

KEY CONCEPTS

■ Tax Audit ■ Sales / Turnover / Gross Receipts ■ Books of Accounts ■ Accountant

Learning Objectives

To understand the:

- What is “Tax Audit”
- Detailed understanding of Tax Audit
- Objectives of Tax Audit
- Applicability of Tax Audit
- Requirement of Tax Audit
- Meaning of Sales, Turnover, Gross Receipts
- Maintenance of Books of Account
- Definition of Accountant
- Qualification & Disqualification of Tax Auditor
- Forms of Tax Audit Report
- Analysis of Form 3CD
- Signing of Tax Audit Report
- Consequences of Non-compliance
- E-Filing of Tax Audit Report

Lesson Outline

- Regulatory Framework
- Introduction
- Objectives of Tax Audit
- Tax Auditor
- Tax Audit Report
- Analysis of various clauses in Tax Audit Report
- Penalty for non-compliance
- Lesson Round Up
- Test Yourself
- List of Further Readings
- Other References

REGULATORY FRAMEWORK

Sections	Income Tax Act, 1961
Section 44AB	Audit of Accounts of certain persons carrying on Business or Profession
Section 44AD	Presumptive Taxation Scheme for Business
Section 44ADA	Presumptive Taxation Scheme for Professionals
Section 44AE	Business of plying, hiring or leasing goods carriages
Section 44BB	Business of exploration of mineral oils
Section 44BBB	Foreign companies engaged in the business of civil construction, etc., in certain turnkey power projects
Section 44AA	Maintenance of Books of Accounts
Explanation to Section 288(2)(iv)	Definition of Accountant
Section 271A	Penalty for non-maintenance of Book of Accounts
Section 271B	Failure to Furnish Tax Audit Report
Rules	Income Tax Rules, 1962
Rule 6G	Report of audit of accounts to be furnished under section 44AB
Rule 6F	Books of account and other documents to be kept and maintained under section 44AA(3) by persons carrying on certain professions
Relevant Forms	
Form 3CA	Audit report in a case where the accounts of the business or profession of a person have been audited under any other law
Form 3CB	Audit report in the case of a person referred to in clause (b) of sub - rule (1) of rule 6G
Form 3CD	Statement of particulars

INTRODUCTION

The term “audit”, in its general sense, refers to a systematic examination, review, or inspection of books of accounts, records, documents, and systems to ensure accuracy, compliance, and transparency. It is a tool to evaluate the correctness and reliability of financial and operational information.

The term “Audit” is borrowed from the Latin word “Audire”, i.e. to hear. In ancient times when the person who has possession of business suspected fraud, they assign particular individuals to inspect the accounts, such individuals were appointed as an accountant and perceived what they had to say in respect of accounts.

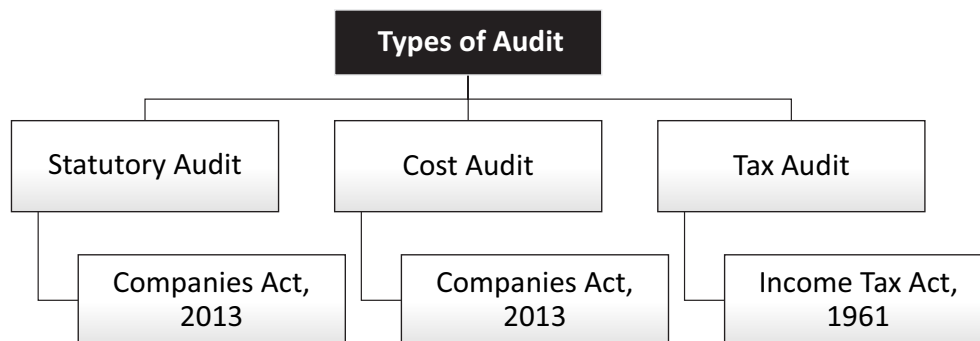
Audit is an independent examination of financial information of any entity, whether profit-oriented or not, irrespective of its size or legal form, when such an examination is conducted with a view to expressing an opinion thereon.

The objective of an audit is to enable the auditor to express an opinion as to whether the financial statements give a “true and fair view” of the financial position and results of operations of the entity for the period under review.

Auditing, or a financial audit, is an official examination and verification of a business’s financial records. The main goal of auditing is to make sure that a company’s financial statements are accurate and are following regulatory guidelines. Auditing also gives investors, creditors, and other stakeholders reasonable assurance that they can rely on a company and its integrity.

Various statutes and regulatory frameworks prescribe different types of audits based on their objectives and areas of focus. For example:

- Under the Companies Act, 2013, a statutory audit is mandatory for every company, where a statutory auditor examines the financial statements to express an opinion on whether they present a true and fair view.
- The Cost and Works Accounting rules, as governed by the Cost Accounting Records and Audit Rules, require certain companies engaged in specified sectors to conduct a cost audit, which verifies cost records and ensures cost compliance.
- Similarly, under the Income-tax Act, 1961, a tax audit is mandated under Section 44AB for certain taxpayers to verify income declarations and ensure proper maintenance of books of accounts for tax purposes.



These audits serve distinct purposes. While statutory audits focus on financial reporting, tax audits aim at tax compliance, and cost audits evaluate cost efficiency and pricing. Collectively, they help in improving governance, ensuring statutory compliance, and fostering stakeholder trust.

The provisions of Tax Audit were first introduced in the Finance Act, 1984. Tax audit is an examination or review of accounts of any business or profession carried out by taxpayers from an income tax perspective. Any business entity or an individual exceeding certain threshold limits of turnover is liable to get the accounts audited.

Section 44AB of the Income Tax Act, 1961, outlines provisions related to tax audits, aiming to ensure the accuracy and transparency of financial records maintained by taxpayers. Enforced to curb fraudulent practices, it mandates the proper maintenance of books of accounts and other relevant financial documents. The objective is to verify the accuracy of the reported income, tax liability, and deductions claim. This process aids in promoting fair and honest financial practices, ultimately contributing to the integrity of the tax system.

Objective of Tax Audit

- The primary objective of a tax audit is to verify the compliance of businesses and professionals with the provisions of the Income Tax Act. This involves a thorough examination of books of accounts, financial statements, and other relevant records to ensure that provisions of income tax act, rules made thereunder are being complied with. It aims to identify any discrepancies or non-compliance issues.
- Ensuring the accuracy of financial statistics is a crucial aspect of tax audits. The audit process comprises a thorough evaluation of the financial statements to ensure that they correctly represent and fairly show the financial status of the business or profession. This rigorous scrutiny improves the reliability of financial reporting and increases the overall credibility of financial data provided to interested parties such as the government, investors, and lenders. The audit provides credibility to the financial information provided to the stakeholders.

An important objective of tax audits is to prevent tax evasion and ensure that taxpayers fulfill their tax obligations honestly. By scrutinizing the financial transactions and reporting practices of businesses and professionals, tax audits act as a deterrent to potential tax evasion schemes. Identifying and rectifying discrepancies helps maintain the integrity of the tax system, promoting fairness and equity among taxpayers.

- Tax audits contribute significantly to enhancing transparency in financial transactions. Through a systematic examination of financial records, the audit process sheds light on the organization's economic activities. This transparency is essential not only for tax authorities but also for other stakeholders, fostering trust and confidence in the financial system.
- Tax audits aim to facilitate tax administration by providing tax authorities with accurate and reliable information. This enables tax authorities to assess and collect the appropriate taxes owed by businesses and professionals. The information obtained through audits also assists in formulating and implementing tax policies that are responsive to the evolving economic landscape.
- While tax audits are often viewed as a compliance mechanism, they also serve as a risk mitigation tool for taxpayers. Identifying and rectifying potential issues during the audit process can prevent future disputes with tax authorities, reducing the likelihood of penalties, fines, or legal complications. This proactive approach helps businesses and professionals maintain financial stability and compliance.

Ensure Compliances of the provisions of Income Tax Act

Tool of preventing Tax evasion

Facilitating tax authorities with accurate and reliable information

Risk mitigating tools for taxpayers

Credibility to the financial information provided to the stakeholders

AUDIT OF ACCOUNTS OF CERTAIN PERSONS CARRYING ON BUSINESS OR PROFESSION [SECTION 44AB]

As per the provisions of section 44AB of the Income Tax Act, 1961,

Every person, –

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

Provided that in the case of a person whose –

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

this clause shall have effect as if for the words "one crore rupees", the words "ten crore rupees" had been substituted:

Provided further that for the purposes of this clause, the payment or receipt, as the case may be, by a cheque drawn on a bank or by a bank draft, which is not account payee, shall be deemed to be the payment or receipt, as the case may be, in cash; or

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

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

[Provided that this section shall not apply to a person, who declares profits and gains for the previous year in accordance with the provisions of sub-section (1) of section 44AD or sub-section (1) of section 44ADA:]

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

Provided also that in a case where such person is required by or under any other law to get his accounts audited, it shall be sufficient compliance with the provisions of this section if such person gets the accounts of such business or profession audited under such law before the specified date and furnishes by that date the report of the audit as required under such other law and a further report by an accountant in the form prescribed under this section.

Explanation. – For the purposes of this section,

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

Applicable Rules

Rule 6G: Report of audit of accounts to be furnished under section 44AB

- (1) The report of audit of the accounts of a person required to be furnished under section 44AB shall, –
 - (a) 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, be in Form No. 3CA;
 - (b) in the case of a person who carries on business or profession, but not being a person referred to in clause (a), be in Form No. 3CB.
- (2) The particulars which are required to be furnished under section 44AB shall be in Form No. 3CD.
- (3) The report of audit furnished under this rule may be revised by the person by getting revised report of audit from an accountant, duly signed and verified by such accountant, and furnish it before the end of the relevant assessment year for which the report pertains, if there is payment by such person after furnishing of report under sub-rules (1) and (2) which necessitates recalculation of disallowance under section 40 or section 43B.

DETAILED ANALYSIS OF SECTION 44AB

Applicability

Tax Audit u/s 44AB of the Income-tax Act is applicable in the following cases:

- (a) **Persons carrying on Business:** Tax Audit is required if: Turnover/Sales/Gross Receipts exceed ₹1 crore in the previous financial year. However, the limit of Rs. 1 crore is enhanced to ₹10 crore if:
 - i. Cash receipts (including for sales, turnover, or other receipts) does not exceed 5% of total receipts
AND
 - ii. Cash payments (including expenditure) does not exceed 5% of total payments.

Note: *Non-account payee cheques/drafts are treated as cash for the purpose of this section.

- (b) **Persons carrying on a Profession:** Tax Audit is required if Gross receipts exceed ₹50 lakhs in the previous year.
- (c) **Persons opting for Presumptive Taxation:** Assessee carrying on **specified businesses** as referred in following sections and declares income lower than the prescribed under those respective sections:
 - (i) Section 44AE - Business of plying, hiring or leasing goods carriages,

- (ii) Section 44BB – Business of exploration of mineral oils,
- (iii) Section 44BBB - foreign companies engaged in the business of civil construction, etc., in certain turnkey power projects

Tax audit is required if the taxpayer claims income lower than the presumptive rate as specified under the respective sections of the Income Tax Act.

(d) Persons covered under Section 44ADA (Professionals under presumptive scheme): Tax audit is required if assessee carrying on profession having income exceeding basic exemption limits and declaring income lower than prescribed under section 44ADA, in any previous year,

- Income is declared lower than 50% of gross receipts, AND
- Total income exceeds the basic exemption limit.

**NOTE:* As per the Finance Act 2025, the basic exemption limit under the new tax regime (115BAC) is now Rs 4,00,000/-, w.e.f. 1st April, 2025

(e) Persons under Section 44AD (Small businesses under presumptive scheme): Tax audit is required if assessing carrying on business for whom provisions of section 44AD(4) are applicable and his income exceeds the basic exemption limit in any previous year.

