

E ISSUES IN E-FILING INCOME TAX RETURNS AND TAX AUDIT REPORTS : Compiled by CA. Mahavir Jain

What is e-Filing?

- The process of electronically filing Income tax returns through the internet is known as e-filing.
- E-Filing of Returns/Forms is mandatory for :
 1. All persons having total income of Rupees 5 Lakhs and above from AY 2013-14
 2. Individual/ HUF, being resident, having assets located outside India from AY 2013-14
 3. All companies
 4. Individual/ HUF/ Firm auditable u/s 44AB of the IT Act, 1961 from AY 2013-14

Types of E-Filing

There are three ways to file Income Tax Returns electronically:

- **Option 1:** Use Digital Signature Certificate (DSC) to e-File. There is no further action needed, if filed with a DSC.
- **Option 2:** e-File without Digital Signature Certificate. In this case an ITR-V Form is generated. The Form should be printed, signed and submitted to CPC, Bangalore using Ordinary Post or Speed Post ONLY within 120 days from the date of e-Filing. There is no further action needed, if ITR-V Form is submitted.
- **Option 3:** e-File the Income Tax Return through an e-Return Intermediary (ERI) with or without Digital Signature Certificate (DSC). e-Filing Process

How to e file income Tax return

A Step by step guide

To upload Income Tax Return:

- **Step 1:** On homepage, GO TO 'Downloads' section and select applicable Income Tax Return Form of the relevant Assessment Year OR Login to e-Filing application and GO TO 'Downloads' -> 'Income Tax Return Forms' and select applicable Income Tax Return Form of the relevant Assessment Year.
- **Step 2:** Download the excel utility of the Income Tax Return (ITR).
Open form, Activate Macro (you might have to do this step every time you open Excel file)
- **Step 3:** Fill the excel utility and Click validate Button on each sheet (If an error shown in pop up then read it carefully and correct the error and then again click validate button). (You can pre-fill the Personal and Tax Information in your Income Tax Return. To pre-fill, Login to e-Filing application and GO TO -> Downloads -> Download Pre-filled XML to the desired path/destination in your desktop/system. Open the Excel utility (ITR) and click the "Pre-fill" button. This will require you to select the path/destination where you have saved the XML and click OK. The details will be uploaded into your utility. Click Compute tax (given in right hand side of the sheet). If an error shown in pop up then read it carefully and correct the error and then again click compute tax. (You may edit the tax details, if needed).
- **Step 4:** Click Generate button .XML file will be saved at same location(directory) where the excel utility has been stored in your computer.

- Step 5:** LOGIN to income tax e filing site and GO TO → e-File → Upload Return.
- Step 6:** Select the Income Tax Return Form and the Assessment Year.
- Step 7:** Browse and Select the XML file
- Step 8:** Upload Digital Signature Certificate, if available and applicable.
- Step 9:** Click ‘SUBMIT’.
- Step 10:** On successful upload, Acknowledgement details would be displayed. Click on the link to view or generate a printout of Acknowledgement/ITR-V Form. No further action require if up-loaded with digital signature.
In case the return is not digitally signed, A duly signed ITR-V form should be mailed to“Income Tax Department – CPC, Post Bag No - 1, Electronic City Post Office, Bengaluru - 560100, Karnataka, ” BY ORDINARY POST OR SPEED POST ONLY within 120 days of transmitting the data electronically.
That’s all.

Note:

- You can upload the returns only after you have registered in e-Filing.
- On receipt of the ITR-V at CPC, the return will be further processed and the Assessee will be notified accordingly. Please check your emails on these notifications.
- To e-File using Digital Signature Certificate (DSC), the DSC should be registered in the application. (To register DSC, you should LOGIN and GO TO → Profile Settings → Register Digital Signature Certificate)
- Assessee can “Add CA”, using My Account menu, after login.

•E-filing of Audit Report

E-filing of Audit Report Mandatory

- As per Notification No. 42/2013 dated 11.06.13, E-filing of following audit report is made mandatory from Assessment year 2013-14 :
 - (a) Audit Report U/S 44AB – Normal Tax Audit
 - (b) Audit Report U/s 92E – Related party International Transaction
 - (c) Audit Report U/s 115JB – Tax paid under MAT
 - (d) Audit Report U/s 10(23C), 10A, 80IA, 80IB.....

STEPS IN E-FILING OF AUDIT REPORT

1. Creation of Auditor’s Login ID
2. Adding Auditors name in Client Login ID
3. Preparing of Audit Report
4. Uploading of Audit Report by Auditor
5. Acceptance of Audit Report by Client

KEY TAKE AWAYS

Points to be taken care before starting registration of Auditor’s Login ID

- Auditor Should be full time COP holder as per Institutes Record as on date
- Auditor’s DOB in Institutes record and on PAN should be same
- Auditor should have PAN based class II – DSC

- The surname of the auditor on the PAN, DSC and Institute record should be same

Points to be taken care before uploading of Audit Report by Auditor

- Client has added you as his auditor for the relevant assessment year
- Client has selected appropriate form of audit report while adding you as auditor
- At the time of upload you should be active auditor in Clients ID
- XML format of Audit Report is ready.
- Save XML of Audit Report in C:\fakepath
- Audited and Signed copy of Balance Sheet and Profit & Loss Account is converted into PDF / TIF (size less than 20 MB)
- Do not file Income Tax Return as you have to update E-filing of Audit Report Date in Return

Points to be taken care after uploading of Audit Report

- Client to accept the audit Report filed by the Auditor
- To file multiple audit report accept audit report of one auditor and then add another auditor, accept the other and then copy the process of third.
- Last Date of E-filing and Acceptance of Audit Report is 30th September, 2014

Points for preparing XML format of Audit Report

- Can use any software for preparing XML format of Audit Report
- Income Tax Department gives free utility which can be downloaded from incometaxindiaefiling.gov.in – download section – other forms
- Specific answer asked in the XML and so cannot modify the same
- Physical copy of Audit Report Continues – all notes / comments can be written their.

