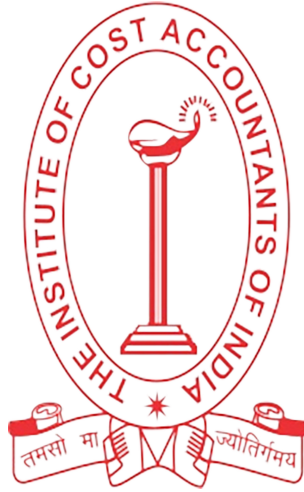




**ANNEXURE SUPPLEMENTARY
FOR DECEMBER 2025 TERM OF
EXAMINATION**

PAPER 15

**DIRECT TAX LAWS AND
INTERNATIONAL TAXATION**

SYLLABUS 2022

**TAX AUDIT
(NEWLY INSERTED)**

Tax Audit

Introduction

The dictionary meaning of the term “audit” is check, review, inspection, etc. There are various types of audits prescribed under different laws like company law requires a company audit, cost accounting law requires a cost audit, etc. The Income-tax Law requires the taxpayer to get the audit of the accounts of his business/profession from the viewpoint of Income-tax Law.

A tax audit is an examination of an organization’s or individual’s financial records to ensure that information is accurately reported to the tax authorities. It involves a thorough review of financial statements, accounts, and other relevant documents to verify compliance with tax laws and regulations.

A proper audit for tax purposes would ensure that the books of account and other records are properly maintained, that they truly reflect the income of the taxpayer and claims for deduction are correctly made by him. Such audit would also help in checking fraudulent practices. It can also facilitate the administration of tax laws by a proper presentation of accounts before the tax authorities and considerably save the time of Assessing Officers in carrying out routine verifications, like checking correctness of totals and verifying whether purchases and sales are properly vouched for or not. The time of the Assessing Officers saved could be utilised for attending to more important and investigational aspects of a case.

Section 44AB gives the provisions relating to the class of taxpayers who are required to get their accounts audited from an accountant. The audit under section 44AB aims to ascertain the compliance of various provisions of the Income-tax Law and the fulfillment of other requirements of the Income-tax Law. The audit conducted by the accountant of the accounts of the taxpayer in pursuance of the requirement of section 44AB is called tax audit.

The accountant conducting the tax audit is required to give his findings, observation, etc., in the form of audit report. The report of tax audit is to be given by the accountant in Form Nos. 3CA/3CB and 3CD.

Legal Framework

Audit of accounts of certain persons carrying on business or profession [Sec. 44AB]

Every person,—

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

Provided that in the case of a person whose -

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

this clause shall have effect as if for the words “one crore rupees”, the words “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.

Special provision for computing profits and gains of business on presumptive basis [Sec. 44AD]

1. Notwithstanding anything to the contrary contained in sections 28 to 43C, in the case of an eligible assessee engaged in an eligible business, a sum equal to eight per cent of the total turnover or gross receipts of the assessee in the previous year on account of such business or, as the case may be, a sum higher than the aforesaid sum claimed to have been earned by the eligible assessee, shall be deemed to be the profits and gains of such business chargeable to tax under the head “Profits and gains of business or profession”:

Provided that this sub-section shall have effect as if for the words “eight per cent”, the words “six per cent” had been substituted, in respect of the amount of total turnover or gross receipts which is received by an account payee cheque or an account payee bank draft or use of electronic clearing system through a bank account or through such other electronic mode as may be prescribed during the previous year or before the due date specified in sub-section (1) of section 139 in respect of that previous year.

2. Any deduction allowable under the provisions of sections 30 to 38 shall, for the purposes of sub-section (1), be deemed to have been already given full effect to and no further deduction under those sections shall be allowed.
3. The written down value of any asset of an eligible business shall be deemed to have been calculated as if the eligible assessee had claimed and had been actually allowed the deduction in respect of the depreciation for each of the relevant assessment years.

4. Where an eligible assessee declares profit for any previous year in accordance with the provisions of this section and he declares profit for any of the five assessment years relevant to the previous year succeeding such previous year not in accordance with the provisions of sub-section (1), he shall not be eligible to claim the benefit of the provisions of this section for five assessment years subsequent to the assessment year relevant to the previous year in which the profit has not been declared in accordance with the provisions of sub-section (1).
5. Notwithstanding anything contained in the foregoing provisions of this section, an eligible assessee to whom the provisions of sub-section (4) are applicable and whose total income exceeds the maximum amount which is not chargeable to income-tax, shall be required to keep and maintain such books of account and other documents as required under sub-section (2) of section 44AA and get them audited and furnish a report of such audit as required under section 44AB.
6. The provisions of this section, notwithstanding anything contained in the foregoing provisions, shall not apply to—
 - (i) a person carrying on profession as referred to in sub-section (1) of section 44AA;
 - (ii) a person earning income in the nature of commission or brokerage; or
 - (iii) a person carrying on any agency business.

Explanation.—For the purposes of this section,—

- a. “eligible assessee” means,—
 - i. an individual, Hindu undivided family or a partnership firm, who is a resident, but not a limited liability partnership firm as defined under clause (n) of sub-section (1) of section 2 of the Limited Liability Partnership Act, 2008 (6 of 2009); and
 - ii. who has not claimed deduction under any of the sections 10A, 10AA, 10B, 10BA or deduction under any provisions of Chapter VIA under the heading “C.—Deductions in respect of certain incomes” in the relevant assessment year;
- b. “eligible business” means,—
 - i. any business except the business of plying, hiring or leasing goods carriages referred to in section 44AE; and
 - ii. whose total turnover or gross receipts in the previous year does not exceed an amount of two crore rupees:

Provided that where the amount or aggregate of the amounts received during the previous year, in cash, does not exceed five per cent of the total turnover or gross receipts of such previous year, this sub-clause shall have effect as if for the words “two crore rupees”, the words “three crore rupees” had been substituted:

Provided further that for the purposes of the first proviso, the receipt of amount or aggregate of amounts by a cheque drawn on a bank or by a bank draft, which is not account payee, shall be deemed to be the receipt in cash.

Analysis

Applicability

Following assessee are required to get their accounts audited by an accountant and to furnish (electronically) the audit report:

1. An assessee carrying on business

Condition: Total sales, turnover or gross-receipts of business for the previous year exceeds ₹ 1 crore.

Exception 1: Where a person:

- Declares profits and gains for the previous year u/s 44AD; **and**
- His total sales / turnover / gross receipts in business do not exceed ₹ 2 crore in the previous year,
 - then, the provision of tax audit is not applicable.

However, where the provision of sec. 44AD(4) is applicable in case of a person carrying on business and his income exceeds the basic exemption limit in any previous year, the provision relating to tax audit is applicable.

Exception 2: Where a person:

- Declares profits and gains for the previous year u/s 44AD; **and**
- His total sales / turnover / gross receipts in business do not exceed ₹ 3 crore in the previous year; **and**
- Aggregate of all amounts received during the previous year in cash does not exceed 5% of the total turnover or gross receipt of such previous year,
 - then, the provision of tax audit is not applicable.

Taxpoint: 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

Exception 3: If the following conditions are satisfied, then the higher threshold limit of ₹ 10 crore shall be applicable for a person carrying on business:

- a) aggregate of all amounts received including amount received for sales, turnover or gross receipts during the previous year, in cash, does not exceed 5% 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 5% of the said payment.

Taxpoint: 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

In nutshell, applicability of tax audit in case of business assessee are as under:

Case	Applicability
Turnover exceeds ₹ 10 crore	Applicable
Turnover does not exceed ₹ 2 crore and assessee is covered u/s 44AD	Not applicable
Turnover does not exceed ₹ 3 crore and his cash receipt does not exceed 5% of total turnover and assessee is covered u/s 44AD	Not applicable
Turnover does not exceed ₹ 10 crore and aforesaid conditions are satisfied	Not applicable
Turnover does not exceed ₹ 10 crore but exceed ₹ 1 crore and aforesaid conditions are not satisfied (assessee is not covered u/s 44AD)	Applicable

2. An assessee carrying on profession

Condition: Gross receipts of profession for the previous year exceeds ₹ 50 lacs.

Exception 1: Where a person:

- Declares profits and gains for the previous year u/s 44ADA; **and**
- His gross receipts from profession does not exceed ₹ 50 lakhs in the previous year;
 - then, the provision of tax audit is not applicable.

Exception 2: Where a person:

- Declares profits and gains for the previous year u/s 44ADA; **and**
- His gross receipts from profession does not exceed ₹ 75 lakhs in the previous year; **and**
- Aggregate of all amounts received during the previous year in cash does not exceed 5% of the gross receipt of such previous year,
 - then, the provision of tax audit is not applicable.

