



# AUDIT MANUAL

## 2019

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MANUAL



Income Tax Department  
Ministry of Finance  
Government of India



**P. K. Dash**

**Special Secretary & Member (A&J)**



भारत सरकार

GOVERNMENT OF INDIA

(वित्त मंत्रालय / राजस्व विभाग)

MINISTRY OF FINANCE/DEPARTMENT OF REVENUE

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### Message

I am happy that the committee under the chairmanship of Shri Rajnish Kumar, Pr. CCIT, Bengaluru constituted by CBDT submitted the revised Audit Manual incorporating all the changes in the new Manual. This Audit Manual is revised to elaborate the Instructions so that there is no ambiguity in understanding the procedural aspects of Audit. Also, the revised Audit Manual elaborates the process and work flow in ITBA Audit Module. The Audit Check Sheet has been made much more comprehensive. All members of the Committee have put their best efforts in drafting this Check Sheet, so that it covers various aspects of Income Tax assessments and Auditing. This Audit Check Sheet has been incorporated in the Audit Manual to avoid the repetitive errors during the assessment and the Audit Objections. This Check Sheet is a bundle of rich experience of senior officers of the Department and in words of Justice Sandra Day O'Connor of USA *"Each of us brings to our job, whatever it is, our lifetime of experience and our values"*

I appreciate the efforts made by the Committee for putting in hard work in updating the Audit Manual. I also congratulate the Editorial Team of Shri Krishna Mohan Prasad, Pr. DGIT (L & R), Shri Ravindra Singh Rawal, ADG(Audit & Inspections) and Shri Govind Singhal, Addl.DIT(Audit) for reviewing and updating the Manual in the present form.

I am sure that the manual will be of enormous help in improving the efforts of the Department in revenue mobilization.

(P. K. Dash)

Special Secretary & Member (A&J), CBDT

New Delhi

Date: 23.9.2019



**KRISHNA MOHAN PRASAD, I.R.S**  
**Pr. DGIR (L&R)**



भारत सरकार

Government of India

प्रधान आयकर महानिदेशक

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## Introduction

Audit is a significant mechanism to protect the interest of revenue. For effective audit, the CBDT issues Instructions and guidelines from time to time, Audit Instructions were also revised by the Instruction No. 6 and Instruction No. 7 of 2017 and the work related to assessment is now being done on ITBA module, and the Audit work has also been shifted to ITBA Audit module.

2. The committee under the chairmanship of Shri Rajnish Kumar, Pr. CCIT, Bengaluru, now retired, and its Members Shri Ravindra S. Rawal, ADG (Audit & Inspections); Shri Sanjay Kumar Jain, CIT (Audit)-2; Shri Sandip Garg, CIT (Judicial), Pune; Shri Rajesh Kumar, CIT (Judicial), Mumbai; Shri P. R. Ghosh, CIT (Audit)-2, Mumbai and Shri S. K. Jha, CIT (DRP-2), Mumbai, has done excellent work in revising the Audit Manual of 2011 and has authored a very comprehensive and innovative manual. Shri Govind Singhal, Addl. DIT(Audit) has very meticulously read the report of the committee, consulted large number of stake holders and has made enormous improvement to come up with this beautiful Audit Manual. Shri Rajesh Kumar, DDIT(Audit) and Smt. R Pramila, AADIT(Audit) and Shri Nitesh Singhal, Inspector (Audit) have very ably supported the endeavor.

3. Shri Prasanna Kumar Dash, Member (A&J) has taken keen interest all through and guided all of us in making significant improvement in the manual.

4. New Audit Instructions 6 and 7 of 2017 are concise and brief. In this Audit Manual, these Instructions have been elaborated, simplified and clarified. Functions and responsibilities of various offices with regard to audit have been elaborated right from the Assessing Officer to the Pr. CCIT.

5. Audit of Registration Process of Charitable Trust and Institutions, modification of targets of 'number of cases' instead of 'points' has been



incorporated and re-checking of Audited Cases where Audit Parties could not raise any objections are new features of the manual.

6. The highlight of new Audit Manual is the elaborate and exhaustive Audit Check Sheet drafted by the Audit Manual Committee. This check sheet has been devised on each issues of Income Tax Act. For the convenience of Audit Officers, the Check Sheet has been segregated according to the general aspects of assessment, various heads of income, deductions and exemptions, Income not forming part of total income, Charitable Trust and Institutions, Book Profit, MAT/AMT, Unexplained Cash Credits, Clubbing of Income and Set off of Losses, International Taxation, Transfer Pricing and TDS aspects. Check Sheets have been devised in such a way that it can be looked into from various viewpoints like heads of income, section-wise and specific issue wise.

7. As the entire work of audit is required to be done on ITBA Audit Module, detailed procedure for carrying out the audit work on ITBA Audit Module has been elaborated.

8. I am confident that the Audit Manual will be of great assistance to the Audit Officers in their audit work and would also guide the Assessing Officers of the Department, in making quality and error free assessment and improve the process of augmentation of revenue.



(KRISHNA MOHAN PRASAD)  
Principal Director General of Income Tax (Legal & Research),  
New Delhi  
Date: 23.9.2019

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## **Scope of Manual**

Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operation. It helps an organization accomplish its objective by bringing a systemic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance process.

Purpose of this manual is to outline broadly, the principles, policies, methodologies and modalities of audits to be conducted by Audit Parties with reference to the Income Tax Act, 1961 (Act), Rules made thereunder and the Circulars and Instructions issued by the CBDT. Guidelines provided herein are intended to ensure that the audit is carried out in an objective, uniform, efficient and comprehensive manner adhering to stipulated principles and policies.

The manual covers subjects that are related to principles, policies and issues that pertain to conduct of audit with reference to the Act, but it does not deal with legal interpretations and judicial rulings.

The manual does not contain solutions to all the issues that may arise in the day to day audit work. The Audit Party has to apply its mind keeping the spirit of the principles, policies outlined in the manual and facts of each case.

The manual has incorporated the workflow related to audit on ITBA.

Subsequent changes in the Act and the Rules made there under, administrative policies and procedures have to be kept in mind while conducting audit.

# **CHAPTER-I**

## **INTERNAL AUDIT**



# 1: Background and Audit Set-up

## 1.1. Background

Internal Audit was introduced in the Income-tax Department in the year 1954 with the objective of providing a second check over the arithmetical accuracy in the computation of income and determination of tax. Since 1960, the scope of Internal Audit became co-terminus with Revenue Audit (renamed Receipt Audit in 1973). In the year 2001, Chain Audit System was put in place wherein the task of auditing the work of AO was allotted to another AO. The Internal Audit System of the Income Tax Department was revamped in 2007 by way of Instruction No. 3 of 2007. Further, the role of supervisory authority was specified by supplementary Instruction No. 15 of 2013. The working of Internal Audit set up has been reviewed, in the light of observation of the C & AG audit report on Performance Assessment of Internal Audit setup of the Department conducted in the year 2015. Income Tax Business Application (ITBA) has been rolled out and assessment and other ancillary works are required to be done on ITBA platform. Accordingly, the CBDT in supersession of all existing instructions on audit, has issued **Instruction No. 06 of 2017, dated 21.7.2017**.

- 1.2. The objectives of Internal Audit is to detect the mistakes and errors committed during the work of assessment and recovery of demand by AOs and TROs, so that prompt and appropriate remedial actions could be taken to retrieve the loss caused to revenue or to allow relief to the assessee in case of over assessment/overcharge. Internal Audit is also a mechanism for prevention of mistakes having both deterrent as well as reformative effect. The ultimate aim is to ensure that proper procedures and laws have been followed, improving quality of assessments, so as to prevent detections of mistakes by the 'Receipt Audit' and thereby improve the working of the Department.
- 1.3. The scope of Internal Audit has been continuously enlarged and it has been made coterminous with that of Receipt Audit. Broadly, the scope of Internal Audit is to verify the following:
  - (a) The arithmetical inaccuracy;
  - (b) Non-application or wrong application of relevant legal provisions;
  - (c) Orders passed, not in conformity with the binding judicial pronouncements/precedence.
  - (d) Order passed, not in conformity with Circulars & Instructions issued by CBDT;

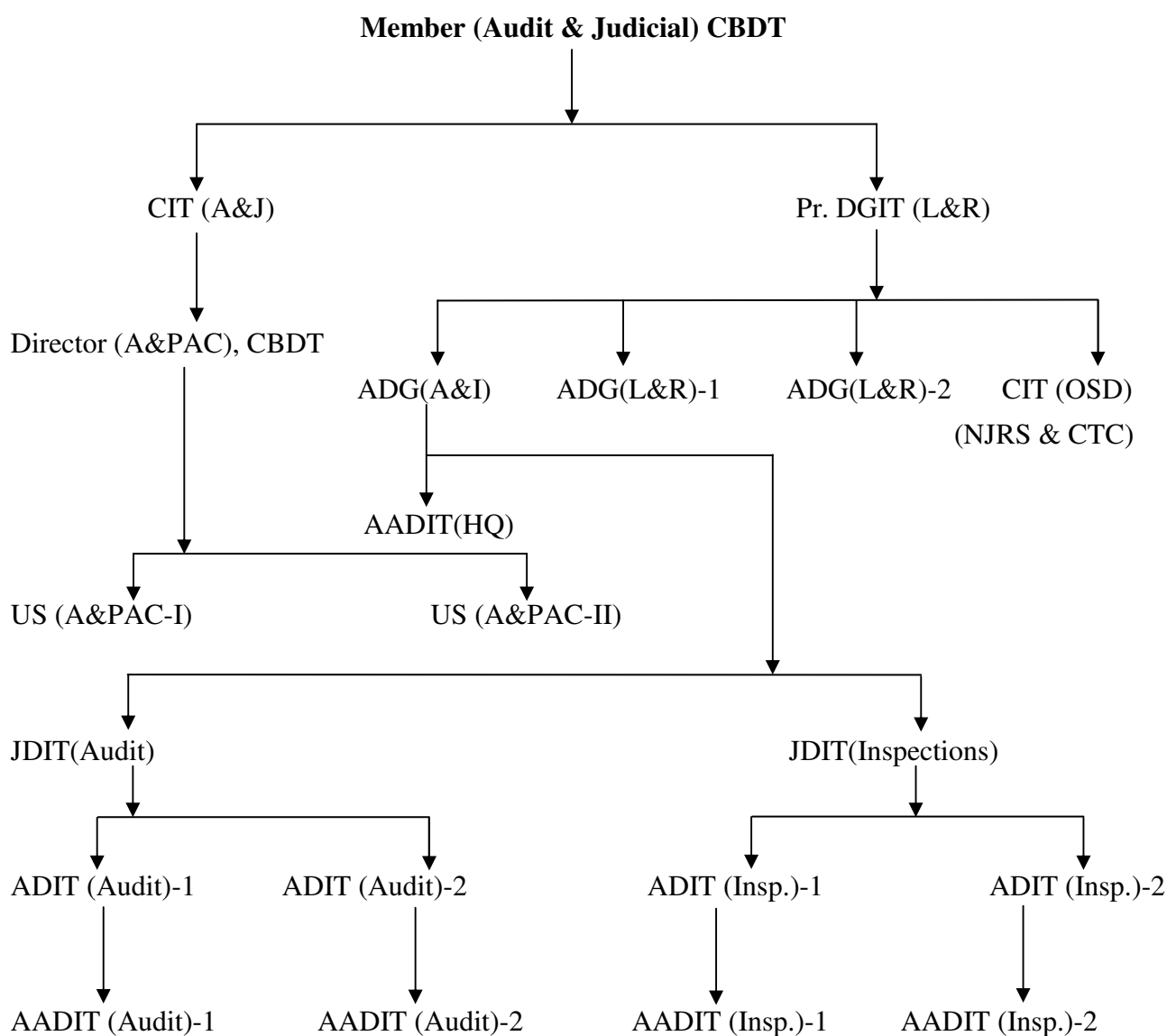
However, it is clarified that in cases being selected by Computer Aided Scrutiny Selection (CASS) for 'limited scrutiny', scope of audit shall also be confined to the issues for which limited scrutiny was made.

**1.4.** The Audit Party should not raise vague and ambiguous objections and it must give cogent reasons in the Audit memo while pointing out mistakes.

## 1.5. Audit Set up

1.5.1. As per the Office Memorandum No.HRD/AD/802/3/2017-18/736, dated 3.5.2017, issued by ADG(HRD)-1, CBDT, New Delhi, the Directorate of Audit has been brought under the administrative control of Pr. Director General of Income Tax (L&R). The Inspections work has also been shifted from ADG (Exam) to ADG (Audit) and the post of ADG (Audit) has been re-designated as ADG (Audit & Inspections).

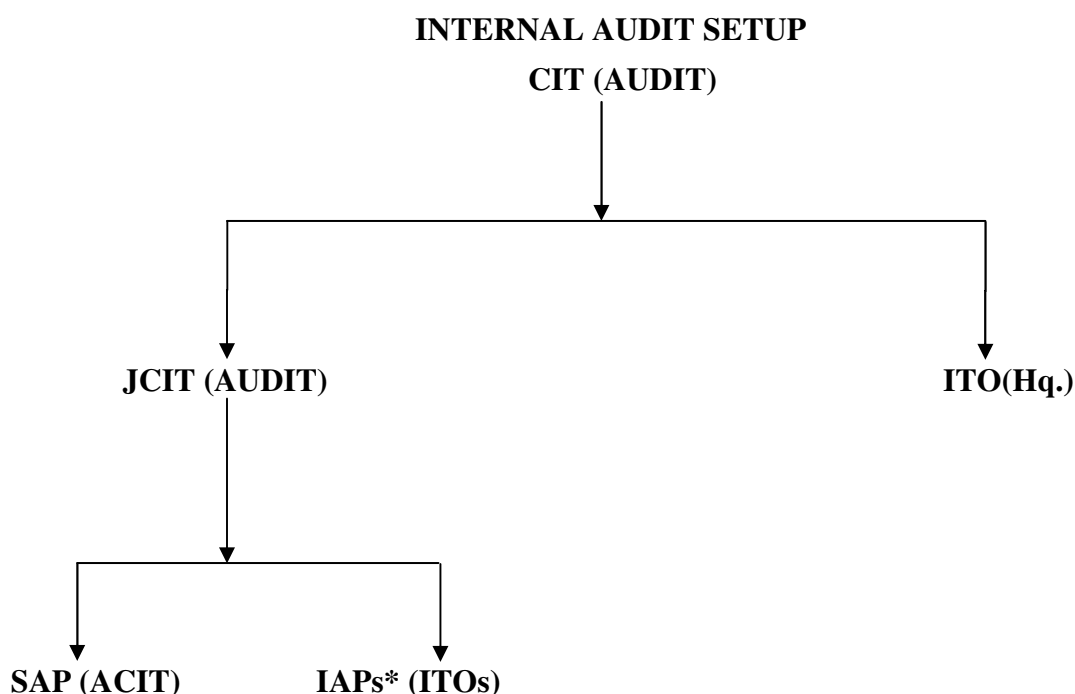
1.5.2. The Headquarters of the Internal Audit set-up of the CBDT is as under:-



## 1.6. AUDIT SETUP WITHIN THE INCOME TAX DEPARTMENT:-

1.6.1. There is an Internal Audit setup for each region under the direct supervision and control of the Pr. CCIT. The audit structure is headed by a CIT (Audit) in each Pr. CCIT Region. However, in the metro charges of Delhi, Mumbai, Kolkata and Chennai, there are two CsIT (Audit). The CIT (Audit) has the headquarters at the same station as that of the Pr. CCIT. Each CIT (Audit) has one JCIT (Audit). Each JCIT (Audit) has one SAP (Special Audit Party) headed by ACIT(Audit) and as many IAPs (Internal Audit Party) headed by ITO (Audit), as mentioned in Cadre Restructuring Plan, 2013. Apart from audit of cases, the JCIT (Audit) will supervise the work of SAPs and IAPs assigned for audit. There are 22 CsIT (Audit) in the Internal Audit set-up in the country.

1.6.2. The field organization is summarized as under:



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\*Each CIT (Audit) charge shall have as many Internal Audit Party (IAPs) headed by ITO (Audit) as per para 2.1 of New Instruction No. 6 of 2017, dated 21.7.2017, where it is mentioned that internal set up of CIT (Audit) will be in accordance with the Cadre Re-structuring Plan, 2013.

1.6.3. In case of Assessment Units of International Taxation, Transfer Pricing, Central Charges, Exemptions etc. stationed in the territorial jurisdiction of Pr. CCIT/CIT (Audit), which is different from the jurisdiction of the Pr. CCIT/CIT (Audit), where the controlling PCIT of such AOs is stationed, the responsibility for Internal Audit of all such assessment units will be of the local CIT (Audit), related to the Pr. CCIT, in whose territorial jurisdiction, the AOs are located.

- 1.6.4. For the purpose of control and settlement of Internal Audit Objections raised in cases mentioned in the above para, the local IAPs, JCIT (Audit) and CIT (Audit) would be treated as Audit Officers in ITBA Audit Module. However, the settlement of such objections will be between the concerned PCIT having the administrative control over such assessment units and the CIT (Audit) located in the different territorial jurisdiction.

## **1.7. ROLE OF VARIOUS INCOME TAX AUTHORITIES**

Under the new Internal Audit System, various authorities have been assigned well defined roles for effective functioning and management of Internal Audit in the department. The roles of different authorities are summarized as under:

### **A. AUDIT SET UP**

#### **ADG (Audit& Inspections)**

The Directorate of Income Tax (Audit & Inspections) acts as the field arm of the CBDT in respect of the Internal Audit functions of the Department. The functions of the ADG (Audit & Inspections) are:

- (i) To propose National Action Plan Targets for Internal Audit Wing, both for Internal and Receipt Audit, for consideration of the CBDT, for its inclusion in the Annual Central Action Plan;
- (ii) To review factors for determination of 'Audit Potential Index' (**API**) every year in March and suggest changes, as deemed appropriate, with the approval of the CBDT, in the computation of API;
- (iii) To monitor the functioning and performance of the Internal Audit set up of the Department and act as coordinating agency for all CsIT (Audit) and also monitor the progress of settlement of Internal Audit objections;
- (iv) To carry out review and inspection of Internal Audit set up of any region with the approval of the Pr. DGIT (L&R) and submit report to the Pr. DGIT (L&R) within a fortnight thereafter;
- (v) To compile and classify the common/repeated errors noticed during the audit, as reported by the CsIT(Audit), for circulation to the field officers;
- (vi) To periodically review the monetary limits for classifications of major and minor objections;

- (vii) To suggest criteria to the Board for auditing cases if required, in respect of the assessment orders for which it is not possible to apply API, like International Taxation, Transfer Pricing, TDS, TRO, etc.;
- (viii) To monitor uniformity and improvement in training programs to be conducted by different CsIT (Audit);
- (ix) To prepare the updated 'Check Sheet' for Internal Audit, for subsequent incorporation in the software and to revise/update and circulate to the Pr. CCsIT and CsIT (Audit);
- (x) To devise necessary reporting mechanism and prescribing MIS as required, with the approval of the Member (A & J), CBDT, New Delhi;

**CIT (Audit)**

- (i) shall ensure effective functioning of the Internal Audit Wing to achieve targets as per stipulated norms;
- (ii) shall have administrative control over JCIT (Audit), SAP and IAPs and will review their work regularly;
- (iii) can change the target and norms for JCIT (Audit), SAP and IAPs according to the availability of manpower and workload with the approval of the Pr. CCIT concerned. The CIT (Audit) shall also ensure that the annual workload is evenly distributed amongst Audit Parties throughout the year;
- (iv) shall generate list of auditable cases through ITBA periodically and assign the cases for audit to Audit Parties;
- (v) shall ensure that the audit of the process of registration of charitable trust/institutions in the O/o CIT (Exemption) should complete by 30<sup>th</sup> June of the following year. The above exercise shall be done by the Addl. CIT (Audit) as per norms prescribed.
- (vi) shall decide the TDS cases to be audited within the overall target of Audit Parties;

- (vii) shall request the RCC concerned to assign the functions of Audit Officers to the corresponding auditor-TPO/TRO, after issue of orders for Chain Audit, as per Para 5.8 and 5.9 of the Instruction No. 06 of 2017;
- (viii) shall prepare the list of auditable cases of Transfer Pricing and TRO, if required;
- (ix) shall recheck the cases where NIL objection was raised by the Internal Audit Parties. If any mistake is found in re-checking, the same will be sent to IAP concerned for raising audit objection. A report in this regard shall also be submitted in the prescribed format along with the Monthly Report.
- (x) shall prioritize the work of Internal Audit of different Special Ranges/Circles/Wards in accordance with the Plan/Calendar of C&AG with the stated objective of conduct of Internal Audit before the Receipt audit is taken up;
- (xi) shall co-ordinate with the PCIT for timely production of records/registers to the Internal Audit teams within the scheduled time frame and smooth conduct of audit and settlement of Internal Objections;
- (xii) shall ensure reclassification of all pending objections, as on the date of issue of Instruction No. 06 of 2017, into 'Major and Minor' and uploading the same in ITBA system;
- (xiii) shall settle the Major Audit objections on his own with the secretarial assistance of officers and his headquarters, if required;
- (xiv) shall take measures to the effect that a uniform stand is taken by the officers in the Region on any particular issue;
- (xv) shall periodically devise suitable training programs in consultation with the Pr. CCIT for the officers and staff engaged in the audit work through DTRTI or otherwise in the form of workshops/seminars;
- (xvi) shall prepare a list of common/repeated errors noticed in the audit proceedings in two quarters in April and October of every year and submit the same to the ADG (Audit & Inspections);
- (xvii) shall continue to maintain registers in formats, as prescribed in existing Instructions, till the time Audit Module in ITBA system is fully functional;
- (xviii) shall prepare and send the necessary reports and statistics in existing proforma to the CBDT/Directorate till the time Audit Module in ITBA is fully functional;



- (xix) shall maintain ledger card in respect of mistakes committed by the particular officer as per existing system, till the time Audit Module in ITBA is fully functional.

Once the Audit Module in ITBA is fully functional, above functions from para (xv) to (xvii) will be available on ITBA.

**JCIT (Audit):**

- (i) shall have dual role of an auditor and supervisory authority;
- (ii) shall audit the cases assigned by the CIT (Audit) in the role of an auditor;
- (iii) shall perform the audit of the process of registration of charitable trusts/institutions in the O/o CIT (Exemption) as per norms and time line prescribed.
- (iv) shall recheck the cases where NIL objection was raised by the Internal Audit Parties. If any mistake is found in re-checking, the same will be sent to IAP concerned for raising audit objection.
- (v) shall supervise and ensure effective functioning of the SAP and IAPs under his administrative control;
- (vi) shall assist CIT (Audit) in ensuring proper maintenance of prescribed registers and timely submission of reports and statistics, as per existing guidelines till the time Audit Module in ITBA is fully functional;
- (vii) shall help the CIT(Audit) in ensuring reclassifications of all pending objections on the date of issue of Instruction No. 06 of 2017, into 'Major and Minor' and uploading the same in ITBA system;
- (viii) shall ensure that the norms of Internal Audit are followed and properly implemented;
- (ix) shall ensure that the targets of Internal Audit are achieved;
- (x) shall settle Minor Audit Objections.

**Audit Party**

- (i) shall be headed by the JCIT (Audit), the ACIT(Audit) and the ITO(Audit) in respect of cases assigned to them;
- (ii) shall complete the audit work as assigned by the CIT (Audit);
- (iii) shall assist CIT (Audit) and JCIT (Audit) in ensuring proper maintenance of prescribed registers and timely submission of reports and statistics as per existing guidelines till the time Audit Module in ITBA is fully functional;
- (iv) shall ensure that the norms of Internal Audit are followed;
- (v) shall ensure that the targets of Internal Audit are achieved;
- (vi) shall submit the report as and when required by the CIT(Audit) and JCIT(Audit).

**B. FIELD SET UP**

**Pr. CCIT:**

- (i) shall provide the necessary manpower and infrastructure to the Audit Wing;
- (ii) shall post experienced officers and officials for effective functioning and performance of the Internal Audit Wing;
- (iii) shall ensure that the norms for Internal Audit are followed/implemented and targets, thereof, are achieved;
- (iv) shall put in place a separate system of chain audit for the TROs;
- (v) shall review the progress of settlement of Internal Audit Objections in the CCIT Regions under his administrative control, on quarterly basis and shall submit a report within **15 days** of each quarterly review to the Member (A&J), CBDT, New Delhi;
- (vi) shall ensure that the necessary reports and statistics for his region are sent to the CBDT/Directorates.

