

Tax Implications of Tax Audit Reports



CA. PRAMOD JAIN

B. COM (H), FCA, FCS, FCMA, LL.B, MIMA, DISA, IP

Shared at

Webinar, District Taxation Bar Association, Ludhiana

14th June 2022

LEGISLATION FOR AY 2022-23

S. 44AB

- Business – exceeds Rs. 1 Crore / 10 Crores
- Profession – exceeds Rs. 50 L
- Business u/s 44AE /44BB /44BBB; income < deemed profits;
- Profession u/s 44ADA; deemed profit < 50% & TI > MANCT
- Business u/s 44AD (4) & TI > MANCT

Rule 6G

- Prescribing the Forms for Report u/s 44AB

Form 3CA

- Report in case of a person who is required to get his A/cs audited under any law

Form 3CB

- Report in any other case

Form 3CD

- Particulars as required in Form 3CA or Form 3CB

S. 271B

- Penalty $\frac{1}{2}\%$ maximum Rs. 1.50 L

APPLICABILITY OF 44AD(44ADA) / 44AB

**Mr. A started Mfg – 1st Yr - Turnover (all cash)
– 150L; NP – 8 L; TI - 8.50 L**

- AD - No
- AB - Yes

**Ms. B - Trading - Turnover (all cash) – 90L; NP -
10L; Doctor– Fee – 45 L; NP- 25 L; TI -32L**

- AD – No
- ADA - Yes
- AB - No

**Ms. C – Trading Turnover (all cash)– 80L
NP – 4 L; TI- 3 L**

- AD – No
- AB - No

**Mr. D - Trading; Turnover (all cash) - 95L;
Commission – 6 L; NP- 15L; TI - 14L**

- AD - No
- AB - Yes

SECTION 44AD ESSENTIALS

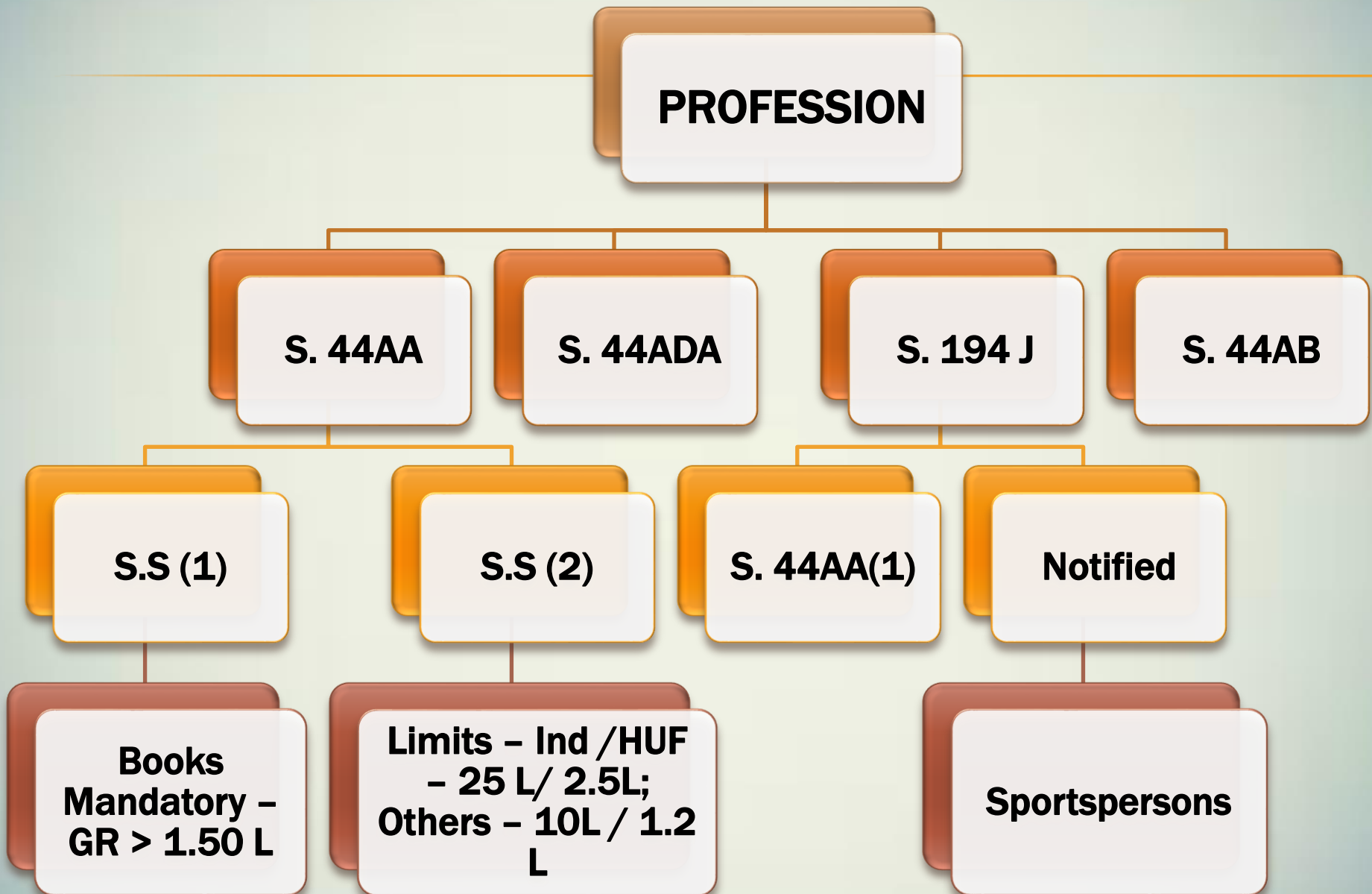
- **Should be eligible assessee**
 - **Ind., HUF, Firm (except LLP); and**
 - **No s. 10A, 10AA, 10B, 10BA & Chp VIA Part C**
- **Should be doing eligible business**
 - **Any except 44AE; and**
 - **Turnover < 2 Crs**
- **Section not applicable to a person carrying:**
 - **Profession u/s 44AA(1)**
 - **Commission or brokerage**
 - **Agency business**
- **Deemed profit 8% / 6% or more**
- **Commensurate with fund flow!!!**

