examination of books of accounts or other relevant documents. In case the repayments are voluminous, it may not possible to verify each repayment, reflected in the bank statement, as to whether the acceptance of deposits or loans or specified advances has been through cheque, bank draft or not. Tax auditor can obtain a certificate from the assessee to the effect that the repayment referred to in his sub-clause were received through permitted mode. Where the reporting has been done on the basis of the certificate of the assessee, the same shall be reported as an observation in para 3 of Form No.3CA or para 5 of Form No.3CB, as the case may be.

		ECS through a bank account during the previous year.	
	(e)	Particulars of repayment of loan or deposit or any specified advance in amount exceeding the limit specified in section 269T received by a cheque or bank draft which is not an account payee cheque or account payee bank draft during the previous year. **(i)** Name, address, PAN or Aadhar Number (if available with the assessee), of the payer, **(ii)** amount of repayment of loan or deposit or any specified advance received by a cheque or a bank draft which is not an account payee bank cheque or account payee bank draft during the previous year. (Particulars at (c), (d) and (e) need not be given in the case of a repayment of any loan or deposit or any specified advance taken or accepted from the Government, Government company, banking company or a corporation established by the	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 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 accounts or other relevant documents. It may not be possible to verify each repayment, reflected in bank statement, as to whether the acceptance or deposits or loans or specified advances has been made through cheque, bank draft which is not an account payee cheque or account payee bank draft. The tax auditor should obtain suitable certificate from the assessee to the effect that the repayment referred to in this sub-clause were received in the permitted manner. Where the reporting has been done on the basis of the certificate of the assessee, the same shall be reported as an observation in para 3 of Form No.3CA or para 5 of Form No.3CB.

		Central, State or Provincial Act)	
32	**(a)**	Details of brought forward loss or depreciation allowance to the extent available containing information relating to assessment year, nature of loss/ allowance (in Rs.), amount is returned (in Rs.)* all losses/ allowance not allowed under section 115BA/ 115BAC/ 115BAD/**115BAE** amount as assessed (give reference to relevant order) and remarks. *If the assessed depreciation is less and no appeal pending than take assessed.	The amount of brought forward loss or depreciation allowance is required to be quantified as per return and assessment orders or appellate orders, if any. Depreciation on goodwill will not be available from A.Y. 2021-22. Brought forward losses may relate to different heads of income such as property income, profits and gains of business or profession, speculation business or capital gains. Different provisions are contained in sections 32 and 70 to 79A of the Income-tax Act, 1961, with regard to loss/depreciation under different heads. In the remarks column, information about the pending assessment or appellate proceedings or about delay in filing loss returns should be given. For giving the above information, the auditors should study the assessment records i.e., the income-tax returns filed, assessment orders, appellate orders, orders giving effect to appellate order and rectification/ revisional orders for the earlier years and ascertain if the figures given in the above clause are correct. The tax auditor should keep in mind the provisions of section 71B regarding carry forward and set-off of loss from house property, section 73A regarding carry forward and set-off of losses by specified business and also section 78 regarding carry forward and set-off of losses in case of change in constitution of firm or on succession. The tax auditor should obtain all the assessment orders or appellate orders completed and pending during the audit. If the consequential order for any revision/appellate order is yet to be passed, the same can be disclosed along with the impact thereof, if material. It means in case of any undisclosed income determined in case of an assessee during any proceedings of search, requisition or survey, then no adjustment or set off shall be allowed against such undisclosed income. The set off shall not be available in case of both brought forward losses as well as the unabsorbed depreciation. From the Assessment Year beginning from 2022-23 onwards, the tax auditor has to confirm and verify whether any search or survey has been taken place or undergoing based on the records of assessment proceedings of the assessee and accordingly shall check if any undisclosed income has been determined in case of assessee. The eligibility of brought forward losses and unabsorbed depreciation against such undisclosed income as computed by the assessee should be checked and based on that, the necessary adjustments should be made to losses to be carried forward by the assessee.
	(b)	Whether a change in the shareholding of the company has taken place during the previous year	The Tax Auditor should obtain the details of changes in voting power pattern year-on-year and verify the reasons for any such changes before determining the allowability of losses eligible to be carried forward.

