

**Notification No. 33/2014,  
F No. 133/1/2014-TPL  
dated 25.07.2014  
Discussion on Amendments in Form  
3CA, 3CB & 3CD**

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**Representation before CBDT on the following Grounds for  
Extension of applicability of New form No. 3CA, 3CB and 3CD  
for furnishing Tax Audit Report u/s 44AB of the Income Tax Act,  
1961.**

1. It is provided that the old Forms are invalid even for the previous AYs thereby necessitating the filing of Tax Audit Report u/s 44AB of the Act in revised format for any such Report filed for any Assessment Year after the date of Notification.
2. Further, the schema and the revised utility for e-filing have not been updated at the website of Income Tax department till date.

3. The introduction of new Forms in the end of the month of July just before 2 months prior to the due date for furnishing Audit Report has mainly generated practical difficulties for the Tax Auditors and the Assesseees, especially Government and semi-Government tax payers as the amendments, as much as 18 in numbers as compared to previous report, made in new form and the newly inserted clauses are not merely observations but requires detailed working and examination by the Tax Auditors.

4. Also, the Tax payers are required to furnish additional information.

Consequently, fresh tax audit has to be conducted so as to comply with the additional requirements of the new Forms.

The detailed reasons warranting the extension of the applicability of new form for AY 2015-2016 and onwards are as under:

1. The majority of the Auditors have already completed Tax Audits except uploading the Report on e-filing portal and in order to comply with these amendments and additional requirements, fresh examination and enquiry is to be conducted by the Tax Auditors. -

2. The furnishing of Tax Audit report in new format at this point of time would increase burden on the Government in terms of revised Audit fees and allowances like travelling, lodging, boarding and other such expenses where:

a. the Audits are allotted by CAG of Government entities, Public Sector entities, Banks, Insurance companies, etc. and the Auditors are appointed from the States other than the State in which the entity is set up.

The Tax Auditors will be required to again visit the place of Audit in order to comply with the requisites of amended forms which in turn will increase the burden on the Government in terms of costing.

b. the entities have large number of branches situated in different regions of the country such as Banks.

In such cases, most of the Tax Audits have been duly completed by the branch auditors and have been handed over to the Auditor of Head Office for consolidation. In view of this Notification, the Tax Audit report of such entity will have to be furnished in revised forms and fresh audit will have to be conducted for all the branches thereby increasing burden on the Government in terms of costing.

3. The issues mentioned above are applicable for most of the cases in the private sector also.

4. The Guidance Note on Tax Audit under Section 44AB of the Income Tax Act, 1961 issued by the Institute of Chartered Accountants of India (ICAI) also needs revision so as to provide guidelines for the Professionals conduction such Audit.

Sr. No.	Particulars	Old Form 3CA Report	New Form 3CA – Changes Under Lined and in Bold
	FORM NO. 3CA	3. In * my/our opinion and to the best of * my/our information and according to explanations given to * me/us, the particulars given in the said Form No. 3CD and the Annexure thereto are true and correct.	3. In * my/our opinion and to the best of * my/our information and according to explanations given to * me/us, the particulars given in the said Form No. 3CD and the Annexure thereto are true and correct <b><u>subject to the following observations/qualifications, if any: -</u></b>

Sr. No.	Particulars	Old Form 3CB	New Form 3CB – Changes Under Lined and in Bold
	FORM NO. 3CB	5. In * my/our opinion and to the best of * my/our information and according to explanations given to * me/us, the particulars given in the said Form No. 3CD and the Annexure thereto are true and correct.	5. In * my/our opinion and to the best of * my/our information and according to explanations given to * me/us, the particulars given in the said Form No. 3CD and the Annexure thereto are true and correct <b><u>subject to the following observations/qualifications, if any:</u></b>

## AMENDMENTS MADE IN FORM NO. 3CD – PART A

Sr. No.	Particulars	Old Form 3CD	New Form 3CD – Changes Under Lined and in Bold
	FORM NO. 3CD – PART A		<b><u>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.</u></b>

**Particulars of registration under excise duty, service tax, sales tax, and customs duty etc –**

Revised Form 3CD requires Auditors to report registration number or any other identification in respect of all other types of tax liabilities which Assessee is liable to pay.

Although Tax Auditor have to report only the Registration details of taxes payable under other statutes but he has to check under what other statutes Assessee is liable to pay taxes and has to report accordingly.

Auditor may also obtain such list from his client. (Clause 4)

**Effect of Purchases Made From Suspicious Dealers as Per  
List Published By Vat Department on Audit Report**

*Whether Purchases made from such Suspicious Dealers should actually form part of Purchases while preparing Financials.  
**The last updated List of 1277 Suspicious Dealers who has issued false bills without delivery of goods is displayed on Website of Government of Maharashtra – VAT Department since July-12.***

Thus, Such Frauds are already known and expected to be known to Auditors and hence he is expected to exercise Professional Skepticism while using the information available publically relating to Suspicious Dealers on Vat Website.

Following cases are required to be examined regarding such Dealers

1. Some Dealers have actually issued 100% false sales invoices without delivery of goods.
2. Certain dealers have partly issued false sales invoice without delivery of goods and partly Genuine Sales to his Customers.
3. Certain Dealers have actually made genuine Sales to other Dealers but have not deposited taxes into the government Treasury.

So there are cases where in a Dealer has made genuine purchases but still his set-off may have been dis-allowed.



Sr. No.	Particulars	Old Form 3CD	New Form 3CD – Changes Under Lined and in Bold
	FORM NO. 3CD – PART A		<b><u>8. Indicate the relevant clause of section 44AB under which the audit has been conducted. -</u></b>



**Relevant clause of section 44AB under which the tax audit has been conducted**

The Auditor has to report under which clause of Tax Audit, the Audit has been conducted.

The Auditor has to report if the Audit is of Business or Profession or under Presumptive taxation scheme. (Clause 8)

**The relevant clauses of Audit U/s 44AB are as follows**

44AB(a) carrying on business if total sales, turnover or gross receipts, exceeds One crore rupees.

