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RESOLVING THE TRICKY ISSUE OF SECTION 44AD AND 44AB

Analysis of Section 44AB and 44AD:

Ever since the amendment has been carried out in the Finance Act 2016 in the provisions of section 44AB and 44AD , we have been consistently finding confusion in interpreting the provisions of these sections coupled with the introduction of limits of Rs. 1.00 Crore, 2 Crores and 10 Crores in either of these sections. When we go through the details of the presumptive taxation scheme under section 44AD and tax audit under section44AB, few questions that come to our mind are:

(i) Are we eligible for presumptive taxation scheme?
(ii) If yes, when?
(iii) If no, do we require to get our books of accounts audited?
(iv) If yes, when?
(v) If no, when?

It is said that it is easy to understand your spouse, rather than trying to figure out who is the husband and who is the wife in section 44AD and 44AB.

To resolve this tricky issue let us try to decode the provisions of both these sections carefully by understanding the relevant proviso, clauses and sub-sections.

We shall start our discussions with the provisions of section 44AD (1):

When a person is eligible to claim the benefit of presumptive method of calculating the profit and gains [Section 44AD (1)]?

Sub-section (1) of section 44AD referred above reads as under:

"Notwithstanding anything to the contrary contained in sections 28 to 43C, in the case of an eligible assessee engaged in an eligible business, a sum equal to eight per cent of the total turnover or gross receipts of the assessee in the previous year on account of such business or, as the case may be, a sum higher than the aforesaid sum claimed to have been earned by the eligible assessee, shall be deemed to be the profits and gains of such business chargeable to tax under the head "Profits and gains of business or profession"

Provided that this sub-section shall have effect as if for the words "eight per cent", the words "six per cent" had been substituted, in respect of the amount of total turnover or gross receipts which is received by an account payee cheque or an account payee bank draft or use of electronic clearing system through a bank account or through such other electronic mode as may be prescribed during the previous year or before the due date specified in sub-section (1) of section 139 in respect of that previous year.

Section 44AD (1), therefore, applies in the following situation:

- Assessee is an **eligible assesse** in the previous year.

- As per explanation (a) of section 44AD **eligible assesse** means an individual, Hindu undivided family or a partnership firm, who is a resident, but excludes **limited liability partnership firm** who has not claimed deduction under any of the sections 10A, 10AA, 10B, 10BA or deduction under any provisions of Chapter VIA under the heading *"C" - Deductions in respect of certain incomes*" in the relevant assessment year. LLP and companies are not covered under the definition of eligible assesse. Thus, eligible assesse means the assessee is having the status of individual, firm or HUF who has not claimed certain specific deductions under chapter VI.

- Assessee is engaged in **eligible business**.

- As per explanation (b) of section 44AD, **eligible business** means any business (other than business of plying, hiring or leasing goods carriages referred to in section 44AE) where the total turnover or gross receipts from such business has not exceeded **Rs. 2 Crores** in the previous year.

- Assessee declares business profit of 8% or 6%, as the case may be, of the total turnover or gross receipt or the higher amount, in the previous year.

To decode the provisions of section 44AB and 44AD, we need to first find out whether the situations that would make the provisions of section 44AD (4) applicable in the previous year exist or not, and once this is done, then, obviously one of the two scenarios would emerge:

- either section 44AD (4) is applicable to the assessee
- or section 44AD (4) is not applicable to the assessee

We shall first take up scenario 1 where section 44AD (4) is applicable.

<u>Scenario 1 – Situations where section 44AD (4) is applicable</u>

When section 44AD(4) is applicable? Relevant statutory provisions of section 44AD (4) :

Sub-section (4) of section 44AD reads as under:

*Where an **eligible assesse** declares profit for any previous year in accordance with the provisions of this section and he declares profit for any of the **five assessment years** relevant to the previous year succeeding such previous year **not in accordance with the provisions of sub-section (1) ,** he shall not be eligible to claim the benefit of the provisions of this section for **five assessment** years subsequent to the assessment year relevant to the previous year in which the profit has not been declared in accordance with the provisions of sub-section (1).*

Analysis: When provisions of section 44AD (4) is applicable?

Statutory provisions relating to applicability of section 44AD (4) can be analysed and summarized as below:

- Assessee , being an **eligible assesse,** has declared profit in accordance with section 44AD in an earlier previous year (Say assessment year 2019-20 in our case)

- Meaning of eligible assesse has already been explained above.

