CHANGES
IN
TAX AUDIT
ICDS OVERVIEW & ICDS II

CA. PRAMOD JAIN

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

Shared at

Yamuna Nagar Branch of NIRC of ICAI

22nd August 2018

AGENDA

- Changes in Tax Audit Report
- ICDS Overview
- ICDS II

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LEGISLATION FOR AY 2017-18

S. 44AB	• Business – exceeds Rs. 1 Crore • Profession – exceeds Rs. 50 L • Business u/s 44AE /44BB /44BBB; income < deemed profits; • Profession u/s 44ADA; deemed profit < 50% & TI >ANCT • Business u/s 44AD (4)
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 u/F 3CA or 3CB
S. 271B	• Penalty ½% maximum Rs. 1.50 L

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Form 3CD Latest Changes in Tax Audit Report

AMENDMENTS W.E.F 20.8.2018

- 7 items amended
- 1 item replaced
- 10 new items – 2 DEFERRED – 31.3.2019

20.8.2018 - AMENDMENTS

- S. No. 4, 19, 24, 26 & 31(c), (d) & (e)
- 4 – GST added
- 19 – Amounts deductible – s. 32AD added
- 24 – Amounts deemed to be profits u/s 32AC, etc.. 32AD added
- 26 – 43B – clause (g) added – railway

S. NO. 31 (C)- S. 269 SS/T – AMENDED W.E.F. 19.7.17

- (c) - Particulars of each repayment of loan or deposit or any specified advance in an amount exceeding the limit specified in section 269T made during the previous year
  - New (iv) - whether the repayment was made by cheque or bank draft or use of electronic clearing system through a bank account;
  - New (v) - in case the repayment was made by cheque or bank draft, whether the same was taken or accepted repaid by an account payee cheque or an account payee bank draft.

S. NO. 31(D) - S. 269 SS/T – AMENDED W.E.F. 19.7.17

- New (d) - Particulars of repayment of loan or deposit or any specified advance in an amount exceeding the limit specified in section 269T received otherwise than by a cheque or bank draft or use of electronic clearing system through a bank account during the previous year
  - name, address and PAN (if available with the assessee) of the payer;
  - amount of repayment of loan or deposit or any specified advance received otherwise than by a cheque or bank draft or use of electronic clearing system through a bank account during the previous year.

S. NO. 31(E) - S. 269 SS/T – AMENDED W.E.F. 19.7.17

- New (e) -Particulars of repayment of loan/deposit or any specified advance in an amt. exceeding limit specified in s. 269T received by cheque / bank draft which is not an account payee cheque / bank draft during PY
  - name, address & PAN (if available with assessee) of payer;
  - amount of repayment of loan or deposit or any specified advance received by a cheque or a bank draft which is not an a/c payee cheque / bank draft during the previous year

34 (B) - SUSBTITUTED

- 34 (b) – If TDS / TCS Statement not furnished within prescribed time, furnish:
- New 34(b) - Whether the assessee is required to furnish the statement of TDS/TCS. If yes, please furnish the details:
  - TAN
  - Type of Form
  - Due date of furnishing
  - Date of furnishing, if furnished
  - Whether the TDS / TCS Statement contains information about all transactions which are required to be reported. If not, please furnish list of details/transactions which are not reported. – Transporters??? – yes / no?? – Could be geniune difference of opinion

29A - INSERTED

- 29A (a) - Whether any amount is to be included as income chargeable under the head 'income from other sources' as referred to S. 56(2)(ix) ? [advance forfeited] (Yes/No)
- 29A (b) - If yes, please furnish the following details:
  - (i) Nature of income
  - (ii) Amount thereof

29A - INSERTED

- M/s XYZ receives Rs. 25 Lakhs as advance against property in AY 2015-16 from Mr. B
- As per agreement as the buyer did not comply.. It send forfeiture notice to Mr. B in AY 2018-19 and forfeits the amount but does not entry in books.
- Mr. B confirms that amount is receivable
- M/s XYZ writes off in AY 2020-21. When should auditor report?

29B - INSERTED

- 29B (a) - Whether any amount is to be included as income chargeable under the head 'income from other sources' as referred to in S. 56(2)(x)? (Yes/No)
- 29B (b) - If yes, please furnish the following details:
  - (i) Nature of income
  - (ii) Amount thereof
- How to report on controversial items... Leasehold rights – TDR?

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S. 56(2) (X) DEEMED GIFTS

DEEMED GIFTS

- S. 56(2)(x) w.e.f. 1st April 2017
- Earlier
  - Individual & HUF covered for all assets; and
  - Firms and Companies for shares
- Now ANY PERSON covered for:
  - Money
  - Immovable Property
  - Property other than Immovable Property

MONEY

- Receives any sum of money
- Without consideration
- Aggregate value of which exceeds Rs. 50000/-
- Income - whole of the aggregate value of such sum
- Exceptions – relatives, etc.. discussed later

IMMOVABLE PROPERTY S. 56(2)(X)

- Covers land, building or both
- Receives without consideration - stamp duty value exceeds Rs. 50000/-
- Receives through inadequate consideration – consideration less than stamp duty value – difference exceeds Rs. 50000/-
- Exceptions – relatives, etc.. Discussed later
- Where date of agreement & date of registration are not same, value on date of agreement if some payment made by a/c payee cheque /bank draft / ECS on or before date of agreement

IMMOVABLE PROPERTY

- If value disputed by assessee u/s 50C(2) , AO may refer to Valuation Officer
- Is leasehold land covered?
  - Leasehold rights in a building do not attract provisions of S. 50C - *DCIT v Tejinder Singh (2012) (50 SOT 391) (Kol)*
  - Leasehold rights in plot is not `land or building or both' - *Atul G. Puranik v. ITO (132 ITD 499)(Mum)*.
  - S. 50C applies to Transfer of Development Rights - *Chiranjeev Lal Khanna v. ITO (132 ITD 474)(Mum)*
  - Not applicable to TDR – ACIT vs. Munsons Textiles [TS-6710-2012(Mum)-O] ; ACIT vs. Shrikishan Dass [TS-6757-2013(Del)-O]

IMMOVABLE PROPERTY

- Mr. A (not a relative of Mr. B) gifts immovable property whose stamp duty value is Rs. 15 Lakhs to Mr. B.
- Actual cost in hands of Mr. A was Rs. 18 Lakhs.
- What would be the cost of acquisition in hands of Mr. B?
  - S. 49(1) – cost to previous owner i.e. Rs. 18 L
  - S. 49(4) – If subject to s. 56(2), stamp duty value i.e. Rs. 15 L

    - Rs. 15 L

OTHER THAN IMMOVABLE PROPERTY

- Property – Expl. to 56(2)(vii) Capital Asset namely:
  - Imm. Property being land or building or both
  - Shares and securities
  - Jewellery
  - Archaeological collections
  - Drawings
  - Paintings
  - Sculptures
  - Any work of art
  - Bullion

EXCEPTIONS

- Relative
  - In case of an individual:
    a) Spouse;
    b) Brother or sister;
    c) Brother or sister of the spouse;
    d) Brother or sister of either of the parents;
    e) Any lineal ascendant or descendant;
    f) Any lineal ascendant or descendant of the spouse;
    g) Spouse of person referred to in (b) to (f)
  - In case of a HUF, any member thereof