44AB(b) carrying on profession if gross receipts exceed Twenty-five lakh rupees

44AB(c) Carrying on the business referred to in sections 44AE or 44BB or 44BBB and claiming his income from any such business to be lower than the income prescribed under the relevant section; or

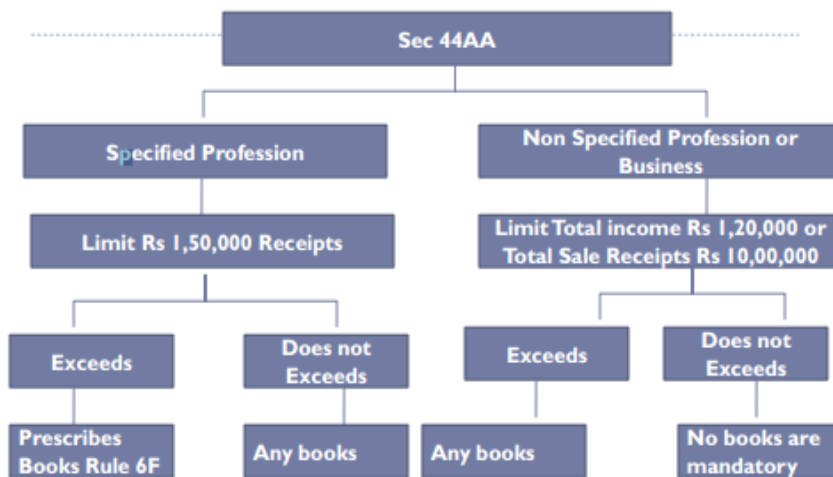
44AB(d) Where the profits and gains from the business are deemed to be the profits and gains of the assessee U/s 44AD and the assessee has claimed his income lower than the income prescribed U/s 44AD and during such previous year his income exceeds the basic exemption limit.

Sr. No.	Particulars	Old Form 3CD	New Form 3CD – Changes Under Lined and in Bold
	FORM NO. 3CD – PART B	<p>9. (a) Whether books of account are prescribed under section 44AA, if yes, list of books so prescribed.</p> <p>b) Books of account maintained. (In case books of account are maintained in a computer system, mention the books of account generated by such computer system.)</p> <p>(c) List of books of account examined. -</p>	<p>11. (a) Whether books of account are prescribed under section 44AA, if yes, list of books so prescribed.</p> <p>(b) <b>List of books of account maintained <u>and the address at which the books of accounts are kept.</u></b> (In case books of account are maintained in a computer system, mention the books of account generated by such computer system. <b><u>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.</u></b>)</p> <p>(c) List of books of account <b><u>and nature of relevant documents</u></b> examined.</p>

**Meaning of Books of account and Document – Sec.2(12A) & Sec 2(22AA)**

The expression ‘books of account’ is defined to include 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 – sec.2(12A).

The term ‘document’ includes an electronic record as defined under section 2 of the information technology Act, 2000- Sec 2(22AA).



Note: Any books means the books so as to enable the Assessing Officer to compute his total income in accordance with the provisions of this Act.

**Prescribed Books:**

Cash book

Journal (if the accounts are kept on mercantile bases)

Ledger

Serial numbered carbon copies of the bills and receipts issued

Original purchase bill/payment vouchers.

If person carrying on medical profession in addition to above books a daily case register in form no. 3C. and stock register [RULE 6F (2) &(3) ]

Prescribed books of account are to be kept at the place of profession or principal place of profession if carried at more than one place[s.rule(4)] and for a period of 6 years from the end of the relevant assessment year. [ rule 6F(5)]

**Specified Profession**

- ✓ Legal,
- ✓ medical,
- ✓ engineering,
- ✓ accountancy,
- ✓ architectural profession,
- ✓ technical consultancy,
- ✓ interior decoration or
- ✓ other notified profession.

vide notification : No. SO 17(E), dated 12-1-1977., notified professions are the profession of authorised representative and the profession of a film artist.

**Location(s) (address(s)) of keeping books of accounts to be given –  
Clause 11(b)**

- Location(s) (address(s)) of keeping books of accounts to be given.
- Revised Audit Report prescribes the requirement to report address of place where books of accounts Audited by the Tax Auditor are kept by the Assessee.
- If the books of accounts are not kept at one location, Auditor has to furnish the addresses of all such locations along with details of books of accounts maintained at each location.

Sr. No.	Particulars	Old Form 3CD	New Form 3CD – Changes Under Lined and in Bold
	FORM NO. 3CD – PART B	10. Whether the profit and loss account includes any profits and gains assessable on presumptive basis, if yes, indicate the amount and the relevant sections (44AD, 44AE, 44AF, 44B, 44BB, 44BBA, 44BBB or any other relevant section).	12. Whether the profit and loss account includes any profits and gains assessable on presumptive basis, if yes, indicate the amount and the relevant sections (44AD, 44AE, 44AF, 44B, 44BB, 44BBA, 44BBB, <b>Chapter XII-G, First Schedule</b> or any other relevant section).
1	Chapter XII-G	<b>SPECIAL PROVISIONS RELATING TO INCOME OF SHIPPING COMPANIES</b>	

Sr. No.	Particulars	Old Form 3CD	New Form 3CD – Changes Under Lined and in Bold
		11(a) Method of accounting employed in the previous year  11(b) Whether there had been any change in the method of accounting employed vis-a-vis the method employed in the immediately preceding previous year.	13(a) Method of accounting employed in the previous year  <b><u>13(b) Whether there had been any change in the method of accounting employed vis-a-vis the method employed in the immediately preceding previous year</u></b>

Sr. No.	Particulars	Old Form 3CD	New Form 3CD – Changes Under Lined and in Bold
		<p>11(c) If answer to (b) above is in the affirmative, give details of such change, and the effect thereof on the profit or loss</p> <p>11(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.</p>	<p><b><u>13(c) If answer to (b) above is in the affirmative, give details of such change, and the effect thereof on the profit or loss *</u></b></p> <p>13(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</p>

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

Serial number	Particulars	Increase in profit (Rs.)	Decrease in profit (Rs.)