**CCIT / DGIT:**

- (i) shall ensure that Internal Audit is conducted timely and audit objections are settled within stipulated period;

- (ii) shall decide whether the audit objection raised by the Internal Audit Party is acceptable, in cases where there is difference of opinion between PCIT and CIT (Audit);
- (iii) Pr. CCIT (International Tax)/ CCIT (International Tax) shall put in place a system of chain audit of one TPO by another TPO, preferably of another CIT (TP) charge or at least of another Range.

**PCIT:**

- (i) shall extend all cooperation to the CIT (Audit) in conduct of audit and expeditious settlement of audit objections;
- (ii) shall examine Major Audit Objection and decide whether the same is acceptable and take necessary steps to settle the same;
- (iii) may call for explanation of Officer and officials concerned-
  - (a) In appropriate cases, where major audit objection has been accepted;
  - (b) In other cases, where audit objection has been accepted and no remedial action was taken and also in cases, where the remedial action has been delayed beyond prescribed time stipulated in the Instruction No. 06 of 2017, causing irretrievable loss of revenue.
- (iv) shall maintain ledger card in respect of mistakes committed by a particular officer as per system in existence, prior to Instruction No. 06 of 2017 till the time Audit Module in ITBA system is fully functional;
- (v) shall continue to submit MIS reports as per existing guidelines till the time Audit Module in ITBA becomes functional.

**Range Head/JCIT (Special Range):**

- (i) shall ensure that records requisitioned by the Audit Party are made available expeditiously and the cases selected for internal audit are audited by Internal Audit Party before relevant case records are given to Revenue Audit;
- (ii) shall ensure that the AOs or the JCIT(Special Range) himself maintain the relevant records & registers and submission of reports with regard to Internal audit objections as per existing guidelines till the time Audit Module becomes fully functional in ITBA;
- (iii) shall examine Minor Audit Objection and decide whether the same is acceptable and take necessary steps to settle the same;

- (iv) shall ensure that remedial action is taken within the prescribed time limits and facilitate prompt recovery of tax.

**Assessing Officer (AO):**

- (i) shall make the assessment or other records available for audit on requisition from the Audit Party;
- (ii) shall ensure maintenance of relevant records & registers and submission of reports with regard to Internal Audit objections as per existing guidelines till the time Audit Module becomes fully functional in ITBA;
- (iii) shall examine the audit memo on its receipt and submit report to the Range Head giving clear findings, whether the audit objection raised is acceptable and reasons thereof.
- (iv) Shall examine the accepted objections (both Major and Minor) for taking appropriate remedial measures where PCIT has communicated his decision not to invoke jurisdiction u/s 263 of the Act.

## 2: Auditable Cases: Norms and Targets

### 2.1. NORMS

- 2.1.1. In order that high risk cases, where likelihood of mistake is more, are taken up for audit, a universal criterion has been devised, taking into account various relevant factors. For this purpose, the generation of list by the ITBA for internal audit would be based on 'Audit Potential Index' (API), which shall be worked out as under:

$$\text{API} = \text{Assessed Income} + 2 \times (\text{Exemptions} + \text{Deductions}) + 4 \times \text{Total Refund granted (for the relevant assessment year)}$$

- 2.1.2. The exemptions and deductions referred to above shall be those under Chapter III, Chapter- VIA, Sections 32, 35 and 54 to 54H of the Act.
- 2.1.3. The ADG (Audit & Inspections) shall review factors for determination of API every year in March, as deemed appropriate, with the approval of the CBDT, for computation of API.
- 2.1.4. The CBDT may prescribe different criteria for generation of list of auditable cases in respect of the orders for which it is not possible to apply API, like International Tax, Exemption, Transfer Pricing, TDS, TRO etc. based upon information available in ITBA, in addition to or in supersession of the API based criteria, depending upon the requirement from time to time.

### 2.2. TARGETS

- 2.2.1. There are three levels of Audit Party, namely Addl. CIT/JCIT (Audit), the DCIT (SAP) and the ITO (IAP). The minimum number of cases to be audited by each Addl. CIT/JCIT, SAP and IAP *per month and annum* shall be as under:

Audit Party	Minimum Annual Target (No. of cases)	Monthly Target (No. of cases)
Addl. CIT/JCIT(Audit)	120	10
DCIT (SAP)	480	40
ITO (IAP)	720	60

**Note:** As per partial Modification issued by CBDT vide F. No. 246/15/2019 A&PAC-II dated 20.8.2019.

#### Clarifications:

- (i) It is clarified here that there is no bar to audit maximum number of cases available with the Auditor.

- (ii) It is also clarified that the annual target of the Additional/JCIT(Audit) is minimum 120 cases, in addition to 50 cases of exemption charge.
- (iii) It is clarified that targets specified also include manually Audited cases, like Central charges, TDS, Reward cases and others.

### 2.3. RE-CHECKING OF AUDITED CASES

2.3.1 After completion of the Audit by the Audit Party, the CIT (Audit) and Addl. CIT (Audit) shall select the cases, in which the Audit Party could not raise Audit Objection. The CIT (Audit) shall randomly select 5% of the cases audited by Addl. CIT (Audit) and DCIT (Audit) and plan the programme of re-checking of the cases, in a manner, so that minimum 3 cases shall be re-checked every month. Similarly, Addl. CIT (Audit) shall randomly select 1% of the cases, audited by the ITO (Audit) (IAPs) and where IAPs could not raise Audit Objections in these cases and also plan the programme of re-checking of the cases, in a manner, so that 10 cases shall be rechecked every month. The same is described as under:

Name of Officer	Category of cases Audited by	Target (%)	Average Target per month (No. of cases)	Minimum total target for the year (No. of cases)
CIT(Audit)	Addl. CIT(Audit) and DCIT(Audit)/SAP	5	3	30
Addl. CIT(Audit)	IAPs {ITO(Audit)}	1	10	120

**Clarification:** It is clarified that the minimum number of 30 cases to be re-checked by CIT(Audit), per annum and minimum number of 120 cases to be re-checked by the Addl. CIT(Audit), per annum.

2.3.2 As a result of re-checking of the cases, in which NIL objections was raised by the Internal Audit Parties, the CIT (Audit) or Addl. CIT (Audit) found any mistake, the same will be further sent to the IAP concerned for raising Audit Objection. Further, a report in this regard, shall also be submitted in the given format by the CIT (Audit) along with Monthly Audit Report:

S. No.	Designation of Officer	No. of Cases re-checked	Major audit objection raised after re-checking		Minor audit objection raised after re-checking	
			No.	Tax Effect (In Rs. Crores)	No.	Tax Effect (In Rs. Crores)
1	CIT (Audit)					
2	Addl. CIT (Audit)					



### **3: Broad Outline of Procedure and ITBA workflow**

#### **3.1. AUDIT PROCEDURE**

- 3.1.1. The list of auditable cases shall be generated through ITBA system. For this purpose, API shall be computed in all cases where assessment has been completed and the same shall be arranged in descending order.
- 3.1.2. List of cases where assessment was completed manually and out of the purview of ITBA, like Central, TDS, Reward cases, etc. shall be prepared separately. These cases shall be audited manually.
- 3.1.3. A combined list for the Pr. CCIT region, in descending order of API, will be generated on periodic basis in ITBA system. The functionality of generation of auditable cases will be available from the menu 'List for Internal Audit cases' in ITBA system and the CsIT (Audit) and their Headquarters will be able to generate the list of the auditable cases.
- 3.1.4. The users in ITBA system have been provided filters to generate list of auditable cases from entire pool of assessment completed in a particular period for all the CCsIT/PCsIT assigned to a CIT (Audit). The same can also be generated individually for any particular CCIT/PCIT/JCIT/AO.
- 3.1.5. Out of the list of auditable cases so generated, the CIT (Audit) shall identify cases of different categories to be audited by JCIT (Audit), SAP and IAP every month and allocate the same to the Audit Party in ITBA system keeping in view the following factors:
  - (i) Preference for audit is given to high risk cases;
  - (ii) The target of minimum number of cases to be audited by the Audit Party has to be evenly distributed over the year;
  - (iii) At least some cases from all assessment units (AOs) should be audited;
  - (iv) In multi-station regions, cases from all stations are audited;
  - (v) The cases audited are a reasonable mix of corporate and non-corporate cases and also complete and limited scrutiny;

- (vi) Sectors of business that have more potential for audit during the relevant year should be preferred;
- (vii) Appropriate number of cases of International tax, Exemption and TDS are subjected to audit; and
- (viii) Any other factor that may increase the effectiveness of internal audit.

3.1.6. 31<sup>st</sup> December being the time barring date for assessments, Internal Audit Parties may take up the work of audit of cases in the following manner:

- (i) In the first quarter of the financial year, assessments made in previous financial year and current financial year; and
- (ii) In remaining quarters of the financial year, assessments made in current year.

If there is a change in time barring date for assessment, the work schedule above may be modified to complete the audit of assessments made till the time barring date by the end of next quarter.

3.1.7. After the CIT (Audit) assigns the cases to Audit Parties on ITBA, the cases assigned to them will be visible to respective Audit Parties, who can requisition records from AOs through ITBA system.

3.1.8. The AO shall be responsible to deliver the records to the Audit Party and the AOs can generate forwarding letter from the system. In search & seizure cases, if requisitioned, the Appraisal Report shall also be made available to the Audit Party. The AO shall record the reasons in ITBA system for non-production of any records requisitioned by the Audit Party and also mark a copy of the same to the PCIT.

3.1.9. The Audit Parties shall complete the audit work within stipulated time.

3.1.10. In the cases selected by Computer Aided Scrutiny Selection (CASS) for 'limited scrutiny', scope of audit shall be confined to the issues for which limited scrutiny was made.

- 3.1.11. The Audit Party can view/download the assessment orders through system, for the cases assigned to them. He can generate audit memo, if any, for the relevant cases and mark 'Audit complete' for the cases in which audit has been completed. The Audit Party shall categorize the objections raised, depending upon the issue raised, into:
- (i) Factual; or
  - (ii) Legal question; or
  - (iii) Mixed issues.
- 3.1.12. Since the ITBA system will assign a Unique Identification Number (UIN) to each Audit Memo, separate Audit Memo shall be issued for each mistake detected in an order. The Audit Parties should, therefore, ensure that more than one objection is not incorporated in one Audit Memo.
- 3.1.13. The Audit Memo shall be in the format prescribed in **Annexure-A** to the Instruction No. 06 of 2017 and the same shall be sent to the Office of the PCIT, with a copy to the JCIT, AO, CIT (Audit) and JCIT (Audit).
- 3.1.14. In a case where revenue effect is more than Rs. 1.00 crore, the Audit Memo shall be issued with the approval of the JCIT (Audit) and in case where revenue effect is more than Rs. 10.00 crores, the same would be issued with the approval of the CIT(Audit). The approvals shall be recorded in ITBA system.
- 3.1.15. The Auditor can generate forwarding letter through system for returning the records received.
- 3.1.16. The ITBA system will classify the Internal Audit objections into 'Major' or 'Minor', on the basis of quantum of Revenue effect as prescribed in Instruction No. 06 of 2017 or as revised subsequently. The Revenue effect will include interest also. All pending objections, as on date of issue of the Instruction No. 06 of 2017, shall be reclassified into Major and Minor accordingly and uploaded in the ITBA system.
- 3.1.17. On receipt of Audit Memo, the AO shall examine the same and submit a report to the Range Head ***within 15 days***, specifying whether the audit objection is acceptable with reasons there for.

## 4: Settlement of Internal Audit Objections

### 4.1. Examination of Objections

The procedure for dealing with the internal audit objections will be as under:

#### 4.1.1. Major Audit objections

In case of Major Audit objection-

- (a) The PCIT, after considering the report of the AO, shall examine the objection and decide, ***within a month*** of receipt of Audit objection, whether the same is acceptable.
- (b) If the objection is accepted and PCIT is of the view that action u/s 263 is required as a remedial measure, he shall call for the records and proceed accordingly.
- (c) In other accepted cases, not covered under (b) above, the PCIT shall communicate his decision of not invoking the provisions of section 263 to the AO. In such cases, the AO shall independently examine the appropriate course of action to be taken in the light of facts of each case and take remedial action accordingly. In a case where an action u/s 154 is decided as the appropriate remedial action, prior approval of the Range Head shall be taken before initiating the proceedings. However, where the JCIT (Special Range) is the AO, he will take suitable action on his own.
- (d) If the objection is not accepted by the PCIT, then he shall communicate the reasons for the same to the CIT (Audit). The CIT (Audit) shall decide the matter ***within one month*** and if the reply of PCIT is accepted, the objections will be settled as dropped. However, if the opinion of the PCIT is not acceptable to the CIT (Audit), the reasons for disagreement shall be communicated to the PCIT, ***within one month*** of the reply.
- (e) Where the CIT (Audit) communicates the reasons for disagreement with the view of the PCIT, ***within 15 days*** the PCIT shall reconsider the reasons for disagreement and take remedial action if the objection is acceptable. If the audit objection is not acceptable, even after reconsideration, then the PCIT shall within said period, refer the case to the CCIT along with the reasons for not accepting the audit objections for final decision.

- (f) The CCIT shall consider both the views and communicate his decision ***within 15 days***. If the CCIT agrees with the view of the Auditor, then remedial action shall be taken.
- (g) The CIT (Audit) should settle the objection on his own, with the secretarial assistance of officers of his headquarters, if required.

#### **4.1.2. Minor Audit Objection**

In case of Minor Audit Objection-

- (a) The Range Head, after considering the report of the AO, or the JCIT (Special Range) himself, shall examine the objection and communicate its acceptance or otherwise to the JCIT (Audit), ***within a month*** of receipt of Audit objection.
- (b) Where Minor Audit objection is accepted,
  - (i) and the Range Head is of the view that the remedial measure requires action u/s 263 of the Act, he shall refer the matter to the PCIT. If PCIT decides to invoke provisions of section 263, he shall call for the records and proceed accordingly or otherwise communicate his decision of not invoking the provisions of section 263 to the AO.
  - (ii) and the Range Head has decided not to refer the matter to the PCIT, the Range Head shall intimate the AO regarding the same. In such cases, or where the PCIT has communicated his decision of not invoking the provisions of section 263, the AO will take appropriate remedial action as per his independent application of mind on the facts of each case. In a case where an action u/s 154 is decided as the appropriate remedial action, prior approval of the Range Head shall be taken before initiating the proceedings. However, where the JCIT (Special Range) is the AO, he will take suitable action on his own.
- (c) Where the Minor Audit objection is not accepted,
  - (i) The JCIT (Audit) shall consider the reply of the Range Head and if the same is acceptable, the objections will be settled as dropped and the decision shall be communicated to the Range Head ***within one month*** of receipt of his reply. However, if the opinion of the Range Head is not acceptable to the JCIT (Audit), the reasons for disagreement would be communicated to the Range Head ***within one month*** of receipt of his reply.

- (ii) Where the JCIT (Audit) communicates the reasons of disagreement with the view of the Range Head, the Range Head shall consider the reasons given by the JCIT (Audit) **within 15 days** of its receipt and if he agrees with the same and accepts the audit objections then the JCIT (Audit) shall be communicated accordingly and remedial action shall be taken.
- (iii) If the Range Head still does not agree with the reasons of JCIT (Audit) then he shall refer the matter to the PCIT, **within 15 days** from the date of receipt of disagreement note from the JCIT(Audit).
- (iv) In a case referred to him as above, the PCIT shall consider the reasons given by the Range Head and if the same is not acceptable to him, then the audit objection shall be accepted and the remedial action shall be taken.
- (v) Where PCIT agrees with the view of the Range Head, he shall take up the matter with the CIT (Audit), **within 15 days** and the objections will be treated as settled, if the CIT (Audit) agrees with the PCIT. Else, CIT (Audit) will send the matter back to PCIT **within 15 days** along with the reasons for his disagreement. If the PCIT, on consideration of the reasoning of CIT (Audit), is still of the view that the objection is not acceptable, he shall refer the matter to the CCIT **within 15 days**.
- (vi) The CCIT shall consider both the views and communicate his decision **within 15 days**. If the CCIT agrees with the view of the Auditor, then remedial action shall be taken.

#### 4.2. REMEDIAL ACTION

- (a) In respect of an accepted Major Internal Audit objection, if the PCIT is of the view that remedial action required is revision u/s 263, he shall call for the records and proceed accordingly. Otherwise, he shall communicate his decision not to invoke section 263 to the AO.
- (b) In respect of an accepted Minor Internal Audit objection, if the Range Head is of the view that the matter may require examination by the PCIT for invoking jurisdiction u/s 263, he shall refer the matter accordingly and the procedure as in (a) above shall follow.
- (c) In cases where the PCIT has decided not to invoke jurisdiction u/s 263, or the Range Head has decided not to refer the matter to PCIT, the AO shall examine



the issue and take suitable action as per his independent application of mind on the facts of each case.

- (d) In case the AO decides to choose section 154 as the appropriate remedial measure in (c) above, he shall initiate the action with the approval of the Range head. However, where the JCIT(Special Range) is the AO, he will take suitable action on his own.
- (e) The remedial action in cases of accepted objection must be initiated ***within three months*** of receipt of such objections and concluded ***within six months*** of initiation of the proceeding as per Act.

#### **4.3. SETTLEMENT OF OBJECTION**

- (a) The accepted major internal audit objection shall be settled by the CIT (Audit) once the required remedial action has been completed in the case and demand notice issued.
- (b) The accepted minor audit objection shall be settled by the JCIT (Audit) once the required remedial action has been completed in the case and demand notice issued.

- 4.4.** The entire process of acceptance/non-acceptance of objections and remedial actions as well as their settlement has been provided in ITBA system and the same shall be complied with.

***{for the purpose of this Chapter, “Range Head” includes “JCIT (Special Range)”}***

## 5: Internal Audit Records and Reports

### 5.1. Registers

- (a) The records of audit work *i.e.* the Audit Memo, all subsequent communications and its settlement *etc.* with dates shall be available in ITBA system. The required information like pendency & settlement of Major & Minor Internal Audit objections can be generated as MIS from ITBA system.
- (b) However, till the time Audit Module in ITBA system is fully functional, the registers in the format as prescribed in the existing Instructions shall continue to be maintained.

### 5.2. Reporting System

- (a) All works, including correspondence regarding audit, shall be done through ITBA system. The statistical and other reports, as may be required, can be generated from the ITBA system itself. However, for monitoring and control, following standard MIS reports are prescribed:
  - (i) Monthly & Quarterly Statistical reports, to ascertain progress, in respect of number of audit objections raised, settled, pending *etc.* in the format as per **Annexure-3 & Annexure – 5**.
  - (ii) List of pending audit objections with particulars, as may be required, can be generated in the format as per **Annexure-C** of the said Instruction.
- (b) The CIT (Audit) shall be able to generate MIS report as per **Annexure-B** of the said Instruction for his jurisdiction or for each Audit Party, namely JCIT, SAP or IAP. The Pr. CCIT shall be able to generate similar MIS report for his region or for each CIT (Audit), PCIT/CIT, as may be required. The ADG (Audit & Inspections) shall be able to generate similar MIS report for all or any of the Pr. CCIT or CCIT or PCIT or any CIT (Audit) in India.
- (c) The CCIT/PCIT can generate MIS report as per Annexure-B of the Instruction for his region/charge with break-up for each Range/AO. They can also generate list of all pending audit objections as per Annexure-C of the Instruction for their region/charge or any Range/AO in his jurisdiction.
- (d) The ADG (Audit & Inspections) may, with the approval of Member (A&J), specify any other periodic MIS that is required to be generated through ITBA.
- (e) Till the time, Audit Module in ITBA becomes fully functional, the reports as per existing guidelines shall continue to be sent.

## **6: Internal Audit of Registration Process of Charitable Trust and Institutions**

**6.1.** The C&AG while carrying out a performance audit examined the process of the registration and exemptions of Charitable Trust in year 2011-12 and found discrepancies such as:

- (i) Grant of approval/Registration without adequate documents
- (ii) Non-inclusion of Dissolution clause in the Trust deed
- (iii) Grant of registration without PAN
- (iv) Non-correlation of registration/approval allowed by different exemption authorities
- (v) Grant of registration/exemption with retrospective effect
- (vi) Delay in granting registration/approval/notification etc.

The matter was taken up by the Hon'ble PAC for examination and in the report issued by PAC, the Audit had desired (as mentioned by PAC) that the process of registration under the Income Tax Act should be brought under the purview of Internal Audit. The proposal was found acceptable by the CBDT and replied to PAC that the matter will be considered in the Audit Manual, since the process of revision of Audit Manual is going on. But the PAC was not satisfied with the reply as it wanted a detailed, complete, clear and specific reply. Therefore, a request was made to the CBDT to issue appropriate instructions for carrying out internal audit of office of the CIT (Exemptions), to implement the recommendation of the PAC.

Considering all the facts and recommendations, CBDT issued vide F.No. 240/8/2015-A & PAC-II, dated 14.12.2018, the partial modification of the Instruction No. 06 of 2017 on 14.12.2018. Through this modification, following para (numbered as 5.12) is being inserted immediately after para 5.11 of the instruction No. 06 of 2017:

“5.12 The registration process of charitable trusts / institutions will be audited by Internal Audit Party as per ‘Procedure of Internal Audit of the Process of Registration of Charitable Trusts / Institutions of Commissioner of Income Tax (Exemptions)’ given in Annexure D.”

For details, refer to letter F.No. 240/8/2015-A & PAC-II, dated 14.12.2018.

**6.2. Frequency of Audit:** The Internal Audit of “the process of registration of Charitable Trusts/Institutions of CsIT (Exemptions)” will be carried out each year by the O/o CsIT (Audit) of the region. The audit will commence for the first time in respect of the registration applications processed (i.e. approved/rejected) during FY 2018-19.

**6.3. Auditing Officer:** The Internal Audit will be conducted by an officer of the rank of Joint/Addl. CIT as per the Check List.

**6.4. Timelines:**

- (i) The Internal Audit shall be completed by 30<sup>th</sup> June of the succeeding financial year.

- (ii) After completion of the Internal Audit, the Audit report shall be submitted by the Joint/Addl. CIT to CIT (Audit) by 31<sup>st</sup> August.
- (iii) The CIT (Audit) shall examine the objections and will submit the final objections/observations to the respective CsIT (Exemptions) by 30<sup>th</sup> September and copy endorsed to CCIT (Exemptions).
- (iv) The CCIT (Exemptions) shall submit his consolidated report to Pr. DGIT (L&R) by 31<sup>st</sup> December.

**6.5. Procedure:**

- (i) The CCIT (Exemptions) shall examine all the Audit reports and seek comments from the respective CsIT (Exemptions).
- (ii) The CCIT (Exemptions)'s decision regarding acceptance/non-acceptance of the Audit Objection/Observation shall be final.

**6.6. Target of Auditable Cases:**

- (i) As this is the first year in which the Internal Audit of the process of registration of Charitable Trusts/Institutions is being started, a minimum of 50 cases of each CIT (Exemptions) shall be audited in FY 2019-20. Thereafter, ADG (Audit & Inspections) will circulate the target by 31<sup>st</sup> March, for the subsequent years, if there is any change in the target.

