

Issues in Tax Audit

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Introduction/Introspection

- ❖ Do you accept Tax Audit assignment on 25th Sept. and finalise the same by 30th Sept?
- ❖ Does your client prepare Financial statements (FS) and handover before the audit process commences?
- ❖ If the audit points out errors affecting profitability, does your client pass adjustment entries to ensure that the profit figures do not change?
- ❖ Do you maintain books of accounts of the client as well as conduct the audit?
- ❖ Do you ensure that the books of accounts are closed?
- ❖ Do you conduct the following activities as part of the audit?
 - a. Conduct of the audit (esp. for non-corporate entities)
 - b. Ensuring compliance and disclosures as per AS/ ICDS
 - c. Ensuring compliance with Income Tax Act, 1961

Introduction/Introspection (contd.)

- ❖ Audit in case of non-corporate entities
 1. Entire audit to be conducted and 3CD details to be certified
 2. True and Fair view of FS

- ❖ Tax Audit in case of Companies
 1. Only particulars in Form 3CD to be certified
 2. Reliance to be placed on report of Statutory Auditor
 3. SA 600 “Using the work of another auditor”
 4. Some additional verification may be necessary
 5. Correlation of particulars given In Form 3CD with disclosures in FS (e.g. AS18, CARO report ,etc.)

Compliance with ICAI Code of Ethics

- ❖ Appointment and NOC procedures
- ❖ Same person cannot conduct Internal Audit & Tax Audit
- ❖ The auditor should not be indebted for more than Rs.10,000
- ❖ Ceiling on number of tax audit assignments
 - *60 per partner*
 - HO and branch considered as 1 assignment
 - Audits conducted under section 44AD or under GST laws **not to be included** in the limits
- ❖ Minimum Fees to be charged:
 - Council decision for minimum fees (notified in 2009) **repealed**
 - With effect from 7th June 2011
 - Preferable to follow ICAI recommended scale of fees
- ❖ Record of tax audit assignments in prescribed format

Objective

- ❖ The Speech of the Finance Minister while presenting the Union Budget for 1984-85 and the Memorandum explaining the provisions of the Finance Bill, 1984 state the objective of introduction of Tax Audit as under –

“Compulsory audit is intended to ensure proper maintenance of books of account and other records, in order to reflect the true income of the tax payer and to facilitate the administration of tax laws by a proper presentation of the accounts before the tax authorities. This would also save time of the AO considerably in carrying out the verification.”

Audit Procedures

- ❖ Letter of appointment (by management)
- ❖ SA 210 – Agreeing to the terms of Audit Engagement
 - Engagement letter to be issued
- ❖ SA 230 – Audit Documentation
- ❖ SA 610 – relying on work of Internal Auditors
- ❖ SA315–Identifying and Assessing risk of material misstatement through understanding the entity
- ❖ SA 330 – Auditors’ responses to assessed risks
- ❖ SA 520 – Analytical Procedures

Form 3CA, 3CB

- ❖ **Notes to Accounts to normally specify**
 - Method of accounting followed –accrual or cash
 - Revenue Recognition
 - Inventory valuation
 - Fixed Assets and Depreciation
 - Investments
 - Accounting of Forex fluctuations

- ❖ **Items that may require qualification / drawing attention:**
 - Mandatory AS not followed (esp. for Companies)
 - Non provision of Income Tax
 - Non provision of Employee bonus and retirement benefits
 - Confirmations for balances
 - Inventory valuation on estimated basis

Form 3CA, 3CB

❖ Signatures

- Form 3CA/ 3CB to be signed by Chartered Accountant
- Mention of Firm Registration Number (FRN)
- Mention of membership number
- Form 3CD also to be signed by assessee?
- Preferable for CA to put initials /stamp on each page /annexure of 3CD

Form 3CD

- ❖ For a proprietor having 2-3 different business whether same or different Form 3CD?
- ❖ Primary responsibility of management
- ❖ To be certified by management

