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“This document contains the provisions of the Income-tax Act, 2025, as amended by the Finance Act, 2026.”

FAQs on Tax audit

Q1. What is a tax audit?

The dictionary meaning of the term "audit" is a check, review, inspection, etc. There are various types of audits prescribed under different laws, like company law requiring a company audit and cost accounting law requiring a cost audit, etc. The Income-tax Law requires the taxpayer to get the audit of the accounts of his business/profession from the viewpoint of the Income-tax Law.

Section 63 provides for the class of taxpayers who are required to have their accounts audited by a chartered accountant. The audit under section 63 aims to ascertain the compliance of various provisions of the Income-tax Law and the fulfilment of other requirements of the Income-tax Law. The audit conducted by the chartered accountant of the accounts of the taxpayer in pursuance of the requirement of section 63 is called tax audit.

The chartered accountant conducting the tax audit is required to give his findings, observations, etc., in the form of an audit report. The tax audit report is to be given by the chartered accountant in Form Nos. 26.

Relevant Content

Section - 63

Q2. What is the objective of tax audit?

One of the objectives of tax audit is to ascertain/derive/report the requirements of Form Nos. 26. Apart from reporting requirements of Form Nos. 26, a proper audit for tax purposes would ensure that the books of account and other records are properly maintained, that they truly reflect the income of the taxpayer and claims for deduction are correctly made by him.

Such an audit would also help in checking fraudulent practices. It can also facilitate the administration of tax laws by a proper presentation of accounts before the tax authorities and considerably save the time of Assessing Officers in carrying out routine verifications, like checking correctness of totals and verifying whether purchases and sales are properly vouched for or not. The time of the Assessing Officers saved could be utilised for attending to more important and investigational aspects of a case.

Relevant Content

Section – 63

Q3. As per section 63, who is compulsorily required to get his accounts audited, i.e., who is covered by tax audit?

An assessee shall get the books of accounts audited if its gross turnover or receipts during the relevant tax year exceeds the prescribed threshold limit. If the threshold limit, as specified in the table below, is not crossed, the assessee shall not be required to get the books of accounts audited by a Chartered Accountant. The following persons are compulsorily required to get their books of account audited by a Chartered Accountant:

Nature of Business or Profession	***Category of Taxpayer***	***When audit is mandatory?***
Any professions (specified or non-specified)	Any	Gross receipts exceed Rs. 50 lakhs
Business	Cash receipt and payment up to 5% (See Note 1)	Turnover/gross receipts exceed Rs. 10 crore
Business	Any	Turnover/gross receipts exceed Rs. 1 crore.
Business covered under Presumptive Tax Scheme [Section 58(2), Table S. No. 1]	Resident Individual or HUF	- Presumptive scheme opted in but not followed in any of the next 5 tax years, and total income exceeds the maximum exemption limit; or - Profits declared below the prescribed limits and total income exceeds the maximum exemption limit.
Business covered under Presumptive Tax Scheme [Section 58(2), Table S. No. 1]	Resident Partnership Firm (other than LLP)	- Presumptive scheme opted in but not followed in any of the next 5 tax years; or - Profits declared below the prescribed

		limits.
Profession covered under Presumptive Tax Scheme [Section 58(2), Table S. No. 3]	Resident Individual or Resident Partnership Firm (other than LLP)	Declares lower profits than prescribed under Section 58(2) [Table S. No. 3] and total income exceeds the maximum exemption limit.
Business eligible for Presumptive Tax Scheme under Section 58(2) [Table S. No. 2]	Any Assessee engaged in plying, hiring or leasing of goods carriage	Declares lower profits than prescribed under Section 58(2) [Table S. No. 2] and total income exceeds the maximum exemption limit.
Business eligible for Presumptive Tax Scheme under Section 61(2) [Table S. No. 5]	Non-resident assessee engaged in exploration of mineral oil	Declares lower profits than prescribed under Section 61(2) [Table S. No. 5].
Business eligible for Presumptive Tax Scheme under Section 61(2) [Table S. No. 4]	Foreign Co. engaged in civil construction	Declares lower profits than prescribed under Section 61(2) [Table S. No. 4].

Note 1: The following conditions need to be fulfilled:

(a) Cash receipts, including amount received for sales, turnover or gross receipts, do not exceed 5% of the aggregate amount received during the tax year; and

(b) Cash payments, including amounts incurred for expenditure, do not exceed 5% of the aggregate amount paid during the tax year.

Relevant Content

Section - 63

Q4. If a person is required by or under any other law to get his accounts audited, then is it compulsory for him to once again get his accounts audited to comply with the requirement of section 63?

Persons like a company or a co-operative society are required to get their accounts audited under their respective law. Section 63 provides that, if a person is required by or under any other law to get his accounts audited, then he need not again get his accounts audited to comply with the requirement of section 63.

In such a case, it shall be sufficient if such person gets the accounts of such business or profession audited under such law and obtains the report of the audit as required under such other law and also a report by the chartered accountant in the form prescribed under section 63, i.e., Form No. 26(refer to next FAQ for relevance of these forms).

Relevant Content

Section - 63

Q5. What are Form Nos. 26?

The tax audit report prepared by the chartered accountant is required to be furnished in the prescribed form. For an audit conducted under Section 63, the prescribed form is Form No. 26.

Where the assessee's books of account are required to be audited under any other law, Part A of Form No. 26 is to be furnished. In all other cases, Part B of Form No. 26 is required to be furnished.

Additionally, the Annexure to the Audit Report, comprising Parts C and D of Form No. 26, is also required to be furnished.

Relevant Content

Section - 63

Q6. What is the due date by which a taxpayer should get his accounts audited?

A person covered by section 63 should get his accounts audited and obtain the audit report one month prior to the due date of furnishing of return of income under section 263(1).

Thus, if the assessee is required to furnish a report of transfer pricing (TP) in Form No. 48, the due date for filing of the tax audit report is on or before 31st October of the financial year succeeding the relevant tax year.

In any other case, the due date for filing of the tax audit report is on or before 30th September of the financial year succeeding the relevant tax year.

The tax audit report is to be electronically filed by the chartered accountant to the Income-tax Department. After filing of the report by the chartered accountant, the taxpayer has to approve the report from his e-filing account with the Income-tax Department (i.e., at https://www.incometax.gov.in/iec/foportal).

Relevant Content

Section - 63

Q7. What is the fee for not getting the accounts audited as required by section 63?

According to section 428(c), if any person who is required to comply with section 63 fails to get his accounts audited in respect of any tax year or years and furnish such report as required under section 63, he shall be liable to pay a fee in the following manner:

(a) Rs. 75,000 for a delay up to one month for which such failure continues; and

(b) Rs. 1,50,000 thereafter.

Relevant Content

Section - 428

Section – 63

Q8. Is a non-resident conducting business liable to get his accounts audited under Section 63?

Section 63 does not differentiate between residents and non-residents. Therefore, a non-resident assessee must also get his accounts audited if his turnover/sales/gross receipts exceed the prescribed limits. This audit, however, would be confined only to the Indian operations carried out by the non-resident assessee.

Q9. How to calculate turnover in the case of multiple businesses?

Where an assessee is carrying on more than one business, sale turnover or gross receipts from all businesses shall be clubbed together. However, if the assessee is opting for the presumptive taxation scheme, the turnover of such businesses shall be excluded while determining his total sales turnover or gross receipts.