FORM NO. 3CD

[See rule 6 G(2)]

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

Clause	Particulars	ICAI Gudiance Note Suggestions
1	**Name of the assessee**	• 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.
2	**Address**	• Address should be as communicated to the Income-tax Department for assessment purposes as on the date of signing of the audit report. • Audit in respect of branch/ unit, the address of the branch or the unit should be given. • In the case of a company, the address of the registered office should also be stated. • In the case of a new assessee, the address should be that of the principal place of business.
3	**Permanent Account Number**	• PAN allotted to the Assessee to be mentioned. • PAN is mandatory for efiling
4	**Whether the assessee is liable to pay indirect tax like excise duty, service tax, sales tax, customs duty, etc. if yes, please furnish the registration number or any other identification number allotted for the same**	• Mention Regn. No or any identification No., if any allotted, in case the assessee is liable to pay indirect taxes like excise duty, service tax, sales tax, customs duty, etc. • Should obtain from the assessee the list of indirect taxes applicable to him in management representation letter. • Obtain copy of registration certificates mentioning the Regn. No. under relevant law. • In case of multiple registrations – A copy of all registration certificates to be obtained for appropriate disclosures. • Where no registration required – appropriate ID No. may be reported eg: IE code for Customs duty • SA – 580 “Written Representations” should be kept in mind.

					• If tax auditor opines indirect taxes applicable but assessee has not registered, he should report the same appropriately.
5			**Status**		• Status of the Assessee to be mentioned
6			**Previous year**		• Previous year uniformly ends on 31st March. Relevant previous year to be mentioned • In case of Amalgamations, Demergers, Reconstitution, New business, Closure of existing business etc. date of beginning/ending of previous year may be different.
7			**Assessment year**		• Assessment year relevant to previous year for which accounts audited to be mentioned
8			**Indicate the relevant clause of section 44AB under which the audit has been conducted**		• Required to mention the relevant clause of Section 44AB. • If business and turnover > 1.0 crore clause (a), If profession and gross receipts > 25.0 Lacs clause (b), If audit u/s 44AE, 44BB, 44BBB clause (c) and If audit u/s 44AD clause (d) to be mentioned.
9.	**(a)**		**If firm or Association of Persons, indicate names of partners/members and their, profit sharing ratios.**		• Names of partners, members of AOP/BOI & profit sharing ratios in % to be stated. • Details of partners/members during the entire previous year have to be furnished. • Profit sharing ratio includes loss sharing ratios. Specific ratio of remuneration and interest not covered
	(b)		**If there is any change in the partners / members or their profit sharing ratios, Since the last date of preceding year, the particulars of such change.**		• If any change in partners/members of AOP/BOI or their profit sharing ratio since last date of preceding year, particulars of such change must be stated. All the changes occurring during the entire previous year must be stated. • Particulars should be verified from the instrument/agreement or any document. • Should obtain certified copies of deeds, documents, notice of changes etc. • 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.
10.	**(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]**		• Principal line of each business to be determined and stated i.e. Sector in which business falls. • In case of service sector the nature of each type of service to be broadly stated. • Mention sub-sector pertaining to the sector selected. • Information to be furnished in respect of each business. The code to be mentioned against the nature of business pertains to the main area of business activity.

	(b)		**If there is any change in the nature of business or profession, the particulars of such change.**		• 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. • Should get a declaration from assessee regarding change in nature of business, if any • In case of business reorganization, If similar activity carried, no reference required. If new line of activity emerges, the same to be stated. • If any line of activity is hived off, the same may also be reported.
11	**(a)**		**Whether books of account are prescribed under section 44AA, if yes, list of books so prescribed.**		• List of books of a/c prescribed, maintained and examined has to be stated. • 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. • In the case of a person for whom the books of account have been prescribed under rule 6F, the list of books so prescribed have to be stated under clause 11(a). 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 and need not be mentioned under clause 11(a). • 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.

	(b)		**List of books of account maintained and the address at which the books of accounts are kept. (In case books of account are maintained in a computer system, mention the books of account generated by such computer system. If the books of accounts are not kept at one location, please furnish the addresses of locations along with the details of books of accounts maintained at each location.)**		• Should obtain complete list of books of account and other documents maintained (both financial and non-financial records) and make appropriate marks of identification to ensure the identification of the books and records produced before him for audit. The list of books of account maintained by the assessee should be given under clause 11(b). • Section 44AA(2) provides that persons carrying on business or profession, other than those specified in sub-section (1), shall keep and maintain such books of account and other documents as may enable the Assessing Officer to compute his total income in accordance with the provisions of the Income-tax Act • Verify that the assessee has maintained such books of accounts and documents as may enable the Assessing Officer to compute the total income of the assessee in accordance with the provisions of the Act. It may be noted that though the Central Board of Direct Taxes has been empowered under sub-section (3) of section 44AA to prescribe books of account to be maintained under sub-section (2), so far no books of accounts have been prescribed. • For a person whose accounts of the business or profession have been audited under any other law, the requirement for maintenance of books of account is contained in the relevant statutes. • Regarding the mentioning of the books of accounts generated by the computer system, should obtain a list of books of account which are generated by the computer system. The list given by the assessee can be verified from the printout of such books obtained from the assessee. Only such books of account and other records which properly come within the scope of the expression “proper books of account” should be mentioned. • The address at which books so maintained are kept is required to be mentioned. Books kept at more than one location, details of address of each such location with details of books maintained thereof should be given. • In case of company, Verify whether any form filed under Companies Act for maintenance of books at a place other than the registered office. • Books maintained and generated through computer system, obtain details of place of server located. •

	(c)		**List of books of account and nature of relevant documents examined.**		• 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) of I.T.Act "books or books of account" 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 Information Technology 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. • The auditor is required to examine not only the books of accounts but also other relevant documents directly related to transactions reflected in the books of accounts like original purchase invoice, copy of bank statements, bills, vouchers, various agreements/ contracts or any other document on the basis of which preliminary entries are passed in the books of accounts. •
12			**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, Chapter XII-G, First Schedule or any other relevant section.)**		• 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. • Amount to be mentioned means the amount included in P&L a/c. Not required to mention amount assessable under relevant section of presumptive taxation. • Where assessee maintaining regular books has more than one business including business under presumptive basis and P&L prepared includes income of business under presumptive basis, the apportionment of common expenditure should be arrived at by a fair and reasonable estimate on the basis of evidence in possession or as provided by assessee and satisfied. If not satisfied with reasonableness of apportionment, he should indicate by a suitable note.

