

# **Form 3CD Amendments (FY 2024-2025)**

**CA. Kamal Garg**

# Introduction

- CBDT has issued key **amendments to Form 3CD** by notifying the IT (Eighth Amendment) Rules, 2025, through Notification No. 23/2025 Dated March 28, 2025.
- The amendments are **effective from April 1, 2025**;
- The following **Nine Clauses have been amended/ inserted**, as the case may be:
  1. Clause 12
  2. Clause 19
  3. Clause 21
  4. Clause 22
  5. Clause 26
  6. Clause 28
  7. Clause 29
  8. Clause 31
  9. Clause 36B

# Clause 12: Introduction of Clause 44BBC

12. Whether the profit and loss account includes any profits and gains assessable on presumptive basis, if yes, indicate the amount and the relevant sections (<sup>3c</sup>[44AD, 44ADA], 44AE, 44AF, 44B, 44BB, 44BBA, 44BBB, <sup>3d</sup>[44BBC] Chapter XII-G, First Schedule or any other relevant section.)

# Section 44BBC

- Presumptive taxation scheme for the business of **operation of cruise ships by non-residents**;
- Business income = **20% of the aggregate of the specified amount**;
- **Specified Amount** = amount paid or payable + amount received or deemed to be received, on account of the carriage of passengers;
- **Conditions** = Rule 6GB (such as carrying capacity > 200 passengers, touch atleast two sea ports of India, non-cargo ship, comply conditions laid down by Ministry of Tourism/ Shipping)

## Omission of specific deductions in Clause 19

### 19. Amounts admissible under sections:

Section	Amount debited to profit and loss account	Amounts admissible as per the provisions of the Income-tax Act, 1961 and also fulfils the conditions, if any specified under the relevant provisions of Income-tax Act, 1961 or Income-tax Rules, 1962 or any other guidelines, circular, etc., issued in this behalf
<sup>5b</sup> [***]		
<sup>6</sup> [***]		
33AB		
33ABA		
35(1)(i)		
35(1)(ii)		
35(1)(iia)		
35(1)(iii)		
35(1)(iv)		
35(2AA)		
35(2AB)		
<sup>6a</sup> [35ABA]		
35ABB		
<sup>6b</sup> [***]		
35AD		
35CCA		
<sup>6c</sup> [***]		
35CCC		
35CCD		
35D		
35DD		
35DDA		
35E		
<sup>6a</sup> [any other relevant section]		

- **Section 32AC** – Investment in new P & M
- **Section 32AD** – Investment in new P & M in notified backward areas in certain States
- **Section 35AC** – Expenditure on eligible projects or schemes
- **Section 35CCB** – Expenditure by way of payment to associations and institutions for carrying out programmes of conservation of natural resources

# New reporting requirement in Clause 21

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- Outcome of Explanation 3- Clause (iv) to Section 37(1) - Amendment by the Finance Act, 2022;
- This change aims to ensure that all expenses associated with regulatory violations and their subsequent settlements are properly reported in the tax audit report.

Nature

<sup>60</sup>[Expenditure incurred to provide benefit or perquisite, in whatever form, to a person, whether carrying on a business or a profession, and acceptance of benefit or perquisite by such person in violation of any law or rule or guideline, as the case may be, in force at the time being in force, governing the conduct of such person]

<sup>61</sup>[Expenditure incurred to settle proceedings initiated in relation to contravention under such law as notified by the Central Government in the Official Gazette in this behalf]

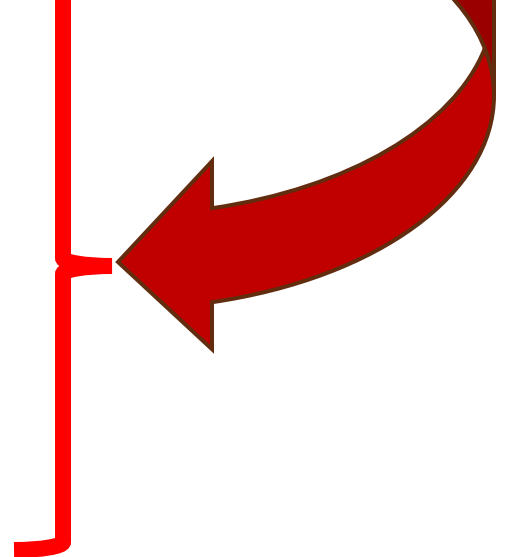
Expenditure incurred to settle proceedings initiated in relation to contravention under such law as notified by the Central Government in the Official Gazette in this behalf