Taxpoint: 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

3. An assessee covered u/s 44AE, 44BB or 44BBB

Condition: Assessee has claimed that his income from such business is lower than the deemed income computed in accordance with the respective section.

4. An assessee covered u/s 44ADA

Condition: Assessee has claimed that:

- a. his income is lower than the presumptive income (computed u/s 44ADA); and
 - b. his income exceeds the maximum amount which is not chargeable to income-tax (i.e. basic exemption limit)
5. An assessee covered u/s 44AD(4) and his income exceeds the maximum amount which is not chargeable to income-tax in any previous year
- It is to be noted that where an assessee has non-business or non-professional receipts exceeding the amount mentioned in the sec. 44AB, tax audit u/s 44AB is not applicable. For example, an individual having income under the head “Salaries” amounting to ₹ 12 crore, the provision of sec. 44AB is not applicable.
 - Mere fact that audit of assessee was conducted under provisions of any other Act, would not be sufficient for such compliance under section 44AB, unless report of audit is furnished in prescribed form accompanied with a further report by an accountant in prescribed form

Business or Profession

- As per sec. 2(13) of the Act, business includes any trade, commerce or manufacture or any adventure or concern in the nature of trade, commerce or manufacture
- The aforesaid definition of ‘business’ being an inclusive definition and ‘not being exhaustive’, is indicative of extension and expansion and restriction - *Dr. P. Vadamalayan -vs.- CIT [1969] (Madras)*
- The Hon’ble Apex Court in *Barendra Prasad Ray -vs.- ITO [1981] 129 ITR 295 (SC)* has held that the word ‘business’ is one of wide import and it means activity carried on continuously and systematically by a person by the application of his labour or skill with a view to earning an income. The expression “business” does not necessarily mean trade or manufacture only.
- The activities which constitute carrying on business need not necessarily consist of activities by way of trade, commerce or manufacture or activities in the exercise of a profession or vocation. They may even consist of rendering services to others which services may be of a variegated character - *Lakshminarayan Ram Gopal -vs.- Government of Hyderabad (1954) 25 ITR 449 (SC)*

- The following activities[†] have been held to be business:
 - Advertising agent
 - Clearing, forwarding and shipping agents
 - Couriers
 - Insurance agent
 - Nursing home
 - Stock and share broking;
 - Dealers in shares and securities
 - Travel agent
 - Money lender
 - Recruiting Agents
- As per sec. 2(36), profession includes vocation.
- Profession requires purely intellectual skill or manual skill on the basis of some special learning and qualification gathered through past training or experience. Professional skill can be acquired only after patient study (in a particular system either a college, university or institute) and application (i.e. experience).
- Vocation implies natural ability of a person to do some particular work. It can be treated as an earning means by which a man passes his life. Unlike profession, vocation does not require a degree or special learning.
- The following have been listed out as professions under the income tax law:
 - legal,
 - medical,
 - engineering
 - architectural profession
 - the profession of accountancy
 - technical consultancy or
 - interior decoration
 - Authorised Representative

[†] The List is not exhaustive.

- Company Secretary,
- Film Artists/Actors, Cameraman, Director including an assistant director; a music director, including an assistant music director, an art director, including an assistant art director; a dance director, including an assistant dance director; Singer, Story-writer, a screen-play writer, a dialogue writer; editor, lyricist and dress designer,
- Information Technology.
- An income arising out of business or profession shall have the same treatment in the Income tax Act. However, a distinction between business or profession is required to be made while applying sec. 44AA, sec. 44AB, sec. 40AD, sec. 44ADA, etc. Example, the threshold limit for the applicability of tax audit is different for business and the same for profession is different.

Meaning of Total sales, turnover or gross-receipts

The applicability of the provision of section 44AB depends on ‘sales’, ‘turnover’ or ‘gross receipt’, but the Act does not define any of them. Thus, we are required to understand these terms through other references and understanding of these terms in the commercial world.

- Section 2(112) of the Central Goods and Services Tax Act, 2017 provides that “turnover in State” or “turnover in Union territory” means the aggregate value of all taxable supplies (excluding the value of inward supplies on which tax is payable by a person on reverse charge basis) and exempt supplies made within a State or Union territory by a taxable person, exports of goods or services or both and inter-State supplies of goods or services or both made from the State or Union territory by the said taxable person but excludes central tax, State tax, Union territory tax, integrated tax and cess.
- Section 2(91) of the Companies Act, 2013 provides that turnover means gross amount of revenue recognised in the profit and loss account from the sale, supply, or distribution of goods or on account of services rendered, or both, by a company during a financial year.
- Commercially, we understand turnover means the aggregate amount for which sales are effected or services rendered by an enterprise. It would include not only sales of goods but also sales of services. Further, this can be classified as gross turnover (before deductions for returns and discounts) and net turnover (after such deductions).
- Further, the words “sales”, “turnover” and “gross receipts” are commercial terms. They should be computed in accordance with either cash or mercantile system of accounting regularly employed by the assessee.

- Different charges listed on an invoice might require evaluation to determine if they should be included in the sales turnover. The table below details the treatment of common items

Particulars	Treatment
Trade Discount	Exclude provided discount is allowed in the invoice itself
Turnover Discount	Exclude
Cash Discount	Not to be excluded
Commission on sale	Not to be excluded
Sale Return	Exclude, even if the returns are from the sales of earlier year(s)
Sale of fixed asset	Exclude
Sale of investment	Exclude
Scrap Sale	Include
Share held as investment	Exclude
Share held as stock	Include
GST	Exclude, if GST recovered are credited separately to separate account (say GST Account) and payments to the authority are debited in the same account

- In case of share brokers or sub broker, only brokerage is to be taken into account for determining the quantum of turnover. If, however, the broker is undertaking share transaction on his personal account, the sale value should also be taken into account for the purpose of limit under section 44AB
- In case of *kachha arahtias*, the turnover does not include the sales effected on behalf of the principals and only the gross commission has to be considered for the purpose of section 44AB. But the position is different with regard to *pacca arahtias*. Where the property in the goods or all significant risks and rewards of ownership of goods continue to belong to the principal, in that case, the relevant sale price shall not form part of the sales/turnover of the commission agent and/or the consignee as the case may be. If, however, the property in the goods, significant risks and reward of ownership belongs to the commission agent and/or the consignee, as the case may be, the sale price received/receivable by him shall form part of his sales/turnover
- A speculative transaction means a transaction in which a contract for the purchase or sale of any commodity, including stocks and shares, is periodically or ultimately settled otherwise than by the actual delivery or transfer of the commodity or scrips. The aggregate of both positive and negative differences (in absolute terms) is to be considered as the turnover of such transactions for determining

the liability to audit under section 44AB. In case of derivatives transactions, premium received on sale of options is also to be included in turnover. In case of an open position as at the end of the financial year (i.e., trades which are not squared off during the same financial year), the turnover arising from the said transaction should be considered in the financial year when the transaction has been actually squared off.

- Gross Receipts will include all receipts whether in cash or in kind arising from carrying on of the business which will normally be assessable as business income under the Act. The following items of income and/or receipts would be covered
 - Cash assistance received or receivable by any person against exports under any scheme of the Government of India.
 - Interest received by the money lender.
 - Reimbursement of expenses incurred (e.g. packing, forwarding, freight, insurance, etc.) and if the same is credited to a separate account in the books, only the net surplus on this account should be added to the turnover for the purposes of Section 44AB;
 - The net exchange rate difference on export sales during the year shall be added on the basis of the aforesaid principle
 - Liquidated damages
 - Insurance claims – except for fixed assets;
 - Lease rent in the business of operating lease.
 - Hire charges and installments received in the course of hire purchase;
 - Advance received and forfeited from customers.
 - Value of any benefit or perquisite, whether convertible into money or not, arising from business or the exercise of a profession.
- However, gross receipts do not include
 - Agricultural receipts
 - Rental income taxable under the head Income from House Property or under the head Income from Other Sources
 - Dividends on shares except in the case of an assessee dealing in shares

- Interest income taxable under the head Income from Other Sources
 - In the case of a travelling agent, reimbursement on account of actual fare charges received from the client. However, such amount shall not be excluded if the travel agent is conducting a package tour and charges a consolidated sum for transportation, boarding and lodging and other facilities
 - Share of profit of a partner of a firm which is exempted under section 10(2A)
 - Interest and remuneration received by a partner from the partnership firm, if such partner is not carrying on separate business or profession
 - Write back of the amount payable to creditors
- It is worthwhile to note that separate limits are prescribed for the business and the profession. If an assessee is carrying on both, then the provision of section 44AB is applicable if either of the conditions is satisfied. However, if the assessee is engaged in multiple businesses, then aggregate turnover or gross receipts are required to be considered. Further, where the business or profession is covered by section 44AD or 44ADA or 44AE or 44BB or 44BBB and the assessee opts to be assessed under the respective sections on presumptive basis, the turnover thereof shall be excluded

Audit Report [Rule 6G]

The persons mentioned above would have to furnish by the specified date a report of the audit in the prescribed forms.

