Reporting in Form 3CB – 3CD
BASED ON NEW
GUIDANCE NOTE ON TAX AUDIT

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Offline Forms Utility - FORM3CB (AY 2013-14)

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FORM3CB (Page 1 of 6)

General Instructions

1. All amounts are in Indian Rupees (₹).
2. A calendar is provided for selecting the date field (format DD/MM/YYYY)
3. All greyed out fields are either auto-filled or non-editable.
4. It is a good practice to save your work frequently. Please use SAVE DRAFT option.
5. Attachments
    a) cannot exceed 50 MB
    b) should be in pdf/zip format only
6. In Forms wherever information is captured in tables
    a) Adding new Row: Click on ADD ROW button, fill in the data and click SAVE button to input data.
    b) Deleting Row: Select the row to delete from the list and click DELETE ROW button
    c) Edit Row: Select a row from the list, click on EDIT ROW and make the changes as needed and click SAVE.
    d) Copy Row: Select the row to copy from the list and click COPY ROW button
7. Please enter only the value wherever the information is needed in percentile
8. User should validate the data by clicking VALIDATE button, correct errors, if identified (shown on the right side pane) and re-validate. On successful validation, click on "GENERATE XML" button to generate the XML and save in the desired path. This XML should be uploaded in e-Filing portal (https://incometaxindiaefiling.gov.in) and on submission, an acknowledgment number will be generated for your future reference
9. Please verify the Form, accompanying attachments/documents before you submit

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Notes

1. This form is applicable to persons specified in Sec 44AB carrying on business or profession, other than those who are required by or under any other law to get their accounts .

2. Please select from the drop down option whichever is applicable.

3. While uploading the XML this report has to be digitally signed by -

   (i) a chartered accountant within the meaning of the Chartered Accountants Act, 1949 (38 of 1949); or

   (ii) any person who, in relation to any State, is, by virtue of the provisions of sub-section (2) of section 226 of the Companies Act, 1956 (1 of 1956), entitled to be appointed to act as an auditor of Companies registered in that State; or

   (iii) any person who is, by virtue of any other law, entitled to audit the accounts of the assessee for the relevant previous year.

4. Where any of the requirements in this form is answered in the negative or with qualification, give reasons therefor.

5. The person, who signs this audit report, shall indicate reference of his membership number/certificate of practice number/authority under which he is entitled to sign this report.

6. The Annexure to this Form must be filled up failing which the Form will be considered as incomplete.

FORM 3 CB

ıstructions | Form - 3CB | 3CD Part A(1-6) | 3CD Part B(7-32) | 3CD Annexure I Part A | 3CD Annexure I Part B

FORM NO. 3CB

[See rule 6G(1)(a)]

Audit report under section 44AB of the Income-tax Act, 1961 in the case of a person referred to in clause (b) of sub-rule (1) of rule 6G

* Select have examined the balance sheet as at 31st March * Select , and the * Select for the year ended on that date, attached herewith, of

* Name

* Address

* PAN [mention name and address of the assessee with permanent account number] *

2. certify that the balance sheet and the are in agreement with the books of account maintained at the head office at * and * branches.

3. (a) * report the following observations/comments/discrepancies/inconsistencies; if any:

(b) Subject to above,-

(A) ______ have obtained all the information and explanations which, to the best of ______ knowledge and belief, were necessary for the purposes of the audit.

(B) In ______ opinion, proper books of account have been kept by the head office and branches of the assessee so far as appears from ______ examination of the books.

(C) In ______ opinion and to the best of ______ information and according to the explanations given to ______ the said accounts, read with notes thereon, if any, give a true and fair view:-

(i) in the case of the balance sheet, of the state of the affairs of the assessee as at 31st March, ______ ; and

(ii) in the case of the ______ of the [Select ▾] of the assessee for the year ended on that date.

4. The statement of particulars required to be furnished under section 44AB is annexed herewith in Form No. 3CD.

5. In ______ opinion and to the best of ______ information and according to explanations given to ______ , the particulars given in the said Form No. 3CD and the Annexure thereto are true and correct.

Place: * ______

Date: * DD/MM/YYYY

Name * ______

Membership Number * ______

Address* ______

- Person who carries on business or profession but not required by any other law to get his accounts audited.
- Only such observations/ comments/ discrepancies/inconsistencies which are of a qualificatory nature should be mentioned under clause (a). Any other which do not affect the reporting may form part of notes to accounts. In case no observtions "NIL" should be reported.
- Branch Tax auditor to give audit report to the Management or Tax auditor of Head Office.
- In case of Tax audit for one or more businesses and books of other businesses are not produced, the same should be mentioned and if results are included in the financial statements, he should qualify his report in Form 3CB.

CLAUSE – 1 to 6

FORM 3 CD

FORM NO. 3CD

[See rule 6G(2)]

Statement of particulars required to be furnished under section 44AB of the Income-tax Act, 1961

PART A

1	Name of the Assessee *	
2	Address *	
3	Permanent Account Number *	
4	Status *	Select
5	Previous year ended: 31st March *	
6	Assessment year *	

- Name of the Assessee whose accounts are being audited should be given. However if audit is in respect of a branch, name of the branch along with the name of assessee should be mentioned.
- PAN of the Assessee to be mentioned
- Status of the Assessee
- Previous year now uniformly ends on 31^{st} March
- Assessment year to be mentioned

CLAUSE – 7(a) & 7(b)

FORM 3 CD

PART B

7 (a) If firm or Association of Persons, indicate names of partners/members and their profit sharing ratios.

Name	Profit Sharing Ratio (%)
No Data.	

Add Row Copy Row Edit Row Delete Row

(b) If there is any change in the partners or members or in their sharing ratio since the last date of the preceding year, the particulars of such change. Select

Particulars
No Data.

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8 (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).

Sector	Sub Sector	Code
No Data.		

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- Names of partners of firm, members of AOP or BOI and their profit sharing ratios in % to be stated.
- Details of partners/members and also all the changes occurring relating to sharing of profit or loss during the entire previous year will have to be furnished.
- In case of AOP or BOI, the shares may not be precisely ascertainable during the year which are indeterminate and such relevant fact should be stated.

CLAUSE – 8(a) & 8(b)

FORM 3 CD

8 (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).

Sector	Sub Sector	Code
No Data.		

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(b) If there is any change in the nature of business or profession, the particulars of such change. Select

Business	Sector	Sub Sector	Code
No Data.			

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Note: Business added/ discontinued during the Previous Year with respect to the preceding year of the previous year.

9 (a) Whether books of accounts are prescribed under section 44AA, if yes, list of books so prescribed. Select

Books prescribed
No Data.

- The code to be mentioned against the nature of business pertains to the main area of business activity. Information provided under this clause should be in consonance with the information provided in Part B of Annexure - I.

- Any material change in the nature of business should be precisely set out. Any addition to or permanent discontinuance of a particular line of business may also amount to change requiring reporting. Temporary suspension may not amount to change. If any line of activity is hived off, the same may also be reported.

CLAUSE – 9(a),(b),(c)

FORM 3 CD

- As per Rule 6F books of account to be kept and maintained by person carrying on certain professions specified in sub-sec (1) of S.44AA.

- Legal, Medical, Engineer, Architect, Accountancy, Technical consultancy, Interior decorator, Authorised Representative, Film artist, Company Secretary, IT professional and

- Every other Professionals whose total gross receipts >₹1.20 Lacs in any of the 3 years immediately preceding previous year or likely to exceed during the year is required to maintain following books of account

(b) Books of account maintained (In case books of account are maintained in a computer system mention the books of account generated by such computer.)

