

WOW SERIES – TAX AUDIT & FINANCIAL STATEMENTS

COMMON MISTAKES IN PREPARING A TAX AUDIT REPORT

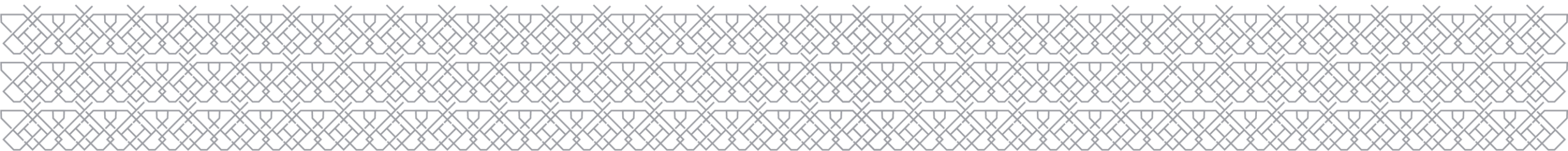
CA. KRUPA GANDHI | SEPTEMBER 13, 2023

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- **Commonly found irregularities**
- **Typical instances of adjustment u/s 143(1)**
- **Probable issues selected for assessment**



COMMONLY FOUND IRREGULARITIES



FORM 3CA/CB

- ❗ No Specific field(s) in Form 3CA or 3CB to provide for the responsibilities of Assessee or Auditor
 - » **SA 700 on “ Forming an Opinion and Reporting on Financial Statements” – Auditor’s responsibility to form an opinion on Financial Statements**
 - » **Para 3 of 3CA – Drop Down paragraphs under:**

In my/ our opinion and to the best of my/ our information and according to examination of books of account including other relevant documents and explanations given to me/ us, the particulars given in the said Form No. 3CD are true and correct subject to the following observations/qualifications, if any.

- ❗ Tax Auditor to provide his qualifications/observations/disclaimers which affect the reporting about obtaining all the information and explanations necessary for the purposes of audit, about keeping of proper books of account and about true and fair view of financial statements in Para 3 of 3CA/ Para 5 of Form 3CD
 - » **Tax Audit reports in Para 3 / Para 5 to contain cross reference to Notes to Form 3CD**

CLAUSE 2: ADDRESS

- ❗ Clause 2 should contain address communicated to the IT Dept as on date of signing of audit report
 - » **Communication address as per the portal to match with the address as per tax audit report**

CLAUSE 4: INDIRECT TAX REGISTRATION

- ❗ Clause requires reporting of registrations under indirect tax law:
 - » **All other indirect tax laws mentioned in CARO are not reported**
 - » **Where registration no.'s are PAN based, sometimes does not match with the PAN in clause 3**
 - » **Inactive registrations to be reported in Notes to 3CD – If active for part of the year, report in utility**

CLAUSE 8A: OPTING FOR NEW TAX REGIME



- This clause requires reporting of requisite form filed (Form 10-IC)
 - » Where the Company has not filed the Form on the date of signing 3CD, disclosure in Para 3 (3CA) / Para 5 (3CB)

The following paragraph may also be given in notes to 3CD:

“The Assessee is contending to opt for reduced rate of tax of 22% as provided under the provisions of section 115BAA of the Act. As on the date of filing of the report, the Assessee has not filed its application in Form 10-IC. However, the Assessee may file the same before the due date of filing of return of income, i.e. October 31, 2023.”