					• Where assessee maintain regular books for his main business and no books for some additional businesses which fall under presumptive basis but net income credited to main profit & loss a/c should state the amount of income appearing in P&L with a suitable note expressing his inability to verify the said figure. • 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.
13.	**(a)**		**Method of accounting employed in the previous year.**		• 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.
	(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.**		• If there is any change, the effect thereof has to be stated under this clause. Insofar as thequestion 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. • As per AS-1 all significant accounting policies adopted in the preparation and presentation of financial statements shall be disclosed. The disclosure of the significant accounting policies shall form part of the financial statements and the significant accounting policies shall normally be disclosed in one place
	(c)		**If answer to (b) above is in the affirmative, give details of such change, and the effect thereof on the profit or loss.**		• 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.
	(d)		**Details of deviation, if any, in the method of accounting employed in the previous year from accounting standards prescribed under section 145 and the effect thereof on the profit or loss.**		• 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 13(b) but should be mentioned in the financial statements. • As per the memorandum explaining the Finance (No. 2) Bill 2014, an amendment has been made in order to clarify that the standards notified under section 145(2) are only meant for computation of income and disclosure of information and the assessee need

					not maintain books of account on the basis of AS notified under the Income-tax Act, 1961. The Accounting Standards issued by ICAI/ Companies Accounting Standard Rule, 2006 would still be required to be followed by the assessee, for preparation of financial statements.
14.	**(a)**		**Method of valuation of closing stock employed in the previous year.**		• The method of valuation of closing stock is to be stated under this clause. AS-2 "Valuation of Inventories" issued by ICAI requires disclosure of significant accounting policies. Accordingly, a reference may be invited to the same or the method of valuation may be again described in Form No.3CD. • Should obtain the inventory of closing stock, indicating the basis of valuation thereof, for reporting on the method of valuation of closing stock under this clause. Should examine the basis adopted for ascertaining the cost and this basis should be consistently followed. It is necessary to ensure that the method followed for valuation of stock results in disclosure of correct profit and gains. • 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 is not necessary to indicate any change in the method of valuation of closing stock under this clause. Any such change in the method of valuation of closing stock would amount to change in an accounting policy and needs to be disclosed in the financial statements as required by AS-1 and AS(IT). • 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.

	(b)		**Details of deviation, if any, from the method of valuation prescribed under section 145A, and the effect thereof on the profit or loss.**		• The details of deviation, if any, from the method of valuation prescribed under section 145A, and the effect thereof on the profit or loss have to be stated under clause 14(b). • 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.
15.			**Give the following particulars of the capital assets converted into stock in trade.**		For furnishing the particulars required by clause 15, 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 15 should be furnished with respect to theprevious 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. • The particulars to be stated under new clause 15 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.
	a.		**Description of Capital assets**		• Description of the capital asset is required to be mentioned for example shares, security, land,building, plant, machinery etc.
	b.		**Date of acquisition**		• The date of acquisition is to be reported. The Date assumes importance for determing long term or short term capital asset.

	c.		**Cost of acquisition**		• The cost of acquisition is required to be reported. cost of acquisition as per the books of account is to be mentioned. In case of depreciable assets, the carrying cost appearing in the books will be the written down value. But the value to be reported will be the original cost of acquisition. Even in case of an asset acquired prior to the 1st day of April, 1981 the value to be reported will be the original cost of acquisition.
	d.		**Amount at which the asset converted into stock-in-trade.**		• The amount recorded in the books of account at which the asset is converted into stock-intrade should be stated. Such an amount may not be the fair market value as on the date of conversion or treatment as stock-in-trade. If a value other than carrying cost is recorded then the auditor has to examine the basis of arriving at such a value. The valuation of stock-in-trade is to be examined with reference to AS-2 – Valuation of inventories. Non-compliance with AS-2 is to be suitably qualified in the main audit report. • In addition to the above, the auditor should also refer to the guidance contained in the Guidance Note on Audit of Property, Plant and Equipment issued by the Institute.
16.			**Amounts not credited to the profit and loss Account, being, -**		• Under this clause various amounts falling within the scope of section 28 which are not credited to the profit and loss account are to be stated. The information under sub-clauses (a), (d) and (e) of clause (16) is to be given with reference to the entries in the books of account and records made available to the tax auditor for the purpose of tax audit under section 44AB. • However, those items which are reported in clauses 16(b), (c) and (d) need not be reported in clause 16 (a). The tax auditor may obtain a management representation in writing from the assessee in respect of all items falling under this clause.
	(a).		**The items falling within the scope section 28;**		• Profits & gains of business • Compensation on termination • .Income from trade, professional association • Profit on sale of licence under Import control order • Cash assistance against exports • Customs or excise repayable • Profit on DEPB , DFRC • Benefit or perquisite • Interest, salary, bonus received by a partner from such firm • Sum received for not carrying out any activity • Sum received under a Keyman insurance • Any sum received on any capital assets (demolished, destroyed, discarded) if such expenditure was allowed u/s 35AD

	(b).		**The proforma credits, drawbacks, refunds of duty of customs or excise or service tax or refunds of sales tax valued added tax, where such credits, drawbacks or refunds are admitted as due by the authorities concerned;**		• 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 Proforma Credits, Drawback, Refund of customs duty, excise duty, service tax, sales tax or value added tax. • There may be practical difficulties in verifying the information in regard to such refunds and credits. It may, therefore, be necessary for the tax auditor to scrutinise the relevant files or subsequent records relating to such refunds while verifying the particulars and also obtain an appropriate management representation. • The words 'admitted by the concerned authorities' would mean 'admitted by the authorities within the relevant previous year'. • In case of cash basis of accounting, it should be clearly brought out, since the admittance of claims during the relevant previous year without actual receipt has no significance in cases where cash method of accounting is followed. • 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.
	(c).		**Escalation claims accepted during the previous year;**		• 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. • Only those claims to which the other party has signified unconditional acceptance could constitute accepted claims. Mere making of claims by the assessee or claims under negotiations or claims which are sub-judice cannot constitute claims accepted. The Auditor should take a professional judgment about acceptance of claim based on facts and circumstances of each case.
	(d).		**Any other item of income;**		• Sub-clause (d) covers any other items the tax auditor considers as an income based on his verification of records and other documents.
	(e)		**Capital receipt, if any.**		• The Capital receipt, if any, which has not been credited to the P&L has to be stated. • Eg: Capital subsidy of promoter's contribution, Govt. Grant in relation to specific fixed asset, profit on sale of fixed assets, Compensation for surrendering certain rights, Loss/expenditure/liability recovered u/s 41(1)). • Loans and Borrowings are not required to be stated.

17.			**Where any land or building or both is transferred during the previous year for a consideration less than value adopted or assessed or assessable by any authority of a State Government referred to in section 43CA or 50C, please furnish:**		• S. 43CA applicable where assessee transferred an asset (other than a capital asset) being land or building or both and the value of such an asset is less than the value adopted by any State Government authority for the purpose of payment of stamp duty. In such a case for purpose of computing profit & gains from such transfer, the value so adopted or assessed or assessable shall be deemed to be the full value of consideration. • S. 50C applicable where assessee transferred a capital asset being land or building or both and the value of such an asset is less than the value adopted any State Government authority for the purpose of payment of stamp duty. In such a case, for purpose of section 48, the value so adopted or assessed or assessable by stamp duty authority shall be deemed to be the full value of consideration. • The auditor has to furnish the details about the nature of property i.e. whether the property transferred by him is land or a building along with the address of such property. If the assessee has transferred more than one property, the detail of all such properties is required to be mentioned. The auditor should obtain a list of all properties transferred by the assessee during the previous year. • Under the heading “consideration received or accrued”, the auditor has to furnish the amount of consideration received or accrued, during the relevant previous year of audit, in respect of land/building transferred during the year as disclosed in the books of account of the assessee. • For reporting the value adopted , the auditor should obtain a copy of the registered sale deed. In case the property is not registered, the auditor may verify relevant documents from relevant authorities or obtain third party expert like lawyer, solicitor representation to satisfy the compliance of section 43CA/ section 50C of the Act. In exceptional cases where the auditor is not able to obtain relevant documents, he may state the same through an observation in his report 3CA/CB. • Auditor would have to apply professional judgment as to what constitutes land or building for e.g. whether leasehold right / development rights / TDR / FSI etc would fall under this provisions or not, would require to be evaluated based on facts & circumstances of transactions