Clause 1: Name of the Assessee

- ❖ This clause requires name of the assessee to be stated. It is possible that the Form 3CD has particulars of the proprietary concern but the clause requires name of the assessee and not name of the concern
- ❖ In respect of a branch, name of such branch should be mentioned along with the name of the assessee
- ❖ As compared to immediately preceding previous year change in name could be due to -
 - assessee voluntarily changing the name;
 - in case of an individual who is a female – consequent upon marriage;
 - conversion of the entity from partnership to company or from company to LLP

Clause 1: Name of the Assessee (contd.)

- ❖ The tax auditor should examine whether the new name has been intimated to the Department
- ❖ He should check if the new name updated in PAN data base
- ❖ In case where the company changes the name voluntarily check the certificate of incorporation for the new name
- ❖ In case of change in name of the assessee it would be advisable to state even the earlier name
- ❖ If the change in name is after end of previous year but before date of signing the report, the new name should be stated along with old name

Clause 2 : Address

- ❖ The address mentioned under this clause should be same as communicated to ITD – PAN data unless there is a change in the address which has not been communicated to the Department. In that case, the auditor must ascertain the reason of not intimating the change in the address to the Department
- ❖ In case of a company address of its registered office must be stated
- ❖ In case of a branch the address of the branch should also be stated
- ❖ In case of a new assessee the address will have relevance to decide the jurisdiction of the AO
- ❖ In case of a proprietary concern if the address of the proprietary concern is different from the address of the assessee (proprietor), obtain the address of the proprietor and ensure that it is also stated in Form 3CD
- ❖ In case of new assessee the address should be that of the principal place of business

Clause 3 : Permanent Account Number (PAN)

- ❖ In case, during the previous year, there has been business reorganization, as a result of which new PAN has been applied for and allotted, ensure that the new PAN is stated
Eg. partnership firm being converted into LLP
- ❖ PAN could change as compared to immediately preceding previous year in cases where, in case of an individual, the individual assessee has expired during the previous year but the business continues to be carried on by the Legal Heirs or by Executors, as the case may be
- ❖ The PAN to be mentioned should be checked from the PAN card
- ❖ In the era of E-filing it is not possible to file Tax Audit Report in the absence of PAN. If on the Report date of signing of Tax Audit Report, PAN has been applied for but not obtained it seems that the filing of the Tax Audit Report will have to be done only after PAN is obtained

Clause 4: Indirect Taxes Payable

- ❖ This clause will be attracted if the assessee is liable to pay indirect tax. Indirect tax is a tax which is levied on a person but the economic burden of which is borne by another person
- ❖ While the clause makes a mention of only five taxes viz. excise duty, service tax, sales tax, goods and services tax, customs duty, it is worthwhile to note that the clause uses the word 'like' after the words 'indirect tax' and also uses 'etc' after customs duty thereby indicating that the taxes mentioned in the clause are only illustrative and that the scope of reporting under this clause is not restricted only to the five taxes mentioned therein but would also cover even other indirect taxes
- ❖ The indirect tax, of which a reference is to be made in this clause, should be such that a registration number or identification number has been allotted to the assessee

Clause 4: Indirect Taxes Payable (contd.)

- ❖ S. 43B makes a mention of the words “tax, duty, cess or fee”. There is a difference between tax, duty and cess – while the clause requires mention of indirect tax it also states as an example excise duty. However, SC has held that the name is not indicative. A particular levy may be called as a ‘Fee’ but may be a tax.
- ❖ Examples of other indirect taxes could be entertainment tax levied on theatres and cinema halls, entry tax, local body tax.

