



**The Institute of Chartered Accountants of India**  
(Set up by an Act of Parliament)



## **Women Members Excellence Committee**

*Organises*

**यशस्विनी - An IDOL- Live Webinar**



**CA. Priti Paras Savla**  
Chairperson, WMEC, ICAI



**CA. Kemisha Soni**  
Vice Chairperson, WMEC, ICAI

A high-angle photograph of a woman running on a grey asphalt track with pink lane markings. She is wearing a grey and black athletic jacket, black leggings with a blue stripe, and red sneakers. Her hair is blowing in the wind. On the left side of the image, there is a yellow trapezoidal shape containing the text 'Tax-Audit Issues & Updates'.

**Tax-Audit  
Issues &  
Updates**

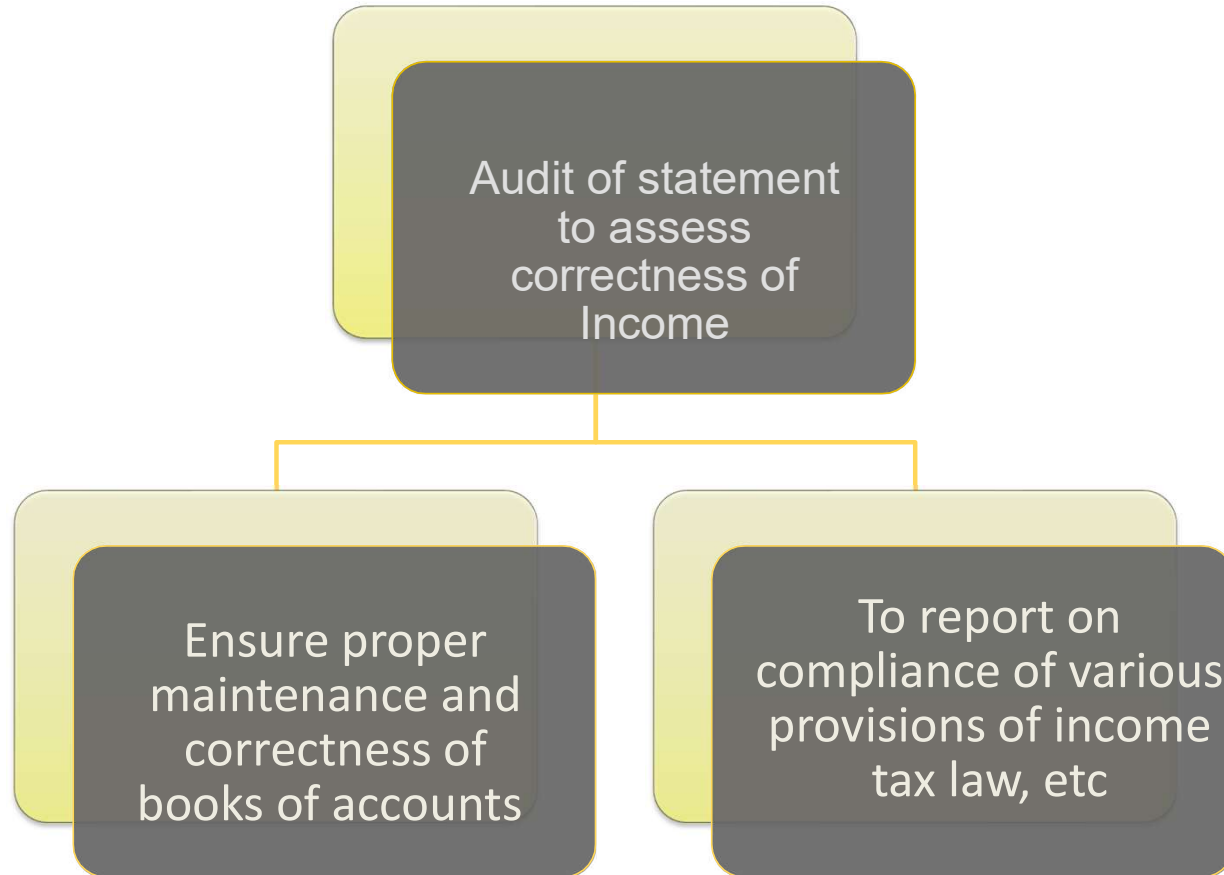


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## Overview of Tax Audit

**Objective**  
**Scope**  
**Recent Amendments**  
**Issues & Detailed discussion**

# Objective



# Scope

## **Income Tax Audit Limits for FY 2023-24 (AY 2024-25)**

A businessperson whose gross receipts/turnover/sales for the previous financial year is above Rs. 1 crore. It no longer applies to an individual who chooses presumptive taxation scheme under Section 44AD. The general income or turnover of the person is not more than Rs.2 crore. A professional whose gross receipts for the previous financial year is more than Rs. 50 lakh.

