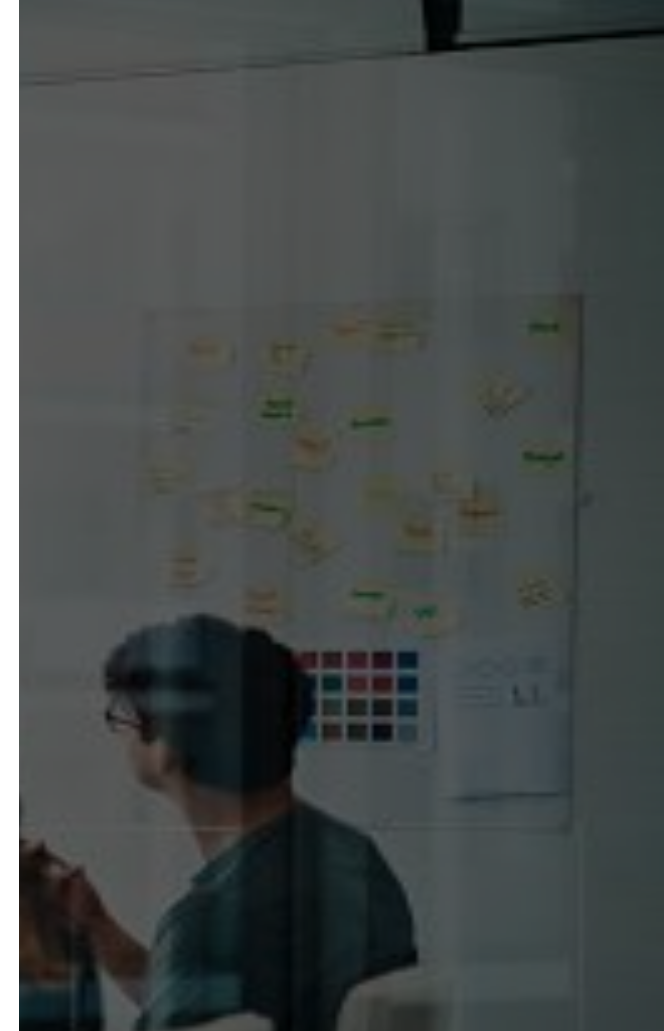
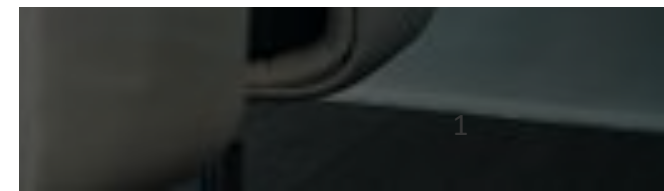
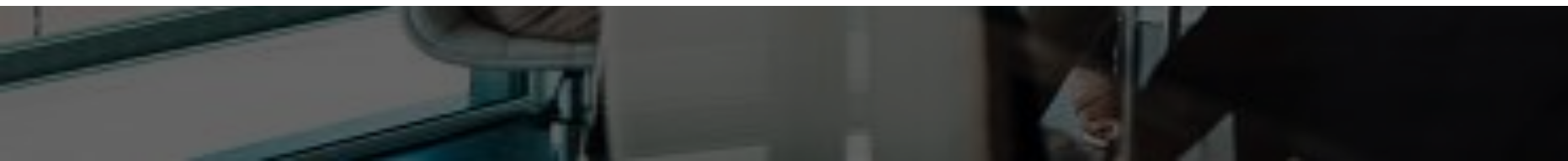
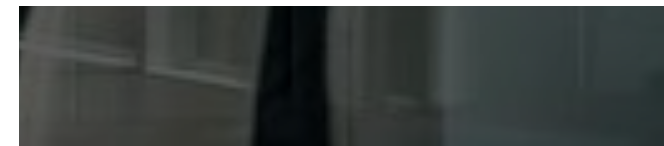


Tax Audit

- A clause by clause analysis



Presented by CA Nimisha Jain

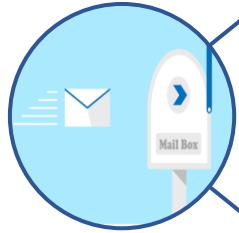


Clause 1: Name of the Assessee

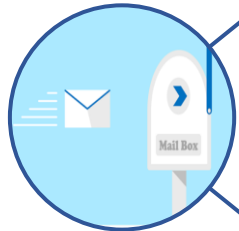
- Give name of the **assessee whose accounts are being audited** under section 44AB.
- In case of audit of a branch, the **name of the branch should be stated along with the name of the assessee.**
- In case of proprietary concern, furnish name of the proprietary firm **along with the name of the proprietor.**
- In case of change in name of the company, e.g., conversion into public Ltd co or vice versa, **state both names and also state the fact of the change** by way of a note.
- In case of any change in the name of the assessee between the **last day of the previous year and the date of tax audit report, both the name** as on the last date of the previous year and also on the tax audit report date be stated.



Clause 2: Address



Address should **correspond to the address** which the assessee is using **while making communication with the Income Tax Department** for assessment purposes.



Incase of audit of a branch, the **address of the branch** should be stated.



Incase of **change in address** after the end of the financial year and before the date of tax audit, the fact may be **brought on form 3CD**.



