

Recent Changes and FAQs on e-Filing of Tax Audit Report



Filing of Income-tax Returns and Tax Audit Reports electronically has fairly stabilized now. Regulations and tax compliances are changing every day, making e-Filing more challenging. These changes have increased the reporting requirements and have made it imperative for tax auditors to be more vigilant. This article discusses the e-Filing process in general and answers some of the Frequently Asked Questions (FAQs). Read on to know more...

Procedure of e-Filing of Tax Audit Report, *prima facie*, may seem lengthy / cumbersome at first, but when auditor becomes conversant with it, it can hardly take 10 / 15 minutes to complete the entire process due to back end support from software.

Before going to the FAQ's, let's look at the e-filing process in brief.

Procedure of e-Filing of Tax Audit Reports can be broadly divided in 5 steps as given below:

1) Creating the Account of Chartered Accountant –

The first step to start e-Filing is to create the account of 'Chartered Accountant' on e-Filing portal. This is a special login especially designed for 'Chartered Accountants'. Chartered Accountants may be having their personal login on E filing site to file their own Income-tax



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Tax Audit

Return. However, for e-Filing of audit reports, separate login as 'Chartered Accountant' is required. Procedure for the same is as follows –

1. Open the webpage:
'www.incometaxindiaefiling.gov.in'
2. Click on tab 'Register Yourself'
3. Select the Category: 'Tax Professional – Chartered Accountant'
4. Enter the required data such as ICAI Membership number, date of enrolment, Surname, PAN and Date of Birth
5. Click 'Continue'
6. Enter Password, Contact Details and Postal Address. Attach your DSC e-filing website accepts password only if it is minimum 8 digits in length and contains at least one small alphabet, one capital alphabet and one special character in it. Chartered Accountants should maintain utmost secrecy of e filing password, since if this password is compromised or shared with a person who can access the digital signature of the member also, he can upload any return in the name of the member and it will be very difficult for the member to prove his innocence at a later date.
7. Click 'Continue'
8. One Time Password (OTP) shall be sent on your Mobile No. and E Mail ID.
9. Enter the OTP's received.
10. After getting 'successful' status, registration process is completed and CA will get user ID (User ID for Members will start with ARCA followed by 6 digit membership no. For Eg. If membership Number of CA is 112233, his user ID will be 'ARCA112233')

Though creating an account is one time procedure, it should be noted that if the digital signature expires, then new digital signature should be registered on this portal to enable it to be used for e-Filing of Audit Reports.

2) Creation of log in by the assessee / auditee :

Assessee / Auditee needs to get registered with Income-tax e-Filing site by following regular practice using his PAN No, Date of Birth, Date of Incorporation etc. (Procedure is same as

done while creating new login for E-filing of ITR's). If assessee is already having his login on e-Filing site, go directly to Step 3.

3) Acceptance of Auditor by the Assessee/ Auditee :

After the account has been created, auditee has to accept the Auditor to fill the required Forms for specific assessment years. Procedure for the same is as follows –

1. Auditee has to open his login on e-Filing website.
2. Go to: My account – Add CA
3. Enter the Membership No of Chartered Accountant, Form Name and Assessment Year.
4. Click 'Submit'

This procedure needs to be repeated every assessment year by the auditee. Moreover this procedure needs to be repeated for every form in one assessment year. i.e. if more than one forms / reports needs to be uploaded by CA/ Auditor for one assessment year, Assessee needs to add CA for every report / form each year.

4) Downloading and Filling Excel Utility of required Forms :

Excel Utility of all the forms is available on the E Filing Website. After downloading and completing online form 3CD, XML file is to be generated for e-filing. As an ideal practice, Auditee has to fill the form 3CD and give it to his Auditor for uploading.

5) Uploading the form by Chartered Accountant :

Now auditor has to scrutinize and verify the Form 3CD filled by the auditee. Auditor then has to prepare form 3CA / 3CB (as applicable) which needs to be attached to the form 3CD. After ensuring that Form 3CD is correct in every respect, Auditor has to validate it and generate the XML.

Procedure for e-filing is as follows

1. Open the Login of Chartered Accountant
2. Go to : E File – Upload Form
3. Enter PAN of Assessee and PAN of Chartered Accountant
4. Select Form name and Assessment Year. If

procedure mention in Stage 2 is not completed, form will not upload at this stage.

