

SECTION 44AB, 44AD & 44ADA APPLICABILITY CHECKLIST

Firm Name: _____ Prepared By: _____ Date: //202_

Client Name: _____ PAN: _____ AY: 202_ - _

1: DETERMINE ENTITY TYPE & BASIC ELIGIBILITY

- Is the taxpayer an Individual, HUF, or Partnership Firm?
(Note: Companies and LLPs are NOT eligible for 44AD/44ADA and must default to standard 44AB limits).
- Identify the nature of income: Is it Business or Profession?
- Business (44AD) Exclusions Check: Is the taxpayer engaged in any of the following? (If YES to any, 44AD is NOT applicable).
Plying, hiring, or leasing of goods carriages (Covered under 44AE)?
Agency business?
Life Insurance business?
Non-resident taxpayer?
- Profession (44ADA) Eligibility Check: Is the taxpayer engaged in a profession listed under Section 44AA(1)? (e.g., Legal, Medical, Engineering, Architecture, Accountancy, Technical Consultancy, Interior Decoration, etc.)

2: THE CRUCIAL "5% CASH TRANSACTION" TEST

(Mandatory to claim the enhanced limits of ₹3 Crore / ₹75 Lakhs)

- Calculate Total Gross Turnover/Receipts for the year.
- Calculate Total Cash Receipts. Is it \leq 5% of Total Turnover?
- Calculate Total Cash Payments (including payments to suppliers, expenses, capital assets). Is it \leq 5% of Total Turnover?
- Cross-verify: Have you checked the bank statements to ensure no unrecorded cash deposits/payments exist that could breach the 5% limit?

RESULT: If BOTH 2.2 and 2.3 are YES, taxpayer qualifies for enhanced limits. Proceed to next phase 3A.

RESULT: If EITHER 2.2 or 2.3 is NO, taxpayer does not qualify for enhanced limits. Skip to Phase 3B.

3: APPLY CORRECT THRESHOLD LIMITS

3A: (If 5% Cash Test PASSED)

3A.1. (Business): Is Turnover \leq ₹3 Crores?

3A.2 . (Profession): Are Gross Receipts \leq ₹75 Lakhs?

If YES to applicable 3A.1 or 3A.2 → Presumptive scheme can be opted. No mandatory 44AB audit (unless Phase 4 applies).

PHASE 3B: (If 5% Cash Test FAILED)

3B.1 (Business): Is Turnover $>$ ₹1 Crore?

3B.2 (Profession): Are Gross Receipts $>$ ₹50 Lakhs?

If YES to 3B.1 or 3B.2 → MANDATORY TAX AUDIT UNDER SECTION 44AB.

4: THE "LOWER PROFIT" TRAP (Crucial Override)

Even if turnover is below the threshold limits (Phase 3), an audit is triggered if the taxpayer wants to declare lower income than prescribed.

- (For 44AD Business): Is the taxpayer declaring business profit lower than 8% (for digital receipts) or lower than 6% (for cash receipts) of total turnover?
- (For 44ADA Profession): Is the taxpayer declaring professional income lower than 50% of gross receipts?

- If YES to 4.1 or 4.2 → MANDATORY TAX AUDIT UNDER SECTION 44AB. (Taxpayer must maintain proper books of account as per Section 44AA).

5: THE 44AD(4) REVOCATION TRAP (The "Silent Killer")

This applies only to taxpayers who previously opted for Section 44AD.

- Has the taxpayer claimed 44AD for 5 consecutive financial years immediately preceding the current AY?
- If YES, in the current year, has the taxpayer:
 - Declared income lower than the presumptive rate? OR
 - Claimed that income is below the basic exemption limit?
- If YES : ⚠️ ALERT: The taxpayer is disqualified from 44AD for this year AND the next 5 consecutive years.
- Because of disqualification, does their current year turnover exceed ₹1 Crore?
- If YES → MANDATORY TAX AUDIT UNDER SECTION 44AB for the current year (and they must maintain books for the next 5 years regardless of turnover).

6: OTHER MANDATORY 44AB TRIGGERS (Do Not Miss)

- Is the taxpayer claiming lower profit than presumive income under Section 44AE (Heavy Goods Vehicles)? (If yes, audit required).
- Is the taxpayer carrying on business/profession and their total sales/turnover/gross receipts exceed ₹1 Crore during the previous year under the OLD TAX REGIME? (Note: The enhanced limit of ₹3Cr/₹75L only applies if the taxpayer opts for the New Tax Regime).
- Is the taxpayer carrying on a profession but not covered under Section 44ADA, and their gross receipts exceed ₹50 Lakhs?

FINAL CONCLUSION (To be filled by CA)

NO AUDIT REQUIRED. (Eligible for presumive taxation, profits declared are \geq prescribed limits, no 44AD(4) trap triggered).

MANDATORY TAX AUDIT UNDER SECTION 44AB REQUIRED.

Reason: _____

Documents to obtain from client if Audit is applicable:

- Form 3CA/3CB & 3CD (Duly filled/Blank).
- Complete Books of Accounts (Trial Balance, P&L, Balance Sheet).
- Bank Statements for all current accounts.
- Detailed Debtors/Creditors aging.
- Copy of previous year's ITR and Audit Report (To check 44AD continuity).