



## ***Tax Audit Report (TAR) + Accounting Standards (AS) in India***

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## **(A) Obligations for preparing of information's by taxpayer + auditing by auditor**

### **1. Applicability of TAR**

- (i) **On taxpayer as carrying a business + having total sale + turnover + gross receipt (all together) are exceeding 1 crore in previous year under section 44AB of Income Tax Act (ITA), 1961**
- (ii) **On taxpayer as carrying a business + having total sale + turnover + gross receipt (all together) are exceeding 10 crore in previous year where aggregate of amount as received against gross sales + turnover + gross receipts in cash not exceeding 5% + aggregate of amount as payment against purchases are not exceeding 5% (both together) under section 44AB of ITA, 1961**
- (iii) **On taxpayer as carrying a profession + having gross receipts are exceeding 50 lac in previous year under section 44AB of ITA, 1961**
  - **List of professions:**
    - (a) **Legal**
    - (b) **Medical**
    - (c) **Engineering**
    - (d) **Architectural**
    - (e) **Accountancy**
    - (f) **Technical consultancy**
    - (g) **Interior decoration**
    - (h) **Company Secretary**
    - (i) **Film Artist + Actor**
    - (j) **Cameraman**
    - (k) **Director including assistant director + music director + assistant music director + art director + assistant art director + dance director + assistant dance director**



- (l) **Singer**
  - (m) **Story-writer**
  - (n) **Screen-play writer**
  - (o) **Dialogue writer**
  - (p) **Editor**
  - (q) **Lyricist**
  - (r) **Dress designer**
  - (s) **Information Technology**
- (iv) **On taxpayer as carrying a business + having total sale + turnover + gross receipt (all together) are not exceeding 2 crore + net profit is not minimum 8% or 6% (as case may be) under section 44AD of Income Tax Act (ITA), 1961**
- (v) **On taxpayer as carrying a profession + gross receipts are not exceeding 50 Lac + net profit is not minimum 50% under section 44ADA of ITA, 1961**
- (vi) **On taxpayer as carrying a business + having total sale + turnover + gross receipt (all together) are not exceeding 1 crore + net profit is not minimum 8% or 6% (as case may be) under section 44AD(1) of ITA, 1961**
- (vii) (a) **On co-operative society (taxpayer) as carrying business activity + having total sale + turnover + gross receipt (all together) are exceeding 1 crore beside co-operative society has obtained audit report under provisions of co-operative societies act.**
- (b) **Hence co-operative society is required to obtain a TAR beside co-operative society has obtained audit report under provisions of co-operative societies act where business activity + having total sale + turnover + gross receipt (all together) are exceeding 1 crore .**
- (c) **This clarification is notified vide circulars no. 03 dated May 21<sup>st</sup>, 2009 as issued by CBDT**

## **2. Non Applicability of TAR**

- (i) **For taxpayer as Partner of partnership firm or LLP (taxpayer) is not required to obtain TAR individually against receipt of remuneration as exceeding 1 crore under**



section 44AB where partnership firm or LLP already obtained a TAR against total sale + turnover + gross receipt (all together) are exceeding 1 crore

(ii) This concept is concluded by high court at Bombay as reported under 139 taxmann.com 164 dated March 9<sup>th</sup> 2022

### 3. Meanings of business + sale + turnover + gross receipts + accounting method + etc.

(i) **Meaning of business under section 2(13) of ITA 1961**

Includes any trade + commerce + manufacture + adventure in nature of trade or commerce or manufacture.

(ii) **Meaning of sales + turnover + gross receipts under section 2(91) of ITA, 1961**

Includes aggregate value of realisation of amount from sale + supply + distribution of goods + services (both) during previous year.

(iii) **Meaning of sales + turnover + gross receipts under Income computation disclosure Standards (ICDS) of ITA, 1961**

Includes cash + receivables + other consideration in course of ordinary activities of taxpayer against sale of goods + services (both) during previous year.

(iv) **Meaning of sales + turnover + gross receipts under GST, 2017**

Includes aggregate value of 100% outward supplies in state + union territory (both) but excluding value of inwards supplies under reverse charge mechanism (RCM) of GST

(v) **Meaning of sales + turnover + gross receipts under guidance note (GN) as issued by Institute of Chartered Accountant of India (ICAI)**

Includes aggregate amount of sale of goods + sale of services – sale returns – trade discounts

(vi) **Meaning of sales + turnover + gross receipts under speculative transactions**

Includes aggregate positive + negative difference to be considered as turnover of speculative transactions for computing turnover against tax audit liability under section 44AB where contract for sale + purchase of commodity + stock + share are to be settled without actual delivery of transactions + transfer of commodity or script



(vii) **Meaning of sales + turnover + gross receipts under actual delivery**

**Includes** transaction where purchase + sale of commodity + stocks + shares are actually intended to be delivered beside actual delivery not completed due to some unavoidable circumstances.

(viii) **Meaning of specified date**

(a) TAR is to be furnished with Income tax department (CPC) 1 month prior to due date for furnishing Income Tax Return (ITR) under section 139(1) of ITA, 1961 commonly known as specified date.

(b) Hence TAR is to be furnished up to September 30<sup>th</sup> where ITR is to be furnished up to October 31<sup>st</sup> each year under section 139(1) of ITA, 1961.

(ix) **Meaning of Books of accounts + documents**

(a) Taxpayer is required to maintain books of accounts in accordance section 145 under ITA, 1961 to enable to ascertain taxable income by assessing officer (AO).

(b) Taxpayer as professional is required to maintain books of accounts in accordance section 44AA under ITA, 1961 :

(c) (ca) For carrying on legal profession

(cb) For Medical profession

(cc) For Engineering or architectural profession

(cd) For Accountancy profession

(ce) For Technical consultancy profession

(cf) For Interior decoration profession

(cg) For Any other profession to be notified by CBDT in future.

(x) **Meaning of method of accounting for Income chargeable under ITA, 1961**

**(under section 145(1) and 145(2) of ITA, 1961)**

(a) Income chargeable under Profits and gains of business or profession + Income from other sources are to be computed under section 145 (2) on cash basis or on mercantile basis + accounting method to be employed by taxpayer consistently without frequent change.





- (b) Central Government (Govt.) is permitted to notify through official gazette from time to time for income computation and disclosure standards (ICDS) to be followed by notified class of taxpayer against notified class of income.
- (c) (ca) AO is permitted to make an assessment under section 144 commonly known as ex-parte assessment where AO is not satisfied about correctness or completeness of books of accounts of taxpayer
- or
- (ca) Where taxpayer has not followed the method of accounting as provided under section 145 (1)
- or
- (cb) Where taxpayer has not computed chargeable income in accordance with ICDS as notified under section 145 (2).

(xi) **Meaning of method of accounting for special cases under ITA, 1961**  
(under section 145(A) of ITA, 1961)

- (a) Taxpayer is required to compute income chargeable under Profits and gains of business or profession in special cases under section 145 (A) of ITA, 1961
- (b) Taxpayer is required to value of purchase + sale of goods + sale of services + inventory by adding amount of tax + duty + cess + fee as actually paid or incurred by taxpayer to bring the goods or services to place of location + condition on date of valuation.

(xii) **Meaning of gross receipts**

- 100% receipts in business + profession + etc including for Sale of goods and services – 100% receipts against loans – 100% receipts against capital items = gross receipts as needed for computing turnover under section 44AB for obtaining a TAR or not obtaining a TAR.

