



# **Key Clauses of Tax Audit Report**

**Pune Branch of WICASA of ICAI**

Jointly with

**Ahmednagar, Amravati, Gandhidham, Ichalkaranji,  
Jamnagar, Pimpri-Chinchwad, Ratnagiri, Sangli, Solapur  
Branches (WICASA) and Bilaspur Branch (CICASA)**

**CA SHRAVAN SURATWALA**

# Discussion

- Importance and Purpose
- Applicability
- Books of accounts
- Key Changes for FY 2024-25 (AY 2025-26)
- Key Clauses
- Case Studies
- Q&A

# Importance and Purpose

- Verification and certification PGBP computation
- Verification and disclosure of key provisions of income tax act regarding SAAR and GAAR
- Verification and Certification of Books of Accounts
- ITR vs Tax Audit – Can be different, however issue while processing return u/s 143(1)
- Disclaimers and Notes – Very Important
- Due date – One month before 139(1) due date – 30 September **or** 30 October
- Penalty u/s 271B for not filing within prescribed time – 0.5% of turnover restricted to INR 1.5 lakh

# Importance and Purpose

- Form 3CA, 3CB, 3CE certify that the CA has verified that the information in Form 3CD is **TRUE and CORRECT**
- 3CA: For assesses which are audited under any Act (Companies Act, Society's act, Trust Act, LLP Act, etc.). Details of other Auditor and key disqualifications, observations to be mentioned.
- 3CB: For assesses which are Not audited under any Act. Therefore, CA here certifies that books accounts have been kept are **True And Fair**.
- 3CE: For non-resident assesses earning income in nature of FTS or royalty in relation to a 'Permanent Establishment' in India.
- 3CD: Detailed Disclosures
- Forms now digitally uploaded and signed by CA and approval from assesses' login using DSC. (Post adding CA)

**Always refer Tax Audit Guidance Note issued by ICAI**

# Applicability

1. Income from business –
  - a) Turnover exceeding INR 10 crore for relevant AY
  - b) Turnover between INR 1 crore and 10 crore in relevant AY if cash receipts AND cash payments are greater than 5% of total receipts and total payments
2. Income from Profession – Turnover exceeds 50 lakh for relevant AY
3. Profession u/s 44ADA if profits less than 50% declared and income is greater than minimum amount chargeable to tax in ANY previous year. 44ADA turnover limit is INR 75 lakh
4. Business covered u/s **44AD(4)** i.e. opted for 44AD in any preceding 5 years and now opting out and income is greater than minimum amount chargeable to tax in ANY previous year
  - 44AD(4) Assessee means where an assessee has declared 6%/8% profit as per 44AD in any year, he should do the same for next 5 years as well. In case assessee wants to opt out of the scheme before 5 years, no 44ADA for next 5 years.
5. Other Presumptive Taxation: 44AE – Goods and Carriages, 44BB – exploration of mineral oils or 44BBB – Civil construction or turnkey project

# Definitions

1. Business u/s 2(13) **includes** any trade, commerce, or manufacture or any adventure or concern in the nature of trade, commerce or manufacture. *Activity carried on continuously and systematically by a person by the application of his labour or skill with a view to earning an income.*
2. Profession u/s 2(36) – Profession **includes** vocation. *The expression "profession" involves the idea of an occupation requiring purely intellectual skill or manual skill controlled by the intellectual skill of the operator, as distinguished from an operation which is substantially the production or sale or arrangement for the production or sale of commodities.*
3. **Sales/ Turnover/ gross-receipts:** Not defined. GST, Companies Act and common business parlance. Following things can be excluded: Taxes, write-backs of liabilities, trade discounts, cash discounts, returns, sale proceeds from fixed assets, investments, rental income (unless business), share in profit, etc.

# 44AD Tax Audit applicability

| Particulars  | Turnover (INR)      | Tax Audit Applicability  |
|--|---------------------|--|
| The assessee <b>has opted</b> for Section 44AD in any of the last 5 years <b>but is not opting for the same in the current year.</b>         | upto 1 crore        | Yes, if income is more than the maximum amount not chargeable to tax [Section 44AB(e)] |
|  | upto 3 crore        | Yes, if income is more than the maximum amount not chargeable to tax [Section 44AB(e)] |
|  | 3 crore to 10 crore | Not applicable if cash transactions below 5%   |
|  | Above 10 crore      | Applicable   |
| The assessee <b>has not opted</b> for Section 44AD in any of the last 5 years and is <b>not opting for the same during the current year.</b> | Upto 10 crore       | Not applicable if cash transactions below 5%   |
|  | Above 10 crore      | Applicable   |

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# List of 44ADA professions

- Medical
- Engineering
- Architectural
- Accountancy
- Technical Consultancy
- Interior Decoration
- Authorised Representative
- Company Secretary
- Film Artist, actors, cameramen, editor, etc
- Information Technology
- Social Media Influencers?



# Applicability - Activity

| Activity             | Turnover  | Cash component | Profit  | Tax Audit Applicability |
|----------------------|-----------|----------------|---------|-------------------------|
| Business             | 1.4 crore | 7%             | 6 lakh  | Yes                     |
| Business             | 1.4 crore | 4%             | 6 lakh  | No                      |
| Business 44AD(4)     | 1.4 crore | 4%             | 6 lakh  | Yes                     |
| Business 44AD(4)     | 1.4 crore | 4%             | 10 lakh | Yes                     |
| Profession (non ADA) | 60 lakh   | 20%            | 20 lakh | Yes                     |
| Profession (ADA)     | 40 lakh   | 10%            | 10 lakh | Yes                     |
| Profession (ADA)     | 70 lakh   | 60%            | 25 lakh | Yes                     |
| Profession (ADA)     | 70 lakh   | 60%            | 40 lakh | No                      |
| Profession (ADA)     | 80 lakh   | 2%             | 50 lakh | Yes                     |

# Applicability - Activity

| Activity                                    | Turnover | Cash component | Profit          | Tax Audit Applicability                      |
|---|----------|----------------|-----------------|--|
| Profession                                  | 40 lakh  | 0%             | 10 lakh         | No   |
| Business not opted for 44AD in last 5 years | 2 crore  |                | Loss of 10 lakh |  |
| Profession (ADA)                            | 40 lakh  | 0%             | 10 lakh         | Yes  |
| Business                                    | 12 crore |                | Loss of 10 lakh |  |
| Profession (ADA)                            | 40 lakh  | 0%             | Loss of 10 lakh | No   |
| Business not opted for 44AD in last 5 years | 5 crore  |                | Loss of 10 lakh | (below minimum amount not chargeable to tax) |
| Profession                                  | 60 lakh  | 0%             | 10 lakh         | Yes  |
| Business not opted for 44AD in last 5 years | 5 crore  |                | Loss of 10 lakh |  |
| Salary income                               | 60 lakh  | 0%             |                 | No   |
| F&O   | 5 crore  |                | Loss of 10 lakh |  |