Case	Audit Report	Statement particulars
Assessee required to get account audited by or under any law for the financial year	Form 3CA	Form 3CD
In cases where the accounts of a person are required to be audited by or under any other law before the specified date, it will be sufficient if the person gets his accounts audited under such other law before the specified date and also furnish by the said date the report of audit in the prescribed form in addition to the report of audit required under such other law.		
Assessee not required to get account audited by or under any law	Form 3CB	
Where an assessee follow accounting year being different from financial year, then separate audit is required and in this case audit report should be in Form 3CB.		

Mode of submitting audit report

The tax audit report (Form 3CA/3CB alongwith Form 3CD) is required to be uploaded using digital signature of the tax auditor. These forms should be accompanied by the audited financial statements of the assessee. The assessee needs to login and approve these Forms from his worklist on e-filing website.

Consequences of failure to get accounts audited [Sec. 271B]

- If any person fails to get his accounts audited in respect of any previous year relevant to an assessment year or furnish a report of such audit as required under section 44AB, the Assessing Officer may direct that such person shall pay penalty, being lower of the following:
 - a. $\frac{1}{2}$ percent of total sales or turnover or gross receipt; or
 - b. ₹1,50,000
- However, section 273B provides that the penalty shall not be imposed if the assessee proves that there was reasonable cause for such failure.
- Few of the instances accepted by the judiciary as ‘reasonable cause’:
 - Resignation of the tax auditor and consequent delay;
 - Death or physical inability of the partner in charge of the accounts;
 - Labour problems such as strike, lock out for a long period, etc.;
 - 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.
 - Failure of official e-filing portal of the Income-tax department
- Where no accounts are maintained, the question of auditing the accounts does not arise and therefore, no proceedings can be initiated for imposing penalty under Section 271B.

Form 3CA and Form 3CB

There are two types of forms: 3CA-3CD and 3CB-3CD. Therefore, only one of two will apply to each taxpayer.

- **Form 3CA-3CD** applies to a person who is required by or under any law to get its accounts audited.
- **Form 3CB-3CD** is applicable to a person not referred above, i.e., where accounts are not required to be audited under any other law.

The main difference between Form 3CA and Form 3CB is the audit requirement clause. The table below shows the difference between 3CA and 3CB

	Form 3CA	Form 3CB
Mandatory Audit	Mandatory audit of accounts under other law (like Companies Act or Limited Liability Partnership Act) is required	Mandatory audit of accounts under other law is not required. Audit is conducted by application of sec. 44AB only
Applicability	Companies, LLP, Co-operative society	Individual, HUF and Partnership firm
Supporting Document	A detailed statement of particulars in Form 3CD is also required	A detailed statement of particulars in Form 3CD is also required
Opinion	The tax auditor is not required to give his opinion about a true and fair view of the accounts. The following documents are required to be annexed with Form 3CA: - Copy of audited Financial Statement - Copy of the audit report given by the statutory Auditor - Form 3CD The tax auditor is required to give his opinion regarding particulars furnished in Form 3CD by the assessee are true and correct, subject to observation and qualification, if any	The tax auditor is required to give his opinion as to whether or not the accounts audited by him give a true and fair view: - in the case of the balance sheet, of the state of affairs as at the last date of the accounting year. - in the case of the profit and loss account/income and expenditure, of the profit or loss/surplus or deficit of the assessee for the relevant accounting year. The following documents are required to be annexed with Form 3CB: - Copy of audited Financial Statement - Form 3CD The tax auditor is required to give his opinion regarding particulars furnished in Form 3CD by the assessee are true and correct, subject to observation and qualification, if any. If he has any difference of opinion, these differences are required to be reported in Para 5 of the Form 3CB

Revision of tax audit report

If there is payment by the assessee after furnishing of the report which necessitates recalculation of disallowance under section 40 or section 43B, the report of audit 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.

Taxpoint: The audit report may be revised any number of times within the relevant assessment year.

Form 3CD

Form 3CD prescribes the statement of particulars required to be furnished under section 44AB of the Act. This form is required to be annexed with Form 3CA/Form 3CB. The auditor needs to submit the audit findings in the audit report through audit form 3CD.

This Form has a total of 44 clauses where the auditor has to report on the various matters contained therein. These clauses have been divided into two parts –

- Part A covers the basic factual details about the assessee; and
- Part B contains the particulars of various compliances under the income tax laws that need to be furnished

Disclosures and Reporting in Form 3CD require detailed and specific information under various clauses of the form, which is part of the tax audit report mandated by section 44AB of the Income-tax Act, 1961. Tax auditors must report on a wide range of financial and compliance aspects, including deductions, payments, transactions subject to TDS/TCS, details of loans or deposits, related party transactions, and adherence to various provisions of the Income-tax Act. Each clause necessitates specific disclosures to ensure accurate reporting of the assessee's financial and tax-related activities. These disclosures are crucial for compliance, determining the correct tax liability, ensuring transparency, avoiding penalties, and meeting statutory requirements during the tax audit process.

Form 3CD - Clauses

Clause No.	Particulars	Comments
Part A		
1	Name of the assessee	These are the basic details included for identification of the assessee. It may be noted that if the audit is in respect of a branch, name and address of such branch would need to be mentioned. <i>Taxpoint:</i> ☐ The name of the assessee should be given as specified in PAN along with the trade name, if any. ☐ In case of a company, the address of the registered office is required to be provided, and for the assessee, like an individual, HUF, etc., the address of the principal place of business should be given. ☐ Aadhar Number (optional field) is applicable only in case of individuals
2	Address	
3	Permanent Account Number (PAN) or Aadhar Number	
4	Whether the assessee is liable to pay indirect tax like excise duty, service tax, sales tax, goods and services tax, customs duty, etc. If yes, please furnish the registration number, GST number or any other identification number allotted for the same	The registration numbers with the respective tax authorities need to be entered in this clause. <i>Taxpoint:</i> If the assessee have Importer-Exporter Code (IEC), then IEC is also required to be provided
5	Status	This refers to the different classes of assessee 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. <i>Taxpoint</i> ☐ The status of sole-proprietorship concern is individual. ☐ In this clause, you are not required to provide residential status of the person

6s		Previous year	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	This relates to the relevant assessment year pertaining to the audit
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.
8	(a)	Whether the assessee has opted for taxation under section 115BA / 115BAA / 115BAB / 115BAC(1A) / 115BAD / 115BAE?	The auditor is required to mention if the assessee has opted for any of the sections, and if the answer is Yes, then he is also required to mention the section. <u>Taxpoint:</u> For this purpose, the tax auditor is required to examine the return of the earlier year, forms submitted by the assessee to opt for these sections (like Form 10-IB, 10-IC, 10-IEA, etc.). He may report on the basis of assessee's representation. In that case, the fact should be mentioned in para 3 of Form 3CA or para 5 of Form 3CB
Part B			
9	(a)	If firm or association of persons, indicate name of partners / members and their profit sharing ratios	The name of the partners or members of a firm or AOP will be covered here. In case a person is in a representative capacity (e.g., A's HUF is a partner and A is in representative capacity on behalf of the HUF), then the name of the beneficial partner/member should be mentioned (A's HUF). Further, profit-sharing ratio includes the ratio at which losses would be shared. Further, in case of AOP, where shares of members are indeterminate or unknown, the relevant fact should be reported
	(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 year, no matter how often, must be mentioned.s

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)	The assessee will have to select the business code applicable to him from the list provided. If there are any changes in the nature of business or profession to be carried out, the same needs to be mentioned. Temporary suspension of business need not be mentioned.
	(b)	If there is any change in the nature of business or profession, the particulars of such change	
11	(a)	Whether books of account are prescribed under section 44AA, if yes, list of books so prescribed.	As per sec. 2(12A), books or books of account includes ledgers, day-books, cash books, account-books and other books, whether kept in the written form or in electronic form or in digital form or as print-outs of data stored in such electronic form or in digital form or in a floppy, disc, tape or any other form of electro-magnetic data storage device. Rule 6F has prescribed the books of accounts and other documents required to be kept and maintained by a person carrying on a specified profession. Further as per sec. 44AA(2), other persons are required to keep and maintain such books of account and other documents which may enable the Assessing Officer to compute his total income. The provision of maintenance of books of account and other documents is subject to certain monetary limit. The tax auditor lists the books and records that were checked by him and report the same along with address. <u>Taxpoint</u> ☐ In case, where books are maintained and generated through a computer system, the details of address of the place where the server is located or the principal place of the business is required to be mentioned. ☐ Further, where the books are maintained in the cloud, IP address is required to be given
	(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 accounts are not kept at one location, please furnish the addresses of locations along with the details of books of accounts maintained at each location.)	
	(c)	List of books of account and nature of relevant documents examined	
12		Whether the profit 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, Chapter XII-G, First Schedule or any other relevant section)	The amount of profit that relates to a business subject to the presumptive scheme of taxation must be reported here. In case of multiple businesses, only the amount of profit that relates to the businesses subject to the presumptive scheme of taxation will be reported section-wise.