Same as 9(a) above

Books maintained
No Data.

Add Row | Copy Row | Edit Row | Delete Row

(c) List of books of account examined. Same as 9(b) above

Books examined
No Data.

Add Row | Copy Row | Edit Row | Delete Row

10 Whether the profit and loss account includes any profits and gains assessable on presumptive basis, if yes, indicate the amount and the relevant section (44AD, 44AE, 44AF, 44B, 44BB, 44BBA, 44BBB or any other relevant section) . Select

Section	Amount (₹)
No Data.	

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- Cash book, Journal(if Mercantile system), Ledger, carbon copies of bills, whether machine numbered or serially numbered for ₹ >25/-, original bills, receipts in respect of expenditure for ₹ >50/-, payment vouchers prepared and signed by person

- Medical professional to keep the following additionally – Daily case register in Form No.3C, inventory under broad head stock of drugs, medicines. But these do not fall under the category of books of account.

- Sometimes an assessee may carry on multiple activities. Books of account might have been prescribed for one of the activities. In that case, mention may be made of the activity for which books have been prescribed.

- Persons in business if income from business > ₹1.20 Lacs or sales or T.O. > ₹10.0 Lacs in any one of the 3 yrs immediately preceding the previous year or likely to exceed during such previous year shall maintain such books of a/c as may enable AO to compute his total income as per I.T. Act.

- Though CBDT has been empowered u/s 44AA(3) to prescribe books of a/c to be maintained u/s 44AA(2), so far no books of account have been prescribed.

- Normal books to be maintained will be cashbook/bank book, sales/purchase register and ledger. Quantitative details to be maintained by assessees engaged in trading/manufacturing activities. In case stock records are not properly maintained due to nature, volume, level, the tax auditor have to consider the materiality and stating the same in Form 3CD

- S.2(12A) "Books or Books of A/c" includes ledgers, day-books, cash books, account-books and other books, whether kept in the written form or as print-outs of data stored in a floppy, disc, tape or any other form of electro-magnetic data storage device.

- S.4 of the IT Act, 2000 states that "Where any law provides that information or any other matter shall be in writing or in the typewritten or printed form, then, notwithstanding anything contained in such law, such requirement shall be deemed to have been satisfied if such information or matter is-

  (i) rendered or made available in an electronic form; and

  (ii) accessible so as to be usable for a subsequent reference."

CLAUSE – 10

FORM 3 CD

- While the assessee is required to maintain proper evidence in the form of bills, vouchers, receipts, documents, etc., it may be noted that these are essential to support the entries in the books of account and no reference to such supporting evidence need be made under this clause.
- Where the profits and gains of the business are assessable to tax under presumptive basis, the amount of such profits and gains credited/debited to the profit and loss account should be indicated under this clause. If the P&L a/c does not include profit assessable on presumptive basis, then, there is no requirement to furnish the particulars under this clause.
- Even where the assessee opts for presumptive taxation, the tax auditor should impress upon the assessee that it would be advisable to maintain some basic records to support the turnover/gross receipts declared for presumptive taxation.

CLAUSE – 11 (a),(b),(c),(d)

FORM 3 CD

11 (a) Method of accounting employed in the previous year. Select

(b) Whether there has been any change in the method of accounting employed vis-a-vis the method employed in the immediately preceding previous year. Select

(c) If answer to (b) above is in the affirmative, give details of such change , and the effect thereof on the profit or loss.

Details
No Data.

Add Row Copy Row Edit Row Delete Row

(d) Details of deviation, if any, in the method of accounting employed in the previous year from the accounting standards prescribed under section 145 and the effect thereof on the profit or loss. Select

Details
No Data.

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- The assessee may adopt cash system of accounting for one business and mercantile system of accounting for other business.
- A company governed by the Companies Act, 1956 cannot follow cash system of accounting unless exempted under the Companies Act, 1956.
- If there is any change, the effect thereof has to be stated under this clause. Insofar as the question of effect of such change on the profit or loss is concerned, the concept of materiality is the basic governing factor. If it is not possible to quantify the effect of the change in the method of accounting, appropriate disclosure should be made under this clause.

- A change in an accounting policy will not amount to a change in the method of accounting and hence such change in the accounting policy need not be mentioned under sub-clause (b). This is due to the fact that as per the requirements of AS-1 and AS (IT)-1 such changes and the impact of such changes will be disclosed in the financial statements.

- It may be noted that a change in the method of valuation of stock will amount only to a change in an accounting policy and hence such a change need not be mentioned under sub-clause 11(b) but should be mentioned in the financial statements

CLAUSE – 12 (a),(b)

FORM 3 CD

12 (a) Method of valuation of closing stock employed in the previous year. | Closing Work in Progress as certified by Mar

(b) Details of deviation, if any, from the method of valuation prescribed under section 145 A, and the effect thereof on the profit or loss. | Select

Details
No Data.

Add Row | Copy Row | Edit Row | Delete Row

12A Give the following particulars of the capital asset converted into stock-in-trade: -

(a) Description of capital asset	(b) Date of acquisition	(c) Cost of acquisition (₹)	(d) Amount at which the asset is converted into stock-in trade (₹)
No Data.			

Add Row | Copy Row | Edit Row | Delete Row

13 Amounts not credited to the profit and loss account, being, -

(a) The items falling within the scope of section 28;

Description	Amount (₹)
No Data.	

- The Supreme Court in case of *CIT v. British Paints Ltd. [1991] 188 ITR 44 (SC) has held that the method of valuation of stock at actual cost of raw* materials and not taking into account overhead charges was not the correct method of valuation even though the said method has been consistently followed.

- It may be pointed out that the "inclusive method" is not permitted by AS-2 which is made mandatory from accounting year beginning on or after 01.04.1999.

- Memorandum explaining the provisions of section 145A inserted by the Finance (No.2) Bill, 1998 states as follows:

  In order to ensure that the value of opening and closing stock reflect the correct value, it is proposed to insert a new section to clarify that while computing the value of the inventory as per the method of accounting regularly employed by the assessee, the same shall include the amount of any tax, duty, cess or fees paid or liability incurred for the same under any law in force.

- VAT is collected from the customers on behalf of the VAT authorities and, therefore, its collection from the customers is not an economic benefit for the enterprise. It does not result in any increase in the equity of the enterprise. Accordingly, it should not be recognized as an income of the enterprise. Similarly, the payment of VAT should not be treated as an expense in the financial statements of the enterprise. Therefore, it should be credited to an appropriate account, say. 'VAT Payable Account'.

- Section 145A of the Income-tax Act provides that the valuation of purchase and sales of goods and inventory for the purpose of computation of income from business or profession shall be made on the basis of method of accounting regularly employed by the assessee but this shall be subject to certain adjustments. Therefore, it is not necessary to change the method of valuation of purchase, sale and inventory regularly employed in the books of account. The adjustment provided for in this section should be made while computing the income for the purpose of preparing the return of income. Therefore, the recommended method for accounting of VAT will not result in non-compliance of section 145A of the Income-tax Act.

CLAUSE – 12 A

FORM 3 CD

- For furnishing the particulars required by clause 12A, the provisions of section 2(47), 45(2), 47(iv), (v) and 47A have to be kept in mind.