18.			**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.**		• Examine the classification of the assets into various blocks. The purpose for which the asset is used is also very material. Check whether the classification made by the assessee is in consonance with legal principles. • Once classification ascertained and checked propertly, check rates applicable as per I.T. Rules. • Under sub-clauses (a) information in respect of description of assets, block of assets under which the concerned asset is classifiable, 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. Where system of classification different from the one adopted by assessee, suitable disclosure should be made regarding the effect.
	(b).		**Rate of depreciation.**		• Under sub-clauses to (b), and the rate of depreciation are to be stated.
	(c).		**Actual cost of written down value, as the case may be.**		• Since determination of actual cost has got accounting implications, he can rely on the relevant accounting Standards and Guidance Notes. Due to the amendments made by the Finance (No.2) Act, 1998, depreciation is allowable on intangible assets like know-how, patents, copyrights, trademarks, licenses, franchises or any other business or commercial rights of similar nature. There may be intangible assets like patents invented by the company, brand names, etc. for which the assessee might have incurred costs. The tax auditor should examine the basis on which the cost of such intangible assets has been arrived at. • 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. • 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.
	(d).		**Additions/deductions during the year with dates; in the case of any addition of an asset, date put to use; including adjustments on account of--**		• 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 ofduring 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.

		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, 1994,**		• VAT Credit eligible on capital goods should be reduced from the cost of the assets for the purpose of claim of depreciation. • The assessee should not include duty paid on capital goods eligible for CENVAT credit as part of the cost of fixed assets, otherwise he will not eligible to claim the CENVAT credit. if the CENVAT credit is claimed and allowed but which has not been deducted from the cost of the asset, such credit should be deducted from the cost and appropriate disclosure should be made separately for such adjustment. The tax auditor should also verify that the amount of CENVAT credit deducted from cost of capital goods tallies with the credit availed on this account.
		ii)	**Change in rate of exchange of currency, and**		• Where assessee acquired any asset in any previous year from outside the country for the purposes of business/profession and in consequence of change in rate of exchange during the previous year after acquiring the asset and if there is an increase or reduction in the liability of assessee expressed in Indian currency at the time of making payment towards repayment of the monies borrowed either directly or indirectly in any foreign currency. Then the increase or reduction in the liability during the previous year irrespective of method of accounting is to be added or deducted from the cost of asset as defined in clause (1) of section 43. • Extent of addition or reduction will be limited to the exchange difference actually paid during the previous year.
		iii)	**Subsidy or grant or reimbursement, by whatever name called.**		• As per Explanation 10 to section 43(1) where a portion of the cost of an asset acquired by the assessee has been met directly or indirectly by the Central Govt or a State Govt or any authority in the form of a subsidy or grant or reimbursement then, so much of the cost shall not be included in the actual cost of the asset to the assessee. • Where subsidy cannot be directly relatable to the asset acquired, such proportionate amount to all the assets in respect of which the subsidy is so received, shall not be included in the actual cost of the asset to the assessee. • Subsidy coming within the scope of Explanation 10 to section 43(1) in respect of asset acquired in any earlier year(s) and received during the year has to be deducted from the written down value of such assets in the year of receipt.

	(e)		**Depreciation allowable.**		• Wherever a claim for depreciation involves any reliance on any judgement or opinion or other contentions it may be advisable for tax auditor to disclose full particulars thereof and the basis on which the depreciation allowable has been determined and vouched by him. • 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. • Section 32(1)(iia) provide for additional depreciation to a concern engaged in the business of anufacturing or production of an article or thing or installation of a new machinery on fulfillment of the prescribed conditions. machinery or plant which before installation by the assessee was used by any other person, machinery or plant installed in office premises or residential accommodation, office appliances, road transport vehicles and that machinery or plant the actual cost of which is allowed in computing the income. The tax auditor will need to verify the claim of additional depreciation under this clause as well. • Wherever, the full deduction of the cost of capital goods is allowed the auditor should verify that the cost of such asset is not included in the block of assets for the purpose of depreciation.
	(f)		**Written down value at the end of the year.**		
19.			**Amounts admissible under Section**		
	a.		**32AC**		• In case the assessee has obtained a separate Audit Report for claiming deductions under any of these sections, he must make a reference to that report while giving the details under this clause. • The Tax Auditor should indicate the amount debited to the P&L and the amount actually admissible in accordance with the applicable provisions of law. • The amount not debited to the P&L but admissible under any of the Sections mentioned in the clause have to be stated.on the basis of the conditions prescribed in the concerned Section, the amount admissible there under and report the same. • An assessee may be eligible for deduction under one or more subsections of section 35. 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.
	b.		**33AB**		
	c.		**33ABA**		
	d.		**35(1)(i)**		
	e.		**35(1)(ii)**		
	f.		**35(1)(iia)**		
	g.		**35(1)(iii)**		
	h.		**35(1)(iv)**		
	i.		**35(2AA)**		
	j.		**35(2AB)**		
	k.		**35ABB**		
	l.		**35AC**		
	m		**35AD**		
	n		**35CCA**		
	o		**35CCB**		
	p		**35CCC**		

	q		**35CCD**		• The Tax Auditor should also ensure the eligibility of the expenditure/payment for deduction and compliance of the conditions prescribed in the sub-section including approval from the relevant/prescribed authority, notification issued by the Central Government, any other guideline circular etc issued in this behalf. Tax auditor should also refer Rule 6 of Income-tax Rules, 1962. • In case the auditor relies on a judicial pronouncement, he may mention the fact in his observations para provided in Form No.3CA or Form No.3CB, as the case may be.
	r		**35D**		
	s		**35DD**		
	T		**35DDA**		
	u		**35E**		
20	**(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)]**		• If bonus or commission is in the nature of profit or dividend, it may not be normally allowableas a deduction unless such payment is wholly and exclusively made to the employee.
	(b)		**Details of contributions received from employees for various funds as referred to in section 36(1)(va):**		• The requirement is only in respect of the disclosure of the amount and the tax auditor is not expected to express his opinion about its allowability or otherwise • Section 2(24)(x) includes within the scope of income any sum received by the assessee fromhis 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. • Get a list of various contributions recovered from employees within the scope of this clause and the date on which it is deposited. Verify the documents relating to PF funds and other welfare funds. Verify agreement under which employees have to make contributions to PF and other welfare funds. The ledger account of contributions from employees should be reviewed; the due dates of payments and the actual dates of payment should be verified with the evidence available. • In view of the voluminous nature, the tax auditor can apply test checks and compliance tests to satisfy himself that the system of recovery and remittance is proper. Under this clause, details regarding the nature of fund, details of the amount deducted, due date for payment, actual amount paid and actual date of payment to the concerned authorities in respect of provident fund, ESI fund or other staff welfare fund have to be stated.