13	(a)	Method of accounting employed in the previous year	The method of accounting, whether cash or mercantile must be mentioned. Companies, however, are compulsorily required to maintain their accounts on accrual or mercantile basis under the Companies Act. If there is any change in the method of accounting, that is required to be reported along with its impact on profit. Further, quantification is not possible, then fact should be reported <u>Taxpoint:</u> A change in accounting policy does not amount to a change in the method of accounting.
	(b)	Whether there had been any change in the method of accounting employed vis-à-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)	The Income Tax Act has prescribed certain Income Computation and Disclosure Standards (ICDS) ranging from ICDS I to ICDS X. 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.
	(e)	If answer to (d) above is in the affirmative, give details of such adjustments	
	(f)	Disclosure as per ICDS	The ICDS also contain certain disclosure requirements and this is the clause under which such disclosures are ultimately made.
14	(a)	Method of valuation of closing stock employed in the previous year.	Closing stock should be valued at lower of actual cost and net realisable value (NRV), where costs are ascertained on the basis of Specific Identification Method, FIFO or weighted average cost method. This method of valuation would be regularly employed by the assessee subject to certain prescribed adjustment on account of tax, duty, cess, etc. (like excise duty, GST) incurred in procuring the inventory.
	(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:		Generally, 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. In this clause, original cost of acquisition are required to be reported along with the amount recorded in the books of account (not fair market value of the converted asset) on such conversion is required to be reported
	(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 –		Section 28 is the charging section for the income under the head 'profits and gains of business or profession'. All items falling under section 28 of the Income Tax Act, 1961 which are not credited to the profit and loss account is required to be reported here. 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. Escalation claims accepted during the previous year but not credited to the profit and loss account should be stated. Other item (apart from items covered above), which is considered as an income by the tax auditor on the basis of his verification of records and documents but not credited to profit and loss account, shall also be reported. Further, a capital receipt would not normally attract tax unless the transaction is specifically covered in the provisions. Thus if such receipt is not appearing in the profit and loss account it will be covered here.
	(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.	

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, - Address of the property; - Consideration received or accrued; - Value adopted or assessed or assessable - Whether provisions of second proviso to sub-section (1) of section 43CA or fourth proviso to clause (x) of sub-section (2) of section 56 applicable?	If the sale consideration of an immovable property is less than the stamp duty value of such property, the stamp duty value shall be deemed to be the sale consideration for the purpose of computing capital gains thereon where such property is held as a capital asset and where the property is held as stock-in-trade, the stamp duty value shall be taken as income/sale value to be considered under the business head of income. This clause aims to check compliance in this regard.
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 Income Tax Act prescribes depreciation to be charged as per the 'block of assets system' subject to certain conditions. This clause checks that the depreciation has been arrived at correctly. The tax auditor is required to examine the following: ☐ The classification of asset for block made by the assessee for block of asset is correct and updated ☐ The rate applied on each block of asset is in compliance with the rate prescribed in the Income Tax Rules, 1962 ☐ The actual cost of assets should be determined as per provisions of section 43(1) of the Income Tax Act, 1961 ☐ The date of acquisition and the date on which it is put to use, are required to be checked ☐ Addition and deletion of asset and date put to use ☐ Any adjustment in the value is warranted
	(a) Depreciation of asset/block of assets	
	(b) Rate of depreciation	
	(c) Actual cost of written down value, as the case may be	
	(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)(ia), 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 an 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 [Section 36(1)(ii)]	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 available 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)	Section 36(1)(va) provides deduction of the following if it is credited by the assessee to the account of the employees in the relevant statutory fund on or before the due date. Here, due date is not the due date for filing income tax return but the date by which an assessee is required as employer to credit the employee's contributions to the employee's account in the relevant fund under any Act such as: - Provident Fund (PF) - Employees' State Insurance (ESI) - Superannuation fund - Any Other Fund for the Welfare of Employees In this clause, following are required to be reported: - Nature of fund - Sum received from employees - Due date for payment - The actual amount paid - The actual date of payment to the concerned authorities

21	(a)	Please furnish the details of amounts debited to profit and loss account, being in the nature of - Capital expenditure - Personal expenditure - Advertisement expenditure in any souvenir, brochure, tract, pamphlet or the like published by a political party - Expenditure incurred at clubs being entrance fees and subscriptions - Expenditure incurred at clubs being cost for club services and facilities used - Expenditure for any purpose which is an offence or is prohibited by law or expenditure by way of penalty or fine for violation of any law (enacted in India or outside India) - Expenditure by way of any other penalty or fine not covered above - Expenditure incurred to compound an offence under any law for the time being in force, in India or outside India. - Expenditure incurred to provide any benefit or perquisite, in whatever form, to a person, whether or not carrying on a business or exercising a profession, and acceptance of such benefit or perquisite by such person is in violation of any law or rule or regulation or guideline, as the case may be, for the time being in force, governing the conduct of such person	The nature of these expenses are such that they may either be fully disallowed or only allowed subject to certain conditions. If they form a part of the profit and loss account, they have to be disclosed here.
----	-----	--	--

	(b)	Amounts inadmissible under section 40(a)(i), 40(a)(ia), 40(a)(ic), 40(a)(ia), 40(a)(iib), 40(a)(iii), 40(a)(iv), 40(a)(v)	These sections broadly relate to disallowances made in respect of an expenditure or a part of an expenditure where tax was required to be deducted at source but the assessee failed to do so. Under this clause, the tax auditor is required to report the details of payment on which tax is not deducted at source and also the details of payment on which tax has been deducted but not paid during the previous year or before due date of filing return of income specified under section 139(1). Details under this clause are required to be given for each individual payee.
	(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. In this clause following are required to be reported: - Particulars - Section - Amount debited to P/l account - Amount admissible - Amount inadmissible - Remarks
	(d)	Disallowance section 40A(3) / deemed income under /40A(3A) A. On the basis of the examination of books of account and other relevant documents/evidence, whether the expenditure covered under section 40A(3) read with rule 6DD were made by account payee cheque drawn on a bank or account payee bank draft. If not, please furnish the details?	This section places a disallowance on any expenditure incurred by any mode other than an account payee cheque/bank draft or through a bank account using ECS if they exceed ₹ 10,000 in a day subject to certain exceptions. Where the reporting has been done on the basis of the certificate of the assessee, the fact has to be reported in para 3 of Form 3CA / para 5 of Form 3CB

		B. On the basis of the examination of books of account and other relevant documents/evidence, whether payment referred to in section 40A(3A) read with rule 6DD were made by account payee cheque drawn on a bank or account payee bank draft. If not, please furnish the details of amount deemed to be the profits and gains of business or profession under section 40A(3A)?	
	(e)	Provision for payment of gratuity not allowable under section 40A(7);	According to section 40A(7), deductions are not permitted for any provisions made by the assessee for gratuity payments to employees upon their retirement or termination for any reason. However, deductions are allowed for provisions made towards contributions to an approved gratuity fund or for gratuity payments that have become due during the previous 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 of any fund, trust, Company, AOP, BOI, Society, etc will not be allowed as a deduction subject to certain exceptions.
	(g)	Particulars of any liability of a contingent nature;	If any contingent liability is debited in the Profit and Loss Statement, that liability with the amount thereof are required to be reported. However, any liability shown only in notes on account shall not be reported.
	(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;	Section 14A read with Rule 8D, states that no deduction is allowed in respect all those expenditures incurred by the assessee towards the income that does not form part of total income of the assessee (i.e. exempted income). This clause puts liability on the auditor to check and report the amount of expenditure incurred by an assessee in relation to an income that does not form part of the total income under the Income Tax Act.

