

Tax Audit – Issues and reporting changes

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Flow of Discussion

- Form No. 3CA – Audit Report
- Form No. 3CB – Audit Report
- Form No. 3CD – Statement of Particulars

- Clauses of Form No. 3CD

- Issues

INTRODUCTION

- Finance Act 1984.
- Objectives/ Purpose of Tax Audit.
 - General
 - Specific

GENERAL OBJECTIVE

- Ensure proper maintenance of books of accounts & other records.
- In order to reflect the true income.
- Proper presentation of the accounts.
- To facilitate the better administration of Tax laws.

SPECIFIC OBJECTIVE

- The brief objective of Tax Audit is to enable the Assessing Officer to compute the correct income for the purpose of recovering the correct tax dues to the Government.

Specified Number of Tax Audit Assignments

The council of Institute in its 331st meeting held on 10th to 12th February 2014 has increased number of tax audits to 60 from 45 with effect from 1st April 2014.

- Tax Audit conducted during the Financial Year
- Any No. of Branches, of the same concern
 - One Tax Audit Assignment
- Head Office & Branch Offices of a concern
 - One Tax Audit Assignment
- Tax Audit u/s **44AD, 44AE, 44BB & 44BBB** is **excluded** from the above limit
- Firm of CAs – Each partner 60 Tax Audit Assignments.

Form No. 3CA

FORM NO. 3CA

[See rule 6G(1)(a)]

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

1. *I / we report that the statutory audit of M/s. _____ (Name and address of the assessee with Permanent Account Number) was conducted by *me/ us M/s. _____ in pursuance of the provisions of the _____ Act, and *I/we annex hereto a copy of *my/our/their audit report dated _____ along with a copy of each of :-
- (a) the audited *profit and loss account/ income and expenditure account for the period beginning from _____ to ending on _____.
 - (b) the audited balance sheet as at, _____; and
 - (c) documents declared by the said Act to be part of, or annexed to, the *profit and loss account / income and expenditure account and balance sheet.

Contd...

2. The statement of particulars required to be furnished under section 44AB is annexed herewith in Form No. 3CD.
3. In *my / our opinion and to the best of *my / our information and according to examination of books of account including other relevant documents and explanations given to *me / us, the particulars given in the said Form No.3 CD are true and correct subject to the following observations/qualifications, if any:
- a.
 - b.
 - c.

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

Place : _____

Name of the signatory

Date : _____

Full address.....

Form No. 3CB

FORM NO. 3CB

[See rule 6G(1)(b)]

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

1. *I / we have examined the balance sheet as on _____, and the *profit and loss account/ income and expenditure account for the period beginning from _____ to ending on _____, attached herewith, of _____ (Name), _____ (Address), _____(Permanent Account Number).
2. *I / we certify that the balance sheet and the *profit and loss / income and expenditure account are in agreement with the books of account maintained at the head office at _____ and ** _____ branches.
3. (a) *I / we report the following observations/ comments/ discrepancies/ inconsistencies; if any:
 - (i)
 - (ii)
 - (iii)

(b) Subject to above,-

(A) *I / we have obtained all the information and explanations which, to the best of *my / our knowledge and belief, were necessary for the purpose of the audit.

(B) In *my / our opinion, proper books of account have been kept by the head office and branches of the assessee so far as appears from *my / our examination of the books.

(C) In *my / our opinion and to the best of *my / our information and according to the explanations given to *me / us, the said accounts, read with notes thereon, if any, give a true and fair view :-

(i) in the case of the balance sheet, of the state of the affairs of the assessee as at 31st March, ;and

(ii) in the case of the *profit and loss account / income and expenditure account of the *profit / loss or *surplus / deficit of the assessee for the year ended on that date.

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

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

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

Place : _____

Name of the signatory

Date : _____

Full address.....

Issues

- Observations/ Comments on Financial Statements:
 - Form No. 3CA – No comments/ observations
 - Form No. 3CB – Para 3(a)

- Observations/ Comments on Form 3CD:
 - Form No. 3CA – Para 3
 - Form No. 3CB – Para 5

Form No.3CB

- Audit Report Format
 - Report on Financial Statements
 - Management's Responsibility
 - Auditor's Responsibility

Issues

First Time Tax Audit:

Where the previous year's Accounts are not audited, the Tax Auditor has to mention the following in Form No.3CB

"The opening balances (As on 1st April 2015) have been taken from the un-audited financial statements furnished and confirmed by the assessee."