# 44AA – Books of Accounts

- Books of accounts have to be maintained if the income from business or profession exceeds INR 1.20 lakh **or** turnover/gross receipts exceeds INR 10 lakh in any of the 3 preceding years.
- For individual and HUF, limits are INR 2.50 lakh for income and INR 25 lakh for turnover
- 44ADA and 44AD assesseees need not maintain books of accounts if declaring income on presumptive basis.
- Specified books of accounts to be maintained by professionals covered under 44ADA

# 44AA r.w. rule 6F– Specified Books of Accounts

Specified professionals need to maintain books of accounts if income exceeds Rs. 1,50,000 in all of the 3 preceding years.

## **Books of Account to be maintained by specified professionals as per Rule 6F**

- Cash book:
- Journal according to double entry system of accounting.
- Ledgers
- Photocopied of bills or receipts issued by you which are more than INR 25 (serially numbered)
- Original bills of expenditure incurred by you which are more than INR 50

Following are the additional requirements in case of a person carrying on medical profession — physicians, surgeons, dentists, pathologists, radiologists, etc.

- Daily cash register with details of patients, services rendered, fees received and date of receipt
- Details of stock of drugs, medicines, and other consumables used

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# Books of accounts and AS for Non-corporate entity

- Mainly applicable for non-audit entities where books need to be prepared for tax-audit purposes.
- Guidance note on Financial Statements for non-corporate entities issued by ICAI to be followed which prescribes applicability of formats for financial statements and applicability of accounting standards.
- Applicability of Accounting standards depending on category:

| Level     | Turnover in preceding FY (INR) | Borrowings in preceding FY (INR) |
|-----------|--------------------------------|----------------------------------|
| 1 - Large | 250 cr +                       | 50 cr +                          |
| 2- MSME   | upto 250 cr                    | upto 50 cr                       |

# Books of accounts and AS for Non-corporate entity

| AS No. | Short Title                              | Companies |        | Non - Companies |        |
|--------|--|-----------|--------|-----------------|--------|
|        |  | Non-SMC   | SMC    | Large           | MSME   |
| 1      | Disclosure of Accounting Policies        | Y         | Y      | Y               | Y      |
| 2      | Valuation of Inventories                 | Y         | Y      | Y               | Y      |
| 3      | Cash Flow Statements                     | Y         | N/Y    | Y               | N      |
| 4      | Events after Balance Sheet date          | Y         | Y      | Y               | Y      |
| 5      | Prior Period Items & Changes in Policies | Y         | Y      | Y               | Y      |
| 6      | Depreciation (Omitted 30.3.16)           | NA        | NA     | NA              | NA     |
| 7      | Construction Contracts                   | Y         | Y      | Y               | Y      |
| 9      | Revenue Recognition                      | Y         | Y      | Y               | Y      |
| 10     | Property, Plant & Equipment              | Y         | Y      | Y               | Partly |
| 11     | Changes in Foreign Exchange Rates        | Y         | Y      | Y               | Partly |
| 12     | Accounting for Government Grants         | Y         | Y      | Y               | Y      |
| 13     | Accounting for Investments               | Y         | Y      | Y               | Y      |
| 14     | Accounting for Amalgamations             | Y         | Y      | Y               | N      |
| 15     | Employee Benefits                        | Y         | Partly | Y               | Partly |

# Books of accounts and AS for Non-corporate entity

| AS No. | Short Title                           | Companies  |        | Non - Companies |        |
|--------|---------------------------------------|------------|--------|-----------------|--------|
|        |                                       | Non-SMC    | SMC    | Large           | MSME   |
| 16     | Borrowing Cost                        | Y          | Y      | Y               | Y      |
| 17     | Segment Reporting                     | Y          | N      | Y               | N      |
| 18     | Related Party Disclosures*            | Y          | Y      | Y               | N*     |
| 19     | Leases                                | Y          | Partly | Y               | Partly |
| 20     | Earning Per Share                     | Y          | Partly | N               | N      |
| 21     | Consolidated Financial Statements     | N/Y        | N/Y    | (listed)        | N      |
| 22     | Accounting for Taxes on Income        | Y          | Y      | Y               | Partly |
| 23     | Accounting for Associates in CFS      | N/Y        | N/Y    | (listed)        | N      |
| 24     | Discontinuing Operations              | Y          | Y      | Y               | N      |
| 25     | Interim Financial Reporting           | Y (listed) | N**    | N**             | N      |
| 26     | Intangible Assets                     | Y          | Y      | Y               | Partly |
| 27     | Interest in Joint Ventures            | N/Y        | N/Y    | (listed)        | N      |
| 28     | Impairment of Assets*                 | Y          | Partly | Y               | N*     |
| 29     | Provisions, Contingent Liab. & Assets | Y          | Partly | Y               | Partly |

Partly: Certain clauses of particular AS not applicable / Conditions relaxed

\* - Subject to conditions

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# Changes in TAR FY 2024-25

1. Clause 8A – Disclosure of concessional tax regimes opted (115BA, 115BAA, 115BAB, **115BAC, 115BAD, 115BAE**)
2. Clause 12 – Reporting under Sec. 44BBC (Presumptive taxation for non-resident cruise operators)
3. Clause 19 – Outdated sections removed (32AC, 32AD, 35AC, 35CCB)
4. Clause 21 – Expenses disallowed u/s 37 (penalties, violations, etc.) to be specifically reported
5. Clause 22 & 26 – Enhanced disclosure of MSME dues & interest u/s 43B(h)
6. Clause 28 & 29 – Removed (already captured in ITR)
7. Clause 31/31A – Transaction-wise reporting of loans/deposits for 269SS/269T compliance : Mode of payment ; PAN of parties
8. Clause 36B – New reporting: deemed dividend from share buy-backs [Sec. 2(22)(f)]