		due to which the losses incurred prior to the previous year cannot be allowed to be carried forward in terms of section 79.	The Tax Auditor should obtain necessary representation to this effect wherever is not feasible to verify or cross-check the shareholding pattern and changes therein. The comparison of the composition 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. The carry forward of the loss incurred in respect of different previous years is to be determined with respect to the individual previous years. Such comparison of the shareholding can be done by referring to the Register of Members.
	(c)	Whether the assessee has incurred any speculation loss referred to in section 73 during the previous year. If yes, please furnish details of the same.	Having regard to the definition of "speculative business", the tax auditor has to verify from the books of account and other relevant documents as to whether the assessee is carrying on any speculation business. On verification if the auditor is of the opinion that the auditee is carrying on speculation business, under this clause, the tax auditor ahs to furnish the details regarding speculation loss referred to in section 73, if any incurred by the assessee during the previous year. It may be noted that it is not necessary that same speculation business needs to be continued to set off its loss of earlier year(s) against profit of same speculation business. It can be 'any' speculation business i.e., a different speculation business.
	(d)	Whether the assessee has incurred any loss referred to in section 73A in respect of any specified business during the previous year, if yes, please furnish details of the same.	Under clause 32(d), the tax auditor has to verify from the books of accounts and other relevant documents as to whether the assessee is carrying on specified business as referred to under section 35AD. In case the auditor is of the opinion that the assessee is carrying on such specified business, he has to furnish the details of the loss incurred, if any, in respect of any specified business during the previous year. In case the assessee carries on more than one specified businesses and loss has been incurred in both the business, the details of the loss incurred with respect of each business is to be specified separately.
	(e)	In case o a company, please state that whether the company is deemed to be carrying on a speculation business as refereed in Explanation to section 73, if yes, provide details of speculation loss if any incurred during the previous year.	The Explanation to Section 73 provides that where part of the business of a company (other than a company whose gross total income consists mainly of income which is chargeable under the heads income from securities, income from house property, capital gain and income from other sources or a company the principal business of which is the business of trading in shares or banking or granting of loans and advances consist in the purchase or sale of shares of the other companies shall be deemed to be carrying on a speculation business to the extent to which business consists of purchase and sale of such shares. The tax auditor has to furnish the details regarding the speculation losses incurred, if any, as referred to in Explanation to section 73.
33		Section-wise details of deductions, if any, admissible under	The tax auditor has to ensure that the assessee fulfills all the conditions specified in the sections under which deduction is claimed. For ascertaining this, the tax auditor has to obtain all necessary evidence which would enable him to express the

		Chapter VIA or Chapter III (Section 10AA) specifying the section under which deduction is claimed and the amounts admissible as per the provision of Income-tax Act, 1961 and fulfils the conditions, if any, specified under the relevant provisions of Income-tax Act, 1961 or Income-tax Rules 1062 or any other guidelines, circular, etc., issued in this behalf.	opinion regarding the admissibility of deductions. In order to ascertain the fulfillment of this condition, the tax auditor may have to check all documentary evidence. There may be cases where there is difference between the amount claimed by the assessee and the amount computed by the tax auditor. In such cases, it is quite possible that the assessee's claim is based on some judicial pronouncement on the subject. In such cases, it may be advisable for the tax auditor to report the amount admissible. The amount claimed and the background behind and the basis of claim of the assessee may form part of the working papers. If the claim of the assessee is well-founded and settled by judicial pronouncement, the tax auditor may accept the claim but he has to record in his working papers that admissible amount has been reported on the basis of such judicial pronouncement. In appropriate circumstances, such judicial pronouncements etc. should be mentioned in the report. It may be noted that separate audit report or certificate is required to be obtained under section 10AA and certain sections like 80-IA, 80-IB, 80-IC, 80-JJAA under Chapter VIA. While giving information with regard to the deduction allowable under these sections, the tax auditor should refer to separate audit reports/ certificates obtained by the assessee. These audit reports/ certificates may have been given by the tax auditor or by any other auditor. The figures given in such separate audit reports/ certificates should be taken into consideration while giving information with regard to income covered by these sections. **Note**: Case Study 3 and Case Study 4 deal with the ethical aspects which have to be considered while issuing audit report in Form 10CCB. Some sections in Chapter VIA such as section 80G (donations), Section 80GGB/80GGC (contributions to political parties), section 80JJAA (wages of new workmen) etc. relate to the expenditure incurred by an assessee. There are other sections such as section 80-P (income of cooperative societies), etc. which relates to income of the assessee. In respect of all these sections, the tax auditor should ascertain whether there is any expenditure or income covered by the above sections recorded in the books of accounts audited by him. Section 115BAA, 115BAB, 115BAC and 115BAD provide that no deductions under Chapter VI-A or Chapter III can be claimed by the assessee opting for taxation under any of these sections except deductions mentioned under section 80M and 80JJAA, reply to clause 8a shall be considered and accordingly admissibility of deductions should be examined.
34	**(a)**	Whether the assessee is required to deduct or collect tax as per the provisions of Chapter XVII-B or	While answering the issue of applicability of the provisions of Chapter XVII-B and/or XVII-BB, a number of debatable issues may arise before the assessee as well as the tax auditor. The auditor may have a difference of opinion with regard to the applicability of the provisions of TDS/ TCS on a particular payment. In such a case, the tax auditor has to report the