- The particulars to be stated under new clause 12A should be furnished with respect to the previous year in which the asset has been converted into stock-in-trade. The clause does not require details regarding the taxability of capital gains or business income arising from such deemed transfer.

- Under clause (a) description of the capital asset is required to be mentioned for example shares, security, land, building, plant, machinery etc. Under Clause (b) the date of acquisition is to be reported. Under clause (c) the cost of acquisition is required to be reported. Under clause (d) the amount recorded in the books of account at which the asset is converted into stock-in-trade should be stated

CLAUSE – 13
(a), (b), (c), (d), (e)

FORM 3 CD

13 Amounts not credited to the profit and loss account, being, -

(a) The items falling within the scope of section 28;

Description	Amount (₹)
No Data.	

Add Row | Copy Row | Edit Row | Delete Row

(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 refund are admitted as due by the authorities concerned;

Description	Amount (₹)
No Data.	

Add Row | Copy Row | Edit Row | Delete Row

(c) Escalation claims accepted during the previous year;

Description	Amount (₹)

Items falling within the scope of section 28

1.Profits & gains of business	2. Compensation on termination
3.Income from trade, professional association	4.Profit on sale of licence under Import control order
5. Cash assistance against exports	6.Customs or excise repayable
7. Profit on DEPB , DFRC	8. Benefit or perquisite
9. Interest, salary, bonus received by a partner from such firm	10. Sum received for not carrying out any activity
11. Sum received under a Keyman insurance	12. Any sum received on any capital assets (demolished, destroyed, discarded) if such expenditure was allowed u/s 35AD

(d) any other item of income;

Description	Amount (₹)
No Data.	

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(e) Capital receipt, if any.

Description	Amount (₹)
No Data.	

Add Row Copy Row Edit Row Delete Row

- The details of the following claims, if admitted as due by the concerned authorities but not credited to the profit and loss account, are to be stated under sub-clause (b). Proforma Credits, Drawback, Refund of customs duty, excise duty, service tax, sales tax or value added tax.
- Where such amounts have not been credited in the profit and loss account but netted against the relevant expenditure/income heads, such fact should be clearly brought out.
- Under sub-clause (c), the escalation claims accepted during the previous year but not credited to the profit and loss account are to be stated.
- Sub-clause (d) covers any other items the tax auditor considers as an income based on his verification of records and other documents.
- Sub-clause (e) relates to Capital subsidy of promoter's contribution, Govt. Grant in relation to specific fixed asset, profit on sale of fixed assets, loss/expenditure/liability recovered u/s 41(1)).

CLAUSE – 14

FORM 3 CD

14 Particulars of depreciation allowable as per the Income Tax Act,1961 in respect of each asset or block of assets, as the case may be, in the following form:-

(a) Description of asset /block of assets.	(b) Rate of depreci-ation. (In Percent-age).	(c) Actual cost or written down value, as the case may be.	Additions/deductions during the year with dates; in the case of any addition of an asset, date put to use					Adjustments on account of-			Depreciation allowable (₹)	Written dow value at the end of the year.
			A - Add D- Deduct	Date of additions/ deductions	Particulars	Amoun...	In case of addition date put to use. In case of deduction NA	(i) Modified Value Added Tax credit claimed and allowed under the Central Excise Rules,1944 in respect of assets acquired on or after 1st March,1944,	(ii) change in the rate of exchange of currency	(iii) subsidy or grant or reimbursement, by whatever name called .		
No Data.												

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15 Amounts admissible under sections- (a)33AB (b)33ABA (c)33AC(wherever applicable) (d)35 (e)35ABB (f)35AC (g)35CCA (h)35CCB (i)35D (j)35DD (k)35DDA (l)35E

(a) debited to the profit and loss account (showing the amount debited and deduction allowable under each section separately);

Section	Debited to Profit and Loss Account	
	Total	Allowable
No Data.		

- Under sub-clauses (a) to (b), information in respect of description of assets, block of assets under which the concerned asset is classifiable and the rate of depreciation are to be stated. If there is any dispute with regard to the classification of an asset in a particular block or the rate of depreciation applied, the tax auditor must give his working with suitable reasons.

- The additions/deductions during the year have to be reported, with dates. The tax auditor is advised to get the details of each asset or block of asset added during the year or disposed of during the year with the dates of acquisition/disposal. Where any addition was made, the date on which the asset was put to use is to be reported.

- The provisions of Section 36(1)(iii) and Explanation 8 to section 43(1) of the Act, should be kept in mind for capitalization of interest to the cost of assets.

- VAT Credit eligible on capital goods should be reduced from the cost of the assets for the purpose of claim of depreciation.
- The Finance Act, 2001 had inserted Explanation 5 below sub-section (1) of section 32, to the effect that the provisions of section 32(1) regarding allowing of depreciation shall apply whether or not the assessee has claimed
- Wherever, the full deduction of the cost of capital goods is allowed (u/s. 35) the auditor should verify that the cost of such asset is not included in the block of assets for the purpose of depreciation.

CLAUSE – 15 (a), (b)

FORM 3 CD

Certain Deducations

33AC	Expenditure on eligible projects/schemes
35AD	Expenditure on specified business
35CCA	Payments to associations and institutions for carrying out rural development programmes.
35CCB	Payments to associations and institutions for carrying out programmes of conservation of natural resources
35D	Amortisation of certain preliminary expenses.
35DD	Amortisation of expenditure in case of amalgamation and merger.
35DDA	Amortisation of expenditure incurred under voluntary retirement scheme.
35E	Deduction for expenditure on prospecting, etc. for certain minerals.

- The Tax Auditor should indicate the amount debited to the Profit & Loss Account and the amount actually admissible in accordance with the applicable provisions of law.

- In case of section 35, an assessee may be eligible for deduction under one or more sub-sections of the said section. In such case, the Tax Auditor should state the deduction allowable under each sub-section separately under applicable part, i.e. the amount deductible in respect of the amount debited in Profit & Loss Account and the amount not debited to the Profit & Loss Account.

- capital expenditure may have been incurred which is allowable as deduction while computing the profits and gains of the assessee under these sections and such expenditure may be been capitalised and shown as fixed assets in the books. The Tax Auditor should ascertain such expenditure and state the same under sub-clause (b).

CLAUSE – 16 (a), (b)

FORM 3 CD

(b) Not debited to profit and loss account.

Section	Amount (₹)
No Data.	

Add Row Copy Row Edit Row Delete Row

16 (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)]

Description	Amount (₹)
No Data.	

Add Row Copy Row Edit Row Delete Row

(b) Any sum received from the 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).

Name of Fund	Amount (₹)	Due Date for Payment	Actual Date of Payment
No Data.			

Add Row Copy Row Edit Row Delete Row

- If bonus or commission is in the nature of profit or dividend, it may not be normally allowable as a deduction unless such payment is wholly and exclusively made to the employee. *[Shahzada Nand & Sons v. CIT [1977)] 108 ITR 358 (SC).*

- Section 2(24)(x) includes within the scope of income any sum received by the assessee from his employees as contributions to any provident fund or superannuation fund or ESI Fund or any other Fund for employees' welfare.

- Under this clause, details of the amount deducted, due date for payment and actual date of payment in respect of provident fund, ESI fund or other staff welfare fund have to be stated. It may be noted that Employees' P.F. manual provides for 5 days of grace period for payment of contribution. This can be taken into consideration for determining the due date of payment.