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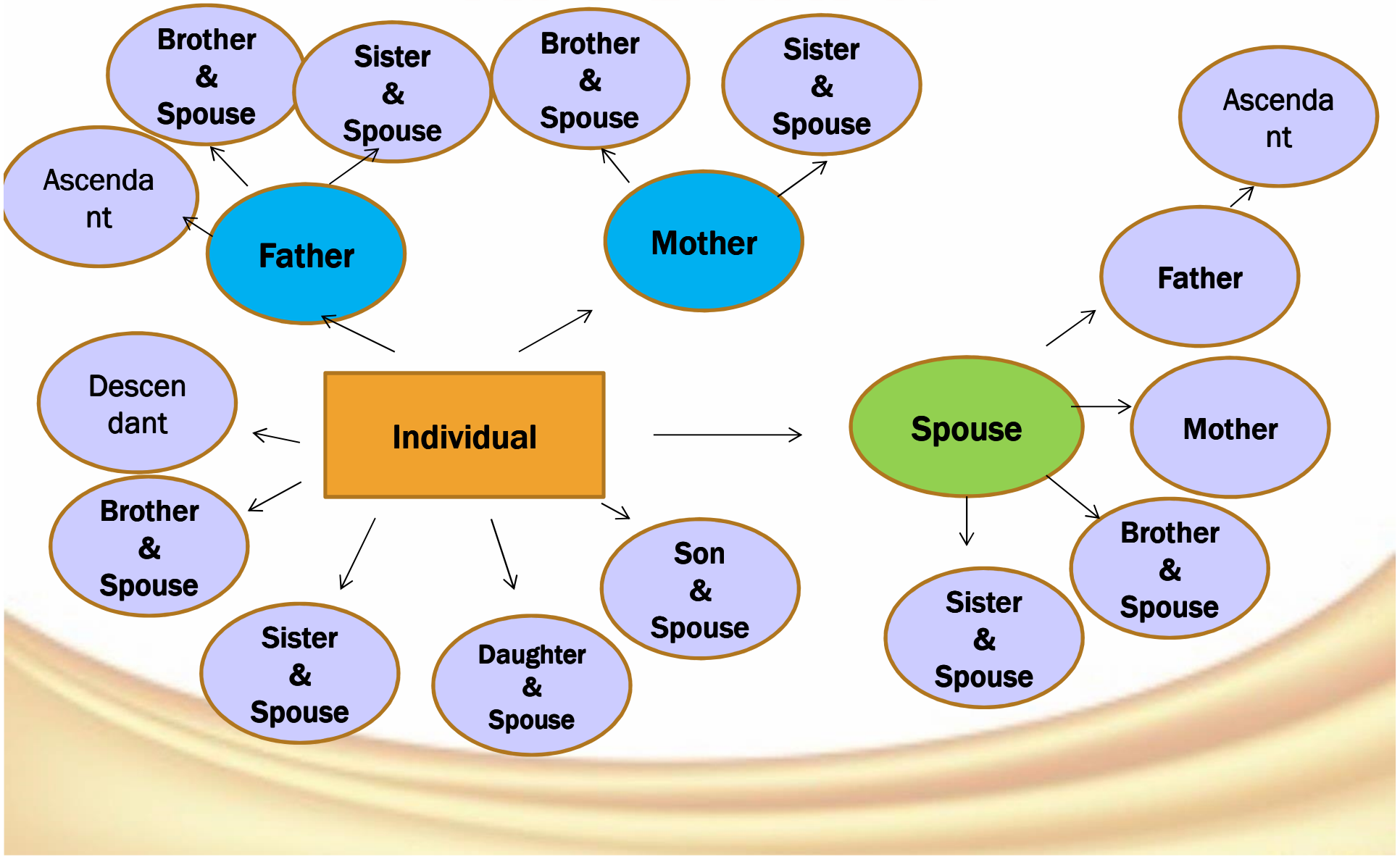
RELATIVES



EXCEPTIONS

- On the occasion of the marriage of the individual
- Under a will or by way of inheritance
- In contemplation of death of the payer or donor, as the case may be
- From any Local Authority as defined in the Explanation to section 10(20)
- From any Fund or Foundation or University or other Educational Institution or Hospital or other Medical Institution or any Trust or Institution referred to in section 10(23C)

EXCEPTIONS

- From or by any Trust or Institution registered u/s 12A /12AA
- By any Fund or Trust or Institution or any university or other educational institution or any hospital or other medical institution referred in
  - S. 10(23C) (iv) – Importance in India / states
  - S. 10(23C) (v) – Approved religious or charitable trust
  - S. 10(23C) (vi) – Approved university or educational institute
  - S. 10(23C) (via) – Approved hospitals

EXCEPTIONS

- By way of transaction not regarded as transfer:
  - S. 47 (i) – Total / partial partition of HUF
  - S. 47 (vi) – Amalgamation if amalgamated co. Indian
  - S. 47 (via) – Amalgamation of two foreign companies asset being shares subject to certain conditions
  - S. 47 (viaa) – Amalgamation of banks sanctioned by CG
  - S. 47 (vib) – Demerger if resulting co. in Indian Co
  - S. 47 (vic) – Demerger of foreign company asset being shares subject to certain conditions

EXCEPTIONS

- By way of transaction not regarded as transfer:
  - S. 47 (vica) - business reorganisation, of a capital asset by the predecessor co-operative bank to the successor co-operative bank
  - S. 47 (vicb) - business reorganisation, of a capital asset being shares by predecessor co-operative bank to successor co-operative bank
  - S. 47 (vid) - transfer or issue of shares by the resulting company, in a scheme of demerger to the shareholders of the demerged company
  - S. 47 (vii) - trf by a shareholder, in scheme of amalgamation, of capital asset being share or in amalgamating co. subject to certain conditions

EXCEPTIONS

- From an individual by a trust created or established solely for the benefit of relative of the individual

????

- Mr. A gifts immovable property whose stamp duty value is Rs. 10 Lakhs to Mr. B (not a relative). Is there any tax on Mr. A or Mr. B?
  - On B
- Mr. X gifts immovable property whose stamp duty value is Rs. 15 Lakhs to Ms. Y (not a relative) on the occasion of her marriage. Is there any tax on Mr. X or Ms. Y?
  - No

????

- Partner at time of dissolution withdraws immovable property whose book value is 25 Lakhs but stamp duty value is 50 Lakhs. Taxation in hands of firm as well as partner?
  - Yes, in both hands Rs. 25 L each
- Few people come together to build a community centre for general public benefit and collect Rs. 5 Lakhs to build it?
  - Yes
- Mr. A receives Car Mercedes Benz value Rs. 50 Lakhs as gift from Mr B?
  - No

????

- An unregistered religious Trust receives Rs. 5 Lakhs as corpus donation for building of temple? Is it taxable u/s 56(2)(x)?
  - Yes
- A company dealing in shares receives shares below FMV?
  - No
- M/s. ABC gives interest free unsecured loan of Rs. 10 Lacs to M/s. XYZ? Is it taxable u/s 56(2)(x)?
  - No

30A - INSERTED

- 30A (a) - Whether primary adjustment to TP, u/s. 92CE(1), has been made during PY? (Yes/No)
- 30A (b) - If yes, please furnish :-
  - (i) Under which clause of s. 92CE(1) primary adjustment is made? (5 clauses)
  - (ii) Amount (in Rs.) of primary adjustment:
  - (iii) Whether the excess money available with AE is required to be repatriated to India as per s.92CE(2)? (Yes/No)
  - (iv) If yes, whether the excess money has been repatriated within the prescribed time (Yes/No) [90 days from due date of filing of ITR] For AY 2018-19 due date – 31st December 2018
  - (v) If no, amount of imputed interest income on such excess money which has not been repatriated within prescribed time