CLAUSE 10A: NATURE OF BUSINESS OR PROFESSION



- This clause requires reporting of the nature of business or profession being carried out by assessee:
 - » Codes for business or profession for principal line of each of the businesses are not reported
 - » Where rental income is offered to tax as business income – select letting out of properties
 - » If interest income is offered to tax as business income – select financing business
 - » If the assessee is claiming deduction u/s 36(1)(viii), make sure that ‘eligible business’ as applicable is selected
 - » If case assessee claiming deduction u/s 35AD, make sure that ‘specified business’ as applicable is mentioned
 - » In case of 115BAB companies, mention only ‘manufacture and production of...’
 - » In case of transfer pricing cases- nature of business should match with the business profile of comparables

CLAUSE 11A: BOOKS OF ACCOUNT PRESCRIBED

- ❗ Under S. 44AA no books of account are prescribed for a company. Also, Companies Act, 2013 does not specifically prescribes books of account for a Company

Prescribed books of accounts and other documents to be kept and maintained by a person carrying on a profession [specified in S. 44AA(1)] or business subject to threshold

'Yes' is reported under this clause which is not correct

CLAUSE 11B: LOCATION OF BOOKS OF ACCOUNT

- ❗ This Clause requires reporting of list of books of account maintained and address at which the books of account are kept
 - » **Location of server is not reported in case of maintenance of records in ERP based computer system**
 - » **Where books are stored on cloud or online, IP address to be reported**
 - » **Also, the fact that books of account are maintained in computer system is not mentioned**

CLAUSE 11C & 13

Clause 11C:

- ❑ The tax auditor is required to examine books of account as well as documents directly related to transactions reflected in books of account. Reference to each document to be given
 - » **The relevant documents like invoices, receipts, vouchers, bills, confirmations, certificates, registers, etc. so examined are not mentioned by the Tax Auditor**
 - » **The term 'etc.' is used without the mention of detailed documents examined**

Clause 13-ICDS

- ❑ This clause requires reporting of adjustments to be made to profit & loss to comply with ICDS and information pertaining to each ICDS notified:
 - » **Where there are no adjustments to be reported, '0' or 'Nil' should be mentioned**
 - » **For disclosure on each ICDS notified, often reporting is done only where deviation from notified ICDS is encountered and reported under clause 13e, which is not correct**
 - » **If there are ICDS adjustments, it does not amount to change in the method of accounting employed**

CLAUSE 18: PARTICULARS OF DEPRECIATION



- This clause requires reporting of particulars of depreciation allowable as per Income Tax Act, in respect of each block of asset
 - » While reporting under this clause, discrepancies are noticed between Financials and Tax Audit Report:
 - Suggestion to prepare reconciliation for Additions:

Particulars	Amount
Additions as per Schedule of Fixed Assets/ Cash Flow Statement	XXX
Add: Assets purchased in preceding years put to use in current year	XXX
Less: Capital WIP of current year	(XXX)
Add: Capital WIP of preceding years	XXX
Additions as per Clause 18 of Tax Audit Report	XXX
Additions- equal to or more than 180 days	XX
Additions- less than 180 days	XX


CLAUSE 18 CONTD..

- Suggestion to prepare reconciliation for Deletions :

Particulars	Amount
Deletions as per Schedule of Fixed Assets	XXX
Add: Profit recognized in P&L	XXX
Less: Loss recognized in P&L	(XXX)
Add/ Less: Other differences, if any	XX/(XX)
Deductions as per Clause 18 of Tax Audit Report	XXX

Particulars	Amount
Deletions as per Cash Flow Statement	XXX
Add/ Less: Reasons for differences	XX/(XX)
Deductions as per Clause 18 of Tax Audit Report	XXX

CLAUSE 20(B)

 This clause requires reporting of contribution received from employees towards various funds

- » **Arithmetical errors made while disclosing the figures**
- » **Errors in date format. Eg: mm/dd/yy instead of dd/mm/yy**
- » **Erroneously mentioning incorrect actual date of payment which is far beyond the due date of payment**
- » **Where due dates are extended, original due dates are still mentioned**
- » **In case of excess payment in one month, erroneously mentioning the excess value of such payment made as against the actual amount of contribution received from employees. Where, such excess payment is set-off against contribution made for subsequent month, erroneously mentioning net-off value. This has been illustrated under:**