SECTION 44ADA ESSENTIALS

- Applicable to Individual, HUF, Firm (excluding LLP)
- Should be engaged in profession – section 44AA(1) read with rule 6F
- Gross receipt < 50 Lakhs
- Deemed profit 50% or more
- Commensurate with fund flow!!!

PROFESSION – S. 44ADA

- **Section 44AA (1) read with Rule 6F**
 - **Accountancy**
 - **Architectural**
 - **Authorised Representative**
 - **Company Secretary**
 - **Engineering**
 - **Film Artist, actors, cameramen, editor.....**
 - **Interior Decoration**
 - **Legal**
 - **Medical**
 - **Technical Consultancy**
 - **Information Technology**



44AB(a)

- ✖ **Limit 1 Cr - 5 Cr – 10 Cr !!**
- ✖ **Limit of 10 Cr Only if:**
 - + **Aggregate of all amounts received in cash do not exceed 5% of said amt.**
 - + **AND**
 - + **Aggregate of all Payments made in cash do not exceed 5% of said payment**
- ✖ **Non -A/c Payee Cheque/ Draft - Cash**

44AB(a) ???

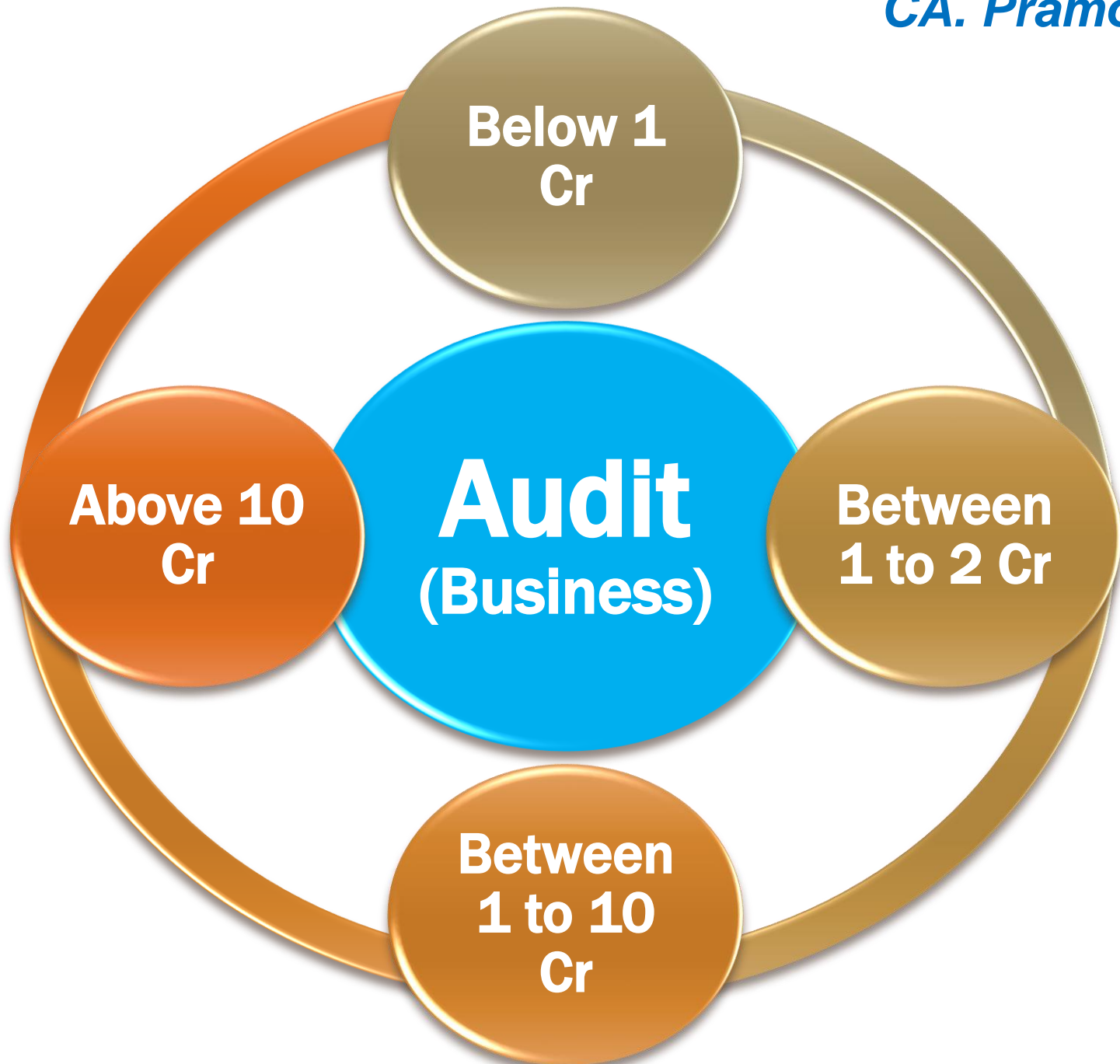
- ✗ **Payments all by banking channels**
- ✗ **Receipts:**
 - + **6 Crs sales out of which 20 Lacs in Cash**
 - + **Proprietor introduces capital – 25 Lacs in cash**
 - + **Loans received– 50 Lacs by NEFT**
 - + **Is tax audit u/s 44AB required?**
 - + **Yes, as total receipts - 675 L ; cash – 45L**
- ✗ **Is it mandatory or optional??**
 - + **Mandatory**

UNDER AUDIT INFORMATION REGARDING THE DECLARATION OF INCOME: ITR 3,5 & 6

a	Whether liable to maintain accounts as per section 44AA? (Tick) <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
a2	Whether assessee is declaring income only under section 44AD/44ADA/44AE/44B/44BB/44BBA (Tick) <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
a2i	If No, whether during the year Total sales/turnover/gross receipts of business exceeds Rs.1 crore but does not exceed Rs.10 crores? (Tick) <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
a2ii	If Yes is selected at a2i, whether aggregate of all amounts received including amount received for sales, turnover or gross receipts or on capital account such as capital contribution, loans etc. during the previous year, in cash, does not exceed five per cent of the said amount? (Tick) <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
a2iii	If Yes is selected at a2i, whether aggregate of all payments made including amount incurred for expenditure or on capital account such as asset acquisition, repayment of loans etc. during the previous year, in cash, does not exceed five per cent of the said payment? (Tick) <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