	(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	(a)	Amount of interest inadmissible under section 23 of the Micro, Small and Medium Enterprises Development Act, 2006	This clause requires that, if an assessee fails to make payment to the MSME supplier within the time given under section 15 of the MSMED Act, 2006 and require to pay interest to its MSME supplier as per section 16 of the said act then as per section 23 of MSMED Act, 2006 such interest shall not be allowed as a deduction for the purposes of the computation of income
	(b)	Any other amount not allowable under clause (h) of section 43B of the Income-tax Act, 1961.	To encourage timely payments to micro or small enterprises, the Finance Act, 2023 has included such payments under the scope of Section 43B of the Income-tax Act. Consequently, clause (h) has been added to Section 43B, effective from the assessment year 2024-25, stipulating that any amount payable by the assessee to a micro or small enterprise beyond the timeframe specified in Section 15 of the MSMED Act will be deductible only upon actual payment
23		Particulars of payments made to persons specified under section 40A(2)(b)	This clause requires to furnish the following details regarding persons specified u/s 40A(2)(b), termed as a related party during the relevant previous year: - Name of Related Party - Relation - Date - Payment made (Amount) - Nature of transaction - PAN of Related Party
24		Amounts deemed to be profits and gains under section 33AB or 33ABA	These sections allow for a special deduction to the assessee subject to certain conditions. In case of a violation of prescribed 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.	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 - Where a bad debt that was allowed earlier is subsequently recovered. - Where an amount has been withdrawn from a special reserve created by a financial company on which deduction was earlier allowed - Where such amounts/benefits as above have been received even after the closure of business. The following information are required to be reported: - Name of person - Amount of income - Section - Description of Transaction - Computation if any
----	--	--

26	In respect of any sum referred to in clauses (a), (b), (c), (d), (e), (f) or (g) of section 43B, the liability for which:-		Section 43B allows certain expenditure like taxes, duties, interest to bank, etc. to be claimed, which is otherwise allowable, only on actual payment of the same if it is made before the due date of filing the return for the respective assessment year. The tax auditor is required to report: - Section - Nature of liability - Amount
	A	Pre-existed on the first day of the previous year but was not allowed in the assessment of any preceding previous year and was (a) paid during the previous year; (b) not paid during the previous year;	
	B	Was incurred during the previous year and was (a) paid on or before the due date for furnishing the return of income of the previous year under section 139(1);	
		(b) not paid on or before the aforesaid date (State whether sales tax, customs duty, excise duty, or any other indirect tax, levy, cess, impost, etc., is passed through the profit and loss account.)	
27	(a)	Amount of Central Value Added Tax Credits/ Input Tax Credit (ITC) availed of or utilised during the previous year and its treatment in profit and loss account and treatment of outstanding Central Value Added Tax Credits/Input Tax Credit(ITC) in accounts	The details of the CENVAT credit / ITC carried forward from the previous year, availed during the year, its utilization, and the balance left need to be reported, along with the treatment of the same in the assessee's accounts. Further, accounting treatment of CENVAT / ITC credit in the profit and loss account and the treatment of outstanding CENVAT / ITC credit in the account is required to be reported.
	(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. It may be noted that there is a difference between expenditure of any earlier year debited to the profit and loss account and the expenditure relating to any earlier year, which has materialized during the relevant year. The expenditure or income which is materialized during the year shall not be considered as prior period even though the same is related to the earlier previous year. The same shall not be reported.

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)	Advances received in relation to the transfer of a capital asset are shown as income from other sources where the advances are forfeited and the capital asset is not ultimately transferred.
	(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	The reporting under this clause pertains to income from other sources in the form of gifts/deemed gifts received which are taxable under section 56(2)(x). The tax auditor has to consider whether the question is to be answered in affirmative or otherwise. In case answer to clause 29B(a) is yes, then tax auditor has to furnish the following details namely nature of income and amount.
	(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]		Hundis are financial instruments not recognised by formal law. The following are required to be reported: - Name of the person from whom amount borrowed or repaid on hundi - PAN of the person - Address - Amount borrowed - Date of Borrowing - Amount due including interest - Amount repaid - Date of Repayment

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 for the purpose of making secondary adjustments.
	(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 ₹) 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 ₹) 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 ₹) 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 ₹) (iii) Amount (in ₹) 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 reporting under this clause shall be made in the light of the Chapter X-A, provisions of the Income tax Act relating to GAAR, the rules made thereunder and CBDT Circular thereto
	(b)	If yes, please specify:- (i) Nature of the impermissible avoidance arrangement (ii) Amount (in ₹) 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: - Name of the lender or depositor - Address - PAN (if available) of the lender or depositor - Aadhar Number of the lender or depositor, if available - Amount of loan or deposit taken or accepted - Whether the loan/deposit was squared up during the year - Maximum amount outstanding at any time during the previous year - Whether the loan/deposit was taken or accepted by cheque or bank draft or use of ECS through a bank account - 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	This clause requires certain particulars of each loan or deposit in an amount exceeding the limit specified in section 269SS (i.e. ₹ 20,000^{††}) taken or accepted during the previous year. The limit of ₹ 20,000 will have to be considered person wise by aggregating the transaction with as under: a) The amount of such loan or deposit or the aggregate of such loan or deposit; or b) The amount of such loan or deposit taken or accepted earlier, is remaining unpaid (whether repayment has fallen due or not) on the date of taking or accepting such loan or deposit c) the amount or the aggregate amount referred to in clause (a) together with the amount or the aggregate amount referred to in clause (b), It is to be noted that loan/deposit as per section 269SS should not include transfer entries, collection of sale proceeds by selling agent, when contractee retains amount against the performance of the contract and not under a contract, advance against the agreement of sale of goods.
	(b)	Particulars of each specified sum in an amount exceeding the limits specified in section 269SS taken or accepted during the previous year: - Name of the person from whom specified sum is received - Address of the person from whom specified sum is received - Permanent Account Number (if available with the assessee) of the person from whom specified sum is received	Specified sum means any sum of money receivable, whether as advance or otherwise, in relation to transfer of an immovable property, whether or not the transfer takes place. Given particulars of each specified sum of money receivable, whether as advance or otherwise in relation to transfer of immovable property, whether or not the transfer takes place in an amount exceeding the limit specified in section 269SS (i.e., ₹ 20,000 or more) taken or accepted during the previous year are required to be reported under this clause.

^{††} Where loan/deposit is taken/accepted by a primary agricultural credit society or a primary cooperative agricultural and rural development bank from its member, higher threshold limit of ₹ 2,00,000 is applicable

		- Aadhaar Number of the person from whom specified sum is received, if available - Amount of specified sum taken or accepted - Whether the specified sum was taken or accepted by cheque or bank draft or use of electronic clearing system through a bank account ? - In case the specified sum was taken or accepted by cheque or bank draft, whether the same was taken or accepted by an account payee cheque or an account payee bank draft	The provisions of section 269SS shall not apply to any loan or deposit or specified sum taken or accepted from, or any loan or deposit or specified sum taken or accepted by,— a) the Government; b) any banking company, post office savings bank or co-operative bank; c) any corporation established by a Central, State or Provincial Act; d) any Government company e) such other notified institution, association or body or class of institutions, associations or bodies
	(ba)	Particulars of each receipt in an amount exceeding the limit specified in section 269ST, in aggregate from a person in a day or in respect of a single transaction or in respect of transactions relating to one event or occasion from a person, during the previous year, where such receipt is otherwise than by a cheque or bank draft or use of electronic clearing system through a bank account - Name of the payer - Address of the payer - PAN (if available with the assessee) of the payer - Aadhar Number of the payer, if available - Nature of transaction - Amount of receipt - Date of receipt	Section 269ST provides that a person is not allowed to receive more than ₹ 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 reporting of non-compliance with this section will be made in this clause.