30B - INSERTED

- 30B (a) - Whether the assessee has incurred exp. during PY by way of interest or of similar nature > Rs. 1 Cr u/s. 94B(1)? (Yes/No)
- 30B (b) - If yes, please furnish :-
  - (i) Amount (in Rs.) of expenditure by way of interest or of similar nature incurred – (to AE or all?)
  - (ii) (EBITDA) during the previous year (in Rs.):
  - (iii) Amount (in Rs.) of expenditure by way of interest or of similar nature as per (i) above which exceeds 30% of EBITDA as per (ii) above
  - (iv) Details of interest expenditure b/f as per s. 94B(4) – NA as 94B inserted w.e.f. AY 2018-19
  - (v) Details of interest expenditure c/f as per s. 94B(4)

30C – INSERTED – DEFERRED TO 31.3.2019

- 30C (a) - Whether the assessee has entered into an impermissible avoidance arrangement (GAAR), as referred to in s. 96, during the PY? (Yes/No) [w.e.f. AY 2018-19] – Tax benefit 3 Crs.
- 30C (b) - If yes, please specify :
  - (i) Nature of the impermissible avoidance arrangement
  - (ii) Amount (in Rs.) of tax benefit in the PY arising, in aggregate, to all the parties to the arrangement

S. NO. 31 (BA) - SECTION 269 ST

- No person to receive an amount ≥ Rs. 2 Lakhs otherwise than by A/c payee cheque/draft or use of electronic clearing using bank a/c (i.e. primarily in cash):
  - in aggregate from a person in a day; or
  - in respect of a single transaction; or
  - in respect of transactions relating to one event or occasion from a person

SECTION 269 ST

- Not applicable to receipts by:
  - Government,
  - Bank,
  - Post Office Savings Bank or Co-operative Bank,
  - S. 269SS transactions
  - Such other persons or class of persons or receipts, which the CG may notify
- Not applicable to receipts from Bank, Post Office Savings Bank or Co-operative Bank
- Penalty of equal amount u/s 271DA
- Rule 6DD?

???

- M/s AB P. Ltd sells Innova car to Mr. Y for Rs. 3 L in cash?
  - Yes
- M/s ABC & Co. purchases grains from Shyam an agriculturist for Rs. 2.5 Lakhs in Cash
  - Yes
- Mr. A in his proprietorship firm receives gift of Rs. 5 L in cash from his father
  - Yes
- M/s ABC & Co. receives Rs. 2.10 Lakhs on 21.7.2017 for following from Y in cash :
  - Loan Rs. 0.15 Lakhs
  - Against sale of Car Rs. 1.95 Lakhs
  - No

???

- M/s. ABC receives cash payment of Rs. 3.75 L from XYZ P. Ltd. on 25th February 2018 for the following:
  - Rs. 2.10 Lakhs part payment for invoice no. 4. dt. 17.9.2017 of Rs. 3 Lakhs
  - Rs. 95000/- part payment for invoice no. 6 dt. 30.12.2017 of Rs. 2.50 Lakhs
  - Rs. 70000/- part payment for invoice no. 12 dt 10.1.2018 of Rs. 1.50 Lakhs
- Implications are:
  - 271DA penalty on M/s ABC for Rs. 3.75 Lakhs
  - M/s. ABC to report Rs. 2.10 Lakhs in SFT in Form 61A
  - XYZ P. Ltd expense of Rs. 3.75 Lakhs would be disallowed u/s 40A(3)

???

- ABC Pvt. Ltd organised 3 days exhibition out of town. It receives followings in cash:
  - Rs. 10 lacs as participation fee from various persons in 3 days
- It pays the following:
  - Rs. 70 K 1st day, Rs. 60 K 2nd day & Rs. 80 K 3rd day to tent for extra chairs etc
  - Rs. 1.75 lacs per day to 2 caterers for water coffee and snacks
  - Rs. 75000 per day for security & Valet Parking to contracter
    - Yes, In hands of receiver for payment made by Company

???

- PQR P. Ltd receives Rs. 5 lacs each from its 2 subscribers on incorporation in cash
  - Yes
- Mr. B introduces Rs. 3 Lacs as capital in partnership firm ABC & Co?
  - Yes
- Mr. B partner withdraws the following in cash from ABC & Co. during FY 2017-18:
  - Rs. 1.80 Lacs remuneration Rs. 15K p.m.
  - Rs. 36000 being interest on 31.3.2017
  - Rs. 3 L on different dates, being profit
    - S. 40A(3)

???

- M/s XYZ takes loan of Rs. 5 Lakhs from ABC Ltd (NBFC) by cheque, but repays instalment of Rs. 20000/- p.m. in cash. Is ABC Ltd liable for s. 271DA penalty?
  - No
- Circular No. 22 of 2017 dated 3rd July 2017
  - Receipt in nature of repayment of loan by NBFCs /HFCs - receipt of 1 instalment of loan repayment in respect of a loan shall constitute a 'single transaction' as specified in S. 269ST(b) & all the instalments paid for a loan shall not be aggregated for the purposes of determining applicability of S. 269ST

EXEMPTIONS - NOT. NO. 57/2017 DT. 3.7.17

- Receipt by a business correspondent on behalf of bank or co-operative bank, as per RBI
- Receipt by a white label automated teller machine operator from retail outlet sources on behalf of bank or co-operative bank, as per RBI
- Receipt from an agent by an issuer of pre-paid payment instruments as per RBI
- Receipt by a company or institution issuing credit cards against bills raised in respect of one or more credit cards
- Receipts which is not includible u/s 10(17A) - Awards by CG / SG

31(BA) – INSERTED – 269ST

- 31(ba) - Particulars of each receipt in an amount exceeding the limit specified in section 269ST:
  - in aggregate from a person in a day or
  - in respect of a single transaction or
  - in respect of transactions relating to one event or occasion from a person, during the PY
- where such receipt is otherwise than by a cheque or bank draft or use of electronic clearing system through a bank account

31(BA) – INSERTED – 269ST

- 31(ba) – (i) Name, address and Permanent Account Number (if available with the assessee) of the payer;
- (ii) Nature of transaction;
- (iii) Amount of receipt (in Rs.);
- (iv) Date of receipt;

31(BB) – INSERTED – 269ST

- 31(bb) - Particulars of each receipt in an amount exceeding the limit specified in section 269ST, in aggregate from a person in a day or in respect of a single transaction or in respect of transactions relating to one event or occasion from a person, during the PY, where such receipt is by a cheque or bank draft not being an account payee cheque or an account payee bank draft, during the previous year

31(BC) – INSERTED – 269ST

- 31(bc) - Particulars of each payment made in an amount exceeding the limit specified in section 269ST, in aggregate from a person in a day or in respect of a single transaction or in respect of transactions relating to one event or occasion from a person, during the PY, where such receipt is otherwise than by a cheque or bank draft or use of electronic clearing system through a bank account

31(BD) – INSERTED – 269ST

- 31(bd) - Particulars of each payment in an amount exceeding the limit specified in section 269ST, in aggregate from a person in a day or in respect of a single transaction or in respect of transactions relating to one event or occasion from a person, during the PY, where such receipt is by a cheque or bank draft not being an account payee cheque or an account payee bank draft, during the previous year

31(BD) – INSERTED – 269ST

- Particulars at (ba), (bb), (bc) and (bd) need not be given in the case of receipt by or payment to a Government company, a banking Company, a post office savings bank, a cooperative bank or in the case of transactions referred to in section 269SS or in the case of persons referred to in Notification No. S.O. 2065(E) dated 3rdJuly, 2017

36A - INSERTED

- 36A (a) Whether assessee has received any amount in the nature of dividend as referred to s. 2(22)(e)? (Yes/No)
- 115 O amended w.e.f. AY 2018-19 – 30%
- Would assessee give details??
- How to ascertain accumulated profits of payer?
- S. 41(2) profit is not part of accumulated profits [CIT vs. Urmila Ramesh (1998) 230 ITR 422 (SC)]

36A - INSERTED

- Accumulated profits are revenue profits not capital profits:
  - Tea Estate India Pvt. Ltd. vs. CIT (1976) 103 ITR 785 (SC)]
  - First ITO vs. Short Brothers Pvt. Ltd. (1966) 60 ITR 83 (SC)
  - CIT vs. Mangesh J. Sangiri (1979) 119 ITR 962 (Bom)
- 36A (b) If yes, please furnish the following details:-
  - (i) Amount received (in Rs.):
  - (ii) Date of receipt:"

42 - INSERTED

- 42 (a) - Whether the assessee is required to furnish statement in Form No.61 or Form No. 61A or Form No. 61B? (Yes/No)
- 42 (b) - If yes, please furnish :-
  - ITDREIN
  - Type of Form
  - Due date for furnishing
  - Date of furnishing, if furnished
  - Whether Form contains information about all details / transactions which are required to be reported. If not, furnish list of details/transactions- not reported.