Serial Number	Nature of Fund	Sum received from employees	Due date for payment	Actual amount paid	Actual date of payment to concerned authorities
1.	Provident Fund	100	15/09/2022	120 ✘ 100 ✔	14/09/2022
2.	Provident Fund	100	15/10/2022	80 ✘ 100 ✔	14/10/2022

CLAUSE 21(A): AMOUNTS DEBITED TO P&L

- ❗ This clause requires details of amount debited to profit & loss statement being in the nature of capital, personal, advertisement in souvenir of political party, expenditure at clubs, penalty, fine, etc.
 - » **Loss on sale of capital asset need not be reported – debatable**
 - » **Expenditure incurred at clubs which is wholly & exclusively for business purpose be disclosed in notes to 3CD**
 - » **Penalty or fine which are compensatory in nature need not be reported**

CLAUSE 21(G): CONTINGENT LIABILITY

- ❗ This clause requires reporting of any liability of contingent nature debited to the profit and loss account

Provisions created in the books of account not to be reported

Contingent Liability disclosed in notes to accounts is not to be disclosed

CLAUSE 22: INTEREST PAID TO MSME

- ❗ This Clause requires reporting of interest inadmissible under MSME Act
 - » Does not match with the MSME mentioned in Annual Report
 - » Where Assessee represents that there is no interest as per MSME Act, disclosures to be made in notes to Form 3CD

CLAUSE 23-PAYMENTS TO SPECIFIED PERSONS UNDER SECTION 40A(2)(B)

- ❗ This clause seeks details of nature of payment made and the amount paid to the specified person
 - » Reporting done as per related party schedule forming part of financial statements prepared in accordance with IndAS or AS – could be wider than Section 40A(2)(b)
 - » Only debits to P&L in respect of qualifying parties u/s 40A(2)(b) to be disclosed
 - » No opinion as regards to unreasonable or excessiveness of the payments made to be stated

CLAUSE 26: SECTION 43B



□ Report - liability incurred in respect of any sum referred to in clause (a), (b), (c), (d), (e) (f) or (g) of Section 43B in the previous year and was paid or not paid on or before the due date for furnishing the Return of Income of the previous year

- » **Performance-linked incentive to be reported or not - debatable**
- » **Profession tax of employees to be reported - Since prima facie it is 'tax', though deduction is not allowable**
- » **GST liability to be disclosed net of ITC**
- » **Provision for leave encashment on actuarial basis to be reported or not – debatable**
- » **Audit Report to be revised [Rule 6G(3)]- payments made after furnishing of audit report but before due date of filing Return of Income**

- » **Clause 26(A) deals with opening unpaid liability – only payments made during the PY to be reported**
- » **Clause 26(B) deals with closing balance of current year's liability – payments made till the date of audit report to be reported**

CLAUSE 27: CENVAT CREDITS AVAILED & UTILISED

- ❗ This clause requires details of CENVAT credit availed and utilized during the year and its treatment in the profit and loss account.
 - » **Since central excise duty is subsumed in GST and is leviable only on six products viz. petroleum crude, diesel, petrol, aviation turbine fuel, natural gas and tobacco, reporting under this clause is applicable only for assesses who deal in these products – GN 2023**
 - » **Reporting requirement in Clause 27(a) ≠ reporting requirement as per Clause 14(b).**

CLAUSE 31: SECTION 269SS, 269ST AND 269T

- ❗ This clause requires details of loans or deposits or specified sums taken or accepted or repaid should be reported.
 - » **Each transaction with various parties should be reported under this clause, however in some cases consolidated figures were reported**
 - » **Loans and deposits in case of transfer entries in books of accounts to be reported or not – debatable**