# *Key Clauses*

# Clauses 1 to 5 of Form 3CD

| Clause No   | Particulars  |
|---|--|
| <b>Clause 1: Name of the assessee</b>                               | <ul style="list-style-type: none"><li>• Registered Name</li><li>• Name in case of proprietorship</li><li>• Change of Name</li></ul>  |
| <b>Clause 2: Address</b>  | <ul style="list-style-type: none"><li>• Address as per PAN, GST, Shop Act, Bank Details</li><li>• Corporate - address of registered office with address of principal place of business</li></ul>                     |
| <b>Clause 3: PAN or Aadhaar</b>                                     | <ul style="list-style-type: none"><li>• PAN or Aadhaar to be mentioned</li></ul>   |
| <b>Clause 4: Indirect Tax Registrations</b>                         | <ul style="list-style-type: none"><li>• List of <b>indirect taxes</b> applicable along with registration numbers</li><li>• Report if assessee is liable but not registered</li><li>• EPF, ESIC – required?</li></ul> |
| <b>Clause 5 : Status as per Income Tax – Not residential status</b> | <ul style="list-style-type: none"><li>• Individual, Trust, AOP, BOI, Company, Firms inlc. LLP</li><li>• Change of status – Latest status in case of conversion, etc.</li></ul>                                       |

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# Clauses 6 to 10 of Form 3CD

| Clause No  | Particulars  |
|--|--|
| <b>Clause 6, 7: PY and AY</b>  | <ul style="list-style-type: none"> <li>PY/AY for which audit being carried out.</li> <li>Start date of PY may not be 1 April in case of new business. 'Date of Set-up' concept as per proviso to Section 3.</li> </ul>   |
| <b>Clause 8</b><br><b>Clause of 44AB under which audit carried out</b><br><br><b>Clause 8A</b><br><b>Whether the assessee has opted for taxation u/s 115BA/ 115BAA/ 115BAB /115BAC/ 115BAD/ 115BAE</b> | <ul style="list-style-type: none"> <li>Relevant clause under section 44AB (a) to (e) to be disclosed</li> <li>Condition field also added for exceeding specified turnover threshold</li> <li>Companies / LLP where turnover exceeds 1 cr or 10 cr to select option "Third Proviso to section 44AB: Audited under any other law" as they are audited under Companies Act</li> <li>Taxation scheme to be selected</li> </ul> |
| <b>Clause 9</b><br><b>Names + Profit sharing ratio of firm / LLP &amp; AOP details</b>   | <ul style="list-style-type: none"> <li>Check latest agreements. Profit sharing ratios, list of partners</li> <li>Beneficial partner's details to be mentioned</li> <li>Change in PSR to be reported</li> <li>AOP – shares determinate or not – important as it decides tax rate for AOP</li> </ul>   |
| <b>Clause 10: Nature of business / profession and changes</b>  | <ul style="list-style-type: none"> <li>Report all business in case of multiple businesses</li> <li>Check if any changes, modifications</li> <li>Codes for business or profession for all main activities (principal line of each of the businesses) – <b>Code list</b></li> </ul>  |

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# Clauses 11 to 14 of Form 3CD

| Clause No  | Particulars   |
|--|---|
| <b>Clause 11<br/>Details of books of account</b>   | <ul style="list-style-type: none"> <li>• Should always be NO for companies as 44AA is for specified professionals as per Rule 6F</li> <li>• List of books of account / address at which maintained.</li> <li>• Maintained on computer system – Mention place where books are maintained – could be different from registered address</li> <li>• Books of account / documents examined to be mentioned</li> <li>• Eg. Bank Book, Cash book, Journal, Purchase register, Sales register, Fixed Asset register, Debit Note, Credit Note, Secretarial records, Stock Register.</li> </ul> |
| <b>Clause 12<br/>Presumptive profits<br/>44AD, 44ADA, 44AE,<br/>44AF, 44B, 44BB,<br/>44BBA, 44BBB,<br/>44BBC</b> | <ul style="list-style-type: none"> <li>• To disclose whether the profit and loss account includes any profits and gains assessable on presumptive basis</li> <li>• 3 situations – combined books, separate books, no books for presumptive business</li> <li>• Tax auditor to verify allocation of expenses, etc.</li> <li>• 44ADA added from FY 2024-25</li> </ul>   |
| <b>Clause 13 and 14:<br/>Method of accounting and ICDS</b>   | <ul style="list-style-type: none"> <li>• Income Computation and Disclosure Standards (ICDS) – Accounting standards for Tax. Applicable to PGBP, IOS income and books maintained on mercantile system of accounting</li> </ul>   |

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# Clauses 13 and 14 of Form 3CD: Method of Accounting

- Method of accounting employed by assessee (Section 145)
- Whether any change in method of accounting. If yes, details of changes made to be provided
- Whether any adjustment on account of ICDS – both positive and negative
- Disclosure of accounting policies as per ICDS. List of ICDS is as under:

|   |   |
|---|---|
| <b>ICDS 1: Accounting Policies</b>      | <b>ICDS 6: Effects of Foreign Exchange Rates</b>            |
| <b>ICDS 2: Valuation of inventories</b> | <b>ICDS 7: Government Grants</b>                            |
| ICDS 3: Construction Contracts          | ICDS 8: Securities  |
| <b>ICDS 4: Revenue recognition</b>      | <b>ICDS 9: Borrowing costs</b>                              |
| ICDS 5: Fixed Assets                    | <b>ICDS 10: Provisions/ Contingent assets / liabilities</b> |

# Clauses 13 and 14 of Form 3CD: Method of Accounting

- Key Changes of ICDS vs I-GAAP:
  - Concept of Prudence is absent
  - Computing POCM for service industry
  - Closing stock valuation ( section 145A)
  - MTM losses not allowed on forward contracts unless underlying asset/liability available
  - Concept of qualifying asset for borrowing costs (general borrowing)
  - Provisions should be 'certain'
  - Government grants includes export incentives and duty drawbacks
- Clause 14: method of valuation of closing stock
- Section 145A: Income Tax and ICDS requires closing stock to be valued inclusive all costs, taxes, etc. (i.e. inclusive method) as against AS-2 which says exclusive method maybe followed. Even though net impact is zero, difference in stock valuation to be reported under 145A (Clause 14 of TAR)

# Clauses 15,16,17 of Form 3CD

| Clause No  | Particulars   |
|--|---|
| <b>Clause 15</b><br><b>Conversion of capital asset to stock in trade</b>     | <ul style="list-style-type: none"> <li>• Description, Date and Cost of acquisition, Amount at which asset converted to stock in trade to be reported</li> <li>• Check for capital gains provisions 45(2) – Taxable in the year in which stock is sold</li> </ul>  |
| <b>Clause 16</b><br><b>Amounts not credited to P&amp;L being</b>             | <ul style="list-style-type: none"> <li>• Items falling within scope of section 28 – perquisites, non-monetary benefits, etc. –(possible – 143(1) mis-match)</li> <li>• Proforma credits, drawbacks, refund of customs duty / excise / service tax, / sales tax / value added tax admitted by authority</li> <li>• Escalation claims</li> <li>• Any other item of income (business income – not covered under other sources of income)</li> <li>• Capital receipt - subsidy / grant / compensation / insurance claim / P&amp;L on sale of assets not credited to P&amp;L etc. Does not include loans taken.</li> </ul> |
| <b>Clause 17</b><br><b>Transfer of land / building transferred below SDV</b> | To be reported when sale consideration of immovable property sold (Stock 43CA or Capital asset 50C) is less than Stamp duty value adopted, assessed or assessable.  |