PRESUMPTIVE INCOMES

S. No.	Section	Nature of Activity	Less than Deemed Profits	Provisions for Audit	Audit Provision
1	44AD	Business	If availed 44AD & not availed in any of next 5 years, then for next 5 years - Audit	44AD(4)/(5)	44AB(e)
2	44ADA	Profession	Audit	44ADA(4)	44AB(d)
3	44AE	Goods Carriage	Audit	44AE(7)	44AB(c)
4	44B	Shipping of NR	Not Allowed	Nil	Nil
5	44BB	Exploration of Mineral Oils by NR	Audit	44BB(3)	44AB(c)
6	44BBA	Operation of Aircraft by NR	Not Allowed	Nil	Nil
7	44BBB	Turnkey Power Projects by FC	Audit	44BBB(2)	44AB(c)



FORMATS OF FINANCIAL STATEMENTS FOR NON-CORPORATE ENTITIES

BALANCE SHEET

NAME OF THE NON-CORPORATE ENTITY.....
BALANCE SHEET AS AT

	Particulars	Note No	Figures as at the end of (Current reporting period) (in Rs.) _____ (DD/MM/YYYY)	Figures as at the end of (Previous reporting period) (in Rs.) _____ (DD/MM/YYYY)
	1	2	3	4
I.	EQUITY AND LIABILITIES			
	(1) Owners' Fund			
	(a) Owners Capital Account			
	(b) Reserves and surplus			
(2)	Non-current liabilities			
	(a) Long-term borrowings			
	(b) Deferred tax liabilities (Net)			

	Particulars	Note No	Figures as at the end of (Current reporting period) (in Rs.) _____ (DD/MM/YYYY)	Figures as at the end of (Previous reporting period) (in Rs.) _____ (DD/MM/YYYY)
	(c) Other Long Term Liabilities			
	Long-term provisions			
(3)	Current liabilities			
	(a) Short-term borrowings			
	(b) Trade payables:- (A) total outstanding dues of MSME and (B) total outstanding dues of creditors other than micro, small and medium enterprises .			
	(c)Other current liabilities			
	(d)Short-term provisions			
	TOTAL			
II.	ASSETS			
(1)	Non-Current Assets			
	(a) Property, Plant and Equipment & Intangible assets			
	(i) Property, Plant and Equipment			
	(ii) Intangible assets			

	Particulars	Note No	Figures as at the end of (Current reporting period) (in Rs.) _____ (DD/MM/YYYY)	Figures as at the end of (Previous reporting period) (in Rs.) _____ (DD/MM/YYYY)
	(iii) Capital work-in-progress			
	(iv) Intangible assets under development			
	(b) Non-current investment			
	(c) Deferred tax assets (net)			
	(d) Long-term loans and advances			
	(e) Other non-current assets			
(2)	Current assets			
	(a) Current investments			
	(b) Inventories			
	(c) Trade receivables			
	(d) Cash and bank balances			
	(e) Short-term loans and advances			
	(f) Other current assets			
	TOTAL			

STATEMENT OF PROFIT AND LOSS

Name of the Non-Corporate Entity.....

Statement of Profit and loss for the year ended

(Rupees in.....)