CLAUSE 34(A): DETAILS OF TDS/ TCS



- This clause requires details of TDS/TCS, if provisions of chapter XVII-B or XVII-BB are applicable to the Assessee
 - » Instances of LDCs reported in column 8 “Total amount on which tax was deducted or collected at less than specified rate”
 - » Instances of delay in deposit of tax not to be reported in column 10 “Amount of tax deducted or collected not deposited to the credit of Central government” – interest on delay to be reported in Clause 34(c)

CLAUSE 44

Format for reporting of break-up of total expenditure of entities registered or not registered under the GST

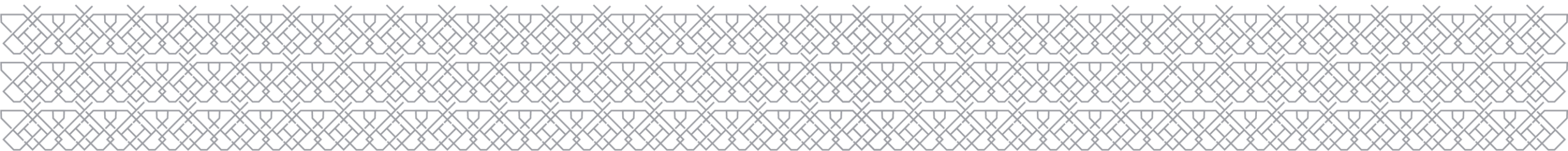
Sl. No	Total amount of expenditure incurred during the year	Expenditure in respect of entities registered under GST				Expenditure relating to entities not registered under GST
		Relating to goods or services exempt from GST	Relating to entities falling under composition scheme	Relating to other registered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

Common errors:

- Head wise / nature wise details of expenditure not intended to be given. Total expenditure (including purchases) to be given
- Non-cash items like depreciation / bad debts – not to be reported
- Transactions that tantamount to “supply” only to be reported

TYPICAL INSTANCES OF ADJUSTMENT

U/S 143(1)



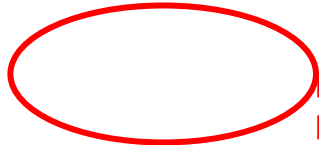
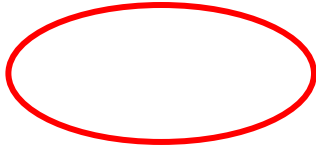
OVERVIEW

- ❑ Presently, all ITRs filed are processed online by Central Processing Centre, Income Tax Department, Bengaluru
- ❑ Under **S. 143(1)**, the AO may compute the total income or loss after making adjustment on account of **disallowance of expenditure or increase in income indicated in the audit report but not taken into account in computing the total income in the return**
- ❑ Before making an adjustment, the AO is required to issue a proposal to do so u/s 143(1)(a) to the assessee
- ❑ Assessee is required to file response within 30 days of receipt of proposal
- ❑ After expiry of 30 days, the AO shall generate the intimation u/s 143(1) specifying the sum determined to be payable by or refund due to assessee based on total income computed

Circular No. 3/2017 – Explanatory Notes to Finance Act, 2016: *“In order to expeditiously remove the mismatch between the return and the information available with the Department, the scope of adjustments that can be made at the time of processing of returns under sub-section (1) of section 143 of the Income-tax Act has been expanded. It has been provided that such adjustments can be made based on the data available with the Department in the form of audit report filed by the assessee, returns of earlier years of the assessee, 26AS statement, Form 16, and Form 16A.....”*

- ❑ The reasons in the intimation u/s 143(1) generally state *“Disallowance of expenditure indicated in the audit report but not taken into account in computing the total income in the return-143(1)(a)(iv)”*

INCONSISTENCY IN DISCLOSURE U/S 36(1)(VA)

Schedule OI	6	Amounts debited to the profit and loss account, to the extent disallowable under section 36 due to non-fulfilment of condition specified in relevant clauses-				
	k	Any sum received from employees as contribution to any provident fund or superannuation fund or any fund set up under ESI Act or any other fund for the welfare of employees to the extent not credited to the employees account on or before the due date [36(1)(va)]	6k			
Clause 20	(b). Details of contributions received from employees for various funds as referred to in section 36(1)(va):					
	Sl. No.	Nature of fund	Sum received from employees	Due date for payment	The actual amount paid	The actual date of payment to the concerned authorities
						

INCONSISTENCY IN DISCLOSURE U/S 36(1)(VA) (CONTD...)