- Taxpayer opts out of 44AD,
- Declares lower income than the presumptive 8% (or 6% for digital receipts), AND
- Total income exceeds the basic exemption limit.

SUMMARY – APPLICABILITY OF TAX AUDIT	
Category of Person	Threshold Limit of Tax Audit
Business	
Carrying on Business (not opting for Presumptive Taxation Scheme)	Total sales, turnover, or gross receipts exceed Rs. 1 crore in any FY or If cash transactions are up to 5% of total gross receipts and payments, the threshold limit of turnover for a tax audit is increased to Rs. 10 crores (w.e.f. FY 2020-21). In other words, more than 95% of business transactions should be done through banking channels to avail the increased threshold. Payment or receipt by a cheque or by a bank draft which is not account payee, would be deemed to be made in cash.
Carrying on business eligible for presumptive taxation under Section 44AE, 44BB or 44BBB	Claims profits or gains lower than the prescribed limit under the presumptive taxation scheme.
Carrying on business eligible for presumptive taxation under Section 44AD	Declares taxable income below the limits prescribed under the presumptive tax scheme and has income exceeding the basic threshold limit.

Profession	
Carrying on profession	Total gross receipts exceeds Rs 50 lakh in a year
Carrying on the profession eligible for presumptive taxation under Section 44ADA	Claims profits or gains lower than the prescribed limit under the presumptive taxation scheme and Income exceeds the basic exemption limit

Non-Applicability of Tax Audit

Tax Audit under section 44AB is not applicable in the following cases:

- A person, who declares profits and gains for the previous year in accordance with section 44AD(1) - Presumptive Taxation for Business OR section 44ADA(1) - Presumptive Taxation for Profession
- Not applicable to persons earning income under Section 44B (non-resident shipping) or Section 44BBA (non-resident aircraft business).
- If accounts are audited under any other law (e.g., Companies Act), then that audit is sufficient, provided the tax audit report (Form 3CA/3CD) is also furnished by the due date.

Tax Audit Exemption under Section 44AB (for Business & Profession)					
Section	Eligible Persons	Condition for Exemption	Turnover/Gross Receipts Limit	Deemed Income Rate	Applicability of Tax Audit
44AD	Individuals, HUFs, Partnership Firms (not LLPs)	Must declare income $\geq 8\%$ (cash) or $\geq 6\%$ (digital) of turnover	Up to ₹2 Cr (₹3 Cr if cash receipts $\leq 5\%$)	6% / 8%	Tax Audit is applicable in case Assessee claim his income less than the deemed income as computed in the respective sections
44ADA	Resident Individuals, Partnership Firms (not LLPs)	Must declare income $\geq 50\%$ of gross receipts	Up to ₹50 Lakhs (₹75 Lakhs if cash receipts $\leq 5\%$)	50%	
44AE	Any assessee owning ≤ 10 goods vehicles	Deemed income @ ₹1,000 per ton/month (Heavy vehicle) or ₹7,500/month (Other vehicles)	No limit on receipts, but vehicle limit: ≤ 10	Fixed per vehicle under the act	
44BB	Non-resident providing oil/mineral exploration services	Declares income @ 10% of gross receipts	No turnover limit	10%	
44BBB	Foreign company in turnkey power project	Declares income @ 10% of gross receipts	No turnover limit	10%	

44AB – Proviso	Any person carrying on business	If total turnover ≤ ₹10 Cr AND cash receipts/payments each ≤ 5% of total	₹10 Cr	NA	
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Specified Date

The specified date is one month prior to the due date for filing the return under Section 139(1). The due date for furnishing return of income under section 139(1) for different categories of taxpayers is:

- **31st July** – For Individuals, HUFs, etc. not liable for audit
- **31st October** – For Assessee liable to Audit
- **30th November** – For Assessee required to furnish Transfer Pricing report under Section 92E

AY 2026-27	Due Date
Filing ITR Due Date for (Assessee who are required to furnish report under section 92E)	30 th November, 2026
Due date of filing the Income Tax Return by Businesses whose Books of Account are required to be audit	31 st October, 2026
Due date for eligible taxpayers to submit Income Tax audit reports on the e-filing portal	30 th September, 2026
Due Dates for Tax Audit Report (3CA-3CD/3CB-3CD) (“filing of Tax Audit Report for all categories of assessee whose account are required to be audited”)	The date one month prior to the due date for furnishing the return of income under sub-section (1) of section 139

Note:

- Specified Date = ITR Due Date – 1 month, if the ITR due date is 31st October, the Specified Date would be 30th September
- Report is to be furnished in Form 3CA/3CB + 3CD on or before this date.
- If tax audit is done under any other law (e.g., Companies Act), audit under Section 44AB is deemed complied if Audit is done before the specified date, and Tax audit report (Form 3CA/3CD) is also submitted before the specified date.

WHO CAN CONDUCT TAX AUDIT “ACCOUNTANT”

Definition of Accountant

As per the Explanation to section 288 of Income-tax Act, 1961, “accountant” means a chartered accountant as defined in clause (b) of subsection(1) of section 2 of the Chartered Accountants Act, 1949 (38 of 1949) who holds a valid certificate of practice under sub-section (1) of section 6 of that Act, but does not include [except for the purposes of representing the assessee under sub-section (1)] –

- (a) in case of an assessee, being a company, the person who is not eligible for appointment as an auditor of the said company in accordance with the provisions of sub-section (3) of section 141 of the Companies Act, 2013 (18 of 2013); or

- (b) *in any other case, –*
- (i) *the assessee himself or in case of the assessee, being a firm or association of persons or Hindu undivided family, any partner of the firm, or member of the association or the family;*
 - (ii) *in case of the assessee, being a trust or institution, any person referred to in clauses (a), (b), (c) and (cc) of sub-section (3) of section 13;*
 - (iii) *in case of any person other than persons referred to in sub-clauses (i) and (ii), the person who is competent to verify the return under section 139 in accordance with the provisions of section 140;*
 - (iv) *any relative of any of the persons referred to in sub-clauses (i), (ii) and (iii);*
 - (v) *an officer or employee of the assessee;*
 - (vi) *an individual who is a partner, or who is in the employment, of an officer or employee of the assessee;*
 - (vii) *an individual who, or his relative or partner –*
 - (I) *is holding any security of, or interest in, the assessee:*
Provided that the relative may hold security or interest in the assessee of the face value not exceeding one hundred thousand rupees;
 - (II) *is indebted to the assessee:*
Provided that the relative may be indebted to the assessee for an amount not exceeding one hundred thousand rupees;
 - (III) *has given a guarantee or provided any security in connection with the indebtedness of any third person to the assessee:*
Provided that the relative may give guarantee or provide any security in connection with the indebtedness of any third person to the assessee for an amount not exceeding one hundred thousand rupees;
 - (viii) *a person who, whether directly or indirectly, has business relationship with the assessee of such nature as may be prescribed;*
 - (ix) *a person who has been convicted by a court of an offence involving fraud and a period of ten years has not elapsed from the date of such conviction.*

Analysis of definition & eligibility of 'Tax Auditor'

Qualification

A Chartered Accountant as defined under Chartered Accountant Act, 1949 who holds a valid certificate of practice.

Disqualification

I. In case of an assessee being a Company

The following persons shall not be eligible for appointment as a tax auditor of a company:

- (a) a body corporate other than a limited liability partnership registered under the Limited Liability Partnership Act, 2008;

- (b) an officer or employee of the company;
- (c) a person who is a partner, or who is in the employment, of an officer or employee of the company;
- (d) a person who, or his relative or partner -
 - (i) is holding any security of or interest in the company or its subsidiary, or of its holding or associate company or a subsidiary of such holding company, however, the relative may hold security or interest in the company not exceeding Rs. 1000 or such sum as may be prescribed;
 - (ii) is indebted to the company, or its subsidiary, or its holding or associate company or a subsidiary of such holding company, in excess of such amount as may be prescribed; or
 - (iii) has given a guarantee or provided any security in connection with the indebtedness of any third person to the company, or its subsidiary, or its holding or associate company or a subsidiary of such holding company, for such amount as may be prescribed;
- (e) a person or a firm who, whether directly or indirectly, has business relationship with the company, or its subsidiary, or its holding or associate company or subsidiary of such holding company or associate company of such nature as may be prescribed;
- (f) a person whose relative is a director or is in the employment of the company as a director or key managerial personnel;
- (g) a person who is in full time employment elsewhere or a person or a partner of a firm holding appointment as its auditor, if such persons or partner is at the date of such appointment or reappointment holding appointment as auditor of more than twenty companies;
- (h) a person who has been convicted by a court of an offence involving fraud and a period of ten years has not elapsed from the date of such conviction;
- (i) a person who, directly or indirectly, renders any service referred to in section 144 of the Companies Act, to the company or its holding company or its subsidiary company.

Services referred in section 144 are:

- (a) accounting and book keeping services;
- (b) internal audit;
- (c) design and implementation of any financial information system;
- (d) actuarial services;
- (e) investment advisory services;
- (f) investment banking services;
- (g) rendering of outsourced financial services;
- (h) management services; and
- (i) any other kind of services as may be prescribed:

II. In any other case

The following persons shall not be eligible for appointment as a tax auditor of the assessee other than the Company:

- (a) The assessee himself

- (b) Partner of the firm or member of the association or HUF, where assessee being a firm, association or HUF.
- (c) Where the assessee being a trust or institution, the following person:
 - i. the author of the trust or the founder of the institution;
 - ii. any person who has made a substantial contribution to the trust or institution, that is to say, any person whose total contribution up to the end of the relevant previous year exceeds “one lakh rupees” (for the relevant previous year) or “ten lakh rupees” (in aggregate up to the end of the relevant previous year);
 - iii. where such author, founder or person is a Hindu undivided family, a member of the family;
 - iv. any trustee of the trust or manager (by whatever name called) of the institution;
- (d) The person other than mentioned in (a), (b) & (c), who is competent to verify the return under section 139 -
 - i. In case of an Individual – the Individual himself, if he is absent from India, some other person authorized by him, if he is mentally incapacitated, by his guardian or other competent person, if not possible to verify the return, by any person duly authorized by the him;
 - ii. In case of HUF – by the Karta, and, where the karta is absent from India or is mentally incapacitated from attending to his affairs, by any other adult member of such family;
 - iii. In the case of a company - by the managing director thereof
 - iv. In case of a firm - by the managing partner thereof, in his absence, any partner not being a minor;
 - v. In the case of a limited liability partnership - by the designated partner thereof, in his absence, any designated partner;
 - vi. In case of a local authority - by the principal officer thereof;
 - vii. In the case of a political party - by the chief executive officer of such party;
 - viii. In the case of any other association - by any member of the association or the principal officer thereof;
 - ix. In the case of any other person - by some person competent to act on his behalf.
- (e) any relative of any of the persons referred to in (a), (b), (c) & (d) above;
- (f) an officer or employee of the assessee;
- (g) an individual who is a partner, or who is in the employment, of an officer or employee of the assessee;
- (h) an individual who, or his relative or partner -
 - i. is holding any security of, or interest in the assessee of the face value exceeding Rs 1,00,000;
 - ii. is indebted to the assessee for an amount exceeding Rs. 1,00,000;
 - iii. has given a guarantee or provided any security in connection with the indebtedness of any third person to the assessee for an amount exceeding Rs. 1,00,000;
- (i) a person who, whether directly or indirectly, has business relationship with the assessee of such nature as may be prescribed;

- (j) a person who has been convicted by a court of an offence involving fraud and a period of ten years has not elapsed from the date of such conviction.

Removal of Tax Auditor

Removal of Tax Auditor can be done by the management where there are valid grounds or justification for such removal. For examples: where the tax auditor has delayed the submission of tax audit report for unreasonable period and if it is found that there is no possibility of getting the audit report uploaded before the specified date, the management may be justified in removing the tax auditor.