#### 4. **Role of Taxation Audits Quality Review Board (TAQRB) of ICAI**

- ICAI has constituted Taxation Audits Quality Review Board (TAQRB) to review any report as issued by practicing chartered accountant (PCA) under ITA, 1961 + GST, 2017 (both)





- (i) TAQRB is permitted to review audit reports as issued under ITA, 1961 + GST 2017 (both) by PCA that audit reports are in accordance with compliance + reporting requirements under various sections of ITA, 1961 + Income Tax Rule (ITR), 1962 + GST, 2017 + GST Rule.
- (ii) TAQRB is permitted to review audit reports as issued under ITA, 1961 + GST 2017 (both) by PCA that audit reports are in accordance with pronouncements + GN + technical guides as issued by ICAI + etc.

## 5. Role of SA-700 for preparation of TAR by Tax auditor

- (i) Tax auditor is required to prepare a TAR in form no. 3CA + form no. 3CB (both) in accordance with SA-700. However 3CA + 3CB (both) to be filed online in preset form which is not in accordance with SA-700
- (ii) Tax auditor is advised to write about responsibility of taxpayer + tax auditor (both) under space as provided for observations under 3CA (3) + 3CB (5) (both) where requirements of GN under SA-700 are not complied
- (iii) Tax auditor is advised to write the qualifications + observations in space as provided in form no. 3CA + 3CB (both). However additional information's which are not qualifications + observations (both) to be written in separate attached note

## 6. Responsibility of Taxpayer for preparation of financial statements

- (i) (a) Taxpayer is responsible for preparation of financial statements that give a true and fair view of financial position + financial performance in accordance with applicable Accounting Standards as issued by ICAI.
- (b) Responsibility is including the designing + implementing + maintaining internal control against preparation + presentation of financial statements that give a true and fair view + free from material misstatement due to fraud + error (both).
- (c) Taxpayer is responsible for overseeing the financial reporting process.
- (ii) (a) Taxpayer is responsible for preparing the financial statements + statement of particulars in Form 3CD



- (b) Taxpayer is responsible for assessing the ability to continue as going concern + disclosing if applicable through using the going concern basis of accounting unless taxpayer is either an intend to liquidate or to cease operation or has no realistic alternative.
- (iii) (a) Taxpayer is responsible for preparing the particulars as to be furnished in Form 3CD under section 44AB of ITA, 1961 + rule 6G(l)(b) of ITR, 1962 that give a true and correct the particulars in accordance the provisions of ITA, 1961 + rules + notifications + circulars + etc.
- (b) Responsibility is including the designing + Implementing + maintaining Internal controls for operating an effectively against preparation + presentation of particulars to be furnished in Form No. 3CD that are free from material misstatement due to fraud + error (both)

## 7. Responsibility of auditor for expressing an opinion on financial statements

- (i) (a) Auditor is responsible for expressing an opinion on financial statements as based on audit as conducted in accordance with standards on Auditing as issued by ICAI.
- (b) Auditor is responsible for complying with ethical requirements + plan + perform the audit to obtain a reasonable assurance about financial statements are free from material misstatement.
- (c) Auditor is responsible for performing the procedures to obtain audit evidence about amount + disclosure in financial statements.
- (d) Auditor is responsible for selecting the procedures as based on judgment + assessment of risks of material misstatement of financial statements due to fraud + error (both)
- (ii) (a) Auditor is responsible for making risk assessment after considering the Internal financial controls about preparation of financial statements that give a true and fair view
- (b) Auditor is responsible for designing audit procedure as to be appropriated in



circumstances. **However** designing audit procedure should not be for purpose of expressing an opinion in place of adequate internal financial controls system over financial reporting + operating effectiveness of controls.

- (c) Auditor is responsible for evaluating the appropriateness of accounting policies as used + reasonableness of accounting estimates as made by management + evaluating overall presentation of financial statements.
- (iii) (a) Auditor is responsible for ensuring that complied with relevant ethical requirements about Independence + to communicate about relationships + other matters that are reasonable to bear on independence + to safeguard himself.
- (b) Auditor is responsible for verifying the statement of particulars as to be furnished by taxpayer under section 44AB of ITA, 1961 + Form No. 3CD of Rule 6G(l)(b) of ITR, 1962.
- (c) Auditor is responsible for verifying + filling the statement in accordance with GN on Tax Audit under section 44AB of ITA, 1961 as issued by ICAI.

## 8. Financial penalty for delay + not filling of TAR

- Taxpayer is required to pay financial penalty as minimum @ 0.5% on total sales + turnover + gross receipts (all together) or maximum 1.5 lac whichever is lower under section 271B of ITA, 1961 for delay filling + non filling of TAR as to be filed under section 44AB of ITA, 1961. **Hence** taxpayer is required to pay financial penalty where filling or not filling of TAR after September 30<sup>th</sup> each year.

## 9. Preparation of TAR in Form No. 3CA or 3CB by tax auditor

(Under Rule 6G of Income Tax Rule (ITR), 1962)

### (i) Form 3CA

- (a) Form No. 3CA is to be filed by tax auditor where income is under business or profession + books of accounts are mandatory required for audit under any other law like Companies Act (CA) 2013.



(b) Taxpayer is permitted to appoint 2 auditors separately for TAR + mandatory audit under any law like CA, 2013

(ii) **Form 3CB**

(a) Form No. 3CB is to be filed by tax auditor where income is under business or profession + books of accounts are not mandatory required for audit under any other law like Partnership Act.

(b) Form No. 3CB is to be filed by tax auditor where income is under business or profession + books of accounts are not mandatory required for audit under any other law like Partnership Act + accounting year is different in previous year

● Notified vide Circular: No. 561, dated 22-5-1990

**10. Qualifications for TAR in Form 3CA or 3CB by tax auditor**

**(Under Rule 6G of Income Tax Rule (ITR), 1962)**

(i) Tax auditor is required to furnish the qualifications in TAR to enable the user of audited financial statement to compute effect of qualifications.

(ii) Tax auditor is required to furnish the qualifications under clause 3(a) of Form 3CB under observations + comments + discrepancies + inconsistencies as qualifications in nature for not obtaining 100% information's + explanations as necessary for audit + keeping of books of accounts by head office + branches of taxpayer + true and fair view of financial statements.

(iii) **Tax auditor is permitted to qualify the TAR:**

(a) **Where** books of accounts are not properly maintained by taxpayer

(b) **Where** information's + explanations as necessary for tax audit are not provided by taxpayer

(c) **Where** necessary documents to verify the reportable transaction are not provided by taxpayer.

(d) **Where** stock records are not properly maintained by taxpayer

(e) **Where** valuation of closing stock is not possible

(f) **Where** yield + percentage of wastage is not ascertainable



- (g) *Where necessary records to verify the personal nature of expenses are not maintained.*
- (h) *Where TDS returns could not be verified with books of accounts*
- (i) *Where records as produced for verification of payments through account payee cheque are not available.*
- (j) *Where amount of expense against exempt income under section 14A of ITA, 1961 is not ascertainable.*
- (k) *Where identification of creditors under Micro, Small and Medium Enterprises (MSME) Development Act, 2006 is not ascertainable*
- (l) *Where identification of prior period expenses is not ascertainable from books of accounts*
- (m) *Where fair market value (FMV) of shares under section 56(2)(viiia) + 56(2)(viib) is not ascertainable.*
- (n) *Where reports of audit as carried by Excise + Service tax Department (now GST, 2017) are not provided with taxpayer.*
- (o) *Where GP Ratio is not ascertainable from financial statements as prepared by taxpayer*