- Intimation for proposed adjustment u/s 143(1) generally states:

Particulars	Amount in Income Tax Return	Amount mentioned in Form Annexure 3CD	Proposed adjustment to total income
<i>Any sum received from employees as contribution to any provident fund or superannuation fund or any fund set up under ESI Act or any other fund for the welfare of employees to the extent not credited to the employees account on or before the due date [36(1)(va)]</i>			

- The reasons for such adjustment may be on account of:
 - Mismatch in the disclosure of total amount of contribution in 3CD vis-a-vis ROI
 - Mismatch in the disclosure of total contribution received from employee, total amount actually contributed in 3CD vis-à-vis total amount of contribution in ROI
 - Disclosure of incorrect challan date of actual payment in 3CD which erroneously falls after the due of payment
 - Discrepancy in date format followed while making disclosure in 3CD

INCONSISTENCY IN DISCLOSURE U/S 37

Schedule OI



7 Amounts debited to the profit and loss account, to the extent disallowable under section 37			
a	Expenditure of capital nature [37(1)]	7a	
b	Expenditure of personal nature [37(1)]	7b	
c	Expenditure laid out or expended wholly and exclusively NOT for the purpose of business or profession [37(1)]	7c	
d	Expenditure on advertisement in any souvenir, brochure, tract, pamphlet or the like, published by a political party [37(2B)]	7d	
e	Expenditure by way of penalty or fine for violation of any law for the time being in force	7e	
f	Any other penalty or fine	7f	
g	Expenditure incurred for any purpose which is an offence or which is prohibited by law	7g	



Clause 21

INCONSISTENCY IN DISCLOSURE U/S 37 (CONTD...)

Clause 21

21.(a). Please furnish the details of amounts debited to the profit and loss account, Being in the nature of capital, personal, advertisement expenditure etc.

Capital & Personal expenditure

Advertisement expenditure in any souvenir, brochure, tract, pamphlet or the like published by a political party

Expenditure incurred at clubs being entrance fees and subscriptions

Expenditure incurred at clubs being cost for club services and facilities used

Expenditure by way of penalty or fine for violation of any law for the time being in force

Expenditure by way of any other penalty or fine not covered above

Expenditure incurred for any purpose which is an offence or which is prohibited by law

INCONSISTENCY IN DISCLOSURE U/S 37 (CONTD...)

- Intimation for proposed adjustment u/s 143(1) generally states:

Particulars	Amount in Income Tax Return	Amount mentioned in Form Annexure 3CD	Proposed adjustment to total income
<i>There is inconsistency in Any other amount not allowable under section 37 claimed in return in schedule OI and audit report</i>			

- The reasons for such adjustment may be on account of:
 - **Inconsistency in making claim in ROI vis-à-vis disclosure in 3CD in clause 21(g) – Liability of contingent nature**
 - **Non-disallowance in ROI of interest, fine or similar nature of payment made for delay in compliance under any law but disclosed in 3CD – being compensatory in nature**