Incase of a company, the **address of the registered office** be stated along with the principle place of business, if any

Clause 3: Permanent Account Number

- Quoting of Permanent Account Number is mandatory and hence, the tax auditor should obtain a copy of PAN card from the assessee.

Clause 4: Registration numbers under applicable indirect taxes

- The auditor is required to mention the registration number or any other identification number or GST Number, if any, allotted, in case the assessee is liable to pay indirect taxes.
- The auditor should obtain from the assessee the list of indirect taxes applicable to him.
- In case the auditor prima facie is of the opinion that any indirect tax law is applicable on the business or profession of the assessee but the assessee is not registered under the said law, report the same appropriately.
- Obtain written representation from the assessee regarding his registration in any of the indirect tax laws.

Clause 5: Status

- The status does **not refer to the residential status**, It means status of the **person who is defined as per section 2(31)** [i.e. Individual, HUF, Company, Firm, etc.]
- Firm for the purpose of this clause also includes Limited Liability Partnership (LLP) and Foreign LLP would be covered under the category of “Company” as body corporate.
- If **status of the assessee have been changed** during the year (eg. Conversion of partnership firm into LLP), the **status which is on the last date of the previous year** should be considered for the purpose of reporting and mention the fact by way of note against the clause.



Meera and Company vs. Commissioner of Income-tax 224 ITR 635 [SC]

“An association of persons or a body of individuals, whether incorporated or not”, has been brought within the net of taxation with the intention clearly to hit combinations of individuals or other persons who were engaged together in some joint enterprise. The combinations may or may not be incorporated. A profit-yielding joint venture has to be taxed as a single unit.

Clause 6: Previous Year & Clause 7: Assessment year

- Clause 6 relates to the financial year pertaining to the audit. This period is typically from the 1st April to 31st March of the next year but care has to be taken in case of closure of businesses, new businesses, amalgamations, demergers, etc.
- Clause 7 relates to the relevant assessment year pertaining to the audit



Clause 8: Applicable tax laws triggering the tax audit



Clause (a) – If total sales, **turnover** or gross receipt in business **exceeds Rs.1 Crore**



Clause (b) – If **gross receipts** in profession **exceed Rs.50 lakhs**



Clause (c) – If **Profits u/s 44AE, 44BB or 44BBB claimed to be lower** than the presumptive profits and gains.



Clause (d) – If **Profits u/s 44ADA** claimed to be lower than the presumptive profits and gains and his income exceeds the maximum amount which is not chargeable to income-tax in any previous year.



Clause (e) – If section **44AD (4)** is applicable and his income exceeds the maximum amount which is not chargeable to income-tax in any previous year.

Clause 9: Firm or association of persons....

- a) If firm or association of persons, indicate name of partners/members and their profit sharing ratios
- The name of the partners or members of a firm or AOP will be covered here.
 - In case a person is in a **representative** capacity (e.g., A's HUF is a partner and A is in representative capacity on behalf of the HUF), then the **name of the beneficial partner/member** should be mentioned.
 - Further, **profit sharing ratio** includes the ratio at which losses would be shared.
- 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 must be mentioned.

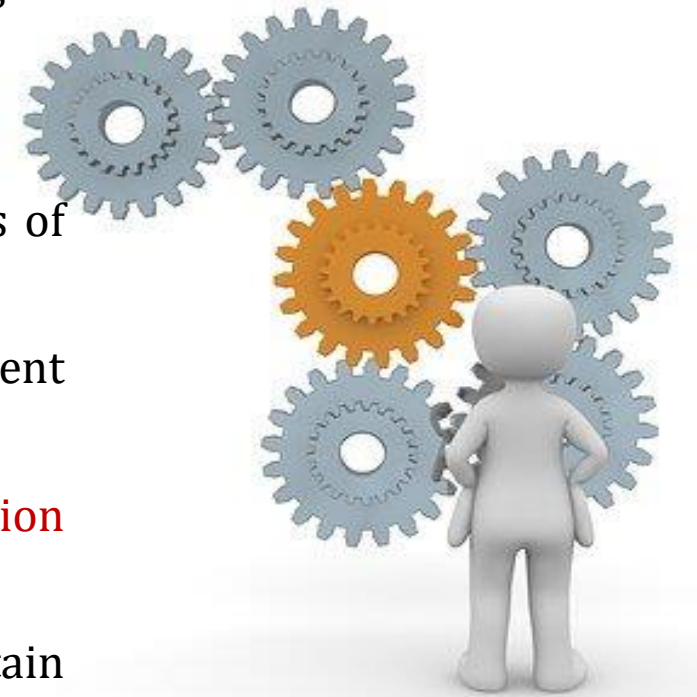
The tax auditor should obtain or verify the documents or information such as **partnership deed, LLP agreement, copy of forms** filed with the respective registrar, etc.

CIT vs. R.M Chidambaram Pillay [106 ITR 292]

There is no need to state the change in remuneration (partner's salary) and interest to partners or members generally. However, the Apex court in the given case of has held that salary to partner is not a charge to profit but only an appropriation of profit. Accordingly change in salary during the year should be construed as change in PSR and thus be indicated.

Clause 10: Nature of business and profession...

- 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)
- Verify from the **financial statements especially notes /schedules** relating to company
 - Verify the **incorporation document** such as MOA, partnership deed, etc.
- b) If there is any change in the nature of business or profession, the particulars of such change:
- Whether **change in nature** of business / business line / permanent discontinuance is mentioned?
 - Whether any such **change occurring due to reconstruction / reorganization** has also been mentioned?
 - **Review the minutes of the meeting** approving the change in business. Obtain the declaration from the assessee w.r.t. such change.