#### **11. Role of Tax Auditor for Verifying information's as furnished in 3CD by tax payer**

- (i) *Tax auditor is required to verify for true + correctness about information's as filled in form 3CD*
- (ii) *Tax auditor is permitted to rely on judicial judgments for taking any view under his observations*
- (iii) *Tax auditor is permitted to take his suitable cross references in specific item of income + expenditure as covered under more than 1 clauses in form 3CD*
- (iv) *Tax auditor is permitted to furnish the views of taxpayer + views of himself (both) where difference is existed on views between tax auditor and taxpayer*



## ***(A-1) Obligations for furnishing 3CD information's by taxpayer + auditing by auditor***

### ***1. Clause from 1 to 8 of Form 3CD for basic information's***

- Taxpayer is required to furnish the information's in form no. 3CD

- (i) Name of taxpayer :
- (ii) Address of taxpayer :
- (iii) PAN of taxpayer :
- (iv) Registration number under GST of taxpayer :
- (v) Status of taxpayer :
- (vi) Previous year for tax audit :
- (vii) Assessment year for tax audit :
- (viii) Relevant clause of section 44AB for tax audit :
- (viii-A) Section as opted for taxation under section :  
115BA/115BBA/115BAB/115BAC/ 115BAD :

- ◆ Tax auditor is required to check the information's + to report in TAR for deficiency if any

### ***2. Clause 9 of Form 3CD for Partnership Firm + AOP + LLP information's***

- Taxpayer is required to furnish the information's in form no. 3CD

- (i) Positive + Negative the profit sharing Ratio.....
- (ii) 100% changes as occurred during previous year.....
- (iii) Applicability of section 9B + 45 (4) of Income Tax Act (ITA), 1961.....

- Verification of documents by tax auditor

- (i) Supplementary + Admission + Retirement deeds.....
- (ii) Document filings with ROF or ROC.....
- (iii) Minutes of meetings for recording the changes.....

- ◆ Tax auditor is required to check the information's + to report in TAR for deficiency if any

### ***3. Clause 10 of Form 3CD for Nature of business or profession + change if any***

- (i) Taxpayer is required to furnish the information's in form no. 3CD the nature of every business + profession as carried during previous year



- (ii) Taxpayer is required to furnish the change in business + profession if any during previous year.
- ◆ Tax auditor is required to check the information's + to report in TAR for deficiency if any

#### 4. **Clause 11 of Form 3CD for books of accounts as prescribed**

- (i) Taxpayer is required to furnish the information's in form no. 3CD that books of accounts are prescribed under Section 44AA as Yes or No
- (ii)
  - (a) Taxpayer is required to furnish the list of books of accounts as maintained + address where books are kept.
  - (b) Taxpayer is required to furnish that books of accounts are maintained on computer system.
  - (c) Taxpayer is required to furnish that books of accounts are not kept at 1 location + to provide address of each location where books of accounts are kept at 2 or more locations.
- (iii) Taxpayer is required to furnish the list of books of accounts + nature of documents as examined by tax auditor.
- (iv) **List of prescribed books of accounts for medical professional under rule 6F of Income Tax Rule (ITR) 1962**
  - (a) Cash book
  - (b) Journal where books of accounts are kept on mercantile basis
  - (c) Ledger
  - (d) Serial numbered on carbon copies of bills + receipts as issued
  - (e) Original purchase bills + payment vouchers.
  - (f) Daily case register in Form No. 3C
  - (g) Stock of drugs + medicines + other consumable accessories

- ◆ Tax auditor is required to check the information's + to report in TAR for deficiency if any

#### 5. **Clause 12 of Form 3CD for nature of business**

- Taxpayer is required to furnish the information's in form no. 3CD
- (i) Presumptive basis Business under section 44AD





- (ii) *Presumptive basis Profession under section 44ADA*
- (iii) *Presumptive basis Transport business under section 44AE*
- (iv) *Shipping business by non-resident (NR) under section 44B*
- (v) *Business of exploration + etc. of mineral oils under section 44BB*
- (vi) *Operation of aircraft by NR under section 44BBA*
- (vii) *Civil construction + etc. of certain turnkey power project by NR under section 44BBB*
- (viii) *Shipping business by shipping companies under chapter XII-G*
- (ix) *Insurance Business under section 44 of 1<sup>st</sup> schedule*
- (x) *Other business under section 44D + 115A(1)(b)*
- ◆ *Tax auditor is required to check the information's + to report in TAR for deficiency if any*

## **6. Clause 13 of Form 3CD for method of accounting as employed**

- (i) *Taxpayer is required to furnish the information's in form no. 3CD to make an adjustment in profit and loss account in accordance with ICDS as issued under ITA, 1961.*
- (ii) *Taxpayer is required to furnish the changes in absolute terms*
- (iii) *Taxpayer is required to compute the incomes as chargeable under profits and gains from Business and Profession (PGBP) + Income from other sources (both) in accordance with cash or mercantile system of accounting already employed by taxpayer.*
- (iv) *Taxpayer is not permitted to employ the mixture of cash + mercantile system (hybrid system) for accounting.*
- (v) *Taxpayer is required to follow the mercantile system of accounting (only) under section 145(2) ICDS. Hence cash system of accounting is not permitted under section 145(2) ICDS.*
- ◆ **Mandatory Reporting by tax auditor:**
  - (i) *Tax auditor is not required to furnish for change in accounting policy. Hence change in accounting policy is not treated as change in method of accounting accordingly not to be reported by tax auditor.*
  - (ii) *Tax auditor is not required to furnish for change in method of valuation of stock. Hence this change in method of valuation of stock is not treated as change in method of accounting therefore not to be reported by tax auditor*



(iii) Tax auditor is required to furnish for change in method of accounting already employed by taxpayer. Hence tax auditor is required to furnish the effect of increase or decrease in profits due to change in method of accounting.

◆ Tax auditor is required to check the information's + to report in TAR for deficiency if any

## 7. **Clause 14 of Form 3CD for method of valuation of closing stock**

(i) (a) Taxpayer is required to furnish the information's in form no. 3CD to determine the valuation of closing stock in accordance with accounting standard – 2 (AS-2) for preparing financial statements like under CA, 2013 where AS-2 is mandatory.

(b) Taxpayer is required to determine the valuation of closing stock under prescribed exclusive method where taxes like GST is not to be added in valuation of closing stock.

(ii) Taxpayer is required to determine the valuation of closing stock in accordance with ICDS under section 145A of ITA, 1961 for computing taxable income for previous year where prescribed inclusive method to be used for inclusion of taxes are mandatory like GST to be added in valuation of closing stock

(iii) Hence taxpayer is required to furnish in form no. 3CD under section 44AB of ITA, 1961 + to re-compute taxable income for previous year through adding or subtracting effect of adjustment against difference between exclusive method and inclusive method for valuation of closing stock in accordance with ICDS + AS-2 (both)

◆ Tax auditor is required to check the information's + to report in TAR for deficiency if any

## 8. **Clause 15 of Form 3CD for capital asset converted into stock-in-trade**

(i) Taxpayer is required to furnish the information's in form no. 3CD to determine fair market value (FMV) of capital asset as converted into stock-in-trade on date of conversion for accounting purpose under section 28 (via) of ITA, 1961

(ii) Taxpayer is required to furnish in form no. 3CD about FMV + to pass a book entry in books of accounts at FMV

◆ Tax auditor is required to check the information's + to report in TAR for deficiency if any



**9. Clause 16 of Form 3CD for amount not credited to Profit and Loss account**

- Taxpayer is required to furnish the information's in form no. 3CD about incomes as not credited to profit and loss account

**(i) Clause 16(a)**

- Items as covered under scope of section 28 of ITA, 1961 but not credited to profit and loss account.....