# Clauses 18 of Form 3CD

| Clause No  | Particulars   |
|--|---|
| <b>Clause 18</b><br><b>Depreciation per Income Tax Act</b> | <ul style="list-style-type: none"><li>• Block, Opening WDV, Additions, Deletions, Put-to use date, adjustments on account of <b>forex (Section 43A)</b>, subsidies, CENVAT.</li><li>• All additions and deletions to be reported block wise line item wise</li><li>• Adjustment on account of borrowing cost to be reported directly in cost of acquisition</li></ul> |

- Check opening balance from preceding year **ITR** and not Tax Audit.
- Reconcile additions as per books vs additions in tax audit
- Deletion reco: Sale price (in deletions) - Gross block – accumulated depreciation should be equal to net profit/loss reported in books
- Put to use vs ready to use. Check assets capitalized towards end of 180 days and 360 days
- Check 'repairs and maintenance' ledgers
- Borrowing cost has to be entered in cost of acquisition.
- PY Additional depreciation check for companies under old regime

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# Clauses 19 of Form 3CD

| Clause No  | Particulars  |
|--|--|
| <b>Clause 19 - Deductions under sections 32AC to 35E</b> | <ul style="list-style-type: none"><li>• Deduction 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 35E to be reported</li><li>• Key Items:<ul style="list-style-type: none"><li>• Preliminary expenses</li><li>• Restructuring expenses</li><li>• Scientific research expenses</li><li>• Accelerated depreciation</li><li>• Tea, coffee, rubber industry</li><li>• Shipping business</li><li>• Development or rehabilitation allowance</li></ul></li><li>• Check amount debited to P&amp;L in respect of such expenditures and allowance to be taken.</li><li>• Obtain separate audit report where claim is based on separate report as per sections</li></ul> |

# Clauses 20 of Form 3CD

| Clause No  | Particulars   |
|--|---|
| <p><b>Clause 20</b></p> <p>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<br/><b>(Section 36(1)(ii))</b></p> <p>Details of contributions to EPF, ESIC, any other Fund within due date<br/><b>(Section 36(1)(va))</b></p> | <ul style="list-style-type: none"><li>• Paying profits as bonus / commission instead of dividend not a permissible expenditure.</li><li>• Contracts of employees can be examined</li><li>• Review ledgers of bonus and commission</li><li>• Contributions <b>collected</b> from employees i.e. employees' contribution to PF, ESIC, MLWF, etc. and paid to the government / funds/ authority need to be reported here.</li><li>• Check applicable due dates and collect payments proofs</li><li>• Supreme Court in the case of Checkmate services has held that single day delay could lead to disallowance of entire amount of contribution collected from employee. Return filing due date not relevant.</li><li>• Amounts outstanding can be verified from liability side 'Statutory dues payable' or provisions</li></ul> |

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# Clauses 21 of Form 3CD

| Clause No   | Particulars  |
|---|--|
| <p><b>Clause 21(a)</b></p> <p>Please furnish the details of amounts debited to the profit and loss account, Being in the nature of capital, personal, advertisement expenditure etc.</p> <p>(mostly for compliance of section 37)</p> | <ul style="list-style-type: none"> <li>• Capital expenditure,</li> <li>• Personal expenditure,</li> <li>• Advertisement in publication by political party,</li> <li>• Club entrance fee / subscriptions / use of club facilities</li> <li>• Expense for any purpose which is an Offense prohibited by law in India / outside India, benefit</li> <li>• Penalty / fine for violation of law</li> <li>• Expenditure on compounding of any offence in India or outside India</li> <li>• 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</li> </ul> <p><b>Scrutiny of P&amp;L:</b> Rates and taxes, misc expenses, repairs and maintenance, FOREX on capital items 43CA, loss on sale of FA, sales and marketing, business promotion expense, travelling, lodging, boarding expenses.</p> <p>07/09/2025</p> |

# Clauses 21 of Form 3CD

| Clause No  | Particulars   |
|--|---|
| <b>Clause 21(a)</b><br><br>Please furnish the details of amounts debited to the profit and loss account, Being in the nature of capital, personal, advertisement expenditure etc.<br><br>(mostly for compliance of section 37) | <b><u>Examples:</u></b><br><br><b><u>Disallowable</u></b><br>Fixed Assets below 5K debited to P&L – need to capitalize<br>Software expenses debited to P&L<br>GST Penalty<br>Compounding by RBI<br>Realised + unrealized Foreign exchange loss<br>Travelling expenses of family<br>Donations<br>Commissions, Trips, perquisites given to certain professions<br><br><b><u>Only reporting purpose</u></b><br>Club membership and facility use<br>Advertisement in political brochure, etc. |

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# Clauses 21(a) and 18 of Form 3CD

## Example of realized and Unrealised foreign exchange gain / loss for fixed assets

Check whether there are any import creditors for capital goods. This is an indicator of unrealised forex.

| Date       | USD  | INR | Amount  | FOREX       |
|------------|------|-----|---------|-------------|
| 20-01-2025 | 1500 | 80  | 120,000 |             |
| 31-03-2025 | 1500 | 82  | 123,000 | 3000        |
| 10-04-2025 | 1500 | 85  | 127,500 | 4500        |
|            |      |     |         | <b>7500</b> |