Temporary suspension of the business may not amount to change and therefore should not be reported.

Clause 11: Books of Accounts

- 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 account are kept
- c) List of books of account and nature of relevant documents examined.



- Every person, upon crossing a specified limit of turnover, needs to compulsorily maintain certain books of accounts as prescribed like cash book, journal, ledger, etc. Further, certain specified professionals have additional records prescribed that they must maintain.
- For example, a doctor must maintain a daily case register where certain details of patient visits are recorded. The tax auditor lists the books and records that were checked by him.

Clause 12: Profit and gains on presumptive basis

The auditor needs to verify if the profit and loss account includes any of the income assessable on presumptive basis. There could be few different scenarios such as:

Books of Accounts not separately maintained for both the businesses

- Ascertainment of correct profit should be done by tax auditor by arriving at a fair and reasonable estimate of the expenditure based on the evidence in possession of the assessee or by asking the assessee to prepare such estimate which should be checked

Books of Accounts separately maintained

- In case separate set of books of accounts are maintained, it poses no problem for the tax auditor in ascertaining the amount of profit to be disclosed.

Business under presumptive scheme is additional business and no separate books are maintained for the same

- Since the books of account are not maintained for the business covered in presumptive scheme, the Tax Auditor will be unable to find out the correctness of the net income credited and he should give a suitable note expressing his inability to verify the said figure.

Clause 13: Method of Accounting

(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

(d) Whether any adjustment is required to be made to the profits or loss for complying with the provisions of income computation and disclosure standards notified under section 145(2)

(e) If answer to (d) above is in the affirmative, give details of such adjustments

(f) Disclosure as per ICDS

Clause 13: Method of Accounting (contd..)

- *All the companies are mandatorily required to follow mercantile basis of accounting.*
- *In case of other assesses like LLP's, Sole Proprietorship , Partnership concerns, Societies, Trust, Individuals, HUF etc. have an option to follow either cash or mercantile basis of accounting unless the statute governing the enterprise requires a particular method of accounting.*

ICDS 1: Accounting Policies

ICDS 2: Valuation of Inventories

ICDS 3: Construction Contracts

ICDS 4: Revenue Recognition

ICDS 5: Tangible Fixed Assets

ICDS 6: Changes in Foreign exchange rates

ICDS 7: Government Grants

ICDS 8: Securities

ICDS 9: Borrowing Cost

ICDS 10: Provisions, Contingent Liabilities and Contingent Assets

Clause 13: Method of Accounting (contd..)

Accounting Policy vs ICDS:

- Reporting under sub-clause (e) is required only in case where accounting policies followed by company is **different from provisions of Income Computation and Disclosure Standards (ICDS)**
- This clause requires reporting on effect on profit **due to deviation from each ICDS separately and policy** followed by the company under each ICDS.
- For Policy Disclosure, one need to **take base of significant accounting policies** followed in preparation of financial statements of an entity.



Clause 14: Valuation of closing stock

- 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

- Closing stock should be valued at lower of actual cost or net realizable value (NRV), where costs are ascertained on the basis of Specific Identification Method, FIFO or weighted average cost method.
- In case of conversion of capital asset into stock is valued at FMV, the same should also be stated. Accordingly the audit report in Form 3CB should be qualified for not complying with AS 2.
- Certain prescribed adjustment required on account of tax, duty, cess, etc. (like excise duty, VAT) incurred in procuring the inventory.



Clause 15: Capital Asset converted into stock-in-trade

When it is decided to treat a capital asset as part of the stock of the business, it is treated as a 'transfer' for income tax purposes and will attract capital gains subject to certain conditions and exceptions.

Particulars	Remarks
Reporting requirement	Arises in the previous year in which such conversion takes place
Description of capital asset	Provide the detail of Capital asset such as shares, securities, land, building, plant, machinery, etc. along with section 32 if the asset is a depreciable asset
Date of Acquisition	Verify the period of holding of asset to ensure whether it is long term or Short term asset and for this purpose verify the date of purchase of assets from assessee.
Cost of Acquisition	Verify cost of acquisition of capital asset (as per relevant accounting standard), from purchase invoice and cash/bank account, Fixed asset register, etc.
Amount	Verify the amount at which it is converted in to Stock-in Trade (as per AS 2). <i>In case the conversion is not done at cost but at FMV, appropriate disclosure is to be made at clause 14 (a) of Form 3CD that inventories on conversion of capital asset into stock is valued at FMV.</i>

Clause 16: Amounts not credited to the profit and loss account

- a) The items falling within the scope of section 28;
- b) The proforma credits, drawbacks, refund of duty of customs or excise or service tax, or refund of sales tax or value added tax where such credits, drawbacks or refunds are admitted as due by the authorities concerned;
- c) Escalation claims accepted during the previous year
- d) Any other item of income
- e) Capital receipt

This clause **intends to capture and report those incomes which ordinarily wouldn't be a business income** but is deemed to be business income by virtue of the Income Tax Act.

For example, profit on sale of import license, remuneration received by a partner from a partnership firm, etc.

Even **export benefits** like pro forma credits, duty drawbacks, refund of customs, etc. **would be covered under this clause** if not credited to the profit and loss account.