# **CHAPTER-II**

## **RECEIPT AUDIT**

## 7: Background and Audit Set-up of C & AG

### 7.1. Background

- 7.1.1. Public accountability is fundamental to every democratic set-up and the performance of every Department administering tax laws or spending public money and the same is constantly under the vigilant eyes of C&AG. The report of C&AG is laid before the Parliament and discussed by the Public Accounts Committee (PAC). Under article 149 of the Constitution and under the Comptroller & Auditor General of India's (duties, powers and conditions of service) Act, 1971, the Comptroller & Auditor General of India (C&AG) audits receipts from various direct taxes. The C&AG, in 2007, passed the "Regulations on Audit and Accounts, 2007", in pursuance to Section 23 of the C&AG's DPC Act. These Regulations apply to the officers and staff of the Indian Audit and Accounts Department (IA&AD) and all Ministries and Departments of the Government of Union, States and Union Territories as well as bodies, authorities and enterprises, to which the audit or accounts jurisdictions of the C&AG extend.
- 7.1.2. The Instruction No. 9 of 2006 dated 07.11.2006, as supplemented by Instruction No. 16 of 2013, dealt with Receipt Audit. In spite of a comprehensive instruction with well-defined role & responsibilities of various authorities, the pendency of outstanding objections had not abated. Further, indiscriminate remedial measures resulted in frivolous litigations causing undue hardship to tax payers. The CBDT has reviewed entire workflow to handle receipt audit objections with twin objectives of quick conclusion of remedial action in cases of accepted audit objections & to avoid remedial action as precautionary measure where objections are not acceptable.
- 7.1.3. With the launch of Income-tax Business Application (ITBA), the work flow would be monitored by supervisory authorities on system. This would instill accountability at every level in field formation. The perpetual problem of reconciliation of pendency will be resolved with launch of a web-based portal by the office of the C&AG and in due course of time, the interface of ITBA would also be linked with C&AG's portal for complete work flow automation. With technological assistance of ITBA and C&AG portal in place, Standard Operating Procedure (SOP) will stand aligned to workflow in ITBA, with defined roles and responsibilities of each functionary in the hierarchy. Accordingly, the CBDT in supersession of all existing instructions on this subject has issued **Instruction No. 07 of 2017, dated 21.7.2017**, which provides the procedures to deal with Receipt Audit objections.



## 7.2. Objective & Scope

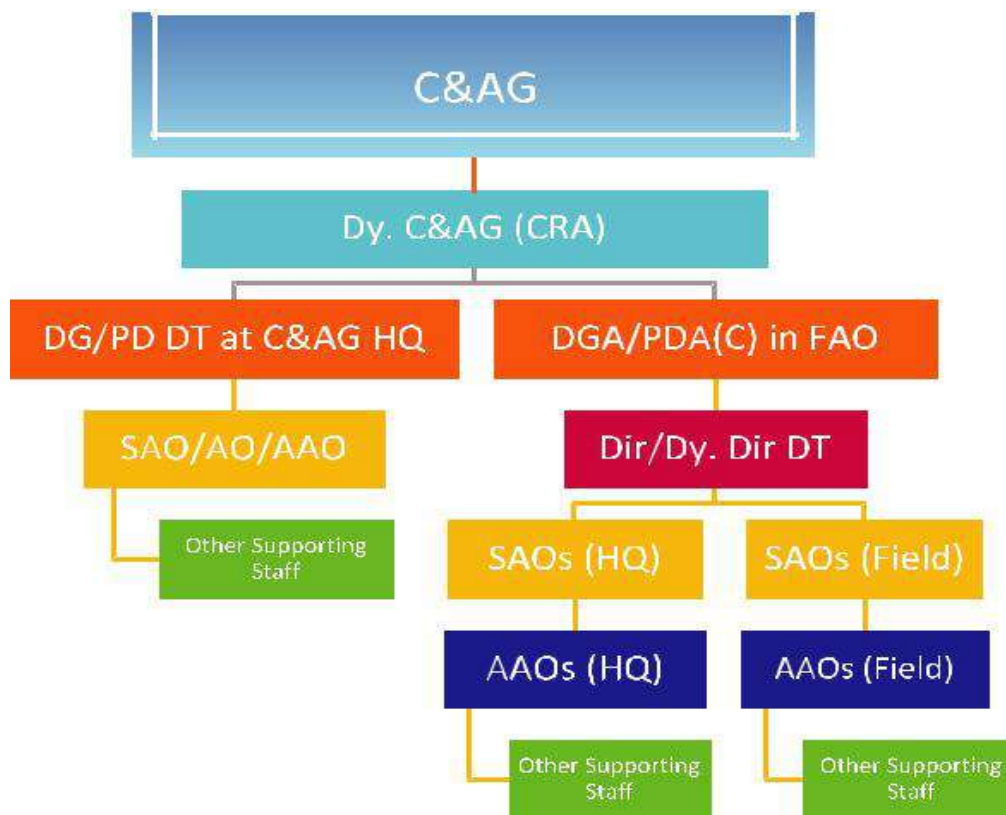
- 7.2.1. The main objective of Receipt Audit is to satisfy itself that the Income Tax Department has provided sufficient checks and safeguards against errors and frauds and that the procedures prescribed are followed to give effect to the requirements of law.
- 7.2.2. An important function of Receipt Audit is to see that adequate regulations and procedures have been framed by the Department to effectively check the accuracy of assessment, issue of refund, collection of taxes and to satisfy itself that such regulations and procedures are being followed.
- 7.2.3. Consistent with these objectives and to judge the effectiveness of assessment procedures, Receipt Audit would, inter-alia scrutinize individual cases and satisfy itself that the procedures of the Department adequately provide for and secure:
  - (i) Collection and utilization of data necessary for the computation of the demand or refunds under the law;
  - (ii) Prompt raising of the demand on tax-payers in the manner required by law;
  - (iii) Regular accounting of demands, collections and refunds;
  - (iv) Correct accounting and allocation of collections and their credit to the Consolidated Fund;
  - (v) Proper safeguards exist to ensure that there is no wilful omission or negligence to levy or collect taxes, or issue refunds;
  - (vi) Claims on taxpayers are pursued with due diligence and are not abandoned or reduced except with adequate justification and proper authority;
  - (vii) Double refunds, fraudulent or forged refund orders, or other losses of revenue through fraud, default, or mistakes are promptly brought to light and investigated.
- 7.2.4. Receipt Audit may see if mandatory provisions of law have been properly applied. However, the discretionary powers statutorily vested in AO would not be called in question unless Audit is able to show that such power is consistently used in a way which prima-facie, appears to be inappropriate or improper.

- 7.2.5. Audit may also point out omissions on the part of an officer to tax income disclosed by an assessee or decided upon by the officer to be taxed but not actually included in the computation. Similarly, Receipt Audit will point out if a deduction is allowed for an item which is patently includible for tax purposes. Checking the arithmetical accuracy of assessment orders and tax computations would always be open to Audit.
- 7.2.6. Audit would also see that the interpretation of law is not contrary to any binding decision of a Jurisdictional High Court or the Supreme Court.
- 7.2.7. Orders of write off will be scrutinized to see if they are passed by the Competent Authority after satisfying himself about the irrecoverability of the amount and following the prescribed Rules or Statutory provisions.
- 7.2.8. Receipt Audit would also check whether arrears of tax are correctly carried forward from year to year.
- 7.2.9. Receipt Audit will also see cases earlier checked by the Internal Audit to verify the effectiveness of Department's Internal Audit.
- 7.2.10. Receipt Audit will also point out cases of over assessment, since over assessments also constitute an irregularity and departure from the plain provisions of law.

### **7.3. Organizational Audit Set-up of C&AG**

- 7.3.1. The audit of receipts and refunds of income tax is conducted by nine Central Audit Offices headed by Director General/Principal Director of Audit (Central), with their eight Branch Offices (BOs). In Direct Taxes Wing of C&AG Headquarters, the Director General (Direct Taxes)/Principal Director (Direct Taxes) under the supervision of Dy. Comptroller & Auditor General (Central Revenue Audit) looks after audit output and coordinates with the CBDT and Public Accounts Committee (PAC) relating to audit of Direct Taxes.
- 7.3.2. The organizational structure of the Direct Tax Wing at C&AG Headquarters including Field Audit Offices (FAOs) is as below:

### Organizational structure of Direct Tax Wing



*(Source: The Revenue Audit Manual, Direct Taxes, 2015 of the C&AG, New Delhi)*

#### 7.3.3. Mapping of jurisdiction of Field Audit Offices and Income Tax Department:

C&AG Office, Direct Tax Wing			Income Tax Department	
Central Audit Office	Audit jurisdiction (States)	Branch Office with jurisdiction	Pr. CCIT Region	States
1. DGA, (Central Receipt), New Delhi	Delhi, Madhya Pradesh and Chhattisgarh	<b>Gwalior:</b> MP and Chhattisgarh	1. Pr. CCIT (Delhi) 2. Pr. CCIT (Madhya Pradesh and Chhattisgarh)	Delhi Madhya Pradesh and Chhattisgarh

C&AG Office, Direct Tax Wing			Income Tax Department	
Central Audit Office	Audit jurisdiction (States)	Branch Office with jurisdiction	Pr. CCIT Region	States
2. DGA (Central Receipt), <b>Kolkata</b>	West Bengal, Assam, Manipur, Meghalaya, Nagaland, Mizoram, Arunachal Pradesh, Tripura, Sikkim and UT of Andaman & Nicobar Islands	<b>Guwahati:</b> North East Region	3. Pr. CCIT (West Bengal & Sikkim)  4. Pr. CCIT (North East)	West Bengal, Sikkim, UT of Andaman and Nicobar Islands  Assam, Manipur, Meghalaya, Nagaland, Mizoram, Arunachal Pradesh and Tripura
3. PDA (Central Receipt), <b>Mumbai</b>	Maharashtra		5. Pr. CCIT (Mumbai) 6. Pr. CCIT (Nagpur) 7. Pr. CCIT (Pune)	Maharashtra
4. PDA (Central Receipt), <b>Lucknow</b>	Uttar Pradesh, Bihar, Jharkhand and Uttarakhand	<b>Allahabad:</b> Uttar Pradesh and Uttarakhand <b>Patna:</b> Bihar <b>Ranchi:</b> Jharkhand	8. Pr. CCIT (Uttar Pradesh-East) 9. Pr. CCIT (Uttar Pradesh-West) 10. Pr. CCIT (Bihar & Jharkhand)	Uttar Pradesh  Uttarakhand  Bihar and Jharkhand
5. PDA (Central Receipt), <b>Bengaluru</b>	Karnataka & Goa		11. Pr. CCIT (Karnataka & Goa)	Karnataka & Goa
6. DGA (Central Receipt), <b>Chennai</b>	Tamil Nadu, Kerala & UT of Puducherry	<b>Kochi:</b> Kerala	12. Pr. CCIT (Tamil Nadu) 13. Pr. CCIT (Kerala)	Tamil Nadu & UT of Puducherry Kerala

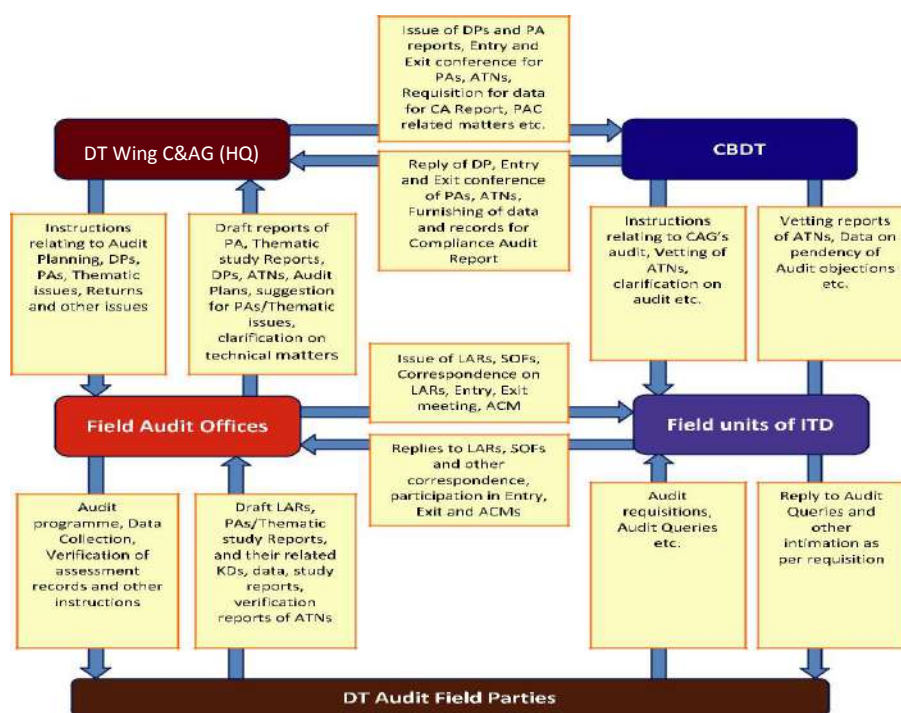
C&AG Office, Direct Tax Wing			Income Tax Department	
Central Audit Office	Audit jurisdiction (States)	Branch Office with jurisdiction	Pr. CCIT Region	States
7. PDA (Central Receipt), <b>Chandigarh</b>	Punjab, Haryana, Himachal Pradesh, Jammu & Kashmir and UT of Chandigarh		14. Pr. CCIT (North West)	Punjab, Haryana, Himachal Pradesh, Jammu & Kashmir and UT Chandigarh
8. PDA (Central Receipt), <b>Hyderabad</b>	Andhra Pradesh & Telangana and Odisha	<b>Bhubaneswar:</b> Odisha	15. Pr. CCIT (Andhra Pradesh) 16. Pr. CCIT (Odisha)	Andhra Pradesh & Telangana  Odisha
9. PDA (Central Receipt), <b>Ahmedabad</b>	Gujarat, Rajasthan and UT of Daman & Diu	<b>Jaipur:</b> Rajasthan	17. Pr. CCIT (Gujarat) 18. Pr. CCIT (Rajasthan)	Gujarat and UT of Daman & Diu Rajasthan

*(Source: The Revenue Audit Manual, Direct Taxes, 2015 of the C&AG, New Delhi)*

#### 7.4. Function of Direct Tax (DT) Wing of CAG

- 7.4.1. Prepares strategic plan and identifies key areas of topics/issues to be covered under Performance Audit (PA) in each Annual Audit Plan (AAP).
- 7.4.2. Prescribes/revise the monetary limits for paras of Local Audit Report (LAR) and Draft Paras (DPs) and power of settlement of Audit Observations by different authorities.
- 7.4.3. Conducts Entry and Exit conference with the Ministry and finalize the Audit reports.
- 7.4.4. Processes DPs and approved DPs are issued to the Ministry for their views/comments.
- 7.4.5. Submits the Compliance Audit report for approval of C&AG and after consolidation the printed copies of audit reports duly countersigned by the C&AG are placed in the Parliament.

- 7.4.6. Processes the Action Taken Notes (ATNs) and monitors pending ATNs with the CBDT/Monitoring Cell and PAC wing of C&AG Head Quarter.
- 7.4.7. Memorandums of Important Points (MIPs) are prepared in respect of Performance Audit report and DPs selected by PAC for detailed examination.
- 7.4.8. The power to settle Audit Observations included in Audit Reports rests with PAC which normally takes advice of DT wing.
- 7.4.9. Functional relationships of DT wing of C&AG and Income Tax Department



(Source: The Revenue Audit Manual, Direct Taxes, 2015 of the C&AG, New Delhi)

## 7.5. ROLE OF VARIOUS INCOME TAX AUTHORITIES

Under the Receipt Audit System, various authorities have been assigned well defined roles for effective handling of objections. The roles of different authorities are as under:

### A. AUDIT SET UP

#### ADG (Audit & Inspections):

- (i) shall monitor progress of settlement of Receipt Audit Objections;

- (ii) shall act as coordinating agency for the various CsIT (Audit) to promote uniformity of views on the same issue;
- (iii) shall take up the matter with the Headquarter office of C&AG, where the Receipt Audit Objections remains unresolved at field level;
- (iv) shall compile the mistakes detected by the Receipt Audit, as reported by the CsIT (Audit), in cases where Internal Audit was already done, for circulation to the field officers and also to the Internal Audit Officers.
- (v) shall prepare the Action Taken Notes (ATNs) in respect of draft paras and submit the same to CBDT for further action.

**CIT (Audit):**

- (i) shall coordinate with PCIT, Receipt Audit authorities and ADG (Audit & Inspections) in respect of Receipt Audit objections;
- (ii) shall ensure that the Internal Audit of those assessment units is carried out on priority before Receipt Audit, where program of compliance audit by the Local Audit Party (LAP) has been received;
- (iii) shall attend the Inter-departmental meeting held by the PCIT with the Director General of Audit or Principal Director of Audit (Central) to resolve the cases of disagreement and play an active role in maintaining consistent approach on a particular issue;
- (iv) may call for explanation of Internal Audit Officer, in appropriate cases of accepted Major Receipt Audit objection, where the same was raised, subsequent to internal audit and the Internal Audit Officer had failed to raise such objection and may take suitable action as deemed fit;
- (v) shall submit a list of mistakes detected by the Receipt Audit, in cases where Internal Audit was already done, to the ADG (Audit & Inspections) in April and October every year;
- (vi) shall maintain ledger card in respect of mistakes committed by the particular officer as per existing system, till Audit Module in ITBA is fully functional.

- (vii) shall maintain records and registers in the format prescribed in the existing Instructions, till the time Audit Module in ITBA is fully functional;
- (viii) shall prepare and send necessary reports and statistics in existing proforma to the CBDT/Directorate, till the time Audit Module in ITBA is fully functional.

Once the Audit Module in ITBA is fully functional, above functions from para (vi) to (viii) will be available on ITBA.

**JCIT (Audit):**

- (i) shall assist the CIT (Audit) in ensuring proper maintenance of prescribed registers and timely submission of reports and statistics as per existing guidelines, till the time Audit Module in ITBA is fully functional;
- (ii) shall ensure that the Internal Audit of those assessment units is carried out on priority before Receipt Audit, where program of compliance audit by the Local Audit Party (LAP) has been received;
- (iii) shall attend, if directed by the CIT(Audit), the Inter-departmental meeting held by the PCIT with the Director General of Audit or Principal Director of Audit (Central) to resolve the cases of disagreement and assist the CIT(Audit) in maintaining consistent approach on a particular issue;
- (iv) shall ensure that wherever explanations have been called for by the CIT(Audit) of Internal Audit Officer, the same is submitted expeditiously along with his comments;
- (v) shall assist the CIT(Audit) in maintaining Ledger card in respect of mistakes committed by the Internal Audit Officer as per Instructions in existence prior to Instruction No. 7 of 2017, till the time Audit Module in ITBA is fully functional;
- (vi) shall maintain records and registers in the format prescribed in the existing Instructions, till the time Audit Module in ITBA is fully functional;
- (vii) shall prepare and send necessary reports and statistics in existing proforma to the CBDT/Directorate, till the time Audit Module in ITBA is fully functional.



## **B. FIELD SET UP**

### **Pr. CCIT:**

- (i) shall review the progress of settlement of Receipt Audit objections in the CCIT Regions under him on quarterly basis and take necessary steps to achieve Action Plan targets;
- (ii) shall submit quarterly review report to the Member (A&J), CBDT, within a fortnight from the end of each quarter;
- (iii) shall ensure timely submission of reports and statistics for his region to the CBDT/Directorates.

### **CCIT / DGIT:**

- (i) shall monitor the progress of settlement of Receipt Audit objections pending in the PCIT charges under him and take necessary steps to achieve the Action Plan targets;
- (ii) shall furnish comments in ITBA system in Proforma-A as prescribed in **Annexure-3** of Instruction No. 07 of 2017, in respect of each Draft Para, within 6 weeks of its receipt to enable the CBDT to submit reply to the C&AG;
- (iii) shall also upload report in Proforma-B as prescribed in **Annexure-4** of said Instruction in case the Draft Para relates to an objection that has been accepted.

### **PCIT:**

- (i) shall inform the program of compliance audit by the Local Audit Party (LAP) to the CIT(Audit) to ensure that the Internal Audit of those assessment units is carried out on priority;
- (ii) shall extend all cooperation to the LAP, in conduct of audit and expeditious settlement of audit objections;
- (iii) shall examine the reasons submitted by the AO for not producing any case records requisitioned by the LAP and ensure that such records are invariably produced at the next audit cycle;

- (iv) shall examine and decide whether the Receipt Audit objection is acceptable or not, after calling for report, if needed, from the AO and Range Head and take prompt action for settlement thereof;
- (v) shall invite the CIT (Audit) for the inter-departmental meeting with DGA or PDA;
- (vi) shall examine Statement of Facts (SOF) proposing to include an objection as draft para in audit report and submit the required reports;
- (vii) may call for explanation of the officers and officials concerned:
  - (a) In appropriate cases where major audit objection has been accepted;
  - (b) In other cases, where audit objection has been accepted and no remedial action was taken and also in cases, where the remedial action has been delayed beyond prescribed time stipulated in the Instruction No. 07 of 2017, causing irretrievable loss of revenue.
- (viii) The Receipt Audit objection shall not be classified into 'Major & Minor', on the basis of revenue effect involved. The Part IIA of LAR includes the Major Audit objections and Part IIB of LAR includes Minor Audit objections, as per norms of C&AG and the objections shall be classified accordingly. The PCIT shall ensure reclassifications of pending objections as on date of issue of Instruction No. 07 of 2017, into 'Major and Minor' and upload the same in ITBA system;
- (ix) shall continue to submit reports as per existing guidelines, till the time Audit Module in ITBA becomes fully functional;
- (x) shall ensure that correspondence with C&AG, if received in physical form, is entered in the system by the authority concerned, till the time Audit Module in ITBA becomes fully functional.

**Range Head/JCIT (Special Range):**

- (i) shall ensure that records requisitioned by the LAP are made available expeditiously.

- (ii) shall communicate the reasons submitted by the AO to the PCIT, for not producing any case records requisitioned by the LAP and ensure that such records are invariably produced at the next audit cycle;
- (iii) shall assist the PCIT in reclassifications of the pending Receipt Audit objections as on the date of issue of Instruction No. 07 of 2017, into “Major and Minor” and uploading the same in ITBA system;
- (iv) shall ensure that the AOs maintain the relevant records & registers and submit reports with regard to Receipt Audit objections as per existing guidelines, till the time Audit Module in ITBA becomes fully functional. However, the above functions shall be performed by the JCIT (Special Range) himself as an AO.
- (v) shall extend all cooperation to the LAP, in conduct of audit and expeditious settlement of audit objections;
- (vi) shall submit report to the PCIT, if called for, whether the Receipt Audit objection is acceptable;
- (vii) shall assist the PCIT in examining Statement of Facts (SOF) proposing to include an objection as draft para in audit report and submit the required reports;
- (viii) shall ensure that wherever explanations have been called for by the PCIT of AO/Officials, the same is submitted expeditiously along with his comments;
- (ix) shall continue to submit reports as per existing guidelines, till the time Audit Module in ITBA becomes fully functional;
- (x) shall ensure that correspondence with C&AG, if received in physical form, is entered in the system by the authority concerned, till the time Audit Module in ITBA becomes fully functional.

**Assessing Officer (AO)/JCIT (Special Range):**

- (i) shall make the assessment and other records available for audit on requisition from the LAP and keep a record of the same. If it is not possible to make available any particular record requisitioned, the AO shall communicate the reasons to the LAP in writing with the prior approval of PCIT and ensure that such records are invariably produced at the next audit cycle;

- (ii) shall request the LAP at the beginning of audit cycle, to furnish Audit Memo on daily basis as soon as the mistake is observed;
- (iii) shall reply to the Half Margin Note expeditiously;
- (iv) shall ensure maintenance of relevant records & registers and submit reports with regard to Receipt Audit objections as per existing guidelines, till the time Audit Module in ITBA becomes fully functional;
- (v) shall assist the JCIT in reclassifications of the pending Receipt Audit objections, as on the date of issue of Instruction No. 07 of 2017, into “Major and Minor” and uploading the same in ITBA system;
- (vi) shall extend all cooperation to the LAP, in conduct of audit and expeditious settlement of audit objections;
- (vii) shall submit report to the PCIT, if called for, whether the Receipt Audit objection is acceptable;
- (viii) shall assist the JCIT in examining Statement of Facts (SOF) proposing to include an objection as draft para in audit report and submit the required reports;
- (ix) shall ensure that correspondence with C&AG, if received in physical form, is entered in the system by the authority concerned, till the time Audit Module in ITBA becomes fully functional.