		Chapter XVII-BB, if yes, please furnish details of **(1)** Tax deduction and collection Account Number (TAN) **(2)** Section No. **(3)** Nature of payment **(4)** Total amount of payment or receipt **(5)** Total amount in which tax was required to be deducted or collected **(6)** Total amount on which tax was deducted or collected at specified rate **(7)** Amount of tax deducted or collected **(8)** Total amount on which tax was deducted or collected at less than specified rate or Amount of tax deducted or collected at less than specified rate and amount of tax deducted or collected not deposited to the credit of Central Government.	difference of opinion appropriately as an observation in the para 3 of Form No.3CA or para 5 of Form No.3CB as the case may be. It is essential to note that is the primary responsibility of the assessee to prepare the information in such a manner that the tax auditor can verify the compliance as required in the clause. The tax auditor is required to verify that no items have been omitted in the information furnished to him and reasonable test checks would reveal whether or not the information furnished is correct. The extent of check undertaken would have to be indicated by the tax auditor in his working papers and audit notes. The tax auditor would be well advised to so design his tax audit programme as would reveal the extent of checking and to ensure adequate documentation in support of the information being certified. It may be noted that while determining the amount to be reported in this clause, the tax auditor has to check and verify the payments made by the assessee and should not only restrict to verification of expenses debited to Profit a& Loss or the TDS/TCS returns filed and provided by the assessee e.g., an advance payment made to any contractor may also be liable for deduction of tax. In the case of payment to non-residents, the applicable rate of tax deduction at source is to be read along with the Double Taxation Avoidance Agreement. This clause also requires the tax auditor to furnish the total amount out of the amount deductible or collectible, at which the tax was deducted or collected at the rate less than the specified rate. The lesser deduction is required to be reported in this clause. This will include deduction at a lower rate than what is prescribed, application of wrong section for deduction of tax at source, etc. For example, section 194C requires deduction @ 2% in case payment is made to a person other than individual or HUF, but the deductor deducts only 1%, the same has to be reported under this clause. The tax auditor should also consider applicability of higher rate of TDS/TCS under certain circumstances like non-furnishing of PAN, non-filers of return as provided in section 206AA/206AB/206CC/ 2506CCA. The tax auditor should verify the cases where the tax has been deducted at source but not paid to the credit of the Central Government till the date of the audit. It may be seen that tax deducted but deposited late will not be – required to be reported The auditor should obtain a copy of TDS/TCS returns filed by the assessee and reconcile the same with the books of accounts, which shall form the basis of reporting under this clause. The tax auditor should take into consideration the relevant sections, rules, notifications, circulars and various judicial pronouncements in relation to transactions of relevant payment or collections. If the tax auditor has not agreed with the interpretation /views taken by the assessee, he should report the same in Form 3CA/3CB
	(b)	Whether the assessee is required to furnish the	This clause deals with the information pertaining to statement of tax deducted and collected at source.