# Clauses 21 of Form 3CD

| Clause No  | Particulars  |
|--|--|
| <p><b>Clause 21(b)</b></p> <p>(b). Amounts inadmissible under section 40(a);</p> <p>Non-deduction, short deduction, non-payment, short-payment of TDS on expenditure – residents (30% disallowance and non-resident 100% disallowance)</p> <p>+ <b>Equilisation Levy</b> : applicable on payment of digital advertising services to non-residents</p> <p>+ <b>Amount of Income Tax, wealth tax, FBT., etc.</b></p> | <ul style="list-style-type: none"> <li>• Date, Name, PAN, Aadhaar, Address, Nature of transaction, Amount.</li> <li>• Separate reporting for Tax not deducted and Tax deducted but not paid. Difference is important as no disallowance where tax is deducted in FY but paid before filing of tax return.</li> <li>• This clause does not have details of 'allowance' i.e amounts disallowed in earlier years under this section, but TDS compliance done in current year and hence, allowable.</li> <li>• TDS on salary (monetary perquisite) to resident is not covered under section 40(a)(i)/(ia). Also check whether CA certificate u/s 201 has been obtained.</li> <li>• Align with Clause 34 reporting in TAR</li> </ul> <p>Check: Sample basis check for TDS, Reco of TDS liability as per books and TDS returns, TDS Defaults on TRACES, LDC copies, foreign advertising payments,</p> <p style="text-align: right;">07/09/2025</p> |

# Clauses 21(b) Examples

- Examples

| Date of expense | Date of TDS deduction | Date of TDS payment | Return due date | Year of allowance |
|-----------------|-----------------------|---------------------|-----------------|-------------------|
| 20-03-2025      | 20-03-2025            | 30-04-2025          | 30-10-2025      | 2024-25           |
| 20-03-2025      | 31-03-2025            | 30-06-2025          | 30-10-2025      | 2024-25           |
| 20-03-2025      | 31-03-2025            | 12-12-2025          | 30-10-2025      | 2025-26           |
| 20-03-2025      | 10-04-2025            | 30-04-2025          | 30-10-2025      | 2025-26           |

- TDS on Advance cases not impacted as there is no expense to disallow
- Proportionate disallowance in case of partial deduction / payment

# Clauses 21 of Form 3CD

| Clause No   | Particulars   |
|---|---|
| <p><b>Clause 21(c)</b><br/>Amounts debited to profit and loss account being, interest, salary, bonus, commission or remuneration <b>inadmissible</b> under section 40(b)/40(ba) <b>and</b> computation thereof;</p> <p><b>Clause 21(d)</b><br/>Cash payment exceeding INR 10,000 / INR 35,000 as per 40A(3) / 40A(3A) rwr 6DD</p> | <ul style="list-style-type: none"> <li>Amount of expenses to be authorized by partnership deed</li> <li>Bonus, commission, salary to non-working partner</li> <li>Disallowable interest to partner above 12%</li> <li>Salary to partner as per 40(b) – First 6 lakh of book profit /loss– 3 lakh to 90% , post that 60% of book profit</li> <li>40(ba): Amounts paid to member of AOP/BOI</li> </ul> <hr/> <ul style="list-style-type: none"> <li>Verify cash ledger for such payments – includes purchase of fixed asset</li> <li>Combine entries for same day same vendor ; or same transaction / invoice</li> <li>Verify reimbursements cases</li> <li>Details of name, address, purpose date, amounts to be disclosed, PAN, Aadhaar</li> <li>Key Rule 6DD items: <ul style="list-style-type: none"> <li>Banks, LIC, Agri-society, Government</li> <li>Forest / Agri produce, Animal husbandry, fish, etc</li> <li>Producer of cottage industry (without power)</li> <li>Village, town not served by banks</li> <li>Money exchanger or dealer in forex business</li> <li>Post TDS Salary where employee is posted elsewhere 15 days/ ship where account cannot be maintained</li> <li>Post employment benefit 50K</li> </ul> </li> </ul> |



# Clauses 21 of Form 3CD

| Clause No   | Particulars  |
|---|--|
| <b>Clause 21(e)</b> Provision for gratuity 40A(7)   | <ul style="list-style-type: none"> <li>Gross amount of provision for gratuity to be reported here where the assessee does not contribute to approved gratuity fund or for fixed gratuity liability</li> <li>40A(7) vs 43B reporting</li> </ul> |
| <b>Clause 21(f)</b> Any sum paid by the assessee as an employer not allowable under section 40A(9); | <ul style="list-style-type: none"> <li>Any expense or contribution to any entity other than those referred to in section 36(1) – approved funds</li> <li>Check deduction and contributions to entities on behalf of employee</li> </ul>        |
| <b>Clause 21(g)</b> Particulars of any liability of a contingent nature;                            | <ul style="list-style-type: none"> <li>Any contingent liability or provision debited to P&amp;L</li> </ul>   |
| <b>Clause 21(h)</b> 14A Disallowance amount   | <ul style="list-style-type: none"> <li>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;</li> </ul>                          |
| <b>Clause 21(i)</b> Interest on capital account debited to P&L                                      | <ul style="list-style-type: none"> <li>Amount inadmissible under the proviso to section 36(1)(iii) i.e. interest on capital borrowed for procuring assets. Capitalise interest till date of put to use and add to cost of asset.</li> </ul>    |

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# Clauses 22 of Form 3CD

| Clause No   | Particulars  |
|---|--|
| <b>Clause 22:</b><br><b>MSME Disclosures</b><br><br>(a) MSME Interest<br><br>(b) Any other amount not allowable under clause (h) of section 43B of the Income-tax Act, 1961 | <ul style="list-style-type: none"> <li>MSME Interest debited to P&amp;L not allowed as tax expense.</li> <li>SME creditors not paid within 15/45 days as per MSME act rules to be disallowed. The allowance can be taken in year of payment. <b>Extended time till return filing not allowed for this 43B item</b></li> <li>Tax Audit schema 2024-25 now has added field to report allowance of amounts disallowed in previous year.</li> <li>Amount of disallowance – to include GST, TDS ? Or to take amount to expense debited to P&amp;L ?</li> </ul><br>Invoice gross : 100 (P&L Dr)<br>GST : 18 (ITC)<br><b>Total: 118</b><br>TDS: 10<br>Net O/S : 108 |

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# MSME 43B(h) points

- Reversal of interest allowable as original interest was disallowed?
- For 43B(h) – Small and micro category vendors covered. Capital creditors covered?
- Check payment date for amounts previously disallowed.
- Enterprise includes service providers, producers and manufacturers. Traders excluded. No written agreement, credit period is 15 days as per MSME rules
- Updated MSME limits:

| Types of Enterprises      | Changes in Investment Limit | Changes in Turnover Limit    |
|---------------------------|-----------------------------|------------------------------|
| <b>Micro Enterprises</b>  | Rs 1 crore to Rs 2.5 crore  | Rs 5 crore to Rs 10 crore    |
| <b>Small Enterprises</b>  | Rs 10 crore to Rs 25 crore  | Rs 50 crore to Rs 100 crore  |
| <b>Medium Enterprises</b> | Rs 50 crore to Rs 125 crore | Rs 250 crore to Rs 500 crore |