**Is it Item Wise ??**

**Clause 13 (c).**

**Old Clause 11(c).**

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

Serial number	Particulars	Increase in profit (Rs.)	Decrease in profit (Rs.)

Sr. No.	Particulars	Old Form 3CD	New Form 3CD – Changes Under Lined and in Bold
	FORM NO. 3CD – PART B	<p>12 (a) Method of valuation of closing stock employed in the previous year.</p> <p>12(b) In case of deviation from the method of valuation prescribed under section 145A, and the effect thereof on the profit or loss, please furnish:</p>	<p>14 (a) Method of valuation of closing stock employed in the previous year.</p> <p><b><u>14(b) In case of deviation from the method of valuation prescribed under section 145A, and the effect thereof on the profit or loss, please furnish: *</u></b></p>



**14(b) In case of deviation from the method of valuation prescribed under section 145A, and the effect thereof on the profit or loss, please furnish: \***

Serial number	Particulars	Increase in profit (Rs.)	Decrease in profit (Rs.)

**Is it Item Wise ??**

**Para 23.5 Revised Guidance Note 2013 Edition**

The method of stock valuation must be consistently followed from year to year and the method followed must be brought out clearly.

The tax auditor 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.

As per AS-2 - Valuation of inventories (Revised) (from accounting year starting from 1.4.1999), historical cost of manufactured inventories can be arrived at on the basis of absorption costing alone and the allocation of fixed costs of inventories should be based on the normal level of production only.

It is further provided that overheads should be included as part of the inventory cost only to the extent that they clearly relate to putting the inventories in their present location and condition.

Clasue 14 (b)

Old Clause 12b. Details of deviation, if any, from the method of valuation prescribed under section 145A, and the effect thereof on the profit or loss

Section 145A has come into force from A.Y 1999-2000. It is not necessary to change the method of valuation of purchase / sale and inventory regularly employed in books of account.

The adjustments provided under the section can be made while computing the income for the return. The adjustments will affect opening stock, purchases, sales and closing stock. The adjustments are as follows:

any tax, duty, cess or fee actually paid or incurred on inputs, sales, inventory should be added, if not already added (to gross up)

Example :

- Inventories are stated exclusive of Central Value Added Tax (CENVAT) / State Value Added Tax (VAT). The assessee follows the exclusive method in respect of accounting of CENVAT/VAT credits. However, there is no effect on the profit for the year as supported by the illustration given in “Guidance Note on Tax Audit under section 44AB of the Income-tax Act” issued by the Institute of Chartered Accountants of India.
- Sales are exclusive of sales tax/state value added tax and octroi (where separately recovered), which has not been debited to the profit and loss account. However there is no effect thereof on the profit for the year.

Sr. No.	Particulars	Old Form 3CD	New Form 3CD – Changes Under Lined and in Bold
	FORM NO. 3CD – PART B		<b><u>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: (contd...)</u></b>

**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:**

Details of property	Consideration received or accrued	Value adopted or assessed or assessable

**Particulars of sale of Land/Building less than Stamp value to be given –**

Here the Auditor has to report whether any land or building or both held in the nature of capital asset / stock intrade 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. (Clause 17)

Sr. No.	Particulars	Old Form 3CD	New Form 3CD – Changes Under Lined and in Bold
	FORM NO. 3CD – PART B	15. Amounts admissible under sections - (a) 33AB (b) 33ABA (c) 33AC (wherever applicable) (d) 35 (e) 35ABB (f) 35AC (g) 35CCA (h) 35CCB (i) 35D (j) 35DD (k) 35DDA (l) 35E:- (a) debited to the profit and loss account (showing the amount debited and deduction allowable under each section separately); (b) not debited to the profit and loss account	19. Amounts admissible under sections – 32AC 33AB 33ABA 33AC Omitted 35(1)(i) 35(1)(ii) 35(1)(iia) 35(1)(iii) 35(1)(iv) 35(2AA) 35(2AB) 35ABB 35AC 35AD 35CCA 35CCB 35CCC 35CCD 35D 35DD 35DDA 35E  <b>Clause b deleted in the new form 3CD</b>

### 19. Amounts admissible under sections:

Section	Amount debited to profit and loss account	Amounts admissible as per the provisions of the Income-tax Act, 1961 and also fulfils the conditions, if any specified under the relevant provisions of Income-tax Act, 1961 or Income-tax Rules, 1962 or any other guidelines, circular, etc., issued in this behalf.

32AC	Investment I n New Plant or Machinery
33AB	Tea / Coffee / Rubber Development Account
33ABA	Site Restoration Fund
35(1)(i)	Any expenditure (not being in the nature of capital expenditure said out or expended on scientific research related to the business.
35(1)(ii)	An amount equal to [( one & three-fourth)times of] any sum paid to a research association which has its object of undertaking of scientific research or to a University collage / other institution to be used for scientific research.
35(1)(iia)	An amount equal to 1 & ¼ th times of any sum paid to a co to be used by it for scientific research.

35(1)(iii)	An amount equal to (1 & 1/4th times of)any sum paid to a (research association which has as its object the undertaking of research in social science or statistical research or to a)university/ collage/other institution to be used for research in social science or statistical research.
35(1)(iv)	Any expenditure of a capital nature on a scientific research related to a bus/carried on by the assessee, such deduction as may be admissible under the sec(2)
35(2AA)	Any sum to National laboratory/University/IIT/for scientific research.