CLAUSE – 16 (a), (b)

FORM 3 CD

17 Amount debited to the profit and loss account, being:-

(a) expenditure of capital nature; ₹

(b) expenditure of personal nature; ₹

(c) expenditure on advertisement in any souvenir, brochure, tract, pamphlet or the like, published by a political party; ₹

(d) expenditure incurred at clubs,-

(i) as entrance fees and subscriptions; ₹

(ii) as cost for club services and facilities used; ₹

(e) (i) expenditure by way of penalty or fine for violation of any law for the time being in force; ₹

(ii) any other penalty or fine; ₹

(iii) expenditure incurred for any purpose which is an offence or which is prohibited by law; ₹

(f) amounts inadmissible under section 40(a); ₹

(g) interest,salary,bonus, commission or remuneration inadmissible under section 40(b)/40(ba) and computation thereof;

Particulars	Section	Amount (₹)	Computation
	No Data.		

CLAUSE – 17 (a) to (g)

FORM 3 CD

- 17(a) - The details of capital expenditure, if any, debited to the P&L account should be maintained in a classified manner stating the amount under various heads separately. Since part of this capital expenditure may be allowable as deduction in the computation of total income. However, the total amount of capital expenditure debited to the P&L is to be reported under this clause in the e-filing portal.

- 17(b) In view of e-filing format of tax audit report only numeric data can be furnished. The tax auditor is advised to maintain the following details as part of his working papers. Only the total amount of expenditure is to be reported under the relevant column of Form No.3CD.

Sl.No.	Nature and Particulars of Expenditure	A/c under which debited	Amt	Remarks

- 17(c) - The trade union or labour union though promoted or formed by a political party may have a distinct legal entity. In that event, expenditure incurred by the assessee by way of advertisement given in the souvenir, brochure, tract, pamphlet or journal published by the trade union or the labour union is not

- 17(d) - The amount of payments made to clubs by the assessee during the year should be indicated under this clause. The payments may be for entrance fees as well as membership subscription and for catering and other services by the club, both in respect of directors and other employees in case of companies and for partners or proprietors in other cases. The fact whether such expenses are incurred in the course of business or whether they are of personal nature should be ascertained. If they are personal in nature, they are to be shown separately under Clause 17(b) referred to earlier.

- 17(e) - It must be borne in mind that the tax auditor while reporting under this clause is not required to express any opinion as to the allowability or otherwise of the amount of penalty or fine for violation of law. He is only required to give the details of such items as have been charged in the books of accounts. This clause covers only penalty or fine for violation of law and not the payment for contractual breach or liquidator damages. The tax auditor should also take into consideration the concept of materiality.

- Where the penalty or fine is in the nature of penalty or fine only, the entire amount thereof will have to be stated. As discussed above, with reference to certain penalty/penal interest courts have held that it is partially compensatory payment and partially in the nature of penalty. In such a case, on the basis of appropriate criteria, the amount charged will have to be bifurcated and only the amount relating to penalty may be stated.Violation of law is not a normal incidence of business.

- This principle was laid down by Hon'ble Supreme Court in case of *CIT v. Maddi Venkataratnam & Co. (P) Ltd [1998] 96 Taxman 643 and in the case* of *Hazi Aziz Shekoor Bros v. CIT [1961] 41 ITR 350. In both the cases it was* held that one can carry business or his trade without violating the law.

- 17(f) - Any interest, commission or brokerage, rent, royalty, fees for professional services or fees for technical services payable to a resident or amounts payable to a contractor or sub-contractor, being resident, for carrying out any work (including supply or labour for carrying out any work) on which tax is deductible at source under chapter XVII-B and such tax has not been deducted or after deduction has not been paid on or before the due date specified in section 139(1).

- As per first proviso to Section 40(a)(ia), where tax is deducted in any subsequent year, or has been deducted during the previous year but paid after the due date specified in section 139(1), the expenditure is allowable as a deduction in the year in which such tax has been paid.

- Finance Act 2012, inserted second proviso in section 40(a)(ia) with effect from 01-04-2013 (A.Y.2013-14) as a consequence to amendment in Section 201. The second proviso provides that where an assessee fails to deduct the whole or any part of the tax in accordance with the provisions of Chapter XVII-B on any such sum but is not deemed to be an assessee in default under the first proviso to sub-section (1) of section 201, then, for the purpose of clause(ia) of section 40(a), it shall be deemed that the assessee has deducted and paid the tax on such sum on the date of furnishing of return of income by the resident payee referred to in the said proviso.

- The amount of provision or payment of Income Tax, surcharge, education cess including interest under section 234A, 234B, 234C and 234D will not be allowed as deduction under section 40(a)(ii) and thus the same is required to be reported under this clause.

- 17(g) - Salary, bonus, commission or remuneration or interest are not admissible, unless the following conditions are satisfied: (a) Remuneration is paid to working partner(s). (b) Remuneration or interest is authorised by the partnership deed and is in accordance with the partnership deed. (c) Remuneration or interest does not pertain to a period prior to the date of partnership deed.

- In working out the inadmissible amount the tax auditor must have due regard to the Circular No.739 dated 25.3.1996 issued by the Board.

- The tax auditor may note that the information required to be reported is the amount of inadmissible expenditure as per section 40(b) or 40(ba) and not the total amount debited to profit and loss account.

CLAUSE – 17 (h) to (m)

FORM 3 CD

(h) (A) whether a certificate has been obtained from the assessee regarding payments relating to any expenditure covered under section 40A(3) that the payments were made by account payee cheques drawn on a bank or account payee bank draft, as the case may be; Yes

(h) (B) amount inadmissible under section 40A(3), read with rule 6DD [with break-up of inadmissible amounts;]

Particulars	Amount (₹)
No Data.	

Add Row | Copy Row | Edit Row | Delete Row

(i) Provision for payment of gratuity not allowable under section 40A(7); ₹

(j) any sum paid by the assessee as an employer not allowable under section 40A(9); ₹

(k) particulars of any liability of a contingent nature.

Nature of Liability	Amount (₹)
No Data.	

Add Row | Copy Row | Edit Row | Delete Row

(l) 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;

Particulars	Amount (₹)

- 17(h) – where the assessee incurs any expenditure in respect of a payment or aggregate of payments made to a person in a day, otherwise than by an account payee cheque drawn on a bank or account payee bank draft, exceeding rupees twenty thousand, no deduction would be allowed in respect of such expenditure. In case of payment made for plying, hiring or leasing of goods carriage, limit is Rs.35,000/- instead of Rs.20,000/-.

- The tax auditor should obtain a list of all cash payments in respect of expenditure exceeding Rs.20,000 or Rs.35000 made by the assessee during the relevant year which should include the list of payments exempted in terms of Rule 6DD with reasons. This list should be verified by the tax auditor with the books of account in order to ascertain whether the conditions for specific exemption granted under clauses (a) to (l) of Rule 6DD are satisfied. Details of payments which do not satisfy the above conditions should be stated under this clause excepting clauses of Rule 6DD.

- 17(i) – The tax auditor should call for the order of the Commissioner of Incometax granting approval to the gratuity fund, verify the date from which it is effective and also verify whether the provision has been made as provided in the trust deed. In case not allowable, the same is to be stated under this sub-clause.