		statement of tax deducted, or tax collected. If yes, please furnish the details of 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 tax auditor has to ascertain and report as to whether the assessee is required to furnish the statement of tax deducted or tax collected at source within the prescribed time and answer 'yes' or 'no' depending on his examination. If the answer is 'yes', the tax auditor shall provide further details in a table contained in Clause 34(b) only with regard to the statement required to be furnished by the assessee. 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. Depending upon transactions that require tax deduction or collection, tax auditor should ascertain which statements, the assessee was required to furnish for the financial year under audit. He should check which statements have been furnished by the assessee for tax deducted as well as collected. The reporting requirement is notwithstanding the fact that the assessee has furnished the statements of tax deducted at source and tax collected at source or not. The tax auditor should keep in mind laws relating to tax deductions/ collections at source and various laws so as to detect any case of contravention or default in the provisions of Chapter XVII-B / chapter XVII-BB. If the information is voluminous, then the tax auditor should consider reporting significant deficiencies with appropriate remarks in paragraph (3) of Form 3CA or paragraph (5) of Form 3CB.
	(c)	Whether the assessee is liable to pay interest under section 201(1A) or section 206C(7). If yes, please furnish details of Tax deduction and collection Account Number (TAN), amount of interest under section 201(1A)/206C(7) is payable and amount of interest paid along with date of payment.	Under this clause, the tax auditor is required to furnish details information in case an assessee is liable to pay interest under section 201(A) or section 206C(7) of the Act. Where the assessee is liable to pay interest u/s 201(1A) or u/s 206C(7), the tax auditor should verify such amount from the books of account as on 31st March of the relevant previous year and also from PART G of the statement generated by the Department in Form No.26AS. In case the assessee had disputed the levy or calculation of interest under TRACES, in Form No.26AS/AIS/TIS of the assessee, the auditor may re-calculate the amount of interest under section 201(1A) or section 206C(7) upto the date of audit report for reporting under this clause and also mention the fact in his observation paragraph provided in Form No.3CA or Form No.3CB, as the case may be.
35	**(a)**	In the case of a trading concern, give quantitative details of principal items of goods traded: **(i)** Opening Stock;	The tax auditor should examine whether the enterprise is a trading concern or not. If yes, the tax auditor should obtain certificates from the assessee in respect of the principal items of goods traded, the balance of the opening stock, purchases, sales and closing stock and the extent of shortage/excess/damage and the reasons thereof.

		(ii) purchases during the previous year; **(iii)** sales during the previous year; **(iv)** closing stock; **(v)** shortage / excess, if any	The entire quantitative information should be examined by the auditor from the records.
	(b)	In the case of a manufacturing concern, give quantitative details of the principal items of raw materials, finished products and by-products: **A. Raw Materials:** **(i)** opening stock; **(ii)** purchases during the previous year, **(iii)** consumption during the previous year; **(iv)** sales during the previous year; **(v)** closing stock; **(vi)** yield of finished products; **(vii)** percentage of yield; **(viii)** shortage / excess, if any. **B. Finished products/ by-products:** **(i)** opening stock **(ii)** purchases during the previous year; **(iii)** quantity manufactured during the previous year; **(iv)** sales during the previous year; **(v)** closing stock; (**vi)** shortage / excess, if any.	The tax auditor should ascertain whether the enterprise is a manufacturing concern and accordingly report it in clause 10(a). If yes, this sub-clause is applicable. The tax auditor should obtain certificate from assessee in respect of principal items of raw materials, finished goods and by-products and quantitative information required to be re-ported in this sub-clause. **Note** – This clause requires that quantitative details of "principal items" of raw materials and finished goods should be given. Therefore, information about petty items need not be given. What would constitute principal items will depend on the facts of each case. Normally, items which constitute more than 10% of the aggregate value of purchases, consumption or turnover as the case may be, may be classified as principal items.

