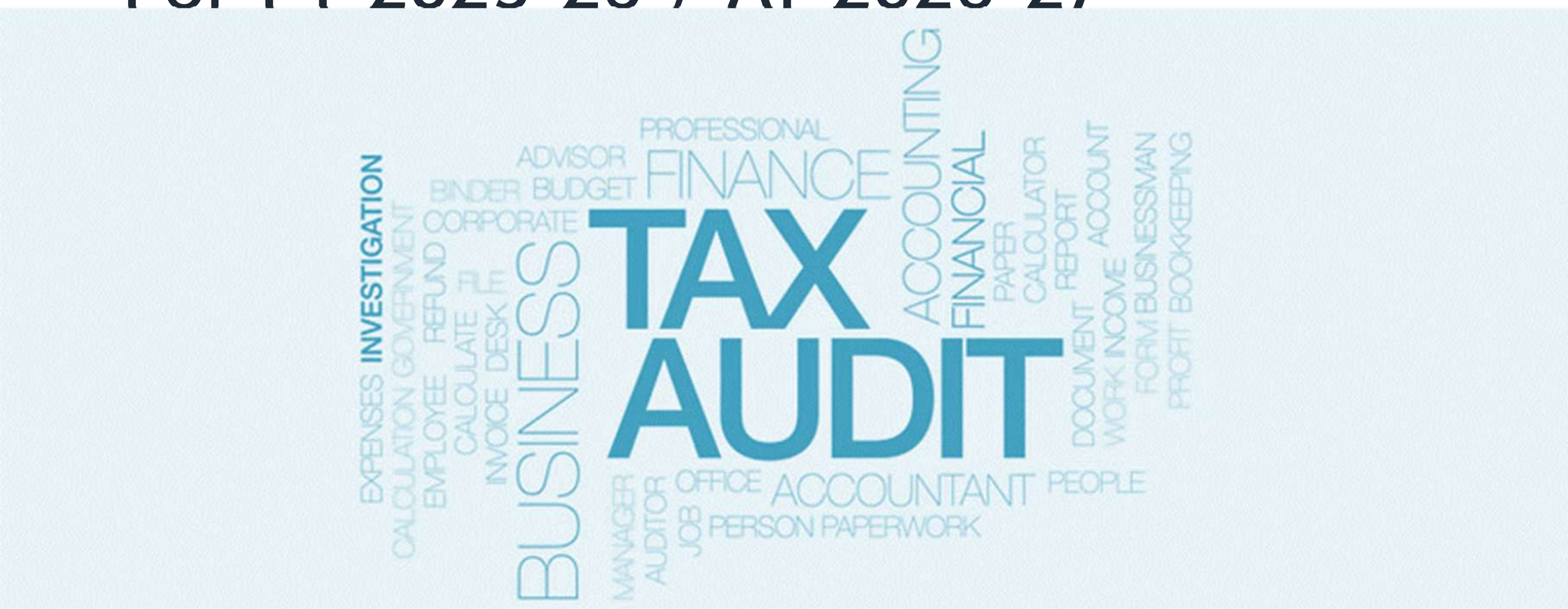
Tax Audit under Section 44AB

For FY 2025-26 / AY 2026-27



Section 44AB(a): business tax-audit threshold

Reporting requirement

- Default threshold remains Rs. 1 crore.
- Enhanced threshold is Rs. 10 crore where both cash receipts and cash payments do not exceed 5%.
- Non-account-payee cheques and drafts are deemed cash for the 5% tests.
- The Rs. 10 crore relaxation is under section 44AB and is not confined to section 44AD cases.

The 5% cash-receipt and cash-payment tests

Principle

- The statutory wording uses aggregate amounts received and aggregate payments made.
- Distinguish these from sales, turnover or gross receipts.
- Receipts and payments were tested separately.
- Test cash receipts and cash payments independently; both must be within 5%.
- Treat non-account-payee cheque / draft receipts and payments as cash.
- Use bank, cash, loan, capital, asset, investment, tax and clearing-account data.
- Retain a numerator / denominator reconciliation for each test.

What may enter the receipt and payment denominators

Receipts

- Cash sales and other receipts; collection from current- and prior-year debtors.
- Loans / borrowings, customer advances and capital contributions.
- Proceeds from fixed assets and investments; GST collected and other taxes received.
- Receivables are not receipts until realised.

Payments

- Cash purchases and expenses; payment of current- and prior-year creditors.
- Loan repayments, supplier / employee advances, fixed assets and investments.
- GST and other taxes paid; capital returned, drawings or distributions where actually paid.
- contributions received from partners / shareholders belong to receipts, not payments.