UPDATES

(1) A valid Email ID and Mobile Number to be Registered/Updated on the E-Filing Website of the Income Tax Department

A valid Email ID and Mobile Number has to be registered/updated on the e-filing website of the Income Tax Department so that direct communication with taxpayer can be possible.

The Department will send separate One Time Passwords (OTP) also referred as PIN on the mobile and email provided by the taxpayer. The OTPs have to be entered by the taxpayer after login into their e-filing account to authenticate the same. The OTPs will remain valid for 24 hours within which the taxpayer has to complete the process. For 'Foreign/ NRI' taxpayers, the OTP validation of the email ID would be sufficient.

Validation of email and mobile numbers has been introduced to facilitate taxpayers as in many cases incorrect emails and mobile numbers have been provided and taxpayers did not receive important communication from the Department. Further, it has been observed that in many cases taxpayers are not able to reset their password since the new temporary password from the Department may be sent to their registered email which may be different from the taxpayer's personal email, e.g. email of their intermediary.

This is a one-time process to validate the mobile number and email ID. However, whenever the taxpayer changes the Mobile Number or email ID in their Profile, the process will be repeated to ensure that the particulars provided are correct. Further, this validation will ensure that Department can send an OTP for resetting the password used for Login in case the taxpayer has forgotten the password.

One mobile number or email ID can be used for a maximum of 10 user accounts as the Primary Contact-Mobile Number and Email ID in e-Filing. This is to ensure that family members and related business concerns (not exceeding 10 separate users) not having personal email or mobile can be covered under a common email or mobile, but in general taxpayers should have their own unique email ID and Mobile registered with the Department.

The taxpayer can enter any other person's email or mobile number in addition, as a Secondary Contact (without any restriction on the number of user accounts linked as a Secondary Contact). Using "Profile Settings My Profile" the taxpayer can select to include the Secondary Contact to also receive emails, alerts etc.

It is advised that the emails and SMS from the Income tax Department may be included in the 'safe list' or 'white list' to prevent the communications from the Department from being blocked or rejected or sent to Spam folder. Taxpayers are also advised not to share their user-id and password of their e-filing account with others to prevent un-authorized access. Taxpayers can reset their password using the 'Forgot Password?' link while logging in to their e-filing account and by providing the necessary details.

The Department requests the cooperation of all taxpayers for completing this validation process at the earliest for a smooth and convenient return filing process.

(2) WEALTH TAX RETURN

NOTIFICATION **WEALTH-TAX**

New Delhi, the 23rd June, 2014

S.O.1576 (E) .— In exercise of the powers conferred by clause (ba) and clause (bb) of sub-section (2) of section 46 read with section 14A and section 14B of the Wealth-tax Act, 1957 (27 of 1957), the Central Board of Direct Taxes hereby makes the following rules further to amend the Wealth-tax Rules, 1957, namely:—

1. (1) These rules may be called the Wealth-tax (1st Amendment) Rules, 2014.
(2) They shall come into force on the date of their publication in the Official Gazette.
2. In the Wealth-tax Rules, 1957 (hereinafter referred to as the "said rules"),—
 - (i) for rule 3, the following rule shall be substituted, namely:—

"3. Form of return of net wealth. — (1) The return of net wealth referred to in section 14 shall—

(a) in respect of assessment year 2013-14 and earlier assessment years in the case of individuals, Hindu undivided families and companies, be in Form BA and shall be verified in the manner specified therein.

(b) in respect of the **assessment year 2014-15 and any other subsequent assessment year** in the case of individuals, Hindu undivided families and companies be in Form BB and shall be verified in the manner specified therein.

(2) Subject to the provisions of sub-rule (3), for the assessment year 2014-15 and any other subsequent assessment year, the return of net wealth referred to in sub-rule (1) shall be furnished electronically under digital signature.

(3) In case of individual or Hindu undivided family to whom the provisions of section 44AB of the Income-tax Act, 1961(43 of 1961) are not applicable, the return of net wealth referred to in sub-rule (1) may be furnished for assessment year 2014-15 in a paper form.

(4) The return of net wealth required to be furnished in Form BB shall not be accompanied by a statement showing the computation of the tax payable on the basis of the return, or proof of the tax and interest paid, or any document or copy of any account or form of report of valuation by registered valuer required to be attached with the return of net wealth under any provisions of the Act.

(5) The Director General of Income-tax (Systems) shall specify the procedures, formats and standards for ensuring secure capture and transmission of data and shall also be responsible for evolving and implementing appropriate security, archival and retrieval policies in relation to furnishing the returns in the manners specified in sub-rule (2).”

3. In the said rules, in Appendix, after Form BA, the Form BB - RETURN OF NET WEALTH [See rule 3(1)(b) of Wealth-tax Rules, 1957]shall be inserted.

