

Tax Audit Series 20 – S. Nos. 40 - 44



CA. PRAMOD JAIN

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

Namaste

In series - 20 we would discuss S. Nos. 40 to 44 of Form 3CD. Reporting under S. Nos. 42 to 44 have been inserted w.e.f. 20th August 2018. However S. No. 44 has been deferred till 31st March 2019 vide Circular No. 6/2018 dated 17th August 2018

S. No. 40 - Details regarding turnover, gross profit, etc., for the previous year and preceding previous year

Following details are to be disclosed under this clause:

S No.	Particulars	Previous year	Preceding Previous year
1	Total Turnover of the assessee		
2	Gross Profit/turnover		
3	Net Profit/turnover		
4	Stock-in-trade/turnover		
5	Material consumed / Finished goods produced		

Following points should be noted by the auditor:

- As per Para 67.1 of ICAI Guidance Note on Tax Audit (Revised 2014), this clause is applicable only for assessee who are engaged in manufacturing or trading activities. Even though, the clause states under the column 'The details required to be furnished for principal items of goods traded or manufactured or services rendered'.
- The ratios have to be given for the business as a whole and not product wise
- The ratio mentioned in (5) need not be given for trading concern or service provider.
- All the ratios mentioned in this clause are to be calculated and disclosed in terms of value only.
- Net profit to be shown here in this clause is net profit before tax.
- The term "stock-in-trade" would include only finished goods and would not include the raw material and work-in-progress since the objective here is to compute the stock turnover ratio. It would also not include stores and spare parts or loose tools.
- Material consumed would, apart from raw material consumed, include stores, spare parts and loose tools

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- The value of finished goods produced may be arrived at by using the following formula:

Raw material consumption	<u>XXXXXX</u>
Stores and spare parts consumption	<u>XXXXXX</u>
Wages	<u>XXXXXX</u>
Other manufacturing expenses excluding depreciation	<u>XXXXXX</u>
SUB TOTAL	<u>XXXXXX</u>
Add : Opening stock in process –	XXXX
Deduct : Closing stocks in process –	XXXX
Value of Finished goods produced	<u>XXXXXX</u>

- Calculations of the ratios are also to be stated. If any of the above components is stated in the financial statements themselves, a reference to the same may be made, to the extent possible.
- Previous year figures should be taken from last year's tax audit report, and in case there is no tax audit in previous year, then nothing should be mentioned in that column.

S. No. 41 - Details of demand raised or refund issued during the previous year under any tax laws other than Income Tax Act, 1961 and Wealth tax Act, 1957 along with details of relevant proceedings.

- The auditor should obtain a copy of all the demand / refund orders issued by the governmental authorities during the previous year under any tax laws other than Income Tax Act and Wealth Tax Act.
- The cess or duty like Marketing Cess, Cess on Royalty, Octroi Duty, Entry Tax etc. would not be covered as other tax laws. However, the auditor should exercise his professional judgment in determining the applicability to relevant tax laws for reporting under this clause.
- It may be noted that even though the demand / refund order is issued during the previous year, it may pertain to a period other than the relevant previous year. In such cases also, reporting has to be done under this clause.
- The auditor should verify the books of account and the orders passed by the respective department for ascertaining whether any such demand has been raised or refund order has been issued under any other tax law and accordingly report the same.
- The auditor should verify the details from online portals of the departments too, if the details are available thereon.

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- If there is any adjustment of refund against any demand, the auditor should also report the same under this clause.

S. No. 42 - Whether the assessee is required to furnish statement in Form No.61 or Form No. 61A or Form No. 61B? If yes, furnish details.

- This clause requires reporting of details of submission and due date of the Form No.61 or Form No. 61A or Form No. 61B with the income-tax.
- It also requires the auditor to ensure if all the required details have been submitted and if not, then the unreported details/ transactions are required to be reported in in this clause.
- **Form 61** – This Form requires details of all Form 60 obtained to be submitted.
 - Where transactions specified under Rule 114B of the Income-tax Rules, 1962 have been undertaken by the assessee without obtaining PAN of the person giving the document, then the assessee is required to collect declaration in Form 60 from that person.
 - When Form 60 is obtained then Form 61 is to be filed half yearly.
 - Transactions for which PAN is required to be quoted under Rule 114 B w.e.f. 1st January 2016 is summarised as under:

S. No.	Nature of Transaction	Value of Transaction (in Rs.)
1	Sale / Purchase of Motor Vehicle or Vehicle other than two Wheeler	All
2	Opening an Bank A/c other than time - deposit referred to at Sl. No.12 and Basic Savings Bank Deposit A/c	All
3	Application for Debit / Credit Card	All
4	Opening of Demat A/c	All
5	Payment to Hotel / Restaurant at any one time (<i>Form 61 to be filed only by assessee who is required to get his accounts audited u/s 44AB</i>)	Cash > 50000/-
6	Payment for Foreign Travel or foreign currency at one time (<i>Form 61 to be filed only by assessee who is required to get his accounts audited u/s 44AB</i>)	Cash > 50000/-

