

NEW TAX AUDIT REPORTS



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Chartered Accountants

12th August 2014

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LEGISLATION ON TAR

S. 44AB

- Business – exceeds 1 Crore
- Profession – exceeds 25 Lacs
- Business u/s 44AD; deemed profit < 8% and TI > ANCT
- Business u/s 44AE / 44BB / 44BBB; income is < deemed profits

Rule 6G

- Prescribing the Forms for Report u/s 44AB

Form 3CA

- Report in case of a person who is required to get his A/cs audited under any law

Form 3CB

- Report in any other case

Form 3CD

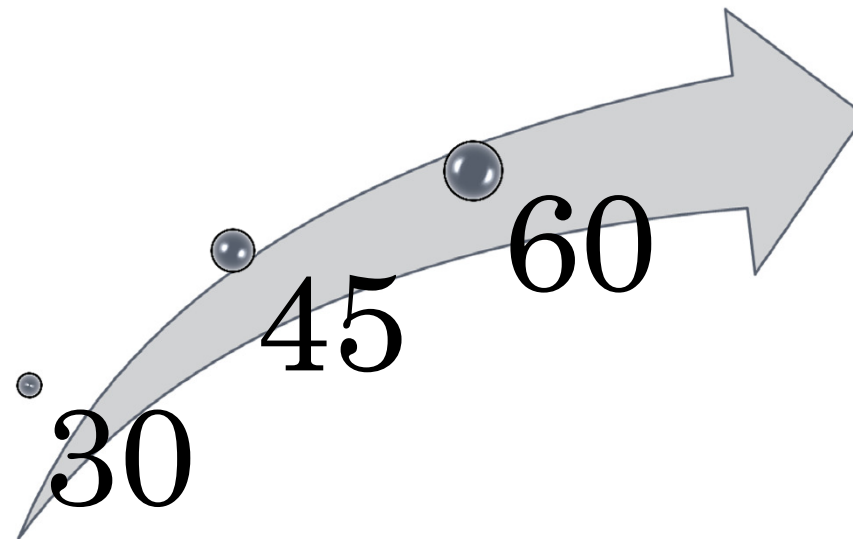
- Particulars as required u/F 3CA or 3CB

INTERNAL AUDITOR

- Earlier – Not if he was an employee of the assessee. If he was working in a professional capacity (not being an employee of assessee) - could have conducted tax audit.
- Now - Internal auditor of the assessee cannot conduct tax audit if he is internal auditor whether he is an employee of the assessee or not.
- Effective from 12-12-2008.




TAR CEILING



- ICAI clarified in 2011 that audit prescribed under any statute (like DVAT, 2004), not covered
- 44AD / 44AE audit not covered in limit



SUMMARY OF CHANGES

- **Form 3CA & Form 3CB amended**
 - **Form 3CD also amended**
 - **No annexures in Form 3CD now**
 - **Total 41 points as compared to 34 earlier**
 - **Part A – now 8 points earlier 6**
 - **Part B – now 33 points earlier 28**
 - **7 New clauses**
 - **More than 20 clauses amended / extended**
 - **Applicable w.e.f. 25.07.2014 even if report is to be filed for earlier AYs**
- 

FORM 3CA


- Reporting period amended from 31st March to ____.
- Examination of books by auditor included before giving opinion
- Opinion now to be given subject to observations / qualifications
- No opinion on Annexure
- Stamp / Seal of auditor required
- Name of signatory to be given
- To be signed by person eligible as per s. 44AB (earlier CA, auditor as per Companies Act, other person entitled to audit

FORM 3CB

- Same as Form 3CA except examination of books
- Reporting period amended from 31st March to ____.
- Opinion now to be given subject to observations / qualifications
- No opinion on Annexure
- Stamp / Seal of auditor required
- Name of signatory to be given
- To be signed by person eligible as per s. 44AB (earlier CA, auditor as per Companies Act, other person entitled to audit



FORM 3CD – NEW CLAUSES

- **4 – Indirect Tax Registration**
Nos to be given if liable to pay
i.e.,
 - **VAT,**
 - **Excise,**
 - **Service Tax,**
 - **Customs,**
 - **Others.**
- 

FORM 3CD – NEW CLAUSES

- **8 – relevant clause u/s 44AB under which audit is done to be given**
 - a) Business – exceeds Rs. 1 Cr.**
 - b) Profession – exceeds Rs. 25 Lacs**
 - c) Lower deemed profits u/s 44AE, 44BB, 44BBB**
 - d) Lower deemed profits u/s 44AD and income exceeds maximum amount not chargeable to tax**