- 17(j) - Any payment made by an employer towards the setting up or formation of or as contribution to any fund, trust, company, AOP, BOI, Society (other than contributions to recognised provident fund or approved superannuation fund or notified pension scheme or approved gratuity fund) is not allowable. The tax auditor should furnish the details of payments which are not allowable under this section.

- Thus, any contribution made to Employees' Welfare Co-op Society will not be allowed as a deduction in the case of the employer company under section 40A(9), unless such contribution is required by or under any other law for the time being in force. *Instruction: No. 1799, dated 3-10-1988*

- 17(k) – The assessee is required to furnish particulars of any liability of a contingent nature debited to the profit and loss account. The tax auditor may not be able to immediately ascertain the details of contingent liabilities debited to the profit and loss account without a detailed scrutiny of various account heads e.g. outstanding liabilities, provision etc. Wherever necessary, a suitable note should be given by the tax auditor as to the non-availability of such particulars relating to the contingent liabilities.

- 17(l) - In general an assessee may have besides his business income, income from agriculture which is exempt under sub-section (1), share of profit in a partnership firm which is exempt under sub-section (2A), income from dividends referred to in section 115-O which is exempt under sub-section (34), long term capital gains on the transfer of equity shares which is exempt under sub-section (38) etc. In all such cases the expenditure relating to the income which is not included in total income is inadmissible under section 14A. In case of an investment in a partnership firm, while the interest and the salary received by the partner are taxable, the share of profit is exempt. The amount of inadmissible expenditure depends on the facts and circumstances of each case. Computation to be made as per Rule 8D of Income Tax Rules.

- 17(m) – Any amount of the interest paid, in respect of capital borrowed for acquisition of an asset for extension of existing business or profession (whether capitalized in the books or account or not) for any period beginning from the date on which the capital was borrowed for acquisition of the asset till the date on which such asset was put to use, shall not be allowed as a deduction.

- The Tax Auditor while determining the admissible/inadmissible amount under section 36(1)(iii) should also keep in mind the requirements of Accounting Standards 16 of Indian GAAP – “Borrowing Cost”.

CLAUSE – 17 A

FORM 3 CD

17A Amount of interest inadmissible under section 23 of the Micro, Small and Medium Enterprises Development Act, 2006 ₹

18 Particulars of any payment made to persons specified under section 40A(2)(b).

Name of Related party	PAN of Related party	Relation	Nature of transaction	Payment Made (Amount) (₹)
		No Data.		

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19 Amounts deemed to be profits and gains under section 33AB or 33AC or 33ABA.

Section	Description	Amount (₹)
	No Data.	

Add Row Copy Row Edit Row Delete Row

20 Any amounts of profits chargeable to tax under section 41 and computation thereof

Name of party	Amount of income (₹)	Section	Description of transaction	Computation if any
		No Data.		

- 17A - Section 15 of the MSME Act, requires the buyer to make payment on or before the date agreed upon in writing, or where there is no agreement in this behalf, before the appointed day. It also provides that the period agreed upon in writing shall not exceed forty five days from the day of acceptance or the day of deemed acceptance. If not paid he shall be liable to pay compound interest with monthly rests to the supplier on that amount from the date at three times of the bank rate notified by the Reserve Bank.

- Obtain a full list of suppliers of the assessee which fall within the purview of the definition of "Supplier" under section 2(n) of the Micro, Small and Medium Enterprises Development Act, 2006. It is the responsibility of the auditee to classify and identify those suppliers who are covered by this Act. Verify the interest payable or paid as mentioned above on test check basis.

- 17A - A question may come up, as to what would be disallowance, in case the auditee is liable to pay any interest under MSME Act, but he has not provided the interest in his accounts. In such a case, there can be no disallowance, as he has not claimed the same in his accounts. But whenever he pays and claim such interest, the same will be disallowable in year of payment. In case the auditee has adopted mercantile system of accounting, the non-provision may affect true and fair view and the auditor should give suitable qualification.

CLAUSE – 18

FORM 3 CD

- 18 - Section 40(A)(2) provides that expenditure for which payment has been or is to be made to certain specified persons listed in the section may be disallowed if, in the opinion of the AO, such expenditure is excessive or unreasonable having regard to: (i) the fair market value of the goods, services or facilities for which the payment is made; or (ii) for the legitimate needs of business or profession of the assessee; or (iii) the benefit derived by or accruing to the assessee from such expenditure.

- The following steps may be taken by the tax auditor in this connection: (a) Obtain full list of specified persons as contemplated in this section. (b) Obtain details of expenditure/payments made to the specified persons. (c) Scrutinise all items of expenditure/payments to the above persons.

CLAUSE – 19

FORM 3 CD

- 19 - Section 33AB allows deduction in respect of Tea Development Account, Coffee Development Account and Rubber Development Account.
- Section 33ABA allows deduction in respect of Site Restoration Fund.
- Likewise, section 33AC allows deduction in respect of reserve created out of the profit of the assessee engaged in shipping business to be utilised in accordance with the provision of sub section (2) of section 33AC.
- The auditor is required to report the deemed income chargeable as profits and gains of business under the above sections.

CLAUSE – 20

FORM 3 CD

- 20 - Section 41(1) provides that where any allowance or deduction has been made in the assessment for any year in respect of loss, expenditure or trading liability incurred by the assessee and subsequently during any previous year the assessee obtains any amount, whether in cash or in any other manner whatsoever, in respect of such loss or expenditure or some benefits in respect of trading liability by way of remission or cessation thereof, the amount obtained by him or the value of benefit accruing to him is chargeable to tax as business income.

- The tax auditor has to state the profit chargeable to tax under this section. This information has to be given irrespective of the fact whether the relevant amount has been credited to the profit and loss account or not. The computation of the profit chargeable under this clause is also to be stated.

CLAUSE – 21

FORM 3 CD

21 (i) In respect of any sum referred to in clause (a),(c),(d),(e) or (f) 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 preceeding previous year and was

(a) paid during the previous year;

Nature of liability	Amount (₹)
No Data.	

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(b) not paid during the previous year;

Nature of liability	Amount (₹)
No Data.	

Add Row | Copy Row | Edit Row | Delete Row

(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 139(1);

Nature of liability	Amount (₹)
No Data.	

- 21 – S.43B the following amounts shall be allowed as deduction in the year in which amounts are actually paid:
- (a) any tax, duty (sales tax, value added tax, service tax, excise duty,municipal/property tax, etc.), cess or fee, by whatever name called.
- (b) any sum payable as an employer by way of contribution to any provident fund or superannuation fund or gratuity fund or any other fund for the welfare of employees.
- (c) any bonus or commission payable by the assessee to its employees for services rendered.
- (d) interest on any loan or borrowing from any public financial institution, a state financial corporation or a state industrial investment corporation.
- (e) any sum payable by the assessee as interest on any loan or advances from a scheduled bank.
- (f) Leave Encashment to employee.

- In respect of the liability which pre-existed on the first day of the previous year is allowable as deduction if paid during the previous year. This is required to be reported in clause 21(i)(A).
- In respect of the liability which is incurred in the previous year is allowable to the extent it is paid on or before the due date for furnishing the return of the income under section 139(1). Such items are to be disclosed in clause 21(i)(B).
- If the assessee is following the cash basis, sums referred to in S.43B (a) to (f) which are debited to the profit and loss account will be allowable as they would have been actually paid during the year.