Tax auditor cannot be removed merely on the ground that he has given an adverse audit report or assessed as an apprehension that the tax auditor is likely to give an adverse audit report.

Question 1.

Mr. CA & Associates (a Chartered Accountant firm) carries out the Statutory Auditor of M/s Orange Pvt. Ltd. Whether Mr. CA & Associates can be appointed as Tax Auditor of M/s Orange Pvt. Ltd?

Answer:As per section 44AB, only an 'accountant' is eligible to be appointed as Tax Auditor and as per the *Explanation* to section 288, there is no disqualification placed on the statutory auditor of a company, accordingly Mr. CA & Associates can be appointed as the Tax Auditor of the M/s Orange Pvt. Ltd.

MEANING OF IMPORTANT TERM

Meaning of Sales, Turnover and Gross Receipts

Calculating gross receipts and sales turnover is essential for determining the applicability of a tax audit under Section 44AB. Section 44AB applies to every person carrying on business, if his sales, turnover or gross receipts from the business exceeds the prescribed limits (Rs. 1 crore or in certain specified cases, Rs. 10 crore) and to a person carrying on a profession, if his gross receipts from the profession exceeds the prescribed limits (Rs. 50 lakhs) in the previous year.

It is important to note that the terms "sales", "turnover" or "gross receipts" are not defined under the Income tax act. So, the meaning of these terms has to be properly considered for determining the applicability of section 44AB.

The Income-tax Act does not define the term "sales," "turnover," or "gross receipts," so their meaning is interpreted based on Accounting standards, ICAI (Institute of Chartered Accountants of India) Guidelines, and Judicial precedents provided by judicial bodies.

Turnover for Business

Turnover as per Books of Accounts

The terms "Sales", "Turnover" or "Gross Receipts" are commercial terms, and should be construed in accordance with the method of accounting regularly employed by the Assessee.

Section 145(1) provides that the Income chargeable under the head "Profits & 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 and Gross Receipts.

Section 44AB applies only if the sales or turnover exceeds the prescribed limit according to the accounts maintained by the assessee.

Inclusions in Turnover

For the purpose of Tax Audit, the term “turnover” includes the following:

- GST/Sales Tax/VAT/Excise Duty, if included in the sales price, in accordance with the method of accounting followed by the assessee.(Note: If GST / Sales Tax /VAT/ and / Excise duty recovered are credited separately to GST / Sales Tax / VAT Account or Excise Duty Account (being separate accounts) and payment to the authority are debited in the same account, they would not be included in the turnover.)
- Cash Assistance against Exports under any scheme of Government of India.
- Gross Interest received by a money lender.
- Commission, Brokerage, Service and other Incidental charges received in the business of Chit Funds.
- Reimbursement of expenses incurred (e.g. packing, freight, forwarding, insurance, travelling etc.) [Note: if such reimbursements are credited to a separate account in the books, only the net surplus on this account should be added to the turnover.]
- Net exchange rate difference on Export Sales.
- Hire charges of Cold Storage.
- Liquidated Damages.
- Insurance Claim – except for Fixed Assets.
- Sale proceeds of Scrap, Wastage etc. unless treated as part of sale or turnover, whether or not credited to Miscellaneous Income Account.
- Gross Receipts including Lease Rent in the business of Operating Lease.
- Lease Rent or Interest on financing in the business of Finance Lease.
- Hire charges and Instalments received in the course of Hire Purchase.
- Advance Received or Forfeited from Customers.
- Value of any benefit or perquisite, whether convertible into money or not, arising from business or the exercise of a profession.

Note: If the assessee is doing more than one business activity, the turnover of all business activities should be taken together.

Exclusion from Turnover

- Trade Discounts allowed in sales / tax invoice which reduces the sale price, can be excluded from the turnover. However, Cash Discounts allowed otherwise than that allowed in a cash memo is in the nature of a financing charges, and is not related to turnover, the same should not be deducted from the turnover.
- Turnover Discounts which is generally allowed to a customer if the sales made to him exceed a particular quantity. Since, this being dependent on the turnover, as per the trade practice, it is in the nature of Trade Discounts.
- Special Rebate allowed to a customer, if it is in the nature of Trade Discounts.
- Sales Return.

- Sale proceeds of Fixed Assets.
- Sale proceeds of Property held as Investment Property.
- Sales proceeds of shares, debentures, securities etc. held as investments

Gross Receipts for Profession

In case of professionals, the term “Gross Receipts” in profession would include all the receipts arising from carrying on of the profession. Such receipts may be in cash or kind.

Out of Pocket Expenses

- Normally in case of solicitors, advocates, or chartered accountants or company secretaries, out-of-pocket expenses received in advance are credited to a separate client’s account and utilized for making payments for stamp duties, registration charges, fees, counsel’s fees, travelling charges etc. on behalf of the clients.
- These amounts, if collected separately either in advance or otherwise, should not form part of the ‘gross receipts’.
- However, if such out of pocket expenses are not specifically collected but included in the consolidated fees, the whole amount so collected shall form part of Gross Receipts.

Reimbursements vs Recoveries

- If the assessee is merely reimbursed for certain expenses incurred, it will not form of his gross receipts.
- However, if in case of charges recovered, which are not by way of reimbursement of the actual expenses incurred, they will form part of his gross receipts.

Advance Received

Amount received by way of advance which services are yet to be rendered will not form part of the gross receipts, as such advances are the liabilities of the assessee, and cannot be treated as his income till the services are rendered.

Special Aspects - Speculative Transactions

Turnover or Gross Receipts in case of speculative transactions in shares, securities and derivatives may be determined as per following principles:

- In case of speculative transactions, there can be positive and negative differences arising by settlement of various such contracts during the year.
- Each transaction resulting into an independent transactions.
- The amount paid on account of negative difference is not related to the amount received on account of positive difference.
- In such transactions, though the Contract Notes are issued for full value of the purchased or sold asset, the entries in the books of account are made only for the differences.
- Accordingly, the aggregate of both positive and negative differences is to be considered as the turnover of such transactions for determining the liability to tax audit u/s 44AB.

QUESTION FOR PRACTICE**Question 1.**

M/s Yellow Pvt. Ltd. has a total gross receipt in previous year of Rs. 10,00,00,000 and aggregate of payments made during the previous year was Rs. 6,00,00,000. Out of which total cash receipts were Rs. 49,00,000 and amount paid in cash was Rs. 28,00,000. Whether M/s Yellow Pvt. Ltd is required to conduct Tax Audit as per the provisions of section 44AB of Income Tax Act?

Answer:

The normal threshold limit for tax audit is Rs 1 crore for business, however, where the total cash receipts and cash payment does not exceed 5% of the gross total receipt and total payments, the limits for the applicability of Tax Audit extend to Rs. 10 crore.

In this given case, cash receipt and cash payments are less than 5% of total gross receipts and total payments, accordingly the limits for tax audit for M/s Yellow Pvt. Ltd. is Rs. 10 crore. Since the gross receipts do not exceed Rs. 10 crore, M/s Yellow Pvt. Ltd. is not required to get his accounts audited under section 44AB.

Question 2.

Mr. R is in trading business and having turnover of Rs. 90 lakhs, and simultaneously he is providing some professional services whose total gross receipts were Rs. 55 lakhs in previous year. Whether, tax audit is applicable on Mr. R.

Answer:

Where the Assessee has both professional receipts and turnover from business, each of them will be separately considered for the purpose of determining the tax audit applicability. Since, Mr. R has professional receipts more than Rs. 50 lakhs, tax audit is applicable to the assessee and it is necessary to get his accounts audited for his profession and as well as for his business.

Question 3.

Mr. Prakash is a trader with a total turnover of ₹1.2 crore in FY 2024–25. He received ₹1 crore by bank transfer and ₹20 lakh in cash. Determine applicability of tax audit u/s 44AB.

Answer:

Cash receipts = ₹20 lakh → ₹ 16.67% of turnover > 5%.

Hence, ₹10 crore threshold not applicable.

Accordingly, Tax audit is required (turnover > ₹1 crore and cash receipts > 5% of total receipts).

Question 4.

Star Enterprises had turnover of ₹6 crore, received 98% digitally, and made payments 97% digitally. Determine applicability of tax audit u/s 44AB.

Answer: Both cash receipts and payments < 5%

Eligible for enhanced limit → No tax audit required (Since gross receipts / turnover < Rs.10 crore).

Question 5.

Mr. Shiva, a Company Secretary in Practice, earned ₹65 lakhs from professional services in FY 2024–25, all through UPI / digital payments / bank transfers. Determine applicability of tax audit u/s 44AB.

Answer: Tax audit required (professional receipts > ₹50 lakhs).

CASE STUDY 1

Mr. Kishore runs a kirana shop with ₹80 lakh turnover in the city of Indore. Business is not good, and despite trying very hard, he could only achieve a net profit @ 4% of the turnover. Being a tax consultant, he seeks your help in analyzing the current situation, and advising what would be his due date to file the Income tax return, and applicable compliances. He has been filling returns by taking the benefit of Section 44AD for the past 10 financial years. You are required to advise him regarding furnishing returns under the Income Tax Act for the FY 2025-2026.

Solution:**Case Summary:**

- Name: Mr. Kishore
- Type of business: Kirana store (eligible business)
- Location: Indore (non-metro; doesn't affect analysis)
- Turnover for FY 2024–25: ₹80 lakhs
- Net profit declared: 4% = ₹3.2 lakhs
- Used Section 44AD for past 10 years
- Now reporting income < 8% (cash) or 6% (digital)

Applicability of Provisions:

Section 44AD – Presumptive Scheme:

- If gross receipts ≤ ₹2 crore, and the taxpayer declares profit ≥ 8% (cash) or 6% (non-cash) → No need for books or audit.
- If the taxpayer declares profit < 6%/8%, and his income exceeds basic exemption limit, then:
 - He must maintain books of account as per Section 44AA
 - And get them audited u/s 44AB

Analysis of the Current Situation:

Declared Profit is 4% of ₹80 lakh = ₹3.2 lakhs

- Basic exemption limit for Mr. Kishore (assuming <60 years): ₹2.5 lakhs
- His income > basic exemption, but profit < 6%/8%
- Section 44AD(4) applies (exit from presumptive → audit triggered)

Therefore, Tax Audit is MANDATORY u/s 44AB(e)

- If Mr. Kishore opts out of Section 44AD this year (by declaring lower income), he cannot opt back in for the next 5 assessment years (Section 44AD(4)).
- He will be required to maintain books and get audit done for those years if his income exceeds the exemption limit.
- Since audit is mandatory (due to lower income and income > exemption limit), the due date for filing ITR is: 31st October 2026 (for AY 2026–27)

Compliances Required

- Maintain Books of Account as per Section 44AA.
- Get Accounts Audited under Section 44AB.
- Pay Advance Tax by 15th March 2026 (entire amount).
- File ITR by 31st October 2026.
- Avoid penalties under:
 - Section 271A (₹ 25,000 for non-maintenance of books)
 - Section 271B (₹ 1,50,000 or 0.5% of turnover for non-audit)
- Professional Advise to Mr Kishore: Being a Company Secretary, it is our duty to properly advise the clients on the best possible scenario for the benefit of the client:
 - If he wants to continue under Section 44AD, he must declare at least 6% or 8% profit.
 - If he declares lower profit, he must be ready for audit and books maintenance, and cannot opt for 44AD for next 5 years.
 - Consider whether the compliance burden and loss of presumptive benefit are worth declaring lower profit.

CASE STUDY 2

Mr. Prakash, a 32-year-old freelance web developer based in Pune, earned ₹48 lakhs in gross professional receipts during FY 2025-26. He incurred ₹20 lakhs in expenses and declared ₹12 lakhs as net profit. He has been opting for Section 44ADA since FY 2020–21. This year, however, he wants to declare actual profit, which is less than 50% of gross receipts.