**(ii) Clause 16(b)**

- Amount of perfoma credits + drawbacks + refund of duty of custom or excise or service tax + refund of sales tax or value added tax (now GST, 2017) where credits have been admitted as due by govt. department but not credited to profit and loss account .....

**(iii) Clause 16(c)**

- Amount of escalation claims as accepted by counter-party but not credited to profit and loss account .....

**(iv) Clause 16(d)**

- Amount of any other income as accrued but not credited to profit and loss account.....

**(v) Clause 16(e)**

- Amount as shown the capital receipt instead of revenue receipt + not credited to profit and loss account.....

- ◆ Tax auditor is required to check the information's + to report in TAR for deficiency if any

**10. Clause 17 of Form 3CD for Land + Building (both) transferred below FMV**

- Taxpayer is required to furnish the information's in form no. 3CD any transfer of land + building below FMV as adopted for stamp duty purpose under section 43CA or 50C.

- ◆ Tax auditor is required to check the information's + to report in TAR for deficiency if any

**11. Clause 18 of Form 3CD for particulars of allowable depreciation- ITA, 1961**

- Taxpayer is required to furnish the information's in form no. 3CD the calculations of allowable depreciation under section 32 of ITA, 1961 + to report in TAR for deficiency if any.



- ◆ Tax auditor is required to check the information's + to report in TAR for deficiency if any

## 12. Clause 19 of Form 3CD for amount as admissible under different sections

- Taxpayer is required to furnish the information's in form no. 3CD to check that amounts as admissible under sections:

S.No	Section	Amount debited to profit and loss account	Amounts admissible as per the provisions of the Income-tax Act, 1961 and also 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.
1	32AC	.....	.....
2	32AD	.....	.....
3	33AB	.....	.....
4	33ABA	.....	.....
5	35(1)(i)	.....	.....
6	35(1) (ii)	.....	.....
7	35(1)(iia)	.....	.....
8	35(1)(iii)	.....	.....
9	35(1)(iv)	.....	.....
10	35(2AA)	.....	.....
11	35(2AB)	.....	.....
12	35ABB	.....	.....
13	35AC	.....	.....
14	35AD	.....	.....
15	35CCA	.....	.....
16	35CCB	.....	.....
17	35CCC	.....	.....
18	35CCD	.....	.....
19	35D	.....	.....
20	35DD	.....	.....
21	35DDA	.....	.....
22	35E	.....	.....

- ◆ Tax auditor is required to check the information's + to report in TAR for deficiency if any



### **13. Clause 20 of Form 3CD for bonus or commission + EPF contribution**

- Taxpayer is required to furnish the information's in form no. 3CD
- (i) **Clause 20(a)**  
Payments as made under bonus or commission in place of profit or dividend
- Tax auditor is required to check that payments are not made under bonus or commission in place of profit or dividend + to report in TAR for deficiency if any
- (ii) **Clause 20(b)**  
Contribution as received under employee provident fund (EPF) as referred under section 36(1)(va) of ITA, 1961.
- Tax auditor is required to check that payments are made before due date with govt. authority + to report in TAR for deficiency if any
- ◆ Tax auditor is required to check the information's + to report in TAR for deficiency if any

### **14. Clause 21(a) of Form 3CD for expenditures as debited to profit and loss account**

- Taxpayer is required to furnish the information's in form no. 3CD to fill in form 3CD about expenditures
- (i) **For capital expenditures**
- (ii) **For personal expenditures**
- (iii) **For advertisement expenditures in souvenir + brochure + pamphlet + etc as published by political party**
- (iv) **For club entrance fees + subscription expenditures**
- (v) **For cost for club services + facilities as used by taxpayer**
- (vi) **For penalty + fine for violation of law as enforceable**
- (vii) **For any other penalty + fine as not covered as above**
- (viii) **For expenditures as incurred for prohibited offence like Bribes + Smuggling + etc**
- ◆ Tax auditor is required to check the information's + to report in TAR for deficiency if any

### **15. Clause 21(b) of Form 3CD for disallowable of payments without depositing TDS**

- **For Taxpayer** is required to furnish the information's in form no. 3CD about payments as disallowable + already debited in profit and loss account



- (i) **For** payments to NR as disallowable under section 40(a) (i) where TDS is not deducted + not deposited
- (ii) **For** payments to resident as disallowable under section 40(a) (ia) where TDS is not deducted + not deposited
- (iii) **For** payments to NR for equalization levy as disallowable under section 40(a) (ib) where equalization levy is not collected + not deposited
- (iv) **For** payments for Fringe Benefit Tax as disallowable under section 40(a) (ic)
- (v) **For** payments for Wealth Tax as disallowable under section 40(a) (iia)
- (vi) **For** payments for Royalty + license fee + service fee + etc without TDS as disallowable under section 40(a) (iib)
- (vii) **For** payments for salary as payable outside India to NR without TDS as disallowable under section 40(a) (iii)
- (viii) **For** payments for PF + other fund as disallowable under section 40(a) (iv)
- (ix) **For** payments for tax paid by employer for perquisites as disallowable under sec. 40(a) (v)
- ◆ Tax auditor is required to check the information's + to report in TAR for deficiency if any

#### 16. **Clause 21(c) to 21(i) of Form 3CD for disallowable of expenses + deemed incomes**

- Taxpayer is required to furnish the information's in form no. 3CD about payments as disallowable + already debited in profit and loss account
- (i) **Clause 21(c)**
  - Amount as debited to profit and loss account against interest + salary + bonus + commission + remuneration as disallowable under section 40 (b) + 40 (ba)
- (ii) **Clause 21(d)**
  - Amount as treated deemed income (disallowable) under section 40A (3) + 40A (3A)
- (iii) **Clause 21(e)**
  - Amount of provision for gratuity as disallowable under section 40A (7)
- (iv) **Clause 21(f)**
  - Amount paid by taxpayer to employee as disallowable under section 40A (9)



(v) **Clause 21(g)**

- Amounts of liability as contingent in nature.

(vi) **Clause 21(h)**

- Amount of deduction disallowable for expenditure as incurred against exempted income under section 14A

(vii) **Clause 21(i)**

- Amount as disallowable like interest paid on borrowed capital under section 36(1)(iii)
- ◆ Tax auditor is required to check the information's + to report in TAR for deficiency if any

**17. Clause 22 to 25 of Form 3CD for disallowable of expenses + deemed income**

- Taxpayer is required to furnish the information's in form no. 3CD about payments as disallowable + already debited in profit and loss account

(i) **Clause 22**

- Amount of Interest as paid to MSME vendor as disallowable under section 23 of MSME Act, 2006 due to delay in payment as exceeding 45 days from date its due

(ii) **Clause 23**

- Particulars of payment as made to specified persons (relatives) as referred under section 40A(2)(b) of ITA, 1961. Hence Assessing officer (AO) is to determine the quantum of disallowance as based on judgement

(iii) **Clause 24**

- Amount as deemed to be profits and gains as referred under section 32AC + 32AD + 33AB + 33ABA + 33AC of ITA, 1961

(iv) **Clause 25**

- Amount of profit as chargeable to Income tax under section 41 of ITA, 1961
- ◆ Tax auditor is required to check the information's + to report in TAR for deficiency if any

**18. Clause 26 of Form 3CD for disallowable against statutory dues as not paid**

- Taxpayer is required to furnish the information's in form no. 3CD about statutory dues not paid as disallowable + already debited in profit and loss account
- This clause is applicable on expenditures as referred under section 43B (a) + (b) + (c) + (d) + (e) + (f) + (g) of ITA, 1961