Persons covered under Sections 44AD, 44AE, 44AF, 44BB and 44BBB, who are declaring lower profits from business than what is estimated. As per the latest announcement, the persons who carry out most of the transactions (95% in this case) online, that is through digital transactions, will be eligible for an increase in the limit for tax audit.

# Examples

- 1) If the total sales, turnover exceed Rs.1 crore in the FY ?
- 2) If cash transactions are up to 5% of total gross payments, the turnover is 5 crore?
- 3) If the total sales, turnover Rs.1.5 crore in the FY opting for presumptive taxation
- 4) Taxable income declared is below the limits prescribed as per the presumptive tax scheme u/s 44AE
  - a) Does not exceeds the basic threshold limit.
  - b) exceeds the basic threshold limit
- 5) Taxable income declared is below the limits prescribed as per the presumptive tax scheme u/s 44AE
  - a) Does not exceeds the basic threshold limit.
  - b) exceeds the basic threshold limit

# Provisions of Tax Audit for A.Y. 2024-25

## Compliance Requirements

- Form 3CA - Report in case of a Person who is required to get his accounts audited under any law.
- Form 3CB- Report in any other case.
- Form 3CD- Particulars as required under Form 3CA or Form 3CB.

# Recent Changes in Form Tax Audit

The CBDT has notified changes to the Form 3CD vide Notification No. 27/2024 /F. No. 370142/3/2024-TPL, dated 05-03-2024. The changes have been made to the following Clauses of Form 3CD:

[Clause 8a \(Whether company has opted for the special tax regime with lower tax rates\)](#)

[Clause 12 \(Reporting of profits assessable under presumptive tax schemes credited to P&L\)](#)

[Clause 18 \(Depreciation admissible\)](#)

[Clause 19 \(Amount admissible as deduction under Sections 35, 35D, etc.\)](#)

[Clause 21\(a\) \[Amounts debited to P&L covered by Explanation 3 to section 37\(1\)\]](#)

[Clause 21\(b\) \[Amounts inadmissible under Section 40\(a\)\(ia\)\]](#)

[Clause 26 \(Amounts covered Section 43B\)](#)

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[Clause 32 \(Brought forward loss or depreciation\)](#)

These changes came into force on 05-03-2024 and shall apply to all tax audit reports signed or after 05-03-2024, irrespective of the assessment year to which the tax audit report relates.



## Clause 8a: Whether the assessee has opted for special taxation regimes of low tax rates without certain exemptions and deductions

Pre-amended Clause 8a requires the tax auditor to state “Whether the assessee has opted for taxation under section 115BA/115BAA/115BAB/115BAC/115BAD”.

The Finance Act 2023 introduced an alternative tax scheme for manufacturing co-operative societies under Section 115BAE. Clause 8a adds the reference to Section 115BAE and requires the tax auditor to report “Whether the assessee has opted for taxation under section 115BA/115BAA / 115BAB / 115BAC /115BAD/115BAE”.

### **Impact of changes on tax auditor’s reporting obligation**

Where the resident cooperative society opts for Section 115BAE, the reporting under Clause 8a shall be made by the tax auditor as per the following:

***Obligation of tax auditor is limited to reporting whether assessee opted for tax regime  
Whether assessee opted for the new regime under Section 115BAE by e-filing Form 10-IFA  
Assessee intends to opt for the new regime, but Form 10-IFA is yet to be filed as of the  
date of signing the tax audit report***

***Where the assessee is not opting for the new regime***

***Impact on other Clauses - 32(1)(ia), 32AD, 33AB, 33ABA, 35(1)(ii), 35(1)(ia), 35(1)(iii), 35(2AA), 35(2AB), 35AD, 35CCC etc.***

## Clause 12: Reporting whether the P&L account includes profits & gains assessable on a presumptive basis

Pre-amended Clause 12 of Form 3CD requires the tax auditor to report “Whether the profit and loss account includes any profits and gains assessable on a presumptive basis, if yes, indicate the amount and the relevant sections (44AD, 44AE, 44AF, 44B, 44BB, 44BBA, 44BBB, Chapter XII-G, First Schedule or any other relevant section)”.