Turnover versus the 5% test denominator

Turnover / gross receipts

- Measures business sales, turnover or gross receipts for section 44AB and presumptive limits.
- Sale of fixed assets or capital investments generally does not form business turnover.
- Agency receipts may be limited to commission where the assessee acts for a disclosed principal.

Aggregate amounts received / paid

- The 5% proviso uses a broader receipt-and-payment population.
- Capital, financing, tax and balance-sheet movements can affect the ratio.
- Do not derive the 5% ratio merely from cash sales divided by turnover.
- Document inclusions and exclusions consistently on both sides.

Turnover in specific businesses

Special turnover cases

- Commission / consignment agents and clearing agents.
- Share brokers, speculative transactions and derivatives / options / futures.
- Travel agents collecting airline or railway fares.

Reporting approach

- For a true agent, turnover is ordinarily commission; principal transactions need separate analysis.
- Speculative turnover is the aggregate of favourable and unfavourable differences.
- F&O turnover includes aggregate differences and option premium where not otherwise included.
- For travel agents acting only as agents, commission / service charge is usually turnover.

Profession: tax-audit threshold and presumptive distinction

Reporting requirement

- Section 44AB(b) audit threshold remains gross receipts exceeding Rs. 50 lakh.
- Section 44ADA is separate: its ceiling can be Rs. 75 lakh for low-cash receipts.
- Do not replace the audit threshold with the enhanced section 44ADA limit.
- Classify business versus profession before applying either threshold.

Selecting the correct clause of section 44AB

Relevant clause list

- 44AB(a): business turnover.
- 44AB(b): professional gross receipts.
- 44AB(c): lower profit under sections 44AE, 44BB or 44BBB.
- 44AB(d): lower profit under section 44ADA and income above exemption limit.
- 44AB(e): section 44AD(4) applies and income exceeds exemption limit.

Current reporting control

- The five statutory limbs remain the core selection for Clause 8.
- Confirm the limb against assessee status, turnover, presumptive position and total income.
- Where accounts are audited under another law, Form 3CA may apply.
- Record the conclusion before assigning the form on the portal.

Business tax-audit decision tree | section 44AB(a)

Question

- **Business turnover / gross receipts exceed Rs. 10 crore?**
- If between Rs. 1 crore and Rs. 10 crore, are both cash tests within 5%?
- If turnover does not exceed Rs. 1 crore, are clauses (c), (d) or (e) still triggered?

Conclusion

- Above Rs. 10 crore: audit applies under section 44AB(a).
- Rs. 1 crore to Rs. 10 crore: audit applies if either 5% test fails.
- Within both 5% tests: no audit under clause (a), but test other limbs.
- Below Rs. 1 crore: clause (a) does not apply.

Section 44AD: Presumptive Business Income

Reporting requirement

- Ceiling is Rs. 3 crore where cash receipts do not exceed 5%; otherwise Rs. 2 crore.
- Rates remain 8% when receipts are in cash and 6% for non-cash
- No separate deduction for partner remuneration or interest from section 44AD income.
- A higher actual income may be offered; books and capital introduction should remain supportable.

Section 44AD: eligible assessees and exclusions

Eligible assessee

- Resident individual.
- Resident Hindu undivided family.
- Resident partnership firm other than an LLP.
- Eligibility is status-specific and year-specific.

Excluded business / person

- Specified profession under section 44AA(1).
- Agency business or income in the nature of commission or brokerage.
- Goods-carriage business covered by section 44AE.
- Person claiming section 10AA or specified Chapter VI-A heading C deductions.
- Non-resident, LLP, company, AOP or other ineligible status.

Section 44AD(4): five-year lock-in consequence

Rule explanation

- Once profit is declared under section 44AD, moving out in the following five assessment years has consequences.
- Track the consequence assessment-year wise.
- The lock-in test is fact-specific.

Application

- Identify the first AY in which section 44AD was used and monitor the next five AYs.
- If profit is not declared under section 44AD during that period, the benefit is unavailable for five subsequent AYs.
- Books and audit under section 44AB(e) arise where section 44AD(4) applies and total income exceeds the exemption limit.
- Do not treat every low-profit year as an automatic audit case.

Section 44ADA: Limit and Eligible Assessee

Reporting requirement

- Ceiling is Rs. 75 lakh where cash receipts do not exceed 5%; otherwise Rs. 50 lakh.
- Presumptive income remains 50% or a higher sum claimed to have been earned.
- eligible assessee is resident individual or resident partnership firm other than LLP; HUF is not included.
- No separate partner remuneration or interest deduction is available.