5. Attach XML File of Form 3CA-3CD/3CB-3CD. On e-filing portal, along with Audit Report, Auditor also needs to submit Balance Sheet and Profit and Loss Account. These statements either in PDF form or TIFF form are accepted by the site. (Refer FAQ's for more details).
6. After above attachments are made auditor needs to sign them digitally.
7. Then click on submit. After successful upload form will be sent to workflow of assessee for his approval.

Forms signed by the Auditor and their current status (such as pending for approval, approved, rejected etc.) can be viewed by the auditor from his log in under the tab : My Account – View Forms.

6) Acceptance of the form by the auditee:

Form once uploaded by Auditor will automatically reflect in work list of auditee. Procedure for acceptance of Tax Audit Report will be as follows:

1. Log in to e-filing website
2. Click on 'Work List'
3. Go to 'View Forms'
4. Select the required 'Tax Audit Report'
5. Assessee can verify the form and approve the form using his DSC.
6. In case, Form 3CD is rejected by assessee, move back to step 4.

Once auditee accepts the form, form is successfully submitted and auditee gets Acknowledgement number. E Filing Procedure completes at this stage and no further action needs to be taken.

If the form is rejected by the auditee, auditor has to again fill the form, upload it and again it will be reflected in work list of auditee for his approval. Unless the form is accepted by the auditee, it will not be submitted and hence this process needs to be repeated till the auditee accepts the form. It is worth noting that if Tax

Audit Report is uploaded by auditor, but not accepted by assessee, it will still be treated as tax audit report not filed.

Frequently Asked Questions (FAQs)

- 1) *While creating login as Chartered Accountant, CA is getting error for mismatch / difference in Date of Birth / Name.*

In this case, members Date of Birth or his name is recorded incorrectly either with PAN Database or with ICAI records. This is because, while creating login of the Chartered Accountant, e-filing site verifies the Name of Member and Date of Birth from PAN Database with member records available with ICAI. If there is difference / mismatch, site will give an error and portal will not allow for registration. In such case, auditor can approach either ICAI or IT Dept. to correct their Date of Birth / Name.

- 2) *System becomes very slow during e-Filing of audit reports. What can be done?*

Remove all old versions of Java to improve performance. Try using 'Google chrome', it will give best results. 'Mozilla Firefox' will also do.

- 3) *Auditor intends to give certain Qualifications/Comments in Form 3CD report. However, same cannot be entered in online 3CD. Only numerical fields / look ups provided are accepted. What can be done?*

This is an inherent limitation of online Form 3CD. Since online 3CD is in form of macro enabled Excel Spreadsheet, only the numerical field / look ups provided can only be entered. (Eg. Clause 10(a) asks whether there is change in nature of business. Auditor has to answer this in either 'yes' or 'no'. No other details will be accepted). To overcome this, auditor can select the nearest possible look up available. In Form 3CA / 3CB, textbox is provided at the end. All other details / qualifications / remarks / comments can be mentioned in textbox given in Form 3CA.

- 4) *Clause 21 of Form 3CD contains details of disallowances pertaining to non-deduction / non-payment of TDS. Assessee has 3500*

instances of such disallowance. Is it required to enter all these details?

Clause 35 of Form 3CD requires giving item wise quantitative details of Stock traded / items manufactured. Assessee has 5000 items in stock. Is it required to enter all these details?

Yes. This will be highly time consuming/ lengthy exercise, but there is no alternative to this. Generally, the Income-tax Department will put the uploaded report for Data Analysis/ Data Mining in their internal software. Queries generated there from will be used for selecting the cases for assessment / detailed scrutiny. Since Data mining / Data Analysis requires high level of uniformity, Form 3CD contains very specific look ups to fill in.

Hence, to the extent possible, it is advisable for the auditor to give the complete details to the extent possible.

- 5) ***Auditor has uploaded the XML file. He wants to take a print out for his future record. However, there is no option for printing the uploaded XML file. What can be done?***

CA has no option to print uploaded XML files. However, the assessee has an option to print the same. The assessee can print the uploaded XML file in PDF format.

- 6) ***Auditor has uploaded the Tax Audit Report. Inadvertently, assessee has rejected it. Now, if CA tries to upload the same XML again, e-Filing site is not accepting the XML and giving an error. What can be done?***

This is an inherent problem with e-filing site. Once the audit report is rejected by assessee, same XML file won't be accepted by e-filing site again. CA has to fill the entire tax audit report afresh and has to upload the same. This will be accepted by e-Filing site.