36A		**(a)** Whether the assessee has received any amount in the nature of dividend as referred to in sub-clause (e) of clause (22) of section 2? (Yes/No) **(b)** If yes, please furnish the following details:- **(i)** Amount received (in Rs.): **(ii)** Date of receipt	The tax auditor should obtain from the tax payer a certificate containing a list of closely held companies in which he is the beneficial owner of shares carrying not less than 10% of the voting power and list of concerns in which he has a substantial interest. The dividend taxable under section 2(22)(e) is restricted to accumulated profits on the date of payment. Thus, the accumulated profits have to be determined as on the date of the payment. Further, if at any time earlier any amount has been considered as income under any of the clauses of section 2(22), the accumulated profits will have to be reduced by such an amount. The tax auditor may not be able to determine the accumulated profits such as on the date of payment of the closely held company making the payment for various reasons. The tax auditor in such a case may arrive at the accumulated profits by appropriating the profit for the year on a time basis. In such a case, the auditor should include appropriate remarks in para 3 of Form No.3CA or para 5 of Form No.3CB, as the case may be, about the methodology adopted by him. For attracting section 2(22)(e), it is necessary that the assessee receiving a loan or advance should be a shareholder. Whereever the beneficial shareholder is not the registered shareholder and the closely held company has given loan or advance to the beneficial shareholder or to a concern, the tax auditor should make appropriate remark in Form No.3CA or Form 3CB, as the case may be. The tax auditor should also obtain a certificate from the tax payer giving particulars of any loan or advances received by any concern in which he has substantial interest from any closely held company in which he is beneficial owner of shares carrying not less than 10% of the voting power. These certificates are necessary since the tax auditor may not be able to verify the above from the books of account of the assessee. The tax auditor should verify from 26AS in the case of the tax payer to know if the closely held company has deducted tax at source from any payment made to it to the taxpayer or the concern under section 194.
37.		Whether any cost audit was carried out, if yes, given the details, if any, of disqualification or disagreement on any matter/ item / value / quantity as may be reported/ identified by the cost auditor.	The tax auditor should ascertain from the management whether cost audit was carried out and if yes, a copy of the same should be obtained from the assessee. Even though the tax auditor is not required to make any detailed study of such report, he has to take note of the details of **disqualification or disagreement on any matter/ item / value / quantity as may be reported/ identified by the cost auditor**. The information is required to be given in respect of cost audit report which is received upto the date of tax audit report. The tax auditor should examine the time period for which the cost audit, if any, has been required to be carried out. Information is required to be given only in respect of such cost 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 cost audit report which is received upto the date of tax audit report.
38.	Whether any audit was conducted under the Central Excise Act, 1944, if yes, give the details, if any, of disqualification or disagreement on any matter/ item / value / quantity as may be reported / identified by the auditor.	The tax auditor should ascertain from the management whether any audit was conducted under the Central Excise Act, 1944 and if such audit was carried out, obtain a copy of the report. Even though the tax auditor is not required to make any detailed study of such report, he has to take note of the details if any, of disqualification or disagreement on any matter/ item / value / quantity as may be reported/ identified by the auditor. The tax auditor need not express any opinion in a case where such audit has been ordered but the same has not been carried out. The information is required to be given in respect of excise audit report which is received upto the date of tax audit report. 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 the excise audit report which is received upto the date of tax audit report.
40	Details regarding turnover, gross profit, etc. for the previous year and preceding previous year: **1.** Total turnover of the assessee **2.** Gross profit/ turnover **3.** Net profit/ turnover **4.** Stock-in-trade/ turnover **5.** Material consumed/ finished goods produced (The details required to be furnished for principal items of goods traded or manufactured or services rendered)	These ratios have to be calculated only for assessee who are engaged in manufacturing or trading activities. While calculating these ratios, the tax auditor should assign a meaning to the terms used in the above ratios having due regard to the generally accepted accounting principles. All the ratios mentioned in this clause are to be calculated in terms of value only. For the purpose of calculating the ratio mentioned in (4), only closing stock is to be considered. The term 'stock-in-trade' used therein does not include stores and spare parts or loose tools. The term "stock-in-trade" would include only finished goods and would not include the stock of raw material and work-in-progress since the objective here is to compute the stock turnover ratio. Material consumed would, apart from raw material consumed, include stores, spare parts and loose tools. Under this clause, calculation of the ratio is also to be stated. As such, computation of various components based upon which these ratios have been worked out is required to be stated under this clause. There should be consistency between the numerator and the denominator while calculating the above ratios. Any significant deviation thereof should be pointed out in Form 3CA or Form 3CB, as the case may be. The relevant year audit report or the reinstated figures, to make the ratios comparable with current year. In case the preceding previous year is not subject to audit, nothing should be mentioned in the relevant column. The ratios has to be given for the business as a whole and need not be given product wise.
41	Please furnish details of demand raised or refund issued during the	The assessee may be assessed under various tax laws other than Income-tax Act, 1961 resulting into a demand order or refund order. The tax auditor should obtain copy of all the demand/