Advise Mr. Prakash on:

- Whether he can declare lower profit
- Applicability of books of account and tax audit
- Relevant due dates for filing return and audit report
- The ITR form he should use

Solution:

- Section 44ADA allows professionals (eligible u/s 44AA(1)) to declare income at **50%** of gross receipts up to ₹50 lakhs.
- Mr. Prakash's gross receipts are ₹48 lakhs (within limit).
- However, since he wants to declare 25%, which is less than 50%, and his income exceeds ₹2.5 lakh, Section 44ADA(4) triggers Section 44AB(d).

Conclusion:

- Tax Audit is mandatory
- He must maintain books of account as per Section 44AA
- Due date for Tax Audit: 30th September 2025
- Due date for ITR filing: 31st October 2025
- ITR Form: ITR-3
- Advance Tax (100% to be paid): 15th March 2025

MAINTENANCE OF BOOKS OF ACCOUNTS [SECTION 44AA]

The Income Tax Act has specified the books of accounts that are required to be maintained for the purpose of Income Tax. These have been prescribed under section 44AA and Rule 6F.

As per the section 44AA, an assessee is required to maintain books of accounts/ accounting records, if the income from business or profession exceeds Rs. 1,20,000 or turnover/gross receipts exceeds Rs. 10,00,000 in any of the 3 preceding years.

For a newly set up business/profession whose income from business/profession is expected to exceed Rs. 1,20,000 in a year or gross receipts are expected to exceed Rs. 10,00,000.

Further, in case business/profession is being carried out by the individual or HUF the limits are to be read as under:

- a. For Income - Rs. 2,50,000
- b. For Turnover/Gross Receipt - Rs. 25,00,000.

This provides a relief to small tax payers.

Further, specified professionals are required to maintain their books of accounts irrespective of their gross receipts and income except where a presumptive taxation scheme under Section 44ADA is opted.

Specified professionals include any person engaged in:

- Legal,
- Medical,
- Engineering,
- Architectural, Technical Consultancy, Interior decoration, Film artist, Authorized Representative, Accountancy Profession, Company secretary, or Information Technology.

A Business entity opting for presumptive tax scheme under section 44AD, 44AE, 44BB, or 44BBB is required to maintain books of account in accordance with following norms:

- (a) Businesses eligible for presumptive tax scheme under section 44AD:
 - For resident individuals or HUFs - if the income of the assessee exceeds the maximum exemption limit and he has opted for the presumptive scheme in any of the last 5 previous years but does not opt for the same in the current year.

- For resident partnership firm - The taxpayer has opted for the scheme in any of the last 5 previous years but does not opt for the same in the current year.
- (b) Businesses eligible for presumptive tax scheme under Section 44AE: if the taxpayer (engaged in plying, hiring, or leasing goods carriage) claims that the profits are lower than the deemed profits.
- (c) Businesses eligible for Presumptive Tax Scheme under Section 44BB - if the taxpayer (non-resident assessee engaged in the exploration of mineral oil) claims that the profits are lower than the deemed profits.
- (d) Businesses eligible for Presumptive Tax Scheme under Section 44BBB - if the taxpayer (a foreign company engaged in civil construction) claims that the profits are lower than the deemed profits.

List of books of accounts required to be maintained

Rule 6F of the Income-tax Rules prescribes the following books of accounts to be maintained under section 44AA(3):

- For specified professions other than company secretary and information technology (where gross receipts exceed Rs. 1,50,000 in any of the 3 years immediately preceding the previous year) -
 - a) Cash book
 - b) Journal, if books of accounts are maintained according to the mercantile system of accounting
 - c) Ledgers
 - d) Carbon copies of bills and carbon copies or counterfoil of receipts issued by the assessee of value exceeding Rs. 25 (must be machine numbered or serially numbered)
 - e) Original bills issued to the assessee and receipts in respect of the expenditures incurred by him.
 - f) Signed vouchers, if bills and receipts are not issued and the amount of expenditure does not exceed Rs. 50 if the cash book does not contain adequate particulars in respect of these expenditures
- For medical professions, the following additional books are required to be maintained:
 - Daily case register in Form 3C.
 - Inventory under broad heads of stock of drugs, medicines, and other consumable accessories used for the purpose of profession, as on the first and last day of the previous year.
- For specified professions (in every other case), and non-specified professions & businesses where gross receipts exceed Rs. 1,50,000 in any of the 3 years immediately preceding the previous year - Such books of account which may enable the Assessing Officer to compute the taxable income.

Where books of account and other documents should be kept and maintained?

Books of account and other documents should be kept and maintained by the person at the place where he is carrying on the profession or, where the profession is carried on at more than one place, at the principal place of his profession.

However, where the person keeps and maintains separate books of account in respect of each place where the profession is carried on, such books of account and other documents may be kept and maintained at the respective places at which the profession is carried on.

Period of maintenance

Books of account and documents should be kept and maintained for a period of 6 years from the end of the relevant assessment year.

However, if the assessment in relation to any assessment year has been reopened under Section 147 within the prescribed period, all the books of account and other documents which were kept and maintained at the time of reopening of the assessment should be kept and maintained until the assessment so reopened has been completed.

Penalty for non-compliance

If an assessee fails to maintain or retain books of account and other documents for the specified period in accordance with this provision, a penalty may be imposed under Section 271A of Rs. 25,000.

Question 1.

Which of the following persons are required to maintain books of accounts irrespective of the gross receipts and income except where a presumptive taxation scheme under Section 44ADA is opted?

- (a) Specified Professions
- (b) Non-Specified Professions
- (c) Business eligible for presumptive taxation scheme under Section 44AD, 44AE, 44BB, or 44BBB
- (d) All of the above

Answer: (a) Specified Professionals.

Specified professionals are required to maintain their books of accounts irrespective of their gross receipts and income except where a presumptive taxation scheme under Section 44ADA is opted. Specified professionals include any person engaged in Legal, Medical, Engineering, Architectural, Technical Consultancy, Interior decoration, Film artist, Authorized Representative, Accountancy Profession, Company secretary, or Information Technology.

Question 2.

Purple Ltd. engaged in the business of manufacturing paper is required to maintain books of accounts if

- (a) Income from business exceeds Rs. 2,50,000 or Gross turnover exceeds Rs. 25 lakhs, in any of the 3 years immediately preceding the previous year.
- (b) Income from such business exceeds Rs. 1,20,000 or Gross turnover exceeds Rs. 10 lakhs, in any of the 3 years immediately preceding the previous year.
- (c) Either (a) or (b)
- (d) None of the above

Answer: (b) Income from such business exceeds Rs. 1,20,000 or Gross turnover exceeds Rs. 10 lakhs, in any of the 3 years immediately preceding the previous year.

A Business entity is required to maintain books of account if the income from such business exceeds Rs. 1,20,000 or Gross turnover exceeds Rs. 10 lakhs, in any of the 3 years immediately preceding the previous year.

Changes Introduced via Finance Act, 2025

- I. Section 115BAC (New Tax Regime)
 - a. Basic exemption limit increased:
 - i. AY 2025-26: ₹ 3 lakh
 - ii. AY 2026-27: ₹ 4 lakh (as per phased amendments)
- II. Section 87A (Rebate)
 - a. Rebate up to ₹ 60,000 for resident individuals if total income \leq ₹ 12 lakh under the new regime.
 - b. Rebate up to ₹ 12,500 under the old regime if income \leq ₹ 5 lakh.

Impact on Tax Audit Applicability

Despite the increase in basic exemption limits and rebate thresholds:

1. Tax audit applicability remains unchanged.
2. Audit is triggered by turnover/gross receipts, not by:
 - Basic exemption limit under Section 115BAC
 - Rebate eligibility under Section 87A
 - Tax regime opted (old or new)

Even if a taxpayer's net income is below the exemption limit, they may still be subject to audit if their turnover/gross receipts exceed the prescribed thresholds.

Hence, it is important to note, that changes in Section 115BAC and Section 87A affect tax computation, not audit applicability. Taxpayers must assess audit requirements based solely on turnover and presumptive income declarations.

TAX AUDIT REPORT

The tax audit report has to be furnished in the forms prescribed below:

Category of Taxpayer	Form for Audit Report	Annexure to Audit Report
<p>If the books of account of the assessee are required to be audited under any other law i.e. Companies Act, 2013 (statutory audit of companies), LLP Act (audit of LLPs), Co-operative Societies Act, etc.</p> <p>Example: A company whose accounts are already audited under the Companies Act will furnish its tax audit report in Form 3CA.</p>	Form 3CA	Form 3CD
<p>In any other case i.e. The person is not required to get accounts audited under any other law but is still liable to tax audit under Section 44AB (say, due to turnover crossing the threshold).</p> <p>Example: A sole proprietor whose turnover is ₹1.5 crore and not liable to audit under any other law will file tax audit report in Form 3CB.</p>	Form 3CB	Form 3CD

Form No. 3CA/3CB is a format of audit report, whereas Form 3CD is a Statement of particulars required to be furnished under Section 44AB of the Income-tax Act.

Form 3CD – Statement of Particulars - Regardless of whether Form 3CA or 3CB is used, the assessee must also submit Form 3CD. This is a detailed questionnaire (44 clauses) containing particulars as already mentioned before in this chapter. Form 3CD acts as an annexure to the audit report and is mandatory in all tax audit cases.

The Tax Auditor has to furnish his report in specified Audit Forms which are explained in detail:

FORM 3CA

Tax Audit Report is to be furnished in Form 3CA, in a case where the accounts of the person carrying business of profession are required to be audited under any other laws for the time being in force like the Companies Act, 2013 or the LLP Act, 2008. In this report, auditor is not required to express his opinion towards the true and fairness of accounts, he is only required to annex a copy of audit report given by statutory auditor as well as audited accounts along with his report in Form 3CA. The tax auditor is required to express his opinion whether the prescribed particulars furnished in Form 3CD by the assessee are true and correct, subject to observations if any.

Format of Form 3CA – a specimen format of Form 3CA is given below:

FORM NO. 3CA

[See rule 6G(l)(a)]

Audit report under section 44AB of the Income -tax Act, 1961, in a case where the accounts of the business or profession of a person have been audited under any other law

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

- (a) the audited *profit and loss account/income and expenditure account for the period beginning from to ending on
- (b) the audited balance sheet as at,; and
- (c) documents declared by the said Act to be part of, or annexed to, the *profit and loss account/income and expenditure account and balance sheet.

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

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

- a.
- b.
- c.

.....

** (Signature and stamp/Seal of the signatory)

Place:

Name of the signatory

Date:

Full address

Notes :

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

FORM 3CB

Tax Audit Report is to be furnished in Form 3CB, in a case where the accounts of the person carrying business of profession are not required to be audited under any other laws for the time being in force. A proprietorship entity or partnership firm with a turnover of more than 1 crore and not opting for the presumptive income scheme is not required to get its accounts audited under any other law except income tax. So, it will furnish Form 3CB. In this report, tax auditor is required to express his opinion as to whether or not the accounts audited by him give a true and fair view of the state of affairs or profit & loss account of the assessee. The tax auditor is required to express his opinion whether the prescribed particulars furnished in Form 3CD by the assessee are true and correct, subject to observations if any.

Format of Form 3CB – a specimen format of Form 3CB is given below:

FORM NO. 3CB

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

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

1. *I/we have examined the balance sheet as on,, and the *profit and loss account/income and expenditure account for the period beginning fromto ending on, attached herewith, of (Name), (Address), (Permanent Account Number).
2. *I/we certify that the balance sheet and the *profit and loss/income and expenditure account are in agreement with the books of account maintained at the head office atand **branches.
3. (a) *I/we report the following observations/comments/discrepancies/inconsistencies; if any:
 - (b) Subject to above, –
 - (A) *I/we have obtained all the information and explanations which, to the best of *my/our knowledge and belief, were necessary for the purpose of the audit.
 - (B) In *my/our opinion, proper books of account have been kept by the head office and branches of the assessee so far as appears from*my/ our examination of the books.
 - (C) In *my/our opinion and to the best of *my/our information and according to the explanations given to *me/us, the said accounts, read with notes thereon, if any, give a true and fair view :-

- (i) in the case of the balance sheet, of the state of the affairs of the assessee as at 31st March;
and
- (ii) in the case of the *profit and loss account/income and expenditure account of the *profit/loss or *surplus/deficit of the assessee for the year ended on that date.