## **8: Broad Outline of Procedure and ITBA workflow**

### **8.1. AUDIT PROCEDURE**

#### **8.1.1. Audit Procedure followed by C&AG Office.**

- (i) The field offices of C&AG carry out normal audit of assessments which is referred to as 'compliance audit'. Further, audit of non-assessment areas including, inter alia expenditure, is also covered in compliance audit to review the compliance of various instructions/directions of CBDT. It also undertakes study of systemic issues like implementation of any provision or functioning of any segment of the department called 'performance audit' to see that the stated objectives are being achieved.
- (ii) The audit team called LAP is generally headed by one Sr. Audit Officer/Audit Officer, visits different assessment units for the purpose of compliance audit. The LAP initially conducts 'Entry Conference' wherein audit methodology is explained and AO's co-operation is sought in furnishing statistical data, records and replies to pending observations of earlier cycle etc.
- (iii) The mistakes detected by LAP in the audit process is intimated to the AO in the form of an Audit Memo (normally called Half Margin Note) and his initial response to the query is sought.
- (iv) After the audit of the circle/ward is over, the LAP holds Exit Conference with the AO, wherein summary of audit conducted is discussed and AO's confirmation is sought to the effect that points included in audit objections were not pointed out by Internal Audit Unit and no other action such as issue of notice u/s 148 or 154 was taken before the issue of Audit Query. It is also confirmed that the interim replies to the audit queries given by AO have been incorporated in the audit report.
- (v) Within about a month of completion of audit, a Local Audit Report (LAR) is forwarded by the Group Officer concerned, dealing with Audit of Direct Taxes in the Office of the Director General of Audit or Principal Director of Audit (Central) {referred to as 'officer concerned of the C&AG' in this manual) to the AO with a copy to the PCIT and CIT (Audit) containing audit observations in respect of errors noticed. The LAR has various parts as under:

Part-IA	General information - Introduction (assessment unit, LAP and dates of audit), Administration, Selection, Jurisdiction
Part-IB	List of outstanding audit observations
Part-IC	Review Note and Settlement of outstanding paragraphs
Part-II	Current Audit Observations - Section-A Corporate-tax, Section-B Income-tax, Section-C Wealth-tax, Section-D Fringe Benefit tax, Section-E Other Misc taxes (each section for Part IIA, MB & III)
Part-IIA	Major Audit Observations above prescribed limits applicable to different categories (sections A, B, C, D etc) (different limits in metro, non-metro, corporate, non-corporate etc)
Part-IIB	Minor Audit Observations in the prescribed limits applicable to different categories (sections A, B, C, D etc)
Part-III	Other Audit Observations - NMV (No Monetary Value) paras
Part-IV	List of cases not produced to audit
Part-V	Disclaimer Certificate

- (vi) As per C&AG Audit Manual, in case the AO accepts the audit objections, rectifies the mistakes and recovers the amount involved, the Audit Memo needs to be treated as settled and such cases should not form part of the LAR.
- (vii) The objections are settled after considering the replies sent by the PCIT. The C&AG prepares an Audit Report in respect of Direct Tax, which contains illustrative cases to support their conclusion regarding loss of Revenue due to mistakes in making assessments. These illustrative cases are taken from LARs based on quantum of loss of revenue, even if objections are not accepted by the department.
- (viii) As a first step towards conversion of audit objection to "Draft Para", the Director (ITRA) sends particulars of objections to the PCIT through a 'Statement of Fact' (SOF). After incorporating the response to the SOF, if any, from the PCIT, cases selected for inclusion in the Audit report are sent to the CBDT for comment. On receipt of Draft Paras from the office of the

C&AG, the A&J division of the CBDT, calls for report from the PCIT in **Proforma A & B** to prepare its response to the Draft Paras.

- (ix) The Audit Report of C&AG for each financial year is presented to the Parliament which is examined by Public Accounts Committee. The response of the CBDT is also presented before the PAC.

#### **8.1.2. Audit Procedure to be followed by Income Tax Department.**

- (i) The PCIT shall inform the CIT (Audit), the program of Compliance Audit to be conducted by the LAP to ensure that the Internal Audit of those assessment units is carried out on priority.
- (ii) The AO shall supply the assessment and other records, as requisitioned by the LAP, keeping proper records thereof. If it is not possible to make available any particular record requisitioned, AO shall communicate the reasons for the same to the LAP in writing with prior approval of the PCIT and such records shall invariably be produced at the next audit cycle.
- (iii) At the beginning of the audit cycle, AO should request the LAP to furnish Audit Memo on daily basis, as soon as the mistake is observed, rather than handing over all such memos on the last day of the audit period.
- (iv) If the objection is not categorized by the LAP, the AO shall categorize the objections raised as:
  - a) Factual mistake;
  - b) Legal issue; or
  - c) Mixed issue.
- (v) The AO shall reply to the Half Margin Note (HMN), in all cases as follows:

##### **A. In case of factual objection;**

- (a) If mistake pointed out by the audit is found to be correct, the AO shall initiate appropriate remedial action **within 5 days** and inform the LAP accordingly;
- (b) If facts in objection are not found correct, the AO shall give reply to the Audit specifying correct facts;

**B. In case of Legal issue/Mixed issue;**

- (a) The AO shall specify as to whether or not, the factual aspect of the objection is correct and convey the correct facts relating to the same to the LAP.
- (b) For the legal question raised as such or in case of mixed issue, the AO may intimate to the LAP that the reply would follow after due examination of the matter.
- (vi) The AO shall send a status report to the PCIT as regards mistakes involving legal question/mixed issue, so that a view may be prepared for response on receipt of LAR.
- (vii) On receipt of LAR, till the time the process of receiving LAR through systems commences, the AO shall enter all the objections in LAR in 'Revenue Audit' Module in ITBA in the columns given at **Annexure-1** to the Instruction No. 07 of 2017. The functionality for recording LAR will be available from 'Record LAR Screen'. The AO should also attach a copy of the LAR and submit the work item to the Range Head to provide his comments on the audit objections. The AO shall create separate work item for each para in a LAR even if those relate to the same order.
- (viii) The PCIT shall, after calling for report from AO and the Range Head, if needed, take a decision, whether the objection is acceptable and communicate the same to the officer concerned of the C&AG.
- (ix) In a case, where audit objection is accepted;
  - (a) the PCIT shall decide, whether the order requires revision u/s 263 as remedial action. If yes, he shall call for the records and proceed to initiate action u/s 263.
  - (b) if the PCIT decides that the remedial action u/s 263 of the Act is not warranted, he shall communicate the same to the AO. In such cases, the AO shall independently examine the appropriate course of action to be taken in the light of facts of each case and take remedial action accordingly. In a case where an action u/s 154 is decided as the appropriate remedial action, prior approval of the Range Head shall be taken before initiating the proceedings. However, where the JCIT (Special Range) is the AO, he shall take suitable action on his own.
  - (c) The remedial action in case of accepted audit objection shall be initiated within **three months** and shall be completed within further period of **six months** from the date of initiation.
  - (d) The objection shall be treated as settled once the intimation of completion of remedial action and issue of demand notice is given to the officer concerned of the C&AG.



**(x) In a case, where audit objection is not accepted;**

- (a) The PCIT shall send a reply, within two months of receiving LAR, to the officer concerned of the C&AG specifying the reasons for not accepting the objections. A copy of the reply shall also be marked to the CIT (Audit). Where the view of the PCIT is accepted, the objection will be settled as dropped and no further action would be required.
- (b) Where the view of the PCIT is not accepted and a rejoinder is received from the officer concerned of the C&AG with reasons for disagreement, the PCIT shall get the contents of rejoinder entered in ITBA system and he shall consider the objection in the light of rejoinder. If the PCIT agrees with the views of the Receipt Audit, remedial action will be taken.
- (c) Where the PCIT is still of the view that the objection is not acceptable or where there is no response to the PCIT's replies from the Receipt Audit even after lapse of two months, he shall take up such cases in inter-departmental meeting with the Director General of Audit or Principal Director of Audit (Central).
- (d) In the inter-departmental meeting, where the CIT (Audit) shall also be invited, efforts will be made to resolve the difference of opinion and arrive at common view, as far as possible. Detailed 'Minutes of Meeting' shall be recorded and sent to all concerned. If the PCIT agrees with the view of the Receipt Audit, remedial action will be taken. However, no remedial action shall be initiated in respect of objections still not accepted by the PCIT.
- (e) Where the objection remains unresolved, the outcome of inter-departmental meeting, as per minutes recorded, shall be entered in ITBA system by the PCIT. In such cases the ADG (Audit & Inspections) shall generate summary of objections as per Annexure-2 of Instruction No. 07 of 2017.
- (f) The ADG (Audit & Inspections), acting on behalf of the CBDT, shall hold meeting with the Principal Director of Audit (Direct Taxes) in the Headquarters of C&AG to discuss the objections remaining unresolved at the field level. For this purpose, the ADG (Audit & Inspections) may constitute a team of officers, as deemed appropriate, including CIT (A&J), CBDT and officers from Directorate of L&R, so that latest judicial position on a legal issue may be brought to the notice of the officers of the C&AG. Minutes of the meeting shall be recorded and sent to all concerned. However, no remedial action shall be initiated, if the objection raised by C&AG is not accepted by the Department.

- (xi) Where statement of facts (SOF) proposing to include an objection as draft para in audit report is received, the PCIT shall examine the issue (irrespective of whether or not, the audit objection was accepted) from factual and legal perspective and send appropriate reply including status of appeal, etc. to the Receipt Audit within a *fortnight*.
- (xii) The PCIT shall upload particulars and the CCIT shall furnish comments in ITBA system in Proforma-A as prescribed in **Annexure-3** of Instruction no 07 of 2017, in respect of each Draft Para, within **6 weeks** from its receipt, to enable the CBDT to submit the reply to the C&AG. In case the Draft Para relates to an objection that has been accepted, report in Proforma-B as prescribed in **Annexure-4** of the said Instruction shall also be similarly uploaded. A copy of the report shall be marked to the ADG (Audit & Inspections) for preparation of Action Taken Note (ATN).
- (xiii) After receiving the Audit Report presented to the Parliament, the ADG (Audit & Inspections) shall give the concluding shape to the ATNs on Audit Paras and send the same to the CBDT, through the Pr. DGIT (L&R) for submission to the C&AG, after necessary vetting and consideration in the CBDT.
- (xiv) The entire work flow of audit shall be done in ITBA system.

## 9: Remedial Action

**9.1** Following procedure has been laid down to exercise an effective control with regard to timely and appropriate remedial action in respect of Receipt Audit objections:

- (i) if the PCIT is of the view that a remedial action requires revision u/s 263, he shall call for the records and proceed accordingly. Otherwise, he shall communicate his decision not to invoke section 263 to the AO;
- (ii) in a case where the PCIT has decided not to invoke jurisdiction u/s 263, the AO shall examine the issue and take suitable action as per his independent application of mind on the facts of the case;
- (iii) in case the AO decides to choose rectification u/s 154, as appropriate remedial measure in (b) above, he shall initiate the action with the approval of the Range head. However, where the JCIT (Special Range) is the AO, he will take suitable action on his own;
- (iv) The remedial action shall be initiated within **three months** and concluded within further period of **six months** of initiation of the proceedings.

### **9.2 Appeal to ITAT in cases involving audit objection.**

Adverse order of the first Appellate Authority relating to Receipt Audit objection accepted by the Department should be contested on merits irrespective of the tax effect.

***{for the purpose of Chapter 7 & 8, “AO” includes “Jt./Addl. CIT (Special Range)”}***

## 10: Receipt Audit Records and Reports

### 10.1 RECORDS

- 10.1.1. The records of audit work i.e. the LAR, all subsequent communications and its settlement etc., with dates, shall be available in ITBA system. The required information like pendency & settlement of Major & Minor Receipt Audit objections can be generated from ITBA system as MIS.
- 10.1.2. However, till the time Audit Module in ITBA system is fully functional, the registers in the format as prescribed in the existing Instructions shall continue to be maintained.
- 10.1.3. CIT (Audit) and PCIT shall maintain Ledger Cards, in the proforma as per Annexure – 7, for proper maintenance of record of mistakes (only for Major Audit Objections) committed by a particular officer to enforce accountability and take reformative steps. The ledger card in respect of erring Assessing Officers shall be maintained on the ITBA system and would be available to supervisory officers.

### 10.2 REPORTING SYSTEM

- 10.2.1. All the works including correspondence regarding Receipt Audit, shall be done through ITBA system. The statistical and other reports, as may be required, shall be generated from the ITBA system itself. However, for monitoring and control, the following standard MIS reports are prescribed:
  - (i) Monthly & Quarterly Statistical reports, to ascertain progress, in respect of number of audit objections raised, settled, pending etc. in the format given in **Annexure-4 & Annexure – 6**.
  - (ii) List of pending audit objections with particulars as may be required, as prescribed in **Annexure-6** of Instruction No. 07 of 2017.
- 10.2.2. The CIT(Audit) shall be able to generate MIS report in **Annexure-5** of the said Instruction for his jurisdiction or for each PCIT charge. The Pr. CCIT shall be able to generate similar MIS report for his region or for each CIT (Audit), PCIT/CIT. The ADG (Audit & Inspections) shall be able to generate similar MIS report for all or any of the Pr. CCIT or CCIT or PCIT or any CIT (Audit) in India.
- 10.2.3. The PCIT shall be able to generate and send MIS report in **Annexure-5** of the said Instruction for his region/charge with break-up for each Range/AO to CIT (Audit), since CIT (Audit) is the coordinating authority to submit a consolidated report to the CBDT through ADG (Audit & Inspections). They can also generate

list of all pending audit objections as per Annexure-6 of the said Instruction for their region/charge or any Range/ AO in his jurisdiction.

10.2.4. The ADG (Audit & Inspections) may, with the approval of Member (A&J), specify any other periodic MIS that is required to be generated through ITBA.

10.2.5. Till the time Audit Module in ITBA becomes functional, the reports as per existing guidelines shall continue to be sent.

# **Chapter-III**

## **AUDIT CHECK SHEET**

## AUDIT CHECK SHEET



The Check Sheet is only illustrative and not exhaustive. It does not deal with all the provisions of the Act. It is also not a synopsis of the provisions referred therein. The purpose is to provide the Auditor with a concise list of common issues for ready reference, so that any obvious errors or mistakes in the order under audit are not missed out. Reference should, therefore, be made to the relevant provisions of the Act, Rules made therein, Circulars and Instructions issued by the CBDT on the subject and binding judicial pronouncements for in depth understanding of the issues listed in the check sheet and also to identify and point out errors and mistakes on issues, not incorporated in the check sheet. The issues have been grouped by category with specific headings and a separate index for easy accessibility and reference.

To improve the quality of Internal Audit, each Audit Party is advised to submit the report to their respective supervisory authority, along with Checklist, duly filled in, as per the proforma (with relevant portion of the Checklist) in respect of all the cases they have audited, after issue of this Manual.

The CIT (Audit) and Addl. CIT (Audit) may use this Checklist for selection of cases for rechecking of audited cases. Therefore, due care should be taken by the Audit Party, while filling up the Check list and submitting report.

# 11. PRELIMINARY CHECK:

(To be mandatorily verified in each case)

S. No.	Particulars	Yes/No/NA
1	Whether the Return of Income (hereinafter referred as Return) is: (i) Filed in appropriate form and mode as prescribed u/s 139 read with Rule 12; (ii) Verified by the authorized person as per section 140; (iii) Filed within the due date specified u/s 139(1), if not, whether the consequences of the same with respect to carry forward of business losses, Exemption/Deductions under Chapter III & Chapter VIA have been given effect to.	
2	In case of a revised return, for A.Ys up to 2017-18, whether the original return was filed within due date prescribed u/s139(1)?	
3	In a case of defective return, whether the return was treated as <i>non este</i> , where the defects were not removed?	
4	If the return is filed beyond due date u/s 139(1), for A.Y. 2018-19 onwards, whether the late fee has been paid as under:- (i) filed up to 31 <sup>st</sup> December of the A.Y. : Rs.5,000/- (ii) filed till the end of the A.Y. : Rs.10,000/- (iii) However, where the total income does not exceed Rs. 5,00,000/- an amount not exceeding Rs. 1,000/-.	
5	Whether the Residential Status of the assessee has been correctly determined?	
6	Whether the income earned from all sources have been considered and computed correctly under appropriate heads e.g. Salary, House Property, Business Income, Capital Gain & Other Sources, with reference to the provisions of the Act?	
7	Whether the reasons for selection of case for scrutiny have been verified/examined?	
8	Whether all receipts shown in 26AS/AIR Information/ITS details /360 degree data of the assessee have been verified and correctly disclosed in ITR?	
9	Whether the correctness of exemptions/deductions claimed in ITR has been verified?	
10	Whether the source of investment including investment in imports of goods/movable/immovable, as per information available in AIR / ITS details/360 degree data, have been made from disclosed sources?	
11	Whether income from securities transactions including derivatives and source of investment therein has been examined with the information available in AIR /ITS details/360 degree data?	
12	Whether it is verified that in a case of resident individual, HUF or Firm, from AY 2017-18 onwards, the dividend income in excess of Rs. 10 lakhs (without allowing any expenses/allowances thereof) has been taxed @	



	10%?	
13	Whether it is verified that any change in share holding pattern of the company, more than 50%, then losses will not be allowed to carry forward as per provision of section 79?	
14	Whether the Provision of Section 56(2)(vii) and 56(2)(viib) have been verified while examining the issue of investment in shares?	
15	Whether the foreign outward remittances, as per information available in AIR /ITS details/ 360 degree data, have been made from disclosed sources and TDS have been deducted thereon correctly?	
16	Whether all expenditures, including Capital or Revenue Expenditures, have been correctly classified and allowed accordingly?	
17	Whether the accounts have been audited, as per statutory requirements and action has been taken for any non-compliance there to?	
18	Whether all the disallowances computed in the Tax Audit Report have been duly included in the computation of income?	
19	Whether all the observations in respect of eligibility of Deductions/Exemptions, contained in the Auditors Certificates/Tax Audit Reports, have been duly considered?	
20	Whether the interest granted u/s 244A on refund received in the previous year is included in the taxable income?	
21	Whether the income of casual and non-recurring nature, shown in Return/Balance Sheet but not offered as income, has been brought to tax?	
22	Whether all bank accounts including foreign bank accounts have been disclosed in the return of income?	
23	Whether source of all investments including deposits in foreign bank accounts and foreign properties has been examined?	
24	Where the computation has been made in the assessment order starting with income as per P & L account, whether the disallowance offered separately in the computation sheet, while filling return of income/loss, has been added by the AO in the assessment order?	
25	Whether all the disallowances/additions discussed in the body of the assessment order have been added in the computation of total income?	
26	Whether loss from exempt income has not been set off against taxable income?	
27	Whether it is verified that where an agricultural land has not been treated as 'capital asset, u/s 2(14), the specified distance of such land from local limits of any municipality, municipal corporation, etc., has been measured aerially and not otherwise?	
28	Whether remuneration to the partners and interest on capital employed, have been correctly allowed as per partnership deed subject to limit laid down under the Act and the same has not been allowed in case of AOP and BOI?	
29	Whether receipts shown in the TDS Certificates have been duly considered for the purpose of computation of total income?	

30	Whether rate of tax has been applied appropriately and surcharge/cess, has been levied as applicable?	
31	Whether agricultural income has been considered for computing the tax?	
32	Whether Minimum Alternate Tax (MAT) and Alternate Minimum Tax (AMT) has been correctly computed and levied?	
33	In case of a domestic company, whether tax on distributed profits has been charged in accordance with the provisions of section 115O?	
34	Whether interest u/s 234A, 234B, 234C and 234D has been charged correctly with reference to period of default?	
35	In case of failure to deliver statement of TDS/TCS within time limit prescribed u/s 200(3) or proviso to section 206C(3), whether the prescribed fee u/s 234E has been paid?	
36	Whether refund and interest u/s 244A thereon has been determined correctly?	
37	Whether the assessee has paid other taxes such as Security Transaction Tax (STT), Commodity Transactions Tax (CTT), as applicable?	
38	Whether the orders of the Appellate Authorities, DRP and Settlement Commission have correctly been given effect to?	
39	Whether credit of taxes paid, including TDS, has been given as per provisions of the Act and Instructions of the CBDT?	
40	Whether TDS has been considered as part of income and credit thereof has been allowed as per Rule 37BA?	
41	Whether the Income offered or assessed u/s 68 or u/s 69 or u/s 69A or 69B or u/s 69C or u/s 69D has been taxed as per provision of section 115BBE?	
42	Whether records of earlier assessment years have been referred, to verify if any addition/disallowance required to be made on account of: (i) Additions made in the past requiring similar action in the current year (ii) Method of valuation not accepted in the past requiring adjustment of values of opening stock and closing stock. (iii) Brought forward losses, allowances and depreciation not claimed correctly in the return of the current year. (iv) Credit of MAT/AMT has been allowed as per variations, if any, made in the earlier assessment/appellate orders. (v) Exemptions and Deductions under Chapter III and VIA have been allowed on the basis of past records.	
43	Whether penalty has been imposed under the proper section of the Act?	
44	Whether the application of penalty provisions of sections 269SS/269T has been examined as regard to payment/repayment of loan in cash?	
45	Whether the genuineness of gift received during the year has been examined?	
46	Whether the source of payments of credit cards has been verified?	

## 12. INCOME WHICH DOES NOT FORM PART OF TOTAL INCOME

### SECTION 10

S. No.	Particulars	Yes/No/NA
1	Whether exemption in respect of value of travel concession or assistance received or due from employer has been allowed u/s 10(5) after verifying conditions specified under Rule 2B?	
2	Whether exemption in respect of sum received by an employee on his voluntary retirement or termination of service has been allowed u/s 10(10C) after verifying conditions specified under Rule 2BA?	
3	Whether exemption u/s 10(10D) has not been allowed in respect of: (i) Any sum referred u/s 80DD(3) or u/s 80DDA(3) or under a Key-man insurance policy. (ii) Any sum received under an insurance policy issued on or after the 1 <sup>st</sup> day of April, 2012, in respect of which the premium payable for any of the years during the term of the policy exceeds ten per cent of the actual capital sum assured, except where any sum is received on the death of a person.	
4	Whether exemption in respect of House Rent Allowance has been allowed u/s 10(13A) after verifying conditions specified under Rule 2A?	
5	In a case where any special allowance to meet expenses wholly and exclusively incurred in the performance of the duties of an office is claimed exempt u/s 10(14), whether the same has been allowed after verifying conditions specified under Rule 2BB?	
6	Whether exemption u/s 10(20) has not been allowed in respect of income of a <b>Local Authority</b> arising from the business of supply of any commodity or service (other than water and electricity) outside its own jurisdiction?	
7	In case of a <b>Research Association</b> , whether exemption u/s 10(21) has been allowed after verifying conditions stipulated therein?	
8	In case of a <b>Professional Institution</b> , whether exemption u/s 10(23A) has been allowed after verifying conditions stipulated therein?	
9	In case of an <b>Educational/Medical Institution</b> , whether exemption u/s 10(23C) has been allowed after verifying conditions stipulated therein?	
10	Whether anonymous donations have been dealt with in accordance with the provisions of section 115 BBC?	
11	Whether exemption u/s 10 (34) has not been allowed to a specified assessee in respect of income from dividend above the prescribed limit (Rs.10 lakhs), who is not entitled to claim the same as per section 115BBDA. Further, whether no deduction in respect of any expenditure or allowance or set off of loss has been allowed to the assessee under any provision of the Act, in computing the income by way of dividends referred above?	

## SECTION 10AA

S. No.	Particulars	Yes/No/NA
12	Whether the assessee is an entrepreneur, as referred to in clause (j) of section 2 of SEZ Act, 2005, who has been granted approval by Development Commissioner under SEZ Act, 2005 and the unit in respect of which deduction u/s 10AA has been allowed, has commenced production or manufacture of articles or things or providing services on or after 01.04.2006?	
13	Whether the undertaking is new and not formed by splitting/reconstruction of a business already in existence or by transfer of machinery previously used in India?	
14	Whether Auditor's Report in prescribed form has been filed?	
15	Whether the transactions of the eligible undertaking with other persons or any other business of the assessee itself have been conducted at arm's length price and, if not, whether provisions of sub-sections (8) & (10) of section 80IA have been invoked?	
16	Whether the claim has been made for an assessment year which falls within the specified period?	
17	Where the undertaking/unit has already availed of deduction u/s 10A for any assessment year(s), whether deduction u/s 10AA has been allowed only for the unexpired period out of the period of 10 consecutive assessment years?	
18	Whether the conditions specified in sub-section (2) of section 10AA are fulfilled?	
19	Where the undertaking/unit has already availed of deduction for a period of 10 consecutive assessment years, whether deduction u/s 10AA (1)(ii) has been allowed for the next 5 assessment years, subject to fulfillments of conditions mentioned therein?	
20	Whether the amounts credited to Reserve Account in earlier years for availing of the exemption under clause (ii) of sub-section (1A) of section 10AA has been utilized for the specific purposes within stipulated time frame and, if not, whether such amounts have been brought to tax?	
21	In any assessment year after the end of the period for which deduction u/s 10AA was admissible, whether set off has not been allowed for unabsorbed depreciation, investment allowance, development rebate or expenditure on scientific research or promotion of family planning pertaining to any assessment year prior to AY 2006-07?	
22	In the assessment years following the period of deduction u/s 10AA, whether depreciation has been calculated on the WDV of assets as if depreciation had actually been allowed in the years comprising the period of deduction?	
23	In any assessment year after the end of the period for which deduction u/s 10AA was admissible, whether the assessee has not been allowed deduction u/s 80HH/80HHA/80I/80IA/80IB in relation to the profits of the undertaking;	

<b>24</b>	In a case where the undertaking of an Indian company entitled to deduction u/s 10AA has been transferred, before expiry of the period specified in this section, to another Indian Company in a scheme of amalgamation or demerger, whether deduction under this section has not been allowed in the hands of the amalgamating or demerged company for the previous year during which the demerger took place?	
<b>25</b>	Whether deduction u/s 10AA has not been allowed exceeding the total income as computed in accordance with the provisions of the Act, before giving effect to the provisions of section 10AA?	

