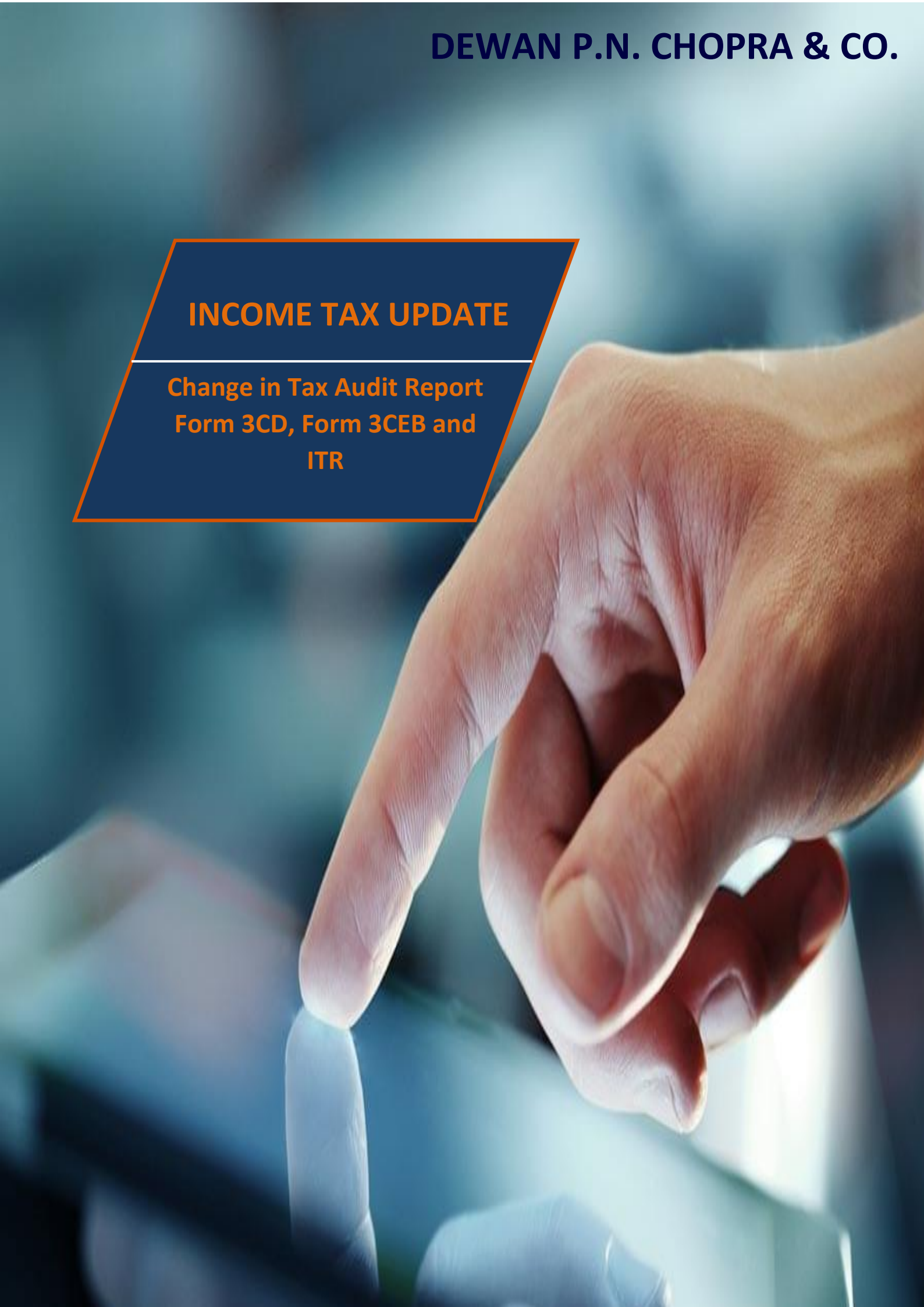


INCOME TAX UPDATE

**Change in Tax Audit Report
Form 3CD, Form 3CEB and
ITR**



**CBDT NOTIFIES CHANGES IN TAX AUDIT REPORT FORM 3CD, FORM 3CEB
AND ITR 6 DATED 01.10.2020**

CBDT *vide* **Notification No. 82/2020 dated 01.10.2020** has notified **certain changes in the Tax Audit Report Form No. 3CD, Form No. 3CEB and ITR-6**. The Notification has also amended **Rule 5 of the Income Tax Rules, 1962** and inserted **two new Rules - Rule 21AG and Rule 21AH** for exercising concessional tax regime under section 115BAC(5). These changes in the Tax Audit Report in Form No. 3CD, Form No. 3CEB and ITR-6 are made applicable for Assessment Year 2020-21.