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

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

- a.
- b.
- c.

**(Signature and stamp/Seal of the signatory)

Place:

Name of the signatory

Date:

Full address

Notes:

- *Delete whichever is not applicable.
- **Mention the total number of branches.
- ***This report has to be signed by person eligible to sign the report as per the provisions of section 44AB of the Income-tax Act, 1961.
- The person, who signs this audit report, shall indicate reference of his membership number/certificate of practice number/authority under which he is entitled to sign this report.

FORM 3CD – Statement of Particulars required to be furnished under section 44AB

The form includes the statement of particulars /information required to be provided under section 44AB as Annexure to the audit report in Form 3CA & Form 3CB.

Clause wise analysis of Form 3CD		
Sl. No.	Particulars	Reporting requirements
PART A		
1	Name of the assessee	(a) Name of the assessee as specified in the PAN (b) If trade name is different, the same should be reported. (c) Name of branch along with the name of the assessee.

2	Address	<p>(a) Address must be the same as informed by the assessee to the Income tax department.</p> <p>(b) Address of branch must be given</p> <p>(c) In case of a company, registered office address must be given</p> <p>(d) In case of other assessee, principal place of business must be given</p>
3	Permanent Account Number (PAN) or Aadhar number	PAN number or Aadhar number of the Assessee must be given.
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 the applicability of indirect taxes to the assessee and mention the registration numbers obtained by the assessee.
5	Status	This refers to the different classes of assesses included in the Act – individual, Hindu Undivided Family (HUF), company, firm (includes LLP), Association of Persons (AOP), Body of Individuals (BOI), local authority and artificial juridical person.
6	Previous year from ____ to ____	This relates to the financial year pertaining to the audit. This period is typically from the 1st April to 31st March of the next year but care has to be taken in case of closure of businesses, new businesses, amalgamations, demergers, etc.
7	Assessment Year	Assessment year relevant to the previous year for which the accounts are to be audited.
8	Indicate the relevant clause of section 44AB under which the audit has been conducted	The applicable clause [(a) to (e)] of Section 44AB under which tax audit is being conducted should be selected.
8A	Whether the assessee has opted for taxation under section 115BA/ 115BAA/ 115BAB/ 115BAC/ 115BAD/ 115BAE	Section 115BA/ 115BAA/ 115BAB/ 115BAD/ 115BAE provide option to the assessee to pay tax at special rates and forego certain deductions, exemptions etc. The auditor has to verify and mention whether the assessee has opted for taxation under any of the aforesaid sections.

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 (BOI), the names of partners of the firm or members of AOP/BOI and their profit sharing ratios have to be mentioned. In case a person acts in a representative capacity, the name of the beneficial partner/member should be mentioned.
	(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	All changes that occur during the entire previous year, no matter how often, must be mentioned.
10	(a)	Nature of business or profession (if more than one business or profession is carried on during the previous year, nature of every business or profession)	Where the assessee is in more than one business, the information has to be furnished in respect of all business. Where the assessee is in profession, the nature of each type of service need to be mentioned.
	(b)	If there is any change in the nature of business or profession, the particulars of such change	If there are any changes in the nature of business or profession to be carried out, the same needs to be mentioned. Temporary discontinuance of business need not to be mentioned.
11	(a)	Whether books of account are prescribed under section 44AA, if yes, list of books so prescribed.	Rule 6F prescribes the books of account and other documents to be maintained by a person carrying certain professions as specified in section 44AA(1). Section 44AA(2) provides that persons carrying on business or profession except the persons as mentioned in section 44AA(1), shall keep and maintain books of account or other documents so as to enable Assessing Officer to compute his total Income in accordance with the provisions of Income-tax Act, if his total sales, turnover or income from business or profession exceed the prescribed limits under section 44AA(2), in any of the three immediately preceding three years.

	(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 generated by such computer system. If the books of account are not kept at one location, please furnish the addresses of locations along with the details of books of account maintained at each location.)	Location of books of account to be provided in this clause. In case the books of account are kept at more than one locations, then details of each location along with details need to be disclosed. In case where books of account are maintained in computer system, the location of server need to be disclosed. In case where books of account are stored on cloud, IP address of the same must be disclosed.
	(c)	List of books of account and nature of relevant documents examined	List of books of account along with other relevant documents, the auditor has examined
12		Whether the profit or loss account includes any profits and gains assessable on presumptive basis, if yes, indicate the amount and the relevant section (44AD, 44ADA, 44AE, 44AF, 44B, 44BB, 44BBA, 44BBB, 44BBC, Chapter XII-G [Shipping business], First Schedule [Insurance business] or any other relevant section)	The amount of profit & gains of the business or profession that relates to the presumptive scheme of taxation under any of the given sections must be reported in this clause.
13	(a)	Method of accounting employed in the previous year	As per section 145 of Income-tax Act, 1961, income chargeable under head 'Profit and gains of business or profession' or 'Income from other sources' must be computed in accordance with either cash or mercantile system of accounting. If there is any change in the method of accounting, that is to be reported and the effect thereof on the increase or decrease on the profits need to be stated under this clause. The Income Tax Act has prescribed certain Income Computation and Disclosure Standards (ICDS). The effect of these ICDS must be taken in the computation of tax to arrive at the net tax liability – The increase in profit, decrease in profit and net effect is mentioned as per each ICDS.
	(b)	Whether there had been any change in the method of accounting employed vis-a-vis the method employed in the immediately preceding previous year.	
	(c)	If answer to (b) above is in affirmative, give details of such change, and the effect thereof on the profit or loss.	
	(d)	Whether any adjustment is required to be made to the profits or loss for complying with the provisions of income computation and disclosure standards notified under section 145(2)	
	(e)	If answer to (d) above is in the affirmative, give details of such adjustments	

	(f)	Disclosure as per ICDS	<p>The ICDS also contain certain disclosure requirements.</p> <ul style="list-style-type: none"> i) ICDS I – Accounting Policies ii) ICDS II – Valuation of Inventories iii) ICDS III – Construction Contracts iv) ICDS IV – Revenue Recognition v) ICDS V – Tangible Fixed Assets vi) ICDS VII – Government Grants vii) ICDS IX – Borrowing Costs viii) ICDS X – Provisions, Contingent Liabilities and Contingent Assets
14	(a)	Method of valuation of closing stock employed in the previous year.	<p>The tax auditor needs to determine the method of valuation of closing stock. If there is any change in the basis of determining cost, market value or net realizable value the same needs to be provided along with the effect thereof on the profit and loss.</p>
	(b)	In case of deviation from the method of valuation prescribed under section 145A, and the effect thereof on the profit and loss	
15		Give the following particulars of the capital asset converted into stock-in-trade:	<p>An asset held as a capital asset would attract income under the head capital gains at the time of its sale and an asset held as stock-in-trade would attract income under the head profits and gains of business. When it is decided to treat a capital asset as part of the stock of the business, it is treated as a 'transfer' for income tax purposes and will attract capital gains subject to certain conditions and exceptions.</p>
	(a)	Description of capital asset;	
	(b)	Date of acquisition;	
	(c)	Cost of acquisition;	
	(d)	Amount at which the asset is converted into stock-in-trade.	
16		Amounts not credited to the profit and loss account, being –	<p>The auditor is supposed to ensure all the items falling under Section 28 of the Income Tax Act, 1961 that have not been credited to the profit and loss account. This clause intends to capture and report those incomes which ordinarily wouldn't be a business income but is deemed to be business income by virtue of the Income Tax Act. For example, compensation received on account of termination of employment, profit on sale of import license, remuneration received by a partner from a partnership firm, etc. Even export benefits like pro forma credits, duty drawbacks, refund of customs, etc. would be covered under this clause if not credited to the profit and loss account.</p>
	(a)	The items falling within the scope of section 28;	
	(b)	The proforma credits, drawbacks, refund of duty of customs or excise or service tax, or refund of sales tax or value added tax where such credits, drawbacks or refunds are admitted as due by the authorities concerned;	
	(c)	Escalation claims accepted during the previous year;	
	(d)	Any other item of income;	

	(e)	Capital receipt, if any.	A tax auditor should use his professional judgment to determine whether a receipt is capital or revenue.
17		Where any land or building or both is transferred during the previous year for a consideration less than value adopted or assessed or assessable by any authority of the State Government referred to in section 43CA or 50C, please furnish details of property, consideration received or accrued and value adopted or assessed or assessable	If assessee has sold or transferred any land, building or both during the previous year for a consideration less than the value assessed by the authority as referred to in section 43CA or 50C, the auditor is required to furnish the details of property along with consideration received or accrue and value adopted or assessed.
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:-	The tax auditor is required to examine that depreciation to be charged as per the 'block of assets system' subject to certain conditions.
	(a)	Depreciation of asset/block of assets	The tax auditor is required to examine the classification of assets into various blocks, this can be done through judicial pronouncements, assessment history of assessee etc. After ascertaining the classification, the rates of depreciation are to be determined as per the income tax rules, relevant clarifications from department and judicial decisions. For the purpose of determination of actual cost, the auditor needs to examine various legal provisions, relevant accounting standards, guidance notes etc. The depreciation and written down value are calculated correctly by checking the WDV at the beginning of the year and adjusted in respect of additions/deletions during the year.
	(b)	Rate of depreciation	
	(c)	Actual cost of written down value, as the case may be	
	(ca)	Adjustment made to the written down value- (i) under the proviso to sub-section (3) of section 115BAA (for assessment year 2020-21 only); (ii) under the first proviso to sub-section (3) of section 115BAC or the proviso to sub-section (3) of section 115BAD (for assessment year 2021- 22 only); (iii) under the second proviso to sub-section (3) of section 115BAC (for assessment year 2024-25 only).	
	(cb)	Adjustment made to written down value of Intangible asset due to excluding value of goodwill of a business or profession	
	(cc)	Adjusted written down value	
	(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.	
	(e)	Depreciation allowable	
	(f)	Written down value at the end of the year	
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), 35ABA, 35ABB, 35AD, 35CCA, 35CCC, 35CCD, 35D, 35DD, 35DDA, 35E and any other relevant section.	These sections allow for special deductions for prescribed businesses. The tax auditor checks whether the assessee has complied with all the necessary conditions to claim a deduction under these sections. Some of these sections may require a certificate by a Chartered Accountant certifying the eligibility.
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	The assessee would be allowed a deduction in respect of a payment made to an employee in the nature of a bonus or commission only if such bonus or commission was payable exclusively to such employee in relation to the services rendered by him.
	(b)	Details of contribution received from employees for various funds as referred to in section 36(1)(va)	These funds include superannuation funds created for the benefit of the employee. The contributions made by the employer to such funds shall be allowed as a deduction only if they are made within the due date as specified in the applicable law.
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 being entrance fees, cost of club services, expenditure by way of penalty or fine for violation of any law etc.	The nature of these expenses are such that they may either be fully disallowed or only allowed subject to certain conditions.
	(b)	Amounts inadmissible under section 40(a)(i), 40(a)(ia), 40(a)(ic), 40(a)(iia), 40(a)(iib), 40(a)(iii), 40(a)(iv), 40(a)(v)	In section 40(a) certain amount shall not be deducted in computing the income chargeable under 'Profit and gain of business or profession'. Under this clause, tax auditor is required to report the details of payment on which TDS is not deducted and also the payment on which tax was deducted but not deposited before the due date of filing of income tax return under section 139(1).