		previous year under any tax laws other than Income-tax Act, 1961 and Wealth Tax Act, 1957[4] alongwith details of relevant proceedings.	refund orders issued by the government authorities during the previous year under any tax law other than Income-tax Act, 1961 The auditor should exercise his professional judgement in determining the applicability to relevant tax laws for reporting under this clause. The auditor should exercise his professional judgement in determining the applicability to relevant tax laws for reporting under this clause. It may be noted that even though the demand/refund order is issued during the previous year, it may pertain to a period other than the relevant previous year. In such cases also, reporting has to be done under this clause. The tax auditor should verify the books of account and the orders passed by the respective Department for ascertaining whether any such demand has been raised or refund order has been issued under any other tax law and accordingly report the same. It is advisable to cross verify the demands from online portal of the respective Department. If there is any adjustment of refund against any demand, the auditor shall also report the same under this clause. Appropriate representation should be obtained from the assessee. In case of corporate assessee, the auditor may check the said details with the disclosures of contingent liabilities in the audited financials, disclosures in statutory auditor's report pursuant to CARO, if applicable.

[4] abolished with effect from the 1st April, 2016

42	**(a)**	Whether the assessee is required to furnish statement in From No.61 or Form No.61A or Form No.61B? (Yes/No)	This clause has been introduced where the tax auditor has to report whether the tax payer is required to furnish a statement in Form 61/61A/61B. As per Rule 114D(1), every person referred to in clauses (a) to (k) of rule 114C(1) and Rule 114(2) and who is required to get his accounts audited under section 44AB who has received any declaration in Form 60 (this form is used by an individual or a person other than a company or a firm who does not have PAN and who enter into any of the transactions specified in rule 114B) is required to furnish statement in Form No.61 containing particulars of such declaration. The Annual Information Return or Statement of financial transaction required to be furnished under section 285BA(1) is to be furnished in Form No.61A. Statement of Reportable Account under section 285BA(1)(k) is to be furnished by a reporting financial institution in respect of each account which has been identified pursuant to due diligence procedure as a reportable account. The tax auditor should verify that whether the assessee is liable to report the transaction in the prescribed form or not, if yes, whether the assessee has filed the same and he has furnished all the particulars required in the Form. 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
	(b)	If yes, please furnish Income-tax Department Reporting Entity Identification Number, Type of form, Due date for furnishing, Date of furnishing (if furnished), Whether the form contains information about all details/ transactions which are required to be reported. If not, please furnish list of the details/	

		transactions which are not reported.	not reported. If the volume of deficiencies is large, the tax auditor may state certain deficiencies by way of an illustration and made appropriate remark in para 3 of Form 3CA or para 5 of Form 3CB. Form No.61, 61A and 61B uploaded on the income tax portal should be examined by the tax auditor for purpose of reporting.
43	**(a)**	Whether the assessee or its parent entity or alternate reporting entity is liable to furnish the report as referred to in sub-section (2) of section 286 (Yes/No)	This clause seeks information about applicability to furnish the report as referred to in section 286(2). Section 286(2) casts an obligation on the parent entity or the alternate reporting entity, if it is resident in India to furnish report, in respect of the international group of which it is a constituent, for every accounting year, within a period of 12 months from the end of the said reporting accounting year to the prescribed authority. The reporting requirement under section 286 shall not apply in respect of an international group for an accounting year, if the total consolidated group revenue, as reflected in the consolidated financial statement for the accounting year preceding such accounting year does not exceed Rs.6,400 crores (Rule 10DB). 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, I 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; **(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). The tax auditor should verify in the case of the assessee if any of the above four situations exist. The tax auditor should verify if the assessee whose parent is a non-resident has filed Form No. 3CEAC. It will indicate if the assessee or another constituent entity resident in India has been designated as the reporting entity for the international group. The tax auditor may obtain necessary certificate from the assesee in respect of constitution of the international group, entities that are resident in India and not resident in India and entity if appointed as the alternate reporting entity. If none of the above four situations described above exists, the reply to clause 43(a) will be negative.
	(b)	If yes, please furnish the following details:	If the assessee is liable to file Form 3CEAC, the tax auditor has to verify whether the necessary compliance as prescribed in section