This Notification No. 82/2020 is applicable from 1st October, 2020. Hence, if any ITR-6 or Tax Audit Report in Form No. 3CD or Form No. 3CEB has already been filed before that date there is no need to revise the ITR-6 or the Tax Audit Report in view of the changes so notified in this notification. However, if any such return or report is not yet filed, it has to be filed according to the amended provisions.

Amendment in Rule 5 of the Income Tax Rules, 1962

Rule 5 prescribed the computation of depreciation allowance under section 32(1)(ii) in respect of any block of assets. Presently, the proviso to Rule 5(1) restricts the rate of depreciation to 40% on the written down value of the block of assets if the prescribed rate of depreciation is higher than 40% for such block of assets for the purpose of claiming depreciation allowance under section 32(1)(ii) in case of a domestic company which has exercised an option under section 115BA(4).

This proviso is amended and substituted with a new proviso to include the new beneficial lower tax regime provisions under section 115BAA, section 115BAB, section 115BAC and section 115BAD apart from existing section 115BA to restrict the rate of depreciation to 40% for claiming depreciation allowance u/s 32(1)(ii). Hence, a person opting a lower tax regime under section 115BA, 115BAA, section 115BAB, section 115BAC and section 115BAD cannot claim depreciation allowance more than at the rate of 40% for any block of assets.

Section 115BA, section 115BAA, and section 115BAB is applicable for a domestic company. Section 115BAA and section 115BAB is applicable from AY 2020-21. Section 115BAC is applicable for an Individual and HUF whereas section 115BAD is applicable for a co-operative society. Section 115BAC and section 115BAD is applicable from AY 2021-22.

Rule 21AG states that an Individual or a HUF shall exercise the option of the lower tax regime under section 115BAC(5) in Form No. 10-IE from AY 2021-22. Rule 21AH states that a cooperative society resident in India shall exercise the option of the lower tax regime under section 115BAD(5) in Form No. 10-IF from AY 2021-22. Following are the conditions for the forms:

- i) The option in Forms shall be furnished electronically either under digital signature or electronic verification code.
- ii) The Principal Director General of Income-tax (Systems) or the Director General of Income-tax (Systems), as the case may be, shall have the power to:
 - a) specify the procedure for filing of Forms;
 - b) specify the data structure, standards and manner of generation of electronic verification code, for verification of the person furnishing the said Forms; and
 - c) be responsible for formulating and implementing appropriate security, archival and retrieval policies in relation to the Forms so furnished.

Changes in Form 3CD and Form 3CEB

Form No. 3CD and 3CEB have been modified to accommodate the newly added provisions of 115BA, 115BAA, 115BAB, 115BAC & 115BAD. In form 3CD clauses have been added to provide information regarding the exercising of the option by assessee and provide further adjustments in WDV if the same is exercised and in transfer pricing form new clause have been added to provide for the specified domestic transactions entered into by the assessee with the persons who have availed the option under sec. 115BAB which has resulted in more than ordinary profits expected to arise in such business.

Changes in Form 3CD and Form 3CEB

ITR-6 had been modified to accommodate the new section 115BAA. Following changes have been incorporated

(i) Changes in Schedule-DPM of ITR-6 have been made to incorporate the adjustments of depreciation amount under section 115BAA.

(ii) Changes in Schedule-CFL of ITR-6 have been made to incorporate the adjustments for losses and allowances under section 115BAA.

(iii) Changes in Schedule-UD of ITR-6 have been made to incorporate the adjustments for depreciation allowances for opting section 115BAA.

Income Tax(22nd Tax Amendment) Rules, 2020 have provided with the required adjustments in the rules and format of Forms, after the introduction of new sections 115BA, 115BAA, 115BAB, 115BAC & 115BAD.

For details, please refer the link below to the Notification GSR 610(E), dated 01.10.2020.

https://www.incometaxindia.gov.in/communications/notification/notification_82_2020.pdf

DISCLAIMER:

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