Note * Before signing the verification, the signatory should satisfy himself that this return is correct and complete in every respect. Any person making a false statement in this return shall be liable to prosecution under section 35D of the Wealth-tax Act, 1957(27 of 1957), and on conviction be punishable:

- (i) In a case where the tax sought to be evaded exceeds one lakhs rupees, with rigorous imprisonment for a term which shall not be less than six months but which may extend to seven years and with fine;
- (ii) In any other case, with rigorous imprisonment for a term which shall not be less than three months but which may extend to three years and with fine..

COMMON ISSUES IN E-FILING

We have divided the common problems faced/queries in the following three sections:

- A. Registration Problem / Password Forget/ Reset password at www.incometaxindiaefiling.gov.in
- B. Problem at the time of downloading, activating and filling ITR forms
- C. Problem at the Time of upload of Income Tax return XML file, ITR V related Problem.
& revise return details are given here

A. Registration Problem / Password Forget/ Reset password at www.incometaxindiaefiling.gov.in

a) Registration Problem:

1. How to check First name, middle name & surname. To upload Income Tax return (XML) file person must have a log in account at income tax department site. But when we try sometimes mismatching of First name, middle name, and surname is there. The reasons behind it is explained in details at Pan registration problem .Further you can check online what is name as per pan data here "check pan name,ward circle,pan jurisdiction "

2. Father's name Details: Father's name at the time of Registration is not mandatory so you may fill these field as per details known to you.

3. Date of Birth: DOB must be enter in DD/MM/YYYY, if not matching with pan data base then we have no solution .you have to call Income tax department official helpline. For HUF ancestral dob you can try 01/01/0001 or 01/01/2001

5. Password : password must have alphanumeric and must have one special character .One can Try This as a Standard password welcome12# to save time at the time of registration .

b) Password reset:

Now you can call new password at alternate email id also. If old id is not operative or your tax adviser is not in your contact then you can set password through request at email validate@incometaxindia.gov.in

1. You can reset Password very easily. To reset password you have three options (reset password now.) Detail Explanation How to reset password is given on the website.

2. Important Message: Though Reset password will be sent to alternate email id yet your old email id remains primary email id. To update primary email id, Log in to your account and go to my account and select update phone/Email number TAB in drop Down menu.



B. Problem at the time of downloading, activating and filling ITR forms.

Which Form to be used?

If you have income from salary/salary, House property, income from other source then you should use ITR-1(Sahaj) Form. If you have capital gains then use ITR-2.

If Income After deduction less than 5 Lakh , whether e filing mandatory ?

Example : Gross total Income =Rs 5,50,000/-
less : deduction u/s 80C=Rs1,00,000/-
Net Taxable Income =Rs 4,50,000/-

Ans : In above case as the taxable income is less than 5 lakh (after deductions) then e filing of Income tax return is not mandatory.

How to download e filing Form?

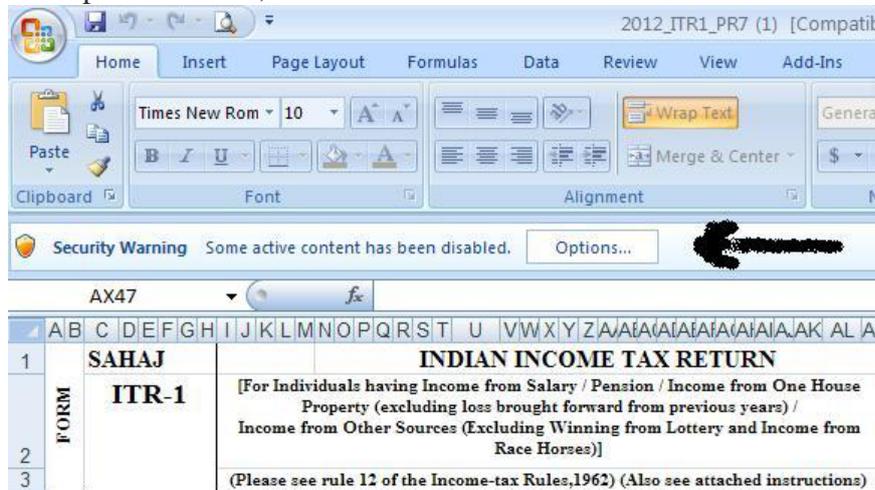
You may download ITR-1 and ITR-2 in excel format from links given on the site.

How to open Zip File?

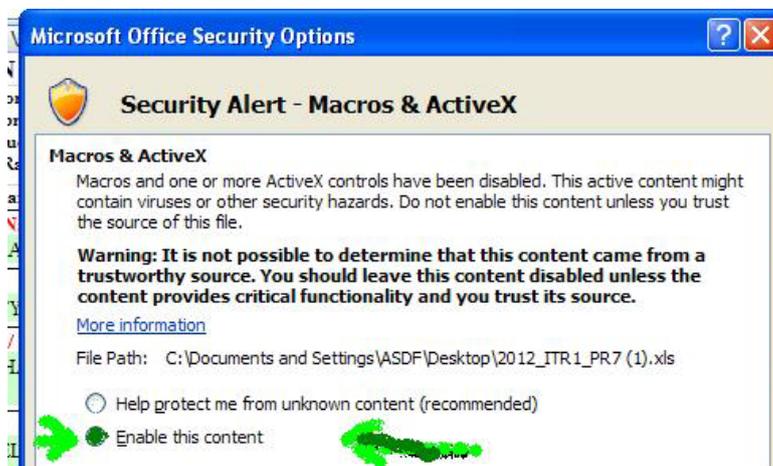
If you have problem in opening ITR-e-filing Forms then you can download excel file directly without zip folder.

