

The Institute of Chartered Accountants of India

(Set up by an Act of Parliament)

Chengalpattu District Branch of SIRC of ICAI

(Formerly Known as Kanchipuram District Branch)



**E- Newsletter
September 2023**

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Chengalpattu District Branch of SIRC of ICAI

Managing Committee Team 2023-24



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Branch Chairman



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Vice Chairman



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CA. Ravichandran S
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Ex- Offico Member - Chengalpattu District Branch of SIRC of ICAI



CA. Sundararajan R
RCM, SIRC



CA. Rekha Uma Shiv
RCM, SIRC

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ARTICLES INVITED FROM MEMBERS

Note: Articles are invited from members for publishing in newsletter. The articles shall be either on the specific subject or a general article. Members can mail their article with Name, Membership Number, Mobile Number, Residential Address, Office Address & Photo to our Mail mentioned below

Email id: chengalpattu@icai.org

Note: The views expressed in the articles published are their own views and Chengalpattu District Branch does not endorse or take responsibility for the views expressed in the articles.

From the Chairman's Desk

Esteemed Professional Colleagues, Greetings!



First of all, I wish to narrate the events happened in the last month. The term “August” means: impressive, grand, majestic, dignified, noble, eminent, etc. As the name of the month itself suggests, the previous month happened to be a great and magnificent month of the Branch. This is mainly due to the Two Days State Level Sub Regional Conference “Aathichudi” held on 11th and 12th of August 2023.

The Sub Regional Conference was happened to be a successful and grand one. The Conference was attended by more than 600 delegates. It received good laurels because of the support from all the stakeholders, particularly the Members, Students Volunteers & Staff of the Branch. All the guests, Speakers and members flooded with their testimonials by greatly applauding the way in which event was organized, convened, conducted and executed.

I thank on behalf of Managing Committee of the Branch, all the wishing hearts on the grand success of the Programme.

Members Programs which were carried out in the month August 2023 are;

- Two Days Sub Regional Conference on 11th & 12th August 2023 (Friday & Saturday)
- 77th Independence Day Celebrations at Branch Premises
- CPE Program on “Form3CD – Practical Issues and Analysis of Specific Clauses” by CA Jainendar.P
- CPE Program on “ICDS in TAX AUDIT”

Now, I wish to move towards the oncoming programmes of September Month. In the month of September 2023, the members will be very busy in tax audit and company audit assignments of their respective offices.

The following activities have been planned for the current month.

- Teachers’ Day Celebrations on 5th September at Branch Premises
- Conducting of Elocution competitions for Students in the topic: “Learnings from My Principal – My Teacher ” in the eve of the Teachers’ Day

I request the members to take the advantages of Annual membership facility of our branch. For Registration, please click on <https://events.cglportal-icai.org/arc> and also we request all the members to share your suggestions /ideas if any to Chengalpattu@icai.org

**With Best Regards,
CA. Sivagurunathan. T
Chairman
1st September 2023**

Form 3CD - Practical Issues & Analysis of Specific Clauses



CA. Jainendar

LEGISLATION OF TAX AUDIT	
Sec 44AB	<ul style="list-style-type: none">• 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	<ul style="list-style-type: none">• Prescribing the Forms for Report u/s 44AB
Form 3CA	<ul style="list-style-type: none">• Report in case of a person who is required to get his A/cs audited under any law
Form 3CB	<ul style="list-style-type: none">• Report in any other case
Form 3CD	<ul style="list-style-type: none">• Particulars as required under Form 3CA or 3CB
Sec 271B	<ul style="list-style-type: none">• Penalty ½% maximum Rs. 1.50 L

WHO CAN CONDUCT AUDIT?

