

Tax Audit and CAs—Doing a National Duty

Our nation's Chartered Accountants are globally recognised for their work ethic and commitment to good corporate governance. The complete trust the people and businesses place in their CA is a testimony to your accuracy and integrity, and this is well deserved," so said our Prime Minister Shri Narendra Modi in his CA Day message last month, adding that "The nation looks up to the CA Community to continue the good work especially towards ensuring a cleaner and more tax compliant economy." These words of recognition coming from the leader of Indian polity amply sum up the importance of the role of CAs in our national economy. The law of the land has entrusted Indian CA fraternity with various important duties and responsibilities. The mandatory Tax Audit under Section 44AB of Income-tax Act 1961, the season of which is round the corner, is one such important duty and responsibility of the CAs. It is noteworthy that the provisions relating to tax audit were introduced in the statute book in the year 1984, marking a milestone in the history of chartered accountancy profession in the realm of direct taxes.

Renowned physicist Albert Einstein had said: "*The hardest thing in the world to understand is the income tax.*" Having expertise in taxation, a Chartered Accountant should take pride in this statement coming from one of the finest minds of the world. With the tax audit due date approaching, a Chartered Accountant gets enough opportunity to test and make best use of his expertise to discharge his responsibility in the most effective manner.

"Taxes are what we pay for civilized society" and these are "fuel which move the wheels of growth and progress," rightly go the sayings. The President of India Shri Ram Nath Kovind, while launching the ICAI Platinum Jubilee celebrations on CA Day on July 1, 2018, had also said: "*adherence to a fair taxation system is much more than merely providing revenue to the government. It is part of the same social contract that underpins our Constitution. Under this Constitution we have given ourselves certain rights along with certain responsibilities. Taxes are what we pay to get social benefits in the form of public goods and services, health and education facilities, better infrastructure, law and order, and secure borders. It is crucial that this responsibility is shared by the widest possible number of citizens – whether they pay taxes directly or indirectly. It is the solemn duty of each one*

of us to contribute to the society that we share and the nation that we are part of....chartered accountants have a key role in advancing such a culture. They are both facilitators of tax payers and of the taxation system as well as watchdogs of public trust."

In this backdrop, the tax audit by chartered accountants occupies a very important place in country's economic calendar. Since tax audit was introduced to ensure the accuracy of books of accounts maintained, which forms the basis of computation of income, the onerous responsibility was entrusted to chartered accountants. Time and again changes were made in the reporting requirements of tax audit report which not only widened the scope of audit but has also indicated the trust reposed in the chartered accountancy profession by the Government. As such, it becomes an important duty of CAs, which has to be performed in the actual spirit of the legislative intent behind introduction of tax audit. The primary objective of tax audit is to ensure maintenance of proper books of account which give a true and fair view of the state of affairs of the assessee as on the date of the balance sheet and of the profit or loss of the assessee for that year. The various clauses in Form 3CD adequately capture the information required to achieve this objective. It is worth mentioning here that the changes in Form No. 3CD, effected from 2014, have further increased the role and responsibility of tax auditors. With ICDSs coming into force, new clauses were added in Form 3CD with effect from 1.4.2017. It is laudable that the CA fraternity has successfully taken these changes in stride, thereby stabilizing the tax audit processes over the years.

This year too, the CA fraternity is geared up to undertake and complete the tax audit within prescribed time frame. For any clarification related to performance of this crucial task efficiently and effectively, they can refer to ICAI Guidance Note on Tax Audit under Section 44AB of Income-tax Act, 1961. Needless to say, it has to be ensured that the particulars stated in various clauses of tax audit report are true and correct, abiding by General accounting principles, judicial pronouncements, changes in law and various guidelines issued by the ICAI. By effectively undertaking and completing the tax audit on time, chartered accountants unequivocally play a significant role in protecting the interests of the revenue. ■

-Editorial Board ICAI – Partner in Nation Building