Section 44ADA: specified professions and lower income

Professions covered

- Legal, medical, engineering, architectural and accountancy.
- Technical consultancy and interior decoration.
- Notified categories include authorised representatives, film artists, company secretaries, IT professionals and specified sports persons.

Audit consequence

- Confirm that the activity is a specified profession; generic consultancy is not automatically section 44ADA income.
- **Where profit lower than 50% is claimed and total income exceeds the exemption limit, books and tax audit apply.**
- Where receipts exceed the 44ADA ceiling, test section 44AB(b) independently at Rs. 50 lakh.
- Maintain activity-wise gross receipts where business and profession coexist.

Section 44AE: goods-carriage business

Position

- Available to a person engaged in plying, hiring or leasing goods carriages.
- The assessee must not own more than ten goods carriages at any time during the year.
- Heavy and other goods vehicles use different monthly presumptive amounts.

Reporting position

- Heavy goods vehicle: higher of Rs. 1,000 per ton of gross vehicle weight / unladen weight per month or actual income.
- Other goods vehicle: higher of Rs. 7,500 per month or actual income.
- A part of a month counts as a full month.
- For a firm, partner salary and interest may be deducted subject to section 40(b); this differs from 44AD / 44ADA.

Mixed business, profession and commission income

Issues requiring classification

- Can business income use section 44AD while professional income uses section 44ADA?
- Does commission income alter the result?
- Should professional and business receipts simply be aggregated for audit?

Current approach

- Eligible distinct business and professional streams may use sections 44AD and 44ADA respectively.
- Commission or brokerage is excluded from section 44AD and requires separate computation.
- Section 44AB business and profession thresholds are tested by reference to the relevant stream.
- Document activity, contracts, qualifications and manner of earning receipts.

Futures and options: income, turnover and audit

Reporting requirement

- Eligible exchange-traded derivatives remain business income and are excluded from speculative transactions by section 43(5).
- Turnover is based on aggregate favourable and unfavourable differences, relevant option premium and reverse-trade differences.
- Section 44AD is not expressly barred, but eligibility, business character, turnover ceiling and lock-in must be satisfied.
- A loss alone does not create audit; apply the relevant 44AB limb and facts.

Whether GST forms part of turnover

Reporting requirement

- Where GST is separately charged and credited to a liability account, it is generally excluded from turnover / gross receipts.
- Where consideration is recorded as a composite amount or tax is routed through P&L, examine accounting and tax treatment.
- Section 145A adjustments do not eliminate the need for a documented turnover basis.
- Use the same turnover basis consistently for section 44AB, presumptive taxation, Clause 40 and the return.

Qualifications, limitations and stock records

Reporting requirement

- Record observations / qualifications in paragraph 3 of Form 3CA or paragraph 5 of Form 3CB with relevant Form 3CD clause number.
- Evaluate materiality, sufficiency of evidence and incomplete stock / quantitative records.
- Identify estimates, expert work, legal interpretations and system limitations relied upon.
- Use annexures where needed, but keep the e-form observation complete and cross-referenced.

Revision of tax audit report and due date

Key points

- Revision may be considered for revised accounts, retrospective law, changed interpretation and system / software error as possible reasons.
- Stated that there was no numerical limit on revisions and referred to SA 560.
- Asked how to deal with 43B payments after tax audit but before return filing.

Position | AY 2026-27

- General tax-audit due date for AY 2026-27 is 30 September 2026.
- Rule 6G(3) permits revision before the end of the relevant AY where later payment changes disallowance under section 40 or 43B.
- ICAI guidance recognises revised accounts, retrospective law and changed binding interpretation as revision triggers.
- Use same auditor, refer to earlier report, state reasons, sign with current date and generate fresh UDIN.

Transition to the Income-tax Act, 2025

FY 2025-26 / AY 2026-27

- Governed by the Income-tax Act, 1961 for return and tax-audit purposes.
- Tax audit continues in Form 3CA / 3CB with Form 3CD.
- General audit-report due date: 30 September 2026.

Tax Year 2026-27 under new Act

- Income-tax Act, 2025 applies from 1 April 2026; tax-audit provision is section 63.
- Form 26 replaces old Forms 3CA, 3CB and 3CD for tax years commencing on or after 1 April 2026.
- Form 26 uses Part A to Part D and trigger-based schedules.
- This deck does not renumber Form 3CD clauses into Form 26.