### 13. CHARITABLE TRUSTS AND INSTITUTIONS

S. No.	Particulars	Yes/No/NA
1	Whether receipt of trust are shown correctly and also utilized for the charitable purpose?	
2	Whether the Trust/Institution is registered u/s 12AA and has been established wholly for charitable/religious purpose?	
3	Whether Trust has correctly claimed exemption u/s 11(4A) on the profit or gain of business, as the business is incidental to the attainment of the objectives of the trust and for this separate books of accounts maintained by such Trust?	
4	Whether Trust has carrying on business with object of advancement of general public utility, within the monetary limit mentioned in the proviso to sec 2(15)?	
5	Whether registration u/s12AA was not cancelled for the AY for which the exemption was allowed?	
6	In a case where income exceeds the maximum amount which is not chargeable to Income Tax, whether Audit Report in Form 10B has been filed?	
7	Whether contribution received without any specific direction from donors that it shall form part of corpus, has been treated as income of Trust/Institution?	
8	Whether exemption has not been allowed in respect of the following: (i) Income of a Trust for private religious purposes and not for the benefit of public. (ii) Income of a Trust established for the benefit of a particular caste/community (other than SC/ST/Backward Classes, Women and Children). (iii)Income of a charitable Trust engaged in the advancement of any other object of general public utility, if it involves carrying on of any trade, commerce or business activity, unless covered by clause (i) and (ii) of section 2(15). (iv)Income applied, directly or indirectly, including deemed application u/s.13(2), such as by way of loans advanced, salary etc. paid beyond reasonable extent, services rendered to such persons, for the benefit of persons such as author, substantial contributor, trustee, manager, etc. of trust or their relatives, as specified in section 13(3).	
9	If the objects of the Trust are not found to be charitable in view of the proviso to section 2(15), whether the cancellation has been obtained from the PCIT/CIT, before denying the claim of exemption?	
10	Whether at least 85% of the income from the property held under Trust for charitable or religious purposes has been applied for the purposes of the Trust. If not, whether income or part thereof, has been accumulated or set apart and: (i) invested/deposited in the manner as specified u/s 11(5);	

	<p>(ii) utilized for the specified purpose in the stipulated time frame not exceeding 5 years;</p> <p>(iii)has not been utilized for making any payment to any Trust or institution registered u/s 12AA or notified in clause (iv), (v) and (via) of section 10 (23C).</p> <p>(iv)Form 10 has been filed before the expiry of time allowed u/s 139(1);</p>	
<b>11</b>	In a case where a property held under trust for charitable or religious purposes has been transferred, whether the consideration arising there from has been utilized for acquiring another capital asset to be so held. If not, whether the whole or the appropriate portion of such consideration has been treated as income of the Trust not utilized for its purposes.	
<b>12</b>	Whether anonymous donations have been dealt with in accordance with the provisions of section 13(7) r.w.s 115 BBC?	
<b>13</b>	Whether trust rightly claimed corpus donation exempt u/s 11(1)(d) of the Income Tax Act. 1961?	
<b>14</b>	Whether the assessee has taken prior approval of the CBDT as per proviso to section 11(1)(c) for application of income derived by the Trust for any charitable purpose outside India, which tends to promote international welfare in which India has vested interest?	
<b>15</b>	Whether the assessee has taken prior approval of the Competent Authority before receiving foreign contribution/donation after it gets itself registered under Foreign Contribution Regulatory Act, 2010?	
<b>16</b>	<p>Whether inter charity donation to other organization has been correctly shown as application of income and following standards have been adopted:</p> <p>(i) Inter charity donations approved by the Board of Trustees?</p> <p>(ii) The inter charity donation is one of the object of the Trust and it is also mentioned in the trust deed?</p> <p>(iii)Inter charity donation made to institutions having public characters?</p> <p>(iv)Inter charity donations were made from accumulated income?</p>	
<b>17</b>	Whether accumulation of income u/s 11(2) exceed the maximum time limit of five years and Trust has made donation out of accumulated income u/s 11(2)and amount applied out of accumulation was for the object of the Trust?	
<b>18</b>	Whether payments of salary or allowances, rent, interest and investment made by the Trust to the specified person are reasonable and not hit by section 13?	
<b>19</b>	Whether income/property/services of Trust/Institution made available to the specified person(s) is with either adequate security or adequate interest or both and not hit by section 13?	
<b>20</b>	Whether Trust correctly claimed exemption from capital gain as per the section 11(1A)?	

<b>21</b>	Whether Trust after dissolution, transfer all its assets to some other Trust or institution registered u/s 12AA or approved u/s 10(23C)?	
<b>22</b>	Whether taxability of receipt from the sale of immovable property has been shown correctly?	



#### 14. FIRM

S. No.	Particulars	Yes/No/NA
1	Whether the firm has been evidenced by Partnership Deed in writing?	
2	Whether the individual shares of partners are specified in Partnership Deed?	
3	Whether Salary, Bonus, Commission or Remuneration, by whatever name called (hereinafter referred to as 'Remuneration'), has been authorized by the partnership deed and has been paid to working partners?	
4	Whether remuneration paid to working partners does not pertain to period prior to partnership deed?	
5	Whether remuneration paid to the partner(s) does not exceed the permissible limit in terms of section 40(b)(v)?	
6	Whether payment of interest was authorized by the Partnership Deed?	
7	Whether rate of interest paid to the partners on amount standing in capital account was as per Partnership Deed and the same was not exceeding 12%?	
8	Whether interest on debit balances due to drawings, as provided in the Partnership Deed, has been charged to tax?	
9	In case of changes in the constitution of firm, whether carry forward and set-off of losses was allowed as per provisions of section 78?	
10	Where the share of profit received by the partners from the firm was claimed exempt u/s 10(2A), whether the related expenditure claimed by the partners has been disallowed u/s 14A read with Rule 8D?	
11	Where there is a failure on the part of a firm in the nature as specified in section 144, whether the deduction by way of any payment of interest, salary, bonus, commission or remuneration, by whatever name called, made by the firm to partner has been disallowed?	
12	Whether Capital Gain has been charged in the case of transfer of capital assets or intangible assets by a firm to a company, as a result of succession, if the conditions specified in section 47(xiii) are not fulfilled?	
13	Whether Salary, Bonus, Commission or Remuneration paid by firm to the non-working partners, has been disallowed?	
14	Whether Salary, Bonus, Commission or Remuneration paid by firm to the working partners, in excess of amount admissible u/s 40(b) has been disallowed?	

## 15. SALARY

S. No.	Particulars	Yes/No/NA
1	Whether salary has been brought to tax correctly on due or paid basis, whichever is earlier, as provided in section 15?	
2	Whether income under the head 'Salary' has been computed correctly by including the following, wherever applicable: (i) Wages; (ii) Annuity or Pension; (iii) Gratuity; (iv) Fees, Commissions, Perquisites or Profit in lieu of or in addition to any Salary or Wages; (v) Advance of Salary; (vi) Leave encashment; (vii) Employer contribution to a recognized provident fund in excess of 12% of salary and interest credited on accumulated balance at rate exceeding the rate prescribed, as per Rule 6 of Part A of the Fourth Schedule; (viii) Sums referred to in Rule 11 of Part A of the Fourth Schedule in case of contribution to newly recognized provident fund; (ix) Employer's contribution under a pension scheme referred to in section 80CCD.	
3	Whether perquisite has been computed correctly u/s 17(2) r.w. Rule 3 in respect of the following, apart from others: (i) Value of rent-free accommodation/concession in respect of rent, provided by the employer; (ii) Sum paid by the employer on behalf of the employee; (iii) Sum payable by employer to insure life of assessee or for an annuity, other than funds mentioned in section 17(2)(v); (iv) Benefit received from employer on account of any specified security or sweat equity shares; (v) Employer's contribution to approved superannuation fund in excess prescribed limit (Rs. 1,50,000/-) as provided in section 17(2)(v).	
4	Whether relief in respect of arrear/advance salary u/s 89 has been correctly computed in accordance with Rule 21A and Form 10-E?	
5	Whether HRA received in excess of limit prescribed under Rule 2A, has been taxed?	
6	Whether allowances or benefits received in excess of limit prescribed under Rule 2BB, has been taxed?	
7	Whether sum received on account of gratuity, commutation of pension, leave encashment in excess of prescribed limit as provided in section 10(10), 10(10A) and 10(10AA) respectively has been taxed?	
8	Whether compensation received on VRS or termination of service in excess of prescribed limit (Rs.5,00,000/-) has been taxed, as provided in section 10(10C)?	

## 16. HOUSE PROPERTY

S. No.	Particulars	Yes/No/NA
1	Whether income from building or adjoining land, owned by the assessee and not used for his business, has been taxed under this head?	
2	Whether the Gross Annual Value (GAV) has been adopted at: (i) Where Rent Control Act is applicable, higher of Standard Rent or Rent received; (ii) In any other case, higher of Rent received/receivable or Fair Market Value or Municipal Valuation.	
3	Whether the Vacancy Allowance has been allowed as per clause (c) of section 23(1)?	
4	Whether Municipal taxes have been allowed on actual payment basis and not on accrual basis for computing Net Annual Value (NAV)?	
5	Whether No deduction on account of commission, brokerage, repair, rent collection etc. has been allowed, even if incurred, other than standard deduction and interest on borrowed capital as per section 24?	
6	Whether interest taxable in the hands of the payee, has not been allowed on payment made outside India without TDS, if there is no agent of the payee u/s 163?	
7	Where the assessee owns more than one house property, whether notional rent has been charged for the house properties which have not been treated as self occupied, even if not let out?	
8	Whether income from building or adjoining land held as stock-in-trade, even if not let out, has been taxed from AY 2018-19 onwards, for the period after one year from the end of the financial year in which the certificate of completion of construction of the property is obtained?	
9	Whether the arrears of rent and unrealized rent received have been taxed as per provisions of section 25A?	
10	Whether the deemed owner has been taxed as per provision of section 27 of the Act?	
11	From AY 2018-19 onwards, whether set off of net loss from house property, in excess of Rs. 2 Lakhs, has not been allowed against income under other heads?	
12	In case of self occupied property, whether interest has not been allowed: (i) if the acquisition/construction has not been completed within 5 years from the end of the financial year of taking the loan; and (ii) in excess of Rs. 2 lakhs for the AY.	
13	Where the property has been transferred before five years of its acquisition, whether no deduction has been allowed for repayment of principal component of loan taken etc. u/s 80C(2)(xviii) and the aggregate amount of such deduction already allowed has been taxed as deemed income in the year of transfer?	
14	Where the property is owned by more than one person, with defined shares, whether the income has been taxed in individual hands and not as AOP.	

## 17. PROFITS AND GAINS FROM BUSINESS OR PROFESSION

S. No.	Particulars	Yes/No/NA
1	Whether all the income referred u/s 28 has been duly taxed?	
2	Whether turnover/gross receipts /sale including exports, have been disclosed correctly as per the information available in AIR/ITS details/ 360 degree data?	
3	Whether all receipts shown in 26AS/AIR Information/ITS details /360 degree data of the assessee have been verified and correctly disclosed in ITR.	
4	Whether the foreign outward remittances (including overseas purchases), as per information available in the AIR information/ITS details/ 360 degree data, has been disclosed?	
5	Whether income from securities transactions including derivatives and source of investment therein has been examined as per information available in the AIR information/ITS details/ 360 degree data?	
6	Whether identity, credit worthiness and genuineness of transaction i.e., capital introduced/share capital/loans or any other cash credit/credit in the books of accounts of the Assessee have been verified?	
7	Whether the repayment of loans has been made from the genuine/disclosed sources?	
8	Whether identity, credit worthiness and genuineness of transaction i.e., loan/share capital or any credit/cash credit in the books of accounts of the Assessee have been verified?	
9	Whether no double deduction/allowance has been allowed?	
10	Whether remarks made in the Tax Audit Report have been duly considered for disallowance?	
11	Whether notes to account have been examined and considered for disallowance?	
12	Where books of account have not been maintained as per section 44AA, whether penalty proceedings u/s 271A has been initiated?	
13	Where books of account have not been audited as per section 44AB or the Audit Report has not been submitted as prescribed, whether penalty proceedings u/s 271B has been initiated?	
14	Whether the provisions relating to presumptive taxation u/s 44AD, 44AE, 44AF, 44B, 44BB, 44BBA, 44BBB etc. have been correctly applied in case of eligible business. If in such cases, profit offered is lower than the limit prescribed, whether tax audit report has been filed?	
15	Whether receipt and expenditure has been accounted for either as per cash or mercantile system of accounting?	
16	Whether the effect on computation of profit, due to change in method of accounting regularly followed, has been considered?	

17	Whether closing stock has been correctly valued and further adjusted to include the amount of any tax, duty, cess or fee actually paid or incurred by the assessee as per section 145A?	
18	Whether effect of duty drawback and set off of Sales Tax/GST has been considered for the purpose of valuation of stock?	
19	Whether work-in-progress is valued properly and has been considered as part of closing stock?	
20	Whether adjustments required to be made to the Profit & loss for complying with the provisions of Income Computation and Disclosure Standards (ICDS) notified u/s 145(2) has been considered while computing total income?	
21	Where capital assets have been sold after converting into stock-in-trade, whether Capital Gain has been charged u/s 45(2)?	
22	Whether amounts not credited to Profit and loss Account have been examined with regard to taxability?[ref. clause 16 of form 3CD]	
23	Whether depreciation has been allowed, even if it was not claimed?	
24	<p>Where claim of depreciation has been allowed:</p> <ul style="list-style-type: none"> <li>(i) Whether the same is as per prescribed Rules?</li> <li>(ii) Whether the assets are actually owned, wholly or partly, by the assessee and put to use for the purpose of business of the assessee during the Previous Year?</li> <li>(iii) Whether the blocks of assets have been properly categorized?</li> <li>(iv) Whether it has been allowed only in respect of superstructure of building and not on the value of the land on which it is constructed?</li> <li>(v) Whether it has been restricted to 50% of prescribed percentage for assets used for less than 180 days?</li> <li>(vi) Whether the correct closing WDV has been adopted as next year's opening WDV?</li> <li>(vii) Whether it has been computed and allowed in accordance with section 72A in case of Amalgamation &amp; Demerger etc.?</li> <li>(viii) In the case of building taken on lease, whether the same has been allowed only on the capital expenditure incurred?</li> <li>(ix) In case of assets brought into business of the firm by the partners, whether the same has been allowed in the hands of firm and not in the hands of partner?</li> <li>(x) In case of assets used partly for business purpose, whether the same has been restricted proportionately, as per section 38(2)?</li> <li>(xi) In respect of an intangible asset, whether the same has been allowed as per section 32(1)(ii)?</li> <li>(xii) In case of a company, whether the entire amount of depreciation as per Companies Act debited to the P&amp;L A/c has been added back to taxable income?</li> <li>(xiii) Whether it has not been allowed both in the P&amp;L A/c as well as in the computation statement?</li> <li>(xiv) Whether due adjustments have been made for the following:</li> </ul>	

	(a) CENVAT/MODVAT/GST; (b) Subsidy/Grant; (c) Foreign Exchange fluctuations.	
25	Whether depreciation has not been allowed where: (a) WDV of the block of assets is reduced to zero? (b) Block of assets is empty or ceased to exist on the last day of the previous year?	
26	Where any disposed asset is appearing in the schedule of assets, whether depreciation has not been allowed on the same?	
27	In case of power generating units, whether depreciation has been allowed under Straight Line Method (SLM), unless option of WDV method has been exercised in the first year of generation?	
28	Whether additional depreciation, if claimed, has been allowed at rates as provided in section 32(1)(iia)?	
29	Whether the amount inadmissible as deduction under various sections, as computed in clause 19 of Form No. 3CD has been disallowed?	
30	In case of claim of expenditure in relation to Scientific Research u/s 35, whether certificate of approval from the prescribed authority has been filed and other conditions stipulated therein are also satisfied?	
31	Whether Bonus and Commission paid to employees in lieu of dividends or profits have been disallowed u/s 36(1)(ii)?	
32	Whether portions of employee contribution to PF, ESI Gratuity Fund <i>etc.</i> , not credited to employee's account before the due date, have been treated as income u/s 2(24)(x)r.w.s.36(1)(va)?	
33	In a case where Bad Debt has been allowed: (i) Whether the same has been written off as irrecoverable in the books of the assessee? (ii) Whether it was or has been offered for taxation in any of the assessment years?	
34	Where provision for bad and doubtful debt u/s 36(1)(viiia) has been allowed as deduction to a Schedule Bank, Non-Schedule Bank, Co-operative Bank, Public Financial Institutions <i>etc.</i> , whether the same has been restricted to the limits specified there in?	
35	Where special reserve has been created by a <i>specified entity</i> such as financial corporation, banking company, co-operative bank, housing finance company <i>etc.</i> , u/s 36(1)(viii), whether the deduction in this respect has been restricted to the limits specified there in?	
36	Whether expenditure debited to profit and loss account of the nature listed below has been disallowed: (i) Personal expenses? (ii) Capital expenditure? (iii) Expenditure on advertisement in any souvenir <i>etc.</i> published by any political Party? (iv) Donation / Charity? (v) Penalties/fine for infraction/violation of any law in force? (vi) Expenditure incurred for any purpose which is an offence or which	

	is prohibited by law? (vii) Expenditure incurred on account of corporate social responsibility (CSR) referred to in section 135 of the companies Act, 2013? (viii) Expenditure not incurred wholly and exclusively for the purpose of business?	
37	Whether expenditure debited to profit and loss account in the nature of unascertained liability has been disallowed?	
38	Whether amount inadmissible u/s 40(a)(i) and 40(a)(ia) has been worked out properly and added back to the income, subject to the proviso to the section?	
39	Whether the income tax paid/payable, if claimed as deduction, has been disallowed?	
40	Whether Salary, Bonus, Commission or Remuneration paid by firm to the non-working partners, has been disallowed?	
41	Whether Salary, Bonus, Commission or Remuneration paid by firm to the working partners, in excess of amount admissible u/s 40(b) has been disallowed?	
42	Whether Interest, Salary, Bonus, Commission or Remuneration, if paid by AOP/BOI to the members, has been disallowed?	
43	In the case of a firm, whether payment of interest to the partners on their capital is in accordance with the Partnership Deed and restricted to 12% per annum?	
44	Whether amount inadmissible u/s 40A(3), for payment in cash etc. has been disallowed?	
45	Where any expense was allowed on accrual basis in earlier year(s) and subsequently paid in cash in violation of section 40A(3), whether the same has been taxed as deemed income in the year of such payment?	
46	Whether amount inadmissible u/s 40A(7) for provision made for payment of gratuity to employees on their superannuation has been disallowed?	
47	Whether amount inadmissible u/s 40A(9) for payment made by employer for setting up trust, fund etc. has been disallowed?	
48	Whether expenditure incurred in relation to exempt income, has been disallowed u/s 14A? <i>[ref. CBDT Standard Procedure dated 10.01.2018 in No. 246/141/2017/A&amp;PAC-1]</i>	
49	Whether payments by way of advances/loan to the shareholders of the company, (not being a company in which the public are substantially interested) has been verified with the respect to deemed dividend u/s 2(22)(e) of the Act?	
50	Whether capitalization of interest for acquiring asset, after it has been put to use, has not been allowed, as per proviso to sec 36(1)(iii)?	
51	Where any part of interest bearing borrowed funds has been diverted for non-business purpose, whether proportionate disallowance of interest has been made?	
52	Where payments made to related persons u/s 40(A)(2)(b) are not at reasonable price, whether appropriate disallowance has been made for the	



	same?	
<b>53</b>	Whether remission of liabilities has been taxed as per provisions of section 41?	
<b>54</b>	Whether disallowance has been made u/s 43B in respect of expenses which are allowable only on actual payment basis?	
<b>55</b>	Whether prior-period/pre-paid expenses have been properly identified and disallowed while computing total income?	
<b>56</b>	For computing profit from sale of land or building, held as stock-in-trade, whether Stamp Duty Value has been adopted as consideration as per section 43CA, where consideration received for the same is less than the Stamp duty value?	
<b>57</b>	Whether amount inadmissible as computed by the Auditor under different columns of form 3CD has been duly considered and appropriate disallowance has been made?	
<b>58</b>	Whether accumulated loss/unabsorbed depreciation of an amalgamating company correctly carried forward by the amalgamated company for set off against its profits?	
<b>59</b>	Whether the amalgamated company has correctly incurred expenditure for the purposes of amalgamation or demerger?	
<b>60</b>	Whether income from securities transactions disclosed under the correct head and charged tax at the correct rate?	
<b>61</b>	Whether investments in securities are from disclosed sources?	
<b>62</b>	Whether the loss from currency fluctuation has been examined?	



### 18. BOOK PROFIT, ADJUSTED TOTAL INCOME AND MAT/AMT CREDIT

S. No.	Particulars	Yes/No/NA
1	In the case of a company where the tax payable on the total income is less than 18.5% (or as applicable for the year) of Book Profit, whether Minimum Alternate Tax (MAT) has been levied on book profits as calculated u/s 115JB?	
2	In the case of an assessee, other than company, where the tax payable on the total income is less than 18.5% (or as applicable for the year) of Book Profit, whether Alternate Minimum Tax (AMT) has been levied on book profits as calculated u/s 115JC?	
3	Whether credit of MAT/AMT has been allowed as per provisions of section 115JAA/115JD respectively?	
4	Whether no interest has been paid in respect of MAT/AMT credit?	

1. For the benefit of Audit Party, the check list of various adjustments as required u/s 115JB is tabulated in the form of an illustration as per **Annexure-1**.
2. For the benefit of Audit Party, the check list of various adjustments as required u/s 115JC is tabulated in the form illustration as per **Annexure-2**.