INCONSISTENCY IN DISCLOSURE U/S 43B

Schedule OI



10	Any amount disallowed under section 43B in any preceding previous year but allowable during the previous year		
a	Any sum in the nature of tax, duty, cess or fee under any law	10a	
b	Any sum payable by way of contribution to any provident fund or superannuation fund or gratuity fund or any other fund for the welfare of employees	10b	
c	Any sum payable to an employee as bonus or commission for services rendered	10c	
d	Any sum payable as interest on any loan or borrowing from any public financial institution or a State financial corporation or a State Industrial investment corporation	10d	
da	Any sum payable as interest on any loan or borrowing from a deposit taking non-banking financial company or systemically important non-deposit taking non-banking financial company, in accordance with the terms and conditions of the agreement governing such loan or borrowing	10da	
e	Any sum payable as interest on any loan or borrowing from any scheduled bank or a co-operative bank other than a primary agricultural credit society or a primary co-operative agricultural and rural development bank	10e	
f	Any sum payable towards leave encashment	10f	
g	Any sum payable to the Indian Railways for the use of railway assets	10g	
h	Total amount allowable under section 43B (total of 10a to 10g)		



Clause 26

INCONSISTENCY IN DISCLOSURE U/S 43B (CONTD...)

Schedule OI



11	Any amount debited to profit and loss account of the previous year but disallowable under section 43B		
a	Any sum in the nature of tax, duty, cess or fee under any law	11a	
b	Any sum payable by way of contribution to any provident fund or superannuation fund or gratuity fund or any other fund for the welfare of employees	11b	
c	Any sum payable to an employee as bonus or commission for services rendered	11c	
d	Any sum payable as interest on any loan or borrowing from any public financial institution or a State financial corporation or a State Industrial investment corporation	11d	
da	any sum payable as interest on any loan or borrowing from a deposit taking non-banking financial company or systemically important non-deposit taking non-banking financial company, in accordance with the terms and conditions of the agreement governing such loan or borrowing	11da	
e	Any sum payable as interest on any loan or borrowing from any scheduled bank or a co-operative bank other than a primary agricultural credit society or a primary co-operative agricultural and rural development bank	11e	
f	Any sum payable towards leave encashment	11f	
g	Any sum payable to the Indian Railways for the use of railway assets	11g	
h	Total amount disallowable under Section 43B(total of 11a to 11g)		



Clause 26

INCONSISTENCY IN DISCLOSURE U/S 43B (CONTD...)

Clause 26

26.i. In respect of any sum referred to in clause (a),(b),(c),(d),(e),(f) or (g) of section 43B, the liability for which:-

A. pre-existed on the first day of the previous year but was not allowed in the assessment of any preceding previous year and was

a. paid during the previous year;

b. not paid during the previous year;

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);

b. not paid on or before the aforesaid date.

INCONSISTENCY IN DISCLOSURE U/S 43B (CONTD...)

- Intimation for proposed adjustment u/s 143(1) generally states:

Particulars	Amount in Income Tax Return	Amount mentioned in Form Annexure 3CD	Proposed adjustment to total income
<i>Inconsistency in amount disallowed under section 43B in any preceding previous year but allowable during the previous year</i>			
<i>Inconsistency in amount debited to profit and loss account of the previous year but disallowable under section 43B</i>			

- The reasons for such adjustment may be on account of:
 - **Arithmetical errors made while filling the 3CD**
 - **Shuffling of allowable and non-allowable amounts of deduction in 3CD, this error comes to light at the time of filling ROI**
 - **Write back of amounts disallowed in earlier year, now claimed in ITR but not reported in Form 3CD**

INCONSISTENCY IN ICDS DISCLOSURE

Schedule 01

➔

3a	Increase in the profit or decrease in loss because of deviation, if any, as per Income Computation Disclosure Standards notified under section 145(2) [column 11a(iii) of Schedule 3a ICDS]	○
3b	Decrease in the profit or increase in loss because of deviation, if any, as per Income Computation Disclosure Standards notified under section 145(2) [column 11b(iii) of Schedule 3b ICDS]	○

Clause 13

➔

(d). Whether any adjustment is required to be made to the profits or loss for complying with the provisions of income computation and disclosure standards notified under section 145(2) ? **Yes**

(e). If answer to (d) above is in the affirmative, give details of such adjustments:

Sl. No.	ICDS	Increase in profit	Decrease in profit	Net effect
		○	○	

INCONSISTENCY IN ICDS DISCLOSURE (CONTD...)