- Once the profit is declared in accordance with section 44AD , say in assessment year 2019-20, the assesse has not declared profit in accordance to section 44AD (1) in any of the succeeding 5 years, say during assessment years 2020-21 or any of the subsequent year till 2024-25 (Assuming assessment year 2020-21 in our case)

- The reason for not declaring the profit in accordance to section 44AD (1) in the assessment year 2020-21 could be either the assesse has opted out of the presumptive scheme or compulsorily required to get the accounts audited on crossing the prescribed threshold limit since in section 44AD(4), the term 'eligible business' is not incorporated.

- The assesse who had declared the profit under the presumptive scheme and then in the subsequent year (s) as stated above had not declared the profit under section 44AD is not allowed to declare profit under the presumptive scheme post non-declaration of profit under section 44AD for 5 years. (Say assessment year 2021-22 in our case as in assessment year 2020-21 profit under section 44AD was not declared)

Thus, for applicability of section 44AD (4) two basic conditions that need to be satisfied are:

(i) Assessee in the past had declared profit U/s 44AD (1)

(ii) Assessee in the past but subsequent to declaration of profit U/s 44AD (1), had not declared the profit U/s 44AD(1).

What happens if section 44AD(4) is applicable :
Once section 44AD (4) is applicable to the assesse in a previous year, the assesse is not eligible to claim the benefit of presumptive method of calculating the profit and gains under section 44AD (1) in that previous year and the assesse .

What are the consequences of applicability of section 44AD (4)?

As already mentioned above , such assesse shall not be eligible to claim the benefit of the provisions of this section for five successive assessment years subsequent to the year of not declaring profit as per section 44AD (say, for the assessment years 2021-22 to 2025-26 , no benefit of presumptive scheme under section 44AD (1) is available)

Thus, once it is established that section 44AD (4) is applicable to the assesse in the assessment year 2021-22, the assesse is not eligible to claim the benefit of the presumptive taxation under section 44AD (1).

The above provisions can be summarize as under:

Declaration of profit u/s 44AD (1)) in assessment year	If non-declaration of profit U/s 44AD (1) arises in assessment year	Non – eligibility of Presumptive taxation u/s 44AD (1) in assessment years
2019-20	2020-21	2021-22 to 2025-26
2019-20 and 2020-21	2021-22	2022-23 to 2026-27
2019-20 to 2021-22	2022-23	2023-24 to 2027-28
2019-20 to 2022-23	2023-24	2024-25 to 2028-29
2019-20 to 2023-24	2024-25	2025-26 to 2029-30
2019-20 to 2024-25	2025-26	Eligible from 2026-27, as 5 years of non-declaration has elapsed.

Whether the books of accounts are required to be audited in the previous year under this scenario?

Once it is established that section 44AD (4) is applicable to the assesse and the benefit of presumptive scheme is not available in the concerned previous year, say, assessment year 2021-22) due to applicability of section 44AD (4) , it is imperative , now, to ascertain whether there is a requirement to get the books of account audited when presumptive scheme could not be adopted. In such situation, section 44AD (5) comes into effect which reads as under:

Notwithstanding anything contained in the foregoing provisions of this section, an eligible assesse to whom the provisions of sub-section (4) are applicable and whose total income exceeds the maximum amount which is not chargeable to income-tax, shall be required to keep and maintain *such books of account and other documents as required under sub-section (2) of section 44AA and get them audited and furnish a report of such audit as required under section 44AB.*

Relevant provisions relating to audit of accounts of certain persons carrying on business or profession – Section 44AB (e)

Provisions of section 44AD(5) has direct nexus with section 44AB(e). Section 44AD (5) refers to the audit that need to be conducted has to be undertaken under section 44AB(e).

The relevant provisions relating to audit of accounts in the above situation is covered by section 44AB (e) which reads as under:

Every person carrying on the business shall, if the provisions of sub-section (4) of section 44AD are applicable in his case and his income exceeds the maximum amount which is not chargeable to income-tax in any previous year get his accounts of such previous year audited.