How to activate Macros/Buttons Give in the side of Each sheet like Validate, Compute tax , Generate?

The excel sheet for e filing is based on Excel macro .To activate these button you have enable macro in your excel sheet. To start activation, just save and close the sheet and reopen it and look for the security warning as shown in the picture below, between worksheet and Menu of excl workbook.



click on the Options tab ,new dialogue Box will open .In new box select option "enable this content as shown in the picture below and press OK . All button start working.



Which amount is to be filled in ITR-1 in salary Income with reference to Form 16?

In form 16 salary word is used with gross salary, add perquisites, less allowance etc etc . But in income tax return we have to fill amount shown against the description "Income Chargeable under the head salary ". In standard Form 16 ,this is given at Sr. number 6.

But these days' employers are using non standard forms also. To deal with non standard form just look out figure after all the addition and deduction from the salary in form 16. Figure related to salary which comes last.

What if, If I have salary from two employers?

Even if you have salary from two employer, you may use ITR-1if you have income only from Salary/pension / interest / House property.

To start with total your income chargeable under the head salary (as explained above chargeable income under head salaries) from both the employers and Fill in the ITR-1 Sr Number -1. (income from salary /

pension). Further you have to provide TDS details from both the employers in Sr number 23 in TDS sheet/Tab also. Please note that TDS details of both the employers must be shown separately.

What if we have income from salary as well as Income from pension?

If you have income from salary as well as pension even then no problem. Just take Income taxable in salary and add income taxable in pension and put total figures in Sr number one in ITR-1.

Employer has not allowed HRA benefit?

The Most common question is that my employer has not given me deduction of HRA. Yes, you can claim deduction /exemption if your employer has not allowed the deduction of house rent allowance. To claim these you have to take action as under,

- 1. take Income chargeable under the head salaries as per form 16 :Rs XXXXX
- 2: Less: Exemption of HRA as per your calculation (calculate here):Rs XXXXX
- 3 Net taxable salary: (1-2) =XXXX

Figure calculated as per Sr number 3 should be filled at Sr number one of ITR-1. however Please note that in Sr number 23 (tds sheet), income as per form 16 is to be shown not calculated taxable salary as shown above . So in such case salary shown in ITR-1 Sr no-1 should be less than salary shown at Sr number 23 (tds sheet) of ITR-1.

Employer not considered Saving proofs under section 80C, 80CCF, 80CCC, 80D or not allowed other deductions with otherwise allowed:

Nothing to worry you can show actual saving under section 80C or 80CCF or can shown 80D deduction for medical/Health insurance even then it has not been considered by employer in form 16.

Similarly if you are eligible for other deduction as well then you can claim it while filing the income tax return form.

Bank Has deducted Tax @ 10 % , But I am under 20/30% slab , Do I have to pay Balance tax?

Yes, you have to pay balance tax if you comes under higher tax slabs or Bank has not deducted tax on your saving bank interest or FDR bank interest and after considering these income balance tax is shown by ITR utility then you must pay balance tax online before filing your return, other wise your return will be treared as defective . Use Challan Number ITNS 280 to pay balance tax /self assessment tax.

I have tried many times but not able to click on Save XML file or save XML link is not activated, what to Do?

There may be many reasons read the messages shown in pop up carefully. Hint is given in itself. But most common reason is not selecting the "Tax status" correctly. Please check Row number 32 of Income details as shown in Picture. Select correct option as per actual. If you have negligible amount in refund for example one rupee then also you must select Tax status as Tax refundable.

31				enter Notice Date	
32	Residential Status	RES - Resident	Tax Status	Nil Tax Balance	
40				Tax Refundable	
41	1 Income from Salary & Pension (Ensure to fill Sch TDS1)			Tax Payable	
				Nil Tax Balance	

Tax status error. How to correct?

As shown above select correct option from "Tax refundable,"Tax payable" and "Nil Tax Balance"

How Can I know my ward Circle Number?

For filing of return this field is not mandatory, so keep it Blank. Fields with red color descriptions are mandatory. However if you want to check then visit know your jurisdiction link , fill pan number and Know your pan name, ward circle /area code etc will be shown.

What is IFSC code?

IFSC code is 11 digit bank branch code which is printed on all CTS 2010 cheque books. This code is a mark to identify the Bank branch. This field is mandatory from Assessment year 2013-14 even no refund is due.

What is MICR code?

Micr code is 9 digit bank branch code which is printed on cheque books. This code is a mark to identify the Bank branch. This field was mandatory up-to assessment year 2012-13.

Is Bank account mandatory if no refund due?

Yes Bank account is must even there is no refund due in your account.

C. Problem at the Time of upload of Income Tax return XML file, ITR V related Problem & Revise return

Q 1) I cannot read the file for signing while uploading XML. What should I do?

A: This problem is due to your Internet Explorer browser settings. Please do the following,

- In Internet Explorer-> Tools ->Internet Option ->Security -> Custom Level-> you should enable "Include local directory Path when uploading file to the server".
- Create a folder in the "C" Drive called "fakepath" (c:\fakepath) and copy the xml files to this folder. Restart the Browser and you will be able to upload the file.

Q 2) I have saved the XML file in my computer, but while uploading, system is giving an error "Cannot read the XML file"? What should I do ?