# Rationale for such amendment






- It so happens that criminal proceedings are initiated against the assessee by someone who incurs any loss due to the assessee's fault. In order to avoid criminal proceedings in Court, the assessee may enter into an out-of-court settlement to compensate the party for his loss, and the party agrees in turn to withdraw the FIR or criminal complaint.
- The AO seeks to disallow these expenses incurred in out-of-court compromise of criminal proceedings, which include compensation/settlement amount and legal expenses. The department argues that these are expenditures incurred by an assessee for any purpose which is an offence or which is prohibited by law and hit by *Explanation 1* to Section 37(1) and liable to be disallowed

## Revised MSME payment reporting in Clause 22

22. Amount of interest inadmissible under section 23 of the Micro, Small and Medium Enterprises Development Act, 2006 <sup>7a</sup>[*or any other amount not allowable under clause (h) of section 43B of the Income-tax Act, 1961*].

22. <sup>7a</sup>[(i) *Amount of interest inadmissible under section 23 of the Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act); or*  
(ii) *Total amount required to be paid to to a micro or small enterprise, as referred to in section 15 of the MSMED Act, during the previous year;*  
(iii) *Of amount referred to in (ii) above, amount -*  
(a) *paid up to time given under section 15 of the MSMED Act;*  
(b) *not paid up to time given under section 15 of the MSMED Act and inadmissible for the previous year.*]
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S. No.	Supplier Name	MSME Type	Invoice Date	Date of Acceptance	Agreement Period	Due Date u/s 15	Payment Date	Invoice Amount	Paid Within Time?	Interest Payable (u/s 16)
1	A-One Tools Ltd.	Micro	01-04-2024	01-04-2024	No agreement	15-04-2024	10-04-2024	1,00,000	 Yes	Nil
2	Beta Electric Works	Small	10-05-2024	15-05-2024	45 days	29-06-2024	15-07-2024	2,00,000	 No	₹5,500
3	Gamma Fasteners	Micro	20-07-2024	20-07-2024	No agreement	03-08-2024	Unpaid (as of 31-03-2025)	3,00,000	 No	₹18,000
4	Delta Supplies	Small	01-01-2025	01-01-2025	45 days	15-02-2025	10-02-2025	1,50,000	 Yes	Nil
5	Epsilon Co.	Micro	01-02-2025	01-02-2025	45 days	16-03-2025	25-03-2025	2,50,000	 No	₹1,200

# “Paid in Time” – understand thereof

Situation	Payment Timeline (Due Date)	To be considered "paid within time"?
Written agreement exists	Within the agreed period (max 45 days)	Yes, if paid on or before the agreed date
No written agreement	Within 15 days from acceptance	Yes, if paid on or before the 15th day
Paid after 15/ 45 days	No – considered delayed under MSMED	
Unpaid at year-end	No – also considered not paid within time	

# Suggested Reporting

Clause 22(i)	Clause 22(ii)	Clause 22(iii)
Amount of interest inadmissible u/s 23 of the MSMED Act = ₹24,700 (Sum of interest payable under Section 16 for Beta, Gamma, and Epsilon)	Total amount required to be paid to a micro or small enterprise, as referred to in section 15, during the PY = ₹10,00,000	Of the amount referred to in (ii), amount— (a) Paid up to time given u/s 15 = ₹1,00,000 (A-One) + ₹1,50,000 (Delta) = ₹2,50,000 (b) Not paid up to time given u/s 15 and inadmissible for the PY = ₹2,00,000 (Beta) + ₹3,00,000 (Gamma) + ₹2,50,000 (Epsilon) = ₹7,50,000

# Summary Table

Clause	Amount (₹)
22(i): Interest u/s 23	₹24,700
22(ii): Total Payables	₹10,00,000
22(iii)(a): Paid in Time	₹2,50,000
22(iii)(b): Paid Late/ Unpaid	₹7,50,000

# Modifications in Clause 26 — Deduction under Section 43B

26. In respect of any sum referred to in clause (a), (b), (c), (d), (e) <sup>9</sup>[, (f) or (g)] of section 43B, the liability for which:—

(A) pre-existed on the first day of the previous year but was not allowed in the assessment of any preceding previous year and was

(a) paid during the previous year;

(b) not paid during the previous year;

(B) was incurred in the previous year and was

(a) paid on or before the due date for furnishing the return of income of the previous year under section 139(1);

(b) not paid on or before the aforesaid date.