On joint reading of section 44AD (5) and 44AB (e) we would arrive at the following conclusion:

1	If section 44AD(4) is applicable and where total income exceeds the maximum amount not chargeable to tax	Books need to be audited as contemplated in section 44AD (5) and audit is carried out under section 44AB (e)
2	If section 44AD(4) is applicable and where income does not exceed maximum amount not chargeable to tax	Books of accounts are not required to be audited under section 44AB (e) as contemplated in section 44AD (5)

But here comes the real twist in the form of section 44AB (a). Even though tax audit is not required under section 44AB (e) as pointed out serial no. 2 above, however, the same may be required under section 44AB (a), if conditions laid down in that section are applicable. It is, therefore, important to understand the provisions of section 44AB (a).

Audit of accounts of certain persons carrying on business – Section 44AB (a)

Every person carrying on business shall, if his total sales, turnover or gross receipts, as the case may be, in business exceed or exceeds 1 crore rupees in any previous year get his accounts of such previous year audited.

Provided that in the case of a person whose aggregate of all amounts received including amount received for sales, turnover or gross receipts during the previous year, in cash, does not exceed 5% of the said amount and aggregate of all payments made including amount incurred for expenditure, in cash, during the previous year does not exceed 5% of the said payment this clause shall have effect as if for the words “1 crore rupees”, the words” 10 crore rupees” had been substituted. If cash payments and receipts do not exceed the threshold limit of 5% we may say that almost all the transactions are undertaken digitally. Thus, the limit has been raised from 1 crore rupees to 10 Crore rupees if such **digital transactions** are undertaken.

[The amendment has been carried out only in section 44AB and no corresponding amendment has been made in section 44AD. Thus, the turnover limit of Rs.2 crores for availing the benefit of presumptive taxation remains the same.]

Non applicability of section 44AB – Proviso 1 to Section 44AB

Provided that this section shall not apply to the person, who declares profits and gains for the previous year in accordance with the provisions of sub-section (1) of section 44AD and his total sales, turnover or gross receipts, as the case may be, in business does not exceed 2 crore rupees in such previous year.

Once section 44AD(4) is applicable, provisions of section 44AD(1) are not applicable, hence proviso 1 of section 44AB is not applicable in such case. In other words, the limit of 2 crore rupees is immaterial where section 44AD(1) is applicable.

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For ease of understanding, the following steps may be followed:

Step 1	Find out whether the provisions of section 44AD (4) is applicable to the assesse
Step 2	If yes, then check whether the income of the assesse exceeds the maximum amount not chargeable to tax
Step 3	If the income of the assesse exceeds the maximum amount not chargeable to tax, then, audit is compulsorily required under section 44AD(e) irrespective of the turnover.
	If the income of the assesse does not exceed the maximum amount not chargeable to tax, then, check whether the turnover has exceeded Rs. 1 Crore or not.
Step 4	If the turnover has not exceeded Rs. 1 Crore , then, no audit is required as per section 44AB(a).
	If the turnover has exceeded Rs. 1 Crore but not 10 Crores , then, find out whether the assesse has complied with the requirement of digital transactions.
	If the assesse has complied with the digital transactions requirements, then no audit is required.
	If the assesse has not complied with the digital transactions requirements, then audit is required.
	If the turnover has exceeded Rs. 10 Crores, then compulsory audit is required under section 44AB(a) irrespective of the digital transactions and the threshold limit of the income.

Once section 44AD (4) is applicable, the net profit percentage is irrelevant.

The following table would make you understand the provisions clearly:

Particulars	**Turnover up to 1 Cr.**		**Turnover exceeding 1 Cr. and up to 10 Cr.**			**Turnover exceeding 10 Cr.**	
Income exceeds the maximum amount not chargeable to tax	Yes	No	Yes	No	No	Yes	No
Applicability of section 44AD (5)	Yes	No	Yes	No	No	Yes	No
Digital transactions	Yes/No	Yes/No	Yes/No	Yes	No	Yes/No	Yes/No
Audit requirement	Yes	No	Yes	No	Yes	Yes	Yes
Audit section	Section 44AB(e)	NA	Section 44AB(e)	NA	Section 44AB(a)	Section 44AB (a) / (e)	Section 44AB(a)

Let us go through the following illustrations for clear understanding:

<u>Case 1 : Turnover exceeding 10 Crores in assessment year 2021-22</u>

Question: Is the presumptive scheme applicable?

Answer: No, the assesse is not eligible to opt for presumptive scheme on two account. Firstly, because section 44AD (4) is applicable to the assesse which restrict the assesee to claim the benefit of section 44AD. Secondly, the turnover of the assesse has exceeded the threshold limit of 2 crores rupees as prescribed in section 44AD (1) read with explanation to section 44AD.