		(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	286 has been done and the requisite information has been furnished by the assessee. If the assessee has filed a report, a tax auditor should verify acknowledgment 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. The term parent entity is defined in section 286(9)(h). The tax auditor should examine which is the parent entity and report name thereof. The term alternate reporting entity is defined in section 286(9)(c). The tax auditor should examine whether any such alternate reporting entity exists and if yes, name of the alternate reporting entity should be stated. From acknowledgment for furnishing report as referred to in section 286(2), date for furnishing of the said report should be stated. The tax auditor may obtain necessary certificate from the assessee in respect of the constituent entity.
44		Break-up of total expenditure of entities registered or not registered under the GST Specifying total amount of expenditure incurred during the year, expenditure in respect of entities registered under GST relating to goods or services exempt from GST, relating to entities falling under composition scheme, relating to other entities and total payment to registered entities. Expenditure relating to entities not registered under GST also need to be specified.	This clause requires to provide details of the expenditure in respect of entities registered under GST, which is further sub-classified into four categories as follows: **(a)** Expenditure relating to goods or services exempt from GST – Here, the value of all inward supply of goods or services which are exempt from GST is to be given. **(b)** Expenditure relating to entities falling under composition scheme – Value of all inward supplies from composition dealers is to be mentioned here. **(c)** Expenditure relating to other registered entities – Value of all inwards supplies from registered dealers, other than suppliers from composition dealers and exempt supply from registered dealers, are to be mentioned here. **(d)** Total payment to registered entities – The word 'payment' should harmoniously be interpreted as 'expenditure', as the combined heading is 'Expenditure in respect of entities registered under GST'. Hence, the total expenditure in respect of registered entities i.e., sum total of values reported in (a), (b) and (c) should be reported in (d) above. Under this clause, expenditure relating to entities not registered under GST is also to be given. The value of inward supply of goods and/or services received from unregistered persons should be reported here. It is important to differentiate the 'current status' of supplier's registration from their status as it was at the time of supply. There are several instances where registration may be cancelled with effect from an earlier date which may be prior to the date of supply to assessee. Events occurring after balance sheet date that alter the data relating to year under audit does not alter the data relating to year under audit does not alter the nature of the expenditure, that is from registered suppliers. Auditors may elect to extend their review up to a certain cut-off date or not at all. In either case, disclosure of notes of the position with regard to (i) known cancellations and (ii) treatment in the disclosure considering

			possibility of such cancellations would go a long way in making the report meaningful and unambiguous. Under clause 44, the language used is "expenditure in respect of". Since, the word used is 'expenditure', it is necessary that the capital expenditure should also be reported in the format prescribed. Separate reporting of capital expenditure will provide ease in reconciliation. In case of multiple GST registrations of an entity, there is likelihood of inter-branch supply, which is eliminated at the consolidated financials. Proper reconciliation for such type of transactions may be kept on record. This report may be prepared for an entity as a whole or for a branch thereof, as may be audited and accordingly the information in these columns may have to be filled up consolidating the expenditure incurred under various GST registrations. **Note** – It may be noted that any expenditure that is incurred, wholly and exclusively for business or profession of the assessee qualifies for the deduction under the Act. Registration or otherwise of the payee under the GST Act has no relevance in considering allowability of expenditure.

PENALTY FOR FAILURE TO FURNISH TAX AUDIT REPORT [SECTION 271B]

If any person fails to get his accounts audited in respect of any previous year furnish a tax audit report as required under section 44AB, the Assessing Officer may direct that such person shall pay, by way of penalty, a sum equal to

- ½ % 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
- Rs. 1,50,000,

whichever is less.

However, according to section 273B, no penalty shall be imposed if reasonable cause for such failure is proved.

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