Further, a capital receipt would not normally attract tax unless the transaction is specifically covered in the provisions. Thus if such receipt is not appearing in the profit and loss account it will be covered here.

Clause 17: Transfer of Land and Building u/s 50C or 43CA

Reporting is required under this clause when there is a transfer of Land or Building or both whether held as capital asset or business asset during the previous year for a consideration less than the stamp duty value.

Immovable property held as capital asset

- If the sale consideration of an immovable property is less than the stamp duty value of such property, the stamp duty value shall be deemed to be the sale consideration for the purpose of computing capital gains.

Immovable property held as stock - in - trade

- And where the property is held as stock-in-trade, the stamp duty value shall be taken as income/sale value to be considered under the business head of income.

Clause 18: Depreciation

Particulars	Remarks
(a) Description of asset / block of asset	Identify the block to which the assets of the assessee pertains and the tax auditor needs to review the nature and usage of the asset to ascertain the correct depreciation rate
(b) Rate of Depreciation	Rates of depreciation applicable to each block as per the Income-tax Rules, 1962.
(c) Actual cost or Written down value as the case may be.	Actual cost of assets should be determined as per the provisions of section 43(1) of the Act and also ensure the compliance of AS – 10. Copy of Income Tax Return for preceding previous year from the management to ensure the opening WDV of Block of Assets is same as closing WDV of previous year.
(d) Additions / deductions	List of assets purchased and sold to be obtained and certified from the management. Borrowing cost of specific borrowing for qualifying asset should also be adjusted to the cost in terms of ICDS IX (Borrowing Costs)
(e) Depreciation	Depreciation is allowed as per Income Tax Act and rules thereunder on satisfaction of following conditions <ul style="list-style-type: none">• The Asset should be wholly or partly owned by the Assessee.• The Asset should be used for the purpose of business or profession.
(f) Other adjustment	Check whether there is any adjustment on account of Exchange Fluctuation / Subsidy / Grant or Other Reimbursements.

Clause 19: Amounts admissible under sections

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

These sections allow for special deductions for prescribed businesses. The tax auditor checks whether the assessee has complied with all the necessary conditions to claim a deduction under these sections. Some of these sections may require a certificate by a Chartered Accountant certifying the eligibility.



Clause 20: Bonus, commission and contributions to welfare dues

- 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)].
- Bonus and commission to employees as per their employment terms is deductible expenditure as these are contractual payments but indirect distribution of dividend/profits in the name of bonus/commission is not deductible expense as the assessee claims expenditure to reduce his income and income tax and avoid Dividend distribution tax . Hence disallowed.
- b) Any sum received from employees towards contributions to any provident fund or superannuation fund or any other fund mentioned in section 2(24)(x); and due date for payment and the actual date of payment to the concerned authorities under section 36(1)(va).
- Section 36(i)(va) of the Act permits deduction of any sum received by the assessee from any of his employees (like contributions to any provident fund or superannuation fund or ESI Fund or any other Fund for employees' welfare), if it is credited by the assessee to the account of the employees in the relevant statutory fund on or before the due date.

Clause 21: Amount Debited to Profit & Loss Account

Particulars	Remarks
(a) Details of amounts debited to profit and loss account, being in the nature of capital, personal, advertisement, expenditure, etc.	They may either be fully disallowed or only allowed subject to certain conditions. If they form a part of the profit and loss account, they have to be disclosed here.
(b) Amounts inadmissible under section 40(a)(i), 40(a)(ia), 40(a)(ic), 40(a)(ia), 40(a)(iib), 40(a)(iii), 40(a)(iv), 40(a)(v)	Disallowances made in respect of an expenditure or a part of an expenditure where tax was required to be deducted at source but the assessee failed to do so.
(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;	Disallowances made if the remuneration paid exceeds the specified limit
(d) Disallowance / deemed income under section 40A(3)	disallowance on any expenditure incurred by any mode other than an account payee cheque/bank draft or through a bank account using ECS if they exceed Rs. 10,000

Clause 21: Amount Debited to Profit & Loss Account (Contd..)

Particulars	Remarks
(e) Provision for payment of gratuity not allowable under section 40A(7).	Allowed only if provision created for payment of contribution to an approved gratuity fund is actually payable during the year
(f) Any sum paid by the assessee as an employer not allowable under section 40A(9)	Any payment incurred by an employer towards setting up of any fund, trust, Company, AOP, BOI, Society, etc will not be allowed as a deduction subject to certain exceptions.
(g) Particulars of any liability of a contingent nature;	Such a liability usually relates to ongoing legal disputes where it is not certain that there will be a liability for the as assessee.
(h) Amount of deduction inadmissible in terms of section 14A in respect of the expenditure incurred in relation to income which does not form part of total income;	method of calculation of an amount of expenditure which will be disallowed as it is deemed to be incurred towards earning exempt income.
(i) Amount inadmissible under the proviso to section 36(1)(iii)	if such loan was used to acquire an asset, the interest shall not be allowed for the period between the date of borrowing of the loan to the date on which the asset was put to use.

Clause 22: Interest inadmissible u/s 23 of MSMED Act, 2006

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

- Obtain ageing analysis of such suppliers so as to ascertain outstanding beyond agreed period or 45 days as the case may be;
- Check whether any interest due to them or paid during the year in terms of section 16 of MSMED Act, 2006 as mentioned above which has been debited or provided for in the books of account. Tax auditor can apply test checks in this regard.
- If relevant information is not ascertainable then it should be reported as the entity does not have relevant information regarding any micro or small enterprise which is registered under the provisions of the Micro, Small and Medium Enterprises Development Act, 2006. Hence amount due and interest payable is not ascertainable.