21.			**Please furnish the details of amounts debited to the profit and loss account, being in the nature of**		
	(a)		**(i) Expenditure of capital nature** **(ii) Expenditure of personal nature** **(iii) Expenditure on advertisement in any souvenir, brochure, tract, pamphlet or the like, published by a political party** **(iv) Expenditure incurred at clubs as entrance fees and subscriptions** **(v) Expenditure incurred at clubs being cost for club services and facilities used** **(vi) Expenditure by way of penalty or fine for violation of any law for the time being force** **(vii) Expenditure by way of any other penalty or fine not covered above** **(viii) Expenditure incurred for any purpose which is an offence or which is prohibited by law**		• 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. • Personal expenses debited to the profit and loss account are to be specified under this sub-clause as they are not deductible in the computation of total income under section 37. Section 143(1)(e) of the Companies Act 2013 specifically requires the auditor to inquire whether personal expenses have been charged to revenue account. In the case of a person whose accounts of the business or profession have been audited under any other law, the tax auditor will have to report in respect of personal expenses debited in the profit and loss account. In the case of a person who carries on business or profession but who is not required by or under any other law to get his accounts audited, the tax auditor will have to verify the personal expenses if debited in the expenses account while conducting the audit and verify the amount of expenses mentioned under this clause. • Section 37(2B) provides that no allowance shall be made in respect of expenditure incurred by an assessee on advertisement in any souvenir, brochure, tract, pamphlet or the like published by a political party. Therefore, the expenditure of this nature should be segregated and reported under this clause. • The trade union or labour union though promoted or formed by a political party may have a distinct legal entity. Expenditure incurred by way of advertisement given in the souvenir, brochure, pamphlet or journal published by the trade union or the labour union is not required to be indicated. • 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.

					• 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.
	(b)		**Amounts inadmissible under section 40(a):**		
		(i)	**As payment to Non-resident referred to in sub-clause (j)** **A. Details of payment on which tax is not deducted** **(I) Date of payment** **(II) Amount of payment** **(III) Nature of payment** **(IV) Name and address of payee**		• Under clause 21(b)(i)(A), the auditor is required to report payments to non residents on which tax is required to be deducted but not deducted in respect of interest, royalty, fees for technical services and other such chargeable amount under the Income tax Act. The Auditor is advised to give details under this clause for each individual payee.
			B. Details of payment on which tax has been deducted but has not been paid during the in the previous year or subsequent year before expiry of time prescribed u/s 200(1) **(I) Date of payment** **(II) Amount of payment** **(III) Nature of payment** **(IV) Name and address of payee** **(V) Amount of tax deducted**		• Similarly under clause 21(b)(i)(B), the auditor is required to report payments on which tax is deducted but is not deposited within the time prescribed during the previous year or in subsequent year. Such details are also required to be given for each individual payee prescribed under Section 40(a)(i). • Under this sub-clause the tax auditor is required to report the details of payment on which tax is not deducted at source and also the details of payment on which tax has been deducted but not paid during the previous year or in the subsequent year before the expiry of time prescribed under section 200(1)/139(1). The tax auditor should maintain the following data in his working papers for the purpose of reporting under this sub-clause:

		(ii)	**As payment referred to in sub-clause (ia)** **A. Details of payment on which tax is not deducted** **(I) Date of payment** **(II) Amount of payment** **(III) Nature of payment** **(IV) Name and address of payee**		• Under this sub-clause any payment of the expenses, specified therein on which tax is deductible under Chapter XVIIB and such tax has not been deducted or after deduction has not been paid on or before the date of filing of return specified under section 139(1), is not eligible for deduction while computing income chargeable under the head "profits and gains of business or profession". Accordingly, such amount will be inadmissible and will be required to be disclosed under this clause. • The tax auditor will be required to examine whether the provisions relating to tax deduction at source have been complied with in respect of payments specified under the clause. For this purpose the tax auditor may examine the books of accounts and tax deduction returns pertaining to these payments. • Where the auditee claims deduction under the second proviso to subsection (ia) it is deemed that he has deducted and paid the tax and hence such sum on which tax is so deemed to be deducted and paid is not inadmissible, the tax auditor should verify compliance with the requirements of section 201. He should also obtain and keep in his record a copy of certificate in Form 26A as required by section 201 read with section 40(a)(ia). • Under clause 21(b)(ii)(A), auditor is required to report payments to residents on which tax is required to be deducted but not deducted in respect of interest, royalty, fees for technical services and other such chargeable under Chapter XVII-B of the Income Tax Act. The auditor is advised to give details under this clause for each individual payee.
			B. Details of payment on which tax has been deducted but has not been paid during the in the previous year or subsequent year before expiry of time prescribed u/s 139(1) **(I) Date of payment** **(II) Amount of payment** **(III) Nature of payment** **(IV) Name and address of payee** **(V) Amount of tax deducted** **Amount out of V deposited if any**		• Under clause 21(b)(ii)(B), auditor is required to report payments on which tax is deducted but is not deposited within the time prescribed during the previous year or in subsequent year. Such details are also required to be given for each individual payee prescribed under section 40(a)(ia). • Tax auditor should also verify that the particulars given under this clause do not differ from the particulars given under clause 34 of Form no. 3CD to the extent applicable. Under this sub-clause, the tax auditor is required to report the details of payment on which tax is not deducted at source and also the details of payment on which tax has been deducted but not paid on or before the due date specified in section 139(1). The tax auditor should maintain the following data in his working papers for the purpose of reporting under this sub-clause:
		(iii)	**Under sub clause (ic) [wherever applicable]**		• The Item no. (iii) of clause 21(b) requires reporting of any sum paid on account of fringe benefit tax under Chapter XIIH, wherever applicable. Since Fringe benefit tax was abolished by the Finance (No.2) Act, 2009 with effect from 1-04-2009, the tax auditor will be required to furnish information under this item only if the audit report relates to an assessment year to which the provisions of chapter XII H were