Question: Is the assesse required to get the accounts audited?

Answer: In this case, tax audit is compulsory as per section 44AB (a) , as well as under section 44AB (e) read with section 44AD (5) where income exceeds maximum amount not chargeable to tax.

Question: Does the assesse require to get his books audited in the following situations?

1	Where income does not exceed maximum amount not chargeable to tax	Yes, although section 44AD(5) read with section 44AB(e) do not require tax audit in this case but section 44AB(a) do not contain any such provisions where no tax audit is required if income does not exceed maximum amount not chargeable to tax.
2	The net profit ratio is 8% or 6% or more, as the case may be, of the turnover.	Yes, the net profit ratio is relevant only when the turnover has not exceeded 2 Crore rupees. Moreover, once section 44AD (4) is applicable the net profit ratio would not have any relevance.
3	Where the ratio of cash receipt / payment of turnover / total payment does not exceed 5%	Yes, since the turnover is above 10 crore rupees the ratio of cash receipt and payment will not have any effect.

Answer: In all the above 3 situations, the assesee is liable to tax audit. Even if the income does not exceed maximum amount not chargeable to tax the assese is required to get the books of accounts audited. Profit ratio and ratio of cash receipt or payment is irrelevant.

Case 2 : Turnover exceeding 2 Crores and up to 10 Crores in assessment year 2021-22

Question: Is the presumptive scheme applicable?

Answer : No, for the same reason stated in case 1.

Question: Is the assese required to get the accounts audited?

Answer:

1	Where income **exceeds** the maximum amount not chargeable to tax.	Yes, books need to be audited as contemplated in section 44AD (5) and audit is to be carried out under section 44AB (e).
2	Where income **does not exceed** the maximum amount not chargeable to tax and digital transactions are **not** undertaken.	Yes, tax audit is required to be conducted , not under section 44AB(e), but under section 44AD(a) as the turnover has crossed Rs. 1 Crore
3	Where income **does not exceed** the maximum amount not chargeable to tax and digital transactions are undertaken.	No, tax audit is not required to be conducted u/s 44AB(e) as the income has not crossed the required threshold limit . Also audit u/s 44AD(a) is not required as the turnover has not crossed Rs. 10 Crore. The threshold limit of turnover for tax audit is increased to Rs. 10 Crore where digital transactions are carried out.

Question: Does the assese require to get his books audited if the net profit ratio is 8% or 6% or more, as the case may be, of the turnover in the above cases?

Answer: Yes, net profit ratio is 8% or 6% or more, as the case may be, of the turnover is irrelevant as presumptive taxation scheme is not available as turnover has exceeded 2 crore rupees and also for the reason that section 44AD(4) is applicable in this case.

Case 3 : Turnover exceeding 1 Crores and up to 2 Crores in assessment year 2021-22

Question: Is the presumptive scheme applicable?

Answer: No, the assese is not eligible to opt for presumptive scheme as section 44AD (4) is applicable to the assese which restricts the assesee to claim the benefit of section 44AD even if the turnover has not exceeded 2 Crore rupees.

Question: Is the assese required to get the accounts audited?

Answer:

1	Where income **exceeds** the maximum amount not chargeable to tax.	Yes	For the same reasons mentioned in case 2
2	Where income **does not exceed** the maximum amount not chargeable to tax and digital transactions are **not** undertaken.	Yes	
3	Where income does not exceed the maximum amount not chargeable to tax and digital transactions are undertaken.	No	

Question: Does the assesse require to get his books audited if the net profit ratio is 8% or 6% or more, as the case may be, of the turnover in the above cases?

Answer: Yes, net profit ratio is 8% or 6% or more, as the case may be, of the turnover is irrelevant as presumptive taxation scheme is not available for the reason that section 44AD(4) is applicable.

<u>Case 4 : Turnover not exceeding 1 Crores rupees in assessment year 2021-22</u>

Question: Is the presumptive scheme applicable?

Answer: No, the assesse is not eligible to opt for presumptive scheme as section 44AD (4) is applicable to the assesse which restrict the assesee to claim the benefit of section 44AD.