- Date of signing of audit report would be earlier to due date. The payment made after audit report date but before the date of filing, will still be eligible for deduction.
- Where due date for filing of return of income is extended, payments made upto the extended due date also qualify for deduction.
- If interest which has been converted into a loan or advance shall not be deemed to have been actually paid. Circular No.7/2006 dated 17-07-2006.
- The above particulars are required irrespective of the fact whether they have been debited to profit and loss account or not and such a fact should be stated under this clause.

CLAUSE – 22 (a)

FORM 3 CD

(b) not paid on or before the aforesaid date.

Nature of liability	Amount (₹)
No Data.	

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* State whether sales tax, customs duty, excise duty or any other indirect tax, levy, cess, impost etc.is passed through the profits and loss account.

Select

22 (a) Amount of Modified Value Added Tax Credits availed of or utilised during the previous year and its treatment in profit and loss account and treatment of outstanding Modified Value Added Tax Credits in accounts,

Amount of Modified Value Added Tax Credits availed of or utilised during the previous year and its treatment in profit and loss account

Select

Amount (₹)	Treatment in Profit and loss Account
No Data.	

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Modified Value Added Tax Credits in accounts

Select

- CENVAT credit is available on eligible inputs, input services and capital goods. Such credits are utilized for the payment of the excise duty and service tax liability. Accordingly the tax auditor should check relevant statutory records maintained under the Central Excise Rules 1944 and the records maintained under CENVAT Credit Rules, 2004 and ascertain therefrom the amount of credit on eligible inputs, input services and the capital goods and the amount utilised during the previous year. Records maintained in RG-23, wherever available should also be verified.

- Where the assessee follows exclusive method of accounting, the excise duty paid on purchase of raw material, capital goods and service tax paid on input services is debited to the CENVAT/ Service Tax Credit Receivable Account and not as part of the purchase cost of raw material, capital goods or cost of input services. The credit utilized is debited to the Excise Duty/ Service Tax Payable A/c and credited to CENVAT/ Service Tax Credit Receivable Account. Thus, the credit availed and utilized will not have any impact on the profit and loss account.

- If the assessee has neither availed nor utilized the credit, then "No" is to be clicked. In other cases "Yes" will be clicked and the auditor is required to mention the amount in the first column and the corresponding account in which it is debited or credited in the second column. It is advisable to give the details of the credit availed and utilized as separate line items.

- In the second table, the treatment of outstanding CENVAT Credits in the account is to be disclosed. It is desirable to mention the opening and the closing outstanding balances in the CENVAT Credits accounts as separate line items. The account in which the outstanding amount is appearing should be mentioned in the second column.

CLAUSE – 22 (b)

FORM 3 CD

Modified Value Added Tax Credits in accounts

Select

Amount (₹)	Treatment of outstanding Modified Value Added Tax Credits in accounts
No Data.	

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22 (b) Particulars of income or expenditure of prior period credited or debited to the profit and loss account.

Type	Particulars	Amount (₹)	Prior period to which itrelates (Year in yyyy-yy format)
No Data.			

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23 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,(Section 69D)

Select

Particulars	Amount (₹)
No Data.	

- Information under this clause would be relevant only in those cases where the assessee follows mercantile system of accounting. Under cash system of accounting, expenses debited/ income credited to the profit and loss account would be current *year's* expenses/income even though they may relate to earlier years.

- Material adjustments necessitated by circumstances which though related to previous periods but determined in the current period, will not be considered as prior period items. In such cases, though the expenditure may relate to the earlier year, it can be considered as arising during the year on the basis that the liability materialised or crystallised during the year and such cases will not be reported under this clause. Similar consideration will apply in relation to income also.

- As per AS-IT-II material charges or credits which arise in current year as a result of errors or omissions in accounts of earlier years will be considered as prior period items.

CLAUSE – 23

FORM 3 CD

- 23 - Details of the amount borrowed on hundi (including interest on such amount borrowed) and details of repayment otherwise than by an account payee cheque, are required to be indicated under this clause. In this context, a reference may also be made to Circular No.208 dated 15th November, 1976 issued by Board explaining the provisions of section 69D.

CLAUSE – 24

FORM 3 CD

24 (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 of the lender or depositor	Address of the lender or depositor	PAN of the lender or depositor	Amount of loan or deposit taken or accepted (₹)	Whether the loan/deposit was squared up during the Previous Year	Maximum amount outstanding in the account at any time during the Previous Year (₹)	Whether the loan/ deposit was taken or accepted otherwise than by an account payee Bank cheque or account payee bank draft
No Data.						

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*(These particulars need not be given in case of a Government Company, a banking company or a corporation established by a Central, State or Provincial Act.)

(b) Particulars of each repayment of loan or deposit in an amount exceeding the limit specified in section 269T made during the previous year :-

Name of the payee	Address of the payee	PAN of the payee	Amount of the repayment (₹)	Maximum amount outstanding in the account at any time during the Previous Year (₹)	Whether the repayment was made otherwise than by account payee cheque or account payee bank draft
No Data.					

- 24(a) - If the total of all loans/deposits from a person exceed Rs.20,000/- but each individual item is less than Rs.20,000/-, the information will still be required to be given in respect of all such entries starting from the entry when the balance reaches Rs.20,000/- or more and until the balance goes down below Rs.20,000/.
- In the absence of satisfactory evidence, the guidance given by the Council of the ICAI to the tax auditors has been to make a suitable comment in his report as suggested below.
- *"It is not possible for me/us to verify whether loans or deposits have been taken or accepted otherwise than by an account payee cheque or account payee bank draft, as the necessary evidence is not in the possession of the assessee".*

- 24(a) - In the e filing portal, suitable place for disclosure not available. It may be noted that Form 3CD was amended by inserting para 24 (c) which requires the tax auditor to report in “Yes” or “No” as to whether a certificate has been obtained from the assessee regarding taking or accepting loan or deposit, or repayment of the same through an account payee cheque or an account payee bank draft. In case the tax auditor replies in “Yes”, then it will be considered to be sufficient compliance with the disclosure of the comment as suggested by the Institute.

- 24(b) - Section 269T is attracted where repayment of the loan or deposit is made to a person, where the aggregate amount of loans or deposits held by such person either in his own name or jointly with any other person on the date of such repayment together with interest, if any, payable on such deposit is Rs.20,000 or more.

- 24(b) - All repayments made to any person where the loan or deposit along with interest is Rs.20,000 or more are to be reported under this sub-clause, even though the amount of repayment may be less than Rs.20,000. The tax auditor should verify such repayments and report accordingly.

- Loan or deposits discharged by means of transfer entries constitute repayment of loan or deposits otherwise than by account payee cheques or account payee bank drafts. Hence, such entries have to be reported under this clause.

- 24(c) - The mere obtaining of such certificate from the assessee does not reduce the scope of the responsibility of the tax auditor to verify the compliance with the provisions of sections 269SS & 269T.

CLAUSE – 25

FORM 3 CD

25 (a) Details of brought forward loss or depreciation allowance, in the following manner, to extent available

Sl. No.	Assessment Year	Nature of loss / allowance (₹)	Amount as returned (₹)	Amount as assessed (give reference to relevant order)		Remarks
				Amount (₹)	Order No & Date	
No Data.						

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(b) whether a change in shareholding of the company has taken place in 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.

Select

26 Section-wise details of deductions, if any admissible under Chapter VIA.

Select

Section	Amount (₹)
No Data.	