- Intimation for proposed adjustment u/s 143(1) generally states:

Particulars	Amount in Income Tax Return	Amount mentioned in Form Annexure 3CD	Proposed adjustment to total income
<i>There is inconsistency in amount mentioned at Sl. No. 3(a) of Part A OI "Increase in the profit or decrease in loss because of deviation, if any, as per Income Computation Disclosure Standards notified under section 145(2)" in return as compared to amount mentioned in clause 13(e) of audit report</i>			
<i>There is inconsistency in amount mentioned at Sl. No. 3(b) of Part A OI "Decrease in the profit or increase in loss because of deviation, if any, as per Income Computation Disclosure Standards notified under section 145(2)" in return as compared to amount mentioned in clause 13(e) of audit report</i>			

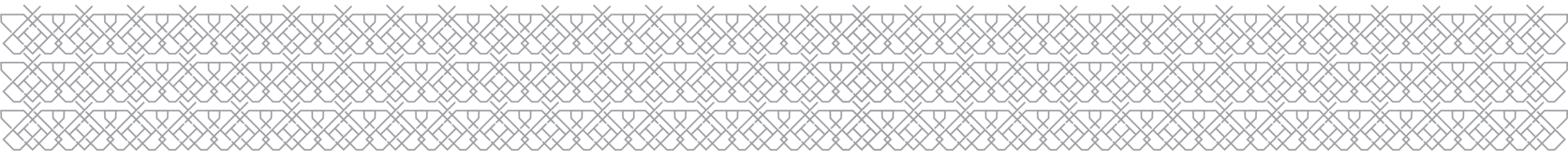
- The reasons for such adjustment may be on account of mismatch in the figures disclosed in 3CD vis-à-vis the ROI - not to report only net effect in ROI, but continue to report as per 3CD

INCONSISTENCY IN OTHER DISCLOSURE

- Intimation for proposed adjustment u/s 143(1) generally states:

Particulars	Amount in Income Tax Return	Amount mentioned in Form Annexure 3CD	Proposed adjustment to total income
<i>There is inconsistency in the amount of Interest disallowable under section 23 of the Micro, Small and Medium Enterprises Development Act,2006 specified in return & in audit report</i>			
<i>There is inconsistency in Provision for payment of gratuity [40A(7)] claimed in return and audit report</i>			
<i>There is inconsistency in the amount of profit chargeable to tax under section 41 specified in return & in audit report</i>			
<i>There is inconsistency in amount mentioned at Sl. No. 4D of Part A OI "Increase in the profit or decrease in loss because of deviation, if any, from the method of valuation specified under section 145A" in return as compared to amount mentioned in clause 14(b) of audit report</i>			

PROBABLE ISSUES SELECTED FOR ASSESSMENT



CLAUSE 18 – DEPRECIATION



Observations by auditor in Notes to 3CD – Opening WDV in respect of each block of asset is as per Last year Tax Audit Report



Please furnish complete details of Opening WDV of assets vis-a-vis closing WDV of last year



Tax Auditor and Assessee should:

- Maintain detailed list of asset classified under each block of asset falling under both Opening and Closing block of asset
- Adequate documents such as invoice, put to use certificate to be maintained to demonstrate the depreciation working as per disclosure in clause 18 and claim in ROI

CLAUSE 21(H) - 14A DISALLOWANCE



- Disclosure in clause 21(h) being amount of deduction inadmissible u/s 14A
- Observations by auditor in Notes to 3CD relating to probable disallowance / no disallowance based on representation from assessee