PROVISIONS - SECTIONS

139A(5)(c)	• Quoting of PAN
285BA	• Statement of Specified Financial Transactions
271FA / 271FAA / 272B	• Penalties

PROVISIONS - RULES

114B	• Transactions in which PAN is to be quoted
114C	• Verification of PAN
114D	• Furnishing of Form 60
114E	• Furnishing of Statement of Financial Transaction (AIR)
114F – H	• Furnishing of Statement of Reportable Account

PROVISIONS - FORMS

60	• Declaration from persons who do not have PAN
61	• Statement containing particulars of declaration received in Form No. 60
61A	• Statement of Specified Financial Transactions (AIR)
61B	• Furnishing of Statement of Reportable Account

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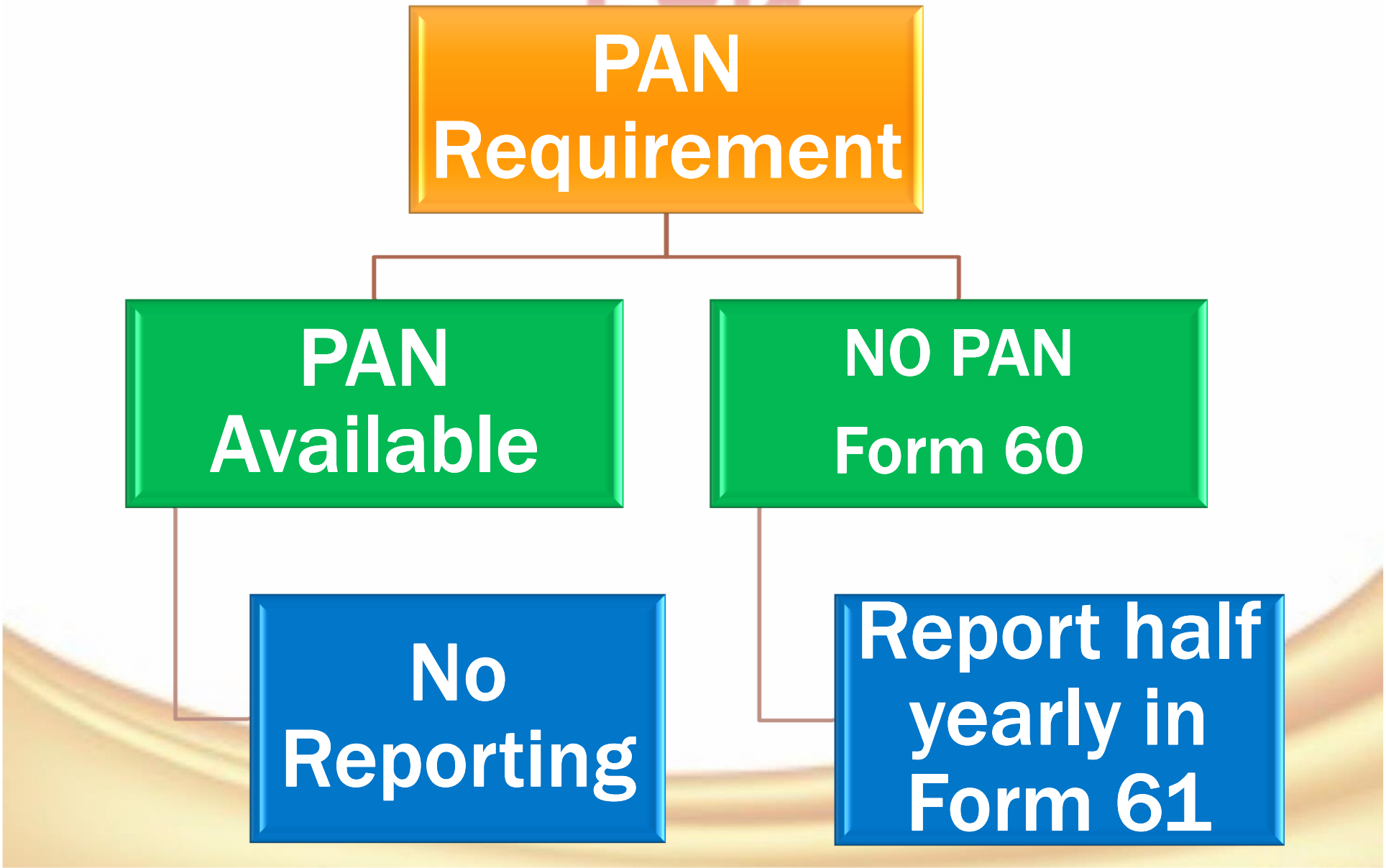
PAN



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PAN QUOTING W.E.F. 01.01.2016

S. No.	Nature of Transaction	Value of Transaction
1	Sale / Purchase of Motor Vehicle or Vehicle other than 2 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 (earlier 25K)	Cash > 50000/-

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PAN QUOTING W.E.F. 01.01.2016

S. No.	Nature of Transaction	Value of Transaction
6	Payment for Foreign Travel or foreign currency at 1 time (earlier 25K)	Cash > 50000/-
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 1 day	> 50000/-
11	Bank Draft / Pay Order / Banker Cheque during one day	Cash > 50000/-

PAN QUOTING W.E.F. 01.01.2016

S. No.	Nature of Transaction	Value of Transaction
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 1 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

PAN QUOTING W.E.F. 01.01.2016

S. No.	Nature of Transaction	Value of Transaction
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) [E - 50k for issue of shares all Cos]	> 1 Lac
17	Sale / Purchase of Immovable Property (earlier 5 L)	> 10 Lacs Tran. value or 50C value

PAN QUOTING W.E.F. 01.01.2016

S. No.	Nature of Transaction	Value of Transaction
18	Sale / purchase of goods / services (earlier 5 L for bullion or jewellery dealer only)	> 2 Lacs per transaction

- Effective from 1st January 2016
- Concerned person to verify PAN & mention in all documents /invoice/applications
- If no PAN – take Form 60
- If Minor– PAN of Father/Mother/Guardian

PAN QUOTING – NOT REQUIRED

- CG / SG / Consular Offices
- Non-Residents for all except:
  - 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
  - Purchase of DD / PO / Bankers cheque
  - Payment for prepaid instruments
  - Sale/purchase of goods/services exceeding Rs. 2L

IMPORTANT FEATURES OF FORM 60

- Applicable to all except companies & firm
- If PAN is applied, then application no. to be filled
- If PAN not applied as income is below taxable limits – give estimate of total income
- If estimated total income exceeds taxable limits - Form 60 cannot be accepted unless PAN applied for acknowledgement no. is not mentioned.