		<p>In sub clause 40(a)(iib), (i) any amount paid by way of a royalty, license fees, service fees, service charge or any other fees which is levied exclusively on or (ii) appropriated from a state government is inadmissible expenditure.</p> <p>Salary paid outside India or to a non-resident in respect of which tax has not been deducted or tax has not been deposited after deduction is not allowed as deduction u/s 40(a)(iii).</p> <p>Section 40(a)(iv) provides that any payment to a provident fund or other fund for the benefit of employees shall be inadmissible unless the assessee has ensured that TDS shall be deducted from any payment made from fund which are chargeable under head Salaries.</p> <p>As per section 40(a)(v), tax paid by employer on non-monetary perquisites provided to employees shall be disallowed while computing income.</p>
(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;	This is applicable to firm, AOP or BOI assessee where payments are made to the partners/members in the nature of salary, remuneration, interest, etc. The Act has prescribed certain limits upto which such expenditure can be allowed in the hands of the firm/AOP/BOI and if the expenditure exceeds this limit, the same is not allowed as a deduction.
(d)	Disallowance/ deemed income under section 40A(3)	The auditor is required to verify the payment exceeding Rs. 10,000 made to a person in a day otherwise than by an account payee cheque or bank draft or through electronic clearing system except for the cases prescribed under Rule 6DD.
(e)	Provision for payment of gratuity not allowable under section 40A(7);	The deduction under this section is allowed in relation to a provision created for payment of contribution to an approved gratuity fund only if such sum is actually payable during the year.
(f)	Any sum paid by the assessee as an employer not allowable under section 40A(9);	Any payment incurred by an employer towards setting up or formation of any fund, trust, company, AOP, BOI, Society, etc. will not be allowed as a deduction.

	(g)	Particulars of any liability of a contingent nature;	The assessee is required to furnish details of any liability of a contingent nature debited to the profit and loss account.
	(h)	Amount of deduction inadmissible in terms of section 14A in respect of the expenditure incurred in relation to income which does not form part of total income;	The section prescribes a method of calculation of an amount of expenditure which will be disallowed as it is deemed to be incurred towards earning exempt income.
	(i)	Amount inadmissible under the proviso to section 36(1)(iii)	Where the assessee borrows a loan for business purposes, the interest thereon would normally be allowed as a deduction. However, if such loan was used to acquire an asset, the interest shall not be allowed for the period between the date of borrowing of the loan to the date on which the asset was put to use.
22		<p>(i) Amount of interest inadmissible under section 23 of the Micro, Small and Medium Enterprises Development Act, 2006</p> <p>(ii) Total amount required to be paid to to a micro or small enterprise, as referred to in section 15 of the MSMED Act, during the previous year;</p> <p>(iii) Of amount referred to in (ii) above, amount –</p> <p>(a) paid up to time given under section 15 of the MSMED Act;</p> <p>(b) not paid up to time given under section 15 of the MSMED Act and inadmissible for the previous year.</p>	<p>Section 23 of MSMED Act, 2006 provides that Interest payable or paid by the buyer shall not be allowed as deduction while computing the Income under Income Tax Act, 1961.</p> <p>As per MSMED Act, 2006, where a buyer fails to make payment to the supplier being the micro and small enterprise, as required under section 15, the buyer shall be liable to pay compound interest with monthly rests to the supplier on that amount at the rate three times of the bank rate notified by RBI.</p>
23		Particulars of payments made to persons specified under section 40A(2)(b)	Under this clause, the particulars of payments stated to be made to persons covered under section 40A(2)(b) should be examined.
24		Amounts deemed to be profits and gains under section 32AC or 32AD or 33AB or 33ABA or 33AC.	These sections allow for a special deduction to certain assesseees subject to certain conditions. In case of a breach of these conditions, the whole or a part of the deduction allowed earlier would be included as deemed income.

25		Any amount of profit chargeable to tax under section 41 and computation thereof.	<p>This section relates to deemed profits arising out of, where a deduction has been allowed in an earlier year in respect of an expenditure, but the assessee has received some benefit whether by cash or by reduction in actual liability in the current year, such benefit will be chargeable to tax under this section. Where an asset has been sold by an assessee engaged in the power generation and distribution and such sale consideration exceeds the written down value. Where an asset used in scientific research has been sold for a consideration greater than its original cost</p> <p>Where a bad debt that was allowed earlier is subsequently recovered.</p> <p>Where an amount has been withdrawn from a special reserve created by a financial company on which deduction was earlier allowed</p> <p>Where such amounts/benefits as above have been received even after the closure of business.</p>
26		<p>In respect of any sum referred to in section 43B, the liability for which: -</p> <p>(a) Pre-existed on the first day of the previous year but was not allowable in the assessment of any preceding previous year and was</p> <p style="padding-left: 20px;">(a) paid during the previous year;</p> <p style="padding-left: 20px;">(b) not paid during the previous year;</p> <p>(b) Was incurred during the previous year and was</p> <p style="padding-left: 20px;">(a) paid on or before the due date for furnishing the return of income of the previous year under section 139(1);</p> <p style="padding-left: 20px;">(b) not paid on or before the aforesaid date</p> <p>(State whether sales tax, customs duty, excise duty, or any other indirect tax, levy, cess, impost, etc., is passed through the profit and loss account.)</p>	<p>As per section 43B, deduction in respect of certain expenditure is allowed only if the actual payment is made within the time limits specified.</p> <p>Where opening outstanding balance was not allowed in any previous year and was paid during the year or not paid during the year.</p> <p>Where expenditure was incurred during the previous year and was paid on or before the due date of filing return of income under section 139(1) or not paid on or before the aforesaid date.</p>
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 details of the CENVAT/GST credit availed or utilized and its treatment in profit and loss account is reported in this clause.

	(b)	Particulars of income or expenditure of prior period credited or debited to the profit and loss account.	This clause would be relevant only for the persons following the mercantile system of accounting.
29A	(a)	Whether any amount is to be including 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)	Section 56(2)(ix) provides for the taxability of advance received in the course of negotiation for transfer of a capital asset, if such amount is forfeited and the negotiations do not result in transfer of such capital asset.
	(b)	If yes, please furnish the following details: (i) Nature of income (ii) Amount thereof	
29B	(a)	Whether any amount is to be included as income chargeable under the head 'income from other sources' as referred to in clause (x) of sub-section (2) of section 56? (Yes/No)	Section 56(2)(ix) provides that if any person receives from any person money, immovable property, or other property and conditions in the clause are satisfied, then it shall be treated as income of recipient.
	(b)	If yes, please furnish the following details: (i) Nature of income (ii) Amount 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 amount borrowed on Hundi are to be reported under this clause.
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)	The transfer pricing provisions under the Income Tax Act in general aim to value transactions with associated enterprises at an arm's length price. This clause aims to capture such relevant information within the tax audit report.
	(b)	If yes, please furnish the following details:- (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.	

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)	Where an Indian Company borrows a sum of money from an associated enterprise, the deduction in respect of interest payable on such borrowed amount under the Income-tax Act shall be restricted to 30% of EBITDA (Earnings before interest, tax, depreciation and amortisation). The interest in excess of 30% shall be allowed to be set off in subsequent years subject to certain conditions. This clause places a check for compliance in this regard.
	(b)	If yes, please furnish the following details:- (i) Amount (in Rs.) of expenditure by way of interest or of similar nature incurred: (ii) Earnings before interest, tax, depreciation and amortization (EBITDA) during the previous year (in Rs.): (iii) Amount (in Rs.) of expenditure by way of interest or of similar nature as per (i) above which exceeds 30% of EBITDA as per (ii) above: (iv) Details of interest expenditure brought forward as per sub-section (4) of section 94B (v) Details of interest expenditure carried forward as per sub-section (4) of section 94B	
30C	(a)	Whether the assessee has entered into an impermissible avoidance arrangement, as referred to in section 96, during the previous year? (Yes/No)	An impermissible avoidance arrangement would be an arrangement where the main purpose is to obtain a tax benefit and is not at arm's length, results in tax evasion (directly or indirectly), lacks commercial substance or is carried out in a manner that does not otherwise occur if the arrangement was for bona fide purposes. The tax auditor is required to report the impermissible avoidance arrangements as referred to in section 96 entered into by the assessee and to quantify the tax benefit arising in aggregate to all parties to such arrangements.
	(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 the limit specified in section 269SS taken or accepted during the previous year: <ul style="list-style-type: none"> (i) name, address and PAN or aadhar number of the lender or depositor, (ii) amount of each loan or deposit taken or accepted, (iii) whether the same was squared up during the previous year, (iv) maximum amount outstanding at any time during the previous year, (v) whether the same was taken or accepted by cheque or bank draft or use of ECS through a bank account. 	Under this clause certain particulars of each loan or deposit in an amount exceeding the limit specified in section 269SS taken or accepted during the previous year need to be reported. Reporting is required where each loan or deposit is Rs. 20,000 or more.

		(vi) in case the loan or deposit was taken or accepted by cheque or bank draft, whether the same was taken or accepted by an account payee cheque or an account payee bank draft.	
	(b)	<p>Particulars of each specified sum in an amount exceeding the limits specified in section 269SS taken or accepted during the previous year:</p> <p>(i) name, address and PAN or Aadhar number (if available) of the person from whom specified sum is received,</p> <p>(ii) Amount of each loan or deposit taken or accepted</p> <p>(iii) whether the specified sum was taken or accepted by cheque or bank draft or use of ECS through a bank account.</p> <p>(iv) in case the specified sum was taken or accepted by cheque or bank draft, whether the same was taken or accepted by an account payee cheque or an account payee bank draft.</p> <p>(particulars at (a) & (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.)</p>	Under this clause, particular of any specified sum taken or accepted in relation to immovable property need to be reported.
	(ba)	Particulars of each specified sum in an amount exceeding the limits specified in section 269ST taken or accepted during the previous year: Name, address and PAN (if available) of the person from whom specified sum is received, amount of specified sum taken or accepted, whether the specified sum was taken or accepted by cheque or bank draft (specify if account payee) or use of ECS through a bank account	<p>The sub-clauses (ba), (bb), (bc) & (bd) of clause 31 deal with the reporting of transactions in excess of limits specified in section 269ST.</p> <p>Section 269ST provides that a person is not allowed to receive more than Rs. 2 lakh from either: (i) From a person in a day (in total); (ii) In respect of single transaction; or (iii) In respect of transactions relating to a single event/occasion; If such amount is paid through any mode other than an account payee cheque / bank draft or use of ECS through a bank account. The non-compliance with this section needs to be reported under this clause.</p>
	(bb)	Particulars of each receipt in an amount exceeding the limit specified in section 269ST, in aggregate from a person in a day or in respect of a single transaction or in respect of transactions relating to one event	

		or occasion from a person, received by a cheque or bank draft, not being an account payee cheque or an account payee bank draft, during the previous year:- (i) Name, address and Permanent Account Number (if available) 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 occasion to a person, otherwise than by a cheque or bank draft or use of electronic clearing system through a bank account during the previous year:- (i) Name, address and PAN (if available) of the payee; (ii) Nature of transaction; (iii) Amount of payment (in Rs.); (iv) Date of payment;	
	(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 occasion 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 (if available) of the payee; (ii) Amount of payment (in Rs.)	
	(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: Name, address, PAN (if available) of payee, amount of repayment, maximum amount outstanding at any time during the previous year, whether the repayment was made by cheque or bank draft (specify if account payee) or use of ECS through a bank account	As per section 269T, where repayment of the loan or deposit is made to a person, if the aggregate amount of loan or deposits held by such person either held in his name or jointly on the date of such repayment together with interest, payable on such deposits is Rs 20,000 or more. Under this sub-clause particulars of each repayment of loan or deposit exceeding the limits as specified in section 269T need to be reported.
	(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: Name, address, PAN (if available) of the payer, amount of	Under this clause, tax auditor needs to provide the details of repayment received from a person in respect of loan or deposit exceeding the limits of section 269ST otherwise than by a cheque or bank draft or use of ECS through a bank account during the previous year.

		loan or deposit or any specified advance received otherwise than by a cheque or bank draft or use of 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: Name, address, PAN (if available), of the payer, amount 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 bank draft during the previous year.	Under this clause, tax auditor needs to provide the details of repayment received from a person in respect of loan or deposit exceeding the limits of section 269T otherwise than by an account payee cheque or bank draft or use of ECS through a bank account during the previous year.
32	(a)	Details of brought forward loss or depreciation allowance to the extent available	The tax auditor is required to provide the details of brought forward losses or depreciation allowance. Such amounts need to be revised for any change arising out of a rectification order, assessment order, etc.
	(b)	Whether a change in the shareholding of the company has taken place during the previous year due to which the losses incurred prior to the previous year cannot be allowed to be carried forward in terms of section 79.	The tax auditor needs to 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.
	(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.	The tax auditor is required to verify the books of account and other relevant documents to ascertain whether the assessee is carrying any speculation business. Under this sub-clause auditor is required to furnish the details regarding speculation loss referred to in section 73, if any incurred by the assessee during the previous year.
	(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.	The tax auditor is required to verify whether the assessee is carrying on specified business as referred to under section 35AD. In case the assessee is carrying any specified business, the auditor is required to furnish the details of the loss incurred, if any, in respect of any specified business during the previous year.