Clause 1 | Name of the assessee

Clause requirement

- Part A begins by identifying the legal person being audited.
- The name must relate to the assessee for the relevant previous year.
- Trade names or business locations are not substitutes for legal identity.

Reporting requirement

- State the complete legal name exactly as appearing in PAN / e-filing profile.
- Where name changed during the year, ensure statutory records and filing profile support the name used.
- Confirm succession, conversion, merger or reconstitution before finalising.

Clause 2 | Address

Clause requirement

- The clause seeks the address of the assessee identified in Clause 1.
- Locations where books are kept are reported separately in Clause 11.
- The address is a communication and identity field.

Reporting requirement

- Report the complete current address as per PAN / e-filing master.
- Include city, State and PIN code correctly.
- Do not use branch, factory, project or accountant address unless it is the official address.

Clause 3 | Permanent Account Number or Aadhaar

Clause requirement

- The clause identifies the assessee through PAN or Aadhaar, as applicable.
- The identifier must match the e-filing profile used for the audit report.
- Mismatch affects uploading, acceptance and assessment trail.

Reporting requirement

- Report PAN correctly; use Aadhaar only where the form permits it.
- **Verify PAN status, name and jurisdiction before filing.**
- For successors or converted entities, confirm the correct PAN of the reporting assessee.

Clause 4 | Indirect tax registrations

Clause requirement

- The clause asks whether the assessee is liable to pay indirect taxes.
- Examples include GST, customs duty, excise duty and other applicable levies.
- Registration numbers must be furnished where available.

Reporting requirement

- List GSTINs and other indirect-tax registration numbers relevant to the previous year.
- Ensure State-wise GST registrations are not missed.
- Reconcile with GST profile and books where multi-State operations exist.

Clause 5 | Status

Clause requirement

- The status determines many downstream computations and eligibility tests.
- Examples include individual, HUF, firm, LLP, company, trust or AOP.
- Status must correspond to the assessee, not merely its trade style.

Reporting requirement

- Report the status as applicable under the Income-tax Act for the relevant year.
- Confirm changes such as partnership to LLP, firm to company, or amalgamation.
- Use the status consistently in presumptive-section and audit-trigger analysis.

Clause 6 | Previous year

Clause requirement

- The clause captures the previous year to which the audit relates.
- Normally this is 1 April to 31 March.
- Special cases may arise on newly set-up, discontinued or succeeded businesses.

Reporting requirement

- For AY 2026-27, the normal previous year is FY 2025-26.
- Report the exact previous-year period covered by the accounts.
- Ensure consistency with return, financial statements and audit report.

Clause 7 | Assessment year

Clause requirement

- The clause identifies the assessment year corresponding to the previous year.
- It anchors the form version, due dates and reporting law.
- Wrong AY selection is not a cosmetic error.

Reporting requirement

- For FY 2025-26, report AY 2026-27.
- Use the Form 3CD applicable to the audit period.
- Do not confuse AY 2026-27 with the new Act tax-year terminology.

Clause 8 | Relevant clause of section 44AB

Clause requirement

- The clause asks under which limb of section 44AB the audit is being conducted.
- The answer drives whether the case is business, profession or presumptive-triggered.
- The earlier material correctly listed clauses (a) to (e).

Reporting requirement

- Select the correct limb after testing turnover, professional receipts and presumptive provisions.
- Document why other limbs do not apply.
- Use Form 3CA where accounts are audited under another law, as applicable.

Clause 8A | Option under concessional tax regimes

Reporting requirement

- Current Clause 8A covers options under sections 115BA, 115BAA, 115BAB, 115BAC, 115BAD and 115BAE, as applicable.
- Report whether the assessee opted for the regime in the prescribed manner.
- Confirm the option against Form 10-IB / 10-IC / 10-ID / 10-IEA or other applicable forms.
- Reconcile the regime selection with depreciation, losses, deductions and return computation.

Clause 9 | Partners / members and profit-sharing ratio

Clause requirement

- Applicable to firm, AOP or similar entities with partners or members.
- The clause asks for names and profit-sharing ratios.
- It also captures changes during the previous year.

Reporting requirement

- Report all partners or members with sharing ratios.
- State details of admission, retirement, reconstitution and ratio changes.
- Reconcile with deed, minutes, capital accounts and return schedules.

Clause 10 | Nature of business or profession

Clause requirement

- The clause identifies the business or profession carried on.
- It also captures material changes in nature of business or profession.
- Correct classification affects 44AD / 44ADA eligibility and turnover testing.

Reporting requirement

- State the principal line of business or specified profession clearly.
- Report material changes, new verticals and discontinued activities.
- Use activity codes and narrative consistently with ITR and GST records.