	(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: - Name of the payer - Address of the payer - PAN (if available with the assessee) of the payer - Aadhar Number of the payer, if available - Amount of receipt	
	(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: - Name of the payee - Address of the payee - PAN (if available with the assessee) of the payee - Aadhar Number of the payee, if available - Nature of transaction - Amount of receipt - 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: - Name of the payee - Address of the payee - PAN (if available with the assessee) of the payee - Aadhar Number of the payee, if available - Amount of receipt	
	(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 of the payee - Address of the payee - Permanent Account Number (if available with the assessee) of the payee - Aadhaar Number of the payee, if available - Amount of repayment - Maximum amount outstanding in the account at any time during the previous year - Whether the repayment was made by cheque or bank draft or use of electronic clearing system through a bank account? - In case the repayment was made by cheque or bank draft, whether the same was repaid by an account payee cheque or an account payee bank draft	Section 269T is attracted where repayment of the loan or deposit is made to a person, where the aggregate amount of loan or deposits held by such person either in his own name or jointly with any other person on the date of such repayment together with interest, if any, payable on such deposit is ₹ 20,000 or more. In the case of company assessee, loan or deposit means deposit repayable after notice or loan or deposit repayable after a period. However, in the case of non-company assessee, loan or deposit is means loan or deposit of any nature. Given particulars are required to be disclosed in relation to repayment of loan or deposit or any specified advance in an amount exceeding the limit specified in section 269T (i.e., 20,000^{\$}) under this clause. Taxpoint: Loan or deposits discharged by means of transfer entries are also required to be reported under this clause.

^{\$} In some cases, ₹ 2,00,000

	(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 of the payer - Address of the payer - Permanent Account Number (if available with the assessee) of the payer - Aadhaar Number of the payer, if available - Amount of repayment of loan or deposit or any specified advance received otherwise than by a cheque or bank draft or use of electronic clearing system through a bank account during the previous year	The provisions of section 269ST shall not apply to repayment of any loan or deposit or specified advance taken or accepted from a) the Government; b) any banking company, post office savings bank or co-operative bank; c) any corporation established by a Central, State or Provincial Act; d) any Government company e) such other notified institution, association or body or class of institutions, associations or bodies
	(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 of the payer - Address of the payer - Permanent Account Number (if available with the assessee) of the payer - Aadhaar Number of the payer, if available - Amount of repayment of loan or deposit or any specified advance received by a cheque or bank draft which is not an account payee cheque or account payee bank draft during the previous year	

32	(a)	Details of brought forward loss or depreciation allowance to the extent available: - Assessment Year - Nature of loss/allowance - Amount as returned (if the assessed depreciation is less and no appeal pending then take assessed) - All losses / allowances not allowed under section 115BAA / 115BAC / 115BAD / 115BAE - Amount as adjusted by withdrawal of additional depreciation on account of opting for taxation under section 115BAC / 115BAD / 115BAE (To be filled in only for assessment year 2021-22 and 2024-25 only, as applicable) - Amount as assessed (give reference to relevant order) [Amount, order u/s and date of order – to be given] - Remarks	Brought forward losses may relate to different heads of income such as property income, profits and gains of business or profession, speculation business or capital gains. Head-wise and year-wise reporting are required to be done. Further, if amounts need to be revised for any change arising out of a rectification order, assessment order, etc. then updated amount are required to be reported.
	(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.	In the case of a closely held company, no loss shall be carried forward and set off against the income of the previous year, unless at least 51% of the voting power of the company are beneficially held (on the last day of the previous year in which the loss is sought to be set off) by the same person(s) who held at least 51% of the shares on the last day of the financial year in which the loss was incurred. However, the provision is subject to certain exceptions like - Change in shareholding is due to death of a shareholder - Change in shareholding is due to shares gifted by a shareholder to a relative

			- Where the holding Company is a foreign company and the change in shareholding is due to amalgamation / demerger of the foreign company
	(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.	A speculation loss cannot be set off against any income other than a speculation gain. Further, a loss in speculation business will be allowed to be carried forward for only 4 years. This clause keeps the above provisions in check.
	(d)	Whether the assessee has incurred any loss referred to in section 73A in respect of any specified business during the previous year, if yes, please furnish details of the same.	
	(e)	In case of a company, please state that whether the company is deemed to be carrying on a speculation business as referred in the explanation to section 73, if yes, provide details of speculation loss if any incurred during the previous year.	
33		Section-wise details of deductions, if any, admissible under Chapter VIA or Chapter III (Section 10A, 10AA). - Section under which deduction is claimed - Amounts admissible as per the provision of the Income-tax Act, 1961 and fulfils the conditions, if any, specified under the relevant provisions of Income-tax Act, 1961 or Income-tax Rules, 1962 or any other guidelines, circular, etc, issued in this behalf.	The tax auditor will have to verify whether the assessee has fulfilled the conditions necessary to claim the section-wise deductions. Please note that various deductions are not available if the assessee has opted for 115BAA, 115BAB, 115BAC(1A), etc., thus, while reporting under this clause, the tax auditor should consider reporting under clause 8a

33	(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 1. Tax deduction and collection Account Number (TAN) 2. Section 3. Nature of payment 4. Total amount of payment or receipt of the nature specified in column (3) 5. Total amount on which tax was required to be deducted or collected out of (4) 6. Total amount on which tax was deducted or collected at specified rate out of (5) 7. Amount of tax deducted or collected out of (6) 8. Total amount on which tax was deducted or collected at less than specified rate out of (7) 9. Amount of tax deducted or collected on (8) 10. Amount of tax deducted or collected not deposited to the credit of the Central Government out of (6) and (8)	These sections broadly relate to compliances in respect of TDS payable on certain expenses. The tax auditor reports the expenditure on which tax was required to be deducted, whether such tax was actually deducted and paid to the government on time. In case of a failure to comply on time, the details of penalty in respect of such late payments will also be covered. Taxpoint - The details reported under this clause should be inline with disallowances reported under section 40(a) in clause 21(b) of Form 3CD - In case of differences of opinion, the auditor should mention his observation in clause (3) / (5) of the Form 3CA / 3CB
	(b)	Whether the assessee is required to furnish the statement of tax deducted or tax collected. If yes, please furnish the details - Tax deduction and collection Account Number (TAN) - Type of Form	

		- Due date for furnishing - Date of furnishing, if furnished - Whether the statement of tax deducted or collected contains information about all details/transactions which are required to be reported - Please furnish list of details/transactions which are not reported	
	(c)	Whether the assessee is liable to pay interest under section 201(1A) or section 206C(7). If yes, please furnish details: 1. Tax deduction and collection Account Number (TAN) 2. Amount of interest under section 201(1A) / 206C(7) is payable 3. Amount paid out of column (2) along with date of payment.	
35	(a)	In the case of a trading concern, give quantitative details of principal items of goods traded: - Item name - Unit name - Opening Stock; - purchases during the previous year; - sales during the previous year; - closing stock; - shortage/excess, if any	The name of the stock item and its unit of measurement would need to be provided along with quantitative details Principal items mean those items which constitute more than 10% of the aggregate value of purchase, consumption or turnover.

	(b) In the case of a manufacturing concern, give quantitative details of the principal items of raw materials, finished products and by-products: A. Raw Materials: - Item Name - Unit Name - opening stock; - purchases during the previous year; - consumption during the previous year; - sales during the previous year; - closing stock; - yield of finished products; - percentage of yield; - shortage/excess, if any. B. Finished products/by-products: - Item name - Unit name - opening stock - purchases during the previous year; - quantity manufactured during the previous year; - sales during the previous year; - closing stock; - shortage/excess, if any.	In case, the assessee is a manufacturing concern, quantitative details are required to be reported under this clause. The quantitative detail of principal items of raw material and finished goods is only required for reporting under this clause. Therefore, information related to petty items need not be given. Principal items mean those items which constitute more than 10% of the aggregate value of purchase, consumption or turnover. Where the assessee has not maintained any record for stock and has compiled the information from the books of account, the fact for the same shall be disclosed.
36A	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) If yes, please furnish the following details:- (i) Amount received (in ₹) (ii) Date of receipt	The provisions of deemed dividend are attracted when a private limited company give a loan or advances an amount to a shareholder (or to a concern in which he has a substantial interest) having more than 10% voting power in the company subject to certain conditions. Such loan or advance shall be considered as dividend to the extent of accumulated profit of the payer company as on the date of payment.

		The tax auditor may face challenges in determining the accumulated profits as of the payment date for a closely held company due to various reasons. In such instances, the auditor may estimate the accumulated profits by allocating the annual profit on a time basis. The auditor should report methodology used in clause 3 / clause 5 of Form No. 3CA / 3CB Form 26AS should also be examined to ascertain if the payer-closely held company has deducted tax at source from any payment made to it under section 194.
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.	Although the tax auditor is not required to conduct a detailed study of the cost audit report (which is received up to the date of the tax audit report and related to the relevant previous year), he is required to report any disqualifications or disagreements on matters, items, values, or quantities as reported or 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.	Although the tax auditor is not required to conduct a detailed study of the such report (which is received up to the date of the tax audit report and related to the relevant previous year), he is required to report any disqualifications or disagreements on matters, items, values, or quantities as reported or identified in that audit report.
40	Details regarding turnover, gross profit, etc. for the previous year and preceding previous year: 1. Total turnover 2. Gross profit / turnover 3. Net profit / turnover 4. Stock-in-trade / turnover 5. Material consumed / finished goods produced	Ratios are required to be given for business as a whole and not product-wise related to the assessee engaged in manufacturing or trading activities only. Calculation of such ratios would not be applicable for persons engaged in profession / service industry. Further, for the preceding previous year, tax audit figures of that year shall be used. It should be noted that the ratio for both years should be comparable, hence, there should be consistency between the numerator and the denominator while calculating the above ratios. In case previous year figures are reinstated, then the fact should be reported in clause 3 / clause 5 of the Form 3CA / 3CB Further, if no tax audit was applicable in the preceding previous year, then nothing should be mentioned in that column.