- Format for data requirement:

| Name of Creditor / payables | Nature of transaction | UDYAM/MSME registration number | Type of creditor (Micro/ Small/ Medium) | Type of activity of vendor | Credit period as per agreement with vendor (Mention NA if no credit period agreed in writing) | Total Amount outstanding as on 31 March 2025 as per books | Outstanding Amount in relation to FY 24-25 expense + Bill booking date of such o/s invoice | Amount of payments (actual transfer) made post 31 March 2025 + Date of payment |
|-----------------------------|-----------------------|--------------------------------|---|----------------------------|---|---|--|--|
|-----------------------------|-----------------------|--------------------------------|---|----------------------------|---|---|--|--|

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# MSME 43B(h) points

- Examples:

| Date of invoice | Payment terms | Due date as per Agreement | Due date as per MSME Act | Payment date  | Deduction allowed in FY |
|-----------------|---------------|---------------------------|--------------------------|---------------|-------------------------|
| 01 Feb 2024     | 30 days       | 02 March 2024             | 02 March 2024            | 02 April 2024 | FY 2024-25              |
| 01 Feb 2024     | 60 days       | 02 April 2024             | 17 March 2024            | 02 April 2024 | FY 2024-25              |
| 01 Feb 2024     | 60 days       | 02 April 2024             | 17 March 2024            | 30 March 2024 | FY 2023-24              |
| 01 March 2024   | NA            | NA                        | 15 March 2024            | 02 April 2024 | FY 2024-25              |
| 20 March 2024   | NA            | NA                        | 04 April 2024            | 05 April 2024 | FY 2024-25              |
| 20 March 2024   | NA            | NA                        | 04 April 2024            | 04 April 2024 | FY 2023-24              |

# Clauses 23, 24, 25 of Form 3CD

| Clause No  | Particulars  |
|--|--|
| <b>Clause 23</b><br><b>Related party payments</b>                | <ul style="list-style-type: none"><li>• Parties covered in 40A(2)(b)</li><li>• Verify FS, RPT schedule and list of related parties and transactions with them</li><li>• Only Payments/expenditure to be reported. Repayment of loan not required to be reported</li><li>• Check TDS reporting foreign company tax compliance</li></ul> |
| <b>Clause 24</b><br><b>Deemed income under specified section</b> | <ul style="list-style-type: none"><li>• Amounts deemed to be profits and gains under section 32AC or 32AD or 33AB or 33AC or 33ABA. (tea, coffee, minerals, accelerated depreciation)</li><li>• Deemed income if conditions are violated</li></ul>   |
| <b>Clause 25</b><br><b>Profits chargeable u/s 41</b>             | <ul style="list-style-type: none"><li>• Recovery or write-back of loss, expenditure or trading liability, where allowance or deduction was taken earlier.</li><li>• To be reported irrespective of whether credited to P&amp;L or not</li><li>• Nature, particulars and amount to be mentioned</li></ul>                               |

# Clauses 26 of Form 3CD

| Clause No   | Particulars   |
|---|---|
| <b>Clause 26: 43B Payments</b> <ul style="list-style-type: none"> <li>Tax, Duty, Cess of Fees under any law</li> <li>EPF, Gratuity Fund, SA Fund</li> <li>Leave encashment</li> <li>Bonus or commission 36(1)(ii)</li> <li>Interest on loan or borrowing to PFI, NBFC, Bank, Agri Co-op</li> <li>Indian Railways, SME payments</li> </ul> | <ul style="list-style-type: none"> <li>Such expenses allowed only if actually paid (not on accrual)</li> <li>TDS liability, interest, fee not to be included here</li> <li>Reporting split in               <ul style="list-style-type: none"> <li><b>Pre-Existed Liability:</b> Paid and unpaid during the year</li> <li><b>Current Year Outstanding liability:</b> Paid before return filing and unpaid</li> </ul> </li> <li>Pre-existed liability to be verified from previous year's <b>ITR</b> (and not Tax Audit Report)</li> <li>Additional time limit of payment till return filing for current year liability (except 43B(h))</li> <li>Check Statutory Dues payable, Provisions, Employee dues payables, Trade Payables, Other Current Liabilities</li> <li>GST Payable to be reported?</li> <li>Interest converted to loan – not considered as repayment</li> <li>Liability written off – Check reporting under section 41</li> </ul> |

# Clauses 26 of Form 3CD

## ● Example

|               |                         |                        |                 |
|---------------|-------------------------|------------------------|-----------------|
| Due date      | 30-10-2025              |                        |                 |
| <b>Year 1</b> | <b>01-04-2024</b>       | <b>Opening Balance</b> | <b>-</b>        |
|               | 01-09-2024              | Provision              | 2,50,000        |
|               | 01-01-2025              | Payment                | 80,000          |
|               | 31-03-2025              | Reversal               | 20,000          |
| <b>Year 2</b> | <b>31-03-2025</b>       | <b>Balance</b>         | <b>1,50,000</b> |
|               | 15-09-2025              | Payment                | 60,000          |
|               | 20-09-2025              | Reversal               | 10,000          |
|               | 30-01-2026              | Provision              | 3,00,000        |
|               | <b>31-03-2026</b>       | <b>Closing balance</b> | <b>3,80,000</b> |
|               |                         |                        |                 |
|               | <b>43B Reporting</b>    |                        |                 |
|               | <b>Pre-existed</b>      | <b>Year 1</b>          | <b>Year 2</b>   |
|               | Paid                    | 0                      | 10,000          |
|               | Unpaid                  | 0                      | 80,000          |
|               |                         |                        |                 |
|               | <b>Current Year O/S</b> |                        |                 |
|               | Paid                    | 60,000                 | 0               |
|               | unpaid                  | 90,000                 | 3,00,000        |

# Clauses 27 to 30 of Form 3CD

| Clause No  | Particulars   |
|--|---|
| <b>Clause 27 CENVAT Credit &amp; Prior Period Items</b>  | <ul style="list-style-type: none"> <li>• GST credit: Opening, Availled, Utilised, Closing reporting. Reconcile with books of accounts</li> <li>• Prior period items to be reported as per Financial Statements</li> </ul>   |
| <b>Clause 28 56(2)(viia)</b><br><b>OMITTED</b><br><br><b>Clause 29</b><br><b>Other income under</b><br><b>56(2)(vvib) - NOW OMITTED</b><br><br><b>Clause 29A and 29B</b><br><b>56(2)(ix) – Sum forfeited</b><br><b>and 56(2)(x) – inadequate</b><br><b>consideration</b> | <ul style="list-style-type: none"> <li>• The assessee has received any property, being share of a company not being a company in which the public are substantially interested, without consideration or for inadequate consideration as referred to in section 56(2)(viia)</li> <li>• Income chargeable under the head 'income from other sources' as referred to in section 56(2)(ix) and 56(2)(x)<br/> <i>Person name, asset type, PAN, FMV, consideration, Company details.</i> </li> </ul> |
| <b>Clause 30</b><br><b>Hundi Borrowing (similar to bill of exchange) Section 69D</b>   | <ul style="list-style-type: none"> <li>• Details of any amount borrowed on hundi or any amount due thereon (including interest on the amount borrowed) repaid, otherwise than through an account payee cheque.</li> <li>• Such amounts considered as income of assessee</li> </ul>  |