Issues

Cash Basis of Accounting:

“It is the policy of the assessee to prepare financials on the Cash Receipt and Disbursement Basis. On this basis, revenue and the related assets are recognized when received rather than when earned, and expenses are recognized when paid rather than when the obligation is incurred.”

APPROACH

- Read the clause – Form No 3CD
- Read the relevant section/ rules
- Analyze the issues
- Refer Guidance Note/ Issues on Tax Audit
- Furnish the necessary/ specific information

Form 3CD

Form 3CD – Statement of Particulars:

- Obtained from the Assessee
- Duly Authenticated by Assessee
- Furnishing of Particulars
 - Facts Disclosure
 - Opinion
 - Allowability/ Disallowability

Clauses of Form 3CD

Part A – Clause 1 to 8

Part B – Clause 9 to 41

Part - A

Clause 1:

- **Name of the assessee**

Clause 2:

- **Address**

Clause 3:

- **Permanent Account Number**

Clause 4

Whether the assessee is liable to pay indirect tax like excise duty, service tax, sales tax, customs duty, etc. If yes, please furnish the registration number or any other identification number allotted for the same.

Type of Registration	Registration/ Identification No.
Value Added Tax	
Service Tax	
Central Excise	
Customs Duty	

Issues:

If liable to pay but not registered?

Clause 5:

- **Status**

Clause 6:

- **Previous Year From 01.04.2015 To 31.03.2016**

Clause 7:

- **Assessment Year – 2016-17**

Clause 8

Indicate the relevant clause of section 44AB under which the audit has been conducted.

Issues:

- u/s. 44AB(a)
- u/s. 44AB(b)
- u/s. 44AB(c)
- u/s. 44AB(d)

Part - B

Clause 9

- (a) If firm or association of persons, indicate names of partners/ members and their profit sharing ratios.
- (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

Sl. No.	Date of Change	Name of Partner/ Member	Type of Change	Old Profit Sharing Ratio	New Profit Sharing Ratio	Remarks

Issues

- In clause 9(a), the profit sharing ratios at what point of time is to be furnished

Clause 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).
- (b) If there is any change in the nature of business or profession, the particulars of such change.

Sl. No.	Sector	Sub – Sector	Code

Issues

- **Business/ Profession:**
 - Manufacturing
 - Trading
 - Commission agents
 - Builders
 - Contractors
 - Professionals
 - Service Sector
 - Financial Services Sector
 - Entertainment industry

Clause 11

- (a) Whether books of account are prescribed under Section 44AA, if yes, list of books so prescribed.**
- (b) List of books of account maintained and the address at which the books of accounts 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.**

Issues

- Prescribed
- Maintained
- Examined
- Examined the books of accounts
- Examined the nature of relevant documents
- Books of Accounts u/s. 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 as print-outs of data stored in a floppy, disc, tape or any other form of electro-magnetic data storage device;*
- Document u/s. 2(22AA):
 - “document” includes an electronic record as defined in clause (t) of sub-section (1) of section of the Information Technology Act, 2000 (21 of 2000)*

Clause 12

Whether the profit and loss account includes any profits and gains assessable on presumptive basis, if yes, indicate the amount and the relevant section (44AD, 44AE, 44AF, 44B, 44BB, 44BBA, 44BBB, Chapter XII-G, First Schedule or any other relevant section.)

Sl. No.	Section	Amount

Issues:

- Only when assessee opted for?
- P&L account includes – Receipts & Expenses

Clause 13

- (a) Method of accounting employed in the previous year.
- (b) Whether there had been any change in the method of accounting employed vis-a-vis the method employed in the immediately preceding previous year.
- (c) If answer to (b) above is in the affirmative, give details of such change, and the effect thereof on the profit or loss.

Sl. No.	Particulars	Increase in Profit (Rs.)	Decrease in Profit (Rs.)

Issues:

- Section 145

Clause 13

- (d) Details of deviation, if any, in the method of accounting employed in the previous year from accounting standards prescribed under section 145 and the effect thereof on the profit or loss.

Sl. No.	Particulars	Increase in Profit (Rs.)	Decrease in Profit (Rs.)

Issues

- Method of Accounting:

 - Cash Basis

 - Mercantile Basis

- Accounting Standard prescribed u/s.145:

 - Accounting Standard - I relating to disclosure of accounting policies

 - Accounting Standard - I relating to disclosure of Prior period and Extraordinary items and changes in accounting policies

- Accounting Standard prescribed u/s.145 w.e.f 01.04.2015:

 - Income Computation and Disclosure Standards

 - 10 Standards

Clause 14

- (a) Method of valuation of closing stock employed in the previous year.
- (b) In case of deviation from the method of valuation prescribed under section 145A, and the effect thereof on the profit or loss, please furnish:

Sl. No.	Particulars	Increase in Profit (Rs.)	Decrease in Profit (Rs.)

