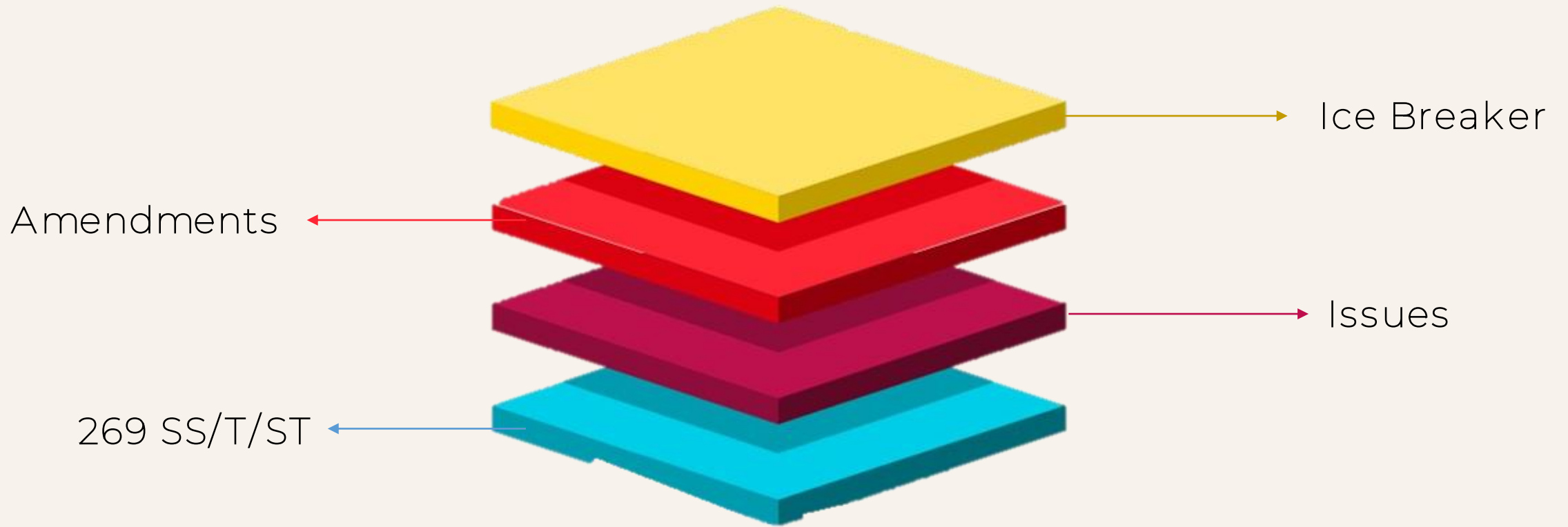




GENERAL OVERVIEW OF 3CD AND CLAUSE 31



Part 1

The Icebreaker Circuit

Under Section 44AB of the Income Tax Act, what exactly do we certify in a tax audit?

A: True and Fair

B: True and Correct

C: Both

D: None of the above

Under Section 44AB of the Income Tax Act, what exactly do we certify in a tax audit?

A: True and Fair

B: True and Correct

C: Both

D: None of the above

Form 3CA

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.

Form 3CB

- (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:

WHEN TO USE THESE FORMS

Form 3CA

when a taxpayer's accounts are **already audited under another law**—like the Companies Act or a Co-operative Societies Act. In that case, the tax auditor attaches their tax audit report Form 3CA to the statement of particulars.



WHEN TO USE THESE FORMS

Form 3CB

when the taxpayer's accounts **have not been audited under any other law**. In this case, the tax auditor conducts the audit specifically under **Section 44AB** and reports the findings in Form 3CB



Why do you think that change happened?

Nestlé India's auditors were filing Form 3CB until 2023, but from March 2024, they switched to Form 3CA.



Which form should you file?

A PVT LTD. was incorporated in January 2025. Its turnover was 15 crores as on 31st March 2025.



TURNOVER FOR AUDIT APPLICABILITY

For Business

Turnover > 10 Crore

1 core

Receipts and/or payments exceeds 5% of turnover

For Profession

Gross Receipts > 75 lks

50 Lks

Receipts and/or payments exceeds 5% of gross receipts

When determining whether cash payments or receipts exceed 5% of turnover for Section 44AB, what should be included in that calculation?

A: Receipts from Sales
Payments for expenses

B: A + Contra entries

C: All Receipts and payments
including capital entries

D: C – contra entries

When determining whether cash payments or receipts exceed 5% of turnover for Section 44AB, what should be included in that calculation?

A: Receipts from Sales
Payments for expenses

B: A + Contra entries

C: All Receipts and payments
including capital entries

D: C – contra entries

HOW TO CONFIRM 5% ?

