



CHANGES IN FORM 3CD CLAUSES



Clause 12: Presumptive Income Reporting

Old: Current Structure

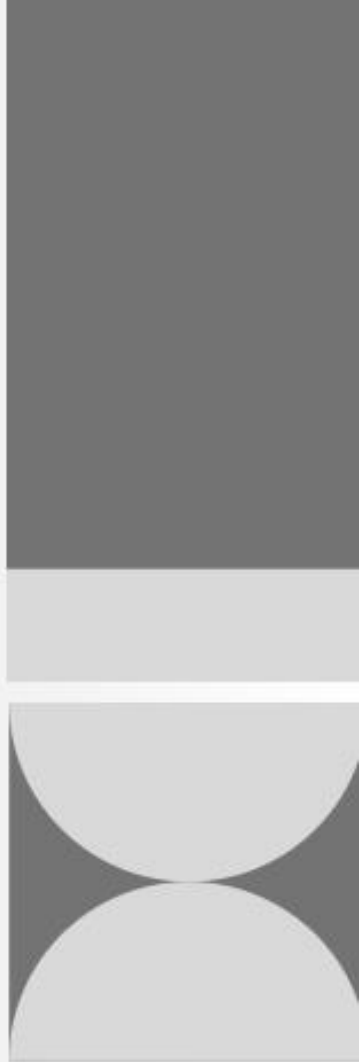
- Included presumptive schemes like 44AD, 44ADA, 44AE, etc.

New: Revised Requirements

- section 44BBC provides for special provisions in respect of non-resident operators of cruise ships

Implication :

- This section says that 20% of the profit cruise ships make by carrying passengers to and from India will be considered as their taxable profit in India.



Clause 19: Deductions Reporting

Previous Limits

- Required reporting deductions under expired provisions like 32AC, 32AD, 35AC, 35CCB

Expanded Categories

- These sections have been omitted

Implication :

Removes redundant reporting for defunct deductions, streamlining the form



Clause 21: Disallowable Expenditure

Old: Existing Prohibitions

Disallowed expenses such as capital, personal, advertisement, penalties, offences, etc. (expanded over time)

New: Updated Definitions

- Now adds a new row:
“Expenditure incurred to settle proceedings initiated in relation to contravention under laws notified by Central Government”

Impact on Clause 21:

- This new category now needs a separate disclosure row in the tax audit report.
- Applies irrespective of whether the expenditure is in cash or through any other mode.
- Covers payments like settlement fees, compounding charges, consent orders, etc., if they relate to contravention of a centrally-notified law (e.g., SEBI Act, FEMA, Environmental laws, etc.).

Clause 22: MSME Payments & Interest

Old Guidelines

- Only reported amounts unpaid to MSMEs beyond due date under MSMED Act.

New

- Requires detailed breakup: total payable, payments within due date, delayed payments, interest payable under Sec. 23 of MSMED Act (disallowed u/s 37).

Implications:

Greater transparency & compliance monitoring; easier identification of disallowable interest and delayed payments; aligns with Sec. 43B amendment making MSME payments within due date mandatory for deduction.

Clause 26: Liabilities under Section 43B

Existing provisions

- Auditor has to report amounts covered u/s 43B (Expense paid before the date of filing return are allowed for deduction)

Updated provisions

- The word “Allowed” has been replaced with the word “**Allowable**” which properly aligns with the principle u/s 43B.
- “And was” is replaced by “**And (for clauses other than 43B(h))was paid on or before the due date of return filing.**”

Think of it like this:

Clause 26 (43B(h)) is about “Will you get a tax deduction for that MSME payment?”

Clause 22 is about “Show me how much you still owe MSMEs, and the interest penalty for being late.”



Aspect	Section 43B(h) – Reported in Clause 26	Clause 22 – MSME Payments & Interest
Focus	Deduction allowability of amounts payable to MSMEs – principal amount only.	Disclosure of principal & interest payable to MSMEs under MSMED Act.
Trigger Point	Payment made after MSMED Act’s time limit → principal disallowed u/s 43B(h).	Payment delay beyond MSMED Act’s time limit → interest liability arises u/s 16 MSMED Act.
Scope	Only micro & small enterprises (not medium). Principal payment reported.	Only micro & small enterprises . Reports both principal outstanding and interest payable .
Tax Treatment	Delayed principal payment → deduction allowed only if paid within MSMED Act due date.	Interest on delayed payment → not deductible under Income-tax Act.
Reporting Details	Vendor name, PAN, invoice date, due date, payment date, amount.	Vendor name, outstanding principal (within & beyond due date), interest accrued/unpaid.
Objective	To enforce timely MSME payments by linking to tax deduction disallowance .	To disclose the quantum of delays and interest liability under MSMED Act.

Clauses 28 & 29: Omitted Clauses

Previous Inclusion

- Clause 28 : Reporting whether Assesse received shares of an unlisted without consideration or for inadequate consideration
- Clause 29 : Whether assessee issued shares & Received consideration exceeding FMV of shares

Removal of Clauses

- Both clauses removed from Form 3CD;
- Auditor no longer needs to verify/report these transactions in the Tax Audit Report.

Implication:

- Compliance burden on auditors reduced.
- Reporting responsibility shifted – these details will now be directly captured through assessee's ITRs and other departmental data sources

Clause 31: Loans & Deposits Reporting

Old Reporting Style

- Auditor reported loans/deposits accepted or repaid in **violation** of Sections 269SS/269T, mainly capturing amounts taken/returned in cash.

New Enhanced Disclosures

- The amendment to this clause deals with the **transaction-wise reporting** of each loan accepted and repayments made for the financial year if the loan amount exceeds Rs 20,000. To classify the nature of each transaction, a new drop-down feature has been introduced, providing a structured coding system as provided:-



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

Clause 36B: Share Buybacks Overview

New Clause Details

Old Clause Status

Not applicable

- Separate clause introduced for mandatory reporting of buy-back details in line with section 22(2)(f) and taxability governed u/s 115QA (BuyBack is treated as deemed dividend in the hands of shareholder)

Implication:

Ensures complete disclosure of buy-back transactions and verification of buy-back tax compliance

Auditor's Reporting Requirements under Clause 36B

- Details of the buy-back:
- Number of shares bought back
- Class of shares (Equity / Preference)
- Date(s) of buy-back
- Consideration paid (total and per share)
- Mode of payment (cash, bank transfer, etc.)
- Computation of buy-back tax liability under Section 115QA:
- Buy-back price vs. issue price
- Distributed income (Buy-back price – Issue price × No. of shares)
- Tax rate (currently 20% + applicable surcharge & cess)
- Tax amount and date of payment
- Compliance check:
- Whether tax has been deposited within the prescribed time (14 days from buy-back).
- Interest & penalty implications if delayed.



Thank You!