Amended Clause 12 requires the tax auditor to report “Whether the profit and loss account includes any profits and gains assessable on a presumptive basis, if yes, indicate the amount and the relevant sections (44AD, **44ADA**, 44AE, 44AF, 44B, 44BB, 44BBA, 44BBB, Chapter XII-G, First Schedule or any other relevant section)”

**DOES IT MAKE ANY DIFFERENCE?**

## Clause 18: Reporting on admissible amount of depreciation under Section 32

The pre-amended sub-clause (ca) of Clause 18 requires reporting the following: “Adjustment made to the written down value under Section 115BAC/115BAD (for the assessment year 2021-22 only).”

The substituted Clause 18(ca) requires the tax auditor to report as follows:

*“(ca) Adjustment made to the written down value—*

- (i) under the proviso to sub-section (3) of Section 115BAA (for assessment year 2020-21 only);*
- (ii) under the first proviso to sub-section (3) of section 115BAC or the proviso to sub-section (3) of 115BAD (for assessment year 2021-22 only);*
- (iii) under the second proviso to sub-section (3) of section 115BAC (for assessment year 2024-25 only).”;*

This amendment is consequential to the amendment of Section 115BAC by the Finance Act, 2023, with effect from the assessment year 2024-25.

## Clause 19: Amounts admissible under Sections 32AC, 32AD, etc.

The pre-amended Clause 19 requires tax auditor to report amounts admissible under Sections 32AC, 32AD, 33AB, 33ABA, 35(1)(i), 35(1)(ii), 35(1)(iia), 35(1)(iii), 35(1)(iv), 35(2AA), 35(2AB), 35ABB, 35AC, 35AD, 35CCA, 35CCB, 35CCC, 35CCD, 35D, 35DD, 35DDA and 35E. The amount admissible has to be reported section-wise in Tabular form. The pre-amended Clause 19 in Notified Form 3CD contains no reference to Section 35ABA, while the e-filing utility contains a reference to Section 35ABA.

Clause 19 has been amended to include a reference to the following two entries:

Adding a row with the entry “35ABA”(Capital expenditure incurred by the telecommunication company for acquiring use of spectrum)

Adding a row of “any other relevant section”.

The words “any other relevant section” casts a very wide duty on tax auditor to examine the deductibility of every item debited to profit and loss account and every item otherwise claimed as a deduction by assessee.

## Clause 21(a): Items of expenditure debited to P&L account of the nature covered by 6<sup>th</sup>, 7<sup>th</sup> and 8<sup>th</sup> items in the Tabular format

Items 6, 7 and 8 of Tabular format in Pre-amended Clause 21(a) require the tax auditor to report amounts debited to the P&L account in respect of:

Expenditure by way of penalty or fine for violation of any law for the time being force (6<sup>th</sup> item)

Expenditure by way of any other penalty or fine not covered above (7<sup>th</sup> item)

Expenditure incurred for any purpose which is an offence or which is prohibited by law (8<sup>th</sup> item)

The amended Clause 21(a) increases the number of items from 8 to 9 as follows:

**(a)** Entry 6, *“Expenditure by way of penalty or fine for violation of any law for the time being force”*, has been substituted with *“Expenditure for any purpose which is an offence or is prohibited by law or expenditure by way of penalty or fine for violation of any law (enacted in India or outside India)”*;

**(b)** A new entry 8, *“Expenditure incurred to compound an offence under any law for the time being in force, in India or outside India”*, has been inserted;

**(c)** Entry 9, *“Expenditure incurred for any purpose which is an offence or which is prohibited by law”*, has been substituted with *“Expenditure incurred to provide any benefit or perquisite, in whatever form, to a person, whether or not carrying on a business or exercising a profession, and acceptance of such benefit or perquisite by such person is in violation of any law or rule or regulation or guideline, as the case may be, for the time being in force, governing the conduct of such person”*.

## Correction of clerical error in Clause 21(b)((ii)(b)(IV)

Pre-amended Clause 21(b)(ii)(b)(IV) of Form 3CD required reporting of amounts inadmissible under section 40(a):

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

**(A)** \*\*\*\*\*

**(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.*

**(I)** *date of payment*

**(II)** *amount of payment*

**(III)** *nature of payment*

**(IV)** *name and address of the payer*

**(V)** *amount of tax deducted*

**(VI)** *amount out of (V) deposited, if any*

To correct the clerical error in (IV) above, for the word “payer”, the word “payee” shall be substituted. Practically, this will have no impact on the reporting obligations of the tax auditor.