Add Row Copy Row Edit Row Delete Row

- 25(a) – B/F losses may relate to different heads of income such as HP, Business or profession, speculation business or capital gains. Different provisions are contained in sections 32 and 70 to 79 of the Income-tax Act with regard to loss/depreciation under different heads. In the remarks column information about the pending assessment or appellate proceedings or about delay in filing loss returns should be given. For giving the above information, the auditors should study the assessment records i.e. income-tax returns filed, assessment orders, appellate orders and rectification/ revisional orders for the earlier years and ascertain if the figures given in the above clause are correct.
- Any assessment, rectification, revision or appeal proceedings pending at the time of tax audit have to be disclosed in the remarks column by way of information. If consequential orders for any revision/appellate order is yet to be passed, the same can be disclosed along with the impact thereof if material.

- 25(a) – The e filing portal requires additional information regarding the order no. The information is required to be disclosed to the extent available. Generally the order no is not available. The loss will have to be reported as a negative figure whereas the relevant column accepts only numeric, nonnegative and non-decimal data. Accordingly suitable clarifications will have to be mentioned in remarks column.

- 25(b) - Section 79 of the Act provides that, in the case of a company, not being a company in which the public are substantially interested, where a change in shareholding has taken place in a previous year, then no loss incurred in any year prior to the previous year shall be carried forward and set off against the income of the previous year unless on the last day of that previous year and on the last day of the previous year in which the loss was incurred, the shares of the company carrying not less than 51% of the voting power were beneficially held by the same persons.

CLAUSE – 26

FORM 3 CD

- Under Chapter VIA sections 80-IA, 80-IB, 80-JJA etc. reuires separate audit report or certificate. Under the said sections, a non-corporate assessee who is eligible under the above sections has also to obtain audit report. While giving information with regard to the deduction allowable under these sections the tax auditor should refer to separate audit reports/ certificates obtained by the assessee. These audit reports/ certificates may have been given by the tax auditor or by any other auditor.

- Some sections such as section 80-G, 80-GGB/80-GGC, 80-JJAA etc. relate to the expenditure incurred by an assessee. Other sections such as section 80-P, 80-JJA etc. which relate to income of the assessee. In respect of all these sections the tax auditor should ascertain whether there is any expenditure or income covered by the above sections recorded in the books of accounts audited by him.

- Information with regard to such expenditure/income in respect of deduction allowable under Chapter VIA should be given on the basis of the examination of the books of account and other records under clause 26.

CLAUSE – 27

FORM 3 CD

27 (a) Whether the assessee has complied with the provisions of Chapter XVII-B regarding deduction of tax at source and regarding the payment thereof to the credit of the Central Government. Select

(b) If the provisions of Chapter XVII-B have not been complied with, please give the following details*, namely:-

(i) Tax deductible and not deducted at all

Name of party	PAN	Section under which tax was deducted	Amount (₹)
No Data.			

Add Row | Copy Row | Edit Row | Delete Row

(ii) Shortfall on account of lesser deduction than required to be deducted

Name of party	PAN	Section under which tax was deducted	Amount of short deduction (₹)
No Data.			

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(iii) Tax deducted late

Name of party	PAN	Section under which tax was deducted	Due date of deduction	Actual date of deduction	Amount (₹)

- 27(a) – The reporting requirement under this clause (a) is to be read with the specific non-compliances stated under clause (b). The tax auditor may rely upon the judicial pronouncements while taking any particular view.

- Further, in view of the voluminous nature of the transactions, the tax auditor can apply test checks and compliance tests for verifying the information required to be provided under this clause.

- It is essential to note that it is the primary responsibility of the assessee to prepare the information in such a manner that the tax auditor can verify the compliance as required in the new clause. The extent of check undertaken would have to be indicated by the tax auditor in his working papers and audit notes.

- A number of debatable issues will arise before the assessee as well as the tax auditor. Therefore, it may not be possible to say yes/no in many of the tax audits. The answer to the question may have to be qualified depending upon the facts and circumstances of each case.

- Where after having verified the compliance with the provisions of Chapter XVII-B regarding the deduction of tax at source and regarding the payment there of to the credit of the Central Government in accordance with the generally accepted auditing principles in India, no material non-compliance with the provisions of the said Chapter XVII-B are noticed, the tax auditor should answer the question as "Yes". In case material non- compliances are noticed, the tax auditor should answer the question as "No"

- 27(b) - Under clause (i) to (iii), the tax auditor has to verify the particulars regarding tax deductible and not deducted at all. It is extremely difficult for the tax auditor to verify each and every transaction in this regard. Therefore, while verifying such transactions, the tax auditor can apply the concepts of materiality and test checks.

- As regards the applicability of the provisions the tax auditor should take into consideration the relevant sections, rules, notifications, circulars and various judicial pronouncements. There may be occasions when the tax auditor may not agree with the interpretation/view taken by the auditee. In such cases the tax auditor should report the view taken by him.

- The information given in the above table should tally with the disallowances reported u/s 40(a) in clause 17(f) to the extent applicable.

- The shortfall on account of lesser deduction is required to be reported in sub-clause (ii). This will include deduction at a lower rate than what is prescribed, application of wrong rate of deduction of tax at source, etc.

- As per the provisions of S.195 and 197 the deductee can obtain a certificate of no deduction or lower deduction. The tax auditor should refer to the relevant provisions, rules, circulars, notifications and such certificates obtained from the auditee to verify the cases where tax has been short deducted at source. In the case of payment to non-residents the applicable rate of tax deduction at source is to be read along with the Double Taxation Avoidance Agreement.

- Sub-clause (iii) requires the tax auditor to verify and report on tax deducted late. The due dates of deduction have been prescribed under the various provisions of the Act and the rules framed thereunder. The auditor should verify the date of actual deduction with reference to the due date of deduction as per the Act, rules/circulars/ notifications for reporting under this clause.

(iv) Tax deducted but not paid to the credit of the Central Government

Name of party	PAN	Section under which tax was deducted	Due date of deduction	Amount deducted (₹)	Reason for not making payment to credit of Central Government
No Data.					

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*Please give the details of cases covered in (i) to (iv) above

28 (a) In the case of a trading concern, give quantitative details of prinicipal items of goods traded;

Item Name	Unit	opening stock	purchases during the previous year	sales during the previous year	closing stock	shortage/excess, if any
No Data.						

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- Sub-clause (iv) requires information regarding cases where tax has been deducted at source but the same has not been deposited. As such the tax auditor should verify the cases where the tax has been deducted at source but not paid to the credit of the Central Government till the date of the audit. It may be seen that tax deducted but deposited late will not be required to be reported. The reasons in the last column for not making the payment will have to be obtained from the auditee and reported accordingly.

CLAUSE – 28

FORM 3 CD

(b) In the case of manufacturing concern,give quantitative details of the prinicipal items of raw materials, finished products and by-products.

(A) Raw materials;

Item Name	Unit	opening stock	purchases during the previous year	consumption during the previous year	sales during the previous year	closing stock	yield of finished products	per-centage of yield	short-age/ excess, if any
No Data.									

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(B) Finished products/By-products :

Item Name	Unit	opening stock	purchases during the previous year	quantity manufactured during the previous year	sales during the previous year	closing stock	shortage/excess, if any

- 28(a) - The tax auditor should obtain certificates from the assessee in respect of the principal items of goods traded, the balance of the opening stock, purchases, sales and closing stock and the extent of shortage/ excess/damage and the reasons thereof. The information is required to be given to the extent available with the auditee.