Clause 5 : Status

- ❖ This refers to the different classes of assesseees included in the definition of “Person” in section 2(31) of the Act, namely, individual, Hindu undivided family, company, firm an association of persons or a body of individuals whether incorporated or not, a local authority or artificial juridical person
- ❖ The status mentioned by the assessee should be verified
- ❖ If there is any dispute about the status of the assessee, the factual position should be brought out very clearly
- ❖ In case during the year there was a change in status on account of conversion then the status year’s as mentioned in the current year s form needs to be checked

Clause 6 :

Previous Year From _____ To _____

- ❖ The requirement is to state both the first date of the previous year as well as the last date
- ❖ In the case of a business or profession newly set up during the financial year the previous year shall be the period beginning from the date of setting up of the business or profession
- ❖ Therefore, in a case where a new business or profession is set up during the previous year, the auditor will have to ascertain from facts the date of setting up of the business or profession and mention that date as the first date of the previous year

Clause 7 : Assessment Year

- ❖ The assessment year relevant to the previous year for which the accounts are being audited should be mentioned

Clause 8 : Relevant clause of section 44AB under which the audit has been conducted

- ❖ The four clauses of section 44AB under which tax audit can be carried out are:
 - a. Under clause (a) if the person is carrying on business whose total sales, turnover or gross receipts, as the case may be, exceed Rs. One crore
 - b. Under clause (b) if the person b. is carrying on profession whose gross receipts in profession exceed Rs. Fifty lakhs
 - c. Under clause (c) if the person satisfies all the following conditions cumulatively –
 - i. The person is carrying on the business
 - ii. The provisions of sections 44AE or s. 44BB or s. 44BBB are applicable to the person
 - iii. He claims that his income is lower than the amount deemed by sections 44AE or 44BB or 44BBB to be his profits and gains

Clause 8 (contd.)

- d. Under clause (d) if the person satisfies all the following conditions cumulatively –
 - i. The person is carrying on a Profession
 - ii. The provisions of section 44ADA are applicable to the person
 - iii. He claims that his income is lower than the amount deemed by section 44ADA to be his professional income
 - iv. His income exceeds the maximum amount which is not chargeable to income-tax

Clause 8 (contd.)

- e. Under clause (e) if the person satisfies all the following conditions cumulatively –
 - i. The person is carrying on the business
 - ii. The provisions of section 44AD are applicable to the person
 - iii. He claims that his income is lower than the amount deemed by section 44AD to be his profits and gains
 - iv. His income exceeds the maximum amount which is not chargeable to income-tax
- ❖ The case of an assessee may fall under more than one clauses eg. an assessee carrying on both a business as well as a profession
- ❖ Is it possible to mention more than one clauses on the portal?

Clause 9(a) : Details constitution of firm or association of persons

- ❖ This clause applies only to firms (including LLPs) and association of persons
- ❖ If a partner is a partner in representative capacity then name of the beneficial partner should also be indicated
- ❖ Profit sharing ratio will also include loss sharing ratio
- ❖ If loss sharing ratio is different from the profit sharing ratio – both should be mentioned eg in a case where minor is admitted to the benefits of the partnership
- ❖ Payment of remuneration or interest need not be mentioned in this clause
- ❖ Verify the names and profit sharing ratios from the partnership deed / instrument evidencing the agreement, documents filed with The Registrar, if any / minutes maintained, if any

Clause 9(b): Details of change in the constitution of firm or AOP

- ❖ In case there is a change in partner / member or profit sharing ratio several times during the previous year, each of such changes should be stated
- ❖ When partner in representative capacity retires & is admitted as partner in individual capacity, will it amount to change in partnership?
- ❖ Change in remuneration paid to partners without change in profit sharing ratio would not require disclosure in tax audit report indeterminate
- ❖ In case share of member of an AOP is indeterminate, the same should be stated