## 19. CAPITAL GAINS

S. No.	Particulars	Yes/No/NA
1	Whether Capital Gains have been taxed in the year of transfer of the asset?	
2	Whether income from securities transactions including derivatives and source of investment therein has been examined as per information available in the AIR information/ITS details/ 360 degree data?	
3	Whether the capital asset transferred has been correctly determined as Short Term Capital Asset or Long Term Capital Asset, as per provisions of section 2(42A)?	
4	Whether Capital Gains have been charged properly in cases of transfers by any of the modes prescribed u/s 2(47)?	
5	Whether Capital Gains have been charged in cases of conversion of capital asset into stock-in-trade in the year of sale of such stock-in-trade and full value of consideration has been adopted at fair market value on the date of conversion, as provided u/s 45(2)?	
6	Whether enhancement of compensation on account of compulsory acquisition of capital asset has been brought to tax correctly in accordance with section 45(5)?	
7	From AY 2018-19 onwards, in case of Individual or HUF, whether Capital Gains arising from the transfer of land or building under a specific agreement has been charged in the year in which the certificate of completion for the whole or part of project has been issued by the competent authority, as provided u/s 45(5A)?	
8	Whether the difference between the repurchase price of units referred in section 80CCB and the capital value of such units has been taxed as capital gain in the year of repurchase, as provided in section 45(6)?	
9	In a case where shareholder has received money or other assets from company in Liquidation, whether the same has been charged to capital gain u/s 46(2), in respect of the money received/market value of assets on the date of distribution as reduced by the dividend assessed u/s 2(22)(c) of the Act?	
10	In the case of purchase by the company of its own shares/securities from the shareholder or holder of other specified securities, whether capital gains have been charged as provided in section 46A?	
11	Whether Capital Gains not taxed in earlier years on account of the transactions not treated as transfer u/s 47, have been taxed as deemed income as capital gains in the circumstances as specified u/s 47A?	
12	Whether only expenditures, as specified in section 48, such as cost of acquisition, cost of improvement, etc. and indexation thereon have been allowed while computing Capital Gains?	
13	Whether cost of acquisition in specific situations such as partition of HUF, gift, will, succession, inheritance etc. has been computed in the manner as specified in section 49?	
14	Whether capital gain on transfer of depreciable assets has been charged as	

	deemed capital gain in accordance with the provisions of section 50/50A of the Act?	
15	In case of slump sale, whether capital gain has been computed correctly as per section 50B and report of the accountant in Form 3 CEA has been kept on record?	
16	Where consideration received for sale of land or building, being capital asset, is less than the Stamp duty value, as per section 50C, whether stamp duty value has been taken as consideration for computing profit from transfer of such asset?	
17	From AY 2018-19 onwards, in cases of transfer of unquoted-shares, whether sale consideration has been adopted at the actual consideration received or the Fair Market Value determined, whichever is higher, as provided u/s 50CA?	
18	In a case where sale consideration is not ascertainable or indeterminate, while computing capital gain, whether fair market value on the date of transfer has been taken as sale consideration in accordance with section 50D?	
19	Sections 54, 54B, 54D, 54EC, 54EE, 54F, 54G/ 54GA and 54GB provide for relief from capital gain in cases of transfer of certain capital assets, subject to eligibility and conditions as specified therein. It may, therefore, be verified as to whether: (i) the assessee is eligible to claim the relief? (ii) asset transferred is an eligible asset as specified? (iii) conditions specified for claiming relief are satisfied? (iv) amount of relief allowed has been computed correctly? (v) where relief was allowed in earlier years, in case of violation in subsequent year, the consequences thereof have been given effect to?	
20	Whether cost of improvement and cost of acquisition in respect of Goodwill, Trademark etc. as specified in section 55 have been computed in the manner as provided therein?	
21	In a case where Short Term Capital Gain arises from transfer of shares listed in recognized stock exchange or transfer of equity oriented unit of mutual fund or unit of business of business trust wherein STT has been paid, whether short term capital gain tax has been correctly computed in accordance with section 111A?	
22	Whether Long Term Capital Gains tax has been computed in accordance with the provisions of section 112?	
23	Whether deduction under chapter VIA has been allowed only after reducing capital gain taxable u/s 111A and 112?	
24	Whether exemption u/s 10(38) has not been allowed, where STT has not been paid in the transfer of shares or transfer of equity oriented unit of mutual fund or unit of business of business trust?	
25	Where an agricultural land has not been treated as 'capital asset, u/s 2(14), whether the specified distance of such land from local limits of any municipality, municipal corporation, etc., has been measured aerially and not otherwise?	

<b>26</b>	Whether the long term capital gain/loss, income claimed as exempt has been verified?	
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A table summarizing various conditions for allowing relief under different sections as above, is given below for ready reference:

Section/Eligible Assessee	Eligible asset	Pre-conditions	Amount of Relief	Consequential effect in subsequent years
<b>54/</b> Individual/HUF	Residential House held as long term capital asset ( <b>Original Asset</b> ).	The Assessee should have invested the capital gain in the following manner:  (i) in purchase of one residential house in India ( <b>New Asset</b> ), one year before or two years after the date of transfer of original asset; <i>or</i>  (ii) in construction of one residential house in India ( <b>New Asset</b> ), within three years from the date of transfer of <b>Original Asset</b> ; <i>or</i>  (iii) deposited in Capital Gain Account Scheme ( <b>the Scheme</b> ) as specified, before the due date u/s.139(1)	Aggregate of amount invested in <b>New Asset</b> and deposited in <b>the Scheme</b> , not exceeding Capital Gains.	1. If the <b>New Asset</b> is transferred within three years of its acquisition, the capital gain on the same should be computed after reducing the relief allowed previously, from the cost of <b>New Asset</b> .  2. If the amount deposited in <b>the Scheme</b> has not been utilized for acquisition/construction of <b>New Asset</b> , within the specified period, the unutilized sum should be taxed u/s 45, in the year in which 3 years expires from the date of transfer of the <b>Original Asset</b> .
<b>54B/</b> Individual/HUF	Land ( <b>Original Asset</b> )	(a) The Assessee or his parents should have been using the Original Asset for agricultural purposes for a period of at least two years at the time of transfer  (b) The Assessee should have invested the capital gain in	Same as Above	1. If the <b>New Asset</b> is transferred within three years, the capital gain on the same should be computed, after reducing the relief allowed previously, from the cost of <b>New Asset</b> .  2. If the amount deposited in <b>the</b>

		<p>following manner:</p> <p>(i) in purchase of another land for being used for agricultural purposes (New Asset), within a period of two years after the date of transfer of Original Asset; or</p> <p>(ii) Deposited in Capital Gain Account Scheme (the Scheme) as specified, before the due date u/s.139(1).</p>		<p><b>Scheme</b> has not been utilized for acquisition/construction of <b>New Asset</b>, within the time specified, the unutilized sum has been taxed u/s 45, in the year in which 2 years expired from the date of transfer of the <b>Original Asset</b>.</p>
<p><b>54D/</b></p> <p>All Assesseees</p>	<p>Compulsory Acquisition of land or building or rights therein forming part of Industrial Undertaking (<b>Original Asset</b>).</p>	<p>(a) The Assessee should have been using the <b>Original Asset</b> for a period of at least two years at the time of transfer ;</p> <p>(b) The Assessee should have invested the capital gain for the purpose of shifting or re-establishing of old undertaking or setting up new undertaking (<b>New Asset</b>), in the following manner:</p> <p>(i) in purchase of land or building or rights therein within a period of three years after the date of transfer of</p>	<p>Same as Above</p>	<p>1. If the <b>New Asset</b> is transferred within three years, the capital gain on the same should be computed, after reducing the relief allowed previously, from the cost of <b>New Asset</b>.</p> <p>2. If the amount deposited in <b>the Scheme</b> has not been utilized for acquisition/construction of <b>New Asset</b>, within the specified period, the unutilized sum has been taxed u/s 45, in the year in which three years expired from the date of transfer of the <b>Original Asset</b>.</p>

		<p><b>Original Asset; or</b></p> <p>(ii) in construction of building within the same period, as above; <i>or</i></p> <p>(iii) deposited in Capital Gain Account Scheme (<b>the Scheme</b>) as specified, before the due date u/s.139(1).</p>		
<p><b>54EC &amp; 54EE/</b></p> <p>All Assessee</p>	<p>Any Capital Asset held as long term capital asset (<b>Original Asset</b>).</p>	<p>(a) The Assessee should have invested the capital gain in Long Term Specified Asset (<b>New Asset</b>) within a period of six months from the date of transfer of <b>Original Asset</b>.</p>	<p>Minimum of the following:</p> <p>(i) Capital Gain;</p> <p>(ii) Sum invested;</p> <p>(iii) Rs. 50 Lakhs, in the year of transfer of the assets and the following year, both taken together</p>	<p>1. In case of violation of any of the conditions as below, Exemption allowed earlier, shall be considered to be Long Term Capital Gain of the Year in which the condition has been violated.</p> <p>(a) <b>New Asset</b> should not be converted into cash, within three years of its acquisition.</p> <p>(b) No Loan should be taken on the basis of the <b>New Asset</b>, within three years of its acquisition.</p> <p>(c) The <b>New Asset</b> should not be transferred within three years of its acquisition.</p> <p>2. Further, deduction u/s 80C should not be allowed on such investments in the year of relief itself.</p>

<p><b>54F/</b></p> <p>Individual/HUF</p>	<p>Any Capital Asset, except Residential House, held as long term capital asset (<b>Original Asset</b>).</p>	<p>(a) The Assessee should have invested the Net Consideration in the following manner:</p> <p>(i) in purchase of one residential house in India (<b>New Asset</b>), one year before or two years after the date of transfer of original asset; <i>or</i></p> <p>(ii) in construction of one residential house in India (<b>New Asset</b>), within three years after the date of transfer of <b>Original Asset</b>; <i>or</i></p> <p>(iii) deposited in Capital Gain Account Scheme (<b>the Scheme</b>) as specified, before the due date u/s.139(1)</p> <p>(b) Did not own more than one residential house other than the <b>New Asset</b> on the date of transfer of <b>Original Asset</b>.</p>	<p>(i) Capital Gain, if cost of <b>New Asset</b> (including amount of investment in capital gain scheme) is not less than the Net consideration; <i>else</i></p> <p>(ii) Capital Gain multiplied by cost of <b>New Asset</b> and divided by the Net consideration</p>	<p>1. In case of violation of any of the requirements as below, the relief allowed earlier shall be considered to be Long Term Capital Gain of the Year in which the violation takes place:</p> <p>(a) The assessee should not purchase any residential house, other than the <b>New Asset</b> within 2 years of the date of transfer of <b>Original Asset</b>;</p> <p>(b) The assessee should not construct any residential house, other than the <b>New Asset</b> within 3 year of the date of transfer of <b>Original Asset</b>;</p> <p>(c) The <b>New Asset</b> should not be transferred within three years of its acquisition.</p> <p>2. If the amount deposited in <b>the Scheme</b> has not been utilized for acquisition/construction of <b>New Asset</b>, within the time specified, the unutilized sum has been taxed u/s 45, in the year in which 3 years expired from the date of transfer of the</p>
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				<b>Original Asset</b> , in the manner specified therein.
<b>54GB/</b>  Individual/HUF	Any Residential House or Plot, held as long term capital asset ( <b>Original Asset</b> ).	The Assessee should have subscribed to more than 50% of the Shares of an “eligible company” and the company should have invested the same in “ <b>New Asset</b> ” within one year from the date of subscription of Shares, or has deposited in Capital Gain Account Scheme ( <b>the Scheme</b> ) as specified, before the due date u/s.139(1)	(i) Capital Gain, if cost of <b>New Asset</b> (including amount of investment in capital gain scheme) is not less than the Net consideration; <i>else</i>  (ii)Capital Gain multiplied by cost of <b>New Asset</b> and divided by the Net consideration.	1. If the equity shares of the company or “New Asset” so purchased are transferred within five years of their acquisition, the relief allowed earlier shall be considered to be Long Term Capital Gain of the Year in which transfer takes place.  2. If the amount deposited in <b>the Scheme</b> is not utilized within the period as specified in the column under <i>Pre-conditions</i> , such unused amount to be taxed u/s 45 in the year in which one year expires from the date of subscription of shares.
<b>54G/</b> <b>54GGA/</b>  All Assessee	Land, building, plant and machinery transferred in connection with shifting of Industrial Undertaking from Urban area to any non-urban area for Section 54G and from	(a) The Assessee should have invested the capital gain for acquisition of New Asset for the purpose of shifting of Industrial Undertaking from the urban area, within a period of one year before or three years after the date of transfer, in the following manner:	Aggregate of amount invested in <b>New Asset</b> and deposited in <b>the Scheme</b> , not exceeding Capital Gains.	1. If the <b>New Asset</b> is transferred within three years of its acquisition, the capital gain on the same should be computed after reducing the relief allowed previously, from the cost of <b>New Asset</b> .  2. If the amount deposited in <b>the Scheme</b> has not been utilized for acquisition of <b>New Asset</b> , within

	urban area to an SEZ for Section 54GA ( <i>Original Asset</i> ).	<p>(i) in purchase of Land or Building or plant or machinery; or</p> <p>(ii) has incurred specified expenses ; or</p> <p>(iii) deposited in Capital Gain Account Scheme (the Scheme) as specified, before the due date u/s.139(1)</p>		the time specified, the unutilized sum should be taxed u/s 45, in the year in which 3 years expired from the date of transfer of the <i>Original Asset</i> , in the manner specified therein.
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## 20. OTHER SOURCES

S. No.	Particulars	Yes/No/NA
1	Whether the specific income such as interest, dividend etc. referred u/s 56(2) has been brought to tax as income from others sources?	
2	In a case of resident Individual, HUF or Firm, from AY 2017-18 onwards, whether the dividend income in excess of Rs. 10 lakhs (without allowing any expenses/allowances thereof) has been taxed @ 10%?	
3	<p>Whether any sum or property received, not being in the nature such as from relative, on occasion of marriage etc. as specified in proviso to section 56(2)(vii), has been dealt with in following manner:</p> <p>(i) Aggregate value of sum received by an Individual or HUF, without consideration, in excess of Rs.50,000/- in a year, has been brought to tax;</p> <p>(ii) Aggregate value of movable properties received by an Individual or HUF, without consideration/ for inadequate consideration, in excess of Rs.50,000/- in a year, has been brought to tax at fair market value;</p> <p>(iii) Aggregate value of immovable properties received by an Individual or HUF, without consideration/ for inadequate consideration, whose stamp duty value is in excess of Rs.50,000/- in a year, has been brought to tax at stamp duty value.</p> <p>Further, whether any sum or property received, in the nature as above, not being from relative, on occasion of marriage etc., as specified in proviso to section 56(2)(x), from AY 2018-19 onwards, has been taxed <b>in case of all categories</b> of assesses?</p>	
4	Where a firm or a closely held company, has received, from any person(s), till AY 2017-18, any shares of a closely held company, without or for inadequate consideration, whether the same has been brought to tax at a value, as provided in section 56(2)(viiia)?	
5	Whether the Provision of Section 56(2)(vii) have been verified while examining the issue of investment in property?	
6	Where a closely held company, has received, from a resident, any consideration for issue of shares that exceeds the face value of such shares, whether the aggregate value, in excess of fair market value of shares has been brought to tax as per provisions of section 56(2)(viib)?	
7	Whether the income by way of interest received on compensation or on enhanced compensation referred u/s 145A(b) has been taxed u/s 56(2)(viii)?	
8	If any sum received as advance or otherwise in relation to transfer of capital asset is forfeited and the negotiations do not result in transfer of such capital asset, whether the same has been taxed u/s 56(ix)?	
9	Whether no deduction, other than specifically provided in section 57, has been allowed, while computing income from other sources?	
10	Whether following amounts, specifically prohibited u/s 58, has not been	

	allowed as deduction: (i) Personal Expenses? (ii) Interest chargeable to tax, payable outside India, on which tax has not been paid or no TDS was made? (iii) Salary payable outside India, on which tax has not been paid or no TDS was made?	
<b>11</b>	While computing the income from other sources, whether expenses such as excessive payment to related parties, payment in cash exceeding specified limit, etc. has been disallowed as per provisions of section 40A?	
<b>12</b>	Whether income from Royalty and Technical Fees received by a Foreign Company, offered under this head, has been calculated as per special provisions for computing such income u/s 44D?	
<b>13</b>	Whether no expenditure, under any provisions of the Act, has been allowed in computing the income from lotteries, crossword puzzles, races, card games or other games of any sort, gambling or betting etc., as specifically prohibited u/s 58(4)?	
<b>14</b>	Whether amount inadmissible u/s 58 (1A) r.w.s 40(a)(ia) has been disallowed, till AY 2017-18?	
<b>15</b>	While computing income from other sources, whether remission of liability has been brought to tax as per provisions of section 59(1) r.w.s. 41(1)?	

**21. UNEXPLAINED CASH CREDIT, INVESTMENT, MONEY & EXPENSES AND  
AMOUNT BORROWED ON HUNDI**

<b>S. No.</b>	<b>Particulars</b>	<b>Yes/No/NA</b>
<b>1</b>	Whether identity, credit worthiness and genuineness of transaction i.e., loan/share capital or any credit/cash credit in the books of accounts of the Assessee have been verified?	
<b>2</b>	Whether the income chargeable u/s 68 or u/s 69 or u/s 69A or 69B or u/s 69C or u/s 69D has been duly considered and taxed at the rate specified u/s 115BBE?	
<b>3</b>	In a case of a closely held company, whether the source of share application money, share capital or share premium has also been explained, if the said sum is received from a resident?	
<b>4</b>	Where any sum credited in books has been taxed as unexplained cash credit, whether the claim of interest payment towards the same has been disallowed?	
<b>5</b>	Whether the amount of unexplained expenditure taxed u/s 69C has not been allowed as deduction under any head of income?	

## 22. CLUBBING OF INCOME

S. No.	Particulars	Yes/No/NA
1	Where income arising from asset has been transferred without transfer of asset, whether the same has been included in the total income of the transferor as per section 60?	
2	Whether income arising to any person by virtue of revocable transfer of assets has been included in the total income of the transferor and charged u/s 61, except in the circumstances mentioned u/s 62?	
3	Whether Salary, Commission, Fees or Remuneration etc. paid to spouse from a concern in which the assessee has substantial interest, if not attributable to application of knowledge and experience of the spouse, has been included in total income of the assessee u/s 64(1)(ii)?	
4	Whether the income from assets transferred by the assessee, directly or indirectly, to the spouse without adequate consideration, except where the assets are transferred with an agreement to live apart, has been included in total income of the assessee u/s 64(1)(iv)?	
5	Whether income from assets transferred by the assessee, directly or indirectly, to son's wife without adequate consideration, has been included in the total income of the assessee u/s 64(1)(vi)?	
6	Whether income arising to any person or AOP from assets transferred, directly or indirectly, otherwise than for adequate consideration to the person or association of persons by such individual, to the extent to which the income from such assets is for the immediate or deferred benefit of his or her spouse, has been included in the total income of the individual transferring the asset u/s 64(1)(vii)?	
7	Whether income arising to any person or AOP from assets transferred directly or indirectly, otherwise than for adequate consideration, to the person or association of persons by such individual, to the extent to which the income from such assets is for the immediate or deferred benefit of his son's wife, has been included in the total income of individual transferring the asset u/s 64(1)(viii)?	
8	Whether the income of minor child, not being a child suffering from any disability defined u/s 80U, if not arising on account of manual, skills, talent etc. of the child, has been included in total income of the parent as provided u/s 64(1A)?	
9	Whether income of HUF from property converted by the individual into HUF property, has been included in total income of such individual u/s 64(2)?	

### 23. SET OFF/CARRY FORWARD & SET OFF OF LOSSES

S. No.	Particulars	Yes/No/NA
1	Whether long term capital loss, of current year or brought forward, has been set off only against income from long term capital gains. In case of set off of carried forward loss, whether the same has been carried forward and set off up to eight assessment years only?	
2	Whether short term capital loss, of current year or brought forward, has been set off only against income under the head 'Capital Gains'? In case of set off of carried forward loss, whether the same has been carried forward and set off up to eight assessment years only?	
3	Whether the current year loss from "Business or Profession" has not been set off against income from "Salary"?	
4	Whether loss from "House Property" of the current year, from AY 2018-19 onwards, has been set off only to the extent of Rs. Two Lakhs?	
5	Whether brought forward loss under the head 'Income from House Property', has been set off only against 'Income from House Property'? In case of set off of carried forward loss, whether the same has been carried forward and set off up to eight assessment years only?	
6	Whether brought forward business loss has been adjusted only against income under the head 'Profit and Gains of Business or Profession', provided the same business has been continued. In case of set off of carried forward loss, whether the same has been carried forward and set off up to eight assessment years only?	
7	Whether loss from Speculation Business, of current year or brought forward, as provided in section 73, has been set off only against income from Speculation Business? In case of set off of carried forward loss, whether the same has been carried forward and set off up to four assessment years only?	
8	Whether loss from specified Business, referred to in section 35AD, of current year or brought forward, has been set off only against income from any other specified business as provided in section 73A?	
9	Whether loss from owning and maintaining race horses, of current year or brought forward, has been set off only against income from owning and maintaining race horses as provided in section 74A. In case of set off of carried forward loss, whether the same has been carried forward and set off up to four assessment years only?	
10	In the case of a firm, whether carry forward and set off of losses have been restricted in case of change in the constitution of the firm, in terms of section 78?	
11	Whether carry forward and set off of losses have not been allowed to the successor, in case of succession in business other than by inheritance, as provided in section 78?	
12	Whether carry forward and set off of losses have been disallowed in terms of section 79, in case of change in the share holding pattern of closely held companies, where at least 51% of the beneficial share holding was	

	not with the same persons in the year of loss as in the year in which loss is sought to be set off?	
<b>13</b>	Whether carry forward of loss has been allowed u/s 72(1)/ 73(2)/ 74(1)/ 74(3)/ 74A(3) and 73A(2) in terms of section 80, only if the assessee has filed return of income in accordance with the provisions of section 139(3)?	
<b>14</b>	In case of rectification/revision/appeal effect, whether consequential effect of increase/ decrease has been given in setting off of losses?	
<b>15</b>	Whether deduction under Chapter-VIA has not been allowed before adjustment of brought forward losses?	
<b>16</b>	Whether no loss has been set off against winning from lotteries, crossword puzzles, races, including horse races, card games, gambling, betting etc., which are chargeable to tax u/s 115BB?	
<b>17</b>	Whether losses from sale of securities or units should have been allowed subject to the provisions of section 94(7) & 94(8)?	
<b>18</b>	In case of a shipping company which has exercised the option u/s 115 VP, whether brought forward loss of the nature referred to in sub-section (i) of section 115VM has been set off only against the relevant shipping income?	
<b>19</b>	Whether loss set off during the year was an eligible loss to be brought forward from previous assessment years?	



## 24. DEDUCTIONS UNDER CHAPTER-VIA

S. No.	Particulars	Yes/No/NA
1	<p>Where deduction has been allowed under provisions of Chapter VIA, the key issues for verification are that:</p> <p>(i) Whether the assessee is an <b>eligible assessee</b> to claim such deduction?</p> <p>(ii) Whether the activity of the assessee (or it's enterprise/industrial undertaking as the case may be) is in the nature of business /manufacturing as defined in the respective sections, for claiming such deduction?</p> <p>(iii) Whether conditions specified, in the respective sections, for allowing such deductions have been satisfied?</p> <p>(iv) Whether amount of deduction allowed has been computed correctly and the same was not in excess of what was due to the assessee, as per the provisions of the Act?</p>	

Some of the pertinent aspects of verification are accordingly enumerated for ready reference as under:

### GENERAL

S. No.	Particulars	Yes/No/NA
2	Whether deduction under the provisions of section 80C to 80U has been allowed only out of <b>Gross Total Income</b> , being net taxable income before any deduction under this Chapter?	
3	Whether the aggregate deduction allowed under provisions of Chapter VIA has not exceeded the <b>Gross Total Income</b> ?	
4	Whether deduction u/s 80HH to 80RRB has been computed separately for each of the section and only with reference to the income of the nature specified in that particular section and <b>Gross Total Income</b> has been computed after giving effect to the provisions for clubbing of income and set off of losses, but before making any deductions under Chapter VIA of the Act?	
5	Whether Long Term Capital Gains, Short Term Capital Gains and certain income of the nature as specified in section 115A, 115AB, 115AC, 115ACA, 115AD & 115D of the Act has been excluded from the <b>Gross Total income</b> for the purpose of computing deductions under Chapter-VIA?	
6	Whether deduction u/s 80IA, 80IAB, 80IB, 80IC, 80ID or section 80IE, has been allowed only if the return of income has been filed on or before the due date specified u/s 139(1) of the Act, as provided in section 80AC?	

7	Whether amount of profit on which deduction was allowed u/s 80IA/80IAB/80IAC/80IB/ 80IBA/80IC/80ID/80IE, has not been allowed again as deduction under any other provisions of the Act, as mentioned in the respective sections?	
8	Whether deduction u/s 35AD of the Act has not been allowed in respect of an income for which deduction was allowed under this chapter?	
9	Whether deduction has not been allowed in respect of any income enhanced on account of applicability of Transfer Pricing provisions u/s 92C of the Act?	
10	Where income of the minor is clubbed with the income of the assessee, whether no deduction under this chapter has separately been allowed in respect of the income of the minor?	

### SECTION 80C

S. No.	Particulars	Yes/No/NA
11	Whether the amount of deduction has been restricted to the specified limit (Rs.1,50,000/-)?	
12	Whether the investment, payments such as LIC, PPF etc. allowed as deduction, are of the nature as specified u/s 80C(2)?	
13	Whether deduction has not been allowed under this section in respect of any investment, on which relief was allowed u/s 54EC/54EE?	

