



The Income Tax Act provides under section 44AB to get audited their books of accounts from Chartered Accountant, to the **class of taxpayers**. The audit under section 44AB aims to ascertain the compliance of various provisions and the fulfilment of other requirements of the Income-tax Law. A Chartered accountant conducting the tax audit is required to give his findings, observation, etc., in the form of audit report. The report of tax audit is to be given by the chartered accountant in Form Nos. 3CA/3CB and 3CD.

Class of Taxpayers: Who is Covered under section 44AB?

- Turnover more than One Crores Rupees in case of Business.
(Exception: Turnover more than One Crore. but Up to Two Crore. AND Tax paid under presumptive Taxation under section 44 AD)
- In case of Profession, gross Receipts more than Fifty lakhs Rupees.
- If Profits calculated under provision of presumptive taxation like 44AD, 44ADA, 44AE, 44BB, 44BBB are more than, profit calculated as per normal provision of Profit and Gain of Business Profession and Assesse wants to pay tax on Lower Profits than person required to get his account audited under 44AB

IMPORTANT FEATURE OF SECTION 44AB

- ❖ Section 44AB provides that, if a person is required by or under any other law to get his accounts audited, then he need not again get his accounts audited to comply with the requirement of section 44AB.
- ❖ According to section 271B, if any person who is required to comply with section 44AB fails to get his accounts audited , the Assessing Officer may impose a penalty. The penalty shall be lower of the following amounts:
 - (a) 0.5% of the total sales, turnover or gross receipts, as the case may be, in business, or of the gross receipts in profession, in such year or years. or
 - (b) Rs. 1,50,000.

However, according to section 271B, no penalty shall be imposed if reasonable cause for such failure is proved.

- ❖ If an eligible assessee opts out of the presumptive taxation scheme, within the period, he cannot choose to revert back to the presumptive taxation scheme for a period of five assessment years thereafter. For example If Person leave the presumptive taxation scheme for AY 2019-2020 pertains to FY 2018-2019 than he not eligible to opt presumptive taxation for AY 2020-2021, 2021-2022 , 2022-2023 , 2023-2024 , 2024-2025. After that for AY 2025-2026 he eligible for presumptive taxation scheme
- ❖ Tax audit turnover limit would be Rs. 5 Crores in place of Rs1 Crores applicable **only** in the case where following **two conditions** are satisfied:
 - Condition-1:** the total of all the amount received (including the amount received towards sales or turnover or gross receipts) in cash during the previous year doesn't exceed 5% of such amounts; and
 - Condition-2:** the total of all the payments (including amount incurred for expenditure) in cash during the previous year does not exceed 5% of such payments.
- ❖ Due to change in due date of filing of **Income Tax Return** from 30th September to 31st October for all audit cases, the related **audit reports** have to be filed **at least one month before the due date of filing ITR** i.e. by 30th September. It would include the **report u/s 44AB (Tax Audit)** as well.
- ❖ A person covered by section 44AB should get his accounts audited and should obtain the audit report on or before the due date of filing of the return of income, i.e., on or before 30th September of the relevant assessment year, e.g., Tax Audit Report for the financial year 2019-20 corresponding to the assessment year 2020-21 should be obtained on or before 30th September, 2020. The due date for filing of audit report under section 44AB has been extended from September 30, 2020 to October 31, 2020.
- ❖ Forms under 44AB: -
 - 3CA: Report given by CA as Audit Observation related to Income Tax. Applicable only if assessee's books are governed for audit under other statute.
 - 3CB: Report given by CA as Audit Observation related to Income Tax Tax. Applicable only if books of assessee is not covered for audit under other statute.
 - 3CD: This is an annexure to the Report covered in form no 3CA or 3CB.