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# Clauses 30A, B, C of Form 3CD

| Clause No  | Particulars   |
|--|---|
| <b>Clause 30A</b><br>Primary adjustment to transfer price, as referred to in sub-section (1) of section 92CE   | <ul style="list-style-type: none"> <li>Primary adjustment simply means adjustment made on account of TP provisions to align with the ALP of the transaction.</li> <li>If applicable, details of such adjustment and recovery of such amounts from AE has to be disclosed</li> </ul>   |
| <b>Clause 30B</b><br>Assessee has incurred expenditure during the previous year by way of interest or of similar nature exceeding one crore rupees as referred to in section 94B | <ul style="list-style-type: none"> <li>Thin capitalization rules u/s 94B where interest payable to AE is more than INR 1 crore. Tax deduction restricted to interest upto 30% of EBITDA for that FY. Balance interest can be carried forward to future years (8 years).</li> <li>Details of interest paid, lender, EBITDA, etc. to be provided</li> </ul> |
| <b>Clause 30C</b><br>Impermissible avoidance arrangement under section 96  | <ul style="list-style-type: none"> <li>Arrangement where main purpose is to avoid tax, lacks substance, carried out by means which are not ordinarily employed for Bonafide purposes.</li> </ul>  |

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# Clauses 31, 32 of Form 3CD

| Clause No  | Particulars  |
|--|--|
| <b>Clause 31</b><br>Loans, deposits, specified sum accepted and repaid otherwise than by account payee cheque or electronic mode u/s 269SS, 269ST and 269T | <ul style="list-style-type: none"> <li>• Deposit / Loan accepted more than INR 20,000 aggregate (S. 269SS)</li> <li>• Receipt from a person in a day or in respect of a single transaction or in respect of transactions relating to one event or occasion more than INR 2,00,000 (S. 269ST)</li> <li>• Payment exceeding Rs 2,00,000 in a day or in respect of a single transaction or in respect of transactions relating to one event or occasion more than INR 2,00,000 (S. 269ST)</li> <li>• Repayment of Deposit / Loan / advance for immovable property more than INR 20,000 aggregate (S. 269T)</li> <li>• Name, PAN, Address, loan details, Maximum amount outstanding to be reported for 269SS / 269T.</li> <li>• Does not include loan from gov institutions and banks</li> </ul> |
| <b>Clause 32</b><br>Details of brought forward loss or depreciation allowance  | <ul style="list-style-type: none"> <li>• Losses and depreciation only to the extent AVAILABLE to be reported. Check assessment order, 143(1), etc.</li> <li>• Change in shareholding or conversion for eligibility to carry forward losses u/s 79</li> <li>• Adjustment on account of change in regime to be reported</li> <li>• Details of speculation loss to be reported</li> </ul>   |

# Clauses 33, 34, 35 of Form 3CD

| Clause No   | Particulars  |
|---|--|
| <b>Clause 33 - Deduction under Chapter VI-A</b>                       | <ul style="list-style-type: none"> <li>Section wise deductions under Chapter VIA to be reported</li> <li>Details of CA certificates required to claim deduction also need to be taken on record. For eg. 80JJAA. Donations, etc.</li> </ul>  |
| <b>Clause 34 - Details of tax Deducted and Collected at Source</b>    | <ul style="list-style-type: none"> <li>Section wise details of TDS and TCS along with gross amount and TDS and TCS amount</li> <li>Usually, this is summary of TDS return filed</li> <li>Probable mis-match between P&amp;L heads and return summary and hence, re-conciliation is recommended</li> <li>Reconciliation with Clause 21 in relation section 40(a)/(ia). Amounts on which TDS not done should be reflected in column 8 or 10.</li> <li>TDS / TCS filing dates to be reported along with TAN and filing dates</li> <li>Details of interest paid for TDS to be reported date wise.</li> </ul> |
| <b>Clause 35 – Quantitative details of Traded goods and RM and FG</b> | <ul style="list-style-type: none"> <li>Give quantitative details of principal items of goods traded, manufactured and produced.</li> <li>Opening, purchase, production, consumption, sale, shortage, excess, yield, etc.</li> <li>Report in case entire information not provided. Verify with financial statements for corporate entities.</li> </ul>  |

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# Clauses 36 to 41 of Form 3CD

| Clause No   | Particulars   |
|---|---|
| <b>Clause 36 – DDT</b>                                  | <ul style="list-style-type: none"> <li>Not applicable from 2021</li> </ul>  |
| <b>Clause 36A - Deemed Dividend 2(22)(e)</b>            | <ul style="list-style-type: none"> <li><b>Receipt</b> in nature of deemed dividend u/s to S. 2(22)(e)</li> <li>Loan, advance by a shareholder &gt;10% or related concern</li> </ul>   |
| <b>Clause 36B – Buy Back of Shares – 2(22)(f) (New)</b> | <ul style="list-style-type: none"> <li>Amount received on account of buy-back and CoA of the same</li> </ul>  |
| <b>Clause 37, 38, 39 – Audits</b>                       | <ul style="list-style-type: none"> <li>Details of Cost Audit, Excise Audit, Service Tax Audit conducted to me mentioned</li> </ul>  |
| <b>Clause 40 Accounting ratios</b>                      | <ul style="list-style-type: none"> <li>Turnover / GP Ratio / NP Ratio / Stock in Trade - Turnover / Material consumed - Finished goods produced</li> <li>No need to report PY figures if PY not audited u/s 44AB</li> <li>Figures to be taken from financial statement for calculation of ratios</li> <li>GP and NP based on PBT</li> <li>Consider direct expenses, consumption details for calculation which are available on face of the FS for ease of tracking</li> </ul> |
| <b>Clause 41 Demands / refunds under other laws</b>     | <ul style="list-style-type: none"> <li>Demands / refunds under other laws viz GST, Excise, etc. (all years ) to be reported which were received in that year including adjustment of refunds.</li> <li>Income Tax related not to be reported</li> </ul>   |