Clause 15

Give the following particulars of the capital asset converted into stock-in trade

Sl. No.	Description of Capital Asset	Date of Acquisition	Cost of Acquisition	Amount at which the asset is converted into stock-in-trade

Clause 16

Amounts not credited to the profit and loss account, being:

- (a) the items falling within the scope of section 28;**
- (b) the pro forma 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.**

Clause 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 a State Government referred to in section 43CA or 50C, please furnish:

Details of Property	Consideration received or accrued	Value adopted or assessed or assessable

Issues:

- 43CA - Computation of Business Income
- 50C - Computation of Income from Capital Gain

Clause 18

Particulars of depreciation allowable as per the Income Tax Act, 1961 in respect of each asset or block of assets, as the case may be, in the following form :-

Description of the Block/ Class of assets	Rate of Depn.	Opening WDV/ Actual Cost	Details of Additions	Details of Deductions	Depreciation Allowable	WDV at the end of the year

Clause 18

Details of Additions:

Date of Purchase	Date Put to Use	Amount	Adjustment on account of			Total Amount
			CENVAT	Exchange Rate Change	Subsidy Grant	

Details of Deductions/ Deletions:

Date of Sale	Amount

Clause 19

Amounts admissible under sections:

Section	Amount debited to profit and loss account	Amounts admissible as per the provisions of the Income-tax Act, 1961 and also fulfills 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.

Relevant Sections:

32AC	35(1)(iv)	35CCB
33AB	35(2AA)	35CCC
33ABA	35(2AB)	35CCD
35(1)(i)	35ABB	35D
35(1)(ii)	35AC	35DD
35(1)(iia)	35AD	35DDA
35(1)(iii)	35CCA	35E

Clause 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)]
- (b) Details of contributions received from employees for various funds as referred to in section 36(1)(va):

Sl. No.	Nature of fund	Sum received from employees	Due date for payment	The actual amount paid	The actual date of payment to the concerned authorities

Clause 21(a)

Please furnish the details of amounts debited to the profit and loss account, being in the nature of capital, personal, advertisement expenditure etc:-

Nature	Sl. No.	Particulars	Amount (in Rs.)
Expenditure incurred at clubs being cost for club services and facilities used.			
Expenditure by way of penalty or fine for violation of any law for the time being force			
Expenditure by way of any other penalty or fine not covered above			
Expenditure incurred for any purpose which is an offence or which is prohibited by law			

Clause 21(b)

Amounts inadmissible under section 40(a):-

(i) as payment to non-resident referred to in sub-clause (i)

(A) Details of payment on which tax is not deducted:

Sl. No	Date of Payment	Amount of Payment	Nature of Payment	Name of the Payee	PAN of Payee, if available	Address of Payee

Clause 21(b)

Amounts inadmissible under section 40(a):-

(i) as payment to non-resident referred to in sub-clause (i)

(B) Details of payment on which tax has been deducted but has not been paid during the previous year or in the subsequent year before the expiry of time prescribed under section 200(1)

Sl. No	Date of Payment	Amount of Payment	Nature of Payment	Name of the Payee	PAN of Payee, if available	Address of Payee	Amt of tax deducted

Clause 21(b)

Amounts inadmissible under section 40(a):-

(ii) as payment to resident referred to in sub-clause (ia)

(A) Details of payment on which tax is not deducted

Sl. No	Date of Payment	Amount of Payment	Nature of Payment	Name of the Payee	PAN of Payee, if available	Address of Payee

Clause 21(b)

Amounts inadmissible under section 40(a):-

(ii) as payment to resident referred to in sub-clause (ia)

(B) Details of payment on which tax has been deducted but has not been paid on or before the due date specified in sub-section (1) of section 139.