- 28(b) - In a large concern it may be difficult for tax auditor to verify each and every item of purchase, consumption and production. In such cases, he may verify the figures on a sampling method and satisfy himself as to the correctness of the figures furnished. This clause requires that quantitative details of "principal items" of raw materials and finished goods should be given. Therefore, information about petty items need not be given.

- Normally, items which constitute more than 10% of the aggregate value of purchases, consumption or turnover may be classified as principal items.

- The information about 'yield', 'percentage of yield', and 'shortages/ excess' is required to be given only to the extent such information is available from the records of the business. -

- In respect of assessees other than companies and those whose accounts have not been audited under any other law, the tax auditor should obtain the following certified documents for the principal items of raw materials, finished goods and by-products:

  (a) Certificate from the assessee certifying the balance of the opening stock, purchases, sales and closing stock.

  (b) Certificate to the extent of shortage/excess/damage and the reasons thereof.

- By-products represent products whose manufacture results incidentally from the manufacture of the main product or where the waste arising in the manufacture of main product is further processed to create a by-product.

- In case the By-products are continuously generated, similar records of quantitative details should be maintained and given in respect of by-product also.

CLAUSE – 29

FORM 3 CD

- 29(a) - Vide this clause the tax auditor has to report on profit distributed during the year and therefore, the amount of tax worked out on such distributed profit at the prescribed rate plus surcharge and education cess to be reported against this clause.

- The expression “dividends” shall have the same meaning as is given to “dividend” in clause (22) of section 2 but shall not include sub-clause (e) thereof. However, the tax auditor need not go into the question of how the total amount of distributed profits has been arrived at.

- 29(b) - The date of payment of tax can be ascertained by the tax auditor from the duly received challan and books of account etc.

- 29(c) - In this clause, the total amount of profits distributed in the previous year, tax paid thereon and the date of payment of tax is required to be given. Information about the date of declaration/distribution of dividend or payment of dividend is not required to be given.

(C) By-products

Item Name	Unit	opening stock	purchases during the previous year	quantity manufactured during the previous year	sales during the previous year	closing stock	shortage/ excess, if any
No Data.							

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29 In the case of Domestic Company,details of tax on distributed profits under section 115-O in the following forms :-

(a) Total amount of distributed profits (₹)	(b) Total tax paid thereon (₹)	(c)Date of Payments with Amount	
		Amount (₹)	Dates of payment
No Data.			

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30 Whether any cost audit was carried out, if yes, enclose a copy of the report of such audit [See Section 139(9)]. NA

CLAUSE – 30

FORM 3 CD

- 30 - The tax auditor should ascertain from the management whether cost audit was carried out and if yes, enclose the copy of the report of such audit.

- Even though the tax auditor is not required to make any detailed study of such report, he has to take note of any material observation made in such cost audit report which may have relevance to the tax audit conducted by him.

- In cases where cost audit which might have been ordered is not completed by the time the tax auditor issues his report, he has to state "No" in this report since cost audit is not completed and the cost audit report is not available with the assessee.

- U/s 139C of the I.T. Act, 1961 rwr 12(2), the Board is empowered to dispense with furnishing documents along with return. The cost audit report is not required to be furnished along with the return. However, the same is to be produced on demand before the Assessing officer.

CLAUSE – 31

FORM 3 CD

31 Whether any audit was conducted under the Central Excise Act, 1944, if yes, enclose a copy of the report of such audit. Select

32 Accounting ratios with calculations as follows :-

(a) Gross profit/Turnover;(%)

(b) Net profit/Turnover; (%)

(c) Stock-in-Trade/Turnover;(%)

(d) Material consumed/Finished goods produced.

Place

Date DD/MM/YYYY

Name

Membership Number

Address

- 31 - The tax auditor should ascertain from the management whether any audit was conducted under the Central Excise Act, 1944 and if such audit was carried out, obtain the report, if available and enclose the copy of the report of such audit. U/s 139C of the I.T. Act rwr 12(2), the Board is empowered to dispense with furnishing documents etc. along with return.

- Even though the tax auditor is not required to make any detailed study of such report, he has to take note of any material observation made in such excise audit report which may have relevance to the tax audit conducted by him. The tax auditor need not express any opinion in a case where such audit has been ordered but the same has not been carried out.

CLAUSE – 32

FORM 3 CD

- 32 - These ratios have to be calculated only for assessees who are engaged in manufacturing or trading activities. This clause is not applicable to assessees carrying on profession. Moreover, the ratios have to be given for the business as a whole and need not be given product wise. Further, the ratio mentioned in sub-clause (d) need not be given for trading concern.

- All the ratios mentioned in this clause are to be calculated in terms of value only.

- For the purpose of calculating the ratio mentioned in sub-clause (c), only closing stock is to be considered. The term `stock-in-trade' used therein does not include stores and spare parts or loose tools. The term "stock-intrade" would include only finished goods and would not include the stock of raw material and work-in-progress since the objective here is to compute the stock-turnover ratio.

PART - A

FORM 3 CD

Instructions | Form - 3CB | 3CD Part A(1-6) | 3CD Part B(7-32) | 3CD Annexure I Part A | 3CD Annexure I Part B

Annexure I Part A

1	Name of the Assessee	
2	Address	
3	Permanent Account Number	
4	Status	
5	Previous year ended:	31st March
6	Assessment year	

PART - B

FORM 3 CD

Instructions | Form - 3CB | 3CD Part A(1-6) | 3CD Part B(7-32) | 3CD Annexure I Part A | 3CD Annexure I Part B

PART B

Nature of business or profession in respect of every business or profession carried on during the previous year

Sector	Sub Sector	Code
	No Data.	

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Sl.	Parameters		Current Year	Preceding Year
1	Paid-up share capital/capital of partner/proprietor	₹		
2	Share Application Money/Current Account of Partner or Proprietor, if any	₹		
3	Reserves and Surplus/Profit and Loss Account	₹		
4	Secured loans	₹		
5	Unsecured loans	₹		
6	Current liabilities and provisions	₹		
7	Total of Balance Sheet	₹		
8	Gross turnover/gross receipts	₹		
9	Gross profit	₹		
10	Commission received	₹		
11	Commission paid	₹		
12	Interest received	₹		
13	Interest paid	₹		
14	Depreciation as per books of account	₹		
15	Net Profit (or loss) before tax as per Profit and Loss Account	₹		
16	Taxes on income paid/provided for in the books	₹		

- In respect of non-corporate assessees like sole proprietorship or partnership firm the term “paid-up share capital” has to be understood in terms of the capital contribution made by the sole proprietor or the partners as the case may be. Further, an assessee may follow the accounting policy of maintaining a fixed capital account and making all the adjustments regarding share of profit or loss, drawings, interest, remuneration payable to the sole proprietor or the partners in the drawings/current account. In such a case the amount of fixed capital is to be stated as capital. Alternatively, where the floating capital concept is followed, i.e. all the above-mentioned adjustments are made in the capital account itself, then the net capital is to be stated.

- In respect of non-corporate assessees, current account of the partners or proprietor, if any, is to be stated in this parameter. Please note where floating capital concept is followed reporting has to be done under point 1 above as there is only one account.

- Form 3CD has to be signed by the person competent to sign Form No. 3CA or Form No.3CB as the case may be. He has also to give his full name, address, membership number, place and date. Further, the e-filing portal requires the tax auditor to affix his Digital Signature while registering himself.