Clause 23: Payments made to persons specified u/s 40A(2)(b)

This section basically disallows expenditure incurred by way of payment to specified persons (relatives) if the assessing officer finds them to be excessive in nature.

Following points to be considered:

- Review the list of transactions with the Related Party disclosures made in the financial statements under AS-18 (AS-18 disclosures are required for all assesses including partnership firms and sole proprietorships). Also follow the guidance for audit procedures as given under SA-550 on Related Parties.
- Salaries and perquisites etc. paid to directors or persons having substantial interest in the company should be included in the list referred to above.
- The Tax Auditor is not required to comment on the reasonableness or otherwise of such payments
- In case of voluminous transactions, the Tax Auditor may consider grouping the similar transaction based on their nature and disclose such consolidated information as per their nature individual party wise.

Clause 24: Deemed profits and gains u/s 32AC or 32AD or 33AB or 33ABA or 33AC

- These sections allow for a special deduction to certain assessee subject to certain conditions.
- In case of a breach of these conditions, the whole or a part of the deduction allowed earlier would be included as deemed income.

Section 32AC

Investment in new plant or machinery

Section 32AD

Investment in new plant or machinery in notified backward areas in certain States

Section 33AB

Tea development account, coffee development account and rubber development account.

Section 33ABA

Site Restoration Fund

Section 33AC

Reserves for shipping business

Clause 25: Profit chargeable to tax under section 41

This section relates to deemed profits arising out of:

- Where a **deduction has been allowed in an earlier year** in respect of an expenditure but the assessee has received some benefit whether by cash or by reduction in actual liability in the current year, such benefit will be chargeable to tax under this section.
- Where an **asset has been sold** by an assessee **engaged in the power generation and distribution** and such sale consideration exceeds the written down value.
- Where an **asset used in scientific research** has been sold for a consideration greater than its original cost
- Where **a bad debt that was allowed earlier** is subsequently **recovered**.
- Where an **amount has been withdrawn from a special** reserve created by a financial company on which deduction was earlier allowed
- Where such amounts/benefits as above have been received even after the closure of business.



Clause 26: Sum referred to in Section 43B

This section allows certain expenditure like cesses, taxes, duties, interest to bank, etc. to be claimed only on actual payment of the same if it is made before the due date of filing the return for the respective AY.

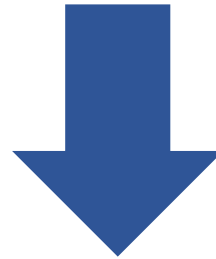
Reporting of sum is required if the liability for which:	Pre-existed on the first day of the previous year but was not allowed in the assessment of any preceding previous year	paid during the previous year
		not paid during the previous year
	Was incurred during the previous year and was	paid on or before the due date for furnishing the return of income of the previous year under section 139(1)
		not paid on or before the aforesaid date

Clause 27: Amounts of CENVAT

- (a) Amount of Central Value Added Tax credits availed of or utilized 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.
- The details of the CENVAT credit carried forward from the previous year, its utilization and the balance left needs to be provided along with the treatment of the same in the accounts of the assessee.
- (b) Particulars of income or expenditure of prior period credited or debited to the profit and loss account.
- This clause would be relevant only for the persons following the mercantile system of accounting.

Clause 28: Shares of a company without consideration

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)(viiia), if yes, please furnish details of the same.



Where the assessee receives certain shares of a private limited company where the Fair Market Value of such shares minus the amount paid to acquire such shares exceeds Rs. 50,000, such **excess shall be chargeable to tax under the head 'Income from other sources'**.

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.

Clause 29A

- **Whether any amount is to be included as income chargeable under the head 'income from other sources' as referred to in section 56(2)(ix)?**
- As per section 56(2) (ix) of the Act, if any sum of money is received as an advance or otherwise in the course of negotiations for transfer of a capital asset and if such sum is forfeited or the negotiations do not result in transfer of such capital asset, then the same would be taxable as income under the head '**Income from Other Sources**'.

- **Whether any amount is to be included as income chargeable under the head 'income from other sources' as referred to in section 56(2)(x)?**
- any amount exceeding Rs 50,000/- without consideration then he needs to declare such amount as 'Income from other sources' subject to certain exemptions.
- any immovable property,—
 - without consideration, the stamp duty value of which exceeds Rs. 50000/-; OR
 - for a consideration which is less than the stamp duty value of the property by an amount exceeding Rs. 50000/-, the stamp duty value of such property as exceeds such consideration
- any movable property,—
 - without consideration, the fair market value of which exceeds Rs. 50000/-; OR
 - for a consideration which is less than the fair market value of the property by an amount exceeding Rs. 50000/-, the stamp duty value of such property as exceeds such consideration

Clause 30: Amount borrowed on hundi or any amount due thereon

Section 69D

- The term 'Hundis' has not been defined under the Act. However, the CBDT Circular NO. 208, dated 15 November 1976 explains the scope and characteristics of the said term to be Promissory Note drawn in a vernacular language.
- Amount borrowed on Hundi or Repayment of the same (including interest) has to be made by account payee cheque.
- If not through account payee cheque, the amount borrowed or repaid will be considered as Income in the year of borrowing or repayment.
- If borrowing is taxed then repayment will not be taxed again in the year of repayment