35(2AB)	Company engaged in bio-technology/Manufacture or Production of any article incurs expenditure on Scientific research.
35ABB	Expenditure for obtaining license to operate telecommunication services.
35AC	Expenditure on eligible projects/schemes.
35AD	Deductions in respect of specified business.
35CCA	Expenditure by way of payments to associations and institutions for carrying out rural development programmes.
35CCB	Expenditure by way of payment to association & institutions for carrying out programmes of conservation of natural resources.
35CCC	Expenditure of agricultural & extension project
35CCD	Expenditure of skill development project.
35D	Amortization of certain preliminary expenses

35DD	Amortization of expenditure in case of amalgamation/de-merger.
35DDA	Amortisation of expenditure incurred under V R S.
35E	Deduction for expenditure on prospecting etc. for certain minerals

Where the assessee has incurred any expenditure referred to here in-above, the auditor is required to state the amount debited in P&L A/c as well as admissible deduction under relevant provision. Some times the expenditure referred above are incurred but such expenditure are capitalized, and included in the cost of fixed assets, in that case auditor should state the details of such expenditure and also state the amount of admissible deduction under the relevant provisions.

**DEDUCTIONS ALLOWABLE:(Clause -19)**

- Earlier the auditor was supposed to comment only on the deductions claimed U/s 33AB / 33ABA / 33AC /35 /35ABB /35AC /35CCA /35CCB /35D /35DD/35DDA/35E
- As per revised Form 3CD in addition to above, the auditor is also required to comment on Sections 32AC, 35AD, 35CCC and 35DDD.



Sr. No.	Particulars	Old Form 3CD	New Form 3CD – Changes Under Lined and in Bold
	FORM NO. 3CD – PART B	16(b) Any sum received from employees towards contributions to any provident fund or superannuation fund or any other fund mentioned in section 2(24)(x); and due date for payment and the actual date of payment to the concerned authorities under section 36(1)(va). -	<p><b><u>20(b) Detail of contributions received from employees for various funds as referred to in section 36(1)(va).</u></b></p> <p><b><u>As Mentioned in Next Slide</u></b></p>

### Clause 20(b) (Old Clause 16 (b) )

**Details of contributions received from employees for various funds as referred to in section 36(1)(va):**

Serial number	Nature of fund	Sum received from employees	Due date for payment	The actual amount paid	The actual date of payment to the concerned authorities

- Deduction of such sums received from the employees is allowed, if it is credited by assessee to the account of employees on or before the due date as per the applicable law.
- Otherwise, the same is treated as his income under Section 2(24)(x)
- Tax auditor should get a list of various contributions recovered from the employees and verify the actual payments from the evidence available.

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

28.4           Section 36(i)(va) of the Act permits deduction of such sum if it is credited by the assessee to the account of the employees in the relevant statutory fund on or before the due date, i.e., the date by which it is required to be credited as per the provisions of the applicable law etc. 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.

28.5           The tax auditor should get a list of various contributions recovered from the employees which come within the scope of this clause and the date on which it is deposited.

He should also verify the documents relating to provident funds and other welfare funds.

He should verify the agreement under which employees have to make contributions to provident fund 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 of the information, 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 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.

There are different legal decisions with respect to allowability of employees contribution towards PF, EPF, etc not paid within due date. Bombay High Court in the case *CIT vs Pamwi Tissues Ltd (2008)215 CTR (Bom)150*. held that employees contribution not paid within the due dates was disallowable under section 43B. On the other hand Delhi High Court in the following cases has held in the favour of assesseees.

1. *CIT vs Dharmendra Sharma* 297 ITR 320
2. *CIT vs P.M. Electronics Ltd* 313 ITR 161
3. *CIT vs AIMIL Ltd and others* 321 ITR 508

It may be noted that emoluments in the nature of good work reward, incentives or ex-gratia are not bonus or commission as contemplated under section 36(1)(iii) but are deductible under section 37 of the Act as held by *Delhi High Court in Shri Ram Pistons and Rings Ltd. 307 ITR 363 and Autopins (India) Ltd. 192ITR161*.

**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**

Nature	Serial number	Particulars	Amount in Rs.

**SPECIFICATION ABOUT EXPENSES CLAIMED IN P&L:**  
**(Clause 21(a))**

- In revised format detailed information is required to be given on amount debited to P & L a/c in nature of/under the heading of
  - Capital Expenses,
  - Personal Expenses, and
  - Advertisement.

**Please furnish the details of amounts debited to the profit and loss account, being in the nature of capital, personal, advertisement expenditure etc**

- Capital expenditure, if any, debited to the profit and loss account to be disclosed stating the amounts under various heads separately
- Tax auditor needs to scrutinize records and obtain information and make necessary inquiries in this behalf
- General tests should be applied to determine whether a particular expenditure is of a capital nature i.e.
  - where it brings into existence an asset or
  - advantage of enduring benefit, or
  - whether it relates to the frame work of the assessee's business etc.

**Please furnish the details of amounts debited to the profit and loss account, being in the nature of capital, personal, advertisement expenditure etc**

- Tax auditor needs to scrutinize the ledger to verify whether any expenses of personal nature have been incurred by the assessee.
- Section 227(1A) requires the auditor to inquire whether personal expenses have been charged to the revenue account.
- *Note: According to the information and explanation given by the assessee, no personal expenses have been debited to the profit and loss account other than those payable under contractual obligations or in accordance with the generally accepted business practice.*

Nature (New Clause)	Serial number	Particulars	Amount in Rs.
Expenditure incurred at clubs being cost for club services and facilities used.			

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

- The expenditure may be incurred for directors, employees, partner, proprietors.
- The fact that whether they are of personal nature or incurred in the course of business should be ascertained. If they are of personal nature, they should be shown under clause 21a.
- The tax auditor should make a close scrutiny of the ledger in such cases

Nature	Serial number	Particulars	Amount in Rs.
Expenditure by way of penalty or fine for violation of any law for the time being in force			

Nature	Serial number	Particulars	Amount in Rs.
Expenditure by way of any other penalty or fine not covered above			

Nature	Serial number	Particulars	Amount in Rs.
Expenditure incurred for any purpose which is an offence or which is prohibited by law			



**AS PER REVISED GUIDANCE NOTE 2013 EDITION**

34.3 The courts have laid down that any penalty or fine for violation of law is not admissible as expenditure.

34.4 The following Explanation to section 37(1) of the Act has been inserted by Finance Act (No.2) Act, 1998 with effect from assessment year 1962-63.