### SECTION 80CCD

S. No.	Particulars	Yes/No/NA
14	Whether deduction for contribution made to the Notified Pension Scheme (NPS) of Central government has been allowed only to an individual?	
15	In case of an employee, whether deduction has been restricted to 10% of his Salary for the financial year (Salary includes DA but excludes all other Allowances and Perquisites)?	
16	In case of non-employees, whether deduction has been restricted to 10% of the Gross Total Income (20% from AY 2018-19 onwards)?	
17	Whether the aggregate amount of deduction allowed u/s 80C, 80CCC and 80CCD(1) has not exceeded the specified limit (Rs. 1,50,000/-)?	
18	Whether additional deduction allowed for investment in NPS under sub-section 1B of the section is restricted to the specified limit (Rs. 50,000/-)?	

### SECTION 80D

S. No.	Particulars	Yes/No/NA
19	Whether deduction allowed has been restricted to Rs.25,000/- for insurance of self, spouse and dependent children?	
20	If individual or spouse is more than 60 years old, whether the deduction allowed has been restricted to Rs.30,000/-?	
21	Whether additional deduction for insurance of parents if allowed, was limited to Rs.25,000/-, if parents are less than 60 years old and Rs.30,000/-, if parents are more than 60 years old?	
22	Whether deduction allowed on payment for preventive health check-up did not exceed Rs. 5,000/-?	
23	Whether deduction was not allowed if the health insurance premia was paid in cash but for preventive health check-up?	

### SECTION 80E

S. No.	Particulars	Yes/No/NA
24	Whether deduction u/s 80E in respect of interest on loan taken for higher education, has not been allowed beyond eight AYs, beginning with initial AY, as specified in sub-section (2) of the section?	

### SECTION 80EE

S. No.	Particulars	Yes/No/NA
25	In case of an individual, whether additional deduction of Rs.50,000/- allowed on housing loan interest u/s 80EE, the value of the residential property purchased was less than Rs.50.00 Lakhs, the home loan was not exceeding Rs. 35,00,000/- and the same was sanctioned during specified period?	
26	Whether deduction has not been allowed, if the assessee owned any other residential house on the date of sanction of loan?	

### SECTION 80G

S. No.	Particulars	Yes/No/NA
27	Whether the Institution or fund to which the donation was made is established in India for a charitable purpose?	
28	Whether deduction has not been allowed to an Institution or fund which is wholly & substantially for religious purposes?	
29	Whether donation allowed as deduction has been made to the agencies	

	and for the purpose as specified in sub-section (2) of section 80G of the Act?	
<b>30</b>	Whether the Institution or fund is approved by the PCIT/CIT, as per section 80G(5)(vi) of the Act?	
<b>31</b>	Whether deduction allowed in respect of donations has been restricted to 10% of the <b>Gross Total Income</b> ?	
<b>32</b>	Whether deduction has not been allowed in case of donation in cash exceeding Rs. 10,000/-?	

#### SECTION 80GG

<b>S. No.</b>	<b>Particulars</b>	<b>Yes/No/NA</b>
<b>33</b>	Whether deduction in respect of rent paid has been claimed correctly?	

#### SECTION 80GGB

<b>S. No.</b>	<b>Particulars</b>	<b>Yes/No/NA</b>
<b>34</b>	Whether deduction has not been allowed to a company for donations to political parties or electoral trust, if the same has been made in cash?	

#### SECTION 80GGC

<b>S. No.</b>	<b>Particulars</b>	<b>Yes/No/NA</b>
<b>35</b>	Whether deduction has not been allowed to any local authority or artificial juridical person wholly or partly funded by government?	
<b>36</b>	Whether deduction has not been allowed for donations to political parties or electoral trust, if the same has been made in cash?	

#### SECTION 80IA

**Deduction in respect of profits and gains from industrial undertakings or enterprises engaged in infrastructure development**

<b>S. No.</b>	<b>Particulars</b>	<b>Yes/No/NA</b>
<b>37</b>	Whether the accounts of the undertaking have been audited and report in Form No. 10CCB has been obtained?	
<b>38</b>	In case of an enterprise carrying on the business of developing or operating and maintaining or developing, operating and maintaining an infrastructure facility, whether there is an agreement with the Central/ State Government or Local Authority for carrying out such activity?	

39	Whether deduction has been allowed to an enterprise or undertaking as specified u/s 80IA(4) carrying on the eligible business and not merely for execution of works contract?	
40	Whether all the conditions specified in the section for allowance of deduction u/s 80IA have been satisfied?	
41	Where the assessee has more than one unit, whether the deduction has been computed unit-wise?	
42	In case the assessee also has any business other than the eligible business, whether the expenditure common to the eligible business and the other business (head office expenses, marketing/sales expenses etc.) have been properly allocated to the eligible business and the other business?	
43	Whether income/profit which is not derived from the eligible business (i.e. which does not have a direct and proximate relationship with the eligible business), has been excluded while calculating the admissible deduction?	
44	Whether the undertaking is not formed by splitting up or reconstruction of a business already in existence or by the transfer, to a new business, of plant and machinery previously used for any purpose?	
45	Whether the deduction has been allowed for permissible period in continuance of initial year opted by the assessee?	
46	If the claim is for an assessment year subsequent to the initial year, whether the quantum of deduction for the year has been computed as if it were the only source of income of the assessee in the initial year and in any subsequent year i.e. the losses of the earlier years of the eligible business (even if actually adjusted in those years against any other income) have been brought forward on presumptive basis and adjusted from the profit of the eligible business for the year before allowing the deduction as per provisions of sub-section (5) of section 80-IA?	
47	In case the transactions of the eligible business with other persons or any other business carried on by the assessee itself, found to be not at arm's length, whether provisions of sub-section (8) and (10) of section 80IA have been invoked?	
48	Whether the profit of the eligible business has been computed in accordance with the provisions of the Act and specifically after the grant of depreciation required under Explanation 5 of Section 32 of the Act?	
49	In case of amalgamation/de-merger of the eligible business, whether deduction has been allowed only to the amalgamated or the de-merged company?	
50	Whether deduction u/s 80IA has not been allowed to any enterprise which starts development or operation and maintenance of the infrastructure facility on or after 01.4.2017?	

## SECTION 80IAB

**Deduction in respect of profits and gains of an undertaking developing SEZ :**

S. No.	Particulars	Yes/No/NA
51	Whether the assessment year for which deduction has been allowed falls within the period of ten consecutive years opted by the assessee out of 15 years from the date the SEZ has been notified by the Central Government?	
52	Where deduction had earlier been allowed to an undertaking u/s 80IA, whether deduction under this section has been allowed for the remaining period only?	
53	Where a developer has developed an SEZ and transferred its operation and maintenance to another developer, whether the assessment year for which the transferee developer has been allowed deduction u/s 80IAB, falls within the original period of ten consecutive assessment years, as per the option exercised by the original developer?	
54	Whether the conditions specified in clauses (5) to (13) of Check Sheet for Section 80IA have also been satisfied in respect of deduction allowed under this section?	
55	Whether deduction u/s 80IAB has not been allowed to a developer where development of SEZ began on or after 01.4.2017?	

## SECTION 80IAC

S. No.	Particulars	Yes/No/NA
56	Whether deduction has been allowed to an 'eligible start-up' involved in an 'eligible business' which involves innovation, development, deployment or commercialization of new products, processes or services driven by technology or intellectual property?	
57	Whether the business of the assessee is acceptable as defined therein?	
58	Whether all the conditions as mentioned in sub-section (2) and (3) and Explanations to the said section have been complied with?	

## SECTION 80IB

**Deduction in respect of profits and gains from industrial undertaking other than infrastructure developing undertaking:**

S. No.	Particulars	Yes/No/NA
59	Whether deduction has been allowed in respect of any profit and gains	

	derived from any business as specified in sub sections (3) to (11), (11A) and (11B) of this section?	
<b>60</b>	<p>Whether conditions specified in sub-sections 7A, 7B, 8, 8A, 9, 11, 11A and 11B, as the case may be, read with the definitions in sub section 14 of section 80IB, are satisfied in respect of deduction allowed to:</p> <ul style="list-style-type: none"> <li>(a) Multiplex;</li> <li>(b) Convention centre;</li> <li>(c) Company carrying on scientific research and development;</li> <li>(d) Undertakings engaged in: <ul style="list-style-type: none"> <li>(i) commercial production or refining of mineral oil;</li> <li>(ii) setting up and operation of cold chain facility for agricultural product;</li> <li>(iii) in the business of processing, preservation and packaging of fruits and vegetables;</li> <li>(iv) in the business of handling, storage and transportation of food grains; and</li> <li>(v) operating or maintaining hospital in rural area,</li> </ul> </li> </ul>	
<b>61</b>	<p>In respect of undertakings engaged in development and building of housing projects in case deduction is allowed u/s 80IB(10):</p> <ul style="list-style-type: none"> <li>(a) whether it is approved as a housing project before 31.3.2008 by a local authority?</li> <li>(b) Where such approval has been granted before 01.4.2004, whether it has completed construction by 31.3.2008, if approval has been granted between 01.4.2004 and 31.3.2005 within 4 years from the end of the financial years in which the housing project was approved and on or after 01.4.2005, whether it has completed construction within five years from the end of the F.Y. in which it had been approved?</li> <li>(c) Where there were more than one approvals, whether the project deemed to have been approved on the date on which the building plan was first approved by the local authority?</li> <li>(d) Whether date of completion of project has been taken to be the date on which completion certificate was issued by the local authority?</li> <li>(e) Whether the project is on a plot of land having minimum area of one acre?</li> <li>(f) Whether the residential unit has maximum built up area of 1000 sq. ft. if it is situated in Delhi or Mumbai or within 25 Kms from the municipal limits of these cities and 1500 sq. ft. at any other places?</li> <li>(g) Whether the built up of shops/commercial establishments does not exceed 3% of the aggregate built up area of the housing project or 5000 sq. ft. whichever is higher?</li> <li>(h) Whether more than one residential unit has not been allotted to any</li> </ul>	

	<p>person other than individual?</p> <p>(i) Whether more than one residential unit has not been allotted to individual or spouse, minor children or to HUF of which he is Karta, or their representatives all taken together?</p> <p>(j) Whether the assessee executes housing project not as a works-contract awarded by any person including the Central or State Government?</p>	
<b>62</b>	Whether Auditor's report in the prescribed form has been obtained and placed on record?	
<b>63</b>	Whether the conditions indicated in clauses (5) to (13) of Check Sheet for Section 80IA were also satisfied in respect of deductions allowed under this section?	

### SECTION 80IBA

<b>S. No.</b>	<b>Particulars</b>	<b>Yes/No/NA</b>
<b>64</b>	In a case where deduction under this section has been allowed for income derived from business of developing and building housing projects, whether all the conditions as mentioned in sub-section (2) and (6) of the section were satisfied?	
<b>65</b>	Whether deduction has not been allowed to an assessee who executes housing project as a works-contract awarded by any person including the Central or State Government?	

### SECTION 80JJA

<b>S. No.</b>	<b>Particulars</b>	<b>Yes/No/NA</b>
<b>66</b>	Whether deduction in respect of profits and gains from business of collecting and processing of bio-degradable waste was not allowed for an AY beyond the period of five consecutive AYs, beginning with AY of commencement of business?	

### SECTION 80JJAA

<b>S. No.</b>	<b>Particulars</b>	<b>Yes/No/NA</b>
<b>67</b>	Whether deduction allowed for <b>additional employee cost</b> , has been restricted to 30% of the same?	
<b>68</b>	Whether all the conditions specified in sub-section (2) of the section have been satisfied?	



**SECTION 80LA**

<b>S. No.</b>	<b>Particulars</b>	<b>Yes/No/NA</b>
<b>69</b>	Whether the assessee is an offshore banking unit situated in an SEZ, or a unit of International Financial Services Centre?	
<b>70</b>	Whether the deduction has been computed as per provisions contained therein and for the specified period?	
<b>71</b>	Whether Report, in Form No. 10CCF, has been obtained?	
<b>72</b>	Whether a copy of the permission obtained under clause (a) of sub-section (1) of section 23 of the Banking Regulation Act, 1949 has been obtained and placed on record?	

**DEDUCTION U/S 80P**

<b>S. No.</b>	<b>Particulars</b>	<b>Yes/No/NA</b>
<b>73</b>	Whether the assessee is not a co-operative bank other than a primary agricultural credit society or a primary co-operative agricultural and rural development Bank?	
<b>74</b>	Whether provisions of sub-section (3) of section 80P has been taken into account while computing the amount deductible u/s 80P(2)(a)/80P(2)(b)/80P(2)(c)?	

## 25. INTERNATIONAL TAXATION:

S. No.	Particulars	Yes/No/NA
1	For the purpose of taxation of income in India, whether the situs of income has been determined correctly as per provisions of section 5(2) and the resident status of the assessee has been determined correctly as per provisions of section 6(1) of the Act?	
2	Whether world-wide income of a company resident in India has been taxed? (Note: There is no difference for taxing whether the said income has been remitted in India or not.)	
3	If the assessee, a company resident in India, has a subsidiary outside of India, whose place of effective management is in India, whether income of the subsidiary was considered for taxation in India?	
4	Whether all the income deemed to accrue or arise in India, as per provisions of section 9 of the Act, has been duly considered for taxation?	
5	Whether the issue of existence of business connection or dependent agent has been examined. If yes, whether sufficient income has been attributed to such connection/agency and whether provisions of section 9A have been examined while determining such connection?	
6	Whether Royalty/Fee for Technical services (FTS)/dividend has been taxed as per provisions of section 115A of the Act?	
7	For the purpose of taxation of 'Royalty', especially in the cases of Software expenses, fees of internet access, uses of intellectual property rights etc., whether amendments to the definition of 'Royalty' u/s 9(1) (vi) by the Finance Act, 2012 has been taken into consideration?	
8	Whether the dividend of foreign subsidiaries, if declared, is included in the worldwide income of the resident company and taxed as per provisions of section 115BBD?	
9	Whether the double taxation relief has been granted to the resident as per the procedure laid down in the Act or in the DTAA?	
10	Whether Income/Transaction has been taxed as per provisions of the Act and, if any benefit is claimed as per a DTAA, whether the assessee is eligible for such benefit?	
11	If any income arising to a non-resident/foreign company is held as not taxable in India owing to any provisions of DTAA between India and the country of residence, whether the same is explicitly flowing from the specific provisions of the DTAA?	
12	Where the assessee is entitled to relief under more than one agreement, whether such relief has been worked out with reference to each of such agreement and not with reference to the aggregate of the tax on all the foreign income of the assessee?	
13	Whether the Limitation of Benefit (LOB) clauses of DTAA have been examined before allowing the benefit of treaty?	
14	In a case where DTAA has been revised, whether such revised DTAA has been considered while applying DTAA provisions for the years concerned?	

15	Whether the issue of existence of a PE as per Article 5 of DTAA has been examined?	
16	Whether existence of Project PE/Service PE as per applicable DTAA has been examined?	
17	Whether the provision of taxation on Gross Basis as per section 44B, 44BB, 44BBA, 44BBB, 44C, 44D and 44DA are applicable to the non-resident?	
18	Whether 'Head office Expenses' have been allowed with a cap of 5% of the 'adjusted total income', as prescribed in section 44C of the Act?	
19	Whether sufficient evidence has been provided by the assessee with respect to 'Head office Expenses' claimed to be directly relatable to the PE?	
20	Whether tax rate has been properly applied as per provisions of the Act/DTAA, as the case may be?	
21	To ensure whether no refund is issued on the basis of foreign tax credit?	
22	Whether claim of credit for taxes paid in other tax jurisdiction has been correctly computed?	
23	Whether loss or depreciation has not been allowed to a non-resident for a period in which the assessee has no PE in India?	
24	Whether disallowance is made u/s 14A of the Act in respect of that part of expenditure relating to tax free income with reference to the DTAA?	
25	Whether Capital gains arising to a non-resident on transfer of shares of a foreign company, [if such shares derive its value substantially from the assets located in India (i.e. the fair market value (FMV) of assets located in India exceeds Rs. 10 crores; and FMV of assets located in India represents at least 50% of FMV of total assets of the foreign company or entity)] has been taxed as per retrospective amendment introduced by the Finance Act, 2012 to section 9(1)(i) of the Act?	
26	Whether special provisions of Chapter XII-A have been kept in mind while computing taxable Capital gains of non-residents?	
27	Whether rules specifying the method for determination of FMV of the Indian assets vis-a-vis global assets of the foreign company (Rule 11UB), the procedure for determination of proportionality of capital gain taxable in India (Rule 11UC) and the manner of reporting requirement on the Indian concern in which the foreign company holds the assets in India (Rule 114DB) has been followed properly?	
28	Whether benefit of increased basic exemption limit for women & senior citizens have not been given to non-residents?	
29	In case where the income is taxed u/s 111 or 112, whether benefit of basic exemption has not been given to non-resident individuals or HUFs?	
30	Whether 'Representative Assessee (Agent)' has been categorized properly as per provisions of section 163 of the Act for the purpose of taxation in India and suitable notice has been given before treating him as a representative assessee?	
31	Whether provisions for withholding of tax (especially of section 195), have been correctly applied?	
32	Whether Return is signed by the authorized POA holder?	

**26. TRANSFER PRICING (AO)**

<b>S. No.</b>	<b>Particulars</b>	<b>Yes/No/NA</b>
<b>1</b>	Whether Deduction u/s 10A/10AA/10B or under chapter VIA has been disallowed in respect of transfer pricing adjustments?	
<b>2</b>	Whether all the adjustments recommended by the TPO, has been duly considered for making addition at the time of assessment?	

## 27. TRANSFER PRICING (TPO)

S. No.	Particulars	Yes/No/NA
1	Where more than one price is determined by the Most Appropriate Method (MAM), whether the arithmetical mean of the same has been taken as ALP for transactions prior to 1.4.2014. For subsequent transactions, whether the procedure laid down in the Income Tax Rules has been adopted/followed?	
2	In a case where the variation in price, as declared by the assessee and as determined by the TPO, is more than three percent, whether variation of three percent in price, as specified in second proviso to sub-section(2) of section 92C of the Act, has not been allowed as standard deduction, while determining ALP?	
3	Whether the transfer pricing provisions are not invoked, in case where applying ALP results in reducing income or increasing loss of the assessee?	
4	Whether provisions of secondary adjustments, as per section 92CE, have been applied properly in appropriate cases applicable from AY 2018-19 onwards?	
5	Whether deduction of interest has been kept limited as per thin capitalization rules as provided in section 94B of the Act, applicable from AY 2018-19 onwards?	
6	Whether all the transactions between different AEs are reported by the assessee in the Audit Report in Form 3CEB and, if not, whether unreported transactions were taken up by the TPO for detailed Scrutiny and for determination of arm's length price?	
7	In case where aggregate value of specified domestic transactions (SDT), as per section 92BA, exceeds the specified limit, whether the Auditor has reported such transaction in Form 3CEB report?	
8	Whether proper documentation has been maintained by the assessee as laid down in the provisions of section 92D and Rules concerned and if not, whether penalty u/s 271G of the Act is initiated?	
9	In case of failure to meet the compliance requirements as per Rule 10D, whether penalty proceedings were initiated as per Section 271AA and 271G?	
10	In case where applicability of safe Harbour Rule was claimed, whether the assessee has opted for safe Harbour Rule u/s 92CB by filling Form 3CEFA with the AO on or before the due date of filing the return of income?	
11	Whether the assessee satisfies the eligibility criteria provided in rule 10TA to rule 10TG of Income Tax Rules, 1962 for safe Harbour from AY	

	2013-14?	
<b>12</b>	In case where transfer price declared by the assessee in respect of international transaction has been accepted by the TPO, whether it is in accordance with the circumstances specified in sub-rule 10TD(2)?	

## 28. TDS CASES

S. No.	Particulars	Yes/No/NA
1	Whether TDS/TCS has been made on gross payments and deposited in Govt. account within stipulated time as mentioned in Act?	
2	Whether TDS has been deducted correctly on the foreign outward remittances?	
3	Whether Annual/Quarterly return of TDS has been filed in time, if not, whether penalty proceedings have been initiated u/s 271H?	
4	In case of failure to deduct/pay tax as prescribed, whether the assessee has been treated as deemed to be in default u/s 201(1) and penalty proceedings have been initiated u/s 221?	
5	In case of failure to deduct/pay tax as prescribed, whether interest u/s 201(1A) has been calculated and charged properly?	
6	Whether Penalty proceedings u/s 271C, 271CA, 271H, 272A, 272BB, 272BBB have been initiated in appropriate cases and the same has been completed within the stipulated time?	
7	In case where no tax has been deducted or deducted at a rate lower than the prescribed rate, whether the same is as per 'no deduction' or 'lower deduction' certificate issued u/s 197/197A?	
8	Whether 'lower deduction'/ 'no deduction certificate' issued u/s 197/197A cover only payments of the nature specifically referred to in section 197/197A?	
9	Whether TDS has been made in respect of each payment within the due date as prescribed and interest has been levied in case of failure?	
10	In case of tax deductible on salary u/s 192, whether monetary payment of perquisites has been correctly considered for the purpose of TDS?	
11	Where any employee has worked for more than one employer, whether his entire annual income has been considered for the purpose of TDS u/s 192(2)?	
12	Whether No loss, other than "Income from House Property", has been allowed while computing the taxable income of the employee for the purpose of TDS from salary?	
13	Whether TDS u/s 192A has been made by trustees of EPF, on payment of accumulated balance exceeding Rs.50,000/-?	
14	Whether TDS on interest u/s 194A has been made on recurring deposits as well?	
15	Whether TDS has been made at correct rate u/s 194B on winnings from lottery or crossword puzzles, even in cases where winnings were wholly in kind or partly in cash and partly in kind?	
16	In case where TDS has not been made u/s 194C(6) on any payment made to a contractor owning up to 10 goods carriage, whether PAN of the payee was obtained and kept on record?	
17	In respect of payment to a non-resident foreign sportsperson, athlete or an entertainer or a non resident sports association or institution, whether TDS	

	has been made u/s 194E?	
<b>18</b>	In cases where commission or brokerage has been deliberately termed as discount or any other nomenclature, whether TDS has been made at correct rate u/s 194H?	
<b>19</b>	Whether Individual/HUF payer has made TDS u/s 194H, if the turnover of payer in the immediately preceding year was more than limit prescribed u/s 44AB?	
<b>20</b>	In case of payment of rent for use of any plant/machinery/equipment/land/building etc., whether TDS has been made at correct rates u/s 194I and even individual/HUF payer has made the TDS in such cases, if the turnover of payer in the immediately preceding year was more than the limit prescribed u/s 44AB?	
<b>21</b>	In case of payment on transfer of immovable property other than agricultural land, whether TDS has been made at correct rates u/s 194IA?	
<b>22</b>	In case of payment of rent by specified individuals or HUF, whether TDS has been made at correct rates u/s 194IB?	
<b>23</b>	In case of payment of fees for professional services or technical services or royalty or remuneration/fee/commission not deductible u/s 192 and non-compete fee as referred to in section 28(va), whether TDS has been made at correct rates u/s 194J and even individual/HUF payer has made the TDS in such cases, if the turnover of payer in the immediately preceding year was more than limit prescribed u/s 44AB?	
<b>24</b>	Whether tax has been collected at source (TCS) u/s 206C at appropriate rates, in respect of collection made on account of trading in alcoholic liquor, forest produces, scrap, etc. and for the use of parking lot, toll plaza and mining & quarrying?	
<b>25</b>	In case of payment to non-resident, whether DTAA benefits, if any, has been claimed correctly, for the purpose of TDS u/s 195?	