Clause 11 | Books of account and locations

Clause requirement

- The clause asks whether prescribed books are maintained and where they are kept.
- It also captures the nature of books and relevant documents examined.
- Electronic books require practical access and backup review.

Reporting requirement

- List books maintained and locations, including electronic systems.
- State books examined during audit.
- Where books are centralised, hosted or cloud-based, document access and control evidence.

Clause 12 | Presumptive taxation sections

Reporting requirement

- Current Clause 12 includes section 44BBC after Notification No. 23/2025.
- Report whether profit and gains are assessable on presumptive basis.
- State the relevant presumptive section and the amount deemed as profit.
- Reconcile with sections 44AD, 44ADA, 44AE and other applicable presumptive regimes.

Clause 13 | Method of accounting and ICDS

Clause requirement

- The earlier material discussed ICDS adjustments as timing differences.
- The clause captures method of accounting and changes in that method.
- It also asks about ICDS deviation and income effect.

Reporting requirement

- State mercantile or cash system and whether there was any change.
- Report ICDS deviations and the resulting increase / decrease in profit.
- Retain ICDS-wise reconciliation rather than a net adjustment figure only.

Clause 14 | Valuation of closing stock

Clause requirement

- The clause captures method of stock valuation.
- It asks for deviations from the prescribed valuation method.
- Stock valuation links with quantitative details and income computation.

Reporting requirement

- State the valuation method for inventory classes.
- Report deviations from section 145A and their effect on profit.
- Reconcile valuation with inventory records, costing workings and financial statements.

Clause 15 | Capital asset converted into stock-in-trade

Clause requirement

- The clause applies where capital asset is converted into stock-in-trade.
- It seeks asset description, date of acquisition, cost and conversion value.
- It bridges capital gains and business income timing.

Reporting requirement

- Report each converted asset separately.
- State conversion date and amount recorded in accounts.
- Maintain valuation support and section 45(2) computation trail.

Clause 16 | Amounts not credited to profit and loss account

Clause requirement

- Captures specified income or receipts not credited to P&L.
- Includes business income items, duty drawbacks, accepted escalation claims and capital receipts.
- Requires nature and amount of each item.

Reporting requirement

- Report section 28 items not credited to P&L.
- Report refunds, drawbacks or escalation claims admitted as due.
- Report other income and capital receipts not credited to P&L separately.

Clause 17 | Transfer of land or building below stamp value

Reporting requirement

- The substituted clause adds a Yes / No field for specified provisos to sections 43CA(1) and 56(2)(x).
- Report property identification, consideration and value adopted, assessed or assessable.
- Report the transaction even where a tolerance proviso may prevent addition.
- Reconcile agreement date, registration date, payment mode and stamp valuation records.

Clause 18 | Depreciation allowable under the Act

Reporting requirement

- Current Clause 18 contains transitional WDV rows for 115BAA, 115BAC and 115BAD for specified AYs.
- It separately requires adjustment for exclusion of goodwill and adjusted WDV.
- Continue block-wise reporting of opening WDV, additions, deductions, put-to-use and depreciation.
- Reconcile foreign-exchange, subsidy / grant and legacy CENVAT adjustments.

Clause 19 | Amounts admissible under specified sections

Reporting requirement

- Rows for sections 32AC, 32AD, 35AC and 35CCB stand omitted.
- Section 35ABA and an "any other relevant section" row are included in the current form.
- Report amount debited and amount admissible after all conditions.
- Reconcile admissible figure with tax computation and supporting certificates.

Clause 20 | Employee bonus, commission and fund contributions

Reporting requirement

- Report fund, employee contribution collected, welfare-law due date, actual amount and actual date.
- Current legal position: employee contribution paid after the welfare-law due date is not rescued by section 43B.
- Distinguish employee contribution under section 36(1)(va) from employer contribution under section 43B.
- Build the clause from month-wise payroll and challan records, not year-end totals alone.

Clause 21 | Disallowable and inadmissible expenditure

Reporting requirement

- Clause 21(a) now expressly covers offences or prohibited acts under Indian or foreign law.
- Separate rows cover compounding, prohibited benefits / perquisites and notified settlement expenditure.
- Continue reporting under sections 40(a), 40(b), 40A(3), 40A(3A), 14A and 36(1)(iii) proviso.
- State nature, particulars and amount; do not merely insert a consolidated computation figure.