*"For the removal of doubts, it is hereby declared that any expenditure incurred by an assessee for any purpose which is offence or which is prohibited by law shall not be deemed to have been incurred for the purpose of business or profession and no deduction or allowance shall be made in respect of such expenditure".*

Under sub-clause (iii) any expenditure incurred by an assessee for any purpose which is an offence or which is prohibited by law is to be stated.

34.5 Any expenditure in consequence of violation of law like penalty or fine levied for evading provisions of the Act, FEMA, Excise and Customs law etc., cannot be claimed as deduction under the Act.

A penalty imposed for violation of any law during the course of trade cannot be described as a commercial loss.

Even if the need for making payments has arisen out of trading operations, the payments are not wholly and exclusively for the purpose of the trade.

Violation of law is not a normal incidence of business.

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

34.6 In *Prakash Cotton Mills (P) Ltd. v CIT* [1993] 201 ITR 684 (SC) it has been held that whenever any statutory impost paid by an assessee by way of damages or penalty or interest is claimed as an allowable expenditure under section 37(1) of the Act, the assessing authority is required to examine the scheme of the provisions of the relevant statute providing for payment of such impost notwithstanding the nomenclature of the impost as given by the statute, to find whether it is compensatory or penal in nature.

34.7 The authority has to allow deduction under section 37(1) wherever such examination reveals the concerned impost to be purely compensatory in nature.

Wherever such impost is found to be of a composite nature, that is, partly of compensatory nature and partly of penal nature, the authority would have to bifurcate the two components of the impost and give deduction of that component which is compensatory in nature and refuse to give deduction of that component which is penal in nature.

The above principle was reiterated in the case of ***Swadeshi Cotton Mills (1998) 233 ITR 199.***

34.8 Further, in ***CIT v Ahmedabad Cotton Mfg. Co. Ltd. [1993] 205 ITR 163(SC)***, the Supreme Court held that what needs to be done by an Assessing Authority under the Act, in examining the claim of an assessee that the payment made by such assessee was a deductible expenditure under section 37 although called a penalty, is to see whether the law or scheme under which the amount was paid, required such payment to be made, as penalty or as something akin to penalty, that is, imposed by way of punishment for breach for infraction of the law or the statutory scheme.

If the amount so paid is found to be not a penalty or something akin to penalty due to the fact that the amount paid by the assessee was in exercise of the option conferred upon him under the levy, law or scheme concerned, then one has to regard such payment as business expenditure of the assessee, allowable under section 37 as incidental to business laid out and expended wholly and exclusively for the purposes of the business.

34.9 In case of *Malwa Vanaspati & Chemical Co. v. CIT [1997] 225 ITR 383(SC)*, it was held that where the assessee is required to pay an amount comprising both the elements of compensation and penalty, the compensation is allowable as business expenditure, but not the penalty.

34.10 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.

- Tax auditor should obtain in writing the details of all payments made by way of penalty or fine from the assessee and how such amounts have been dealt in the books of accounts
- The tax auditor is not required to express any opinion as to allow ability or otherwise of amount.
- It does not cover payment for contractual breach.

Sr. No.	Particulars	Old Form 3CD	New Form 3CD – Changes Under Lined and in Bold
	FORM NO. 3CD – PART B	17(f) inadmissible amounts under section 40(a);	21 (b) Amounts inadmissible under section 40(a):- (i) <u>As payment to non-resident referred to in sub-clause (i)</u> <u>(A) Detail of payment on which tax is not deducted:</u> <u>(I) Date of payment</u> <u>(II) Amount of payment</u> <u>(III) Nature of payment</u> <u>(IV) Name and address of the payee</u>

Sr. No.	Particulars	Old Form 3CD	New Form 3CD – Changes Under Lined and in Bold
			<u>B) Detail of payment on which tax has been deducted but has not been paid during the previous year or in the subsequent year before the expiry of time prescribed under section 200(1) (I) Date of payment</u> <u>(II) Amount of payment</u> <u>(III) Nature of payment</u> <u>(IV) Name and address of the payee</u> <u>(V) Amount of tax deducted</u> (

Sr. No.	Particulars	Old Form 3CD	New Form 3CD – Changes Under Lined and in Bold
			<p><u>(ii) As payment to non-resident referred to in sub-clause (ia)</u></p> <p><u>(A) Detail of payment on which tax is not deducted:</u></p> <p><u>(I) Date of payment</u></p> <p><u>(II) Amount of payment</u></p> <p><u>(III) Nature of payment</u></p> <p><u>(IV) Name and address of the payee</u></p>

Sr. No.	Particulars	Old Form 3CD	New Form 3CD – Changes Under Lined and in Bold
			<p><u>(B) Detail of payment on which tax has been deducted but has not been paid on or before the due date specified in sub-section (1) of section 139.</u></p> <p><u>(I) Date of payment</u></p> <p><u>(II) Amount of payment</u></p> <p><u>(III) Nature of payment</u></p> <p><u>(IV) Name and address of the payee</u></p> <p><u>(V) Amount of tax deducted</u></p> <p><u>(V) Amount out of (V) deposited, if any</u></p> <p><u>(iii) Under sub-clause (ic) [Wherever applicable]</u></p> <p><u>(iv) Under sub-clause (iia)</u></p>

Sr. No.	Particulars	Old Form 3CD	New Form 3CD – Changes Under Lined and in Bold
			<u>(v) Under sub-clause(iib)</u> <u>(vi) Under sub-clause(iii)</u> A. <u>Date of payment</u> B. <u>Nature of payment</u> C. <u>Name and address of the payee</u> <u>(vii) Under sub-clause(iv)</u> <u>(viii) Under sub-clause(v)</u>

### **Amounts inadmissible under section 40(a) –**

This Revised Clause restricts the reporting only to sub-clause (i) and (ia).