- (i) *Already existed on April 01<sup>st</sup> of previous year + not allowed in assessment of preceding previous year:*
  - (a) *Also paid during previous year.....*
  - (b) *Also not paid during previous year.....*
- (ii) *Already incurred as expenses in previous year:*
  - (a) *Also paid on or before the due date for furnishing the return of income of previous year under section 139(1) .....*
  - (b) *Also not paid on or before the due date as mentioned above .....*
- *Taxpayer to furnish whether sales tax + customs duty + excise duty + other indirect tax + levy + cess + etc. is passed or not passed through profit and loss account*
- ◆ *Tax auditor is required to check the information's + to report in TAR for deficiency if any*

#### **19. Clause 27(a) of Form 3CD for GST credited + utilized + accounting treatment**

- *Taxpayer is required to furnish the information's in form no. 3CD about ITC of GST + utilized + accounting treatment in profit and loss account*
- *Taxpayer is required to furnish an amount of Input Tax Credit (ITC) of GST + utilization of ITC + Treatment in profit and loss account + outstanding of ITC on March 31<sup>st</sup> each year.*
- ◆ *Tax auditor is required to check the information's + to report in TAR for deficiency if any*

#### **20. Clause 27(b) of Form 3CD for prior period Incomes + expenses (both)**

- *Taxpayer is required to furnish the information's in form no. 3CD about Income + expenditure of prior period as credited + debited in profit and loss account*
- ◆ *Tax auditor is required to check the information's + to report in TAR for deficiency if any*

#### **21. Clause 28 of Form 3CD for Purchase of shares without + inadequate consideration**

- *Taxpayer is required to furnish the information's in form no. 3CD about purchase of shares of company where public is not substantially interested as without consideration + inadequate consideration as referred under section 56(2) (viiia) of ITA, 1961.*
- ◆ *Tax auditor is required to check the information's + to report in TAR for deficiency if any*



**22. Clause 29 of Form 3CD for issue of shares above fair market value (FMV)**

- Taxpayer is required to furnish the information's in form no. 3CD about receipt of sales consideration above fair market value (FMV) as referred under section 56(2)(viib) of ITA, 1961.
- ◆ Tax auditor is required to check the information's + to report in TAR for deficiency if any

**23. Clause 29A of Form 3CD for incomes not included but chargeable to tax**

**(i) Clause 29A (a)**

- Taxpayer is required to furnish the information's in form no. 3CD the nature of income + amount of income to be included as income chargeable to income tax under income from other sources as referred under section 56(2)(ix) of ITA, 1961.  
(Yes/No).....

**(ii) Clause 29A (b)**

- Taxpayer is required to furnish the information's in form no. 3CD :
  - (a) Nature of income.....
  - (b) Amount (in Rs) .....
- ◆ Tax auditor is required to check the information's + to report in TAR for deficiency if any

**24. Clause 29B of Form 3CD for incomes to be included but chargeable to tax**

**(i) Clause 29B (a)**

- Taxpayer is required to furnish the information's in form no. 3CD the nature of income + amount of income to be included as income chargeable to income tax under income from other sources as referred under section 56(2)(x) of ITA, 1961.  
(Yes/No).....

**(ii) Clause 29B (b)**

- Taxpayer is required to furnish the information's in form no. 3CD:
  - (a) Nature of income.....
  - (b) Amount (in Rs) .....
- ◆ Tax auditor is required to check the information's + to report in TAR for deficiency if any



**25. Clause 30 of Form 3CD for amount borrowed + outstanding on Hundi (both)**

- Taxpayer is required to furnish the information's in form no. 3CD that amount as borrowed on hundi + outstanding against hundi + interest paid other than account payee cheque as referred under section 69D of ITA, 1961
- ◆ Tax auditor is required to check the information's + to report in TAR for deficiency if any

**26. Clause 30A of Form 3CD for primary adjustment to transfer pricing (TP)**

- Taxpayer is required to furnish the information's in form no. 3CD about primary adjustment to transfer price during previous year as referred under section 92CE (1) of ITA, 1961 (Yes/No).....
- (i) Number of clause of sec. 92CE (1) as covering the primary adjustment .....
- (ii) Amount of primary adjustment .....
- (iii) Amount of primary adjustment to be repatriated to India from associate enterprise (AE) outside India. ....
- (iii) Amount of primary adjustment from AE not repatriated within prescribed time. ....
- (iv) Amount of interest on primary adjustment from AE not repatriated within prescribed time.....
- ◆ Tax auditor is required to check the information's + to report in TAR for deficiency if any

**27. Clause 30B of Form 3CD for interest + similar nature of exp. as exceeding 1 crore**

- Taxpayer is required to furnish the information's in form no. 3CD for expenditure under interest + similar nature as exceeding 1 crore during previous year as referred under section 94B (1) of ITA, 1961:
- (i) Amount of expenditure as incurred under interest + similar nature. ....
- (ii) Earnings before interest + tax + depreciation + amortization (EBITDA) .....
- (iii) Amount of expenditure against interest + similar nature as exceeding 30% of EBITDA....
- (iv) Details of interest expenditure as brought forward under section 94B(4) of ITA, 1961 .....
- ◆ Tax auditor is required to check the information's + to report in TAR for deficiency if any



## **28. Clause 30C of Form 3CD for General Anti Avoidance Rule (GAAR) provisions**

- Taxpayer is required to furnish the information's in form no. 3CD about impermissible avoidance arrangement (IAA) under GAAR provisions as referred under section 96 of ITA, 1961:
  - (i) Nature of IAA as executed by taxpayer.....
  - (ii) Amount of Income tax benefit (ITB) against 100% IAA as executed by taxpayer .....
- ◆ Tax auditor is required to check the information's + to report in TAR for deficiency if any

## **29. Clause 31(a) of Form 3CD for loan + deposit as received or accepted**

- Taxpayer is required to furnish the information's in form no. 3CD the particulars of loan + deposit in amount for loan + deposit as received or accepted as exceeding the limit as specified under section 269SS:
  - (i) Name + address + Permanent Account Number (PAN) or Aadhaar Number of lender + depositor .....
  - (ii) Amount of loan + deposit as taken or accepted .....
  - (iii) Squared up account of loan + deposit as taken or accepted.....
  - (iv) Maximum amount outstanding in account at any time during previous year .....
  - (v) Loan + deposit as taken or accepted through bank account .....
  - (vi) Loan + deposit as taken or accepted not through account payee cheque or draft.....
- ◆ Tax auditor is required to check the information's + to report in TAR for deficiency if any

## **30. Clause 31(b) of Form 3CD for amount taken + accepted as exceeding the limits**

- Taxpayer is required to furnish the information's in form no. 3CD the particulars of specified sum in amount as exceeding the limit as specified under section 269SS as taken + accepted during previous year:
  - (i) Name + address + Permanent Account Number (PAN) or Aadhaar Number of person from whom the specified sum is received .....
  - (ii) Amount of specified sum as taken + accepted .....