A: Kindly set the Internet Explorer Security Settings to Low. Please follow the below steps:

- In case of Windows Vista/Windows 7, Go To Start-->Control Panel--> Programs--> Java--> General tab.
- Click on "Settings" button in 'Temporary Internet Files'.
- Kindly uncheck the "Keep temporary files on my computer"and click the "Delete Files" button and press OK.
- Close your existing browser and open a new browser.

Q 3) The web page is expired while uploading a DSC, What should I do ?

A: Java Runtime Environment V 1.6 or above, needs to be installed in your machine.

Q 4) DSC "session expired" issue and offline forms utility.

A: JRE 1.7 update 6 and above (32 bit) is required to run applets for Digital Signatures and offline forms to work.

There is common question is How to revise the return where original return was e filed by the assessee. Person want to know the process .We have summarized FAQ about the revision of return off income tax return.

Revision of e filed return is as simple as filing of original return. In fact the same process nothing new.

Time period to revise the Income Tax return :

One point you note first that revised return can be filed only if original return has been filed with the due date . Revised return can be filed within one year from the end of assessment year ,but before the completion of assessment . Means for financial year 2012-13 (assessment year 2013-14) revised return can be filed latest by 31.03.2015.[section 139(5)]

Step By step Guide to Revise e filed original Return.

1. Open excel file in which you have filed original return.
2. Enable macros.
3. Do the necessary correction where ever it is required.
4. Mention return as revised Return.
5. Section 139(5) from the list.
6. Fill Acknowledgement and Date of original ITR-V downloaded after e filing of original return.
7. Click compute tax again, validate on each sheet and then Generate XML file again and upload it at income tax india e filing site after login as earlier done.
8. Download revised ITR-V ,sign it .
9. Send Old and New ITR-V(both) to CPC Bangalore office (address already given in ITR-V)

that's all.

In my Opinion : Where revision of return is not required or not advisable (our views not Govt views)

- You have negligible Tax refund but Bank account is Incorrect.
- You have negligible Tax refund but Bank MICR/IFSC code is Incorrect.
- You have filled incorrect Ward/Circle Number: ward circle number in e filing is not mandatory.
- You have wrongly selected Govt employee category but you are psu employee: There are certain benefit available to Govt employee in taxability of perquisites /salary benefits . So no need to revise return. however on the reverse , if you are Govt employee and wrongly selected PSU or others, then you must revise return.
- You have forget to enter 80C amount invested, though already entered amount is more than 1,00,000.
- You have forget to enter 80C or other deduction but this have no effect on tax due as income is less than exemption limit.
- Minor error in address, though no refund due.
- Minor error in father's name.

- Forget to enter exempted income in Sr no.26 for reporting purpose or entered less amount.
- Entered incorrect date /Place in verification date.
- Forgot to enter Unique TDS certificate number (this is not mandatory) Sr number 24(4) in ITR-1
- Error in name of the deductor [Sr no 23(3) & 24(3)] though TAN is correct [Sr no 23(2) & 24(2)]
- Email address/mobile incorrect.

In my opinion where you must revise Your Return or revsing return is advisable.

- Pan Number or name is incorrect.
- Sex Male /female incorrect.
- Residential status incorrect.
- In case of revised return original acknowledgement number incorrect.
- Income detail incorrect.
- TAN Number incorrect
- TDS details amount incorrect.
- Forget to enter saving which effects Tax liability.
- Incorrect bank details /Micr/ IFSC code where refund involved .
- Forgot to enter /entered incorrectly the advance tax and self assessment tax deposit details.

Common question

Q. Should I Send old ITR-V to Bengluru office

A. Yes , You must send ITR-V of Old return (original return, if not send before revising the return) as well as of revised return to CPC office.

Q. I Have noticed an error in ITR-V (income detailed is not entered correctly) ,should I withhold this ITR V and file fresh Income tax return through e filing ?

A. Do not withhold original ITR_V, Revise return is valid only if you send your orginal ITR-V also, so send both the ITR-V.

Common Issues in E-Filing Tax Audit - Problems And Solutions

Q1. Our system becomes very slow during working on e-utility. What should we do?

A. Remove all old versions of Java to improve performance. Better use Google chrome. Can also use Mozilla Firefox.

Q2. I am unable to register as CA as there is difference in name/date of birth as per ICAI and PAN data. What to do?

A. It is requested to file form 49 amendment and get data rectified in PAN immediately. Kindly also note that the day you receive a SMS that your pan amendment has been approved, you will be able to register at site whether you actually receive PAN or not.

Q3. What are the documents to be attached to Tax Audit Report?

A. B/S, P&L, Schedules, Annexures, Notes, Cost Audit Report and Excise Audit and Other Report, if any, scanned in “pdf” format after being duly signed by Assessee and CA, whether digital or physical. Kindly note that word/excel file can also be digitally signed.

Q4. System is not accepting negative figures in brackets i.e. “()”. What should we do?

A. Use negative sign. i.e. minus “-“

Q5. Due to nature and complexity of the business of the assessee, we do not have quantitative information about the stock. The software is not accepting any comment and it is accepting only numeric value. What should we do?

A. Kindly note that Quantitative details of only principle items is to be given. However, in my opinion, if details are not available,

a) Write Nil in online form 3CD &

b) Report why quantitative details is not provided in the following two places:

i) In paper Form 3CD &

ii) Notes to accounts

c) The Following Statement Should be Written In Paper Form 3CD as well as Notes: "Due To Nature & Complexity of Business of Assessee, It Is Not Possible To Provide Quantitative Details"

Q6. An assessee had purchased, say 5000 assets. His details of purchase are there in schedule. Online form 3CD again requires filling each purchase. It is a huge task resulting duplicity of work.