- Sub-Clause (i) deals with allowability of payment made to non-resident Payees
- sub-clause (ia) deals with payment to resident payees

It further requires Auditor to report the name and address of the payees in respect of whom default has been committed. (Clause 21(b))

**INADMISSIBLE AMOUNTS U/S-40(a): (Clause 21(b))**

- Sub-clause(ii & iia) – Income tax and Wealth tax are not deductible. Income tax also includes tax paid in any other country for which relief is available U/s 90, 90A, 91 of the Income tax Act 1961.
- Sub-clause(iib) – any amount -
  - (A) paid by way of royalty, licence fee, service fee, privilege fee, service charge or any other fee 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.

- Sub-clause(iii) – Any salary payable outside India or to a non-resident shall be disallowed, if tax has not been deducted or paid .
- Sub-Clause (iv) Any payment to a provident or other fund for the benefit of the employees shall be disallowed unless the employer 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”
- 
- Sub clause (v) Any tax on non-monetary perquisites borne by the employer, on behalf of the employee which is exempt u/s 10(10CC) in the hands of the employee shall be disallowed.



Sr. No.	Particulars	Old Form 3CD	New Form 3CD – Changes Under Lined and in Bold
	FORM NO. 3CD – PART B	17(h) (A) whether a certificate has been obtained from the assessee regarding payments relating to any expenditure covered under section 40A(3) that the payments were made by account payee cheques drawn on a bank or account payee bank draft, as the case may be; Yes No (B) amount inadmissible under section 40A(3), read with rule 6DD [with break-up of inadmissible amounts; - See more at:	<b>21(d) Disallowance/deemed income under section 40A(3)</b> <b><u>(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:</u></b> <b>***</b>

Sr. No.	Particulars	Old Form 3CD	New Form 3CD – Changes Under Lined and in Bold
	FORM NO. 3CD – PART B	17(h) (A) whether a certificate has been obtained from the assessee regarding payments relating to any expenditure covered under section 40A(3) that the payments were made by account payee cheques drawn on a bank or account payee bank draft, as the case may be; Yes No (B) amount inadmissible under section 40A(3), read with rule 6DD [with break-up of inadmissible amounts; - See more at:	<b><u>(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);</u></b> <b>****</b>

**(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: \*\*\***

Serial number	Date of Payment	Nature of Payment	Amount	Name and Permanent Account Number of the payee, if available

**(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); \*\*\*\***

Serial number	Date of Payment	Nature of Payment	Amount	Name and Permanent Account Number of the payee, if available

**Additional Reporting of disallowance U/s. 40A(3A)**

- Earlier Auditor had to report only the cash payment for expenses incurred during the year in excess of prescribed limit but now the CBDT has casted additional responsibility on auditor to report the cash payment made during the year in respect of expenses incurred in earlier years exceeding the prescribed limit U/s. 40A(3A).

Now auditor has to verify all the cash payments in excess of prescribed limits to report under section **40A(3) and 40A(3A)**.

Clause has further removed the reporting requirement of certificate if any been obtained by the Auditor from the Assessee U/s. 40A(3). (Clause 21(d)).

➤ Tax auditor should obtain a list of all payments exceeding Rs. 20,000 made by the assessee during the previous year which should also include the list of payments exempted in terms of Rule 6DD with reasons.

➤ List should be verified by the tax auditor with the books of account in order to ascertain whether the conditions for specific exemption granted in Rule 6DD are satisfied.

➤ Details of payments which do not satisfy the above conditions should be stated under this clause

**40A(3) and 40A(3A) Payments Made Otherwise Than  
By Account Payee Cheque Or Account Payee Bank  
Draft**

**Section 40A(3)** shall be attracted if the following conditions are fulfilled:

- Assessee incurs any expenditure
- in respect of which payment or aggregate of payments made
- to a person
- **in a single day**
- Of a sum exceeding Rs.20,000/-
- Otherwise than by account payee cheque or account payee demand draft

**Section 40A(3A):** Where an 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 any previous year (hereinafter referred to as subsequent year) the assessee makes payment in respect thereof, otherwise than by an **account payee cheque drawn on a bank or account payee bank draft**, the payment so made shall be deemed to be the **profits and gains of business or profession and accordingly chargeable to income-tax as income of the subsequent year if the payment or aggregate of payments made to a person in a day**, exceeds Rs. 20,000/-.

### **Rule 6DD – Disallowance of cash payments**

As per Rule 6DD as amended by Rules 2007 ‘no disallowance shall be made even if payment is made in excess of Rs. 20,000, in the cases and circumstances specified hereunder, namely:-

- Where payment is made to-

- i. RBI
- ii. SBI
- iii. Any co-operative bank or land mortgage bank
- iv. Any primary agricultural credit society
- v. LIC

It may be noted that sub-clauses vi) to xviii) [i.e payment to IDBI, ICICI, UTI etc] of the said rule have been omitted by Notification 208/2007, dated June 27, 2007.

### **40A(4) Payments Made By Account Payee Cheque in Violation of a Contract**

- Notwithstanding anything contained in any other law for the time being in force or in any contract,
- where any payment in respect of any expenditure has to be made by an **account payee** cheque or an **account payee** bank draft in order that such expenditure may not be disallowed as deduction under section 40A(3),

- then such payment may be made by such cheque or draft, and where the payment is so made,
- no person shall be allowed to raise, in any suit or proceeding a plea on the ground that the payment was not made in cash or in any other manner.

**Where the payment is made by-**

- i. Letter of credit
- ii. Mail or telegraphic transfer
- iii. Book adjustment from one bank account to any other account
- iv. Bill of exchange
- v. Use of electronic clearing system through bank account
- vi. Credit card
- vii. Debit card

It may be noted that sub-clauses v) to vii) as above have been inserted by **Notification no. 208/2007 dated June 27, 2007**

Sr. No.	Particulars	Old Form 3CD	New Form 3CD – Changes Under Lined and in Bold
	FORM NO. 3CD – PART B	19. Amounts deemed to be profits and gains under section 33AB or 33ABA or 33AC -	24. Amounts deemed to be profits and gains under section <b>32AC</b> or 33AB or 33ABA or 33AC. -

#### **DEEMED INCOME U/s. 32AC: (Clause 24)**

- In Old form 3CD the auditor was required to report only for sec.33AB/33ABA/33AC But as per new form 3CD reporting about Sec 32AC has been included.
- Sec.32AC of the Act provides for investment allowance of 15% for investment
- New form provides for reporting of deemed income which results from sale or transfer of new asset, (if asset was acquired and installed by the assessee for the purpose of claiming deduction under Section 32AC) within a period of five years from the date of its installation. in plant and machinery <100cr.