					applicable. For all other cases, the tax auditor may report "NIL" or "Not Applicable" as per the requirement of the format of e-filing utility.
		(iv)	**Under sub clause (iia)**		• The amount of Wealth Tax paid is not allowed as a deduction u/s 40(a)(iia) and thus is required to be reported under clause 21(b)(iv).
		(v)	**Under sub clause (iib)**		• New sub clause 40(a)(iib) w.e.f. A.Y. 2014-15 to provide that (a) any amount paid by way of a royalty, license fees, service fees, privilege fees, service charge or any other fees or charge by whatever name called, which is levied exclusively on; or (b) which is appropriated, directly or indirectly from, a State Government undertaking by the State Government is inadmissible expenditure. The explanation to this sub clause (iib) also defines a State Government undertaking. The Tax auditor should verify any such payment made by State Government undertaking to the State Government and should report under clause 21(b)(v).
		(vi)	**Under sub clause (iii)** **(A) Date of payment** **(B) Amount of payment** **(C) Name and address of Payee**		• The amount of salary which is paid outside India or to a non-resident in respect of which tax has not been deducted but which is required to be deducted under the applicable provisions of the Income Tax Act or tax has not been paid after deduction, the same is not allowed as a deduction u/s. 40(a)(iii) and the same is required to be reported under clause 21(b)(vi). This information is required to be given for each individual payee.
		(vii)	**Under sub clause (iv)**		• Section 40(a)(iv) provides that any payment to a provident or other fund established for the benefit of employees of the assessee shall be disallowed, unless the assessee has made effective arrangements to secure that tax shall be deducted at source from any payments made from the fund which are chargeable to tax under the head "Salaries". The auditor is also required to report the same under item (vii) of this sub-clause.
		(viii)	**Under sub clause (v)**		• Any tax paid by an employer on non-monetary perquisites is exempt in the hands of the employee as per section 10(10CC). Further, as per section 40(a)(v) the tax paid by the employer on non-monetary perquisites provided to employees shall not be deductible in computing profits and gains from business or profession. The tax auditor is required to report the amount of such tax paid by the employer, in case it is debited to the profit and loss account under clause 21(b)(viii)
	(c)		**Amounts debited to profit and loss account being, interest, salary, bonus, commission or remuneration inadmissible under section 40(b)/40(ba) and computation thereof;**		• 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.
	(d)		**Disallowance/ deemed income under section 40A(3):**		•
		A	**On the basis of the examination of books of account and other relevant documents/ evidence, whether the expenditure covered under section 40A(3) read with rule 6DD were made by account payee cheque drawn on a bank or account payee bank draft. If not, please furnish the details:**		• The tax auditor should obtain a list of all cash payments in respect of expenditure exceedingRs.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. • 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/-.
		B	**On the basis of the examination of books of account and other relevant documents/ evidence, whether the payment referred to in section 40A(3A) read with rule 6DD were made by account payee cheque drawn on a bank or account payee bank draft If not, please furnish the details of amount deemed to be the profits and gains of business or profession under section 40A(3A);**		• As per the provisions of section 40A(3A) where any allowance has been made in the assessment for any year in respect of any liability incurred by the assessee for any expenditure and subsequently during the previous year the assessee makes payment in respect thereof, otherwise than an account payee cheque drawn on a bank or account payee bank draft exceeding Rs.20,000, the payment so made shall be deemed to be the profits and gains of business or profession and accordingly chargeable to income tax with respect to that previous year. In case of payment made for plying, hiring or leasing of goods carriage, limit is Rs.35,000/- instead of Rs.20,000/-.
	(e)		**provision for payment of gratuity not allowable under section 40A(7),**		• As per section 40A(7), the deduction shall be allowed in relation to any provision made by the assessee for the purpose of payment of a sum by way of any contribution towards an approved gratuity fund, or for the purpose of payment of any gratuity, that has become payable during the previous year. • 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.

	(f)		**any sum paid by the assessee as an employer not allowable under section 40A(9);**		• 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 adeduction 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
	(g)		**particulars of any liability of a contingent nature**		• 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.
	(h)		**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;**		• 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 2(34), long term capital gains on the transfer of equity shares which is exempt under 2(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.
	(i)		**Amounts inadmissible under the proviso to section 36(1)(iii).**		• 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".

22			**Amount of Interest inadmissible under section 23 of the Micro, Small and Medium Enterprise Development Act, 2006.**		• 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 MSMED 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.
23			**Particulars of payments made to persons specified under section 40A(2)(b).**		• 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.
24			**Amounts deemed to be profits and gains under section 33AC or 33AB or 33ABA or 33AC.**		• 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.
25			**Any amount of profit chargeable to tax under section 41 and computation thereof.**		• 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
26	**(A)**		**In respect of any sum referred to in clause (a), *(b)*, (c), (d), (e) or *(f)* of section 43B, the liability for which:-- Pre-existed on the first day of the previous year but was not allowed in the assessment of any preceding previous year and was**		• S.43B the following amounts shall be allowed as deduction in the year in which amounts are actually paid: (a) Any tax, duty, cess or fee etc (b) Employer's contribution to PF (c) Any bonus, commission payable to its employees (d) Interest on loan or borrowing from Public Financial institution etc (e) Interest on any loan or advance from a schedule bank (f) Any sum payable to employee in lieu of any Leave credit.
		(a)	**paid during the previous year;**		• In respect of the liability which pre-existed on the first day of the previous year is allowable asdeduction if paid during the previous year. This is required to be reported in clause 21(i)(A).
		(b)	**not paid during the previous year;**		
26	**(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 under section 139(1);**		• In respect of the liability which is incurred in the previous year is allowable to the extent it ispaid 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 26(B)(a). • The tax auditor, in his tax audit report, should, therefore, clearly distinguish the liability incurred during the previous year in respect of all the specified sums referred to in clauses (a) to (f) from the liability that pre-existed on the first day of the relevant previous year. • If the assessee is following the cash basis of accounting, sums referred to in clause (a), (b), (c), (d), (e) and (f) of section 43B which are debited to the profit and loss account will be allowable as they would have been actually paid during the year.
		(b)	**not paid on or before the aforesaid date. (State whether sales tax, customs duty, excise duty or any other indirect tax, levy, cess, impost etc. is passed through the profit and loss account.)**		• 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.

					• Under section 43B(a), sales-tax when paid is allowed as a deduction. Although under clause (a) of section 43B items that have been debited to the profit and loss account but not paid during the previous year, are to be specified, where it is the practice of the company to maintain a separate sales-tax/service tax/excise duty account and treat the sales tax/excise duty collected as a liability, it would be necessary to show by way of note under this clause, the amount of sales tax/excise duty collected but not paid. In case, any sum has been paid before the due date of filing the return, the date and the amount of payment along with the amount paid should also be disclosed.
27	**(a)**		**Amount of Central Value Added Tax credits availed of or utilised during the previous year and its treatment in the profit and loss account and treatment of outstanding Central Value Added Tax credits in the accounts.**		• 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. • The tax auditor should verify that there is a proper reconciliation between balance of CENVAT credit in the accounts and relevant excise and service tax records. The tax auditor should report the amount of CENVAT availed and utilised under this sub-clause. • 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. • With regard to reporting of the amount of CENVAT credits availed or utilized during the previous year and its treatment in the profit and loss account wherever possible, it is advisable to give the details of the credit availed and utilized as separate line items.

					• With regard to reporting of the treatment of outstanding CENVAT Credits in the account,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 also be mentioned appropriately..
	(b)		**Particulars of income or expenditure of prior period credited or debited to the profit and loss account.**		• 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.
28.			**Whether during the previous year the assessee has received any property, being share of a company not being a company in which the public are substantially interested, without consideration or for inadequate consideration as referred to in section 56(2)(viia), if yes, please furnish the details of the same.**		• Section 56(2)(viia) provides that where a firm or a company not being a company in which the public are substantially interested, receives, in any previous year any property being shares of a company (not being a company in which the public is substantially interested, (i) without consideration, the aggregate fair value of which exceeds rupees fifty thousand, the whole of the aggregate fair market value of such property (ii) for a consideration which is less than the aggregate fair market value of the property by an amount exceeding fifty thousand rupees, the aggregate fair market value of such property as exceeds such consideration shall be chargeable to income-tax under the head "Income from other sources" • Section 56(2)(viia) does not apply to the property received by way of a transaction not regarded as transfer under section 47(via), 47(vic), 47(vicb), 47(vid) and 47(vii). The fair market value of shares means the value determined in accordance with the method prescribed in rule 11UA of the Income-tax Rules, 1962. • Since section 56(2)(viia) is applicable to firms and companies in which public are not substantially interested, reporting is required only for them and not for other assesses.