Clause 22 | MSMED interest and payments to micro or small enterprises

Reporting requirement

- Report interest inadmissible under section 23 of the MSMED Act.
- Report total amount required to be paid to micro or small enterprises under section 15.
- Split that total into amount paid within section 15 time and amount not so paid / inadmissible.
- Use vendor-wise Udyam status, acceptance date, agreed credit period, payment date and ageing.

Clause 23 | Payments to specified persons under section 40A(2)(b)

Clause requirement

- Captures payments made to related or specified persons.
- Disclosure is of payments; disallowance separately depends on excessiveness or unreasonableness.
- Relationship category matters.

Reporting requirement

- Identify each specified person, PAN / Aadhaar where available and relationship.
- State nature of payment and amount paid or payable.
- Use separate rows for materially different payments or persons.

Clause 24 | Amounts deemed to be profits and gains

Clause requirement

- Covers amounts deemed to be business profits when earlier deduction or reserve benefit is withdrawn.
- Printed form refers to sections such as 32AC, 32AD, 33AB, 33ABA and 33AC.
- Triggered by breach or withdrawal event.

Reporting requirement

- Identify the relevant section and event.
- Report amount deemed to be profits and gains during the previous year.
- Support with computation showing earlier deduction or reserve and current taxable amount.

Clause 25 | Profits chargeable under section 41

Clause requirement

- Captures deemed profits under section 41.
- Typically covers remission, cessation or recovery of earlier deductions.
- Requires transaction-wise nature and amount.

Reporting requirement

- Review old creditors, write-backs, refunds and recovered bad debts.
- Report amounts chargeable under section 41.
- Reconcile with P&L other income and balance-sheet liabilities.

Clause 26 | Sums covered by section 43B

Reporting requirement

- Report liabilities covered by section 43B and split opening / current-year liabilities into paid and unpaid.
- For most 43B items, payment by the return due date may be relevant.
- For section 43B(h), the return-due-date relief is specifically excluded.
- State whether indirect taxes and levies are routed through the profit and loss account.

Clause 27 | CENVAT credit and prior-period items

Reporting requirement

- The current printed clause has not replaced CENVAT with GST input tax credit.
- Report legacy CENVAT credit availed / utilised and its accounting treatment where relevant.
- Report prior-period income and expenditure under Clause 27(b).
- GST matters may affect accounts, 43B / 145A and Clause 44, but should not be inserted into Clause 27(a) without form support.

Clause 28 | Not applicable in current Form 3CD

Reporting requirement

- Clause 28 has been omitted from Form 3CD with effect from 1 April 2025.
- There is no current e-filing field under Clause 28.
- Do not preserve the old table merely for continuity.
- Consider any surviving tax effect under the operative provision and tax computation.

Clause 29 | Not applicable in current Form 3CD

Reporting requirement

- Clause 29 has been omitted from Form 3CD with effect from 1 April 2025.
- There is no current Clause 29 reporting field.
- Historical years remain governed by the form applicable to those years.
- Continue to evaluate Clauses 29A and 29B where facts require.

Clause 29A | Income under section 56(2)(ix)

Clause requirement

- Asks whether any forfeited advance or other amount is taxable as income from other sources under section 56(2)(ix).
- Generally concerns money received in negotiations for transfer of capital asset.
- Often hidden in advances or deposits.

Reporting requirement

- Answer Yes or No on whether an amount is includible.
- If Yes, describe the nature of income / forfeited amount.
- Report the amount chargeable and use transaction-wise detail where needed.

Clause 29B | Income under section 56(2)(x)

Clause requirement

- Asks whether money or specified property was received without or for inadequate consideration.
- Requires testing statutory thresholds and exclusions.
- Relevant to gifts, immovable property, shares and securities.

Reporting requirement

- Answer Yes or No on whether any amount is includible.
- If Yes, state nature: money, immovable property or specified property.
- Report amount chargeable and preserve valuation / exception support.

Clause 30 | Hundi borrowing or repayment

Clause requirement

- Applies to amount borrowed on hundi or amount due on hundi repaid otherwise than by account-payee cheque.
- Section 69D deems such borrowing or repayment to be income in specified cases.
- Interest repayment can also be relevant.

Reporting requirement

- Report each borrowing or repayment falling within section 69D.
- State date, amount, counterparty and nature.
- Include interest repaid otherwise than through an account-payee cheque.

Clause 30A | Secondary adjustment under section 92CE

Clause requirement

- Applies where a primary transfer-pricing adjustment referred to in section 92CE is made.
- Examines repatriation of excess money and imputed interest.
- Requires transfer-pricing coordination.

Reporting requirement

- Answer whether a primary adjustment was made.
- Report clause of section 92CE, amount and repatriation status.
- If not repatriated in time, report imputed interest income.