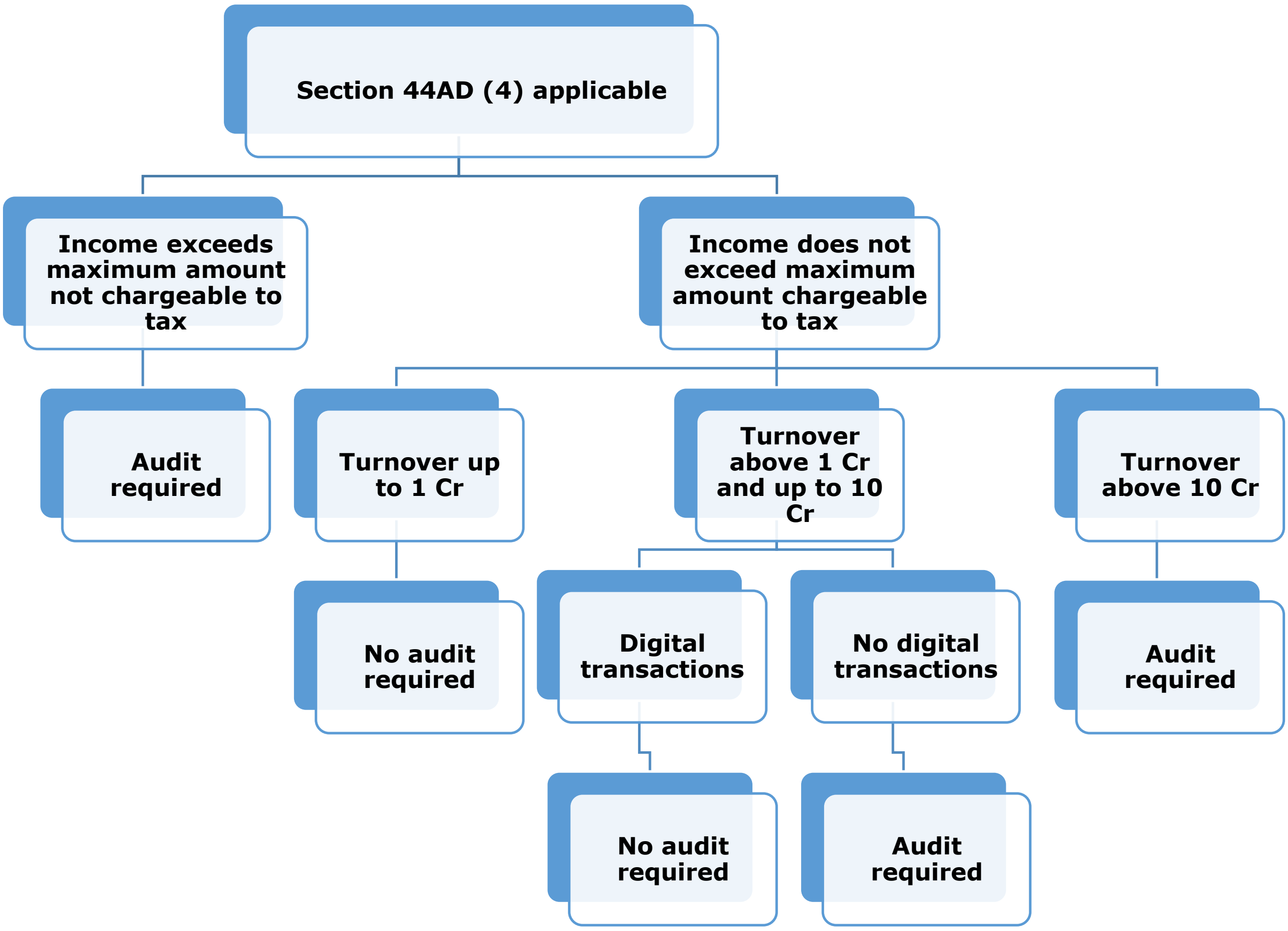
Question: Is the assesse required to get the accounts audited?

Answer:

1	Where income **exceeds** the maximum amount not chargeable to tax.	Yes, books need to be audited as contemplated in section 44AD (5) and audit is carried out under section 44AB (e)
2	Where income **does not exceed** the maximum amount not chargeable to tax (whether digital transactions are undertaken or not)	No, tax audit is not required to be conducted both u/s 44AB (e) and 44AD (a) as the turnover has not crossed Rs. 10 Crore. The threshold limit of turnover for tax audit is increased to Rs. 10 Crore where digital transactions are carried out.