29.			**Whether during the previous year the assessee received any consideration for issue of shares which exceeds the fair market value of the shares as reffered to in section 56(2)(viib), if yes, please furnish the details of the same.**		• Section 56(2)(viib) provides that where a company, not being a company in which the public are substantially interested, receives, in any previous year, from any person being a resident, any consideration for issue of shares that exceeds the face value of such shares, the aggregate consideration received for such shares as exceeds the fair market value of the shares shall be chargeable to income-tax under the head "Income from other sources". • Since section 56(2)(viib) is applicable to companies in which public is not substantially interested, reporting under this clause is to be done only for corporate assesses
30.			**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]**		• 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. • There will be practical difficulties in verifying the loan taken or repaid on hundi by account payee cheque. In such cases, the tax auditor should verify the borrowing/repayments with reference to such evidence which may be available and in the absence of conclusive or satisfactory evidence or the auditor may obtain suitable certificate/ management representation in this regard.
31	***(a)**		**Particulars of each loan or deposit in an amount exceeding the limit specified in section 269SS taken or accepted during the previous year :--**		• 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". • Sale proceeds collected by the selling agent will not be considered as loan or deposit. • A current account is not excluded from the definition of the term "deposit". if the transactions in a current account exceed Rs.20,000/-, it will be necessary to give the
		(i)	**Name, address and permanent account number (if available with the assessee) of the lender or depositor;**		
		(ii)	**Amount of loan or deposit taken or accepted;**		
		(iii)	**Whether the loan or deposit was squared up during the previous year;**		
		(iv)	**Maximum amount outstanding in the account at any time during the previous year;**		
		(v)	**Whether the loan or deposit was taken or accepted otherwise than by an account payee cheque or an account payee bank draft.**		

		(i)	***(These particulars needs not be given in the case of a Government company, a banking company or a corporation established by a Central, State or Provincial Act.)**		information against this sub-clause. • In case of mixed account, the transactions relating to loans and deposits should be segregated from other accounts and the transactions relating to loans and deposits (including temporary advances) should be stated under this clause. • Advance received against agreement of sale of goods is not a loan or deposit. • Op.balance of loan taken in earlier years is not specifically required to be disclosed. For giving figures of maximum amount o/s at any time during the year the Op. balances will have to be considered. • Even if the loans are taken free of interest the information will still have to be given. • Security deposits against contracts, etc. will be covered by the definition of 'deposit • Loans and deposits taken or accepted by means of transfer entries in the books of account constitute acceptance of deposits or loans. Hence, such entries have to be reported under this clause. The entries that relate to transactions with a supplier and customer on account of purchase or sale of goods/services will not be treated as loans or deposits accepted. • Share application money advance supported by appropriate documentation is neither deposit nor loan
	(b)		**Particulars of each repayment of loan or deposit in an amount exceeding the limit specified in section 269T made during the previous year: --**		• 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. • 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.
		(i)	**Name, address and permanent account number (if available with the assessee) of the payee;**		
		(ii)	**Amount of the repayment;**		
		(iii)	**Maximum amounts outstanding in the account at any time during the previous year;**		
		(iv)	**Whether the repayment was made otherwise than by account payee cheque or account payee bank draft.**		

	(c)		**Whether the taking or accepting loan or deposit, or repayment of the same were made by account payee cheque drawn on a bank or account payee bank draft based on the examination of books of account and other relevant documents (The particulars (i) to (iv) at (b) and comment at (c) above need not be given in the case of a repayment of any loan or deposit taken or accepted from Government, Government company, banking company of a corporation established by a Central, State of Provincial Act)**		• Under this sub clause the tax auditor has to comment as to whether the taking or accepting loan or deposit, or repayment of the same through an account payee cheque or an account payee bank draft based on the examination of books of accounts & other relevant documents. • In the case of a repayment of any loan or deposit taken or accepted from Government, Government company, banking company or a corporation established by a Central, State or Provincial Act, the particulars (i) to (iv) mentioned in sub-clause (b) of clause 31 and also the comment mentioned above need not be given. • Practically, it may not possible to verify each payment, reflected in the bank statement, as to whether the payment/ acceptance of deposits or loans has been made through account payee cheque, demand draft, pay order or not, it is thus desirable that the tax auditor should obtain suitable certificate from the assessee to the effect that the payments/ receipts referred to in section 269SS and 269T were made by account payee cheque drawn on a bank or account payee bank draft as the case may be. Where the reporting has been done on the basis of the certificate of the assessee, the same shall be reported as an observation in clause (3) of Form No. 3CA and clause (5) of Form No.3CB, as the case may be.
32	**(a)**		**Details of brought forward loss or depreciation allowance, in the following manner, to the extent available:**		• 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 theimpact thereof if material. • The e filing portal requires additional information regarding the order no. The information is required to be disclosed to the extent available. Accordingly suitable clarifications will have to be mentioned in remarks column.

	(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.;**		• 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. • This provision shall not apply to a change in the voting power consequent upon: (a) the death of a shareholder, or (b) on account of transfer of shares by way of gifts to any relative of the shareholder making such gift. (c) any change in the shareholding of an Indian company which is subsidiary of a foreign company arising as a result of amalgamation or demerger of a foreign company subject to the condition that 51 per cent of the shareholders of the amalgamating or demerged foreign company continue to remain the shareholders of the amalgamated or the resulting foreign company. • However, the overriding provisions of section 79 do not affect the set off of unabsorbed depreciation which is governed by section 32(2). • The comparison of the composition of the shareholding is to be done with reference to the last day of the current previous year and the last day of every previous year in which the loss was incurred. The carry forward of the loss incurred in respect of different previous years is to be determined with respect to the individual previous years. Comparison of the shareholding done by referring to the Register of Members.
	(c)		**Whether the assessee has incurred any speculation loss referred to in section 73 during the previous year, If yes, please furnish the details of the same.**		• Section 73 of the Act provides for the treatment of losses in speculation business. Section 73(1) provides that any loss, computed in respect of a speculation business carried on by the assessee, shall not be set off except against profits and gains, if any, of another speculation business. • Section 73(4) provides that no loss shall be carried forward under this section for more than four assessment years immediately succeeding the assessment year for which the loss was first computed.
	(d)		**whether the assessee has incurred any loss referred to in section 73A in respect of any specified business during the previous year, if yes, please furnish details of the same.**		• Section 73A provides for provisions relating to carry forward and set off of losses by specified business. It provides that any loss, computed in respect of any specified business referred to in section 35AD shall not be set off except against profits and gains, if any, of any other specified business.