## Clause 32: Reference to Section 115BAE

### Clause 32: Reference to Section 115BAE

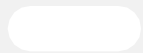
In clause 32, in sub-clause (a),—

**(I)** in the table, in column (5), for the figures and letters “115BAD”, the figures and letters “115BAD/115BAE” shall be substituted;

**(II)** in the table, in column (6), for the figures and letters, “115BAD^”, the figures and letters “115BAD/115BAE^” shall be substituted;

**(III)** below the table, for the words and figures “To be filled in for assessment year 2021-22 only.”, the words and figures “To be filled in only for assessment year 2021-22 and 2024- 25, as applicable.”, shall be substituted;

# DETAILED DISCUSSION ON SOME IMPORTANT CLAUSES







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LET'S

GO.....

## • Clause 12

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

Presumptive Income credited to P&L - Income covered by Presumptive nature included in P&L to be reported.

- 1) If separate books are maintained – no issues
- 2) No separate books of accounts are maintained for such business-  
apportionment of expenses may be necessary

## 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

## CLAUSE-20

1. 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.
2. Details of contributions received from employees for various funds as referred to in section 36(1)(va)

This clause permits deduction of the following if it is credited by the assessee to the account of the employees in the relevant statutory fund on or before the due date. Here, due date is not the [due date for filing income tax return](#) but the date by which an assessee is required as employer to credit the employee's contributions to the employee's account in the relevant fund under any Act such as:

Provident Fund (PF)

Employees' State Insurance (ESI)

Superannuation fund

Any Other Fund for the Welfare of Employees

## 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.
  
- b) Amounts inadmissible under section 40(a)  
Payment made to non-resident referred to in sub-clause (i)
  - (a) Details of payment made to non-resident on which tax is not deducted
  - (b) Details of payment made to non-resident on which tax has been deducted but has not been paid during the PY or in the subsequent year before the expiry of the time prescribed under section 200(1)
  
- Payment referred under section 40(a)(ia)
  - (a) Details of payment made to resident on which tax is not deducted
  - (b) Details of payment made to resident on which tax has been deducted but has not been paid on or before the due date specified under section 139(1)
  
- 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;-FIRM, AOP BOI

## Clause 21 continued.....

- 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
- e) provision for payment of gratuity not allowable under section 40A(7)
- f) any sum paid by the assessee as an employer not allowable under section 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-a 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).- 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 & Clause 23

### Clause 22

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

- This clause requires that, if an assessee fails to make payment to the MSME supplier within the time given under section 15 of the MSMED Act, 2006 and require to pay interest to its MSME supplier as per section 16 of the said act then as per section 23 of MSMED Act, 2006 such interest shall not be allowed as a deduction for the purposes of the computation of income

### Clause 23

**Particulars of payments made to persons specified under section 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. This clause requires to furnish the following details regarding persons specified u/s 40A(2)(b), termed as a related party during the relevant previous year. As per section 40A(2)(b) payment made or is to be made to the person specified under 40A(2)(b) shall be disallowed to the extent such amount is excessive or unreasonable having regard to:

Its fair market values

For the legitimate needs of business or profession of the assessee

The benefit derived by or accruing to the assessee from such expenditure

## Clause 26

In respect of any sum referred to in clauses (a), (b), (c), (d), (e) or (f) or (g) 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

**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, please specify Nature of Liability, Amount, Remarks if any: (State whether sales tax, GST, customs duty, excise duty or any other indirect tax, levy, cess, impost, etc. is passed through the profits and loss account.)



## Clause 26 continued.....

As per section 43B specified expenses are allowed only on the basis of actual payment even if the assessee is following the mercantile basis of accounting. If the specified expense for which the liability was incurred during the previous are paid on or before the due date for filing IT return, the deduction will be allowed in the previous year itself.

In clause 26(i)(A), an auditor is required to report the payment status of the liability that is already existing on the first day of the previous year and was not allowed in the assessment of any preceding previous years. In clause 26(i)(B), an auditor is required to report the payment status of the liability that was incurred only in the previous year.

Where the liability to pay specified expense pre-exists on the first day of the previous year, deduction will be allowed only if the payment is made on or before the end of the previous year

## CLAUSE 44

### • Reconciliation of Expenditure based on GST of vendors

Clause 44: Break-up of total expenditure of entities registered or not registered under the GST This clause was added w.e.f. 20th August 2018. Reporting was required by all entities irrespective of whether they are registered under GST or not.

The following information needs to be given:

1. Total amount of Expenditure incurred during the year.
2. Expenditure in respect of entities registered under GST: a) Relating to goods or services exempt from GST. b) Relating to entities falling under composition scheme. c) Relating to other registered entities. d) Total payment to registered entities.
3. Expenditure relating to entities not registered under GST.

Q & A



**Thank You**