



Amendments to Form 3CD
July 2017

Brahmayya & co.

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Introduction

Section 44AB of the Income Tax Act, 1961 casts legal obligation upon a person carrying on business to get his accounts audited by a Chartered Accountant and to furnish a report in the specified form, if total turnover or gross receipts exceed INR 2 Crore in the relevant previous year. For a professional, tax audit provisions are applicable, if gross receipts exceed INR 50 Lakhs in the relevant previous year. Audit report should be given in Form No. 3CA/3CB, as may be applicable and the certain additional particulars should be given in Form 3CD.

Form 3CD has undergone significant changes pursuant to CBDT Notification No. 88/2016 dated 29th September 2016 and Notification No. 58/2017 dated 3rd July 2017. Both these Notifications carry substantial significance as they impact tax audit reporting for the Financial Year 2016-17.

Notification No. 88/2016 – Dated 29th September 2016

Income Computation and Disclosure Standards (ICDS) were notified vide Notification 87/2016 dated 29th September 2016 and Form 3CD was amended to facilitate reporting of adjustments and disclosures pertaining to ICDS. Clause 13(d) of Part B is substituted by new clause 13(d), (e) and (f).

Amended Clause 13(d)

This Clause mandates reporting by tax auditor on adjustments made to profit or loss account for complying with ICDS provisions.

New Clause 13(e)

In case of the answer to Clause 13(d) is affirmative, Clause 13(e) requires ICDS-wise reporting of adjustment made in profit or loss account for ICDS compliance indicating increase/decrease in profit along with the net effect of such adjustments.

ICDS Number	ICDS Name	Increase in Profit (in Rs.)	Decrease in Profit (in Rs.)	Net Effect (in Rs.)
ICDS I				
ICDS II				

New Clause 13(f)

Clause 13(f) requires reporting of ICDS-wise disclosures.

- ICDS I – Accounting Policies
- ICDS II- Valuation of Inventories
- ICDS III- Construction Contracts
- ICDS IV- Revenue Recognition
- ICDS V - Tangible Fixed Assets
- ICDS VII - Government Grants
- ICDS IX – Borrowing Cost
- ICDS X – Provisions, Contingent Liabilities & Contingent Assets

Notification No. 58/2017 - Dated 3rd July 2017

Further modifications have been done in Form 3CD vide Income-tax (18th Amendment) Rules, 2017. These changes are effective from 19th July 2017. Following clauses are substituted in place of Serial no. 31 of existing Form 3CD.

Clause 31(a)

Particulars of each loan or deposit in an amount exceeding the limit specified in **Section 269SS** taken or accepted during the previous year:

- i. name, address and Permanent Account Number (if available with the assessee) of the lender or depositor;
- ii. amount of loan or deposit taken or accepted;
- iii. whether the loan or deposit was squared up during the previous year;
- iv. maximum amount outstanding in the account at any time during the previous year;
- v. whether the loan or deposit was taken or accepted by cheque or bank draft or use of electronic clearing system (ECS) through a bank account;
- vi. in case the loan or deposit was taken or accepted by cheque or bank draft, whether the same was taken or accepted by an account payee cheque or an account payee bank draft.

Amendment

Erstwhile 31(a) required reporting of whether loan or deposit was taken or accepted otherwise than by “account payee cheque or bank draft” while the new clause mandates reporting of whether such loan or deposit is taken by “cheque, bank draft or use ECS” and if yes, whether such receipt was through account payee cheque/account payee bank draft.

Clause 31(b)

Particulars of each specified sum in an amount exceeding the limit specified in **Section 269SS** taken or accepted during the previous year:

- i. name, address and Permanent Account Number (if available with the assessee) of the person from whom specified sum is received;
- ii. amount of specified sum taken or accepted;
- iii. whether the specified sum was taken or accepted by cheque or bank draft or use of electronic clearing system through a bank account;
- iv. in case the specified sum was taken or accepted by cheque or bank draft, whether the same was taken or accepted by an account payee cheque or an account payee bank draft.

Amendment

Specified sum receivable in relation to transfer of immovable property was brought under the scope of Section 269SS by Finance Act 2015. This clause mandates reporting of particulars of each specified sum in an amount exceeding the limit specified under Section 269SS taken or accepted during the previous year.

Clause 31(c)

Particulars of each repayment of loan or deposit or any specified advance in an amount exceeding the limit specified in **Section 269T** made during the previous year:

- i. name, address and Permanent Account Number (if available with the assessee) of the payee;
- ii. amount of the repayment;
- iii. maximum amount outstanding in the account at any time during the previous year;
- iv. whether the repayment was made by cheque or bank draft or use of electronic clearing system through a bank account;
- v. in case the repayment was made by cheque or bank draft, whether the same was taken or accepted by an account payee cheque or an account payee bank draft.

Amendment

Erstwhile clause required reporting of whether repayment was made otherwise than by account payee cheque or bank draft. New clause requires reporting on whether repayment is made by "cheque, bank draft or ECS", and if yes, whether such repayment was through account payee cheque/account payee bank draft

Clause 31(d)

Particulars of repayment of loan or deposit or any specified advance in an amount exceeding the limit specified in **Section 269T** received otherwise than by a cheque or bank draft or use of electronic clearing system through a bank account during the previous year:

- i. name, address and Permanent Account Number (if available with the assessee) of the Payer;
- ii. amount of loan or deposit or any specified advance received otherwise than by a cheque or bank draft or use of electronic clearing system through a bank account during the previous year.

Amendment

Earlier, reporting was required only in case of person making repayment of loan or deposit or any specified advance. Now, reporting has also to be done by the recipient in case repayment is received otherwise than by cheque/bank draft/ECS.

Clause 31(e)

Particulars of repayment of loan or deposit or any specified advance in an amount exceeding the limit specified in **Section 269T** received by a cheque or bank draft which is not an account payee cheque or account payee bank draft during the previous year:

- i. name, address and Permanent Account Number (if available with the assessee) of the payer;
- ii. amount of loan or deposit or any specified advance received by a cheque or a bank draft which is not an account payee cheque or account payee bank draft during the previous year.

Amendment

Similar to clause 31(d), this new clause requires reporting in case of recipient if the repayment is not by way of account payee cheque or account payee bank draft.

Note

Particulars specified in Clauses 31(a), (b), (c), (d) and (e) need not be given in the case of loan or deposit or any specified advance relating to the Government, Government Company, Banking Company or a Corporation established by the Central, State or Provincial Act.

Conclusion

ICDS has become applicable for the first time from Financial Year 2016-17 and there may be implementation gaps. The essence of ICDS revolves around convergence of accounting books with tax books which would reduce the larger burden of maintenance of two sets of accounts. These additional disclosure requirements will supplement these steps and hopefully result in value addition to reporting.

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