

Technical Hurdles Delay Rollout of New Standard for Tax Audit Reports

Administrative and technical hurdles, including lack of compatibility between the existing 'pre-fill' e-filing forms and changes in auditing standards, have pushed the applicability of revised standard on auditing (SA) 700 on tax audit reports by one year. This means the e-filing of tax audit reports this year will have to be based on the old SA 700 format, without incorporating many key changes made in the revised standards.

The revised SA 700 makes it mandatory for auditors to give a separate report forming an opinion on the financial statements of companies, individuals and others. This was not the case in the older version of SA 700. The revised SA 700, which was to be made applicable from April 2013, calls for auditors to give a separate report with clear titles, including a note stating the report is from an independent auditor. Other changes include sections and headings such as a report on financial statements, management's responsibility and legal requirements, among others.

From the assessment year 2013-14, it is mandatory to e-file all tax returns and audit reports.

"The pre-fill electronic form has already been released by the tax department. If CAs try to submit the tax audit reports in the already released e-forms taking into account the revised SA 700, it will not marry and several data entries may get lost. This is the reason why ICAI has delayed it for a year," said Sanjay Agarwal, chairman of the indirect tax committee of ICAI.

Sources in the tax authorities said any changes in the pre-fill e-forms requires advance notice of at least one year. By next year, all the changes suggested by ICAI will be incorporated, a senior official said.

Experts said there should not be a delay in the applicability of SA 700 in the new e-filing of returns and audit reports. "I believe the ICAI will have to speak to the relevant department in the finance ministry and find a solution to incorporating the changes in the pre-fill e-filing forms. The applicability of SA 700 was delayed last year too," N Venkatram, partner, Deloitte Haskins & Sells, told FE.

As is known, for professionals such as lawyers, doctors, film actors, singers, interior decorators, architects and company secretaries, among others, whose total gross receipts/turnover in a financial year exceeds R1 crore and/or whose professional annual fee income exceeds R25 lakh, it is compulsory to e-file the tax audit report from the current assessment year.

According to the latest directions from the income tax department, all such assesseees will need to appoint a chartered accountant (CA) who will undertake the tax audit and e-file the same with his digital signature. Any violation will attract a penalty of 0.5% of the turnover/gross receipts of the assessee, subject to a maximum penalty of R1,50,000.

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