Date	Details	Ref No./Cheque No	Debit	Credit	Balance
30 OCT 2018	TRANSFER TO 3197693216803 - INB MOBLT3010185742854Commision ReferenceNo. IsLT3 -		1.18	-	31876.48
30 OCT 2018	TRANSFER TO 4597857162095 - INB IMPS/P2A/830318876347/XXXXXX6 63UBINFees -		2500.00	-	31877.66
30 OCT 2018	- UBI 00000000000000000000000000000000By Clearing252276	252276	-	5903.00	34377.66
30 OCT 2018	- UBI 00000000000000000000000000000000By Clearing252260	252260	-	18413.00	28474.66
26 OCT 2018	CLg: Ghalib		1000.00	-	10061.66

Part 2

RECENTS AMENDMENTS

CLAUSE 22

- 22.** ^{7a}[(i) *Amount of interest inadmissible under section 23 of the Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act); or*
- (ii) *Total amount required to be paid to to a micro or small enterprise, as referred to in section 15 of the MSMED Act, during the previous year;*
- (iii) *Of amount referred to in (ii) above, amount -*
- (a) *paid up to time given under section 15 of the MSMED Act;*
- (b) *not paid up to time given under section 15 of the MSMED and inadmissible for the previous year.]*

Total Purchase during the year from
micro and small enterprises

25 Crore

A

Out of A paid within 15/45 days

13 Crore

B

Out of A, paid during the year, but
after 15/45 days

8 Crore

C

Out of A, not paid till 31st March, but
15/45 days not expired

3 Crore

D

Total Purchase during the year from
micro and small enterprises

25 Crore

A

Out of A paid within 15/45 days

13 Crore

B

Out of A, paid during the year, but
after 15/45 days

8 Crore

C

Out of A, not paid till 31st March, but
15/45 days not expired

3 Crore

D

Out of A, not paid till 31st March, and
15/45 days expired

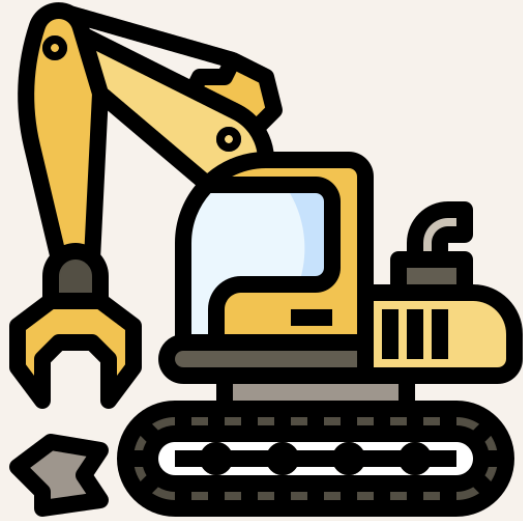
1 Crore

E

CLAUSE 22

- 22. 7a**[(i) *Amount of interest inadmissible under section 23 of the Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act); or*
- (ii) *Total amount required to be paid to to a micro or small enterprise, as referred to in section 15 of the MSMED Act, during the previous year;*
- (iii) *Of amount referred to in (ii) above, amount -*
- (a) *paid up to time given under section 15 of the MSMED Act;*
- (b) *not paid up to time given under section 15 of the MSMED and inadmissible for the previous year.]*

→ Current year disallowance



Purchase from a micro enterprise
Total amount 55 lakhs
20 lakhs paid within 15 days
30 lakhs paid in 90 days
5 lakhs still outstanding

- 22.** ^{7a}[(i) *Amount of interest inadmissible under section 23 of the Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act); or*
- (ii) *Total amount required to be paid to to a micro or small enterprise, as referred to in section 15 of the MSMED Act, during the previous year;*
- (iii) *Of amount referred to in (ii) above, amount -*
- (a) *paid up to time given under section 15 of the MSMED Act;*
- (b) *not paid up to time given under section 15 of the MSMED and inadmissible for the previous year.]*

CLAUSE 26

26. In respect of any sum referred to in ⁹[***] section 43B, the liability for which:—

- (A) pre-existed on the first day of the previous year but was not ^{9a}[allowable] 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 ^{9b}[and (for clauses other than clause (h) of section 43B) 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.

FY 2023-24

Disallowed u/s 43B(h) – 50 Lkhs.

Paid during 24-25 – 30 Lkhs

26 A(a) of 3CD 24-25

Paid during 25-26 – 20 Lkhs

26 A(b) of 3CD 24-25
26 A(a) of 3CD 25-26

FY 2024-25

Disallowed u/s 43B(h) – 60 Lkhs.

Paid during 25-26 – 37 Lkhs

26 A(a) of 3CD 25-26

Not paid – 23 Lkhs

26 A(b) of 3CD 25-26

FORM 3CD **APPLICABILITY** DEPENDS ON **THE DATE OF AUDIT**, NOT THE FINANCIAL YEAR BEING AUDITED.

Suppose you're conducting the **tax audit for FY 2023–24** (Assessment Year 2024–25) in **October 2025**.

Even though the audit relates to **FY 2023–24**, you must use the **latest Form 3CD (as amended in 2025)** — because the audit is being *conducted* after the amendment came into effect.



Part 3

ISSUES IN TAX AUDIT

Turnover – 10 crores/75 lakhs

>5% cash transaction

- Includes all amounts including **capital contribution**
- **Contra Entries** will not be part of this check
- Cheque of draft which is **not account payee** shall be considered as **in cash**

44AD Case

EVEN if the profit is less than 8%/6%, you shall be liable to audit only if

- In past 5 years he has opted for 44AD
- Turnover exceeds 1crore/10 crore

BUT, if you have opted out of 44AD, then in next 6 years including the previous year in which you has opted out needs to be audited irrespective of the turnover.