Clause 10(a) : Nature of Business

- ❖ Verification of nature of business is a matter of fact
- ❖ Principal line of business or nature of service or activity can be mentioned in this clause
- ❖ In case of doubt, preference should be to include rather than exclude. In either case, consequences /implications should be examined
- ❖ Disclosure can be under broad heads viz. manufacturing, trading, services, etc. For this purpose reference can be made to the sectors and sub-sectors mentioned in Annexure to old Form 3CD
- ❖ If assessee manufactures certain products and also sells certain components which are used in manufacture of product, would he be categorized as trader or manufacturer?
- ❖ If nature of business covers vast number of activities, is it sufficient for tax auditor to obtain management representation
- ❖ While stating the nature of business – consistent with what is stated in ITR

Clause 10(b): Change in the nature of Business or Profession

- ❖ Change would cover both a new activity commenced and also an existing activity discontinued
- ❖ Any material change in the nature of business should be clearly brought out
- ❖ In case there has been reorganization of the assessee's business the auditor should check if there is a change in the nature of business eg. in cases of amalgamation, demerger, etc.
- ❖ Whether temporary suspension amounts to a change in business – Generally No

Clause 11: Details of books prescribed u/s 44AA

- ❖ To give list of books prescribed, maintained and address at which maintained. **Location of the books may have implications**
- ❖ Books for certain professions prescribed in Rule 6F
- ❖ Books constitute books of original entry and may be prescribed under some other statute
- ❖ Sec2(12A) of the Act defines “books or books of account”–can be in written form or print-outs or other form of electro magnetic data
- ❖ Though for business, books not prescribed in sec44AA(2), such books are required to be maintained to enable the AO to compute the income as per the IT Act
- ❖ Give the list of locations and books maintained at such location
- ❖ If maintained in a computer system–to mention the fact
- ❖ List of books of account and nature of relevant documents examined

Clause 12: Profit including profit on Presumptive basis

- ❖ In case profits and gains of the business are assessable on presumptive basis under any provision of the Act, reporting has to be of an amount included in Profit & Loss account
- ❖ It is not necessary to indicate whether such amount corresponds to the amount assessable under the relevant section relating to presumptive taxation
- ❖ The tax auditor may clarify by way of a note that the amount mentioned under this clause is not necessarily the actual amount of profits and gains chargeable to tax under the relevant section

Clause 12 (contd.)

- ❖ Where the assessee carries on more than one businesses the following 3 situations could arise –
 - The assessee maintains separate set of books of accounts – in such a situation there will be no issue whatsoever
 - The assessee maintains same set of books of accounts for more than one businesses – profits of some of which are taxable on presumptive basis and the profits of the others are not covered by presumptive taxation – in such a situation the auditor will have to ask the assessee to provide him and justify the basis on which expenses have been apportioned to various business. The auditor will have to arrive at a fair and reasonable estimate of such expenditure on the basis of evidence in his possession. The basis of apportionment of common expenditure should also be checked. If the auditor is not satisfied with the correctness of such apportionment, he should indicate such fact under this clause by way of a suitable note

Clause 12 (contd.)

- The assessee maintains books of accounts for his regular business but does not maintain any books for business covered by presumptive tax provisions. In such cases, the auditor will be unable to satisfy himself about the correctness of the net income from the presumptive business credited to the profit and loss account. He should, state the amount of income appearing in the profit and loss account with a suitable note expressing his inability to verify the said figure. He may have to consider qualifying his report in Form 3CB

Clause 12 (contd.)

❖ Various businesses / Professions covered by presumptive tax provisions

Section	Description
44AD	Eligible business carried on by resident individual, Hindu undivided family or firm (other than LLP)
44ADA	Professions referred to in Section 44AA(1) i.e. legal, medical, engineering, architect, accounting, technical consultancy, interior decoration and other notified profession
44AE	Business of plying, hiring or leasing goods carriages where assessee owns not more than ten goods carriages at any time during the previous year
44B	Profits and gains of non-resident engaged in operation of ships
44BB	Profits and gains of business of exploration, etc. of mineral oils in case of non-residents
44BBA	Profits and gains of business of operation of aircrafts in case of non-residents
44BBB	Profits and gains of foreign companies engaged in business of civil construction, etc. in certain turnkey power projects
Chapter- XII-G	Shipping Business
First Schedule	Insurance Business

