Dr. I.S. PRASAD
President

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ಕರ್ನಾಟಕ ವಾಣಿಜ್ಯ ಮತ್ತು ಕೈಗಾರಿಕಾ ಮಹಾಸಂಸ್ಥೆ
Federation of Karnataka Chambers of Commerce and Industry

Date: 22nd Aug 2022

Smt. Nirmala Sitaraman,
Hon'ble Union Minister for Finance & Corporate Affairs,
Government of India,
15, North Block,
New Delhi – 110001.

Respected Madam,

Sub: Difficulties in the Tax Audit Report.

Ref: Clause 44 in Form No.3CD vide notification dated 20th July 2018

Kindly accept warm greetings from FKCCI.

We wish to bring to your kind notice the following few things.

As per section 44AB of the Income tax Act, 1961, the Assesses, whose turnover crossed a specified threshold, are required to get their books of accounts audited and the auditor has to file an audit report in From No 3CA/3CB- 3CD

Further as per Notification No 33/2018 dated 20th July 2018 there is an amendment in tax audit form 3CD, which includes introduction of new Clause No 44 with respect to GST Expense Breakup. Though the same is required to be reported by the tax auditor, the information regarding this is to be given by the businessmen only. The specified reporting requirements is appended below.

44. Break-up of total expenditure of entities registered or not registered under the GST:

Sl. No.	*Total amount of Expenditure incurred during the year*	*Expenditure in respect of entities registered under GST*				*Expenditure relating to entities not registered under GST*
		Relating to goods or services exempt from GST	*Relating to entities falling under composition scheme*	*Relating to other registered entities*	*Total payment to registered entities*	
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*

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In this regard we would like to bring the following for your kind consideration.

1. The objective behind the tax audit report is to check whether the assesses has complied with the provisions of income tax law and in particular to ascertain the correct allowances and disallowances.
2. Clause 44 (GST Information sought in this clause) has no relevance in ascertaining the taxable income of the assesses.
3. The allowability of expense on payment basis as per section 43B has already been incorporated in clause 26 of form 3CD. Hence this new clause 44 does not have substance with respect to Income tax law and compliance.
4. Further the said GST information required for clause 44 is not captured by any accounting software maintained in the country
5. Even from the view of "EASE OF DOING BUSINESS", the industry is facing difficulties in maintaining the said data and the information to provide in clause 44.
6. Further even as per GST Annual Return, the said reporting is not being asked. It may be useful to keep the above table in GSTR-9 instead of placing in Income tax law.
7. Further tax auditors are preparing to furnish a disclaimer in form 3CD for not able to report the said clause due to difficulty in maintaining the data and inherent limitations in accounting software
8. We humbly bring to your kind notice that Industry is in Ambiguous and panic mode with respect to data being asked in clause 44 since there is not sufficient proper system to capture the data and also due to disclaimer furnished by the tax auditor.
9. Further wrong reporting/mis reporting would be penal in nature and Industry is worried about the consequences from Income tax department

In view of the circumstances explained above, we request you to kindly scrap the said clause or provide necessary clarification with respect to the purpose of introducing the clause and nature of information being expected by the Income Tax Department

Warm regards,

Dr C A I S Prasad,