- W.e.f. 1st June 2015
- **ACCOUNTANTS** as defined in Explanation below S.288 (2)
- A Chartered Accountant as defined in section 2(1)(b) of the Chartered Accountant Act, 1949 who holds a valid certificate of practice u/s 6 (1) of the Act
- CA in practice (Can represent)

DISQUALIFICATION OF TAX AUDITOR



ROLE OF CHARTERED ACCOUNTANT & ARTICLE ASSISTANTS IN CARRYING OUT TAX AUDIT

- ❑ As a tax auditor
 - Primarily an auditor –who is also aware of tax provisions
- ❑ Accordingly, has to consider all of the following when carrying out the assignment of Tax Audit
 - Auditing Standards
 - Accounting Standards prescribed by ICAI (and notified standards under section 133 of the Companies Act 2013 in the case of Companies)
 - Guidance Notes (G.N.) issued by ICAI
 - Directions issued by Council including those relating to ethical requirements in regard to communication with previous auditor, limits for tax audit etc.
- ❑ Role of the articled student –crucial
 - Level of training and understanding will decide quality of audit & level of professional services.

CAN TAX AUDIT REPORT BE REVISED

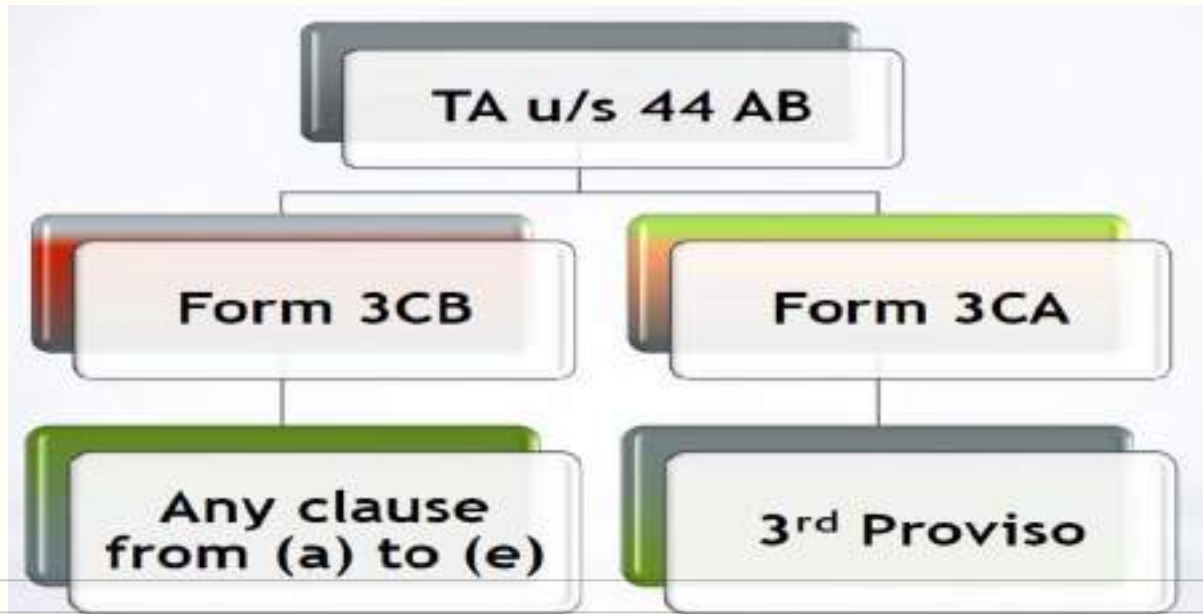
Report under section 44AB should not normally be revised. However, sometimes a member may be required to revise his tax audit report on grounds such as:

(i) revision of accounts of a company after its adoption in annual general meeting.

(ii) change of law e.g., retrospective amendment.

(iii) change in interpretation, e.g. CBDT's circular, judgments, etc.

(iv) Any other reason like system/software error requiring change in report already uploaded.



CLAUSE 8 - CLAUSES U/S 44AB UNDER WHICH AUDIT CONDUCTED

- **Clause 44AB(a)** - Total sales/turnover/gross receipts of business exceeding specified limits.
- **Clause 44AB(a)** - Proviso where aggregate cash receipts and cash payments of business exceeds specified limits.
- **Clause 44AB(b)** - Gross receipts in profession exceeding specified limits.
- **Clause 44AB(c)** - Profits and gains lower than deemed profit u/s 44AE/44BB/44BBB
- **Clause 44AB(d)** - Profits and gains lower than deemed profit u/s 44ADA.
- **Clause 44AB(e)** - When provisions of section 44AD(4) are applicable
- **Third proviso** to s.44AB - Audited under any other law.