APPLICABILITY OF 44AB ON MR. A

**Trading; Turnover – 40L; NP
– 1L; TI-1.5L**

• No

**Manufacturing; TO – 80L; NP
-3L; 80IA-2L; TI-3L**

• No

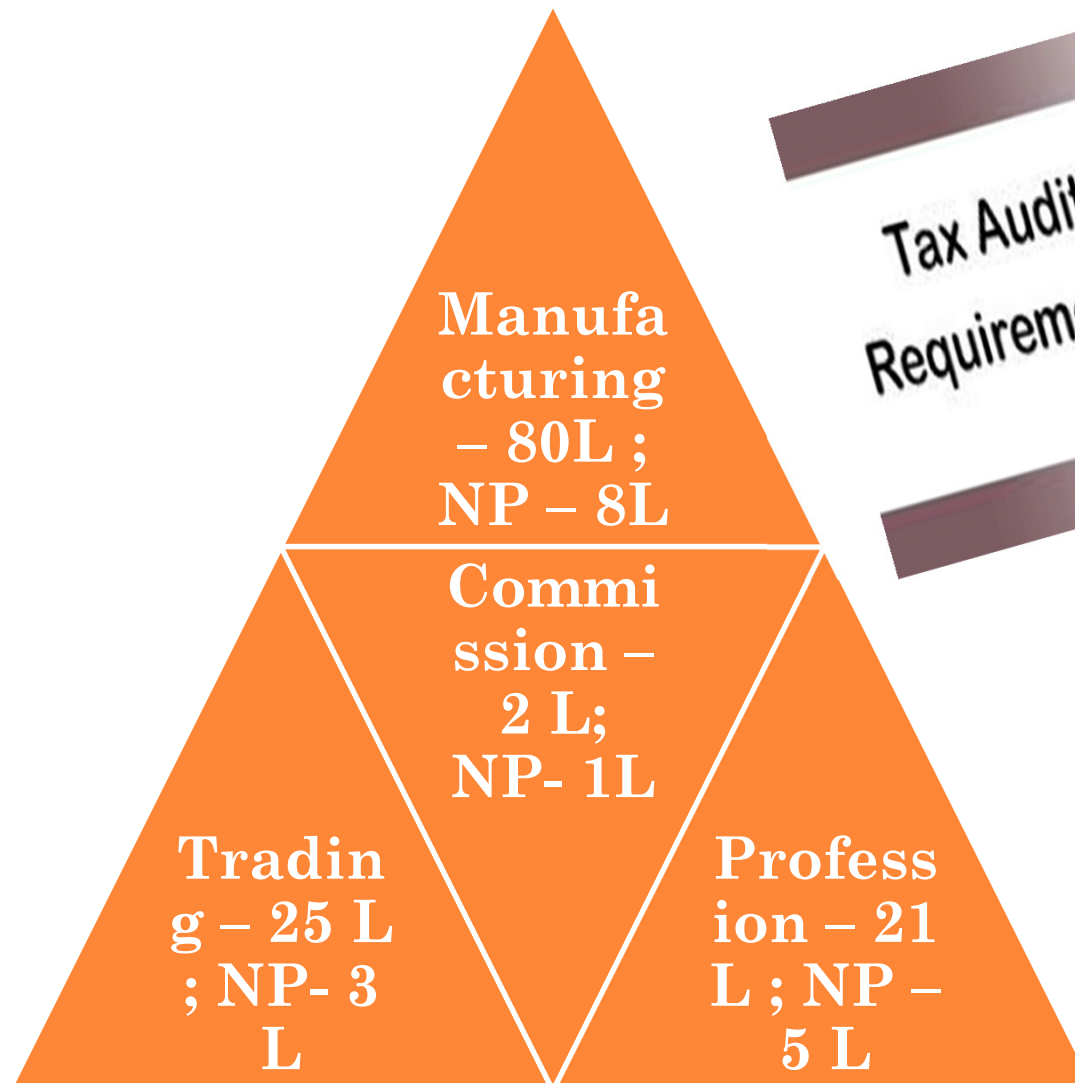
Commission - 40L; NP- 3 L

• No

**Trading; TO -60L;
Commission - 2L; NP- 3L**

• No

APPLICABILITY OF 44AB ON MR. A



Tax Audit
Requirements




FORM 3CD – NEW CLAUSES

- **17 – land or building or both transferred at less than the circle rate u/s 43CA or 50C. Detail to be given:**
 - Detail of property
 - Consideration received or accrued
 - Value adopted or assessed / assessable
- **28 – details of shares received without / inadequate consideration u/s 56(2)(vii)**
 - Is it for assessee?
 - Only for firm & company