Sl. No	Date of Pymt	Amt. of Pymt.	Nature of Pymt	Name of the Payee	PAN of Payee, if available	Address of Payee	Amt of tax deducted (A)	Amt deposited out of (A)

Clause 21(b)

Amounts inadmissible under section 40(a):-

- (iii) Fringe benefit tax under sub-clause (ic)
- (iv) Wealth tax under sub-clause (iia)
- (v) royalty, license fee, service fee etc., under sub-clause (iib)
- (vi) Salary payable outside India/ to a non resident without TDS etc. under sub-clause (iii)

Sl. No	Date of Payment	Amt. of Payment	Name of the Payee	PAN of Payee, if available	Address of Payee

Clause 21(b)

Amounts inadmissible under section 40(a):-

- (vii) Payment to PF/ other fund etc. under sub-clause (iv)**
- (viii) Tax paid by employer for perquisites under sub-clause (v)**

Clause 21(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;

Sl. No	Particulars	Section	Amount debited to P/L a/c	Amount admissible	Amount inadmissible	Remarks

Clause 21(d)

Disallowance/ deemed income under section 40A(3):

- (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 :**

Sl. No	Date of Payment	Nature of Payment	Amount	Name of the Payee	PAN of the payee, if available

Clause 21(d)

Disallowance/ deemed income under section 40A(3):

(B) On the basis of the examination of books of account and other relevant documents/evidence, whether the 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);

Sl. No	Date of Payment	Nature of Payment	Amount	Name of the Payee	PAN of the payee, if available

Clause 21(e), (f), (g), (h), (i)

- (e) Provision for payment of gratuity not allowable u/s. 40A(7)
- (f) Any sum paid by the assessee as an employer not allowable u/s. 40A(9)
- (g) Particulars of any liability of a contingent nature;
- (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 the total income;
- (i) amount inadmissible under the proviso to section 36(1)(iii).

Clause 22

Amount of interest inadmissible under section 23 of the Micro Small and Medium Enterprises Development Act, 2006

Clause 23

Particulars of payments made to persons specified under section 40A(2)(b)

Clause 24

Amounts deemed to be profits and gains under section 32AC or 33AB or 33ABA or 33AC.

32AC – Investment in new Plant or Machinery

33AB – Tea/ coffee/ rubber development account

33ABA – Site Restoration Fund

33AC – Reserves for shipping business

Clause 25

Any amount of profit chargeable to tax under section 41 and computation thereof.

Refer Section 41 – Profits Chargeable to tax u/s. 41(1) to 41(6)

Issues:

Whether information required under this clause has to be furnished irrespective of the fact that such amounts received has been credited to the Profit & Loss account or not?

Clause 25 – E-filing Portal

The tax auditor should maintain the following information in his working papers for the purpose of reporting in the format provided in the e-filing utility:

Sl. No.	Name of Person	Amount of Income	Section	Description of transaction	Computation, if any
1	2	3	4	5	6

Clause 26

In respect of any sum referred to in clause (a),(b), (c), (d), (e) or (f) of section 43B, the liability for which:-

(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 in 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.)

Clause 26

Refer Section 43B

Issues:

- Any sum paid by the assessee on or before the due date applicable in his case for furnishing the return of income u/s.139(1)
- Payment up to date of signing of tax audit report
- Payment subsequent to the date of signing the tax audit report but before the due date specified u/s.139(1)
- Interest payable converted into loan/ advance
- Particulars are required to be given irrespective of the fact whether they have been debited to the Profit or Loss account or not.

Clause 26 – E-filing Portal

The tax auditor should maintain the following information in his working papers for the purpose of reporting in the format provided in the e-filing utility:

Sl. No.	Section	Nature of liability	Amount
1	2	3	4

Clause 27(a)

Amount of Central Value Added Tax credits availed of or utilised during the previous year and its treatment in the profit and loss account and treatment of outstanding Central Value Added Tax credits in the accounts.

- **Verify RG-23 register and records maintained under the CENVAT Credit Rules, 2004.**

Clause 27(a) – E-filing Portal

The tax auditor should maintain the following information in his working papers for the purpose of reporting in the format provided in the e-filing utility:

CENVAT	Amount	Treatment in Profit & Loss/ Accounts
Opening balance		
CENVAT availed		
CENVAT utilized		
Closing Balance		

Clause 27(b)

Particulars of income or expenditure of prior period credited or debited to the profit and loss account.

- Accounting Standard – 5

Clause 27(b) – E-filing Portal

The tax auditor should maintain the following information in his working papers for the purpose of reporting in the format provided in the e-filing utility:

Sl. No.	Type	Particulars	Amount	Prior period to which it relates (Year in yyyy-yy format)
1	2	3	4	5

Clause 28

Whether during the previous year the assessee has received any property, being share of a company not being a company in which the public are substantially interested, without consideration or for inadequate consideration as referred to in section 56(2)(viia), if yes, please furnish the details of the same.

Refer Section 56(2)(viia) & Rule 11UA

Assessee for the purpose of this section refers to a Firm or a company.