CLAUSE 8 – AUDIT u/s 44AB

➤ SCENARIO – 1:

- M/s. ABC P Ltd was incorporated in January 2023
- Turnover achieved is 1.50 Crores upto March 2023
- Cash Receipts are more than 5%

Question - Which clause of S. 44AB is applicable and which Form to be selected for the FY 2022-23?

CLAUSE 8 – AUDIT u/s 44AB

➤ SCENARIO – 2:

Same as Scenario 1.

Question - Will it make any difference if the assessee is a LLP Firm instead of a Private Ltd Company?

CLAUSE 13 – ICDS

ICDS on Valuation of Inventory:

Para 26.16 of Tax Audit Guidance Note states that “*The adjustments envisaged by section 145A will not have any impact on the trading account of the assessee. In other words both under exclusive method of accounting and inclusive method of accounting, the gross profit in the trading account will remain the same*”.

CLAUSE 13 – ICDS

ICDS V on Tangible Fixed Assets:

A Private Limited company has addressed in the computation sheet the Depreciation as per Books and Depreciation as per Income Tax Act.

Question - Whether the same is required to be reported as adjustments as per ICDS V – Tangible Fixed assets in clause 13 of Form No: 3CD?

CLAUSE 18 – DEPRECIATION

In order to comply with this clause, tax auditor needs to **examine the following**:

- classification of the asset;
- classification thereof to a block;
- the working of actual cost or written down value;
- the date of acquisition and the date on which it is put to use;
- the applicable rate of depreciation;
- the additions / deductions and dates thereof;
- adjustments required –specified as well as on account of sale, etc.

CLAUSE 18 – DEPRECIATION

Practical Issues:

- Assets missing in physical count.
- Asset acquired in one year but put to use in the next financial year.
- Purchase of asset in Cash for more than Rs. 10k.
- Lorry Freight paid in Cash in for Rs. 28k for bringing Machinery to Factory.

CLAUSE 20(b) –SECTION 36(1)(va)

- Reporting is required irrespective of deductibility.
- Grace period should be considered for the purpose of reporting due date
- 5days grace period form a king remittance to EPFO by employers has been withdrawn effective February 2016
- Only ***Employee Contribution*** to be included.
- Disclosure directly linked to Disallowance in ITR.

CLAUSE 21(D) - SECTION 40A(3)/(3A)

Section 40A(3) – Disallowance of expenditure for payments made other than through account payee cheque during the financial year.

Section 40A(3A) – Disallowance of expenditure **incurred and allowed in prior years** for which payments are made in current financial year other than through account payee cheque.

CLAUSE 21(D) - SECTION 40A(3)/(3A)**Practical Issues:**

- Disallowance of Advance payment through Cash and expenditure recorded in subsequent FY?
- Business expenses incurred in Foreign currency equivalent conversion exceeded INR 10,000.

CLAUSE 21(D) - SECTION 40A(3)/(3A)**Para 36.3 of TA Guidance Note**

Practically, it may not be possible to verify each payment, reflected in the bank statement, as to whether the payment has been made through account payee cheque, demand draft, pay order or not, it is thus desirable that the tax auditor should **obtain suitable certificate from the assessee** to the effect that the payments for expenditure referred to in section 40A(3) and section 40A(3A) were made by account payee cheque drawn on a bank or account payee bank draft, as the case may be. **Where the reporting has been done on the basis of the certificate of the assessee, the fact shall be reported as an observation in clause (3) of Form No. 3CA and clause (5) of Form No.3CB, as the case may be.**

CLAUSE 23 – RELATED PARTY DISCLOSURE**SECTION 40A(2)(b)****Reporting requirement -**

- Name of Related Person
- PAN of Related Person
- Relation
- Nature of transaction
- Payment Made (Amount)

CLAUSE 23 – RELATED PARTY DISCLOSURE

SECTION 40A(2)(b)

Audit Procedure

- Obtain full list of specified persons
- Information supplied may be relied upon
- Disclosure under AS-18 should be verified
- Obtain details of expenditure / payments made
- Reporting of only PAYMENTS made for claiming an expense.