**Word Modvat been replaced by the word Cenvat. (Clause 27(a)).**

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.

➤ Tax auditor should verify that there is a proper reconciliation between balance of **CENVAT** credit in the accounts and relevant excise records. (Viz. RG-23)

➤ Tax auditor should verify that the information furnished under this sub-clause is compatible with the information under clause 27(b)

➤ Reporting in following format

Balance at beginning of the year	XXX
Add: CENVAT Credit available during the year	XXX
Less: CENVAT Credit utilised during the year	<u>(XXX)</u>
Outstanding at the end of the year	<u>XXX</u>



Sr. No.	Particulars	Old Form 3CD	New Form 3CD – Changes Under Lined and in Bold
	FORM NO. 3CD – PART B		<b><u>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. -</u></b>

### **Reporting of shares acquired without consideration or inadequate consideration-**

The Tax Auditor has to report 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).

It is not clear how a Tax Auditor can determine the Value of shares of a company of which he is not the auditor.

This clause applies only to Firms and Companies in which Public are not substantially interested. (Clause 28)

**Receipt of Shares of Closely held company by a firm or a closely held company – Sec 56(2) (Viia)**

Where a firm or a closely held company receives shares, of another closely held company from any person, either without consideration or for inadequate consideration shall attract tax as detailed here under:

NATURE OF RECEIPT	SUM TAXABLE
Where the shares are received without consideration and the aggregate FMV exceeds Rs. 50,000/-	The aggregate fair market value of the shares
Where the shares are received for an inadequate consideration and such inadequacy exceeds Rs. 50,000.00	The difference between the aggregate fair market value and the consideration paid.

Where shares are received without consideration or inadequate consideration in pursuance of business reorganizations, amalgamation, demerger as provided under Sec. 47, the same shall not be subject to tax U/s. 56 (2)(vii).

Sr. No.	Particulars	Old Form 3CD	New Form 3CD – Changes Under Lined and in Bold
	FORM NO. 3CD – PART B		<b><u>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 referred to in section 56(2)(viib), if yes, please furnish the details of the same.</u></b>

### **REPORTING FOR ISSUE OF SHARES AT PREMIUM:(Clause 29)**

- As per revised form 3CD focus would be on, Whether during the previous year the assessee received any consideration for issue of shares which exceeds the fair market value of the shares as referred to in section 56(2)(viib),
- if yes, the auditor is required to furnish the details of the same.
- This Clause applies to Companies in which Public are not substantially interested.

**Issue of shares by a closely held company in excess of face value – Sec. 56(2)(viib)**

Where a closely held company receives in any previous year from any person being a resident any consideration for issue of shares that exceed 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 tax.

This provision shall not apply where the consideration for the issue of shares is received-

- (i) by a venture capital undertaking from a venture capital company or a venture capital fund or
- (ii) by a company from a class or classes of persons as may be notified by the Central Government.
- (iii) from a non resident.

The fair market value of the shares shall be the value as may be determined in accordance with such method as may be prescribed or as may be substantiated by the company to the satisfaction of the assessing officer, whichever is higher.

The company may substantiate the fair market value of the shares based on the value of its assets, including intangible assets, on the date of receipt of consideration.

In order to attract chargeability u/s 56(2) the aggregate value of sum of money or property as the case may be should have exceeded Rs. 50,000/- in a previous year except in the case of 56(2)(viib), in respect of which no such limit has been prescribed.

Section 56(2)(viib) is introduced by the Finance Act, 2012 effective from A.Y. 2013-14 Relevant rules for valuation of unquoted equity shares namely, Rule 11 UA(2) was notified under Income –tax Rules, 1962 vide Notification No. 52 On 29.11.2012. Since the rule was introduced after 31<sup>st</sup> October 2012, the same shall not be applicable for May 2013 CA Final Examinations.

The FMV of Unquoted Equity shares shall be determined in accordance with the methods laid down in Rule 11UA (2) at the option of the assessee as detailed here below:

$$\text{a. FMV of Shares of Unquoted equity shares} = \frac{(A-L) \times (PV)}{(PE)}$$

**The following table summarizes the taxation of shares received by various categories of assesees, without or inadequate consideration u/s 56(2)(vii) and 56(2)(viia)**

Recipient Assessee	Property received is shares of a	
	Widely held company	Closely held company
Individual or HUF – (vii)	Taxable	Taxable
Firm or a closely held Co. – (viia)	Not Taxable	Taxable
Any other assessee including widely held Co.	Not Taxable	Not Taxable

In order to attract chargeability u/s. 56(2) the aggregate value of sum of money or property as the case may be should have exceeded Rs. 50,000/- in a previous year except in the case of 56(2)(viib), in respect of which no such limit has been prescribed.

Sr. No.	Particulars	Old Form 3CD	New Form 3CD – Changes Under Lined and in Bold
	FORM NO. 3CD – PART B	24(c) Whether a certificate has been obtained from the assessee regarding taking or accepting loan or deposit, or repayment of the same through an account payee cheque or an account payee bank draft. Yes No The particulars (i) to (iv) at (b) and the Certificate 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 or a corporation established by a Central, State or Provincial Act;	<b><u>31(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</u></b> 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 or a corporation established by a Central, State or Provincial Act; -

Sr. No.	Particulars	Old Form 3CD	New Form 3CD – Changes Under Lined and in Bold
	FORM NO. 3CD – PART B		<b><u>32(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.</u></b> =
	FORM NO. 3CD – PART B		<b><u>32(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.</u></b> -

Sr. No.	Particulars	Old Form 3CD	New Form 3CD – Changes Under Lined and in Bold
	FORM NO. 3CD – PART B		<b><u>32(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. -</u></b>