Clause 28 – E-filing Portal

Sl. No	Name of the person from whom shares have been received	PAN of the person, if available	Nature of shares (Quoted in RSE/URSE/unquoted shares etc.)	Name of the company whose shares recd	CIN of the company	No. of shares recd.	Fair Market value as per Rule 11UA(1)(c)	Considn. Paid	Amount taxable under section 56(2)(viiia) if the diff. (h)-(i) exceeds Rs.50,000)	Remarks, if any
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)

Clause 29

Whether during the previous year the assessee received any consideration for issue of shares which exceeds the fair market value of the shares as referred to in section 56(2)(viib), if yes, please furnish the details of the same.

Refer Section 56(2)(viib) & Rule 11UA

Issues:

- This clause is applicable only to corporates

Clause 29 – E-filing Portal

Sl. No	Name of the person to whom shares have been issued	PAN of the person, if available	Nature of shares (Quoted in RSE/ URSE/ unquoted shares etc.)	No. of shares issued	Considn. Recd.	Fair Market value as per Rule 11UA(1)(c)/ 11UA(2)	Face value of shares issued	Amount taxable under section 56(2)(viib) [Report the diff. (f)-(g), ONLY if (f) is greater than (g), else report "Not Applicable"]
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)

Clause 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]

Clause 30 – E-filing Portal

Sl. No	Name of the concerned person	PAN of (b), if available	Address of (b)	Amount borrowed	Date of borrowing	Amount due including interest	Amount repaid	Date of repayment
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)

Clause 31(a)

*** (a) Particulars of each loan or deposit in an amount exceeding the limit specified in section 269SS taken or accepted during the previous year :-**

- (i) name, address and permanent account number (if available with the assessee) of the lender or depositor;**
- (ii) amount of loan or deposit taken or accepted;**
- (iii) whether the loan or deposit was squared up during the previous year;**
- (iv) maximum amount outstanding in the account at any time during the previous year;**
- (v) whether the loan or deposit was taken or accepted otherwise than by an account payee cheque or an account payee bank draft.**

*** (These particulars needs not be given in the case of a Government company, a banking company or a corporation established by a Central, State or Provincial Act.)**

Clause 31(b)

(b) Particulars of each repayment of loan or deposit in an amount exceeding the limit specified in section 269T made during the previous year :-

- (i) name, address and Permanent Account Number (if available with the assessee) of the payee;**
- (ii) amount of the repayment;**
- (iii) maximum amount outstanding in the account at any time during the previous year;**
- (iv) whether the repayment was made otherwise than by account payee cheque or account payee bank draft.**

Clause 31(c)

- (c) Whether the taking or accepting loan or deposit, or repayment of the same were made by account payee cheque drawn on a bank or account payee bank draft based on the examination of books of account and other relevant documents.**

(The particulars (i) to (iv) at (b) and comment at (c) above need not be given in the case of a repayment of any loan or deposit taken or accepted from Government, Government company, banking company or a corporation established by a Central, State or Provincial Act)

Clause 31 - Issues

Refer Section 269SS / 269T

- In the absence of satisfactory evidence, the tax auditor may provide a suitable comment as below:

“It is not possible for me/us to verify whether loans or deposits have been taken or accepted otherwise than by an account payee cheque or account payee bank draft, as the necessary evidence is not in possession of the assessee.”

- Whether this information has to be given in case of:
 - Loan received from banks
 - Interest free loan
 - Security deposits received from customers/ suppliers/ staff
 - Lease deposits received
 - Share application money received
 - Loans or deposits taken/ accepted by means of transfer entries in the books of account

Clause 31 - Issues

- Practically, it may not possible to verify each payment, reflected in the bank statement, as to whether the payment/ acceptance of deposits or loans has been made through account payee cheque, demand draft, pay order or not, it is thus desirable that the tax auditor should obtain suitable certificate from the assessee to the effect that the payments/ receipts referred to in section 269SS and 269T were made by account payee cheque drawn on a bank or account payee bank draft as the case may be. Where the reporting has been done on the basis of the certificate of the assessee, the same shall be reported as an observation in clause (3) of Form No. 3CA and clause (5) of Form No.3CB, as the case may be.

Clause 31(a) – E-filing Portal

Sl. No	Name of the lender or Depositor	Address of the lender or depositor	PAN 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/ deposit was taken or accepted otherwise than by an account payee bank cheque or account bank draft
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)

Clause 31(b) – E-filing Portal

Sl. No	Name of the Payee	Address of the Payee	PAN of the payee, if Available	Amount of loan or deposit taken or Accepted	Amount of the repayment	Maximum amount outstanding in the account at any time during the Previous Year	Whether the repayment was made otherwise than by an account payee bank cheque or account bank Draft
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)

Clause 32

Refer Sections 70 – 80, 32(2) and 43(5)

Clause 32(a)

Details of brought forward loss or depreciation allowance, in the following manner, to the extent available :

Sl. No.	Assessment Year	Nature of loss/ allowance (in Rupees)	Amount as returned (in Rupees)	Amounts as assessed (give reference to relevant order)	Remarks
(1)	(2)	(4)	(6)	(7)	(8)

Clause 32(b)

Whether a change in shareholding of the company has taken place in 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.