Clause 15 : Conversion of Capital Asset into Stock

- ❖ Profits or gains arising on conversion of capital asset into stock-in-trade are chargeable to tax as capital gains
- ❖ Verify the minutes of the Board meeting in case of company assessee and in any other case, other supporting documents and accounting entries passed in the books to reflect the asset into stock instead of as a fixed asset
- ❖ Verify the date of acquisition and cost of acquisition from the records of the financial year of acquisition. If such verification is not possible, mention the same
- ❖ Verify the valuation report/ any other supporting document based on which the conversion is recorded in the books of account. If the same is not valued as per AS 2, consider qualifying Form 3CB

Clause 16 : Amounts not credited to P&L Account

- ❖ Verify the reserves account, or any other account to identify if any item is directly credited to the same
- ❖ Only the claims lodged and admitted by authorities be reported. If such claims are not admitted, the same need not be reported
- ❖ Only those escalation claims which are accepted by the party be reported. Even partial claims admitted be reported
- ❖ If assessee disputes any item based on legal decision – to mention the same
- ❖ General disclaimer may be given that the auditor has not gone beyond the books of accounts produced to him during audit and has not conducted an investigation to find out if the assessee has not credited any amounts in the book

Clause 16 (contd.)

- ❖ All instances of income which come to the notice of the auditor, while examining the accounts but which are not credited to the Profit and Loss account be reported
- ❖ Verify credits in capital accounts of the proprietor/partner, credits in the other balance sheet items
- ❖ Where the amounts are treated as capital receipts in the books and the auditor agrees - Such items be reported. e.g. premium received on issue of shares, profit on sale of assets not passed through profit and loss account

Clause 17 : Transfer of land and building

- ❖ Reporting will be required under this clause if the following conditions are cumulatively satisfied –
 - the assessee has transferred land or building or both;
 - the transfer is during the previous year;
 - consideration for transfer is less than the value adopted or assessed or assessable by any authority of a State Government

- ❖ Provisions of s. 43CA will apply for computation of income under the head `Profits and gains of business or profession' whereas provisions of s. 50C will apply for computation of income under the head `Capital Gains'

Clause 17 (contd.)

- ❖ For provisions of s. 43CA to apply land or building or both which has been transferred during the previous year should have been held by the assessee otherwise than as capital asset whereas for provisions of s. 50C to apply land or building or both which has been transferred during the previous year should have been held as capital asset
- ❖ The definition of `transfer' given in s. 2(47) will apply for s. 50C but will not apply for the purposes of s. 43CA
- ❖ Issues-
- ❖ Does s. 43CA apply to sale of flat under construction?
- ❖ Does s. 43CA apply to an assessee following percentage completion method of accounting?
- ❖ Will the provisions of s. 43CA / s. 50C apply to transfer of development rights?

Clause 17 (contd.)

- ❖ In the context of S. 50C, will the provisions apply to
 - Tenancy
 - Leases
 - Development Agreement

Clause 18 : Depreciation as per IT Act,1961

- ❖ When an asset is purchased – cost of the asset including the expenses incurred to complete the purchase i.e. customs duty, installation cost, etc is added to the block
- ❖ In the year of purchase – deprecation for full year/half year based on the date when asset is put to use. Verify relevant documents, i.e. technical experts report, etc. to determine the date when asset is put to use
- ❖ In the subsequent years, if the asset is used for the purpose of business even for part of the year, depreciation is allowable at full applicable rates
- ❖ Verify the excise records - MODVAT credit claimed to be reduced from the value of the asset
- ❖ In case of disputes regarding depreciation claim in earlier years, to clearly mention the same

Clause 18 (contd.)