44AD Case

ABC, a proprietor, having turnover of 7.5 crore.

6% of turnover – 45 lakhs

Actual profit – 35 lakhs

Payments/Receipts in cash – 2%

Tax audit is only required if he chosen 44AD in any of the last 5 previous years

44AD Case

Points to note

- If an assessee who has opted for 44AD in any of the previous years is opting out now, shall get his accounts audited for 6 years, including the current previous year.
- If the opting out was by virtue of turnover crossing 2/3 crores, then he doesn't have to get his books audited in future previous year in which turnover does not qualify for audit and 44AD is opted

44ADA Case

Every year is independent irrespective of if last year presumptive section was opted or not.

DOCUMENTS TO BE ATTACHED



Financial Statements

Is Sd/- enough instead of actual signature?

In case of financials where two or more persons have to sign, it is advised not to go with Sd/- financials.

DOCUMENTS TO BE ATTACHED

Statutory Audit Report

Is it mandatory to attach statutory audit report?



have been audited under any other law

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

..

REVISION OF AUDIT REPORT



Is there any mandatory situation where audit report needs to be revised?

Rule 6G(3) - revision in case of disallowance based on payments such as TDS and 43B.

REVISION OF AUDIT REPORT



Can Audit report be revised for any other reason?

Yes, but the reason should be stated while revising

REVISION OF AUDIT REPORT



Is new UDIN required?

Yes.

REVISION OF AUDIT REPORT



Should revision be done by same auditor?

Yes. Guidance note mandates so.

FAQ ON AUDIT REPORT



XYZ, a proprietor have a business in India and another one in UAE. He is a resident individual. Both the businesses are audited by separate chartered accountant. Can two audit reports be filed.

Yes. Two audit reports should be filed.

FAQ ON AUDIT REPORT



Can you rely on Judgements?

Yes. But you have to mention in the report that, the data compiled based on judicial pronouncements

FAQ ON AUDIT REPORT



For **3CB**, which is the relevant clause to be selected?

Clause 44AB(a) - Proviso where cash receipts and cash payments of business exceeds specified limits

Clause 44AB(a) – Total sales/turnover/gross receipts of business exceeding specified limits

Clause 44AB(e) – Where provisions of section 44AD(4) are applicable

Third proviso to sec 44AB : Audited under any other law

FAQ ON AUDIT REPORT



For 3CA, which is the relevant clause to be selected?

Clause 44AB(a) - Proviso where cash receipts and cash payments of business exceeds specified limits

Clause 44AB(a) – Total sales/turnover/gross receipts of business exceeding specified limits

Clause 44AB(e) – Where provisions of section 44AD(4) are applicable

Third proviso to sec 44AB : Audited under any other law

Part 4

269SS, 269T and 269ST

269SS

20,000/-



LOAN, DEPOSIT OR ANY OTHER SPECIFIED SUM

ACCOUNT PAYEE CHEQUE/DD, ELECTRONIC
CLEARING SYSTEM, OTHER ELECTRONIC MODES

269SS



Is this limit annually?



Is this limit for a single transaction?



Is reporting required even if loan is squared up?



Is reporting required if acceptance was in specified mode?

269SS



Is reporting required by the person giving the loan?



What all to be reported?

Reporting of Loan and deposit is in clause 31(a)

Reporting of Specified sum in clause 31(b)

If accepted through cheque, specifically asks if that was an Account payee cheque.

269T

20,000/-

REPAY

LOAN, DEPOSIT OR ANY OTHER SPECIFIED SUM

ACCOUNT PAYEE CHEQUE/DD, ELECTRONIC
CLEARING SYSTEM, OTHER ELECTRONIC MODES

269SS



Is this limit annually?



Is this limit for a single transaction?



Is reporting required even if loan is squared up?



Is reporting required if repayment was in specified mode?

269SS



Is reporting required by the person giving the loan?



What all to be reported?

Reporting of Loan and deposit Repaid is in clause 31(c)

Reporting of Repayment of Loan and deposit received otherwise than by cheque or draft is in clause 31(d)

Reporting of Repayment of Loan and deposit received by way of cheque or draft is in clause 31(e)

269ST

CORE RULE

A person cannot receive ₹2,00,000 or more in cash:

1. In a single transaction, or

2. In aggregate from one person in a day through multiple transactions,
or

3. In relation to one event or occasion

APPLIES TO

- Applies to individuals, firms, companies, trusts, etc.
- Exempted:
 - Government departments
 - Banks and cooperative banks
 - Post office savings banks

PENALTY

- Equal to the **amount received in cash**
- Levied **on the receiver**, not the payer
- Example: If ₹3 lakhs received in cash → penalty ₹3 lakhs

REPORTING

To be done by both payee and payer

Whether reporting is to be done if the specified sum is in respect of personal land
Sale

Thank You