Clause 30A: Primary Adjustment

- Whether primary adjustment to transfer price, as referred to in sub-section (1) of 92CE, has been made during the previous year?
- If yes, please furnish the following details:-
 - (i) Under which clause of sub-section (1) of 92CE primary adjustment is made?
 - (ii) Amount (in Rs.) of primary adjustment
 - (iii) Whether the excess money available with the associated enterprise is to be repatriated to India as per the provisions of sub-section (2) of section 92CE? (Yes/No)
 - (iv) If yes, whether the excess money has been repatriated within the prescribed time (Yes/No)
 - (v) If no, the amount (in Rs.) of imputed interest income on such excess money which has not been repatriated within the prescribed time.

Clause 30B: Shares of a company without consideration

- a) Whether the assessee has incurred expenditure during the previous year by way of interest or of similar nature exceeding one crore rupees as referred to in sub-section (1) of section 94B?
(Yes/No)
- b) If yes, please furnish the following details:-
- Amount (in Rs.) of expenditure by way of interest or of similar nature incurred:
 - Earnings before interest, tax, depreciation and amortization (EBITDA) during the previous year (in Rs.)
 - Amount (in Rs.) of expenditure by way of interest or of similar nature as per (i) above which exceeds 30% of EBITDA as per (ii) above:
 - Details of interest expenditure brought forward as per sub-section (4) of section 94B
 - Details of interest expenditure carried forward as per sub-section (4) of section 94B

Clause 30C: Impermissible Avoidance Agreement

(a) Whether the assessee has entered into an impermissible avoidance arrangement, as referred to in section 96, during the previous year?

(b) If yes, please specify:-

- Nature of the impermissible avoidance arrangement:
- Amount (in Rs.) of tax benefit in the previous year arising, in aggregate, to all the parties to the arrangement”

An impermissible avoidance arrangement would be an arrangement where the main purpose is to obtain a tax benefit and is not at arm's length, results in tax evasion (directly or indirectly), lacks commercial substance or is carried out in a manner that does not otherwise occur if the arrangement was for bona fide purposes.

Clause 31: Disclosure related Section 269SS and 269ST

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

- Name, address and PAN of the lender or depositor, Amount of loan or deposit taken or accepted, whether the same was squared up during the year, maximum amount outstanding at any time during the previous year, whether the same was taken or accepted by cheque or bank draft (specify if account payee) or use of ECS through a bank account

b) Particulars of each specified sum in an amount exceeding the limits specified in section 269SS taken or accepted during the previous year:

- Name, address and PAN (if available) of the person from whom specified sum is received, amount of specified sum taken or accepted, whether the specified sum was taken or accepted by cheque or bank draft (specify if account payee) or use of ECS through a bank account **in relation to transfer immovable property**

Clause 31: Disclosure related Section 269SS and 269ST

ba) Particulars of each specified sum in an amount exceeding the limits specified in section 269ST taken or accepted during the previous year:

- Name, address and PAN (if available) of the person from whom specified sum is received, amount of specified sum taken or accepted, **whether the specified sum was taken or accepted by cheque or bank draft (specify if account payee) or use of ECS through a bank account**

bb) Particulars of each receipt in an amount exceeding the limit specified in section 269ST, in aggregate from a person in a day or in respect of a single transaction or in respect of transactions relating to one event or occasion from a person, **received by a cheque or bank draft, not being an account payee cheque or an account payee bank draft**, during the previous year:-

(i) Name, address and Permanent Account Number (if available) of the payer;

(ii) Amount of receipt (in Rs.)

Clause 31: Disclosure related Section 269SS and 269ST

bc) Particulars of each payment made in an amount exceeding the limit specified in section 269ST, in aggregate to a person in a day or in respect of a single transaction or in respect of transactions relating to one event or occasion to a person, otherwise than by a cheque or bank draft or use of electronic clearing system through a bank account during the previous year:-

(i) Name, address and PAN (if available) of the payee;

(ii) Nature of transaction;

(iii) Amount of payment (in Rs.);

(iv) Date of payment;

bd) Particulars of each payment in an amount exceeding the limit specified in section 269ST, in aggregate to a person in a day or in respect of a single transaction or in respect of transactions relating to one event or occasion to a person, made by a cheque or bank draft, not being an account payee cheque or an account payee bank draft, during the previous year:-

(i) Name, address and PAN (if available) of the payee;

(ii) Amount of payment (in Rs.)