Question: Does the assesse require to get his books audited if the net profit ratio is 8% or 6% or more, as the case may be, of the turnover in the above cases?

Answer: Yes, net profit ratio is 8% or 6% or more, as the case may be, of the turnover is irrelevant as presumptive taxation scheme is not available.



<u>Scenario 2 – When section 44AD (4) is not applicable</u>

Under the following situation section 44AD (4) may not be applicable if the assesse has not complied with the cumulative conditions viz. non- declaration of income on presumptive basis in the past **and** non – declaration of profit for any of the five assessment years relevant to the previous year, succeeding the previous year in which income is declared on presumptive basis, in accordance with the provisions of sub-section (1).

1	Assessee declared income on presumptive basis in the past in accordance with section 44AD (1) but opted out of section 44AD in the previous year under consideration i.e. A:Y: 2021-22. (Note that if the assesse had opted out of the scheme in any of the preceding 5 years succeeding to the year of opting the income on presumptive scheme, then section 44AD would have been applicable). However, in the subsequent year i.e. A:Y: 2022-23 section 44AD (4) would be applicable.
2	Assessee's books of accounts were audited in the past. Section 44AD (4) will not be applicable in the previous year, say, A:Y: 2021-22
3	Assessee's books of accounts were neither audited in the past and nor the assesse declared any profit in the past in accordance with section 44AD (1)
4	Assessee engaged in business for the first time in the previous year i.e. A:Y: 2021-22

The combined reading of section 44AB (a) and proviso to section 44AB has the effect that, where the business turnover of a person exceeds 1 crore rupees in any previous year, he has to get his accounts of such previous year audited. In case of digital transactions this limit has been increased to 10 crore rupees. However, if the person's turnover does not exceed 2 crore rupees in such previous year, no audit is required in case the person declares income on presumptive basis for the said previous year in accordance with the provisions of sub-section (1) of section 44AD.

Step 1	Find out whether the provisions of section 44AD (4) is applicable to the assesse
Step 2	If no, then check whether the turnover has exceeded Rs. 1 crore
Step 3	If the turnover has not exceeded Rs. 1 Crore , then, no audit is required
Step 4	If the turnover has exceeded Rs. 1 Crore but not 10 Crores , then, find out whether the assesse has complied with the requirement of digital transactions**.**
	If the assesse has complied with the digital transactions requirements, then no audit is required.
	If the assesse has not complied with the digital transactions requirements, then check whether the turnover has exceeded Rs. 2 Crore or not.
	If the turnover has not exceeded Rs. 2 Crore and the net profit ratio is 8%/6% or more, then audit is not required.
	If the turnover has not exceeded Rs. 2 Crore and the net profit ratio is less than 8%/6%, then audit is required.
	If the turnover has exceeded Rs. 2 Crore but not exceeded 10 crore , then audit is required
Step 5	If the turnover has exceeded Rs. 10 Crore, then compulsory audit is required irrespective of the digital transactions.

In scenario 2 it is irrelevant whether the income has exceeded the maximum amount not chargeable to tax or not.

For clear understanding the following table would be of much help:

Particulars	**Turnover up to 1 Cr.**	**Turnover above 1 Cr and up to 2 Cr.**			**Turnover above 2 Cr and up to 10 Cr.**		**Turnover exceeding 10 Cr.**
Digital transactions	**Yes/No**	**Yes**	**No**	**No**	**Yes**	**No**	**Yes/No**
Profit ratio	**Any**	**Any**	**Less than 8%/6%***	**Not less than 8%/6%***	**Any**	**Any**	**Any**
Audit requirement	**No**	**No**	**Yes**	**No**	**No**	**Yes**	**Yes**
Audit section	**NA**	**NA**	**Section 44AB (a)**	**NA**	**NA**	**Section 44AB (a)**	**Section 44AB (a)**

Let us understand the concept with the help of following illustration:

<u>Turnover exceeding 10 Crores in assessment year 2021-22</u>

Question: Is the presumptive scheme applicable?

Answer: No, the assesse is not eligible to opt for presumptive scheme as the turnover has exceeded 2 crore rupees as prescribed in section 44AD (1) read with explanation to section 44AD.

Question: Is the assesse required to get the accounts audited?

Answer: In all circumstances, tax audit is compulsory as per section 44AB (a) as the threshold limit of turnover has crossed 10 crores rupees.