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IMPORTANT FEATURES OF FORM 60

- Amount & mode of transaction also to be given
- Proof of Identity and address to be furnished along with Form 60
- In case transaction is by HUF, then proof of Karta
- In case transaction is by more than 1 persons, number of persons to be mentioned.
- Wrong verification prosecution u/s 277
  - 3 months to 2 yrs & Fine;
  - If amount > 25 Lacs – 6 months – 7 yrs & Fine

FILING DETAIL OF FORM 60 – FORM 61

- Everyone not to file statement in Form 61 with department for PAN collection
- Only persons who does not take PAN, but take Form 60 have to file half yearly:
  - Received upto 30th September – 31st October
  - Received upto 31st March – 30th April
- Retain Form 60 for 6 years from end of the FY in which the transaction was undertaken. (earlier Form 60 were also to be filed)

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SFTS - [1.04.2016]

S. No.	Nature & Value of Transaction	Reporting Person
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. [E- 5L bonds all modes]	Banks
1(c)	Cash deposits / withdrawals (including bearer's cheque) aggregating > Rs. 50 Lacs in a FY from 1 or more current account of a person.	Banks

SFTS - [1.04.2016]

S. No	Nature & Value of Transaction	Reporting Person
2	Cash deposits agg. > Rs. 10 Lacs in a FY, in 1 or more a/cs (other than current a/c & time deposit) [E- saving A/c]	Banks P.O.
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 [E – 2L]	Banks issuing Credit Cards

SFTS - [1.04.2016]

S. No.	Nature & Value of Transaction	Reporting Person
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) [E- 5L]	Company Institution
6	Receipt from a person aggregating > Rs. 10 Lacs in a FY for acquiring shares (including share application money) issued by co. [E- Pub / Rght 1L]	Company
7	Buy back of shares from a person (other than bought in open market) for aggregating > Rs. 10 Lacs in a FY	Listed Co.

SFTS - [1.04.2016]

S. No.	Nature & Value of Transaction	Reporting Person
8	> Rs. 10 Lacs in a FY for acquiring units of 1 or more schemes of a MF (except switching) [E- 2L]	MF
9	Sale of foreign currency including through debit /credit card or traveller chq. or draft etc agg. > 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

SFTS - [1.04.2016]

S. No.	Nature & Value of Transaction	Reporting Person
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
12	Cash Deposit from 9.11.16 to 30.12.16 aggregating: • ≥ 12.50 Lacs in 1 or more Current account of a person • ≥ 2.50 Lacs in other than current account	Bank / PO (inserted by 15.11.16)
13	Cash Deposited from 1.4.16 to 9.11.16 in respect of accounts reportable under S. No. 12	Bank / PO (Inserted by 6.1.17)

SFT??

- A Pvt. Ltd. issues following invoices:
  - 1.4.17 – Rs. 1 Lakh
  - 1.5. 17 – Rs. 1.50 Lakhs
  - 2.6.17 – Rs. 1 Lakh
  - It receives Rs. 3.50 Lakhs in cash on 15.6.17. Is this a reportable SFT?
    - No, Take care of 269ST
- M/s ABC issues an invoice of Rs. 3 Lakhs. Receives Rs. 1.50 Lakhs by Cheque and balance by Cash. Is it reportable SFT?
  - No

SFT??

- XYZ Pvt. Ltd. issues following invoices:
  - 1.7.17 – Rs. 2.50 Lakh
  - 1.8.17 – Rs. 1.50 Lakhs
  - It receives amounts in cash as under:
    - Rs. 1.50 Lakh on 15.6.17.
    - Rs. 1.50 Lakh on 16.8.17
    - Rs. 1.00 Lakh on 10.9.17
    - Is this a reportable SFT? If yes on which amount?
      - Yes, 2.50 reportable

SFT REPORTING

- Report annually by 31st May in Form 61A
- For 12th item before 31st January 2017
- Is Nil Form 61A required to be file mandatorily?
  - No
- Is filing Preliminary Response to Form 61A mandatory?
  - No

HOW TO DETERMINE THRESHOLD LIMITS

- Take into account all the accounts of the same nature in respect of that person;
- Aggregate all the transactions of the same nature in respect of that person (except S. No. 10 & 11) (amended w.e.f. 6.10.16);
- Attribute entire value of transaction or the aggregated value of all transactions to all persons, in a case more than 1 person;
- Apply threshold limit separately to deposits & withdrawals in respect of Current a/c

PRESS RELEASE DT. 23.12.2016

- CBDT vide Notification No. 91/2016 dated 6th October, 2016 has amended Sub-Rule 3 of Rule 114E clearly indicating that
- The said transactions did not require aggregation and
- The reporting requirement under SFT for this purpose is on receipt of cash payment exceeding Rs. 2 Lakh for sale of goods or services per transaction.

PENALTY U/S 271FA

- Failure to furnish Form 61A
  - Rs. 100 per day increased to Rs. 500/- p.d. w.e.f. AY 2018-19
  - In case notice issued u/s 285BA(5) – Rs. 500 per day after 30 days increased to Rs. 1000/- p.d. w.e.f. AY 2018-19

43 - INSERTED

- 43 (a) - Whether the assessee or its parent entity or alternate reporting entity is liable to furnish the report as referred to in s. 286(2)? (Yes/No)
- 43 (b) - If yes, please furnish :-
  - Whether report has been furnished by the assessee or its parent entity or an alternate reporting entity Name of parent entity. [For FY 2017-18 due date is 31.3.2019]??
  - Name of alternate reporting entity (if applicable) Date of furnishing of report

44 – INSERTED – DEFERRED TO 31.3.2019

- 44 - Break-up of total expenditure of entities registered or not registered under the GST. Total amount of Expenditure incurred during the year
- Expenditure in respect of entities registered under GST
  - Relating to goods or services exempt from GST
  - Relating to entities falling under composition scheme
  - Relating to other registered entities
  - Total payment to registered entities
- Expenditure relating to entities not rgd. in GST

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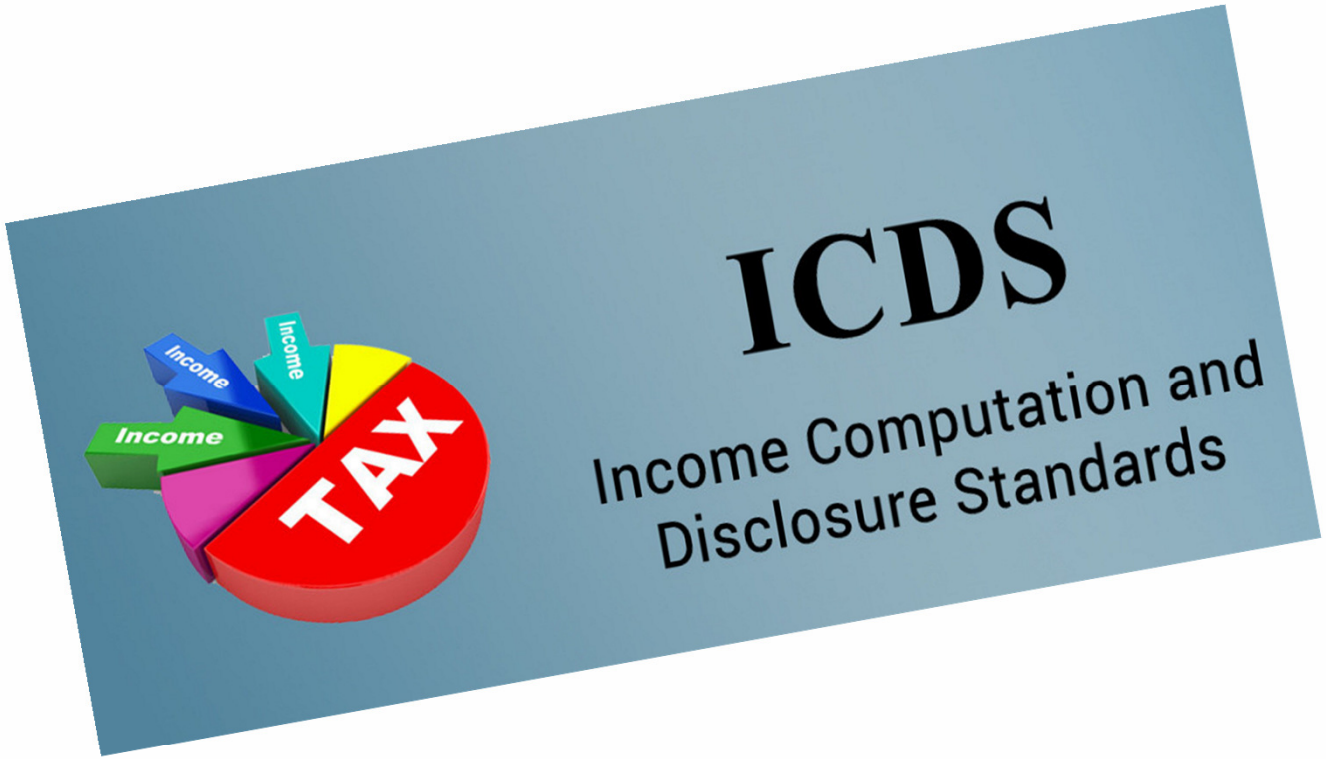