	Particulars	Note	Figures for the current reporting period (in rs.) From _____ (DD/MM/YYYY) To _____ (DD/MM/YYYY)	Figures for the previous reporting period (in Rs.) From _____ (DD/MM/YYYY) To _____ (DD/MM/YYYY)
	1	2	3	4
I.	Revenue from operations		xxx	Xxx
II.	Other income		xxx	Xxx
III.	Total Income (I + II)		xxx	Xxx
IV.	Expenses			
(a)	Cost of Goods Sold			
(b)	Employee benefits expense		xxx	Xxx
(c)	Depreciation and amortization expense		xxx	Xxx
(d)	Finance Cost		xxx	Xxx
(e)	Other expenses		xxx	xxx

	Particulars	Note	Figures for the current reporting period (in Rs.) From _____ (DD/MM/YYYY) To _____ (DD/MM/YYYY)	Figures for the previous reporting period (in rs.) From _____ (DD/MM/YYYY) To _____ (DD/MM/YYYY)
	Total expenses		xxx	xxx
V	Profit before exceptional and extraordinary items & tax (III-IV)		xxx	xxx
VI	Exceptional items		xxx	xxx
VII	Profit before extraordinary items and tax (V - VI)		xxx	xxx
VIII	Extraordinary Items		xxx	xxx
IX	Profit before tax (VII- VIII)		xxx	xxx
X	Tax expense:			
(i)	Current tax		xxx	xxx
(ii)	Deferred tax		xxx	xxx
XI	Profit (Loss) for the period from continuing operations (VII-VIII)		xxx	xxx
XII	Profit/(loss) from discontinuing operations		xxx	xxx
XIII	Tax expense of discontinuing operations		xxx	xxx
XIV	Profit/(loss) from Discontinuing operations (after tax) (XII-XIII)		xxx	xxx
XV	Profit/ (Loss) (XI + XIV)		xxx	xxx

CLAUSES

13

- **ICDS – 13(e) / (f)**

15

- **Capital asset converted into stock in Trade**

16

- **Amounts not credited to PL**
- **Conversion of stock into CA**
- **Any other item of income**
 - **ESI / PF – 16(b)**
 - **43CA - 17**

CLAUSES

17

- **50C / 43CA**

18

- **Depreciation**
- **Dates of addition / sale value / GST credit / foreign exchange / additional depreciation**

20 (a)

- **Bonus or commission paid to employees in lieu profits**

CLAUSES

20(b)

ESI / PF

21

**Capital / Personal exp debited
to PL**

TDS

Inadmissible salary to partners

40A(3) / (3A)

Gratuity provision

Contingent liability

14A

36(1)(iii)

CLAUSES

23

- **40A(2)(b)**

25

- **41**

26

- **43B**

CLAUSES

29B

- **56(2)(x)**

30C

- **GAAR**

31

- **269SS / 269T / 269ST**

CLAUSES

32

- **B/f losses & unabsorbed depreciation**

33

- **Chapter VI-A / Section 10A / 10AA deduction**

34

- **TDS / TCS**

CLAUSES

36A

- **2(22)(e)**

42

- **Form 61A / 61B**

44

- **Break-up of total expenditure of entities registered / un registered in GST**
 - **Goods / services exempt**
 - **Composition**
 - **Other**
 - **Total payment**

A one stop place where all your Queries can be answered by various Experts throughout the Country

www.expertspanel.in

ExpertsPanel.in

Questions



Questions

Categories

Experts

Ask a Question

Sign Up

Login

A Place to Share Knowledge

for and by Professionals in Law, Tax, Accounts, Finance

Recent Questions

Articles

Presentations

Videos

Notifications

All Categories

Goods and Services
Tax (GST)

(6,618)

Income Tax

(5,254)

Corporate
Matters/LLP

(1,904)

Audit & Assurance and
Accounting Standards

(208)

Bank / Insurance /
Stock / Debtors Audit

(60)

Recent Questions

Question added **5 minutes** ago **Income Tax** By **jabir contractor**, CA, mumbai

1

answer

Q. Rate of TDS on Car lease charges

Answered By **CA PRAMOD JAIN**

5 views

Question added **1 hour** ago **Income Tax** By **Vijay Kumar**, CA, New delhi

0

answers

Q. How I file income tax return

11 views

Ask a question:

Next

Concept by
CA Pramod Jain



**This Presentation would be available
on**

www.lunawat.com

**Also may download free mobile app
“LUNAWAT”**

**For all updates & Ready to use
Charts since year 2007**

Thank You!

STAY SAFE
AND STAY
POSITIVE

CA. Pramod Jain
capramodjain.com
pramodjain@lunawat.com
+91 9811073867