- *In clause 21(h) of Notes to Tax Audit Report, the Auditor of the assessee company has also stated that “Had there been a disallowance u/s 14A, the disallowance would be to the tune of Rs..../-*
- *Kindly provide details of exempt income earned during the year under consideration and provide following details for the expenses incurred for earning exempt income:*
 - a) Direct & Indirect expense*
 - b) Interest paid on borrowed funds utilized for investment*
 - c) Computation as per rule 8D read with section 14A*



Tax Auditor and Assessee should consider the following:

- **Scientific working of disallowance u/s 14A to be documented**

CLAUSE 23 - PAYMENTS TO 40A(2)(B) PARTIES



Disclosure as per Clause 23 of Tax Audit Report \neq Disclosure in Annual Report and ROI



Please submit complete details of payments made to related parties u/s 40A(2)(b) along with nature of payment and details of TDS deducted and deposited in this respect. Also submit reconciliation of the said payments reported in Audit Report and the ITR and explain the mismatch



Tax Auditor and Assessee should maintain below reconciliations/information:

- Related party qualified u/s 40A(2)(b) (disclosed in Clause 23 of 3CD) vs. Parties reported in RPT schedule of Financials
- Payments made to related party qualified u/s 40A(2)(b) (disclosed in Clause 23 of 3CD) vs. Payments reported in RPT schedule of Financials

CLAUSE 34 & 21(B) – TDS COMPLIANCE



- Disclosure in clause 21(b) of amount inadmissible u/s 40(a)
- Disclosure in clause 34 relating to TDS compliance



- *Please furnish details of amount disallowable u/s.40(a)(ia) as claimed in the return vis-a-vis amount reflected in the Audit report. Please also explain the discrepancy*
- *Please furnish details of remittances to foreign parties as well as TDS deducted therefrom*
- *Details of payment on which tax is not deducted along with justification for the same and evidence thereon*

Tax Auditor and Assessee should consider the following:



- **Maintain reconciliation of expenses debited to Profit & Loss statement vs. Disclosure of amount of payment in clause 34**
- **Maintain reconciliation of amounts on which TDS made & disclosed in clause 34 vs. amounts on which TDS not made along with reasons**
- **Maintain documents such as TDS payment challans, Lower deduction certificates, declarations u/s 206AB, etc.**

CLAUSE 40- TURNOVER, GP, NP AND OTHER RATIO



Turnover as per Clause 40 of Tax Audit Report \neq Disclosure in Annual Report or Income Tax Return



Please explain the mismatch in sales turnover reported in Audit Report and ITR with supporting documents



Tax Auditor and Assessee should maintain a complete reconciliation between:

- Amount of revenue from operations as per Profit & Loss account
- Amount disclosed in clause 40 of 3CD
- Turnover as per GST Annual return
- Amount reported as sales/turnover in ROI

OTHERS



“Regarding the computation of tax as per the provisions of Section 115BAA, you are required to furnish the details:

CI 32

Details of Brought forward losses, Additional depreciation and unabsorbed depreciation claimed if any

CI 26

Furnish details of payment for the expenses claimed u/s 43B along with evidence

CI 42

Furnish copy of Form 61A furnished along with relevant details

CI 33

Please furnish details of deduction claimed under chapter VI-A along with supporting documentary evidences



THANK YOU

Disclaimers:

Our views are based on the facts / information provided to us from time to time. Any changes in the facts / information may impact our views. The conclusions reached and views expressed are matters of opinion. Our opinion is based on our understanding of the law and regulations prevailing at the time the advice is issued and our past experience with the tax and/or regulatory authorities. However, there can be no assurance that the authorities or regulators may not take a position contrary to our views. Legislation, its judicial interpretation, the policies of the regulatory authorities and judicial decisions on the subject matter are also subject to change/review from time to time, and these may have a bearing on the advice that we have given. Accordingly, any subsequent change or amendment in the law or relevant regulations or changes in judicial thinking on the subject would necessitate a review of our comments and recommendations contained in this opinion. We have no responsibility to carry out any such review of our comments for any such changes occurring after the date of issue of the opinion.