A. In view of our time constraint, such fixed assets may be grouped into different blocks of assets and each of these groups can be further divided into 2 parts.

i. Assets put to use on or before 2nd October: For ease of entry in online form 3CD, we will argue that all assets were put to use on 2nd October, wherever possible.

ii. Assets put to use after 2nd October (eligible for half of depreciation): For ease of entry in online form 3CD, we will argue that all assets were put to use on 31st March, wherever possible.

It is also advised to attach the working of calculation of depreciation under the Income Tax act, 1961 as a schedule so that breakup of each group is easily visible to the IT department.

The above can be summarized in the following steps:

Step 1 - All fixed assets may be grouped into different blocks of assets.

Step 2 - Each of these groups can be further divided into 2 parts. (i) Assets put to use on or before 2nd October (ii) assets put to use after 2nd October (eligible for half of depreciation)

Step 3 - For assets brought on or before 2nd October, we can argue that those assets were put to use on 2nd October and accordingly relevant entries can be made in the online form 3CD.

Step 4 - For assets brought after 2nd October, we can argue that those assets were put to use on 31st March and accordingly relevant entries can be made in the online form 3CD.

Step 5 – Sale of assets for each of group should be entered in a separate row while filling online form 3CD.

Step 6 - It is also advised to attach the working of calculation of depreciation under the Income Tax act, 1961, as a schedule, so that breakup of each group is easily visible to the IT department.

Q7. I filled stock details in point 28A. When after validating and saving, I reopen the form; only one stock figure is displayed.

A. It is the inherent problem of the software but your xml file contains the correct data. Open the xml file in Internet Explorer and check it. You can edit xml file, however you have to adopt unceremonious way to edit the xml file for the necessary correction for the item in subsequent rows of point 28A. Therefore it is advised to fill up point 28A before filling any other point from point 7 onwards.

Q8. We have received demand relating to AY 2012-13, for almost for all companies for which income tax return were filled using Webtel software. The demand pertains to non-deduction of depreciation u/s32 in the return processed u/s 143(1) by CPC Bangalore, as claim by us in ITR 6. I just want to know if any other user of Webtel are also facing same problem.

A. The Problem was faced many CA using Webtel Software due to Non Updation. I Suggest Submitting Revised Return or Making Rectification U/S 154.

Q9. In online Form 3CD, nature of business is to be mentioned i.e. Trading/Manufacturing & Retailer/ Wholesaler, but there is no space given for a particular commodity, say, cloth/ medicine/ cement. What should we do?

A. You can select, say, retailers & thereafter choose others (i.e. 104, 204, etc as applicable).

Q10. If any businessman having a cloth business & also keeps photocopy machine/ agent of LIC, the income from photocopy machine / commission received from LIC is used for calculating the NP ratio. If so, then in this case GP ratio is less then NP ratio. So what to do about it?

A. You have to calculate NP ratio as a whole of the business for which tax audit was conducted.

Q11. When we reopen draft saved xml file, many fields which we had already entered is showing blank.

A. The software has some inherent errors as a result when we reopen draft saved xml file, it shows blank i.e. we have to re-enter the fields again. These fields are 7(B), 8(B), 9(A), 10, 11(D), 12(B), 21(Notes), 22(A), 22 AND 23.

Q12. How we can view data of XML before uploading?

A. You can view the xml file of tax audit report prepared in e utility of department. The process is as follows:

Go to Programme à Microsoft Office àMicrosoft Office Access 2003/2007 à New blank data base àClick blank data base à A window with file name database1.accdb will appear on the right hand side pane. à Click on create. Your new date base is saved by default in my Documents. (You may save the same to your choice folder)

A new data base is opened. Go to and click External data à Click XML file>Browse the xml file for which you want to create/view or save the data àClick OKàImport XMLàClick OKàCheck the box "Save import steps"à Close.

Your data base is ready, on the left hand side pane the indexes for "All Tables" do appear. By clicking any Table/ any point you can easily view and save its contents presently appearing in the XML file. Once the xml file is saved and the data base is reopened it will show the updated entries lying in the XML file. If some member finds any error in the tables he can easily make corrections opening the utility.

Detailed procedural step for Microsoft Access Office 2007 as well as Microsoft Office 2003 is attached (2 files attached – namely “Importing XML in MS Office 2003 version” & “Importing XML in MS Office 2007 version” herewith for ready understanding.

Q13. There is no provision for saving or printing downloaded Forms 3CB-3CD, or XML file.

A. U can save the work in middle by using “Save Draft” Button. To view the print option opens the xml file in Microsoft Access 2007 using new projects. U can find the Data in tabular form.

Q14. When we are uploading the 3CA and 3CD online one error is coming cannot read fake path file. I have placed the XML file in c drive fakepath folder and using Google chrome for that. Please help on the issue.

A. Kindly check the name of folder is “fakepath” and not as fake path, in C drive.

Q15. We uploaded form 3CD of a client. When it is viewed from the client’s login (i.e. for approving or rejecting), the dates in point no. 16(b) of form 3CD is getting interchanged (i.e. in the due dates column actual dates are seen and vice versa). But there is no mistake at our end. We have filled in the data in the income tax offline utility correctly and generated xml.

A. Your XML File contains the right data. Do not worry, upload it.

Q16. CA has no option to print uploaded xml files. How to print?