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7	Payment to MF for purchase of Units	> 50000/-
8	Payment to Co. or Institution for Debentures / Bonds issued by it	> 50000/-
9	Payment to RBI for Bonds issued by it	> 50000/-
10	Cash Deposit with Bank in any one day	> 50000/-
11	Bank Draft / Pay Order / Banker Cheque during one day	Cash > 50000/-
12	Time Deposit with 1. Bank, 2. Post Office, 3. Nidhi Co. 4. NBFC	50000/- each transaction or 5 Lacs in aggregate during FY
13	Payment for one or more Prepaid Payment Instruments like smart card; magnetic stripe cards; internet a/c; online wallets; mobile a/c; mobile wallets; paper voucher; mass transit system; other	Cash / draft / PO / banker cheque aggregating > 50000/- in FY
14	Life Insurance Premium	Aggregating > 50000/- in FY
15	Sale / Purchase of Securities other than Shares per transaction	> 1 Lac
16	Sale / Purchase of unlisted shares per transaction (verification by Co)	> 1 Lac
17	Sale / Purchase of Immovable Property	> 10 Lacs Tran. value or 50C value
18	Sale / purchase of goods / services. <i>(Form 61 to be filed only by assessee who is required to get his accounts audited u/s 44AB)</i>	> 2 Lacs per transaction

- Auditor should be aware that Rule 114 B is not applicable to:
 - Central Government
 - State Government
 - Consular Offices
 - Non-Residents for :
 - Application for Debit and Credit Card
 - Payment to a hotel or restaurant against a bill
 - Payment for foreign travel or foreign currency
 - Payment to RBI for acquiring bonds

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- Purchase of DD / PO / Bankers cheque
 - Payment for prepaid instruments
 - Sale/purchase of goods/services exceeding Rs. 2L
- **Form 61A** – Statement of specified financial transactions (SFT) as given in Rule 114E of the Rules mandates reporting of certain financial transactions undertaken during a particular financial year, annually before 31st May. Transactions for Form 61A required to be furnished under Rule 114 E w.e.f. 1st April 2016 (for AY 2018-19) is summarised as under:

<i>S. No.</i>	<i>Nature & Value of Transaction</i>	<i>Reporting Person</i>
1(a)	Cash for purchase of bank drafts / pay orders / banker's cheque of aggregate > Rs. 10 Lacs in a FY	Banks
1(b)	Cash for purchase of pre-paid instruments by RBI aggregate > Rs. 10 Lacs in a FY	Banks
1(c)	Cash deposits / withdrawals (including bearer's cheque) aggregating > Rs. 50 Lacs in a FY from one or more current account of a person.	Banks
2	Cash deposits aggregating > Rs. 10 Lacs in a FY, in one or more a/cs (other than current a/c & time deposit)	Banks & Post Office
3	One or more time deposits (other than renewals) of a person aggregating > Rs. 10 Lacs in a FY of a person.	Banks P.O.; Nidhi NBFC
4	Payments aggregating to- (i) > Rs. 1 Lac in cash; or (ii) > Rs. 10 Lacs by any other mode, one or more credit cards in a FY	Banks issuing Credit Cards
5	Receipt from a person aggregating > Rs. 10 Lacs in a FY for acquiring bonds or debentures issued by Co. or institution (other than renewals)	Company Institution
6	Receipt from a person aggregating > Rs. 10 Lacs in a FY for acquiring shares (including	Company

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	share application money) issued by co.	
7	Buy back of shares from a person (other than bought in open market) for aggregating > Rs. 10 Lacs in a FY .	Listed Co.
8	> Rs. 10 Lacs in a FY for acquiring units of one or more schemes of a MF (except switching)	Mutual Funds
9	Sale of foreign currency including through debit /credit card or traveller cheque or draft etc aggregating > Rs. 10 L in a FY	Authorised Dealer
10	Purchase or sale of immovable property value > Rs. 30 L or valued u/s 50C	Registrar
11	Receipt of cash payment Rs. 2 Lacs for sale, by any person, of goods or services of any nature (other than above mentioned items).	If liable to Tax Audit u/s 44AB

- **Form 61B** –Statement of reportable accounts in accordance with FATCA and CRS for a calendar year in Form 61B. The auditor should be aware of provisions of Rule 114F to 114H for the same.

S. No. 43 - Whether the assessee or its parent entity or alternate reporting entity is liable to furnish the report as referred to in section 286(2)? If yes, then details to be given.

In reference to above section 286 (2) states:

Every parent entity or the alternate reporting entity, resident in India, shall, for every reporting accounting year, in respect of the international group of which it is a constituent, furnish a report, to the prescribed authority within a period of twelve months from the end of the said reporting accounting year, in the form and manner as may be prescribed

Following details is to be given under this clause:

- Whether report has been furnished by the assessee or its parent entity or an alternate reporting entity
- Name of parent entity
- Name of alternate reporting entity (if applicable)

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- Date of furnishing of report

The auditor should be aware of section 286 read with Rule 10DB and related notifications and circulars. Reports are to be furnished in Forms 3CEAC to Form 3CEAE.

S. No. 44: Break-up of total expenditure of entities registered or not registered under the GST

This clause was added w.e.f. 20th August 2018. Reporting was required by all entities irrespective of whether they are registered under GST or not. The following information needs to be given:

1. Total amount of Expenditure incurred during the year.
2. Expenditure in respect of entities registered under GST-
 - a) Relating to goods or services exempt from GST.
 - b) Relating to entities falling under composition scheme.
 - c) Relating to other registered entities.
 - d) Total payment to registered entities.
3. Expenditure relating to entities not registered under GST.

It is pertinent to note that reporting under this clause has been deferred till 31st March 2019 vide Circular No. 6/2018 dated 17th August 2018, hence nothing is to be reported under this clause for AY 2018-19.

I hope this document is of use to you. I thank *Ms. Diksha Plaha, Ria Agarwal and Bhumika Gakher* in assisting me to compile this part of the series. Your suggestions and comments would be highly appreciated

Best Regards

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