CLAUSE 26 – ALLOWANCE / DISALLOWANCE u/s 43B

- Details to be given whether or not amounts debited to profit & loss account
- Not required to determine any admissible or inadmissible amounts.
- Mercantile method of accounting – verify the particulars in clause (a) to (f) from books of accounts for current year as well as succeeding assessment year
- Examine the accounts of preceding year – to determine the amount of liability that pre-existed on the first day of the previous year and allowable as deduction on payment during the current year.

CLAUSE 26 – ALLOWANCE / DISALLOWANCE u/s 43B

Practical Issues:

- Is Profession tax liability required to be reported under section 43B ?
- Where taxes, duties etc. referred to in Section 43B are paid after tax audit is completed but before due date of filing returns, how should the same be dealt with by a Tax Auditor ?

CLAUSE 31 – SECTION 269SS/269T/269ST

- Particulars of each **loan or deposit** in an amount exceeding the limit specified in section **269SS** taken or accepted during the previous year
- Particulars of each **specified sum** in an amount exceeding the limit specified in section **269SS** taken or accepted during the previous year
- Particulars of each **payment of loan or specified advance** in an amount exceeding the limit specified in section **269T** made during the previous year.
- 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 transaction relating to one event or occasion from a person, during the PY

CLAUSE 31 – SECTION 269SS/269T/269ST

Practical Issues:

- Inter-adjustments of Loan receivable and payable through JV
- Repayment of Loan to Legal Heir
- Repayment of Loan through Installments (Exceptions HFC and NBFC). Borrowing / Repayment
- of Loans in personal capacity by the Individual.

CLAUSE 31 – SECTION 269SS/269T/269ST

Para 60.3 of TA Guidance Note:

Practically especially in case the repayments are voluminous, it may not possible to verify each repayment, reflected in the bank statement, as to whether the acceptance of deposits or loans or specified advance has been made through cheque, bank draft or not. It is thus desirable that the **tax auditor should obtain suitable certificate from the assessee** to the effect that the repayments referred to in this sub-clause were originally received by cheque or bank draft or electronic clearing system through a bank account as the case may be. Where the **reporting has been done on the basis of the certificate of the assessee, the same shall be reported as an observation in clause (3) of Form No. 3CA and clause (5) of Form No.3CB**, as the case may be.

CLAUSE 34a – TDS

- M/s. ABC & Co. receives certain services from its supplier M/s. XYZ P Ltd
- XYZ P Ltd obtained a certificate of lower deduction of tax at source u/s.194C in respect of services rendered by it (from 2% to 0.5%)
- Aggregate amount for the services rendered during the year was Rs.4lacs and TDS thereon was Rs.2,000/-
- How to report in clause 34(a)

<u>CLAUSE 34a – TDS</u>							
Section	Nature of payment	Total amount of payment or receipt of the nature specified in column (3)	Total amount on which tax was required to be deducted or collected out of (4)	Total amount on which tax was deducted or collected at specified rate out of (5)	Amount of tax deducted or collected out of (6)	Total amount on which tax was deducted or collected at less than specified rate out of (5)	Amount of tax deducted or collected on (8)
2	3	4	5	6	7	8	9
194C	Work	400000	400000	400000	2000	400000	2000
194C	Work	400000	400000				

CLAUSE 34a - TDS

Para 68.2 of the TA Guidance Note

It may not be possible for the tax auditor to decide which expenditure or any amount there of results into benefit or perquisite and ***it is advisable to seek management representation*** in this behalf. Reporting any limitation on such ascertaining amount may also be considered in view of the voluminous nature of the transactions, the tax auditor can apply test checks and compliance tests on the transactions reported in the TDS return by the assessee for verifying the information required to be provided under this clause.

CLAUSE 44 - BREAKUP OF EXPENDITURE

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
- Expenditure relating to entities not registered in GST.

OTHER ISSUES

- Date of signing and Date of uploading
- Whether the hard copy duly signed by tax auditor is to be issued to the assessee?
- Can the Form 3CA/3CB be revised?
- Updating UDIN in Audit reports

SA 700 - PARA 3 of Form 3CB

❖ Assessee's Responsibility for the Financial Statements and the Statement of Particulars in Form 3CD

1. The assessee is responsible for the preparation and fair presentation of the financial statements in accordance with the Accounting Standards issued by the ICAI, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
2. In preparing the financial statements, management is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.
3. Those charged with governance are responsible for overseeing the entity's financial reporting process.