A. CA has no option to print uploaded xml files. However, it can be printed from assessee’s login id, even before approval by assessee as the said xml file can be downloaded, from assessee’s login id, in the pdf format by default.

Q17. A Chartered Accountant in practice registered himself with his DSC in the e-filing website. But he neither received any sms nor any activation link in his e-mail. When he tried again to register himself, the message was that he is already registered. But when he tried to log in, it was informed that the link is not activated. What should he do now?

A. Go to login page and enter your User ID i.e. ARCA (Mem. No.) e.g. ARCA999999 and enter your Password as given then click on "Resend Activation Link". You will get a mail from the site. If it does not work then reset your Password by sending mail at “validate@incometaxindia.gov.in”.

18. I had uploaded one Form 3CD, 10 days back and same was reflecting in my log in and I also received message for uploading. Now when I go to assessee log, same form is not available for validation. When I try to re-file from my log in I am getting message that you are already submitted and assessee has not rejected/accepted.

A. Kindly Go to Work lists and approve it.

Q19. In the department utility, the point no.9 of Annexure A of Form 29B is not accepting negative figures.

A. Kindly Type 0, Until Such Inherent Error in Software is Rectified by Department

Q20. Can we use special characters while typing address?

A. No, special characters are not allowed while typing address.

Q21. The department utility is opening the saved data and saving draft successfully but it does not generate XML file when we click generate XML file

A. First validate it and generate

Q22. I have noticed that under the Clause No. 16(b) there is an error in the utility. The columns of due date and actual date for payments as show in the utility have been reversed against the actual data being generated in the XML file. The column headers should be swapped. The same is also evident from the form being generated at the time of approval.

A. This is the inherent problem. Kindly do not swap the dates at the time of data entry. IT department had been communicated with such problems.

FREQUENTLY ASKED QUESTIONS ON E-FILLING OF TAX AUDIT REPORTS – OTHER ISSUES

Q1. Whether Tax Audit Report u/s 44AD etc will be counted in the specified limits of 45 Tax Audits?

A. As per Council Guidelines No.1-CA(7)/02/2008, dated 8th August,2008, these will not be included and you can file unlimited such Tax Audit Reports

Q2. What are the limits on signing of Tax Audit Report?

A. As per Council Guidelines No.1-CA(7)/02/2008, dated 8th August, 2008 as amended from 01-04-2014,

a) A CA can conduct up to 60 Tax Audit from the Financial year 2014-15 onwards instead of earlier 45 Tax Audit.

b) In case of Partnership Firm, limit will be 60 per Partner.

c) Audit U/S 44AD, 44AE, 44AF will not be included in the limit. (FROM FY 2012-13, SEC 44AF ISNOT APPLICABLE)

Q3. What are the Tax Audit Reports which are to be compulsorily filed online?

A. As per Notification No. 34/2013 dated 01/05/2013, & Notification No. 42/2013 dated 11/06/2013, Audit reports under Sections 10 (23C) (iv), (v), (vi) or (via), 10A, 12A (1)(b), 44AB, 80-IA, 80-IB, 80-

IC, 80-ID, 80JJAA, 80LA, 92E or 115JB are to be filed electronically. (It covers audit report u/s 44AD, 44AE, 44AF also) (FROM FY 2012-13, SEC 44AF is not applicable)

Q4. Should we sign Tax Audit Report on 30th September?

A. As the word “before” has been used in sec. 44AB, we should not sign Tax Audit Report on 30th September. You should sign Tax Audit Report before 30th September, since the assessee is required to “obtain” Tax Audit Report before the due date i.e. 30th September.

Q5. Where audit is to be conducted u/s 92E, what is the last date of filling online Tax Audit Report?

A. Normally, Tax Audit Report is to be submitted by 30th September. However, for these assesses Report u/s 92E as well as Tax Audit Report can be filled by 30th November.

Q6. Please advice in case of partnership firm can only one partner sign all the reports?

- A. a) Clause 12 of Part I of Schedule I of Chartered Accountants Act allow a partner to sign on behalf of (i) Other Partner (ii) Firm
b) Sign can be either digital or physical
c) In my view, one partner should sign form 3CD etc. keeping in view the limit of 60 audits per partner.

[Clause 12 of Part I of Schedule I of Chartered Accountants Act states that “A CA in practice will be guilty if he allows a person not being a member of the institute in practice, or a member not being his partner to sign on his behalf or on behalf of his firm, any balance-sheet, P&L a/c, report or financial statements”]

Q7. An individual has two businesses audited by two different tax auditors. How to submit Tax Audit Report?

- A. In my view, you can follow the below mentioned steps:
a) Combine data of two B/S, P/L, Tax Audit report and submit as one
b) If tax audit conducted by two CAs, any one CA can submit.
c) It is advised to attach physical copies of both Tax Audit Reports too, for disclosure of the fact that (i) two CAs have done Tax audit and (ii) that CA who is filling had relied on the work of other CA

Q8. Can Income tax Return be e-filed after 30th September? However we will file Tax Audit Report within 30th September?

A. Yes, Online Tax Audit Report is to be filed by 30th September to avoid penalty of Rs. 1.5 Lakhs or ½% of Turnover, whichever is lower. However, return may be filed later. However, such return will be treated as belated return.

Q9. Can online filed Tax Audit Report be revised?