**Annexure-1**  
**Computation of book profit (Table A)**

<b>Particulars</b>	<b>Amount</b>
Net profit as per statement of profit and loss prepared in accordance with Schedule III to the Companies Act, 2013	XXX
<i>Add : Following items (if they are debited to the statement of profit and loss)</i>	
Income-tax paid/payable and the provision thereof (*)	AAA
Amounts carried to any reserves by whatever name called (Other than reserve specified under Section 33AC)	BBB
Provisions for unascertained liabilities	CCC
Provisions for losses of subsidiary companies	DDD
Dividends paid/proposed	EEE
Expenditure related to incomes which are exempt under section 10 [other than section 10(38)] section 11 and section 12	FFF
The amount or amounts of expenditure relatable to, income, being share of the taxpayer in the income of an association of persons or body of individuals, on which no income-tax is payable in accordance with the provisions of section 86.	GGG
The amount or amounts of expenditure relatable to income accruing or arising to a taxpayer being a foreign company, from : (a) the capital gains arising on transactions in securities; or (b) the interest, royalty or fees for technical services chargeable to tax at the rate or rates specified in Chapter XII if the income-tax payable on above income is less than the rate of MAT	HHH
The amount representing notional loss on transfer of a capital asset, being share or a special purpose vehicle to a business trust in exchange of units allotted by that trust referred to in clause(xvii) of section 47 or the amount representing notional loss resulting from any change in carrying amount of said units or the amount of loss on transfer of units referred to in clause (xvii) of section 47	III
Expenditure relatable to income by way of royalty in respect of patent chargeable to tax under section 115BBF	JJJ
Amount of depreciation	KKK
Deferred tax and the provision thereof	LLL
Provision for diminution in the value of any asset	MMM

<b>Add:</b> The amount standing in revaluation reserve relating to revalued asset on the retirement or disposal of such an asset, if not credited in P & L account.	NNN
The amount of gain on transfer of units referred to in clause (xvii) of section 47 computed by taking into account the cost of the shares exchanged with units referred to in the said clause or the carrying amount of the shares at the time of exchange where such shares are carried at a value other than the cost through statement of profit and loss as the case may be;	OOO
<b>Less : Following items (if they are credited to the statement of profit and loss)</b>	
Amount withdrawn from any reserve or provision if credited to P&L account (**)	aaa
Incomes which are exempt under section 10 [other than section 10(38)] section 11 and section 12	bbb
Amount of depreciation debited to statement of profit and loss (excluding the depreciation on revaluation of assets)	ccc
Amount withdrawn from revaluation reserve and credited to statement of profit and loss to the extent it does not exceed the amount of depreciation on revaluation of assets	ddd
The amount of income, being the share of the taxpayer in the income of an association of persons or body of individuals, on which no income-tax is payable in accordance with the provisions of section 86, if any such amount is credited to the statement of profit and loss	eee
The amount of income accruing or arising to a taxpayer being a foreign company, from : (a) the capital gains arising on transactions in securities; or (b) the interest, royalty or fees for technical services chargeable to tax at the rate or rates specified in Chapter XII if such income is credited to the statement of profit and loss and the income-tax payable on above income is less than the rate of MAT.	fff
The amount (if any, credited to the statement of profit and loss) Representing (a) notional gain on transfer of a capital asset, being share of a special purpose vehicle to a business trust in exchange of units allotted by that trust referred to in clause (xvii) of section 47; or (b) notional gain resulting from any change in carrying amount of said units; or (c) gain on transfer of units referred to in clause (xvii) of section 47, if any credited to the statement of P & L account.	ggg hhh iii

The amount of loss on transfer of units referred to in clause (xvii) of section 47 computed by taking into account the cost of the shares exchanged with units referred to in the said clause or the carrying amount of the shares at the time of exchange where such shares are carried at a value other than the cost through statement of profit and loss, as the case may be;	jjj
Income by way of royalty in respect of patent chargeable to tax under section 115BBF	kkk
Amount of brought forward loss or unabsorbed depreciation, whichever is less as per books of account and the loss shall not include depreciation.	lll
Profits of a sick industrial company till its net worth becomes zero/positive	mmm
Deferred tax, if credited to statement of profit and loss	nnn
<b>Book profit to be used to compute MAT</b>	<b>YYY</b>

(\*) The amount of Income-tax shall include:

- (i) Any tax on distributed profits u/s 115-O (dividend distribution tax - i.e., DDT) or tax on distributed income u/s 115R;
- (ii) Any interest charged under this Act;
- (iii) Surcharge, if any, as levied by the Central Acts from time-to-time;
- (iv) Education Cess on Income-tax, if any, as levied by the Central Acts from time-to-time; and
- (v) Secondary and Higher Education Cess on Income-tax, if any, as levied by the Central Acts from time-to-time.

(\*\*) Withdrawals made from reserves created or provisions made on or after the 1-4-1997, shall be deducted only if the book profit of the year of creation of such reserve has been increased by the amount transferred to such reserve or provisions (out of which the said amount was withdrawn).

## Annexure-2

In case of a non-corporate taxpayer, adjusted total income shall be computed in following manner:

Particulars	(Rs.)
Taxable income of the taxpayer	XXX
<i>Add:</i> Amount of deduction claimed under section 80H to 80RRB (except 80P)	AAA
<i>Add:</i> Amount of deduction claimed under section 35AD as reduced by the amount of depreciation allowable in accordance with the provisions of section 32 as if no deduction u/s 35AD was allowed in respect of the assets on which the deduction under that section is claimed.	BBB
<i>Add:</i> Amount of deduction claimed under section 10AA	CCC
<b><i>Adjusted total income</i></b>	<b>YYY</b>

### Annexure-3

CCIT (CCA)/CCIT/DGIT CHARGE .....

#### MONTHLY INTERNAL AUDIT OBJECTIONS PENDING REPORT

FOR ....., 20.....

10<sup>th</sup> of the succeeding month

#### PART-I MAJOR INTERNAL AUDIT OBJECTIONS

Objection - up to the end of the month preceding the month of report						Objections-during the Month				
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)
No. of Objections pending as on 01.4.20 .....	Raised upto the end of the preceding month	Settled up to the end of the preceding month	Replies received but not settled up to the preceding month	Balance up to the end of the preceding month (a+b-c)	Revenue effect for objections in Col. (e)	Raised during the month	Settled during the month	Replies received during the month but not settled	Balance at the end of the month (e+g-h)	Revenue effect for objections in Col. (j)

#### PART-II MINOR INTERNAL AUDIT OBJECTIONS

Objection - up to the end of the month preceding the month of report						Objections-during the Month				
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)
No. of Objections pending as on 01.4.20 .....	Raised upto the end of the preceding month	Settled up to the end of the preceding month	Replies received but not settled up to the preceding month	Balance up to the end of the preceding month (a+b-c)	Revenue effect for objections in Col. (e)	Raised during the month	Settled during the month	Replies received during the month but not settled	Balance at the end of the month (e+g-h)	Revenue effect for objections in Col. (j)

## Annexure-4

**CCIT (CCA)/CCIT/DGIT CHARGE .....**  
**MONTHLY REVENUE AUDIT OBJECTIONS PENDING REPORT**  
**FOR ....., 20.....**

10<sup>th</sup> of the succeeding month

### PART-I MAJOR REVENUE AUDIT OBJECTIONS

Objection - up to the end of the month preceding the month of report						Objections-during the Month				
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)
No. of Objections pending as on 01.4.20 .....	Raised upto the end of the preceding month	Settled up to the end of the preceding month	Replies received but not settled up to the preceding month	Balance up to the end of the preceding month (a+b-c)	Revenue effect for objections in Col. (e)	Raised during the month	Settled during the month	Replies received during the month but not settled	Balance at the end of the month (e+g-h)	Revenue effect for objections in Col. (j)

### PART-II MINOR REVENUE AUDIT OBJECTIONS

Objection - up to the end of the month preceding the month of report						Objections-during the Month				
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)
No. of Objections pending as on 01.4.20 .....	Raised upto the end of the preceding month	Settled up to the end of the preceding month	Replies received but not settled up to the preceding month	Balance up to the end of the preceding month (a+b-c)	Revenue effect for objections in Col. (e)	Raised during the month	Settled during the month	Replies received during the month but not settled	Balance at the end of the month (e+g-h)	Revenue effect for objections in Col. (j)

## Annexure-5

### **AUDIT STATEMENT NO. 1**

Due date in Directorate of Income – tax (Audit), New Delhi's office  
20<sup>th</sup> of month of the following quarter.

CIT (Audit) Charge .....

### **INTERNAL AUDIT – QUARTERLY PROGRESS REPORT FOR THE QUARTER ENDING**

#### **Part-A Administrative**

S. No.	Particulars	No. sanctioned	No. working
1	Addl./JCIT (Audit)		
2	SAPs		
3	IAPs		

#### **Part-B Performance of audit wing vis-à-vis Action Plan Target**

S. No.	Particulars	Addl./JCIT (Audit)	Special Audit Parties (SAPs)	Internal Audit Parties (IAPs)
1	Action Plan target for the year			
2	Action Plan target for the quarter if any			
3	No. of cases audited during the quarter IAPs			
4.	No. of cases audited upto the quarter end			

#### **Part-C Addl. CIT (Audit)/JCIT (Audit)**

1. **Audit Objection (above Rs 10 Lakh in Income-tax and above Rs. 30,000 in other taxes) raised by Addl./JCIT (Audit) and their settlement (all taxes)**

S.No.	Particulars	Arrear Audit Objection		Current Audit Objection		Total	
		No. of Mistakes	Revenue effect (Rs. In lakh)	No. of mistakes	Revenue effect (Rs. In lakh)	No. of mistakes	Revenue effect (Rs. In lakhs)
1	Pending as on 1 <sup>st</sup> April						
2	Objection raised in the quarter						
3.	Objection raised in current year upto quarter end						
4	Total for disposal upto quarter end (1+3)						
5	Objection settled during the qtr						
6	Objection settled upto qtr end.						

7	Balance (4-6)						
---	---------------	--	--	--	--	--	--

**II. Audit Objection (Below Rs 10 Lakh in Income-tax and above Rs. 30,000 in other taxes) raised by Add./JCIT (Audit) and their settlement (all taxes)**

S.No.	Particulars	Arrear Audit Objection		Current Audit Objection		Total	
		No. of Mistakes	Revenue effect (Rs. In lakhs)	No. of mistakes	Revenue effect (Rs. In lakhs)	No. of mistakes	Revenue effect (Rs. In lakhs)
1	Pending as on 1 <sup>st</sup> April						
2	Objection raised in the quarter						
3.	Objection raised in current year upto quarter end						
4	Total for disposal upto quarter end (1+3)						
5	Objection settled during the qtr						
6	Objection settled upto qtr end.						
7	Balance (4-6)						

**Part-D Special Audit Parties (SAP)**

**1. Audit Objection (above Rs 10 Lakh in Income-tax and above Rs. 30,000 in other taxes) raised by SAP and their settlement (all taxes)**

S.No.	Particulars	Arrear Audit Objection		Current Audit Objection		Total	
		No. of Mistakes	Revenue effect (Rs. In lakh)	No. of mistakes	Revenue effect (Rs. In lakh)	No. of mistakes	Revenue effect (Rs. In lakhs)
1	Pending as on 1 <sup>st</sup> April						
2	Objection raised in the quarter						
3.	Objection raised in current year upto quarter end						
4	Total for disposal upto quarter end (1+3)						
5	Objection settled during the qtr						
6	Objection settled upto qtr end.						
7	Balance (4-6)						

**II. Audit Objection (Below Rs 10 Lakh in Income-tax and above Rs. 30,000 in other taxes) raised by SAP and their settlement (all taxes)**

S.No.	Particulars	Arrear Audit Objection		Current Audit Objection		Total	
		No. of Mistakes	Revenue effect (Rs. In lakhs)	No. of mistakes	Revenue effect (Rs. In lakhs)	No. of mistakes	Revenue effect (Rs. In lakhs)



1	Pending as on 1 <sup>st</sup> April						
2	Objection raised in the quarter						
3.	Objection raised in current year upto quarter end						
4	Total for disposal upto quarter end (1+3)						
5	Objection settled during the qtr						
6	Objection settled upto qtr end.						
7	Balance (4-6)						

### **Part-E Internal Audit Parties (IAP)**

#### **1. Audit Objection (above Rs 10 Lakh in Income-tax and above Rs. 30,000 in other taxes) raised by IAP and their settlement (all taxes)**

S.No.	Particulars	Arrear Audit Objection		Current Audit Objection		Total	
		No. of Mistakes	Revenue effect (Rs. In lakh)	No. of mistakes	Revenue effect (Rs. In lakh)	No. of mistakes	Revenue effect (Rs. In lakhs)
1	Pending as on 1 <sup>st</sup> April						
2	Objection raised in the quarter						
3.	Objection raised in current year upto quarter end						
4	Total for disposal upto quarter end (1+3)						
5	Objection settled during the qtr						
6	Objection settled upto qtr end.						
7	Balance (4-6)						

#### **II. Audit Objection (Below Rs 10 Lakh in Income-tax and above Rs. 30,000 in other taxes) raised by IAP and their settlement (all taxes)**

S.No.	Particulars	Arrear Audit Objection		Current Audit Objection		Total	
		No. of Mistakes	Revenue effect (Rs. In lakhs)	No. of mistakes	Revenue effect (Rs. In lakhs)	No. of mistakes	Revenue effect (Rs. In lakhs)
1	Pending as on 1 <sup>st</sup> April						
2	Objection raised in the quarter						
3.	Objection raised in current year upto quarter end						
4	Total for disposal upto quarter end (1+3)						
5	Objection settled during the qtr						
6	Objection settled upto qtr						

	end.						
7	Balance (4-6)						

**Part-F Audit Objection of previous year**

S. No.	Audit objection of previous year pending for settlement	No. of objection	Revenue effect (Rs. In lakhs)
1	2017-2018		
2	2016-2017		
3	2015-2016 and earlier year		

.....  
CIT (Audit)

**Note:** The financial year mentioned in various columns may be changed accordingly as per the year of reporting.

## Annexure-6

### AUDIT STATEMENT NO. II

Due date in Directorate of Income – tax (Audit), New Delhi's office  
20<sup>th</sup> of month of the following quarter.

CIT (Audit) Charge .....

### **QUARTERLY RECEIPT AUDIT REPORT FOR THE QUARTER ENDING .....**

#### **Part –A Revenue Audit Objection Rs. 2 Lakh in Income-tax and above Rs. 30,000 in other taxes**

S.No.	Particulars	Arrear Audit Objection		Current Audit Objection		Total	
		No. of Mistakes	Revenue effect (Rs. In lakh)	No. of mistakes	Revenue effect (Rs. In lakh)	No. of mistakes	Revenue effect (Rs. In lakhs)
1	Pending as on 1 <sup>st</sup> April						
2	Additional during the quarter						
3.	Additional upto quarter end						
4	Total for disposal upto quarter end (1+3)						
5	Objection settled during the qtr						
6	Objection settled upto qtr end.						
7	Balance (4-6)						

8. Year-wise analysis of Pendency of audit objection      No. of objection      Revenue effect (Rs. In lakhs)
- (a) 2017-2018
- (b) 2016-2017
- (c) 2015-2016 and earlier year
9. Analysis of pending arrear objections.
- a) Not accepted but yet to be dropped by AG
- b) Pending with CBDT
- c) Accepted but remedial action pending
- d) Pending for other reasons.

#### **Part –B Revenue Audit Objection Rs. 2 Lakh in Income-tax and below Rs. 30,000 in other taxes**

S.No.	Particulars	Arrear Audit Objection		Current Audit Objection		Total	
		No. of Mistakes	Revenue effect (Rs. In lakh)	No. of mistakes	Revenue effect (Rs. In lakh)	No. of mistakes	Revenue effect (Rs. In lakhs)
1	Pending as on 1 <sup>st</sup> April						
2	Additional during the quarter						
3.	Additional upto quarter end						
4	Total for disposal upto quarter end (1+3)						
5	Objection settled during the						

	qtr						
6	Objection settled upto qtr end.						
7	Balance (4-6)						

8. Year-wise analysis of Pendency of audit objection      No. of objection      Revenue effect (Rs. In lakhs)
- (a) 2017-2018
- (b) 2016-2017
- (c) 2015-2016 and earlier year
9. Analysis of pending arrear objections.
- a) Not accepted but yet to be dropped by AG
- b) Pending with CBDT
- c) Accepted but remedial action pending
- d) Pending for other reasons.

.....  
CIT (Audit)

**Note:** The financial year mentioned in various columns may be changed accordingly as per the year of reporting.

## Annexure-7

### LEDGER CARDS

#### A. Ledger Cards Details

- |     |                                |   |   |
|-----|--------------------------------|---|---|
| 1.  | Reference No.                  | : | : |
| 2.  | PAN                            | : |   |
| 3.  | Name of Assessee               | : |   |
| 4.  | Assessment Year                | : |   |
| 5.  | Order u/s                      | : |   |
| 6.  | Order Date                     | : |   |
| 7.  | Objection No.                  | : |   |
| 8.  | Date of Objection              | : |   |
| 9.  | Gist of Objection              | : |   |
| 10. | Revenue Effect                 | : |   |
| 11. | Remedial Action u/s            | : |   |
| 12. | Settlement Date                | : |   |
| 13. | Whether Explanation called for | : |   |

#### B. Employee Details

- |    |                      |   |  |
|----|----------------------|---|--|
| 1. | Employee ID          | : |  |
| 2. | Employee Name        | : |  |
| 3. | Employee Designation | : |  |

#### C. Explanation Sought & Response

- |    |                                |   |  |
|----|--------------------------------|---|--|
| 1. | Explanation called for by PCIT | : |  |
|----|--------------------------------|---|--|

## Annexure-8

PROFORMA FOR CERTIFICATE OF AUDIT										
I	Name of the Assessee									
II	Address of the Assessee									
III	PAN									
IV	Status									
V	Designation of A.O									
VI	Asst. Years(s)		2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	Total
A	Returned Income u/s139	Date of Filing								
		Returned income								
		Tax paid /Accrued on return income								
B	Returned income u/s153A or 153C- Date of Filing	Date of Filing								
		Returned income								
		Tax paid /Accrued on return income								
C	Disclosure made u/s.132(4) of the Act									
D	Proportionate taxes paid on disclosed income as in Col.( C ), if any									
E	Assessed Income & date of order	Date of Assessment								
		Assessed income								
F	Taxes on Assessed income including interest. Give details separately									
G	Additional income attributable to search included in the assessment order									
H	Proportionate/Additional taxes in Col (G) (including interest)(F-B)									
I	Income after order of CIT(A)/ITAT/HC/SC									
J	Proportionate taxes on Col.(I)									
K	Give details of taxes realized so far									
L	Remarks (give details of stage of pendency of appeal and whether it is assessee's appeal or departmental appeal or the assessee is before Settlement Commission									

Date:

Sign. & Design. of AO

Date

Audit Officer

## Important CBDT Instructions on Audit

Following are the Instructions on Audit and Audit Module in ITBA. For complete version of these Instructions, please refer to 'Compendium of Audit Instructions and Objections'.

S. No.	Instruction No.	Particulars
1.	Instruction No. 6 of 2017, dated 21.07.2017	Internal Audit
2.	Partial Modification of the Instruction No. 6 of 2017, dated 14.12.2018	Modification of Instruction on Internal Audit in respect of Audit of the Registration process of Charitable Trusts/Institutions
3.	Partial Modification of the Instruction No. 6 of 2017, dated 20.08.2019	Modification of targets in number of cases, instead of points and re-checking of Audited Cases where Audit Parties could not raise any objections.
4.	Instruction No. 7 of 2017, dated 21.07.2017	Revenue Audit
5.	ITBA-Audit Module – Instruction No. 1, dated 29.08.2017	Launch of Audit Module in ITBA
6.	ITBA-Audit Module – Instruction No. 2, dated 18.10.2017	List of Auditable cases in Internal Audit in ITBA
7.	ITBA-Audit Module – Instruction No. 3, dated 14.11.2017	Launch of Manual Upload Functionality for Pending Internal Audit Objections in ITBA
8.	ITBA-Audit Module – Instruction No. 4, dated 23.04.2018	List of auditable cases for internal audit in ITBA (Audit module) for the period 1st September 2017 to 31st December 2017
9.	ITBA-Audit Module – Instruction No. 5, dated 11.07.2018	Program for Integration between Comptroller and Auditor General of India (C&AG) and Revenue Audit Functionality of Audit Module In Income Tax Business Application (ITBA)- Pilot
10.	ITBA-Audit Module – Instruction No. 6, dated 16.10.2018	Request for completion of audit manually for TROs for the F.Y. 2018-19
11.	ITBA-Audit Module – Instruction No. 7, dated 15.03.2019	Roll out of Integration between Revenue Audit Functionality and Comptroller and Auditor General of India (C & AG) in Audit Module of ITBA

## GLOSSARY

A&J	Audit & Judicial
A&PAC	Audit & Public Accounts Committee
A.Y.	Assessment Year
AADIT	Additional Assistant Director of Income Tax
AAP	Annual Audit Plan
ACIT	Assistant Commissioner of Income Tax (For the purpose of this manual ACIT includes DCIT)
Act	Income Tax Act
ADG	Additional Director General
ADIT	Assistant Director of Income Tax (For the purpose of this manual ADIT includes DDIT)
Admn.	Administration
AE	Associate Enterprises
ALP	Arm's Length Price
AMT	Alternative Minimum Tax
AO	Assessing Officer
AOP	Association of Persons
API	Audit Potential Index
ATN	Action Taken Note
BO	Branch Office
BOI	Body of Individuals
C&AG	Comptroller & Auditor General
CASS	Computer Aided Scrutiny Selections
CBDT	Central Board of Direct Taxes
CCIT	Chief Commissioner of Income Tax
CENVAT	Central Value Added Tax
CIT	Commissioner of Income Tax
CSR	Corporate Social Responsibility
CTT	Commodity Transactions Tax
DDT	Dividend Distribution Tax
DGA	Director General of Audit
DGIT	Director General of Income Tax



DP	Draft Para
DRP	Dispute Resolution Panel
DT	Direct Tax
DTAA	Double Taxation Avoidance Agreement
DTRTI	Direct Taxes Regional Training Institute
Dy.	Deputy
e.g.	exempli gratia,' meaning 'for example'
EPF	Employee Provident Fund
ESI	Employees' State Insurance
FAO	Field Audit Office
FAQ	Frequently Asked Questions
FMV	Fair Market Value
FTS	Fees for Technical Services
FY	Financial Year
GAV	Gross Annual Value
GST	Goods & Services Tax
HMN	Half Margin Note
HQ	Headquarter
HRA	House Rent Allowance
HRD	Human Resource Development
HRMS	Human Resource Management System
HUF	Hindu Undivided Family
IA&AD	Indian Audit & Accounts Department
IAP	Internal Audit Party
ICDS	Income Computation and Disclosure Standards
Insp.	Inspections
IRS	Indian Revenue Services
ITAT	Income Tax Appellate Tribunal
ITBA	Income Tax Business Application
ITO	Income Tax Officer
ITRA	Income Tax Reimbursement Allowance
JCIT	Joint Commissioner of Income Tax (For the purpose of this manual JCIT includes Addl.CIT)
JDIT	Joint Director of Income Tax

L&R	Legal & Research
LAP	Local Audit Party
LAR	Local Audit Report
LOB	Limitation of Benefit
MAM	Most Appropriate Method
manual	Audit Manual
MAT	Minimum Alternative Tax
MIPs	Memorandums of Important Points
MIS	Management Information System
MODVAT	Modified Value Added Tax
MP	Madhya Pradesh
NAV	Net Annual Value
NMV	No Monetary Value
PA	Performance Audit
PAC	Public Accounts Committee
PAN	Permanent Account Number
PCIT	Principal Commissioner of Income Tax (For the purpose of this manual PCIT includes CIT)
PDA	Principal Director of Audit
PE	Permanent Establishment
PF	Provident Fund
POA	Power of Attorney
Pr. CCIT	Principal Chief Commissioner of Income Tax
Pr. DGIT	Principal Director General of Income Tax
RA	Receipt /Revenue Audit
r.w.s.	read with section
RCC	Regional Computer Center
RSA	Request Service Acceptance
Rules	Income Tax Rules
SAP	Special Audit Party
SDT	Specified Domestic Transactions
SEZ	Special Economic Zone
SLM	Straight Line Method
SOF	Statement of Facts

SOP	Standard Operating Procedure
sq. ft.	square feet
STT	Security Transaction Tax
TCS	Tax Collected at Source
TDS	Tax Deducted at Source
TP	Transfer Pricing
TPO	Transfer Pricing Officer
TRO	Tax Recovery Officer
u/s	under section
UIN	Unique Identification Number
URL	Uniform Resource Locator
UT	Union Territory
VRS	Voluntary Retirement Scheme
w.e.f.	with effective from
WDV	Written Down Value