Clause 31: Disclosure related Section 269SS and 269ST

c) Particulars of each repayment of loan or deposit or any specified advance in an amount exceeding the limit specified in section 269T made during the previous year:

- Name, address, PAN (if available) of payee, amount of repayment, maximum amount outstanding at any time during the previous year, whether the **repayment was made by cheque or bank draft** (specify if account payee) or use of ECS through a bank account

d) Particulars of repayment of loan or deposit or any specified advance in

- an amount exceeding the limit specified in section 269T received otherwise than by a cheque or bank draft or use of ECS through a bank account during the previous year:
- Name, address, PAN (if available) of the payer, amount of loan or deposit or any specified advance **received otherwise than by a cheque or bank draft or use of ECS through a bank account during the previous year.**

e) Particulars of repayment of loan or deposit or any specified advance in amount exceeding the limit specified in section 269T received by a cheque or bank draft which is not an account payee cheque or account payee bank draft during the previous year:

- Name, address, PAN (if available), of the payer, amount of loan or deposit or any specified advance **received by a cheque or a bank draft which is not an account payee bank cheque or bank draft during the previous year.**

Clause 32: Details of brought forward loss

Clause	Remarks
Details of brought forward loss or depreciation allowance to the extent available	Such amounts need to be revised for any change arising out of a rectification order, assessment order, etc.
Whether a change in the shareholding of the company has taken place during the previous year due to which the losses incurred prior to the previous year cannot be allowed to be carried forward in terms of section 79.	<p>This provision is applicable to a private limited company with the following exceptions:</p> <ul style="list-style-type: none">• Less than 51% of the voting power only has changed hands• Change in shareholding is due to death of a shareholder• Change in shareholding is due to shares gifted by a shareholder to a relative• Where the holding Company is a foreign company and the change in shareholding is due to amalgamation/demerger where less than 51% of the shareholding has changed

Clause 32: Details of brought forward loss

Clause	Remarks
c) Whether the assessee has incurred any speculation loss referred to in section 73 during the previous year. If yes, please furnish details of the same.	A speculation loss cannot be set off against any income other than a speculation gain. Further, a loss in speculation business will be allowed to be carried forward for only 4 years. This clause keeps the above provisions in check.
d) Whether the assessee has incurred any loss referred to in section 73A in respect of any specified business during the previous year, if yes, please furnish details of the same.	
e) In case of a company, please state that whether the company is deemed to be carrying on a speculation business as referred in explanation to section 73, if yes, provide details of speculation loss if any incurred during the previous year.	

Clause 33: Details of Deductions

This clause requires reporting on Section-wise details of deductions admissible under Income Tax Act.

Reporting Requirement

- Section under which deduction is claimed
 - Amount admissible as deduction under Income Tax Act
- (Note: Amount claimed may be different from amount admissible)

Coverage

- It covers deduction claimed under Chapter VIA
Section 80A to 80VV
- Chapter III
Only Section 10A and 10AA

Clause 34: Reporting on TDS

This clause attempts to provide a details on TDS compliance by assessee in terms of deduction of tax at source, filing of TDS Return and Interest Payment on TDS defaults.

34(a): Section wise TDS deduction / TCS collection details

1. TAN
2. Section of TDS / TCS (194J, 194C, etc.)
3. Payment Nature
4. Total amount of Payment
5. Amount on which tax required to be deducted (incl. tax at specified rate)
6. Amount on which tax deducted
7. Amount of Tax deducted
8. Tax deducted but not deposited

34(b): TDS / TCS Returns

1. TAN
2. Type of Form (24Q, 26Q, etc.)
3. Due date of filing Return
4. Actual Date of filing Return
5. Whether Return contains all details/transactions which are required to be reported, if not specify.

34(c): Interest on Defaults

1. TAN
2. Amount of interest payable under section 201(1A) / 206C(7)
3. Amount Paid
4. Date of Payment

Clause 35: Quantitative Details

(a) Trading Concern

Following quantitative details of **principal items of goods traded** are required to be given:

1. Opening Stock
2. Purchases during the previous year
3. Sales during the previous year
4. Closing stock
5. Shortage/ Excess, if any.

Principal items here would mean the items which constitute more than 10% of the aggregate value of purchases or sales.

(b) Manufacturing Concern

Following quantitative details of **principal items of raw materials, finished products and by-products** are required to be given:

1. Opening stock
2. Purchases during the previous year
3. Consumption during the previous year
4. Sales during the previous year
5. Closing stock
6. Yield of finished products
7. Percentage of yield
8. Shortage/ Excess, if any.

Separate details to be given for (i) raw material and (ii) finished products / by products.

Clause 36 and 36A: Dividend and Deemed Dividend

In the case of a **domestic company**, details of tax on distributed profits under **section 115-0** in the following form is required under **Clause 36**:

- a) total amount of distributed profits
- b) amount of reduction as referred to in section 115-0 (1A)(i) and (ii)
(adjustment on account of dividend received from domestic subsidiary / foreign subsidiary where tax under 115BBD is payable)
- c) total tax paid thereon
- d) dates of payment with amounts

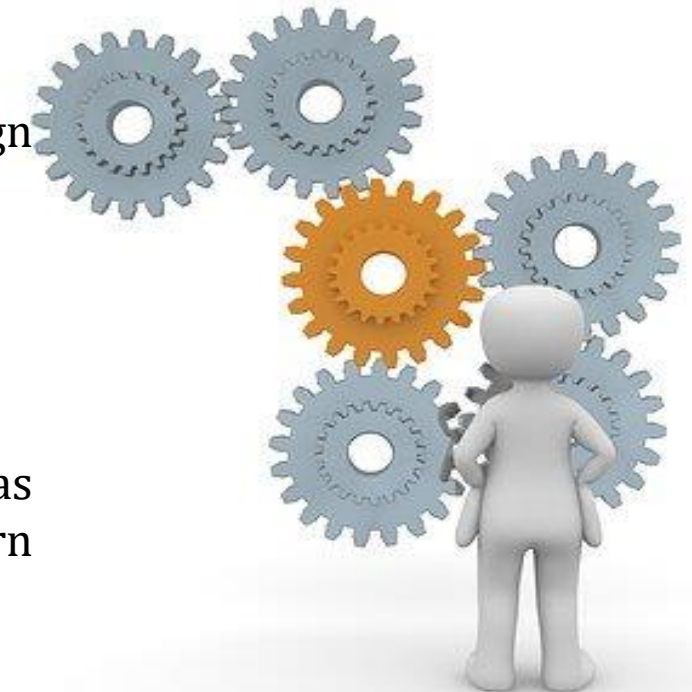
Clause 36A:

Whether the assessee has received any amount in the nature of **Deemed Dividend** as per **sec 2(22)(e)** i.e. loan or advance made by the closely held company to a concern to the extent of accumulated profits on the date of giving loan / advance.