**Additional Reporting of Losses in speculation business (Section 73) and of carry forward and set-off of losses by specified business (Section 73(A) – Auditor has to furnish the following details.**

- (1) details of speculation loss referred to in section 73 during the previous year
  - (2) details of loss referred to in section 73A in respect of any specified business
  - (3) Auditor has to state whether the company is deemed to be carrying on a speculation business as referred in explanation to section 73 and details of speculation loss from such business.
- (Clause 32(c), 32(d) and 32(e))

Sr. No.	Particulars	Old Form 3CD	New Form 3CD – Changes Under Lined and in Bold
	FORM NO. 3CD – PART B	26. Section-wise details of deductions, if any, admissible under Chapter VI A	33. Section-wise details of deductions, if any, admissible under Chapter VIA or <b>Chapter III (Section 10A, Section 10AA).</b>

**33. Section-wise details of deductions, if any, admissible under Chapter VIA or Chapter III (Section 10A, Section 10AA).**

Section under which deduction is claimed	Amounts admissible as per the provision of the Income-tax Act, 1961 and fulfils the conditions, if any, specified under the relevant provisions of Income-tax Act, 1961 or Income-tax Rules, 1962 or any other guidelines, circular, etc, issued in this behalf.



**Reporting of Deduction Claimed U/s. 10A and 10AA –**

In addition to deduction claimed under chapter VIA New form 3CD requires auditor to report deduction claimed under section 10A and 10AA. (Clause -33)

Sr. No.	Particulars	Old Form 3CD	New Form 3CD – Changes Under Lined and in Bold
	FORM NO. 3CD – PART B	29. In the case of a domestic company, details of tax on distributed profits under section 115-O in the following form :— (a) total amount of distributed profits;  (b) total tax paid thereon;  (c) dates of payment with amounts.	36. In the case of a domestic company, details of tax on distributed profits under section 115-O in the following form :— (a)total amount of distributed profits;  <b><u>(b)amount of reduction as referred to in section 115-O(1A)(i)</u></b>  <b><u>(c) amount of reduction as referred to in section 115-O(1A)(ii)</u></b>  (d)total tax paid thereon;  (e)date of payment with amounts.

**Separate reporting of tax on distributed profits**

Revised Form No. 3CD requires reporting of following reductions as referred to in clause (i) and clause (ii) of Section 115-O(1A)[clause 36 of Part B]:

under section 115-O(1A)(i) Dividend received by domestic company from its subsidiary

under section 115-O(1A)(ii) dividend paid to any person for or on behalf of the New Pension System Trust referred to in Section 10(44).

(Clause 36)

Sr. No.	Particulars	Old Form 3CD	New Form 3CD – Changes Under Lined and in Bold
	FORM NO. 3CD – PART B	30. Whether any cost audit was carried out, if yes, enclose a copy of the report of such audit [See section 139(9)]. - See more	37. Whether any cost audit was carried out, if yes, <b><u>give the details, if any, of disqualification or disagreement on any matter/item/quantity as may be reported/identified by the auditor.</u></b>

REPORTING ON COST AUDIT: (clause 37)

- Old Form No. 3CD required reporting of cost audit only when statutory cost audit was carried out U/s. 233A of Companies Act 1956
- Revised Form No. 3CD specifies reporting requirement even when cost audit has been carried out voluntarily
- The requirement of attachment of copy of cost audit report along with Form has been substituted with reporting of qualifications in cost audit report (clause 37).

Sr. No.	Particulars	Old Form 3CD	New Form 3CD – Changes Under Lined and in Bold
	FORM NO. 3CD – PART B	31. Whether any audit was conducted under the Central Excise Act, 1944, if yes, enclose a copy of the report of such audit. - See more	38. Whether any audit was conducted under the Central Excise Act, 1944, if yes, <u>give the details, if any, of disqualification or disagreement on any matter/item/quantity as may be reported/identified by the auditor</u>

**REPORTING FOR CENTRAL EXCISE:(clause 38)**

- Revised 3CD report do not require the attachment of EXCISE audit report with Tax Audit report and
- Requires us to report on qualifications in cost audit report if any .

Sr. No.	Particulars	Old Form 3CD	New Form 3CD – Changes Under Lined and in Bold
	FORM NO. 3CD – PART B		<b><u>39. Whether any audit was conducted under section 72A of the 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/quantity as may be reported/identified by the auditor.</u></b>

**Audit under Service tax to be reported - Report on Audit conducted under section 72A**

Auditor has to report whether any audit was conducted under section 72A of the Finance Act and has to give details, if any, of disqualification or disagreement on any matter/item/value/quantity as may be reported/identified by the auditor. (Clause 39)

**40. Details regarding turnover, gross profit, etc., for the previous year and preceding previous year:**

Serial number	Particulars	Previous year	Preceding previous year
1	Total turnover of the assessee		
2	Gross profit/turnover		
3	Net profit/turnover		
4	Stock-in-trade/turnover		
5	Material consumed/finished goods produced		

**(The details required to be furnished for principal items of goods traded or manufactured or services rendered)**

### **Ratio Analysis of Two years**

- Up to last year Auditor was required to disclose Ratio of current year only but now auditor needs to disclose ratio of preceding financial year also.

In addition to this auditor, has also to report the total turnover for the previous year as well as for preceding financial year. (Clause 40)

Sr. No.	Particulars	Old Form 3CD	New Form 3CD – Changes Under Lined and in Bold
	FORM NO. 3CD – PART B		<b><u>41. Please furnish the details of demand raised or refund issued during the previous year under any tax laws other than Income Tax Act, 1961 and Wealth Tax Act, 1957 along with details of relevant proceedings.</u></b>

**Details of Demand and Refund under other Laws**

Auditor has to furnish the details of demand raised or refund issued during the previous year under any tax laws other than Income Tax Act, 1961 and Wealth tax Act, 1957 along with details of relevant proceedings. (Clause 41)

Example : Vat, Service tax, Excise, customs, Municipal tax, Octroi, R M C, etc.,