	(e)	In case of a company, please state that whether the company is deemed to be carrying on a speculation business as referred in explanation to section 73, if yes, provide details of speculation loss if any incurred during the previous year.	<p>As per Explanation to section 73, where any 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 "Interest on securities", "Income from house property", "Capital gains" and "Income from other sources", or a company the principal business of which is the business of trading in shares or banking or the granting of loans and advances) consists in the purchase and sale of shares of other companies, such company shall, for the purposes of this section, be deemed to be carrying on a speculation business to the extent to which the business consists of the purchase and sale of such shares.</p> <p>The tax auditor is required to provide the details regarding the speculation losses incurred, if any, as referred to in Explanation to section 73.</p>
33		Section-wise details of deductions, if any, admissible under Chapter VIA or Chapter III (Section 10A, 10AA).	The tax auditor need to provide the section wise details of deductions admissible under income tax act, and it fulfills the conditions, if any, specified under the relevant provisions, rules, circulars, or any other guidelines issued in this behalf.
34	(a)	Whether the assessee is required to deduct or collect tax as per the provisions of Chapter XVII-B or Chapter XVII-BB, if yes, please furnish details	<p>These sections are related to TDS & TCS compliances. The tax auditor is required to verify the expenditure on which tax was required to be deducted, or income on which TCS was required to be collected, whether such tax was actually deducted / collected and paid to the government on time. And also need to verify whether the assessee has furnished the periodical TDS / TCS returns on time.</p> <p>In case of a failure to comply on time, the details of interest/penalty in respect of such late payments need to be disclosed.</p>
	(b)	Whether the assessee is required to furnish the statement of tax deducted or tax collected. If yes, please furnish the details.	
	(c)	Whether the assessee is liable to pay interest under section 201(1A) or section 206C(7). If yes, please furnish details.	

35	(a)	In the case of a trading concern, give quantitative details of principal items of goods traded: (i) Opening Stock; (ii) purchases during the previous year; (iii) sales during the previous year; (iv) closing stock; (v) shortage/excess, if any	The tax auditor is required to examine whether the enterprise is a trading concern or not and should obtain certificates from the assessee in respect of principal items of goods traded, opening stock, sales and closing stock and the details of shortage/excess/damage items and the reasons thereof.
	(b)	<p>In the case of a manufacturing concern, give quantitative details of the principal items of raw materials, finished products and by-products:</p> <p>A. Raw Materials:</p> <ul style="list-style-type: none"> (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. <p>B. Finished products/by-products:</p> <ul style="list-style-type: none"> (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 is required to examine whether the enterprise is a manufacturing concern or not and should obtain certificates from the assessee in respect of principal items of raw materials, finished goods and by-products and quantitative information.
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	<p>The tax auditor should obtain a certificate from the assessee 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.</p> <p>The auditor is required to verify 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 and provide the amount and date of receipt such amount.</p>

36B	(a)	Whether the assessee has received any amount for buyback of shares as referred to in sub-clause (f) of clause (22) of section 2? (Yes/No)	
	(b)	If yes, please furnish the following details: (i) Amount received (in Rs.) (ii) Cost of acquisition of shares bought back]	
37		Whether any cost audit was carried out, if yes, give the details, if any, of disqualification or disagreement on any matter/item/value/ quantity as may be reported/identified by the cost auditor.	The tax auditor should determine whether cost audit was carried out and if yes, a copy of cost audit report should be obtained. The tax auditor is required to take note of the disqualification or disagreement on any matter/ item/ value/ quantity as may be reported/identified by the cost auditor.
38		Whether any audit was conducted under the Central Excise Act, 1944, if yes, give the details, if any, of disqualification or disagreement on any matter/item/value/ quantity as may be reported/identified by the auditor.	The tax auditor should determine whether any audit was carried out under the Central Excise Act, 1944 and if yes, a copy of audit report should be obtained. The tax auditor is required to take note of the disqualification or disagreement on any matter/ item/ value/ quantity as may be reported/identified by the auditor.
39		Whether any audit was conducted under section 72A of the Finance Act, 1994 in relation to valuation of taxable services, if yes, give the details, if any, of disqualification or disagreement on any matter/item/value/ quantity as may be reported/identified by the auditor.	The tax auditor should determine whether any audit was carried out under section 72A of Finance Act, 1994 and if yes, a copy of audit report should be obtained. The tax auditor is required to take note of the disqualification or disagreement on any matter/ item/ value/ quantity as may be reported/identified by the auditor.
40		<p>Details regarding turnover, gross profit, etc. for the previous year and preceding previous year:</p> <ol style="list-style-type: none"> 1. Total turnover 2. Gross profit/turnover 3. Net profit/turnover 4. Stock-in-trade/turnover 5. Material consumed/ finished goods produced 	These ratios have to be calculated only for those assesseees who are engaged in manufacturing or trading activities.

41		Please furnish details of demand raised or refund issued during the previous year under any tax laws other than Income-tax Act, 1961 and Wealth Tax Act, 1957 along with details of relevant proceedings	<p>The assessee may be assessed under various tax laws other than Income-tax act, like indirect tax laws, professional tax laws etc resulting into a demand/refund order issued by the government authorities.</p> <p>The details of orders of such authorities need to be disclosed under this clause.</p>
42	(a)	Whether the assessee is required to furnish statement in Form No. 61 or Form No. 61A or Form No. 61B? (Yes/No)	The forms mentioned in this clause relate to Specified Financial Transactions where reporting needs to be done in respect of certain prescribed transactions when they are entered into by such assesseees as are prescribed in Section 285BA.
	(b)	If yes, please furnish Income-tax Department Reporting Entity Identification Number, Type of form, Due date for furnishing, Date of furnishing (if furnished), Whether the form contains information about all details/ transactions which are required to be reported. If not, please furnish list of the details/ transactions which are not reported	
43	(a)	Whether the assessee or its parent entity or alternate reporting entity is liable to furnish the report as referred to in sub-section (2) of section 286 (Yes/No)	The report mentioned in this clause relates to providing information in respect of the international group of entities of which the assessee is a part and where the parent entity of such international group is not resident in India.
	(b)	If yes, please furnish the following details: (i) Whether report has been furnished by the assessee or its parent entity or an alternate reporting entity (ii) Name of parent entity (iii) Name of alternate reporting entity (if applicable) (iv) Date of furnishing of report	
44		Break-up of total expenditure of entities registered or not registered under the GST	This clause attempts to provide a break-up of the total expenditure into various fields that are relevant from the GST point of view like expenditure in relation to exempt goods / services under GST, payments to entities under the Composition Scheme, Payments to entities not registered under GST etc. A similar schedule is available as a part of the Income Tax return forms to be filled up by those not liable for tax audit.

Signature in Form 3CA / 3CB / 3CD

- The forms is to be signed and the stamp /seal of the Signatory is to be affixed.
- The forms shall be signed by a person eligible to sign the Reports as per the provisions of section 44AB of the Income Tax Act, 1961.
- Name of the Signatory is to be provided with his full address including place and date of report signing.
- In the e-filing utility, Membership number, Firm Registration Number should be provided by the Tax Auditor.
- UDIN is mandatorily required to be generated.

Revision of Audit Report

Inserted in 2020, Sub-rule (3) allows revision of a tax audit report in a specific case:

If the assessee makes any payment after the audit report is furnished, which affects disallowances under:

- Section 40 (e.g., disallowance for TDS default)
- Section 43B (e.g., late payment of PF, ESI, GST, etc.)

He can revise the audit report to reflect the updated position.

Time limit: The revised report must be submitted before the end of the relevant assessment year.

Summary Table		
Rule	Description	Form No.
6G(1)(a)	Already audited under another law	Form 3CA
6G(1)(b)	No audit under any other law	Form 3CB
6G(2)	Detailed particulars (mandatory in all cases)	Form 3CD
6G(3)	Revised audit report allowed in some cases	Same forms, before end of A.Y.

Question for Practice**Question 1.**

Which form is used when an assessee is not required to get accounts audited under any other law, but is liable for tax audit under Section 44AB?

Answer: Form 3CB

Question 2.

Form 3CD is

- An audit report
- A statement of particulars
- Used only by companies
- Optional if Form 3CB is used

Answer: Option (b) – A statement of particulars

Question 3.

An LLP gets its books audited under the LLP Act. What form should be used for tax audit?

- a) Form 3CA
- b) Form 3CB
- c) Form 3CD
- d) Form 3CC

Answer: Option (a) – Form 3CA

Question 4.

Which section allows revision of tax audit report due to payment affecting Section 40/43B?

- a) Section 139
- b) Section 44AB
- c) Rule 6G(3)
- d) Section 143

Correct Answer: c) Rule 6G(3)

FAILURE TO FURNISH TAX AUDIT REPORT [SECTION 271B]

According to section 271B, if any person who is required to comply with section 44AB fails to get his accounts audited in respect of any year or years as required under section 44AB or furnish such report as required under section 44AB, the Assessing Officer may impose a penalty. The penalty shall be lower of the following amounts:

- (a) 0.5% of the total sales, turnover or gross receipts, as the case may be, in business, or of the gross receipts in profession, in such year or years.
- (b) Rs. 1,50,000.

However, according to section 271B, no penalty shall be imposed if reasonable cause for such failure is proved.

The word 'reasonable cause' has not been defined under the Income-tax Act. The initial burden is on the assessee to show that reasonable cause existed for the failure referred to in the concerned provision. Thereafter, the officer dealing with the matter has to consider whether the explanation offered by the assessee was on account of reasonable cause.

Reasonable cause can be reasonably said to be a cause which prevents a man of average intelligence and ordinary prudence from acting under normal circumstances, without negligence or inaction or want of bona fides.

'Reasonable cause' as applied to human action is that which would constrain a person of average intelligence and ordinary prudence. It can be described as a probable cause. It means an honest belief founded upon reasonable grounds of the existence of a state of circumstances, which, assuming them to be true, would

reasonably lead any ordinary prudent and cautious man placed in the position of the person concerned to come to the conclusion that the same was the right thing to do.