Details to report:

- a) Details of Amount Received
- b) Date of receipt

Various aspects of section 2(22)(e) needs to be understood before reporting.



Clause 37: Cost Audit

- 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: Excise Audit

- Whether any audit was conducted under Central Excise Act, 1944
- If yes, then give the details, if any, of disqualification or disagreement on any matter/item/value/quantity as may be identified/reported by the auditor.

Clause 39: Service Tax Audit

- Whether any audit was conducted u/s 72A of the Finance Act, 1994 in relation to valuation of taxable services
- If yes, then give the details, if any, of disqualification or disagreement on any matter/item/value/quantity as may be identified/reported by the auditor.

Clause 40: Ratios

- This clause is applicable only for assesseees who are engaged in manufacturing or trading activities.
- The ratios have to be given for the business as a whole and not product wise
- The ratio mentioned in (5) need not be given for trading concern or service provider
- All the ratios mentioned in this clause are to be calculated and disclosed in terms of value and not in terms of quantity
- Net profit to be shown here in this clause is net profit before tax.
- The term “stock-in-trade” would include only finished goods and would not include the raw material and work-in-progress since the objective here is to compute the stock turnover ratio. It would also not include stores and spare parts or loose tools.
- Calculations of the ratios are also to be stated.
- Previous year figures should be taken from last year’s tax audit report, and in case there is no tax audit in previous year, then nothing should be mentioned in that column.

Total Turnover of the assessee

Gross Profit / turnover

Net Profit / turnover

Stock in trade / turnover

Material consumed / Finished goods produced

Clause 41: Details of demand raised or refund issued

This clause requires reporting on 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.

Following points to be considered:

- The auditor should obtain a copy of all the demand / refund orders issued by the governmental authorities during the previous year
- It may be noted that even though the demand / refund order pertains to a period other than the relevant previous year, reporting has to be done under this clause if it is issued during previous year.
- The auditor should verify the details from online portals of the departments too, if the details are available thereon.
- If there is any adjustment of refund against any demand, the auditor should also report the same under this clause.

Clause 42: Reporting of Specific Form Filing

This clause requires reporting of specific details in case the assessee is required to furnish statement in Form No.61 or Form No.61A or Form 61B

Reporting Requirements

- Income tax Department Reporting Entity Identification Number
- Type of Form, its due date and actual date of furnishing form
- Details of any information not furnished under such form

Form 61 (Half yearly filing)

- This Form requires **details of all Form 60 obtained** to be submitted.
- Where transactions specified under Rule 114B of the Income-tax Rules, 1962 have been undertaken by the assessee without obtaining PAN of the person giving the document, then the assessee is required to collect declaration in Form 60 from that person.

Form 61A (Annual filing)

Statement of specified financial transactions (SFT) as given in Rule 114E of the Rules mandates reporting of certain financial transactions undertaken during a particular financial year. It should be filed before 31st May.

Form 61B (Annual filing)

Statement of reportable accounts in accordance with Foreign Account Tax Compliance Act (FATCA) and Common Reporting Standard (CRS) for a calendar year in Form 61B to be reported.

Clause 43: Reporting by entity of an International Group

This clause requires reporting of specific details in case the assessee or its parent entity or alternate reporting entity is liable to furnish the report as per section 286(2).

Particulars	Remarks
Reporting requirement	<ul style="list-style-type: none">• Whether report has been furnished by the assessee or its parent entity or an alternate reporting entity• Name of parent entity• Name of alternate reporting entity (if applicable)• Date of furnishing of report
Relevant Provision	Section 286 read with Rule 10DB Every parent entity or the alternate reporting entity, resident in India, shall, for every reporting accounting year, in respect of the international group of which it is a constituent, furnish a report, to the prescribed authority in the form and manner as may be prescribed
Form Name	Forms 3CEAC to Form 3CEAE.
Timeline	Such forms should be filed within a period of twelve months from the end of the reporting accounting year.

Clause 44: Break-up of total expenditure of entities registered or not registered under the GST

This clause attempts to provide a break-up of the total expenditure into various fields that are relevant from the GST point of view. Reporting requirements can be segregated as follow:

Section 1: Total Expenditure

It requires reporting on total amount of expenditure incurred during the year.

Section 2: Expenditure from GST registered entities

Expenditure from entities registered under GST is further segregated into:

- Expense on goods / services which are exempt
- From entities registered under composition scheme
- From other registered entities

Section 3: Expenditure from unregistered entities

This requires reporting on total amount of expenditure incurred relating to entities which are not registered under GST.

Applicability of this clause has been deferred upto March 31, 2021.



Thank you..!!!



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