- (iii) Specified sum as taken + accepted through bank account .....
- (iv) Loan + deposit as taken or accepted not through account payee cheque or draft.  
.....
- Particulars at (i) and (ii) are not needed where taken + accepted by govt. company + banking company + corporation as established by Central or State govt. or under Provincial Act
- ◆ Tax auditor is required to check the information's + to report in TAR for deficiency if any

### 31. **Clause 31(ba) of Form 3CD for amount received as exceeding the specified limits**

- Taxpayer is required to furnish the information's in form no. 3CD the particulars of receipt in amount as exceeding the limit as specified under section 269ST during previous year:
- Taxpayer is not permitted to receive an amount as exceeding the limit as specified under section 269ST in aggregate from single person + in single day + for single transaction + for single event + single occasion during previous year without through bank account of receiver + payer (both).
- (i) Name + address + Permanent Account Number (PAN) or Aadhaar Number of payer  
.....
- (ii) Nature of transaction .....
- (iii) Amount of receipt (in Rs) .....
- (iv) Date of receipt .....
- ◆ Tax auditor is required to check the information's + to report in TAR for deficiency if any

### 32. **Clause 31(bb) of Form 3CD for amount received as exceeding the specified limits**

- Taxpayer is required to furnish the information's in form no. 3CD the particulars of receipt in amount as exceeding the limit as specified under section 269ST during previous year:
- Taxpayer is not permitted to receive an amount as exceeding the limit as specified under section 269ST in aggregate from single person + in single day + for single transaction + for single event + single occasion during previous year without account payee cheque or draft:



- (i) Name + address + Permanent Account Number (PAN) or Aadhaar Number of payer .....
- (ii) Amount of receipt (in Rs) .....

◆ Tax auditor is required to check the information's + to report in TAR for deficiency if any

### 33. **Clause 31(bc) of Form 3CD for amount paid as exceeding the specified limits**

- Taxpayer is required to furnish the information's in form no. 3CD the particulars of payment in amount as exceeding the limit as specified under section 269ST during previous year:

- Taxpayer is not permitted to payment an amount as exceeding the limit as specified under section 269ST in aggregate from single person + in single day + for single transaction + for single event + single occasion during previous year without through bank account of receiver + payer (both).

- (i) Name + address + Permanent Account Number (PAN) or Aadhaar Number of payee.....
- (ii) Nature of transaction .....
- (iii) Amount of payment (in Rs) .....
- (iv) Date of payment .....

◆ Tax auditor is required to check the information's + to report in TAR for deficiency if any

### 34. **Clause 31(bd) of Form 3CD for amount paid as exceeding the specified limits**

- Taxpayer is required to furnish the information's in form no. 3CD the particulars of payment in amount as exceeding the limit as specified under section 269ST during previous year:

- Taxpayer is not permitted to payment an amount as exceeding the limit as specified under section 269ST in aggregate from single person + in single day + for single transaction + for single event + single occasion during previous year without account payee cheque or draft:

- (i) Name + address + Permanent Account Number (PAN) or Aadhaar Number of payee.....
- (ii) Amount of payment (in Rs) .....



- Particulars as furnished under clause 31 (ba) + (bb) + (bc) + (bd) are not needed to be given where repayment is against loan + deposit + specified advance as received by govt. company + banking Company + post office savings bank + cooperative bank + transaction as referred under section 269SS + person as referred in Notification No. S.O. 2065(E) dated July 03<sup>rd</sup> 2017
- ◆ Tax auditor is required to check the information's + to report in TAR for deficiency if any

### 35. **Clause 31(c) of Form 3CD for payment in cash exceeding the specified limits**

- Taxpayer is required to furnish the information's in form no. 3CD the particulars of repayment of loan + deposit + specified advance in amount as exceeding limit specified under section 269T during previous year:
  - (i) Name + address + Permanent Account Number (PAN) or Aadhaar Number of payee .....
  - (ii) Amount of repayment (in Rs) .....
  - (iii) Maximum amount outstanding in account at any time during previous year.....
  - (iv) Repayment was made without through bank account of receiver + payer (both) .....
  - (v) Repayment without account payee cheque or draft .....
- ◆ Tax auditor is required to check the information's + to report in TAR for deficiency if any

### 36. **Clause 31(d) of Form 3CD for repayment of loan + deposit + specified advance**

- Taxpayer is required to furnish the information's in form no. 3CD the particulars of repayment of loan + deposit + specified advance in amount as exceeding limit specified under section 269T during previous year:
  - (i) Name + address + Permanent Account Number (PAN) or Aadhaar Number of receiver.....
  - (ii) Repayment of loan + deposit + specified advance as made without account payee or cheque bank draft. ....
- ◆ Tax auditor is required to check the information's + to report in TAR for deficiency if any

### 37. **Clause 31(e) of Form 3CD for repayment of loan + deposit + specified advance**

- Taxpayer is required to furnish the information's in form no. 3CD the particulars of repayment of loan + deposit + specified advance in amount as exceeding limit specified under section 269T during previous year without account payee cheque or draft:





- (i) Name + address + Permanent Account Number (PAN) or Aadhaar Number of receiver.....
- (ii) Repayment of loan + deposit + specified advance made without account payee cheque or bank draft. ....
- Particulars as furnished under clause 31 (c) + (d) + (e) are not needed to be given where repayment of loan + deposit + specified advance taken or accepted from govt + govt company + banking company + corporation as established by Central or State or Provincial Act
  - ◆ Tax auditor is required to check the information's + to report in TAR for deficiency if any

### 38. Clause 32(a) to 32(e) of Form 3CD for brought forward loss + dep. allowance

- Taxpayer is required to furnish the information's in form no. 3CD the brought forward loss + depreciation allowance + speculative losses + deemed speculative business by company under section 73 + 73A + 79
- (i) **Clause 32(a)**
- Details of brought forward loss + depreciation allowance:

Sl No	Assessment Year	Nature of loss/ allowance (in rupees)	Amount as returned* (in rupees)	All losses/ allowances not allowed under section 115BAA / 115BAC /	Amount as adjusted by withdrawal of additional depreciation on account of opting for taxation under section 115BAC/115BAD	Amounts as assessed (give reference to relevant order)	Remarks
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
...	.....	.....	.....	.....	.....	.....	.....
...	.....	.....	.....	.....	.....	.....	.....

- \* Where assessed depreciation is lower than returned depreciation + appeal is not filed against lower assessed depreciation. Hence assessed depreciation is treated as returned depreciation. Therefore assessed depreciation is to be filled for assessment year 2021-22 (only).

(ii) **Clause 32(b)**

- Change in shareholding of company due to losses as incurred prior to previous year as carried forward of losses are not allowed under section 79.....



(iii) **Clause 32(c)**

- Details of speculation loss as incurred under section 73 .....

(iv) **Clause 32(d)**

- Details of loss against specified business as incurred under section 73A .....

(v) **Clause 32(e)**

- Details of deemed speculative business as incurred by company + also referred in explanation to section 73 of ITA, 1961 .....
- ◆ Tax auditor is required to check the information's + to report in TAR for deficiency if any

**39. Clause 33 of Form 3CD for admissible deductions under chapter VIA + III (both)**

- Taxpayer is required to furnish the information's in form no. 3CD the admissible deductions under section 10A + 10AA of Chapter VIA + Chapter III

S.No	Section	Amounts of admissible deductions
.....	.....	.....
.....	.....	.....

- ◆ Tax auditor is required to check the information's + to report in TAR for deficiency if any

**40. Clause 34(a) Form 3CD for deduction + collection under chapter XVII-B + XVII-BB**

- Taxpayer is required to furnish the information's in form no. 3CD the deduction of Income tax against purchases as made + collection of Income tax against sales as made under Chapter XVII-B or Chapter XVII-BB of ITA, 1961

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

- ◆ Tax auditor is required to check the information's + to report in TAR for deficiency if any



#### 41. **Clause 34(b) of Form 3CD for filling of returns against TDS + TCS (both)**

- Taxpayer is required to furnish the information's in form no. 3CD the details against TDS + TCS (both):

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

- ◆ Tax auditor is required to check the information's + to report in TAR for deficiency if any

#### 42. **Clause 34(c) of Form 3CD for interest on delay deposit of TDS + TCS (both)**

- Taxpayer is required to furnish the information's in form no. 3CD the details against interest on delay deposit of TDS + TCS (both) under section 201(1A) + 206C(7) both

Tax deduction and collection Account Number (TAN)	Amount of interest under section 201(1A)/206C(7) is payable	Amount paid out of column (2) along with date of payment.
.....	.....	.....
.....	.....	.....