Clause 30B | Interest limitation under section 94B

Clause requirement

- Applies where interest or similar expenditure referred to in section 94B exceeds Rs. 1 crore.
- Section 94B restricts deduction by reference to 30% of EBITDA.
- Carry-forward tracking is required.

Reporting requirement

- Answer whether the relevant expenditure exceeded Rs. 1 crore.
- If Yes, report total expenditure and EBITDA.
- Report amount exceeding 30% of EBITDA and brought-forward / carried-forward details.

Clause 30C | Impermissible avoidance arrangement under GAAR

Reporting requirement

- The abeyance ended on 31 March 2022; Clause 30C is operative.
- Answer whether the assessee entered into an impermissible avoidance arrangement under section 96.
- If Yes, describe the arrangement and aggregate tax benefit to all parties.
- Document the basis for a No response in complex restructuring or financing cases.

Clause 31 | Loans, deposits and specified transactions

Reporting requirement

- Clauses 31(a)(ii), 31(b)(ii) and 31(c)(ii) now require amount together with a nature code.
- Note 1 supplies codes A-L for cash, non-account-payee instruments, transfers, conversions, journal entries and other modes.
- Retain party, PAN / Aadhaar, amount, mode and maximum outstanding data.
- Cross-check section 269ST reporting with SFT and other information statements.

Clause 32 | Losses, depreciation and speculation losses

Reporting requirement

- Current Clause 32 captures losses / depreciation with references to concessional regimes such as 115BAA, 115BAC, 115BAD and 115BAE where relevant.
- Report brought-forward and current-year losses with set-off and carry-forward impact.
- Track speculation loss, specified business loss and deemed speculation under section 73.
- Reconcile with return schedules and previous-year orders.

Clause 33 | Deductions under Chapter VIA and specified sections

Clause requirement

- Captures deductions admissible under specified Chapter VIA and other provisions.
- Requires section-wise amount claimed and admissible.
- Supporting eligibility conditions are critical.

Reporting requirement

- Report each section and amount claimed / admissible.
- Verify certificates, payment proof and statutory conditions.
- Reconcile with return schedules and tax computation.

Clause 34 | TDS / TCS compliance

Reporting requirement

- Continue reporting TAN, section, nature of payment, amount, tax deducted / collected and deposited.
- Use the latest correction statements for TDS / TCS return reconciliation.
- Cross-check Form 26AS / AIS, ledgers and tax computation.
- Document cases where TDS is on gross including GST but income is recognised net of GST.

Clause 35 | Quantitative details of principal items

Clause requirement

- Requires quantitative movement of principal goods for trading and manufacturing concerns.
- Manufacturers report principal raw materials and finished products / by-products.
- This clause ties to stock records and Clause 14.

Reporting requirement

- Trading: opening stock, purchases, sales, closing stock and shortage / excess.
- Manufacturing raw materials: opening, purchases, consumption, sales, closing, yield and shortage / excess.
- Manufacturing finished goods: opening, purchases, production, sales, closing and shortage / excess.
- State unit of measurement and report principal items separately.

Clause 36 | Not applicable in current Form 3CD

Reporting requirement

- Old Clause 36 is omitted from the current Form 3CD.
- Do not report former dividend distribution tax particulars in the current clause sequence.
- Consider deemed dividend reporting under Clause 36A and buyback reporting under Clause 36B.
- Historical liabilities remain governed by law applicable to earlier years.

Clause 36A | Deemed dividend under section 2(22)(e)

Clause requirement

- Asks whether the assessee received an amount in the nature of deemed dividend under section 2(22)(e).
- Broadly concerns specified loans / advances by closely held companies.
- Transaction-level reporting may be needed.

Reporting requirement

- Answer Yes or No.
- If Yes, report amount received and date of receipt.
- Where multiple receipts exist, report each receipt or provide detailed annexure.

Clause 36B | Amount received on buyback of shares

Reporting requirement

- Clause 36B was inserted with effect from 1 April 2025.
- Answer whether an amount was received on buyback of shares covered by section 2(22)(f).
- Report the amount received and cost of acquisition of the shares bought back.
- Use company-wise / buyback-wise particulars where multiple transactions exist.

Clause 37 | Cost audit

Clause requirement

- Asks whether cost audit was carried out for the previous year.
- Focuses on disqualifications or disagreements reported by the cost auditor.
- Relevance depends on industry and cost-record applicability.

Reporting requirement

- Answer Yes or No.
- If Yes, report every disqualification or disagreement.
- Describe matter, item, value / quantity and cost-auditor position.