Question: Does the assesse require to get his books audited in the following situations?

1	Where income does not exceed maximum amount not chargeable to tax	Yes, tax audit is required to be conducted under section 44AD(a) as the turnover has crossed Rs. 10 Crore irrespective of the digital transactions

2	The net profit ratio is 8% or 6% or more, as the case may be, of the turnover.	Yes, the net profit ratio is relevant only when the turnover has not exceeded 2 Crore rupees.
3	Where the ratio of cash receipt / payment of turnover / total payment does not exceed 5%	Yes, the ratio of cash receipt / payment is relevant only when the turnover has not exceeded 10 Crore rupees.

Answer: In all the above situations the assesee is liable to tax audit. Even if the income does not exceed maximum amount not chargeable to tax, the assesse is required to get the accounts audited. Profit ratio and ratio of cash receipt or payment is irrelevant.

Turnover exceeding 2 Crores and up to 10 Crores in assessment year 2021-22

Question: Is the presumptive scheme applicable?

Answer: No, for the same reason stated above.

Question: Is the assesse required to get the accounts audited?

Answer:

1	Where digital transactions are **not** undertaken.	Yes, tax audit is required to be conducted under section 44AD(a) as the turnover has crossed Rs. 1 Crore
2	Where digital transactions are undertaken.	No, tax audit is not required to be conducted u/s 44AD (a) as the turnover has not crossed Rs. 10 Crore. The threshold limit of turnover for tax audit is increased to Rs. 10 Crore where digital transactions are carried out.

Question: Does the assesse require to get his books audited in the following cases?

1	Where income does not exceed maximum amount not chargeable to tax	Net profit ratio is relevant only when the turnover has not exceeded 2 Crore rupees.
2	The net profit ratio is 8% or 6% or more, as the case may be, of the turnover.	Yes, the ratio of cash receipt / payment is relevant only when the turnover has not exceeded 2 Crore rupees.

Answer: There will not be any change in the answer stated above.

Turnover exceeding 1 Crores and up to 2 Crores in assessment year 2021-22

Question: Is the presumptive scheme applicable?

Answer: Yes, the assesse is eligible to opt for presumptive scheme under section 44AD (1) as section 44AD (4) is not applicable to the assesse and the turnover has not exceeded 2 Crore rupees.

Question: Is the assesse required to get the accounts audited?

Answer:

1	Where digital transactions are undertaken [total cash receipts and cash payments have not crossed 5% of receipts/ turnover and turnover, as the case may be, individually]	No, tax audit is not required to be conducted under section 44AD (a) as the turnover has not crossed 10 Crore rupees. Section 44AD (a) along with its proviso provides that any person whose cash receipts and cash payments do not exceed 5% of the gross receipts/turnover and payments respectively, then he is not required to get his accounts audited if his turnover does not exceeds 10 crore rupees. In this case, the turnover is less than 10 crore rupees and

		total cash receipts and cash payments have not crossed the threshold percentage of receipts/ turnover and turnover.
2	Where digital transactions are **not** undertaken and Presumptive scheme is not opted.	Yes, tax audit is required to be conducted u/s 44AD(a) as the turnover has crossed Rs. 1 Crore and profit margin of 8%/6% or more not declared. Here, though the turnover has not crossed 10 crore rupees but total cash receipts and cash payments have exceeded the threshold limit of 5% as stated above, the turnover limit of 1 crore rupees limit shall apply instead of 10 crore, hence tax audit is required as conditions of digital transactions are not satisfied.
3	Where digital transactions are **not** undertaken and Presumptive scheme is opted.	No, tax audit is not required to be conducted u/s 44AD (a) even though the turnover has crossed 1 crore rupees but the turnover has not crossed 2 Crore rupees and profit margin of 8%/6% or more declared.

Question: Does the assesse require to get his books audited where income does not exceed maximum amount not chargeable to tax

Answer: There will not be any change in the answer stated above.

Turnover not exceeding 1 Crores rupees in assessment year 2021-22

Question: Is the presumptive scheme applicable?

Answer: Presumptive scheme maybe opted as the turnover has not exceeded Rs. 2 crore.

Question: Is the assesse required to get the accounts audited?