			While calculating 4th ratio i.e., Stock-in-trade / turnover, stock-in-trade would include only finished goods and would not include other stock elements like stock of raw material, work in progress, etc. Material consumed would include stores, spare parts and loose tools.
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 - Financial year to which demand/ refund relates to - Name of other Tax law - Type (Demand raised/Refund received) - Date of demand raised/refund received - Amount - Remarks	There are various other legislations like GST, Customs, etc. that the assessee may be subject to and such acts may have their own authorities to pass a demand or refund order. The details of the orders of such authorities need to be provided in this clause. If the demand/refund order is issued during the previous year, it is required to be reported even if it may relate to a period other than the relevant previous year. Further, such order shall be cross-verified from the online portal of the respective department. For company assessee, this information can be checked from the CARO report and/or from notes on accounts. If there is any adjustment of refund against any demand, the auditor should also report the same under this clause.
42	(a)	Whether the assessee is required to furnish statement in Form No. 61 or Form No. 61A or Form No. 61B? (Yes/No)	Form 60 shall be filed by an individual or a person (not a company or firm) who doesn't have a PAN and who enters into specified transactions referred to in Rule 114B. As per Rule 114D of the Income-tax Rules, 1962, every person specified in clauses (a) to (k) of Rule 114C (1), Rule 114C(2) and who are required to have their accounts audited under section 44AB must submit a statement in Form No. 61 if they have received any declaration in Form No. 60.
	(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.	As per section 285BA read with rule 114E, a Reporting Entity is required to file statement of financial transaction in Form 61A. A Reporting Entity has to report in specified SFT reportable transaction of the nature specified in this rule for the relevant financial year on or before 31st of May immediately following the financial year. Form 61B is required for reporting under FATCA (Foreign Account Tax Compliance Act) and CRS (Common Reporting Standard) under section 285BA read with Rule 114G.

		- If not, please furnish list of the details/ transactions which are not reported	The tax auditor should verify whether the assessee is required to report the transaction in the prescribed form. If so, the auditor must check if the assessee has filed the form and provided all the necessary details. Forms No. 61, 61A, and 61B uploaded on the income tax portal should be examined by the tax auditor for reporting purposes.
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)	For reporting under this clause, the auditor should check the applicability of section 286 and related notifications and circulars and where the same is applicable then, reports are to be furnished in Forms 3CEAC to Form 3CEAE. 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. The auditor is not required to comment upon the completeness or correctness of the report filed under section 286(2)
	(b)	If yes, please furnish the following details: (i) Whether report has been furnished by the assessee or its parent entity or an alternate reporting entity (ii) Name of parent entity (iii) Name of alternate reporting entity (if applicable) (iv) Date of furnishing of report	
44	Break-up of total expenditure of entities registered or not registered under the GST - Total amount of Expenditure incurred during the year - Expenditure in respect of entities registered under GST • Relating to goods or services exempt from GST • Relating to entities falling under composition scheme • Relating to other registered entities • Total payment to registered entities - Expenditure relating to entities not registered under GST		The expenses within the scope of GST i.e., which are considered as 'supply' under section 7 of the CGST Act, 2017, are only required to be reported in clause 44. This clause attempts to provide a break-up of the total expenditure (capital or revenue) 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. It should be noted that any expenditure, which is incurred wholly and exclusively for the business or profession of the assessee qualifies for deduction under the Act.

		The registration status of the payee under the GST Act is irrelevant when considering the allowability of such expenditure. Reporting under this clause does not mean that the purchase from an unregistered dealer is disallowed in the income tax and vice versa
--	--	--

Taxpoint

- If any specific clause in Form No. 3CD is not applicable, the tax auditor should state that the clause is not applicable.
- In computing the allowance or disallowance, the tax auditor should consider the law applicable for the relevant year.
- If a specific item of income or expenditure is covered under multiple clauses in the statement of particulars, it is important to ensure appropriate cross-references are made to these items in the relevant clauses. Information may be furnished at any one of the clause and reference may be given at other clause.
- If there is a difference in opinion between the tax auditor and the assessee regarding any information provided in Form No. 3CD, the tax auditor should consider stating both opinions along with the relevant information so that the tax authority may make an informed decision on the matter.
- Where information furnished by the assessee is incomplete or inaccurate or the information has not been furnished by the assessee, the tax auditor should state the fact in para 3 / para 5 of the Form 3CA/3CB
- In case the auditor relies on a judicial pronouncement, he may mention the fact as his observations in in para 3 / para 5 of the Form 3CA/3CB

Illustration

Illustration 1

Examine the applicability of tax audit u/s 44AB in the following independent cases:

Case	Cash Turnover from			Audit u/s 44AB applicable
	Business A	Business B	Profession A	
1	₹ 72 lakhs	-	₹ 54 lakhs	Yes , as the professional receipt exceeds threshold limit, hence audit is required for his business and profession
2	₹ 86 lakhs	-	₹ 42 lakhs	No , as business turnover does not exceed threshold limit of ₹ 1crore and professional receipt does not exceed ₹ 50 lakhs, hence tax audit is not applicable.
3	₹ 65 lakhs	₹ 40 lakhs	-	Yes , as aggregate business turnover exceeds ₹ 1 crore, hence the audit is applicable for his all business.

Illustration 2

The following information is noted from the records of ABC and Company, a partnership firm engaged in manufacturing and trading of goods, for the previous year ending on 31st March 2025:

₹ in lakhs

Particulars	Receipts				Payment			
	Cash	NEFT	Total	Cash as % of total	Cash	NEFT	Total	Cash as % of total
Sale / purchase of machine	1.30	140	141.30	0.92	10	82	92	10.87
Sale / Purchase of car	-	5	5	0	-	35	35	0
Advance received for sales to be made in the next year	4	160	164	2.44	-	-	-	-
Purchase of raw material	-	-	-	-	2	100	102	1.96
Purchase of finished goods	-	-	-	-	-	108	108	0
Sale of goods	25	580	605	4.13	-	-	-	-
Income tax refund	-	10	10	0	-	-	-	-
Other receipts / Payment	16	40	56	28.57	16	152	168	9.52
Total	46.30	935	981.3	4.72	28	477	505	5.54

ABC and company want to know whether it requires an audit under section 44AB.

Solution

In the instant case, the aggregate receipt of the firm is ₹ 981.30 lakh. Out of which, cash receipt is only ₹ 46.30 lakhs, which is equivalent to 4.72% of the receipt.

On the other hand, the aggregate payment made by the firm is ₹ 505 lakhs. Out of which, cash payment is ₹ 28 lakhs, which constitutes 5.54% of the total payment made by the firm during the year.

Since cash payment constitutes more than 5% of aggregate payment made by the firm during the previous year, hence, the firm cannot avail the benefit of the higher threshold limit of ₹ 10 crore provided u/s 44AB.

Further, the sales made by the firm exceed ₹ 1 crore, hence, tax audit u/s 44AB is applicable in the given case.

Illustration 3

The following information is noted from the records of PQR Ltd engaged in two businesses viz sale of computer and sale of readymade garments, for the previous year ending on 31st March 2025:

₹ in lakhs

Particulars	Computer Business	Garment Business
Sale through banking channel	300	50
Sales made in cash	-	200
Purchase through banking channel	250	200

PQR Ltd is of the view that in the case of computer business, tax audit is not applicable as entire sales and purchases were made through a proper banking channel, hence, the higher threshold limit of ₹ 10 crore would be applicable.

However, the company has submitted a tax audit report within time, considering the garment business only. Analyse the situation.

Solution

As per section 44AB, tax audit is applicable where total sales, turnover or gross-receipts of business for the previous year exceeds ₹ 1 crore. However, if the following conditions are satisfied, then the higher threshold limit of ₹ 10 crore shall be applicable for a person carrying on business:

- aggregate of all amounts received including amount received for sales, turnover or gross receipts during the previous year, in cash, does not exceed 5% of the said amount; **and**
- aggregate of all payments made including amount incurred for expenditure, in cash, during the previous year does not exceed 5% of the said payment.