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BASICS

Source	• Section 145(2)
Effective Date	• w.e.f. AY 2017-18
No. of Standards	• 10 vide Not. Dt. 29.09.2016
Disclosure	• Para 13 of Form 3CD & ITR
DHC	• The Chamber of Tax Consultants & Anr vs. UOI
I T Act	• Amendment made through FA 2018 w.r.e.f AY 2017-18

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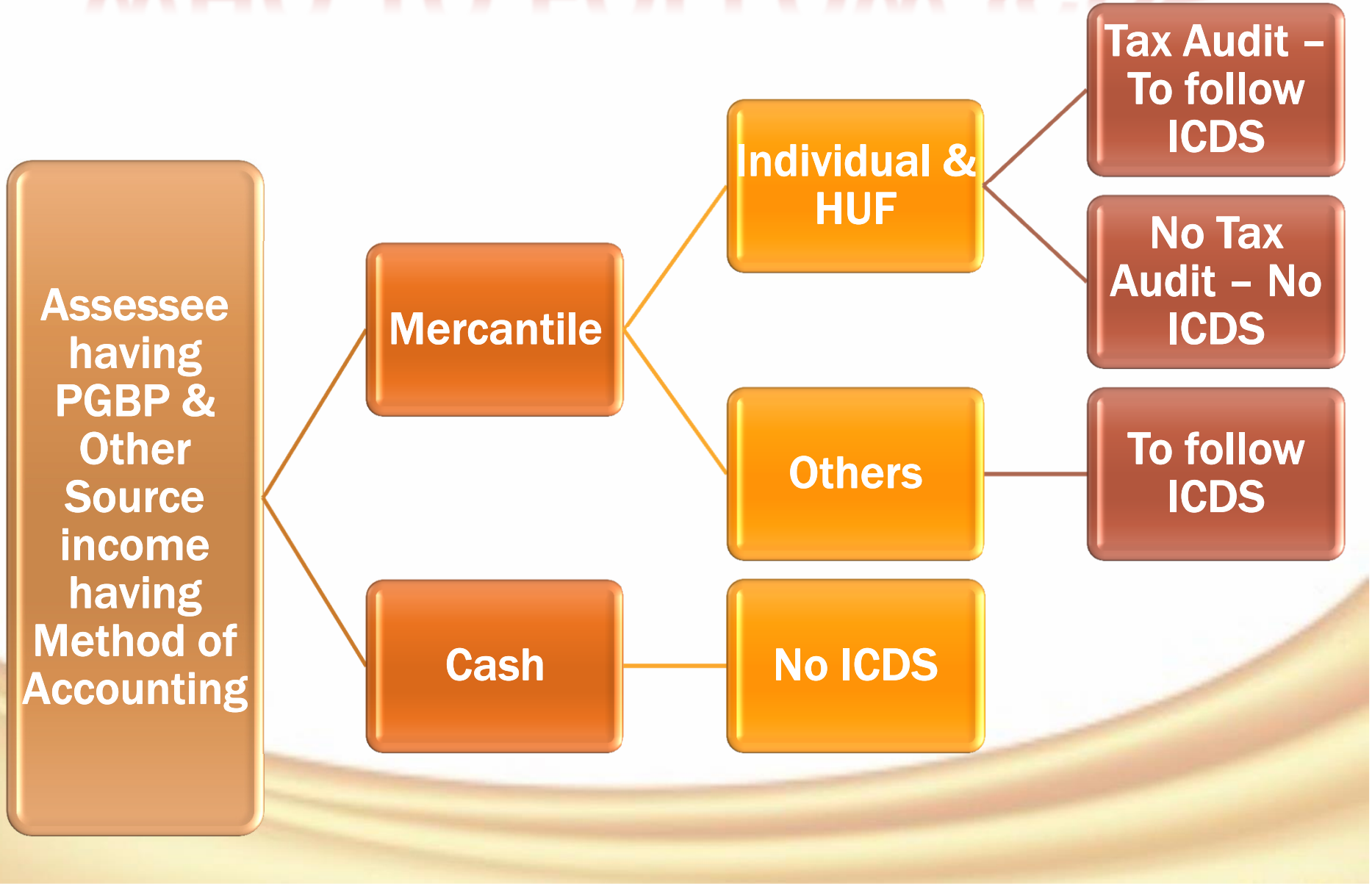
WHO TO FOLLOW ICDS



STRUCTURE

- Preamble
- Scope
- Contents
- Transitional Provisions
- Disclosure

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FINANCE ACT 2018

- Various provisions amended w.r.e.f. AY 2017-18
- S. 145A - amended
  - ICDS 2 (Valuation of Inventories)
  - ICDS 8 (Securities)
- S. 145B - inserted
  - ICDS 4 (Revenue Recognition)
  - ICDS 7 (Government Grants)
- S. 36(xvii) inserted –Mark to Market Loss –ICDS1
- S. 40A amended - ICDS 1 (Accounting Policies)
- S. 43AA inserted -ICDS 6(Foreign Exchange Rate)
- S. 43CB inserted -ICDS 3 (Cons. Cont.) / ICDS 4

FORM 3CD –CLAUSE - 13

- (a) Method of accounting employed in previous year – Mercantile / cash
- (b) Change in method of accounting applied
- (c) If, yes, effect thereof on profit / loss
- (Old d) Deviation in method of accounting from accounting standards prescribed u/s 145 and effect thereof on P/L
- ICDS reporting brought in w.e.f. 1.4.2017

FORM 3CD –CLAUSE - 13

- (d) – Whether any adjustment is required to be made to the profits or loss for complying with the ICDS notified u/s 145(2)
- (e) – Is, yes, give details
- (f) – Disclosure as per ICDS
  - For 8 standards
  - Two omitted as no disclosure required as per the standard:
    - Changes in Foreign Exchange Rates
    - Securities

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FORM 3CD –CLAUSE – 13(E)

ICDS	Name of ICDS	Increase in Profit	Decrease in Profit	Net (Rs.)	Description
I	Accounting Policies	14 Ch			
II	Valuation of Inventories				
III	Construction Contracts				
IV	Revenue Recognition				
V	Tangible Fixed Assets				
VI	Changes in Foreign Exchange Rates				
VII	Government Grants				
VIII	Securities				
IX	Borrowing Costs				
X	Provisions, Contingent Liab & Assets				
	Total				