Clause 38 | Audit under the Central Excise Act, 1944

Clause requirement

- Asks whether audit was conducted under the Central Excise Act, 1944.
- This is a legacy-law disclosure but may still matter for applicable sectors or old proceedings.
- Disqualifications or disagreements must be captured.

Reporting requirement

- Answer Yes or No.
- If Yes, report disqualification or disagreement identified by the excise auditor.
- Describe the matter, item, value / quantity and audit reference where available.

Clause 39 | Audit under section 72A of the Finance Act, 1994

Clause requirement

- Asks whether service-tax valuation audit was conducted.
- Primarily legacy, but old disputes and transitional issues may continue.
- Often relevant through historical notices or orders.

Reporting requirement

- Answer Yes or No.
- If Yes, report disqualification or disagreement.
- Review whether legacy demand / refund affects accounts, contingent liability or Clause 41.

Clause 40 | Accounting ratios

Clause requirement

- Requires specified accounting ratios for relevant business types.
- Ratios include gross profit, net profit, stock-in-trade and material consumed ratios as applicable.
- The calculation base must be consistent.

Reporting requirement

- Compute ratios using turnover basis adopted in the audit.
- Explain nil, abnormal or not applicable cases in working papers.
- Ensure GST treatment and stock valuation are consistent with other clauses.

Clause 41 | Demands and refunds under tax laws

Clause requirement

- Captures demand raised or refund issued under any tax law other than income tax.
- Only matters during the previous year are typically captured.
- It is relevant for GST, excise, customs, VAT and other tax laws.

Reporting requirement

- Report tax law, type, demand / refund amount and relevant details.
- Reconcile with orders, notices, refund sanctions and books.
- Consider whether accounting or contingent liability disclosure is affected.

Clause 42 | Statements in Form 61, Form 61A or Form 61B

Clause requirement

- Asks whether the assessee is required to furnish Form 61, 61A or 61B.
- Also tests timeliness and completeness of statements furnished.
- SFT applicability should not be assumed away casually.

Reporting requirement

- Answer Yes or No on applicability.
- If Yes, report ITDREIN and type of form.
- Report due date and actual filing date.
- State whether all reportable details / transactions are included; list omissions if not.

Clause 43 | Country-by-Country report under section 286

Clause requirement

- Asks whether assessee, parent entity or alternate reporting entity is liable to furnish report under section 286(2).
- Obligation is determined at multinational group level.
- Standalone Indian books may not answer the clause.

Reporting requirement

- Answer Yes or No on liability.
- If Yes, state whether report was furnished by assessee, parent or alternate reporting entity.
- Report parent entity, alternate reporting entity if applicable and filing date.

Clause 44 | GST-wise break-up of total expenditure

Reporting requirement

- Clause 44 is operative and requires GST-status break-up of total expenditure.
- Report total expenditure and portions relating to exempt supplies, composition suppliers, other registered suppliers and unregistered suppliers.
- Reconcile category totals to the adopted total-expenditure base.
- Document exclusions, non-GST items and methodology where books do not capture supplier status cleanly.

Practical conclusions

Computation points

- Employee PF / ESIC: employee contribution must meet welfare-law due date; section 43B does not cure late payment.
- F&O loss: a loss does not by itself create tax audit; apply section 44AB(a), 44AB(e) and lock-in facts.
- GST turnover: where GST is separately accounted as liability, generally exclude it from turnover and document the basis.

Reporting points

- Clause 22 / 26: MSME payment timing now requires vendor-wise evidence and 43B(h) reconciliation.
- Clause 28 / 29 / 36: do not preserve omitted legacy fields in the current Form 3CD.
- Clause 36B / 44: new buyback and active GST-expenditure reporting require current-year data capture.

Senior-review checklist before signing Form 3CD

Applicability and computation

- Document exact section 44AB limb and turnover / gross-receipt computation.
- Perform separate 5% cash-receipt and cash-payment tests using the full population.
- Reconcile presumptive sections, eligibility, lock-in and profit actually offered.
- Confirm FY 2025-26 / AY 2026-27 is under 1961 Act forms, not Form 26.

Reporting and audit evidence

- Freeze a clause-wise data request list and map each field to books, returns and external evidence.
- Perform analytics for sections 40(a), 40A(3), 43B, 43B(h), 269SS, 269ST and 269T.
- Obtain vendor-wise Udyam evidence and a defensible Clause 22 / 26 reconciliation.
- Reconcile GST expenditure categories for Clause 44 and document methodology.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