Clause 32(c)

Whether the assessee has incurred any speculation loss referred to in section 73 during the previous year, If yes, please furnish the details of the same.

Clause 32(c) – E-filing Portal

Sl. No	Nature of loss	Amount of loss for the current year	Brought forward loss of the earlier year(s)	Total loss to be carried forward to the subsequent year	Breakup of the speculation loss in terms of the number of years for which it has been carried forward	Whether the speculation loss has been set off against any other income other than profit & loss, if any, of speculation business
(1)	(2)	(3)	(4)	(5)	(6)	(7)

Clause 32(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.

Clause 32(d) – E-filing Portal

Sl. No	Nature of specified business	Amount of Loss incurred, if any, during the Previous year, with regard to the Specified business Mentioned in (b)	Loss from specified business brought forward from the earlier Year	Amount of loss being set off against other specified Business	Year of loss	Amount of loss being carried forward to the next assessment year ((c) –(d))	Whether loss set off against any other income other than from Specified business as per sec. 35AD of the Act.
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)

Clause 32(e)

In case of a company, please state that whether the company is deemed to be carrying on a speculation business as referred in explanation to section 73, if yes, please furnish the details of speculation loss if any incurred during the previous year.

Clause 32(e) – E-filing Portal

Sl. No	Applicable Section	Nature of loss	AY of incurring loss	Amount of loss	Amount set off during current AY	Amount to be carried forward
(1)	(2)	(3)	(4)	(5)	(6)	(7)

Clause 33

Section-wise details of deductions, if any, admissible under Chapter VIA or Chapter III (Section 10A, Section 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.
(1)	(2)

Clause 33 - Issues

Refer Chapter III and Chapter VIA

- Deductions admissible under Chapter VIA will have to be with reference to the items appearing in the books of accounts audited by the tax auditor.

Clause 34

➤ Earlier clause 27:

- (a) Whether the assessee has complied with the provisions of Chapter XVII-B regarding deduction of tax at source and regarding the payment thereof to the credit of the Central Government.
[Yes/No]

➤ New clause 34:

- (a) Whether the assessee is required to deduct or collect tax as per the provisions of Chapter XVII-B or Chapter XVII-BB, if yes please furnish:

(Format Specified)

➤ Earlier clause 27:

- Provisions of chapter XVII-B
TDS
- Whether the assessee has complied.
 - Yes –
No further
details
 - No –
Furnish the details of
default only

➤ New clause 34:

- Provisions of chapter XVII-B & XVII-BB
TDS & TCS
- Whether the assessee has complied.
 - Yes/No
 - Furnish details

(b) If the provisions of Chapter XVII-B have not been complied with, please give the following details*, namely:-

- i) Tax deductible and not deducted at all
- ii) Shortfall on account of lesser deduction than required to be deducted
- iii) Tax deducted late
- iv) Tax deducted but not paid to the credit of the Central Government

*Please give the details of cases covered in (i) to (iv) above.

Format for Clause 34(a)

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 (5)	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 (7) and (9)
			(Amount paid or credited)	(Amount paid or credited)	(Amount paid or credited)	TDS Amount	(Amount paid or credited)	TDS Amount	TDS Amount
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)

Clause 34(a)

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 (5)	Amount of tax deducted or collected on (8)	Amount of tax deducted or collected not deposited to the credit of the Central Govt. out of (7) and (9)
			(Amount paid or credited)	(Amount paid or credited)	(Amount paid or credited)	TDS Amount	(Amount paid or credited)	TDS Amount	TDS Amount
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	192	Salary	100L	50L	50L	10L	Nil	Nil	Nil
	194C	Job work	150L	100L	80L	1.6L	20L	50K	50K
		Printing & Stationery	10L	Nil	Nil	Nil	Nil	Nil	Nil
		Factory Const.	100L	100L	90L	2L	10L	Nil	?
	194J	Prof. Charges	50L	50L	50L	5L	Nil	5L	5L

Comment to be given in Para 3 of Form 3CA/ Para 5 of Form 3CB in respect of Clause 34(a):

“In view of the large number of transactions, assessee is not able to ascertain all the transactions on which tax at source is deductible or not deductible. Large number of these transactions are debited to various accounts and furnishing of the information in column number 4 of table prescribed in clause number 34 becomes practically very difficult. The information furnished in the column 4 of the above said table is only with respect to transaction on which tax is required to be deducted at source whether or not deducted.”