Following are some instances of “reasonable cause” as laid down by Tribunals and Courts:

- Resignation of Tax Auditor and consequent delay.
- Bona fide interpretation of the term ‘turnover’ based on expert advice.
- Death or physical inability of the person in charge of the accounts.
- Labour problems such as strike, lock out for a long period.
- Loss of accounts because of fire, theft etc. beyond the control of the assessee.
- Non-availability of accounts on account of seizure.
- Natural calamities, commotion etc.
- Resignation of the accountant and his consequent non-cooperation.
- Official e-filing portal failure.

CASE LAWS

21st March, 2005

**Staywell Hotels P. Ltd. vs Commissioner of
Income-Tax And Anr**

Madhya Pradesh High Court

Discretionary Power of Assessing Officer for imposing penalty under section 271B: The use of the expression “may” in Section 271B confers discretion on the Assessing Officer to impose penalty for the breach of Section 44AB. This, therefore, contemplates as to whether the explanation sought from the assessee in not complying the requirement of Section 44AB is to be accepted or not by the Assessing Officer. In other words, though compliance with Section 44AB is mandatory for the assessee its non-compliance within time attracts rigour of Section 271B, i.e., penalty. However, on a sufficient cause being shown, the Assessing Officer is vested with the discretion to condone the delay and relieve the assessee from payment of penalty amount. It then depends upon the facts of each case as to whether a case for acceptance of explanation is made out by the assessee or not. [Staywell Hotels P. Ltd. vs Commissioner of Income-Tax.

E-FILING OF TAX AUDIT REPORT – FORM 3CA-3CD / 3CB-3CD

I. Pre-requisites for e-filing

The following are the prerequisites for filing of Form 3CA-3CD/3CB-3CD:

- Taxpayer and CA are registered on the e-Filing portal with valid user ID and password
- Status of PAN of taxpayer and CA is active
- Taxpayer has assigned CA for form 3CA-CD
- CA and Taxpayer have a valid and active Digital Signature Certificate

II. Process to submit Tax Audit Report

Following are the steps to file tax audit report 3CA-3CD/3CB-3CD:

Step 1: Taxpayer needs to add Chartered Account to whom he/she wants to assign the form. Taxpayer may add CA by navigating through Authorised Partners → My Chartered Accountant → Add CA. Alternatively, taxpayer may navigate through e-File → Income Tax Forms → File Income Tax Forms → Form 3CA3CD/Form3CB-3CD.

Step 2: After successfully adding CA, taxpayer needs to assign the tax audit. Taxpayer is requested to navigate to e-File → Income Tax Forms → File Income Tax Forms and select Form 3CA-3CD/3CB-3CD, as applicable under category “Persons with Business / Professional Income”. Form can be assigned to CA by selecting CA Name, AY and Filing Type. If CA is not added, you can navigate to Authorised Partners → My Chartered Accountant to add CA.

Step 3: After successfully assignment of form to CA, form shall be available in the CA's worklist → For Your Action. CA can either reject or accept the assignment. In case CA rejects the assignment, form need to reassign from the taxpayer end.

Step 4: In case CA accepts the assignment, CA is required to fill all the necessary details in the offline utility and generate JSON.

Step 5: CA needs to upload the JSON under Worklist → For Your Action → Pending for Upload and verify the same using DSC.

Step 6: Form uploaded by CA shall be available under Taxpayer's worklist → For Your Action → Pending for Acceptance. Taxpayer may either approve or reject the tax audit report. Form submission will be completed after taxpayer's approval.

III. Procedure to approve Tax Audit Report

Form uploaded by CA shall be available under “For your action” tab in Taxpayer's Worklist. Taxpayer may either approve or reject the tax audit report. Once taxpayer approve the form and verify the same, filing of form is considered as Completed.

RELEVANT CASE LAWS

2024	<i>Chavakkad Service Co-Operative Bank Ltd. vs. Income Tax Officer</i>	<i>Kerala High Court</i>
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HC deleted penalty as delay in obtaining audit report from statutory auditors under Societies Act is a reasonable cause

Facts of the Case: The assessee co-operative society filed its returns of income but failed to file the audit report within the prescribed time limit. However, the audit report was made available before the Assessing Authority at the time of finalisation of the assessments. The Assessing Authority completed the assessments by relying on the said audit reports. While passing the assessment orders, the Assessing Authority initiated penalty proposals under section 271B for alleged breach of the procedure contemplated under section 44AB.

The CIT(A) upheld the penalty proceedings which was further confirmed by the Tribunal. Aggrieved by the order, an appeal was filed to the Kerala High Court.

Decision: The High Court held that the Co-operative Societies, being regulated by the provisions of the Kerala Co-operative Societies Act and Rules, accounts had to be mandatorily audited in terms of the said statutory

provisions and the delay in submitting the audit reports before the Income Tax Authorities was occasioned solely since there had been a corresponding delay in receiving the audit reports from the statutory auditors appointed under the Kerala Co-operative Societies Act and Rules.

The issue to be examined is whether the delay in obtaining the audit reports from the statutory auditors under the Kerala Co-operative Societies Act and Rules can be seen as a reasonable cause for the delayed submission of the audit reports before the Assessing Authority under the IT Act.

It can be seen from a perusal of the statutory framework that the assessee Co-operative Societies had virtually no control over the completion of the audit by the statutory auditors. It was also noted that nothing on record would suggest that the delay occasioned by the statutory auditors in finalising the audit reports was in any way attributable to the conduct of the assessees in these appeals. It was also found that the audit reports were made available before the Assessing Authority at the time of completion of the assessment. Hence, there was really no prejudice caused to the Department in the matter of finalisation of the assessment.

In the present appeals, the Assessing Authority did not even look into the aspect of 'reasonable cause'. It proceeded to confirm the penalty on the assessees on the assumption that the penalty under section 271B was automatic whenever there was a delay in submitting the audit report beyond the prescribed due date.

Also, it is found from a perusal of the CBDT Circular No.3/2009 dated 21-5-2009 issued in exercise of the powers under section 139C that under certain circumstances, the Board has permitted a belated production of the audit reports by assessees such as the appellants, as and when called for by the Income Tax authorities. The said Circular would align with the Scheme of penalty under the Income Tax Act especially in the context of sections 271B and 273B that deal with penalty for non-compliance with the provisions of section 44AB.

The Circular suggested that a penalty need not be imposed on assessees if no prejudice is caused to the Department on account of any belated furnishing of an audit report. The Circular, being of a binding nature, insofar as the Department is concerned, the Assessing Authority, First Appellate Authority, and the Appellate Tribunal ought to have taken due note of it while deciding on whether or not a penalty was called for in relation to the assessees.

Thus, the assessee cannot be seen as someone who did not establish a reasonable cause for the belated filing of the audit reports before the Assessing Authority. Therefore, the peremptory phraseology used in section 273B mandated that no penalty under section 271B be imposed on them.

2025

Shrishaila Mallikarjun Traders v. Income-tax Officer

ITAT Bangalore

Section 271B of The Income-Tax Act, 1961 - Penalty for failure to Get Accounts Audited

Where due to sudden illness of main partner and unexpected departure of accountant who was responsible for maintaining accounts of firm, assessee could not get accounts audited as per provisions of section 44AB and file audit report within time, assessee had demonstrated that there was a reasonable cause for failure to submit audit report on or before extended due date, therefore, penalty levied under section 271B was to be cancelled.

Students may refer Lesson 10, titled "Audit Principles and Techniques" of paper 3 "Compliance Management, Audit & Due Diligence" under professional programme for aspects relating to "Audit Principles and Techniques".

LESSON ROUNDUP

- The provisions of Tax Audit were first introduced in the Finance Act, 1984. Tax audit is an examination or review of accounts of any business or profession carried out by taxpayers from an income tax perspective. Any business entity or an individual exceeding certain threshold limits of turnover is liable to get the accounts audited.
- Section 44AB of the Income Tax Act, 1961, outlines provisions related to tax audits, aiming to ensure the accuracy and transparency of financial records maintained by taxpayers.
- The provision related to applicability of Tax Audit for person carrying on Business, Profession, person opting for presumptive taxation scheme (Section 44AD / 44ADA / 44AE / 44BB / 44BBB)
- Specified Due Date for furnishing Tax Audit Report - The specified date is one month prior to the due date for filing the return under Section 139(1).
- Definition of Accountant - *“accountant” means a chartered accountant as defined in clause (b) of subsection(1) of section 2 of the Chartered Accountants Act, 1949 (38 of 1949) who holds a valid certificate of practice under sub-section (1) of section 6 of that Act, but does not include...*
- Meaning of Sales, Turnover and Gross Receipts - The terms “Sales”, “Turnover” or “Gross Receipts” are commercial terms, and should be construed in accordance with the method of accounting regularly employed by the Assessee.
- Maintenance of Books of Accounts - The Income Tax Act has specified the books of accounts that are required to be maintained for the purpose of Income Tax. These have been prescribed under section 44AA and Rule 6F.
- *Specified professionals include any person engaged in Legal, Medical, Engineering, Architectural, Technical Consultancy, Interior decoration, Film artist, Authorized Representative, Accountancy Profession, Company secretary, or Information Technology*
- Rule 6F of the Income-tax Rules prescribes the list of books of accounts to be maintained under section 44AA(3).
- The tax audit report has to be furnished in the forms prescribed below:
 - **Form No. 3CA/3CB** is a format of audit report.
 - **Form 3CD** – Statement of Particulars.
- **Penalty for Non-Compliance** - If any person who is required to comply with section 44AB fails to get his accounts audited in respect of any year or years as required under section 44AB or furnish such report as required under section 44AB, the Assessing Officer may impose a penalty. The penalty shall be lower of the following amounts:
 - (a) 0.5% of the total sales, turnover or gross receipts, as the case may be, in business, or of the gross receipts in profession, in such year or years.
 - (b) Rs. 1,50,000.

TEST YOUR SELF

Practical Question

Question 1.

Mrs. Seema runs a women's boutique in Jaipur and has turnover of ₹1.6 crore in FY 2023–24. She received 98% of the receipts via UPI, debit card, and online transfer. Her profit is declared at 6.5% of turnover. Determine whether she is eligible for presumptive taxation under Section 44AD and whether tax audit is applicable. Also advise her ITR form and due date.

Question 2.

Mr. Ajay owns 7 goods carriages used for transport business. During FY 2023–24, he earned total freight income of ₹24 lakhs. He wants to declare actual profit of ₹4.5 lakhs, which is lower than deemed profit under Section 44AE. Analyse whether Section 44AE applies, if tax audit is needed, due date for audit and ITR, and form to be used.

Question 3.

Mr. Ramesh started a general store in July 2023. In the first year (FY 2023–24), he achieved turnover of ₹55 lakhs and declared a profit of 5% (i.e., ₹2.75 lakhs). He opts for presumptive taxation for the first time. Advise whether audit is applicable, which section applies, ITR form to use, and any caution for future years if he exits presumptive scheme.

Question 4.

M/s J & Co. is a partnership firm providing digital marketing services. During FY 2023–24, its gross receipts were ₹62 lakhs, with actual profit of ₹23 lakhs. The firm opts for presumptive taxation under Section 44ADA. State whether books/audit are required ITR form to be filed, and due date of return. Will audit be applicable if they choose to declare lower income in future?

Theoretical Question

1. What is Tax Audit? Explain the provision of section 44AB with respect to applicability of Tax Audit?
2. Explain the situation / circumstances wherein the Tax Audit is not applicable?
3. What is the specified date for obtaining Tax Audit Report?
4. Who is qualified to conduct Tax Audit as explained in explanation to section 288(2)(iv) of the Income Tax Act, 1961?
5. Explain the term 'Sales', 'Turnover', 'Gross Receipt' with respect to determining the applicability of Tax Audit.
6. Who is required to maintain Books of Accounts u/s 44AA? Also give brief details with respect to consequences of non-compliance of maintenance of books of accounts.
7. Briefly outline the list of books of accounts to be maintained as per rule 6F of the Income tax Rules, 1962.
8. What are the consequences for failure to furnish Tax Audit Report?