FORM 3CD – NEW CLAUSES

- **29 – Details of consideration received in excess of fair value for issue of shares u/s 56(2)(viib) – only for co.**
 - **39 - Details, if any, of disqualification or disagreement on any matter / item / value / quantity as may be reported / identified by the auditor in audit under s. 72A – service tax**
 - **41 - Details of demand raised / refund issued under any tax laws other than IT & WT with relevant proceedings**
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FORM 3CD - AMENDMENTS

- 11(b) - Address of each location where books are kept to be given – HO / Branch
- 11 (c) - Apart from list of books [s. 2(1) (12A)] examined, **nature of relevant documents** examined also to be given
- 12 – To mention if PL also includes presumptive income under Chapter XII-G (shipping Business) or First Schedule (Insurance Business)



FORM 3CD - AMENDMENTS

- **13 (C) – detail for change in method of accounting to be given:**
 - **Particulars**
 - **Increase in profit**
 - **Decrease in profit**
- **14 (b) - detail for change in method of valuation of closing stock to be given:**
 - **Particulars**
 - **Increase in profit**
 - **Decrease in profit**



FORM 3CD - AMENDMENTS

- **18 (d)(i) & 27(a) – change of words from MODVAT to CENVAT**
- **19 – Amounts admissible. Details to be given:**
 - **Amounts debited to PL**
 - **Amounts admissible under IT provisions and also fulfils conditions**
 - **S. 32AC (investment in new Plant & Mach) added**
 - **S. 35AD(specified business) added**
 - **S. 35CCC (agricultural extension project) added**
 - **S. 35CCD (skill development project) added**

FORM 3CD - AMENDMENTS


- **19 – amounts admissible.**
 - **S. 33AC (reserve for shipping business) deleted**
 - **S. 35 (scientific research) bifurcated into –**
 - **35(1)(i) – revenue expenditure**
 - **35(1)(ii) – 175% of amount paid to University, etc**
 - **35(1)(ia) – 125% of amount paid to company...**
 - **35(1)(iii) – 125% of amount paid for research in social science or statistical research.....**
 - **35(1)(iv) – Capital expenditure**
 - **35(2AA) – 200% of sum paid to National Laboratory....**
 - **35(2AB) – Company in bio technology or Mfg..200%**



FORM 3CD - AMENDMENTS

- **20(b) – [old 16(b)] - contributions received from employees for all funds as referred to in s. 36(1)(va) covered.**

Details to be given as:

- **Nature of fund**
 - **Sum received from employees**
 - **Due date for payment**
 - **Actual amount paid**
 - **Actual date of payment to authorities**
- 

FORM 3CD - AMENDMENTS

- **21(a) – [old 17] - amounts debited to PL.
Details now in tabular form -**
 - **Particulars and Amount**
 - **Capital Exp**
 - **Advertisement of all kinds to be given??
Earlier political party only**
 - **Personal Exp., etc.**
 - **Club entrance fee & subscription not
required. Only expenditure incurred at clubs
being cost for club services and facilities
used to be given**




FORM 3CD - AMENDMENTS


- 21(b) – 40(a) bifurcated into (i), (ia), (ic), (iaa), (iib), (iii), (iv), (v). Other clause?? – (ii) - tax
 - 40(a)(i) - details of:
 - Payment on which **tax not deducted**
 - Payment on which **tax has been deducted but has not been paid** during P.Y. or in subsequent year before the expiry of time prescribed u/s 200(1)
 - Apart from date, amount and nature of payment, **name & address of payee** also to be given
 - Also amount of tax deducted (when deducted) also to be given



FORM 3CD - AMENDMENTS

- 21(b) – 40(a)(ia) - Details of:
 - Payment on which **tax not deducted**
 - Payment on which **tax has been deducted but has not been paid** on or before the due date specified in s. 139(1).
 - Apart from date, amount and nature of payment, name & address of **payer** also to be given
 - Also amount of tax deducted (when deducted) also to be given
 - Detail of amount deposited out of deducted also to be given
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FORM 3CD - AMENDMENTS

- **21(b) – 40(a)(ic) - FBT**
 - **21(b) – 40(a)(iia) - WT**
 - **21(b) – 40(a)(iib) – Royalty etc. to SG**
 - **21(b) – 40(a)(iii) – Salaries paid outside India or to Non- residents if tax not paid on it or not deducted u/C XVIIB – details to be given**
 - **21(b) – 40(a)(iv) – Payment to PF or other fund unless assessee has made effective arrangement for TDS if chargeable under head salaries**
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FORM 3CD - AMENDMENTS