26. In respect of any sum referred to in <sup>9</sup>[\*\*\*] section 43B, the liability for which:—

(A) pre-existed on the first day of the previous year but was not <sup>9a</sup>[allowable] in the assessment of any preceding previous year and was

(a) paid during the previous year;

(b) not paid during the previous year;

(B) was incurred in the previous year <sup>9b</sup>[and (for clauses other than clause (h) of section 43B) was,]

(a) paid on or before the due date for furnishing the return of income of the previous year under section 139(1);

(b) not paid on or before the aforesaid date.

# Omission of Clause 28 and Clause 29

- ~~• Whether during the previous year the assessee has received any property, being share of a company not being a company in which the public are substantially interested, without consideration or for inadequate consideration as referred to in section 56(2)(viia), if yes, please furnish the details of the same.~~
- ~~• Whether during the previous year the assessee received any consideration for issue of shares which exceeds the fair market value of the shares as referred to in section 56(2)(viib), if yes, please furnish the details of the same.~~

# Clause 31 – Changes in loan and deposit reporting

- A major change has been introduced in Clause 31 to enhance the accuracy of loan and deposit reporting. A notable addition is the **introduction of a drop-down selection feature**, which allows taxpayers to specify the exact nature of loan and deposit transactions more effectively.

# Dropdown List

<sup>19a</sup>[Note 1. - The code for the nature of amount/receipt/repayment is as below —

<i>S. No.</i>	<i>Nature of amount or receipt or repayment</i>	<i>Code</i>
<i>(1)</i>	<i>(2)</i>	<i>(3)</i>
<i>1.</i>	<i>Cash payment</i>	<i>A</i>
<i>2.</i>	<i>Cash receipt</i>	<i>B</i>
<i>3.</i>	<i>Payment through non account payee cheque</i>	<i>C</i>
<i>4.</i>	<i>Receipt through non account payee cheque</i>	<i>D</i>
<i>5.</i>	<i>Transfer of asset</i>	<i>E</i>
<i>6.</i>	<i>Transfer of liability</i>	<i>F</i>
<i>7.</i>	<i>Conversion of assets</i>	<i>G</i>
<i>8.</i>	<i>Conversion of liabilities</i>	<i>H</i>
<i>9.</i>	<i>Journal entry [Debit]</i>	<i>I</i>
<i>10.</i>	<i>Journal entry [Credit]</i>	<i>J</i>
<i>11.</i>	<i>Any other mode [Debit]</i>	<i>K</i>
<i>12.</i>	<i>Any other mode [Credit]</i>	<i>L]</i>



## New Clause 36B: Reporting buyback of shares

Amendment was made in Section 2(22)(f) by  
the Finance Act, 2024 and it is effective from  
1<sup>st</sup> October, 2024

- [**36B.**<sup>26a</sup>(a) *Whether the assessee has received any amount for buyback of shares as referred to in sub-clause (f) of clause (22) of section 2? (Yes/No)*
- (b) *If yes, please furnish the following details:*
- (i) *Amount received (in Rs. )*
  - (ii) *Cost of acquisition of shares bought back]*

# Key ingredients

Treat the **sum received** by a shareholder on account of the buyback of shares as a dividend – Section 2(22)(f);

proviso has been inserted to Section 46A to provide that the value of **consideration received from the company in respect of buy-back of shares will be considered 'nil'** for the purpose of computation of capital gains;

Section 57 has been amended to provide that **no deduction for expenses** shall be allowed against such dividend income arising under Section 2(22)(f) while determining the income from other sources;

A **sunset date is inserted in Section 115QA** that no taxes shall be payable by the company on the buyback of shares;

A **sunset date is inserted in Section 10(34A)** that no exemption shall be available for the amount received by the shareholders upon buyback of shares;

Section 194 now requires the **deduction of tax at source** from the sum paid on the buyback of shares