	(e)		**In case of a company, please state that whether the company is deemed to be carrying on a speculation business as referred in explanation to section 73, if yes, please furnish the details of speculation loss if any incurred during the previous year.**		• The Explanation to section 73 provides that where any part of the business of a company consists in the purchase and sale of shares of other companies, such company shall, for the purposes of this section, be deemed to be carrying on a speculation business to the extent to which the business consists of the purchase and sale of such shares.
33.			**Section-wise details of deductions, if any, admissible under Chapter VIA or Chapter III (Section 10A, Section 10AA).**		• Chapter VIA of the Act deals with various deductions they have been categorised under the Act as follows: A. Deduction in respect of certain payments. B. Deduction in respect of certain incomes. C. Other Deductions. • 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 underChapter VIA should be given on the basis of the examination of the books of account and other records under clause. • In the case of a sole proprietor being an individual or HUF it may so happen that the tax auditor is auditing the accounts of the business/profession and the sole proprietor is having other activities and other sources of income in respect of which tax audit is not mandatory. In such cases the particulars of deductions admissible under Chapter VIA will have to be given with reference to the items appearing in the books of accounts of the business/profession which is subject to audit under section 44AB.

34	**(a)**		**Whether the assessee is required to deduct or collect tax as per the provisions of Chapter XVII-B or Chapter XVII-BB, if yes please furnish:**		• While answering the applicability of Chapter XVII-B and/or XVII-BB, a number of debatable issues may arise before the assessee as well as the tax auditor. Where it is not possible to say yes/no, the answer to the question may have to be qualified depending upon the facts and circumstances of each case. Having verified the applicability of the provisions of Chapter XVII-B and Chapter XVII-BB, the tax auditor should answer the question as "Yes" and thereafter provide further details. Where the tax auditor is of the opinion that provisions of Chapter XVII-B and Chapter XVII-BB are not applicable he should answer the question as "No". • Once the tax auditor gives his affirmation with regard to applicability of the provisions of Chapter XVII-B and/ or Chapter XVII-BB, he is required to furnish further details in Clause 34(a). The auditor should obtain a copy of the TDS/TCS returns filed by the assessee which shall form the basis of reporting under this clause, to the extent possible. Further, in view of the voluminous nature of the transactions, the tax auditor can apply test checks and compliance tests on the transactions reported in the TDS return by the assessee for verifying the information required to be provided under this clause. • Column (1) of Clause 34(a) requires reporting of each TAN number with regard to which tax has been deducted or collected at source. • In column (2), the tax auditor is required to furnish the details of the applicable section in respect to which tax has been deducted or collected at source. • In column (3), the tax auditor is required to furnish the details regarding the nature of payment. • In column (4), the auditor is required to furnish the details of the total amount of payment or receipt of the nature specified in column (3). The details in the said column may be drawn from the TDS/TCS statements furnished by the assessee to the Department along with the books of accounts and other relevant documents which include aggregate of payments on which tax is liable to be deducted as well as not liable to be deducted. Auditor may maintain working paper giving reconciliation of amount as per books of accounts and amount on which is TDS/TCS is required to be deducted/collected. • Column (5) casts an onerous responsibility on the auditor, wherein he is required to furnish the details of total amount on which the tax was required to be deducted or collected out of the amount mentioned in column (4) having regard to the nature of payments/ receipts under the relevant sections of Chapter XVII-B / XVII-BB. Since the

					reporting under column (4) is required to be made with regard to the nature of payments made or amount received, there may be a difference in the amounts reported under column (4) and column (5). The reasons for difference may be applicability of certificates issued under section 195/197 or threshold limits provided in specific sections or difference of opinion with regard to applicability of a particular section and the like. • In column (6) the tax auditor is required to furnish the total amount out of the amount deductible or collectible as mentioned in column (5) at which the tax was deducted or collected at the specified rate. The auditor has to consider the rates of deduction as per the law relevant to the previous year. Further, as per the provisions of sections 195/ 197 certificate can be issued for no deduction or lower deduction of tax at source. 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 case the payer deducts/recipient collects tax at source at a rate lower than the specified rate on the basis of certificate issued under section 195 or 197, the lower rate or nil rate, as the case may be will be considered as the specified rate for the purpose of reporting under this clause. 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. • The auditor may have a difference of opinion with regard to the applicability of the provisions of TDS/TCS on a particular payment. In such a case, the tax auditor has to bring the difference of opinion appropriately as an observation in the clause (3) of Form No. 3CA or clause (5) of Form No.3CB as the case may be. • Column (7) requires furnishing of total amount of tax deducted/collected out of the amount furnished in column (6). • column (8) requires the tax auditor to furnish the total amount out of the amount deductible or collectible as mentioned in column (5) at which the tax was deducted or collected at the rate less than the specified rate. The lesser deduction is required to be reported in this clause. This will include deduction at a lower rate than what is prescribed, application of wrong section for deduction of tax at source, etc. For example section 194C requires deduction @2% in case payment is made to a person other than individual or HUF, but the deductor deducts only 1%, the same has to be reported under this clause. In case there is difference of opinion with regard to rate of deduction or applicability of a particular section, the auditor may appropriately report the difference of opinion in the clause (3) of Form No. 3CA or clause (5) of Form No.3CB as the case may be giving both the views.

					• Column (9) requires furnishing of total amount of tax deducted/collected out of the amount furnished in column (8). • Column (10) requires the auditor to furnish the details of the amount of tax deducted or collected but not deposited to the credit of the Central Government. 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 in this clause. • The details in the column (6), (7), (8), (9) and (10) may be drawn from the TDS/TCS returns furnished by the assessee to the Department and be verified from the books of accounts and other relevant documents. • 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 inhis working papers and audit notes.
	(b)		**whether the assessee has furnished the statement of tax deducted or tax collected within the prescribed time. If not, please furnish the details:**		• Under clause 34(b),the tax auditor has to ascertain and report whether the assessee has furnished the statement of TDS/TCS within the prescribed time. If all the TDS/TCS statement(s) relating to the previous year have been filed within the prescribed time, the auditor has to mention “yes”. In case the assessee has not filed any of the quarterly TDS/TCS statement(s) within the prescribed time, the auditor has to mention “No” in this clause. • In Clause 34(b) only with regard to the statement not filed within the prescribed time to be mentioned. Clause 34(b) requires to report the transactions with regard to each TAN for which tax has been deducted but the return has either not been filed or has been filed after the expiry of the prescribed time. With regard to each TAN, the auditor is required to mention the “Type of form” that was applicable like Form 24, 24G, 24Q, 26, 26A, 26B, 26Q etc, due date of furnishing such statement and the actual date of furnishing, if the statement(s) has been furnished.