- ◆ Tax auditor is required to check the information's + to report in TAR for deficiency if any

#### 43. **Clause 35(a) of Form 3CD for quantitative details by trading concern**

- Taxpayer is required to furnish the information's in form no. 3CD the details in quantitative by trading concern for principal items of goods as traded:

- (i) Opening Stock .....
- (ii) Purchases during previous year .....
- (iii) Sales during previous year .....
- (iv) Closing stock .....
- (v) Shortage + excess (both) if any .....

- ◆ Tax auditor is required to check the information's + to report in TAR for deficiency if any



#### 44. **Clause 35(b) of Form 3CD for quantitative details by manufacturing concern**

- Taxpayer is required to furnish the information's in form no. 3CD the details in quantitative by manufacturing concern for principal items of goods as manufactured:

##### A. **Raw Materials:**

- (i) Opening stock .....
- (ii) Purchases during previous year.....
- (iii) Consumption during previous year .....
- (iv) Sales during previous year .....
- (v) Closing stock .....
- (vi) Yield of finished products .....
- (vii) Percentage of yield .....
- (viii) Shortage + excess (both) if any. ....

##### B. **Finished products + by-products (both):**

- (i) Opening stock .....
- (ii) Purchases during previous year .....
- (iii) Quantity manufactured during previous year .....
- (iv) Sales during previous year .....
- (v) Closing stock .....
- (vi) Shortage + excess (both) if any. ....

- ◆ Tax auditor is required to check the information's + to report in TAR for deficiency if any

#### 45. **Clause 36-Deleted**

#### 46. **Clause 36A(a) + 36A(b) of Form 3CD for receipt of deemed dividend**

- Taxpayer is required to furnish the information's in form no. 3CD the details for receipt of deemed dividend under section 2(22)(e) of ITA, 1961

##### (i) **Clause 36A(a)**

- Details for amount as received if any under deemed dividend as referred under section 2(22)(e) of ITA, 1961.



(ii) **Clause 36A (b):**

(a) Amount as received against deemed dividend (in Rs).....

(b) Date of receipt.....

◆ Tax auditor is required to check the information's + to report in TAR for deficiency if any

**47. Clause 37 of Form 3CD for cost audit as conducted or not conducted**

● Taxpayer is required to furnish the information's in form no. 3CD that cost audit was conducted or not conducted + if conducted to furnish the qualification + disagreement against matter + item + value + quantity as reported by cost auditor.....

◆ Tax auditor is required to check the information's + to report in TAR for deficiency if any

**48. Clause 38 of Form 3CD for central excise audit as conducted or not conducted**

● Taxpayer is required to furnish the information's in form no. 3CD that central excise audit under Central Excise Act, 1944 (now GST, 2017) was conducted or not conducted + if conducted to furnish the qualification + disagreement against matter + item + value + quantity as reported by central excise auditor.....

◆ Tax auditor is required to check the information's + to report in TAR for deficiency if any

**49. Clause 39 of Form 3CD for valuation of services audit as conducted or not**

● Taxpayer is required to furnish the information's in form no. 3CD that valuation of service audit under section 72A of Finance Act, 1994 (now GST, 2017) was conducted or not conducted + if conducted to furnish the qualification + disagreement against matter + item + value + quantity as reported by service tax auditor.....

◆ Tax auditor is required to check the information's + to report in TAR for deficiency if any

**50. Clause 40 of Form 3CD for turnover + gross profit + ratios + 2 years comparison**

● Taxpayer is required to furnish the information's in form no. 3CD the details for turnover + gross profit + ratios for previous year + preceding to previous year (both):

S.No	Particulars	Previous year	Preceding to Previous year
1.	Total turnover of the assessee	.....	.....
2.	Gross profit/turnover in percentage	.....	.....



3.	Net profit/turnover in percentage	.....	.....
4.	Stock-in-trade/turnover in percentage	.....	.....
5.	Material consumed/finished goods produced in percentage	.....	.....

◆ Tax auditor is required to check the information's + to report in TAR for deficiency if any

### 51. Clause 41 Form 3CD for details of demand raised + refund under non Income tax

- Taxpayer is required to furnish the information's in form no. 3CD the details of demand raised + refund issued during previous year under any tax law other than ITA, 1961 + Wealth Tax Act, 1957 + details of proceedings

◆ Tax auditor is required to check the information's + to report in TAR for deficiency if any

### 52. Clause 42(a) + 42(b) of Form 3CD for furnishing of form number 61 + 61A + 61B

#### (i) Clause 42(a)

- Taxpayer is required to furnish the information's in form no. 3CD the form No. 61 + 61A + 61B (Yes or No) .....

#### (ii) Clause 42(b)

- Taxpayer is required to furnish the information's in form no. 3CD the form No. 61 + 61A + 61B:

Income tax Department Reporting Entity identification Number	Type of Form	Due date for furnishing	Date of furnishing, if	Whether the Form contains information about all details/furnished transactions which are required to be reported. If not, please furnish list of the details/ transactions which are not reported
*** **	*** **	*** **	*** **	*** **
*** **	*** **	*** **	*** **	*** **
*** **	*** **	*** **	*** **	*** **

◆ Tax auditor is required to check the information's + to report in TAR for deficiency if any



**53. Clause 43(a) + 43(b) of Form 3CD for parent co. or alternative reporting entity**

**(i) Clause 43(a)**

- Taxpayer is required to furnish the information's in form no. 3CD the parent company or alternative reporting entity as liable to furnish a report under section 286(2) (Yes or No).....

**(ii) Clause 43(b)**

- Taxpayer is required to furnish the information's in form no. 3CD the parent company or alternative reporting entity under section 286(2):

(a) Report filed or not filed by the assessee or its parent entity or an alternate reporting entity .....

(b) Name of parent entity.....

(c) Name of alternate reporting entity if applicable.....

(d) Date of furnishing of report.....

- ◆ Tax auditor is required to check the information's + to report in TAR for deficiency if any

**54. Clause 44 of Form 3CD for breakup of exp. from register + non register dealer**

- Taxpayer is required to furnish the information's in form no. 3CD the break-up of expenditure of entities registered or not registered under GST, 2017

Sl. No.	Total amount of Expenditure incurred during the year	Expenditure in respect of entities registered under GST				Expenditure relating to entities not registered under GST
		Relating to goods or services exempt from GST	Relating to entities falling under composition scheme	Relating to other registered entities	Relating to payment to registered entities	
.....	.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....	.....

