LABHYANSH
ACCOUNTING SIMPLIFIED

AUDIT REQUIREMENTS UNDER INCOME TAX

Audit of accounts is compulsory by a Chartered Accountant for the following persons:

Tax Payer	Compulsory Audit required when
A person carrying on Business	If total sales, turnover or gross receipts are more than Rs. 1 crore
A person carrying on Profession	If gross receipts are more than Rs. 50 lakh
A person covered under presumptive income scheme section 44AD	If income of the business is lower than the presumptive income calculated as per Section 44AD and the person's total income is more than the maximum income which is exempt from tax.
A person covered under presumptive income scheme section 44AE	If income of the business is lower than the presumptive income calculated as per Section 44AE.
A person covered under presumptive income scheme section 44ADA	If income of the profession is lower than the presumptive income calculated as per section 44ADA and the person's total income is more then the maximum income which is exempt from tax.

Due date for getting records audited and submission of audit report:

Taxpayer	Audit Form	Statement Form	Due date for Audit	Due date for submission of report
A person carrying on business or profession who is compulsorily required to get audited under any other statute/law.	Form 3CA	Form 3CD	September 30 of the assessment year	September 30 of the assessment year
A person other than those listed above who are required to get audited under Income tax law	Form 3CB	Form 3CD	September 30 of the assessment year	September 30 of the assessment year

The deadline for audit and submission of report is November 30 in case of international or specified domestic transactions.

Penalty when accounting records as required are not maintained as per Section 44AA: If the taxpayer fails to maintain accounting records as per the requirements of Section 44AA, a penalty may be levied under section 271A. The maximum penalty that can be charged is Rs. 25,000. However, if the taxpayer can prove there is a reasonable cause for failure to maintain accounting records – such penalty may not be levied. If the taxpayer fails to get the accounting records audited or furnish audit report as per the requirements of Section 44AB, a penalty may be levied under section 271B. The minimum penalty that can be charged is 0.5% of the total sales, turnover or gross receipts. The maximum penalty is Rs 1,50,000. However, if the taxpayer has a reasonable cause for failure to get an audit done – such penalty may not be levied.