

The background of the slide is a dense field of 3D-rendered numbers in various shades of blue and white. The numbers are of different sizes and are scattered across the entire frame, creating a sense of depth and complexity. Some numbers are in the foreground, while others are in the background, partially obscured.

Applicability of Tax Audit under Income Tax Act, 1961

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Purview of Tax Audit Applicability

Sec 44AB – Audit for the Person carrying on Business or Profession.

Sec 44AB – Audit for Person carrying on Business or Profession.

Every person carrying

Business: If his total sales or turnover or gross receipts exceeds 1 Crore in any previous year. (Amendment).

Business: Profits and gains of such person less than presumptive under section 44AE

Profession: If his gross receipts in profession exceed 50 Lacs in any previous year

Profession: Profits and gains of such person less than presumptive under section 44ADA

Business : If section 44AD(4) is applicable and his income exceeds the maximum amount which is not chargeable to income-tax in any previous year

Amendment for Sec 44AB

◇ If his total sales or turnover exceeds 1 Crore in any previous year,

Provided that in the case of a person whose—

- (a) aggregate of **all amounts received** including amount received for sales, turnover or gross receipts during the previous year, **in cash**, does **not exceed 5%** of the said amount; and
- (b) aggregate of **all payments made** including amount incurred for expenditure, **in cash**, during the previous year does **not exceed 5%** of the said payment,

this clause shall have effect as if for the words “~~1 Crore~~”, the words “**5 Crore**” had been substituted application from 01/04/2020 i.e. F.Y. 2020-21.

Point to be noted: Section 44AB is assessee wise and not business wise.

RULE 6G

- ◇ The Audit Report to be furnished under section 44AB shall:
 - a. In case person carrying on business or profession being audited under any other law also, be in form no. 3CA.
 - b. In case person carrying on business or profession not being audited under any other law also, be in form no. 3CB.

Along with particulars required to be furnished shall be in form no. 3CD.

So, Audit Report may be either or Form no. 3CA + 3CD (Company assessee)
or Form no. 3CB + 3CD (other assessee).

Sec 44AA – Maintenance of books of accounts

Every Person carrying:

(1) Legal, Medical, Engineering or Architectural profession or the profession of Accountancy or Technical Consultancy or Interior Decoration or any other profession as is notified by the Board. Subject to Rule 6F

(2) Business or profession [not being a profession referred to in sub-section (1)]:

Running Business:

a. Income > 1.2 Lacs [Individual & HUF > 2.5 Lacs]

OR

a. Turnover or Receipts > 10 Lacs [Individual & HUF > 25 Lacs]

in any one of the 3 years immediately preceding the previous year

New Business: Likely to exceed the above criteria in previous year.

keep and maintain such books of account and other documents as may enable the Assessing Officer to compute his total income in accordance with the provisions of this Act.

RULE 6F

- ◆ Every person engaged in profession of Legal, Medical, Engineering, Architectural, Accountancy, Interior Decoration, Film Artists, Company Secretaries, Information Technology maintained prescribed books of account if :
 - a. Gross Receipts in all preceding 3 Previous Year > Rs. 1.5 Lacs.
- OR
- b. If new profession then likely to exceed limit of Rs. 1.5 Lacs.
- ◆ Prescribed books:- cash book, Journal, Ledger, Invoices and Vouchers.



Consequence of ignorance of discussed sections:-

Sec 271A – Penalty for non-compliance of Sec. 44AA

- ◆ Flat Rs. 25,000/- for failure of keeping books of account as prescribed by the said section.

Sec 271B – Penalty for non-compliance of Sec. 44AB

- a. 0.5% of Turnover/Receipts OR b. Flat Rs. 1,50,000/- (w.e.i. less)
for failure for getting books of account audited as prescribed by the said section.

Sec 44AD – Presumptive Provision for Profit from Business.

(1) Eligible assessee engaged in an eligible business:-

a. 6% of the part of total turnover or gross receipts which is received by an modes prescribed AND

b. 8% of the part of total turnover or gross receipts which is received by an other than modes prescribed,

be deemed to be the profits of such business for taxability or such higher sum.

(2 & 3) Deemed Business Deductions and Depreciation provided.

(4) 5 years lock in and lock out period.

(5) Books and Audit if 44AD(4) applicable + income more than exemption limit.

~~Commission / Brokerage and Agency Business.~~

Point to be noted: Section 44AD is business wise and not assessee wise.

Sec 44AD – Presumptive Provision for Profit from Business.

Eligible assessee

- An individual, Hindu undivided family or a partnership firm AND
- Who not claimed deduction under any of the sections 10A, 10AA, 10B, 10BA or deduction under any provisions of Chapter VIA under the heading C-Deductions in respect of certain incomes

Eligible business

- any business **except** the business of plying, hiring or leasing goods carriages referred to in section 44AE AND
- whose total turnover or gross receipts in the previous year does **not exceed** an amount **2 Crores**.

Sec 44ADA – Presumptive Provision for Profit from Profession.

(1) Profession referred to in sub-section (1) of section 44AA:

Total gross receipts **not more than 50 Lacs**,

- a. a sum equal to 50% of the total gross receipts of the assessee in the previous year
OR
- b. Such higher sum declared,
be deemed to be the profits of such profession for taxability.

(2 & 3) Deemed Business Deductions and Depreciation provided.

(4) Claims lower than presumptive % AND whose total income exceeds the exemption limit shall be required to comply section 44AA and 44AB.

Example & Case studies

- ◆ Suppose an assessee has 2 businesses, A & B, having turnover of Rs.480 Lakhs & Rs.30 lakhs respectively assuming all amounts received for sale/payments incurred for expenditure are not exceeding 5%. A & B both are proprietary concerns, In this case:
- ◆ Section 44AA shall be applicable to both the businesses, A & B, provided turnover each of them exceeds Rs.25,00,000 in any of the preceding 3 previous years.
- ◆ Section 44AB shall also be applicable with regard to business A & B, since total turnover exceeds Rs.5 crore of the assessee. **(Assesse Wise)**
- ◆ The assessee may not opt for presumptive scheme u/s 44AD for business A as it does exceed Rs.2 crores and may opt for presumptive scheme u/s 44AD for business B.
- ◆ **Case Study: 1. Turnover Rs. 1.5 crores for the A.Y.2021-22** assuming all amounts received for sale/payments incurred for expenditure are exceeding 5%. Section 44AB applicable?
- ◆ **In the above example what if** all amounts received for sale/payments incurred for expenditure are not exceeding 5%. Section 44AB applicable?

CONCLUSION

- ◆ Rather than a customary “Thank You” slide, summarize the content will make it more easy for you to remember the section. **Anything not concluded is half forgotten when the article/event/book is over.**



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