In this respect, it is to be noted that if the assessee is engaged in multiple businesses, then aggregate turnover or gross receipts are required to be considered.

In view of the above provision, aggregate receipt and payment of the concern are as under:

₹ in lakhs

Particulars	Total Receipt /Payment	Cash receipt /payment out of total	Cash as a % of total
Aggregate Receipt	550	200	36.36
Aggregate Payment	450	-	-

Since cash sales constitutes more than 5% of aggregate turnover made by the company during the previous year, hence, the company cannot avail the benefit of the higher threshold limit of ₹ 10 crore provided u/s 44AB. Further, the sales made by the company exceed ₹ 1 crore, hence, tax audit u/s 44AB is applicable for the assessee-company. Tax audit is applicable for the assessee and not for each business carried on by it. Thus, the company is required to file a tax audit report for both of its business.

Further, the company has not submitted tax audit report for its computer business, the company is liable for a penalty u/s 271B, which is lower of the following:

- ½% of turnover; or
- ₹ 1,50,000

Since the assessee has already furnished the report for ₹ 250 lakhs (i.e., garment business), the penalty u/s 271B shall be invoked only on turnover of ₹ 300 lakhs.

Illustration 4

XYZ Ltd (having TAN: CALX12345D) has made the following payments during the year:

Particulars	Gross Amount	TDS
Professional Fee to Mr. X	1,00,000	10,000
Professional Fee to Mr. Y	1,50,000	15,000
Professional Fee to Mr. Z	40,000	-
Yearly Rent to Mr. A	2,00,000	-

All of the aforesaid transactions are related to 31st Mar 2025. The company has paid the TDS being deducted by it, on 25-04-2025 and TDS return in Form 26Q has been submitted by it on 10-05-2025.

How could you submit this information in the Form 3CD?

Solution

Section 40(ia) provides for disallowance of 30% of the sum payable to a resident on which tax is deductible a source and such tax has not been deducted or after deduction has not been paid on or before the due date of filing return of income under section 139(1).

The professional fee to Mr. Z (being in excess of ₹ 30,000) is subject to TDS, but the company fails to deduct tax at source. Hence, 30% of ₹ 40,000 i.e., ₹ 12,000 shall be disallowed u/s 40(ia)

Further, in case of payment of rent, threshold limit has not been crossed, hence TDS is not applicable.

Reporting requirement in clause 21(b) of the Form 3CD

Disallowance u/s 40(ia) are required to be reported in clause 21(b) of the Form 3CD in the following manner:

Date of payment	Amount of payment	Nature of payment	Name of the payee	Permanent Account Number of the payee, if available	Aadhaar Number of the payee, if available	Address Line 1	Address Line 2	City Or Town Or District	Zip Code / Pin Code	Country	State
31-03-2025	40000	Professional Fee	Y	ABCPY1234A		123	ABC place	Kolkata	700055	India	West Bengal

Further, information regarding TDS is required to be reported in clause 34 of the Form 3CD

34 (a) Whether the assessee is required to deduct or collect tax as per the provisions of Chapter XVII-B or Chapter XVII-BB	Yes
---	-----

Please furnish

Sl. N	(1) Tax deduction and collection Account Number (TAN)	(2) Section	(3) Nature of payment	(4) Total amount of payment or receipt of the nature specified in column (3)	(5) Total amount on which tax was required to be deducted or collected out of (4)	(6) Total amount on which tax was deducted or collected at specified rate out of (5)	(7) Amount of tax deducted or collected out of (6)	(8) Total amount on which tax was deducted or collected at less than specified rate out of (7)	(9) Amount of tax deducted or collected on (8)	(10) Amount of tax deducted or collected not deposited to the credit of the Central Government out of (6) and (8) (10)
1	CALX12345D	194J	Fees for professional or technical services	2,90,000	2,90,000	2,50,000	25,000	0	0	0
2	CALX12345D	194-I	Rent	2,00,000	0	0	0	0	0	0

(b) Whether the assessee is required to furnish the statement of tax deducted or tax collected?	Yes
---	-----

Please furnish

Sl. No.	Tax deduction and collection Account Number (TAN)	Type of Form	Due date for furnishing	Date of furnishing, if furnished	Whether the statement of tax deducted or collected contains information about all details/ transactions which are required to be reported	Please furnish list of details/transactions which are not reported.
1	CALX12345D	26Q	31-May-2025	10-May-2025	No	Professional Fee of ₹40,000 paid to Mr. Z on 31-03-2025

Illustration 5

The following transactions are recorded in the books of MSPL:

Date	Particulars	Amount
01-04-2024	Loan taken from ABCL, Maharashtra (PAN: AAACA1234A) via RTGS	50,00,000
30-09-2024	Interest paid to ABCL (net of TDS @ 10%) via RTGS	2,25,000
30-09-2024	Repayment of loan to ABCL via RTGS	25,00,000
1-11-2024	Loan taken from ABCL via RTGS	35,00,000
31-03-2025	Interest credited to ABCL A/c (Net of TDS @ 10%)	2,70,000

MSPL (TAN: BLRM12345T) has furnished the TDS return, after paying TDS within the due date, on:

2nd quarter – on 10-10-2024

4th quarter – 20-05-2025

How could you submit this information in Form 3CD?

Solution

From the given information, we can observe the following:

Observation	Applicable clause of Form 3CD
MSPL has taken a loan from ABCL	Clause 31(a)
On interest, TDS has been deducted by the MSPL which is duly paid and TDS return has furnished within due date of filing Form 26Q	Clause 34(a) and (b)
MSPL has repaid part of the loan	Clause 31(c)

Further, TDS has been duly deducted and paid, hence, there is no disallowance u/s 40(ia). Thus, information are not required to be provided in clause 21(b)

Clause 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

Sl. No.	Name of the lender or depositor	Address of the lender or depositor	Permanent Account Number (if available with the assessee) of the lender or depositor	Aadhaar Number of the lender or depositor, if available	Amount of loan or deposit taken or accepted	Whether the loan/ deposit was squared up during the previous year ?	Maximum amount outstanding in the account at any time during the previous year	Whether the loan or deposit was taken or accepted by cheque or bank draft or use of electronic clearing system through a bank account ?	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
1	ABCL	xxxx, Maharashtra	AAACA1234A		85,00,000	No	62,70,000	Yes-RTGS	

Clause 31(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

Sl. No.	Name of the payee	Address of the payee	Permanent Account Number (if available with the assessee) of the payee	Aadhaar Number of the payee, if available	Amount of repayment	Maximum amount outstanding in the account at any time during the previous year	Whether the repayment was made by cheque or bank draft or use of electronic clearing system through a bank account ?	In case the repayment was made by cheque or bank draft, whether the same was repaid by an account payee cheque or an account payee bank draft
1	ABCL	xxxx, Maharashtra	AAACA1234A		25,00,000	62,70,000	Yes-RTGS	

Further, information regarding TDS is required to be reported in clause 34 of the Form 3CD

34 (a) Whether the assessee is required to deduct or collect tax as per the provisions of Chapter XVII-B or Chapter XVII-BB	Yes
---	-----

Please furnish

Sl. N	(1) Tax deduction and collection Account Number (TAN)	(2) Section	(3) Nature of payment	(4) Total amount of payment or receipt of the nature specified in column (3)	(5) Total amount on which tax was required to be deducted or collected out of (4)	(6) Total amount on which tax was deducted or collected at specified rate out of (5)	(7) Amount of tax deducted or collected out of (6)	(8) Total amount on which tax was deducted or collected at less than specified rate out of (7)	(9) Amount of tax deducted or collected on (8)	(10) Amount of tax deducted or collected not deposited to the credit of the Central Government out of (6) and (8) (10)
1	BLRM12345T	194A	Interest other than interest on securities	5,50,000	5,50,000	5,50,000	55,000	0	0	0

(b) Whether the assessee is required to furnish the statement of tax deducted or tax collected?	Yes
---	-----

Please furnish

Sl. No.	Tax deduction and collection Account Number (TAN)	Type of Form	Due date for furnishing	Date of furnishing, if furnished	Whether the statement of tax deducted or collected contains information about all details/transactions which are required to be reported	Please furnish list of details/ transactions which are not reported.
1	BLRM12345T	26Q	31-Oct-2024	10-Oct-2025	Yes	
2	BLRM12345T	26Q	31-May-2025	20-May-2025	Yes	