A. A Tax Audit Report which has not been approved by assessee can be revised. However after it has been approved by the assessee, it should not be revised. However, there is no restriction by the utility, as of now, to upload revised xml. So we should take due care, so that correct data is uploaded in the first instance itself. However, members may kindly note that, all the xml files uploaded will be there in their domain.

Q10. I have uploaded 5 returns without uploading tax audit as it was required to submit offline at that time. Should we submit these again online?

A. No, you are not required to submit IT Return online again. However, kindly ensure that Tax audit Report is duly uploaded within due date.

Q11. Whether e-Filing of ITR 7 For AY 2013 - 14 mandatory or can we file paper returns also?

A. It Is Mandatory To Submit Online

Q12. Are All Charitable Trust and Cooperative Society's Income Tax Return Are to E-File?

A. The Charitable Trusts etc. are Required To File Return Online Also.

Q13. Is tax auditor responsible for delay in uploading of Tax Audit Report?

A. Guidance Note on Tax Audit states that normally, it is the professional duty of the CA to ensure that the audit accepted by him is completed before the due date. Hence, yes, if delay is attributable to his part.

Q14. What are the penalties for non furnishing a Tax Audit Report?

A. Sec 271B states that, if any person fails to get his accounts audited in respect of any previous year or years relevant to an assessment year or furnish a report of such audit as required under section 44AB, the Assessing Officer may direct that such person shall pay, by way of penalty, a sum equal to one-half per cent of the total sales, turnover or gross receipts, as the case may be, in business, or of the gross receipts in profession, in such previous year or years or a sum of one hundred fifty thousand rupees, whichever is less.

Q15. What are the circumstances under which penalty cannot be imposed for non furnishing of Tax Audit Report?

A. As per section 273B, no penalty is imposable under section 271B on the assessee for the above failure if he proves that there was reasonable cause for the said failure. The onus of proving reasonable cause is on the assessee. Some of the instances where Tribunals/Courts have accepted as "reasonable cause" are as follows:

- (a) Resignation of the tax auditor and consequent delay;
- (b) Bona fide interpretation of the term 'turnover' based on expert advice;
- (c) Death or physical inability of the partner in charge of the accounts;
- (d) Labour problems such as strike, lock out for a long period, etc.;
- (e) Loss of accounts because of fire, theft, etc. beyond the control of the assessee;
- (f) Non-availability of accounts on account of seizure;
- (g) Natural calamities, commotion, etc.

Q16. What is the format for maintaining records of Tax Audit Assignments?

A. Record of Tax Audit Assignments

1. Name of the Member accepting the assignment
2. Membership No.
3. Financial year of audit acceptance
4. Name and Registration No. of the firm/ firms of which the member is a proprietor or partner.

Sl. No.	Name of the Auditee	AY of the Auditee	Date of Appointment	Date of acceptance	Name of the firm on whose behalf the member has accepted the assignment	Date of communication with the previous auditor (applicable)
1	2	3	4	5	6	7

Q17. Is communication with the previous tax auditor necessary?

A. Yes

Q18. Should a CA accept Tax audit where undisputed fees of previous auditor have not been paid?

A. As per Council Guidelines No.1-CA(7)/02/2008, dated 8th August,2008, “a member of the Institute in practice shall not accept the appointment as auditor of an entity in case the undisputed audit fee of another CA for carrying out the statutory audit under the Companies Act, 1956 or various other statutes has not been paid”

Q19. Whether Form 3CA or Form 3CB to use for Tax Audit Report purpose of a Pvt. Ltd. Co. having statutory Audit done by the same CA.

A. Form No 3CA-3CD

Q20. While filling Director Details in ITR 6, only Indian Address is accepted in the form. However, one of the directors is an NRI and having foreign address. Should we fill in a local address of the Director and proceed or there is some other way out?

A. ITR-6 Required Residential Address. If Indian Address Available Then Give.

Particulars of MD, Directors, Secretary and Principal officer(s) who have held the office during the previous year	Name	Designation	Residential Address	PAN
S.No.				

Q21. Whether it is mandatory to mention PAN No of Party Related with Unsecured Loan in online 3CD Form

A. E Filing software is not accepting it without PAN. Hope error will be rectified soon.

Q22. Is there any problem in uploading Income Tax Return before filing/approval of Tax Audit forms?

A. Date of furnishing Tax Audit Report to department is to be mentioned in ITR. So TAR is to be filed first.

Q23. An Individual has three Businesses Audited by Same/Different Tax Auditors. How to Submit Tax Audit Report?

A. In my view, you can follow the below mentioned steps.

- Combine data of all B/S, P/L, Tax Audit report and submit as one
- If tax audit conducted by different CAs, any CA can submit.

c) It is advised to attach physical copies of all Tax Audit Reports too, for disclosure of the fact that (i) different CAs have done Tax audit and (ii) that CA who is filling had relied on the work of all other CAs. (iii) There are three different Tax audit report whose data has been combined while submitting online TAR.

Q24. An Individual Have 2 Firms. In one Firm, Method of Valuation of Closing Stock Is Cost or Market Price whichever is less. However, in other Firm, Stock is Valued at Market Price. How to Show it in Online Form 3cd?

A. It is better to mention the facts in separate sheet and attach with the online audit report.

Q25. What if the Assessee does not approve the Tax Audit Report Submitted before the due date

A. It may be presumed that no Tax Audit Report has been submitted by assessee.

Q26. How to Show Additional Depreciation in the Online Form 3CD.

A. Add it with Normal Depreciation.

:: Thanks ::