- ❖ Any interest paid on money borrowed for purchase/construction of asset, up to the date on which asset is put to use, be capitalized to the cost of asset. In reporting the quantum of depreciation allowable, impact of ICDS to be considered.
- ❖ Any subsidy received for acquiring the asset –be reduced from the cost of acquisition
- ❖ Section 43A – Any asset purchased from outside India – out of borrowing in foreign currency – the foreign exchange fluctuation (only to the extent of amount actually repaid) be considered as part of the cost of the asset
- ❖ New plant and machinery acquired and installed after 1.4.2005 by the assessee engaged in the business of manufacture or production of any article or in the business of generation and distribution of power, additional depreciation of 20% of the cost of plant and machinery is allowed for the first year
- ❖ Lease agreement to be verified to ascertain whether the asset is on a finance lease or operating lease. Operating lease – depreciation available to lessor, Finance lease – depreciation available to lessee

Clause 19 : Amounts admissible under sections 32AC to 35E

- ❖ Accounts to be scrutinized to identify the amount which is debited to profit and loss account
- ❖ Where deduction is available for consecutive years, and it is not the first year of claim, verify whether any condition has been violated
- ❖ If it is the first year of claim, verify whether all conditions for claiming deduction are fulfilled
- ❖ Whether considered in DTA/DTL calculation , depreciation not available on expenses written off

Clause 20(a) : Sum paid to employee as bonus or commission

- ❖ This provision is intended to check private companies from avoiding tax by distributing its profits to the shareholders in the guise of salary or other remuneration by merely showing the beneficiary as employees
- ❖ Bonafide payment to a shareholder for services actually rendered would be allowed
- ❖ When any shareholder is paid any salary, his employment contract, nature of services actually rendered be verified

Clause 20 (b) : Contribution received from employees

- ❖ Nature of fund, amount collected from employees, due date of payment, actual amount contributed and date of payment to be disclosed
- ❖ Amount deducted from employees salary is income u/s 2(24)
- ❖ Contributed within due date (including grace days) deduction available u/s 36(1)(va)
- ❖ Obtain list of contribution to employees to PF/ESIC, etc and dates of their payments
- ❖ Verify Challans evidencing contribution to various fund
- ❖ If data voluminous, test checks can be done and a disclosure to that effect made

Clause 22: Interest inadmissible u/s 23 of MSME Act, 2006

- ❖ Section 23 of the Micro Small and Medium Enterprises Development Act, 2006 (MSMEDA) overrides the provisions of the Income Tax Act, 1961
- ❖ Section 23 of the MSMEDA provides that if a buyer pays interest to a supplier being, a micro or small enterprise, such interest, for the purposes of computation of Income – Tax Act, not allowed as a deduction
- ❖ Obtain a full list of suppliers, who fall within the purview of the definition of MSME Act.
- ❖ Verify whether the payments made to such suppliers with interest

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

- ❖ The list of persons covered by the section is quite wide and identification of such relationship can be difficult for the auditor.-Obtain a certificate to that effect from the management
- ❖ For cross verification, compare the list with related party disclosure in the audited accounts and entries in register maintained under the Companies Act
- ❖ The reporting is only for payments made and not for amount received
- ❖ The auditor to only report the amounts paid and not required to give his opinion on reasonability thereof

Clause 24: Deemed profits and gains u/s 32AC or 32AD or 33AB or 33ABA or 33AC

- ❖ Amounts withdrawn from the reserves or utilized for non-specified purposes be verified and disclosed

Clause 25: Amount of profit chargeable to tax u/s 41

- ❖ Earlier years records to be verified to ascertain deduction claimed and allowed in respect of loss, expenditure, trading liability or bad debts written off, which are recovered
- ❖ Consider the judicial pronouncements particularly in regard to one time settlement with banks which results in a write back of Capital sum borrowed

Clause 26: Allowances and Disallowances u/s 43B

- ❖ Amount pre-existing on the first day of the previous year not allowed in any preceding previous year and paid during the year - this amount will not be debited to current years account but will be allowed as a deduction on payment basis
- ❖ Deduction of certain expenses only on payment basis irrespective of the method of accounting followed
- ❖ Arithmetically reconcile the details with previous years tax audit and current years accounts, and presentation in the computation / return
- ❖ Verify the challan, receipts and entries in the books to ascertain the amounts paid and remained unpaid during the year.
- ❖ State whether sales tax, customs duty, excise duty or any other indirect tax, levy, cess, impost, etc., is passed through the profit and loss account - if not routed through the Profit and Loss Account – not paid during the year – whether disallowed u/s 43B ?