- 7) ***Whether Schedules to Balance Sheet / Profit and Loss Accounts and Notes to Accounts also need to be uploaded?***

Yes. Since schedules and notes to accounts forms integral part of Financial Statements, same needs to be uploaded. Uploading only

Profit and Loss Account and Balance Sheet without schedules / notes to accounts may be viewed as incomplete submission.

- 8) ***Is it mandatory to upload signed copy of Financial Statements? Or uploading unsigned PDF copies will suffice the purpose?***

e-Filing site has nowhere specified that only signed copies must be uploaded. Thus, word document or excel spreadsheet converted into PDF (though unsigned) can be uploaded. Further, there is restriction of 20 MB / 50 MB size for uploading. If entire signed copies of Balance Sheet, Profit and Loss Account, Schedules and Notes to accounts are converted into PDF, their size may exceed the maximum permissible limits and uploading may not be possible. Hence, uploading unsigned PDF copies is a workable option.

Though unsigned copies are uploaded, it is worth noting that uploading will be done through

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password of the auditor and after attaching his digital signature. Hence, same can be considered as authentic and binding on Auditor for all future purposes.

Therefore, utmost care should be taken that PDF copies uploaded and printed copies signed should be same. If there is difference, it will create unnecessary difficulties for both auditor and assessee at a later stage.

- 9) ***How the Tax Audit Report can be uploaded in case of joint audit?***

e-Filing portal as of now allows the report to be uploaded by a single auditor. Therefore, if there is consensus between the auditors, they may mutually decide among themselves and any one of them can upload the audit report.

However, if there is no consensus between joint auditors / they disagree on a particular point,

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each auditor will express his own opinion through a separate report. As of now e-Filing site does not accept two audit reports by different auditors. It is expected that the matter would be resolved in some time.

10) Is there any upper limit on the number of audit reports which can be uploaded by auditor on e-filing portal?

As per e-filing site, there is no limit. But as per ICAI regulations, CA in practice can sign maximum 60 tax audit reports under Section 44AB. Though there is no limit by IT Dept on number of audit reports filed, Members are expected to comply with the maximum number prescribed by ICAI.

11) Is it OK if ITR is filed first and Tax Audit report is filed afterwards?

Though e-filing site will allow this, it is important to remember that date of Tax Audit Report is required to be mentioned in ITR. Hence, it is advisable to upload Tax Audit Report first and ITR subsequently.

12) What will be the consequences if online Tax Audit Report is filed after due date but physical hard copies are signed before due date?

Section 44AB mandates getting accounts audited by an accountant before the specified date and furnishing the report of such audit by that date. Therefore, uploading of tax audit report before the specified date is the requirement under the Act.

13) What will happen if Auditor has filed the Tax Audit Report, but assessee has not accepted it?

It will be presumed that Tax Audit Report is not filed and accordingly, penalty proceedings can be initiated.

14) The assessee is dealing in two business segments but business is carried under same Name. Net Profit Ratio, other financial parameters are different for both the business segments. Method of valuation of stock is also different in each business segment. How to upload these details in online Tax Audit Report?

Online Tax Audit Report will accept only one entry against each head. (i.e. though there are two business segments, only one net profit ratio can be entered). It is advisable to take the average and upload the average figures in online report. Details of each business segments can be mentioned in word document and PDF copy thereof can be uploaded, if required.

Conclusion

Every new regulation and new intricacy in the business of assessee, may result in new queries while uploading the tax audit report. This

ICAI is constantly interacting with IT Department to make the e-filing process more convenient for its members. It may be kept in mind that e-filing of Audit Reports is a double-edged sword. It ensures safety and security of information contained in the tax audit report. At the same time, negligence in e-filing may have undesirable effects.

article discusses only the most common/general queries or issues that may arise while filing the tax audit report. ICAI is constantly interacting with IT Dept to make the e-filing process more convenient for its members. It may be kept in mind that e-filing of Audit Reports is a double-edged sword. It ensures safety and security of information contained in the tax audit report. At the same time, negligence in e-filing may have undesirable effects. Members can design their entire audit procedure in such a way that e-filing will become easy at the same time ensuring effective compliance in filing tax audit report. ■

References:

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- 2) Income Tax Rules
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