- ◆ Tax auditor is required to check the information's + to report in TAR for deficiency if any

**55. Clause 44 of Form 3CD for suggestive note by tax auditor**

- (i) (a) As informed by assessee that information's as reported under clause 44 of form 3CD are based on information's as extracted from accounting software (GST report)





- (b) *However this may not be 100% accurate as accounting software used by assessee is not configured to generate report as required under clause 44 in absence of prevailing statutory requirement under Income tax Act, 1961, GST, 2017, under any other law + software (system) is not capturing information's against entity as falling under composition scheme (supply) with ineligible credit.*
- (ii) (a) *We have verified the statement as prepared by assessee in accordance with Auditing Standards generally accepted in India + test checked as based on concept of materiality and concept of reasonable assurance.*
- (b) *However as per accounting entries as passed in accounting software it's not possible to extract desired details to be reported under clause 44 of 3CD.*
- (c) *Hence we are unable to comment on accuracy of information as provided by assessee.*
- (iii) *Assessee has informed that "Expenditure relating to entities not registered under GST" is including the import of goods, import of services and services from unregistered suppliers where GST liability under RCM has been discharged.*
- (iv) *Assessee has informed that difference between Clause 2 (Total expenditure) and sum of clause 6 and 7 on account of depreciation, bad debt and expenditure, like salary is not supply in accordance GST, 2017 and also total expenditure as per column 2 is including capital expenditure.*
- (v) *As communicated by assessee the details in accordance with rule 56 of CGST Rules are to be furnished during assessment proceedings before AO if demanded.*



## **(B) Obligations for Accounting Standards (AS) by taxpayer + tax auditor (both)**

### **1. Responsibility of tax + statutory auditors for verification of compliances of AS**

- Tax auditor + statutory auditors (both) are required to ensure the compliances of standards as issued by Institute of Chartered Accountant of India (ICAI):
  - (i) Compliances of Accounting Standards (AS) as issued by ICAI
  - (ii) Compliances of Standards on Auditing as issued by ICAI
  - (iii) Compliances of Framework for presentation of Financial Statements as issued by ICAI

### **2. Summary of Accounting Standards (AS) for preparation of financial statements**

- (i) ICAI has introduced 4 levels against implementation of AS for preparation of financial statements
- (ii) Total 27 Accounting Standards are applicable from AS-1 to AS-29 → (29 – 2 = 27 like AS-6 + AS-8 are not applicable)

S.No	Level	Turnover criteria	Borrowings criteria
1	Level-I	Turnover as exceeding 250 crore	Borrowing as exceeding 50 crore
2	Level-II	Turnover as exceeding 50 crore	Borrowing as exceeding 10 crore
3	Level-III	Turnover as exceeding 10 crore	Borrowing as exceeding 2 crore
4	Level-IV	Turnover as not exceeding 10 crore	Borrowing as not exceeding 2 crore

- (iii) Above information's are based on appendix I of Compendium of Accounting Standards as February 01, 2022
- (iv) Applicability from Level-I to Level-IV is depending on satisfaction of turnover criteria or borrowing criteria. Hence applicability from Level-I to Level-IV is depending on satisfaction of single criteria either turnover criteria or borrowing criteria.

### **3. Applicability for Accounting Standards (AS) from Level-I to Level-IV**

Accounting standards	Level I Entities	Level II Entities	Level III Entities	Level IV Entities
AS 1- Disclosure of Accounting Policies	Applicable	Applicable	Applicable	Applicable



<b>AS 2- Valuation of Inventories</b>	Applicable	Applicable	Applicable	Applicable
<b>AS 3- Cash Flow</b>	Applicable	Not Applicable	Not Applicable	Not Applicable
<b>AS 4- Contingencies and events occurring after the Balance Sheet</b>	Applicable	Applicable	Applicable	Applicable
<b>AS 5- Net profit or loss for the period, prior period items and change in accounting policies</b>	Applicable	Applicable	Applicable	Applicable
<b>AS 7- Accounting for Construction Contract</b>	Applicable	Applicable	Applicable	Applicable
<b>AS 9- Revenue Recognition</b>	Applicable	Applicable	Applicable	Applicable
<b>AS10- Property, plant and equipment</b>	Applicable	Applicable	Applicable - exemption from disclosure	Applicable - exemption from disclosure
<b>AS11- The effects of change in foreign exchange rate</b>	Applicable	Applicable	Applicable - exemption from disclosure	Applicable - exemption from disclosure
<b>AS12- Government Grants</b>	Applicable	Applicable	Applicable	Applicable
<b>AS13-Accounting for Investments</b>	Applicable	Applicable	Applicable	Applicable - exemption from disclosure
<b>AS14-Accounting for Amalgamations</b>	Applicable	Applicable	Applicable	Not applicable
<b>AS15- Employee Benefits</b>	Applicable	Applicable - exemption from disclosure	Applicable - exemption from disclosure	Applicable - exemption from disclosure
<b>AS16- Borrowing Costs</b>	Applicable	Applicable	Applicable	Applicable
<b>AS17-Reporting on Financial Segments</b>	Applicable	Not Applicable	Not Applicable	Not Applicable



<b>AS18- Disclosures of Related Party Transaction</b>	<i>Applicable</i>	<i>Applicable</i>	<i>Not Applicable</i>	<i>Not Applicable</i>
<b>AS19-Accounting principles and disclosures on lease accounting</b>	<i>Applicable</i>	<i>Applicable - exemption from disclosure</i>	<i>Applicable - exemption from disclosure</i>	<i>Applicable - exemption from disclosure</i>
<b>AS 20- Earnings per share</b>	<i>Applicable</i>	<i>Not Applicable</i>	<i>Not Applicable</i>	<i>Not Applicable</i>
<b>AS 21- Preparation and presentation of Consolidated financial statements</b>	<i>Applicable</i>	<i>Not Applicable</i>	<i>Not Applicable</i>	<i>Not Applicable</i>
<b>AS 22-Accounting for Taxes</b>	<i>Applicable</i>	<i>Applicable</i>	<i>Applicable</i>	<i>Applicable - restricted for current tax provisions (only)</i>
<b>AS 23-Accounting for Investment in associates</b>	<i>Applicable</i>	<i>Not Applicable</i>	<i>Not Applicable</i>	<i>Not Applicable</i>
<b>AS 24- Discontinuing operations</b>	<i>Applicable</i>	<i>Applicable</i>	<i>Not Applicable</i>	<i>Not Applicable</i>
<b>AS 25- Interim Financial Reporting</b>	<i>Applicable</i>	<i>Not Applicable</i>	<i>Not Applicable</i>	<i>Not Applicable</i>
<b>AS 26- Intangible Assets</b>	<i>Applicable</i>	<i>Applicable</i>	<i>Applicable</i>	<i>Applicable - exemption from disclosure</i>
<b>AS 27- Joint Ventures reporting of interest in Financial Statements</b>	<i>Applicable</i>	<i>Not Applicable</i>	<i>Not Applicable</i>	<i>Not Applicable</i>
<b>AS 28- Impairment of Assets</b>	<i>Applicable</i>	<i>Applicable - exemption from disclosure</i>	<i>Applicable - exemption from disclosure</i>	<i>Not Applicable</i>
<b>AS 29- Contingent Liabilities and contingent assets and provisions</b>	<i>Applicable</i>	<i>Applicable - exemption from disclosure</i>	<i>Applicable - exemption from disclosure</i>	<i>Applicable - exemption from disclosure</i>

- *Level-I entity is required to comply the 100% Accounting Standards like 27 active AS.*



#### 4. **Reporting by Statutory + Tax auditors (both) against non-compliances of AS**

- (i) Statutory + Tax auditors (both) are required to mention in audit reports about observations + comments + discrepancies + inconsistencies
- (ii) Sample for reporting by Statutory + Tax auditors (both) against the non compliance of AS
  - In our opinion and to best of our information and according to explanation as given to us that aforesaid financial statements are giving a true and fair view in conformity with accounting principles as generally being accepted in India for state of affairs of company on March 31<sup>st</sup>, 2022 and Profit for year ended on that date except the followings:
    - (a) Accounting policy on fixed assets as per note no. 5(b) required by AS-10 as issued by ICAI.
    - (b) Accounting Policy on taxation as per note no. 5(c) required by AS-22 as issued by ICAI
  - **Matter of emphasis**

Without qualifying our audit report stakeholder's attention is invited to note number 25 where company is in process of reconciling accounting records with bank statement of current account no. 50xxxxxxxx7088 as maintained with HDFC Bank Pusa Road, New Delhi- 110008



## *Published By*



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**September-2022**