Clause 29A: Amount chargeable under Section 56(2)(ix)

1. Verify whether any negotiations have been conducted by assessee for transfer of capital asset
2. Ascertain whether any sum of money or advance has been received
3. Whether the sum has been forfeited. If so, the said sum / advance to be disclosed along with the nature of income

Clause 29B: Section 56(2)(x)

- ✓ Receipt of money
- ✓ Without consideration
- ✓ In excess of Rs. 50,000

Clause 29B (contd.)

➤ Receipt of immovable property

- ✓ Without consideration
- ✓ with payment of consideration less than the FMV
- ✓ Difference between Consideration & FMV in excess of Rs. 50,000
- ✓ In excess of 5% of the consideration

FMV to be lesser of :

- ✓ Stamp duty value
- ✓ Valuation by DVO

Clause 29B (contd.) Receipt of movable property

- ✓ Without consideration
- ✓ For payment of consideration less than the FMV where difference exceeds Rs. 50,000

Clause 29B (contd.) – Audit Process

1. Verify whether any sum of money or property has been received other than in the ordinary course of business.
2. Ascertain consideration and compare to the FMV
3. Verify whether transaction falls within the exceptions/ exemptions
4. If income chargeable, disclosure

Clause 30A: Section 92CE Secondary adjustment

- ❖ Whether primary adjustment has been made/ accepted and is in excess of Rs.1 crore.
- ❖ Whether excess money available with AE is required to be repatriated to India
- ❖ If yes whether repatriated within the prescribed time
- ❖ If no the quantum of imputed interest on the excess money not repatriated

Clause 30A: Audit Process

- ❖ In case of Suo moto adjustment verify Transfer Pricing Report
- ❖ In case adjustment by TPO is accepted, nature of adjustment, if appealed stage of litigation
- ❖ If order final, whether funds are available with AE
- ❖ Whether the auditee is adopting the option contemplated u/s 92(2A)

Clause 30B: Disallowance u/s 94B

- ❖ Is the expenditure by way of interest or similar payment in excess of Rs.1crore
- ❖ Does it exceed 3years of EBITDA
- ❖ Details of interest expenditure B/F u/s 94B(4)
- ❖ Details of interest expenditure C/F u/s 94B(4)

Clause 36A: Receipt of Dividends u/s 2(22)(e)

- ❖ If assessee has received an amount in the nature of dividend & of the nature referred to in Section 2(22)(e), following details to be disclosed:
 - a. Amount received
 - b. Date of receipt

Clause 36A: (contd.) Audit Process

1. Verify from assessee whether he/it holds shares of 10% or more in a closely held company
2. If assessee is a Firm / LLP/ Company whether partner/s or shareholder/s hold shares of 10% or more in a company and such partner or shareholder holds 20% stake in the auditee company
3. Verify transactions of auditee with that company

Clause 42: Assessee required to furnish statement in form 61 / 61A/ 61B

1. Verify whether auditee is one of the reporting entities u/s 285BA for reporting specified financial transactions (SFT)
2. If yes furnish:
 - i. Identification number
 - ii. Type
 - iii. Due date for furnishing statement
 - iv. Date of furnishing statement
 - v. Whether form contains all details
3. If no furnish details of transactions not reported

Clause 43: Reporting u/s 286

1. Whether report has been furnished by reporting entity / alternate entity
2. Name of Parent / alternate entity
3. Date of furnishing report

THANK YOU