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FORM 3CD –CLAUSE – 13(F)

ICDS	Name of ICDS	Disclosures	Descrip.
I	Accounting Policies	500 Character	
II	Valuation of Inventories		
III	Construction Contracts		
IV	Revenue Recognition		
V	Tangible Fixed Assets		
VII	Government Grants		
IX	Borrowing Costs		
X	Provisions, Contingent Liab & Assets		

ITR

Schedule ICDS	Effect of Income Computation Disclosure Standards on profit	
Sl. No.	ICDS	Amount
(i)	(ii)	(iii)
I	Accounting Policies	
II	Valuation of Inventories *(other than the effect of change in method of valuation u/s 145A, if the same is separately reported at col. 4d or 4e of Part A-OI)*	
III	Construction Contracts	200000
IV	Revenue Recognition	300000
V	Tangible Fixed Assets	
VI	Changes in Foreign Exchange Rates	
VII	Government Grants	
VIII	Securities *(other than the effect of change in method of valuation u/s 145A, if the same is separately reported at col. 4d or 4e of Part A-OI)*	
IX	Borrowing Costs	5000
X	Provisions, Contingent Liabilities and Contingent Assets	
11a	Total Effect of ICDS adjustments on Profits (I+II+III+IV+V+VI+VII+VIII+IX+X) (If Positive)	505000
11b	Total Effect of ICDS adjustments on Profits (I+II+III+IV+V+VI+VII+VIII+IX+X) (If Negative)	

ITR – PART A - OI

- 3a - Increase in Profit or decrease in loss because of deviation, if any as per ICDS notified u/s 145(2) [Column 11a(iii) of Schedule ICDS]
- 3b - Decrease in Profit or Increase in loss because of deviation, if any as per ICDS notified u/s 145(2) [Column 11b(iii) of Schedule ICDS]

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ITR – SCHEDULE BP

- 25. Increase in Profit or decrease in loss on account of ICDS adjustments and deviation in method of valuation of stock (Column 3a + 4d of Part A OI)
- 33. Decrease in Profit or Increase in loss on account of ICDS adjustments and deviation in method of valuation of stock (Column 3b + 4e of Part A OI)

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ACCOUNTING POLICIES

If books / FS as per AS / Ind AS → Effect and disclosure in Form 3CD

If books / FS as per ICDS → Qualify in Audit Report → Disclosure in Form 3CD

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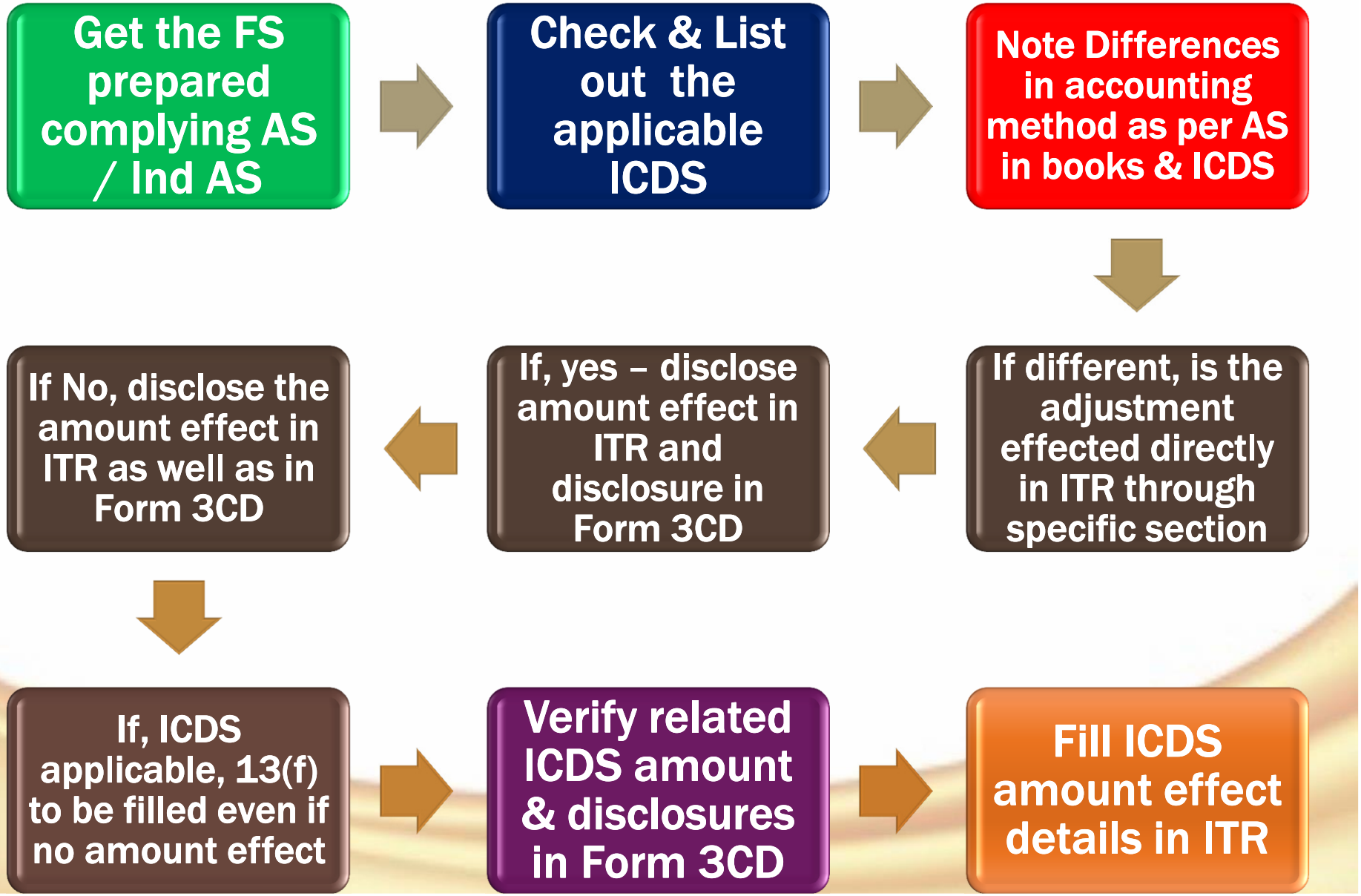
WHAT TO DO – PRACTICAL APPROACH



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II – VALUATION OF INVENTORIES

ICDS II – TAX DUTIES

- AS: The costs of purchase shall consist of purchase price including duties & taxes (other than those subsequently recoverable by the enterprise from the taxing authorities), freight inwards & other expenditure directly attributable to the acquisition. (Exclusive method).
- ICDS: The costs of purchase shall consist of purchase price including duties and taxes, freight inwards & other expenditure directly attributable to the acquisition. (Inclusive method)
- Already u/s. 145A since 1.4.1999 amended now

ICDS II – TAX DUTIES

- Assuming that the assessee has opening stock of Rs.3,30,000/- on which input tax rebate of Rs.30,000/- is available.
- During the year three items purchased @ Rs.3,00,000/- per item.
- VAT on purchase @ 10%. There is no opening stock.
- Two items are sold @ Rs.4,50,000/- per item. VAT on sales @ 10%

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ICDS II – TAX DUTIES

The Trading Account on "EXCLUSIVE METHOD"

Particulars	Qty.	Rate	Amount	Particulars	Qty.	Rate	Amount
To Opening Stock	1	3,30,000	3,30,000	By Sales	2	4,50,000	9,00,000
Less Input tax rebate			30,000				
			3,00,000				
To Purchases	3	3,00,000	9,00,000	By Closing Stock	2	3,00,000	6,00,000
To Gross Profit			3,00,000				
Total			**15,00,000**				**15,00,000**

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ADJUSTMENT U/S 145A

Sl. No.	Particulars	Increase in profit (Rs)	Decrease in profit (Rs)
1	Increase in Opening Stock on inclusion of VAT		30000
2	Increase in Purchases on inclusion of VAT		90000
3	Increase in Sales on inclusion of VAT	90000	
4	Increase in Closing Stock on inclusion of VAT	60000	
5	VAT paid on sales		90000
6	VAT credit availed on cost of goods sold	60000	
		210000	210000

The net impact on Profit & Loss Account is NIL.