- **21(b) – 40(a)(v) – Tax paid by employer u/s 10(10CC)**
- **21(b) – Disallowance u/s 40A(3)**
 - **No certificate required now**
 - **Detail to be given:**
 - **Date of payment**
 - **Nature of payment**
 - **Amount**
 - **Name & PAN (if available)**
- **40A(3A) also covered – same details**



FORM 3CD - AMENDMENTS

- **24 – (Old 19) – deemed profits – 32AC included**
- **31(c) – (old 24) – 269 SS/T- certificate no longer required**
- **32 (c) – (old 25) – carry forward losses - 3 sub clauses added**
 - c) Detail of speculation loss incurred - u/s 73**
 - d) Detail of losses in specified business u/s 73A**
 - e) Deemed speculation loss under explanation to s. 73**




FORM 3CD - AMENDMENTS

- **33 – (Old 26) – deductions u/c VIA**
 - Chapter III (S. 10A, 10AA) added
 - Detail – Section; Amounts admissible as per provision of IT Act and fulfils conditions, if any, specified under relevant provisions of IT Act and Rules or any other guidelines, circular, etc, issued in this behalf.
- **34 – (Old 27) – TDS – total revamped.**
 - TCS added
 - Complied status of chapter XVIIB not required to be commented upon
 - Full details of TDS / TCS required now



FORM 3CD - AMENDMENTS

- **34 – (Old 27) – (a) if required to deduct or collect tax as per provisions of Chapter XVIIB or XVIIBB furnish:**
 - 1. TAN**
 - 2. Section**
 - 3. Nature of payment or receipt**
 - 4. Total amount of payment or receipt specified in 3**
 - 5. Total amount on which tax was required to be deducted / collected under 4**
 - 6. Total amount on which tax was deducted / collected at **specified rate** out of 5**
- 

FORM 3CD - AMENDMENTS

- **34 (a) – (Old 27) – furnish:**
 - 7. Amount of tax deducted or collected out of 6**
 - 8. Amount on which tax was deducted / collected at less than specified rate out of 7**
 - 9. Amount of tax deducted or collected on 8**
 - 10. Amount of tax deducted or collected but not deposited out of 6 & 8**



TDS EXAMPLE

Section (2)	Nature of Payment (3)	Total amount of payme nt or receip t (4)	Total amoun t on which tax was requir ed to be deduct ed out of 4 (5)	Total amoun t on which tax was deduct ed / collect ed at specifi ed rate out of 5 (6)	Amou nt of tax deduct ed out of 6 (7)	Amou nt on which tax was deduct ed / collect ed at < than specifi ed rate out of 7 (8)	Amou nt of tax deduct ed or collect ed on 8 (9)	Amou nt of tax deduct ed or collect ed but not deposi ted out of 6 & 8 (10)
194 C	Tpt.	15 Cr	0	0	0	0	0	0
194 C	Contra ct	25 Lacs	15 Lacs	10 Lacs	10000	5 Lacs	5000	0
194A	Intt.OT S	5 Crs	6 Lacs	5 Lacs	50K	1 Lac	5000	0

FORM 3CD - AMENDMENTS

- 34 (b) – If TDS / TCS Statement **not furnished within prescribed time**, furnish:
 - TAN
 - Type of Form
 - Due date of furnishing
 - Date of furnishing, if furnished
 - Whether the TDS / TCS Statement contains information about all transactions which are required to be reported – Transporters???




FORM 3CD - AMENDMENTS

- **34 (c) – If liable to pay interest u/s 201(1A) / 206C(7), furnish:**
 - TAN
 - Interest payable u/s 201(1A)/206C(7)
 - Amount paid along with date of payment
- **36 – (Old 29) – 115-O- 2 more details:**
 - amount of reduction in s. 115-O(1A)(i) – dividend from subs – domestic or 115BBD
 - amount of reduction in s. 115-O(1A)(ii) – NPS 10(44)



FORM 3CD - AMENDMENTS

- **37 – (Old 30) – Cost Audit – not to attached report - details, of disqualification or disagreement on any matter / item / value / quantity as may be reported / identified by cost auditor**
 - **38 – (Old 31) – Excise Audit – not to attached report - details, of disqualification or disagreement on any matter / item / value / quantity as may be reported / identified by auditor**
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FORM 3CD - AMENDMENTS

- **41 – (Old 32) – Ratios**
 - Previous year information also to be given
 - Turnover also to be given now
 - Now details to be given??? No ratios??
 - Total turnover of the assessee
 - Gross profit / turnover
 - Net profit / turnover
 - Stock-in-trade / turnover
 - Material consumed / finished goods produced
 - *(The details to be furnished for principal items of goods traded or manufactured or services rendered)*







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