SA 700 - PARA 3 of Form 3CB

❖ Tax Auditor's Responsibility

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these FS.

SA 700 - PARA 3 of Form 3CB

❖ As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional scepticism throughout the audit.

❖ We Also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

SA 700 - PARA 3 of Form 3CB

2. Obtain an **understanding of internal control** relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
3. Evaluate the **appropriateness of accounting policies** used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the **Company's ability to continue as a going concern**. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

SA 700 - PARA 3 of Form 3CB

5. Evaluate the **overall presentation, structure and content of the financial statements**, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ❖ We **communicate with those charged with governance** regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
 - ❖ We also provide those charged with governance with a statement that we have **complied with relevant ethical requirements regarding independence**, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Company Law Amendments Aug 2023



CA. Priya A

• **Condonation of delay in filing of Form-3, Form-4 and Form 11**

MCA vide its General Circular No.08/2023 dated 23rd August 2023, introduced the LLP Amnesty Scheme, by providing condonation of delay for eligible LLPs and simplification of the filing process, based on the representations received by the Government for filing of Form-3 (LLP Agreement and changes therein), Form-4 (Notice of appointment, cessation) change in name/address/designation of a designated partner or partner and consent to become a partner/designated partner) and Form-11 (Annual Return of LLP)

Ministry, in exercise of its power u/s 67 of the Limited Liability Partnership Act, 2008, has decided to grant one-time relaxation in additional fees to those LLPs who could not file the above said forms within due date and provide an opportunity to update their filings and details in Master-data for future compliance.

The salient features are as follows:-

1) Straight Through Process (STP) Processing for Form-3 and Form-4 except for cases involving changes in business activities. Forms must be filed sequentially, aligning with their respective event dates.

2) The forms will include pre-filled data based on the existing master data with the same having the facility to edit. Stakeholders are responsible for ensuring the accuracy of this data during the filing process. In case of mis-representation, the Designated Partner and the professional certifying the form may be liable for adverse action as per provisions of the law.

3) The filing of Form-3 and Form-4 without additional fee shall be applicable for the event dates 01.01.2021 and onwards. For events dated prior to 01.01.2021, these forms can be filed with 02 times and 04 times of normal filing fees as additional fee for small LLPs and Other than small LLPs respectively.



4) Form-11 can be filed without additional fees for Financial Year 2021-22 and onwards. For preceding years, additional fees of 2 times or 4 times the normal fees will apply for small LLPs and other than small LLPs, respectively.

The LLP Amnesty Scheme will be effective from 01st September 2023 to 30th November, 2023 (inclusive of both dates). During this period, LLPs will not face any action for delayed filing of Form-3, Form-4, and Form-11.

XXXX-----XXXX

• ***Amendment to the Companies (Incorporation) Rules, 2014***

MCA vide its Notification dated 02nd August 2023, had amended Companies (Incorporation) Rules, 2014 by notifying the Companies (Incorporation) Second Amendment Rules, 2023. They shall come into force on the date of their publication in the Official Gazette.

A new web Form RD-1 has been substituted, it is used for filing an application to the Central Government (Regional Director) on the V3 Portal.

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Gallery for the Month of *August 2023*

Topic : "Form 3CD - Practical Issues and Analysis of Specific Clauses"

Speaker : CA. Jainendar P

Date : 23th August 2023, Wednesday



Gallery for the Month of *August 2023*

Topic : "Practical issues ICDS in TAX AUDIT "

Speaker : CA. Karthik Srinivasan

Date : 31st August 2023, Thursday



Two Days Sub regional conference

@ 11th and 12th August 2023 @ Meenambakkam, Chennai







Two Days Sub regional conference @ 11th and 12th August 2023 @ Meenambakkam, Chennai



**Two Days Sub regional conference
Thanks to Our Sponsors**

@ 11th and 12th August 2023 @ Meenambakkam, Chennai



77th Independence Day @ Branch Premises