Clause 34(b): Whether the assessee has furnished the statement of tax deducted or tax collected within the prescribed time. If not, please furnish the details:

Tax deduction and collection Account Number (TAN)	Type of Form	Due date of furnishing	Date of furnishing, if furnished	Whether the statement of tax deducted or collected contains information about all transactions which are required to be reported
(1)	(2)	(3)	(4)	(5)

Issues

Clause 34(b):

- Section – 200(3)
- Rule – 31A

- Quarter Ended 30/06 – On or before 15th July
- Quarter Ended 30/09 – On or before 15th October
- Quarter Ended 31/12 – On or before 15th January
- Quarter Ended 31/03 – On or before 15th May

Issues

Clause 34(b):

- Delay in furnishing the statement
- Not furnished?

Issues

Clause 34(b):

- Whether the statement of tax deducted or collected contains information about all transactions which are required to be reported
- TDS not done?
- Short TDS?
- Delay in remittance?

Clause 34(c): Whether the assessee is liable to pay interest under section 201(1A) or section 206C(7). If yes, please furnish:

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

Issues

Clause 34(c) – Section 201(1A)

- 1% interest per month or part of month
 - non deduction
- 1.5% interest per month or part of month
 - Delay in remittance

Issues

Clause 34(c) – Section 206C(7)

- 1% interest per month or part of month
- Non deduction as well as delay in remittance

Issues

Clause 34(c) – Rule 119A

- In calculating the interest payable by the assessee or the interest payable by the Central Government to the assessee under any provision of the Act,—
 - (a) where interest is to be calculated on annual basis, the period for which such interest is to be calculated shall be rounded off to a whole month or months and for this purpose any fraction of a month shall be ignored; and the period so rounded off shall be deemed to be the period in respect of which the interest is to be calculated;

Issues

Clause 34(c) – Rule 119A

- (b) where the interest is to be calculated for every month or part of a month comprised in a period, any fraction of a month shall be deemed to be a full month and the interest shall be so calculated;
- (c) the amount of tax, penalty or other sum in respect of which such interest is to be calculated shall be rounded off to the nearest multiple of one hundred rupees and for this purpose any fraction of one hundred rupees shall be ignored and the amount so rounded off shall be deemed to be the amount in respect of which the interest is to be calculated.

Issues

M/s. ABC co. passed the following entries in the books of accounts.

Internal Audit fee A/c	Dr	Rs.1,00,000	
To M/s. Smart Associates.			Rs.1,00,000

(Being the internal audit fee payable for the month of January 2016.)

Issues

M/s. ABC co. passed the following entries in the books of accounts.

Internal Audit fee A/c	Dr	Rs.1,00,000
To M/s. Smart Associates A/c.		Rs.90,000
To TDS Payable A/c		Rs.10,000

(Being the internal audit fee payable for the month of January 2016 and TDS payable provided for.)

Issues

- M/s X Co Ltd deducted tax of Rs 1 lakh on professional charges of Rs 10 lakh on 22.03.2016. The Company remitted the above tax on 04.05.2016.
- Calculate the interest liability:
Whether interest for:
 - 1 month
 - 2 months
 - 3 months

Clause 35

Clause 35(a) and (b)

- (a) In the case of a trading concern, give quantitative details of principal items of goods traded :
- (i) Opening Stock;
 - (ii) purchases during the previous year;
 - (iii) sales during the previous year;
 - (iv) closing stock;
 - (v) shortage/excess, if any
- (b) In the case of a manufacturing concern, give quantitative details of the principal items of raw materials, finished products and by-products :
- A. Raw Materials :
- (i) opening stock;
 - (ii) purchases during the previous year;
 - (iii) consumption during the previous year;
 - (iv) sales during the previous year;
 - (v) closing stock;

Clause 35(a) and (b)

- (vi) yield of finished products;
- (vii) percentage of yield;
- (viii) shortage/excess, if any.

B. Finished products/by- products :

- (i) opening stock;
- (ii) purchases during the previous year;
- (iii) quantity manufactured during the previous year;
- (iv) sales during the previous year;
- (v) closing stock;
- (vi) shortage/excess, if any

Clause 36:

In the case of a domestic company, details of tax on distributed profits under section 115-O in the following form :-

- (a) total amount of distributed profits;
- (b) amount of reduction as referred to in section 115-O(1A)(i);
- (c) amount of reduction as referred to in section 115-O(1A)(ii);
- (d) total tax paid thereon;
- (e) dates of payment with amounts.