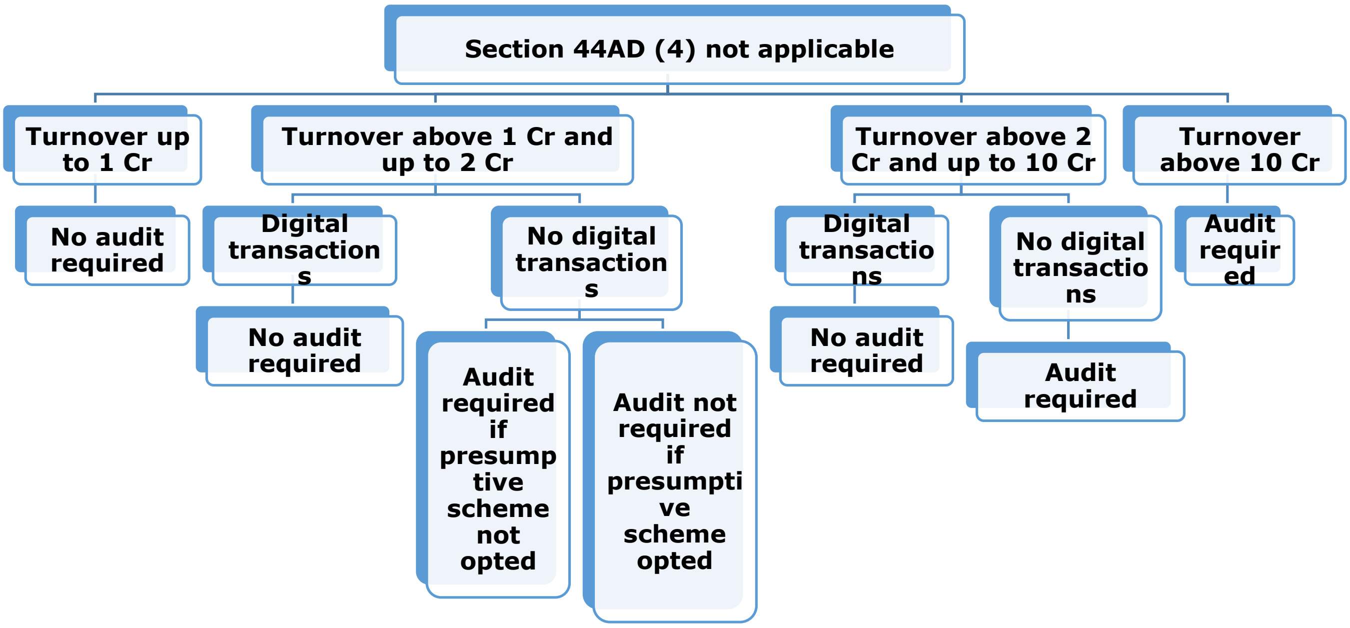
Answer:

1	Where digital transactions are undertaken	No, tax audit is not required to be conducted under section 44AD (a) as the turnover has not crossed 10 Crore rupees. Section 44AD (a) along with its proviso provides that any person whose cash receipts and cash payments do not exceed 5% of the gross receipts/turnover and payments respectively, then he is not required to get his accounts audited if his turnover does not exceeds 10 crore rupees. In this case, the turnover is less than 10 crore rupees and total cash receipts and cash payments have not crossed the threshold percentage of receipts/ turnover and turnover.
2	Where digital transactions are not undertaken	No, tax audit is not required to be conducted u/s 44AD(a) as the turnover has not crossed Rs. 1 Crore. In this case, the turnover is less than 1 crore rupees and total cash receipts and cash payments have crossed the threshold percentage of receipts/ turnover.

Question: Does the assesse require to get his books audited in the following cases?

1	Where income exceeds maximum amount not chargeable to tax
2	The net profit ratio is 8% or 6% or more, as the case may be, of the turnover.

Answer: There will not be any change in the answer stated above.



Section 44AD (5) and section 44AB(e) has no role to play when section 44AD(4) is not applicable.

The question **"who is the husband and who is the wife in section 44AD and 44AB"** asked in the beginning is now resolved. Section 44AD is overriding to section 44AB in so far as the turnover has not exceeded 2 crore rupees and declared profit is 8%/6% or more of the turnover when section 44AD(4) is not applicable. And section 44AB overrides section 44AD in case where turnover has exceeded 1 Crore rupees, section 44AD (4) is applicable and the income does not exceed the maximum amount not chargeable to tax.