					• The auditor to state whether the statement of TDS/TCS, which has been furnished beyond prescribed time contains information about all the transactions which are required to be reported. It is extremely difficult to verify each and every transaction in this regard. Therefore, while verifying such transactions, auditor can apply the concepts of materiality and audit sampling. The reporting requirement in clause (b) arises only where the assessee has either not furnished or furnished the statement of TDS/TCS after the expiry of prescribed time. • The information given in clause 34 should tally with the disallowances reported u/s 40(a) in clause 21(b) to the extent applicable.
	(c)		**whether the assessee is liable to pay interest under section 201(1A) or section 206C(7). If yes, please furnish:**		• Under this clause, the auditor required to furnish details of interest under section 201(1A) or section 206C(7) of the Act. Section 201(1A) provides for payment of interest at a specified rate in case the tax has not been deducted wholly or partly or after deducting has not been paid to the credit of Central Government as required by the Act. Similarly, section 206C(7) provides for payment of interest at a specified rate in case the tax is not collected wholly or partly or if collected not paid to the credit of the Central Government as required by the Act. The reporting as to whether the assessee is liable to pay such interest, should be in consonance with the reporting under clause 34(a) where the details of non-deduction are required to be reported by him. • Where the assessee is liable to pay interest u/s 201(1A) or 206C(7), the auditor should verify such amount from the books of account as on 31st March of the relevant previous year and also from PART G of the statement generated by the Department in Form No.26AS. In case the the assessee had disputed the levy or calculation of interest under TRACES, in Form No.26AS, the auditor may re-calculate the amount of interest under section 201(1A) or section 206C(7) up to the date of audit report for reporting under this clause and also mention the fact in his observations paragraph provided in Form No.3CA or Form No.3CB, as the case may be.
35	**(a)**		**In the case of a trading concern, give quantitative details of principal items of goods traded :**		• 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.
		(i)	**Opening Stock;**		
		(ii)	**Purchases during the previous year;**		
		(iii)	**Sales during the previous year;**		
		(iv)	**Closing Stock;**		

		(v)	Shortage/excess, if any.		
	(b)		In the case of a manufacturing concern, give quantitative details of the principal items of raw materials, finished products and by-products :		• 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.
	A.		Raw Materials:		
		(i)	Opening stock;		
		(ii)	Purchases during the previous year;		
		(iii)	Consumption during the previous year		
		(iv)	Sales during the previous year;		
		(v)	Closing stock;		
		(vi)	*Yield of finished products;		• The information about 'yield'
		(vii)	* Percentage of yield;		• The information about 'percentage of yield'
		(viii)	*Shortage/excess, if any.		• The information about 'shortages/ excess'
	B.		Finished products/By-products :		• 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.
		(i)	Opening stock;		
		(ii)	Purchases during the previous year;		
		(iii)	Quantity manufactured during the previous year;		
		(iv)	Sales during the previous year;		
		(v)	Closing stock;		
		(vi)	Shortage/excess, if any.		
			(*Information may be given to the extent available.)		

36.			**In the case of a domestic company, details of tax on distributed profits under section 115-O in the following form: -**		• 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.
	(a)		**Total amount of distributed profits;**		
	(b)		**amount of reduction as referred to in section 115-O(1A)(i);**		
	(c)		**amount of reduction as referred to in section 115-O(1A)(ii);**		
	(d)		**Total tax paid thereon;**		• The date of payment of tax can be ascertained by the tax auditor from the duly received challan and books of account etc.
	(e)		**Dates of payment with amounts.**		• 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.
37.			**Whether any cost audit was carried out, if yes, give the details, if any, of disqualification or disagreement on any matter/ item/ value/ quantity as may be reported/ identified by the cost auditor**		• 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. • The information is required to be given in respect of that cost audit report which is received upto the date of tax audit report.
38.			**Whether any audit was conducted under the Central Excise Act, 1944, if yes, give the details, if any, of disqualification or disagreement on any matter/ item/ value/ quantity as may be reported/ identified by the auditor.**		• 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. • 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. • In cases where excise audit which might have been ordered is not completed by the time the tax auditor gives his report, he has to report appropriately in this report stating that since excise audit is not completed and the excise audit report is not available with the assessee. • The information is required to be given in respect of that excise audit report which is received upto the date of tax audit report.
39.			**Whether any audit was conducted under section 72A of the Finance Act, 1994 in relation to valuation of taxable services.** **Finance Act,1994 in relation to valuation of taxable services, if yes, give the details, if any, of disqualification or disagreement on any matter/ item/ value/ quantity as may be reported/ identified by the auditor.**		• The tax auditor should ascertain from the management whether any audit was conducted under section 72A of the Finance Act, 1994 and if such audit was carried out, obtain a copy of the report. Even though the tax auditor is not required to make any detailed study of such report, he has to take note of the details of disqualification or disagreement on any matter/item/value/quantity as may be reported/identified by the auditor.. 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. • In cases where service tax audit, which might have been ordered is not completed by the time the tax auditor gives his report, he has to report appropriately in this report stating that since service tax audit is not completed and the service tax audit report is not available with the assessee. • The information is required to be given in respect of that service tax audit report which is received upto the date of tax audit report.
40.			**Details regarding turnover, gross profit, etc., for the previous year and preceding previous year:**		• 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 (5) need not be given for trading concern or service provider. • While calculating these ratios, the tax auditor should assign a meaning to the terms used in the above ratios having due regard to the generally accepted accounting principles. All the ratios mentioned in this clause are to be calculated in terms of value only.

	1		**Total Turnover of Assessee**		• The aggregate amount for which sales are effected or services rendered by an enterprise. The terms gross turnover and net turnover are sometimes used to distinguish the sales aggregate before and after deduction of returns and trade discounts.
	2		**Gross profit/Turnover;**		• The excess of the proceeds of goods sold and services rendered during a period over their cost, before taking into account administration, selling, distribution and financing expenses. When the result of this computation is negative it is referred to as gross loss.
	3		**Net profit/Turnover;**		• The excess of revenue over expenses during a particular accounting period. When the result of this computation is negative, it is referred to as net loss. The net profit may be shown before or after tax.
	4		**Stock-in-trade/Turnover;**		• For the purpose of calculating the ratio mentioned in (4), only closing stock is to be considered. The term `stock-in-trade' used therein does not include stores and spare parts orloose tools. The term “stock-in trade” 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.
	5		**Material consumed/Finished goods produced.**		• The details required to be furnished for principal items of goods traded of manufactured or services rendered. The relevant previous year figures are to be taken from last previous year audit report. In case the preceding previous year is not subject to audit, nothing should be mentioned in the relevant column.
41			**Please furnish the details of demand raised or refund issued during the previuos year under any tax laws other than Income-tax Act, 1961 and Wealth tax Act, 1957 alongwith details of relevant proceedings.**		• The auditee may be assessed under various tax laws other than Income-tax Act, 1961 and Wealth-tax Act, 1956 resulting into a demand order or a refund order. The tax auditor should obtain a copy of all the demand/ refund orders issued by the governmental authorities during the previous year under any tax laws other than Income Tax Act and Wealth Tax Act. Normally, the Indirect tax laws such as Central Excise Duty, Service Tax, Customs Duty, Value Added Tax, CST, Professional Tax etc would be covered as other tax laws. Hence, the cess or duty like Marketing Cess, Cess on Royalty, Octroi Duty, Entry Tax etc. would not be covered as other tax laws. • It may be noted that even though the demand/refund order is issued during the previous year, it may pertain to a period other than the relevant previous year. In such cases also, reporting has to be done under this clause. . The tax auditor should verify the books of account and the orders passed by the respective Department for ascertaining whether any such demand has been raised or refund order has been issued under any other tax law and accordingly report the same. If there is any adjustment of refund against any demand, the auditor shall also report the same under this clause.