Refer Section 115-O

Issues:

- Tax auditor has to report any profit distributed during the Financial year

Clause 36 – E-filing Portal

The tax auditor should maintain the information in the following format for the purpose of reporting in the format provided in the e-filing utility:

Sl. No.	Total Amount of distributed profits	Amount of Reduction as referred to in section 115-O(1A)(i)	Amount of Reduction as referred to in section 115-O(1A)(ii)	Total Tax Paid	Date of payments with Amount	
					Date of Payment	Amount
(1)	(2)	(3)	(4)	(5)	(6)	(7)

Clause 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.

Clause 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.

Clause 39

Whether any audit was conducted under section 72A of the Finance Act, 1994 in relation to valuation of taxable services, Finance Act, 1994, 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.

Issues

- Information is required to be given only in respect of such report time period of which falls within the relevant previous year.
- The auditor need not express his opinion.
- Where audit might have been ordered but is not completed by the time the tax auditor issues his report.

Clause 40

➤ Earlier clause 32:

Accounting ratios with calculations as follows :—

- (a) Gross profit/Turnover;
- (b) Net profit/Turnover;
- (c) Stock-in-trade/Turnover;
- (d) Material consumed/Finished goods produced.

➤ New clause 40:

Details regarding turnover, gross profit, etc., for the previous year and preceding previous year:
(Format Specified)

Clause 40 – E-filing Portal

Details regarding turnover, gross profit, etc., for the previous year and preceding previous year:

SL no	Particulars	PY		Preceding PY	
1	Total turnover of the assessee	T/o		T/o	
2	Gross profit/turnover	GP	T/o	GP	T/o
3	Net profit/turnover	NP	T/o	NP	T/o
4	Stock-in-trade/turnover	Stock	T/o	Stock	T/o
5	Material consumed/finished goods produced	Mat.	FG	Mat.	FG

Meaning as given by ICAI in its Guidance note

- Gross Profit: The excess of the proceeds of goods sold and services rendered during a period over their cost, before taking into account administration, selling, distribution and financing expenses.
- Turnover: The aggregate amount for which sales are effected or services rendered by a enterprise
- Net Profit: The excess of revenue over expenses during a particular accounting period.

Issues on Accounting Ratios

- The ratios have to be calculated only for assesses who are engaged in manufacturing or trading activities.
- This clause is not applicable to assesses carrying on profession.
- The ratios have to be given for the business as a whole and not be given division/activity/product wise.
- All the ratios are to be calculated in terms of value only.

Issues on Accounting Ratios

- Will income which is exempt under section 10 form part of turnover?
- While calculating the ratios mentioned in clause 40, is it necessary to split manufacturing and trading activities and give the ratios respectively?

Discuss...

Issues on Accounting Ratios

- While on the point of calculating gross profit ratio, it may be noted that as per AS-2 (Revised) – Valuation of Inventories, depreciation on plant & machinery is taken into account for valuation of finished goods. In view of this, whether the said depreciation is to be deducted while arriving at gross profit?

Discuss...

Issues on Accounting Ratios

- For calculating stock turnover ratio whether average stock or opening or closing stock is to be taken?
- How is Material consumed/finished goods produced to be calculated? Is the ratio to be given in terms of value or quantity?

Discuss...

Issues on Accounting Ratios

- In case of partnership concern, while calculating the net profit ratio, whether we can take the profit before partner's interest and remuneration?

Discuss...

Clause 41

Please furnish the 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.

Issues:

- Demand/ refund order is issued during the previous year, it may pertain to a period other than the relevant previous year
- Normally, in indirect tax laws include Central Excise Duty, Service Tax, Customs Duty, Value Added Tax, Central Sales Tax, Professional Tax

Clause 41 – E-filing Portal

The tax auditor should maintain the following information in his working papers for the purpose of reporting against this clause in the format provided in the e-filing utility

Sl. No.	Name of the applicable Act	Demand / Refund Order No., if any	Date of Demand raised/ refund issued	Financial Year to which the Demand / refund relates	Amount of demand raised/ refund issued	Adjustment of refund against demand, if any	Remarks
1	2	3	4	5	6	7	8

Issues - General

- **NIL**
- **Not Applicable**
- **No Change**
- **Yes**
- **No**
- **- (x)**
- **Vide Annexure**

THANK YOU