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COMPUTATION OF INCOME

Guidance Note on Tax Audit under Section 44AB of the Income-tax Act, 1961

The computation of total income would appear as under:-

Profit as per Profit & Loss account on the basis of exclusive method			Rs.3,00,000
Add: Adjustments required under section 145A			
1.	Increase in Sales on inclusion of VAT		Rs. 90,000
2.	Increase in Closing Stock on inclusion of VAT		Rs. 60,000
	Total		Rs. **4,50,000**
Less:			
1.	Increase in Opening Stock on inclusion of VAT		Rs. 30,000
2.	VAT Credit Receivables (Input) A/c		Rs. 90,000
3.	VAT Paid on sales	90,000	
	Less: VAT Credit availed on Cost of Goods Sold	60,000	
	Net VAT Paid		Rs.30,000
	Profit		Rs. 3,00,000

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FINANCE ACT 2018 – S. 145A

- Valuation of inventory shall be made at lower of actual cost or NRV in accordance with ICDS notified u/s 145(2)
- Valuation of purchase and sale of goods or services and of inventory shall be adjusted to include the amount of any tax, duty, cess or fee actually paid or incurred by the assessee to bring the goods or services to the place of its location and condition as on the date of valuation.

ICDS II – DISCLOSURES

- Accounting policies adopted in measuring inventories including the cost formulae used. Where Standard Costing has been used as a measurement of cost, details of such inventories and a confirmation of the fact that standard cost approximates the actual cost;
- The total carrying amount of inventories and its classification appropriate to a person.
- AS – same as above except underlined content

ICDS II – PRACTICAL IMPLICATION

- Disclosures
  - Same as per AS 2, but if standard cost used.. State whether it approximates the actual cost
  - Carrying amount??
- If there is change in method of valuation of inventory its change in accounting policy... follow AS 1 disclosure
- Take care at time of dissolution of partnership firm

ICDS II – PRACTICAL IMPLICATION

- Disclosure for not following inclusive method of valuation of inventory – non-compliance of s. 145A
  - Already reporting at Para 14(b) of Form 3CD– refer Para 23 of ICAI Tax Audit Guidance Note (After GST – refer Paras 23.18 to 23.24)
  - ITR for AY 2018-19 says to disclose other than 145A?? Form 3CD??
- Borrowing costs for inventories only if they require a period of 12 months or more to bring them to a saleable condition

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FORM 3CD –CLAUSE – 13(E)

ICDS	Name of ICDS	Increase in Profit	Decrease in Profit	Net (Rs.)	Description
					Other than 145A disclosure
	Total				

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FORM 3CD –CLAUSE – 13(F)

ICDS	Name of ICDS	Disclosures
II	Valuation of Inventories	• Refer to Note No. _ (SAP) to Financial Statements • For carrying amount & classification refer Note No. _ to Balance Sheet • Inventories are not inclusive of duties and taxes, yet there is no effect on profits u/s 145A, refer to clause 14(b) of Form 3CD • Difference over cost to NRV in case of dissolution of firm is to be disclosed u/s 145A, hence not disclosed in ICDS. • Assessee is following Standard Costing as a measurement of cost, and that approximates the actual cost

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AUDIT NOT DOCUMENTED IS AUDIT NOT DONE

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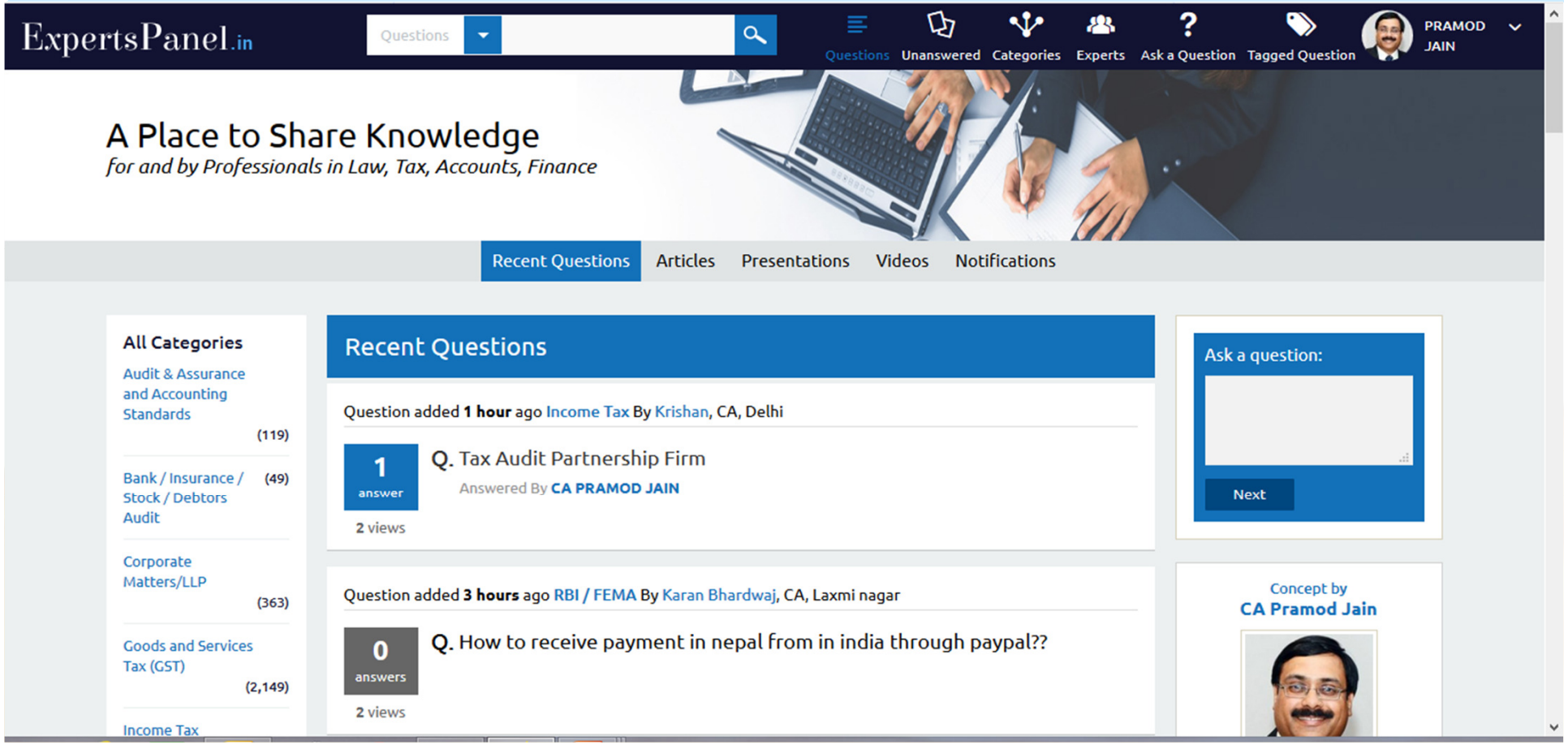

Together ...we shall make it....

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