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# Clauses 42, 43, 44 of Form 3CD

| Clause No   | Particulars   |
|---|---|
| <b>Clause 42 - Form 61, 61A, 61B</b>  | <p>Report details of following forms and whether forms filed within due dates:</p> <ul style="list-style-type: none"><li>• Form 61 - Details of Form 60 received (No PAN cases)</li><li>• Form 61A - Specified Financial Transactions (equity shares issue, debenture issue, buyback, Cash sale, Dividend)</li><li>• Form 61B - Reportable accounts under FATCA</li></ul> |
| <b>Clause 43 - Country by country reporting</b>                             | <ul style="list-style-type: none"><li>• Refer Section 286 of Income Tax Act 1961</li><li>• CBC Reporting includes filing of Forms 3CEAA, 3CEAD, etc. depending upon transactions and global turnover threshold (INR 6400 crores)</li><li>• Whether filed or not either by parent entity or by constituent entity in India needs to be reported</li></ul>                  |
| <b>Clause 44 - Breakup of expenditure - GST registered and unregistered</b> | <ul style="list-style-type: none"><li>• As per prescribed format in next slide</li></ul>  |

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

| Sl. No. | Total amount of Expenditure incurred during the year | Expenditure in respect of entities registered under GST |   |                                       |                                      | Expenditure relating to entities not registered under GST |
|---------|--|---|---|---------------------------------------|--------------------------------------|---|
|         |  | Relating to goods or services exempt from GST           | Relating to entities falling under composition scheme | Relating to other registered entities | Total payment to registered entities |   |

- Column 2 - Total amount of expense as per P&L
  - Column 3 – exempt supply means non-taxable supply, exempt supply and Nil rated supplies.
  - Column 4 – identify vendors with Composition scheme and report expense
  - Column 5 – Remaining supplies apart from exempt, composition and non-registered entity
  - Column 7 – Expense from unregistered vendors
  - Column 2 should be total of column 6 and column 7
- Disclaimer is important

# Case Studies

1. During the year, assessee:
  - Did not deduct TDS on professional fees of INR 100,000
  - Deducted and paid TDS on rent of INR 50,000 relating to previous year.
2. During the year, assessee:
  - Wrote back interest expenses of INR 50,000 payable to ICICI
  - Wrote back principal amount of loan of INR 40,000
3. During the year, assessee:
  - Debited interest on ECB (9% interest rate) taken last year from parent company. Amount of INR 50,000 was utilised from ECB to purchase a computer which was put to use on 1 June 2025.
  - Booked unrealised foreign exchange loss on purchase of computer of INR 10,000

# Case Studies

4. During the year, assessee:
  - Debited provision for gratuity of INR 150,000 based on actuarial valuation. Amount was paid post 31 March 2025. The assessee does not contribute to any fund.
  - Debited Gratuity expense of INR 30,000 for an employee who resigned on 25 March 2025. The same is unpaid till filing of return.
5. During the year, assessee being a Pvt Ltd company:
  - Issued equity shares of INR 15 lakh
  - Bought a Mercedes of INR 1 crore on loan from MB Finance Pvt Ltd. on interest of 9% p.a. The assessee neither paid interest nor deducted TDS until date of filing of tax return
6. During the year, assessee, being a Pvt Company:
  - Advanced loan of INR 10 lakh to a majority shareholder
  - Sold immovable property for INR 49 lakh where SDV was INR 60 lakh



# Financial Statement - Check

- Equity and R&S:
  - Cost incurred for increase / change in share-capital
  - Change impacting losses
  - Shares issued at correct consideration and source / creditworthiness + SFT reporting
  - Buy-back, dividend, etc. or any direct adjustment in R&S
- Long term and Short Term provisions
  - Employee benefit provisions – 43B impact , 40A(7)
  - Provisions made on reasonable basis
  - TDS on provisions
- Long Term and Short Term borrowings
  - Party from whom borrowed and purpose (should be business)
  - 269SS and 269T reporting
  - Related party 40A(2) reporting
  - TP, 94B, TDS
  - If borrowing from other than bank/NBFC, creditworthiness of lender needs to be verified to prove source of funds

# Financial Statement - Check

- Trade Creditors
  - MSME Interest and SME payables 43B(h)
  - Long outstanding creditors written off – 41(1) impact
  - Creditor for capital goods
- Other Current / Non-current Liabilities
  - Statutory Dues and employee payable – 43B
  - Interest amount payable – 43B
  - Check payment post 31 March for these items
- Fixed Assets
  - Reco of additions and opening WDV
  - Forex and interest adjustments
  - Correct categorization
  - Sale reco with Tax Audit
  - Borderline capitalization proofs
  - Assets procured at FMV

# Financial Statement - Check

- Debtors
  - Provision for Doubtful debts
  - Actual write off where provision already made
- Loans / Advances
  - Advance given to shareholder or its concern – Deemed dividend
  - Business loans / advances given from loans taken ? Interest allowance
- Investments
  - Source of investments made and whether procured at FMV
  - Taxability of immovable property
  - Dividend, interest, CG etc. to be considered as other income
- Other Current Assets and cash
  - Check prepaid taxes, deposits, etc for transactional details
  - Review cash transactions

# Financial Statement - Check

- Income
  - Other income vs 26AS/ AIS
  - Rental income, Interest, CG. Etc. other heads
- Direct Expenses
  - TDS on goods on sample basis
  - TDS on labours, repairs. Etc.
- Salary expense
  - Staff welfare for employee gift TDS, etc
  - Provision for employee benefits
- Interest expense
  - 94B, TDS, 40A(2) reporting

# Financial Statement - Check

- Foreign expense
  - Check form 15CA-CB on portal to determine TDS implication
  - Review Foreign travel expenses
  - Foreign Exchange bifurcation into realized, unrealized, capex, revenue
- Repairs and maintenance expense:
  - Review for capital items
  - Review for TDS
- Rate and taxes: Review for fine, penalties, taxes, etc.
- Other expenses : Capital items, TDS, Prior period etc.
- Related party disclosure: 40A(2) reporting ; Transfer pricing
- Goods manufactured and consumption details – cross-check from quantitative disclosure angle

# Other - Check

- Limit of 60 tax audits per partner
- UDIN Generation
- Code of ethics guidelines
- Auditing Standards guidelines (No documentation-No Audit)
- Tax Audit Guidance Note
- Appropriate documentation to be kept on record
- Other Certificates / Audit reports
- Engagement Letter and Management Representation Letter

# Q & A

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