

# **PRESUMPTIVE TAXATION AND TAX AUDIT**

## **[AS AMENDED BY FINANCE ACT, 2016]**

**Relevant for Tax Audit to be conducted for the Financial Year 2016-17**

**Also useful for Article Assistants appearing for May 2017/Nov 2017 Exam**

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**ASSESSMENT YEAR 2017-18**

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**Special Thanks to CA Chetan V Chaudhary**

**Law stated in this book is as amended by the Finance Act, 2016**

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# PRESUMPTIVE TAXATION AND TAX AUDIT

## PRESUMPTIVE TAXATION FOR ELIGIBLE ASSESSEE CARRYING ON ELIGIBLE BUSINESS

### Section:- 44AD

#### (A) Eligible Assessee

Eligible Assessee – would mean an assessee who:

- (i) is a resident individual, Hindu undivided family or a partnership firm (limited liability partnership firm specifically excluded) and
- (ii) has not claimed deduction under any of the sections 10AA and 80H to 80RRB.

#### (B) Eligible business means—

- (i) any business except the business of plying, hiring or leasing goods carriages referred to in section 44AE; and
- (ii) whose total turnover or gross receipts in the previous year does not exceed an amount of **two crore rupees (Amendment by Finance Act, 2016)**.

#### (C) Provisions of this section shall not apply to-

- (i) a person carrying on profession as referred to in sub-section (1) of section 44AA;
- (ii) a person earning income in the nature of commission or brokerage; or
- (iii) a person carrying on any agency business

#### (D) Presumptive Income

8% of the total turnover/ gross receipts **or** amount earned by the eligible assessee from such business whichever is higher.

#### (E) Other salient features of this presumptive scheme

- **Section 44 AD(2):-** All the deductions under section 30 to 38 shall deemed to have been allowed. **Due to deletion of proviso to this section, if eligible assessee is a firm then it cannot claim deduction in respect of interest and salary paid to partners. (Amendment made by Finance Act, 2016).**

- **Section 44 AD(3) :-** The WDV of any asset shall be deemed to have been calculated as if the eligible assessee had claimed the deduction in respect of the depreciation for each of the relevant assessment years.
- **Section 44 AD(4):-** Where an eligible assessee declares profit for any assessment year in accordance with the provisions of this section and he declares profit for any of the five consecutive subsequent assessment years at lower than the required 8 percent, then he shall not be eligible to claim the benefit of the provisions of this section for five assessment years subsequent to the assessment year relevant to the previous year in which the profit has not been declared up to 8 percent.
- **Section 44 AD(5):-** Consequently, such assessee, if total income exceeds maximum amount not chargeable to tax, shall be required to keep and maintain books of accounts and other documents as per section 44AA and get them audited and furnish a report of such audit as required under section 44AB.

### Practical

M/s. Patel & Co., a partnership firm has opened medical store on **10-5-2016**. The firm purchased small furnished shop on **15-04-2016** for Rs. 45,00,000 (which includes Rs. 5,00,000 for furniture) Since it was the first year of operations, firm would like to opt for section 44AD of the Act. Following are the details of first year of operations:

Particulars	Rs.
Sales of Medicines	1,12,00,000
<b>Less :</b>	
Cost of goods sold	(1,03,00,000)
Depreciation as per section 32- shop	(4,00,000)
Depreciation as per section 32- furniture	(50,000)
Salary and interest to partners (as permitted by section 40(b))	(3,65,000)
Other shop expenses	(55,000)
Net profit	30,000
Income from other sources	10,000

You are required to compute total income of the firm for the assessment year **2017-18**.

### Solution

#### Computation of Total income of Patel & Co. for the A.Y. 2017-18

Particulars	Rs.
Business income	8,96,000
Income from other Sources	10,000
<b>Total Income</b>	<b>9,06,000</b>

**Working Note:** Calculation of presumptive income as per section 44AD

Particulars	Rs.
Turnover	1,12,00,000
<b>Presumptive Income as per section 44AD (8% of Turnover)</b>	<b>8,96,000</b>
Less: Salary and interest to partners	Not deductible
<b>Net presumptive income under section 44AD</b>	<b>8,96,000</b>

**Other Notes:**

1. Patel & Co. runs medical store and its turnover is less than Rs. 2 Crore, therefore, it is an eligible assessee under section 44AD of the Act.
2. As per the provisions of section 44AD of the Act, assessee has to declare minimum 8% of gross receipts as income under the head "PGBP", if firm would not like to maintain books of accounts.
3. Once firm opts for the section 44AD, all deductions under section 30 to 38 shall be deemed to have been allowed.
4. Further under section 44AD, firm cannot claim interest and remuneration paid to partners as well.

**Reader's Note:**

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**Practical**

Continuing above problem, M/s. Patel & Co. offered its income under section 44AD for the **assessment year 2018-19** and **2019-20** also. However, for **assessment year 2020-21**, M/s. Patel & Co. decided to declare profit from the medical store lower than the 8% of turnover. Discuss the tax consequences of this decision and also find out the depreciation for the **assessment year 2020-21**.

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**Solution**

As per section **44AD(4)** of the Act, where an eligible assessee declares profit for any assessment year in accordance with the provisions of this section and he declares profit for any of the five consecutive subsequent assessment years at lower than the required 8 percent, then he shall not be eligible to claim the benefit of the provisions of this section for five assessment years subsequent to the assessment year relevant to the previous year in which the profit has not been declared up to 8 percent.

Considering the above provision and the facts of present case, since M/s. Patel & Co. has declared profit under section 44AD for the **assessment year 2017-18**, ideally, it shall declare the profits under section 44AD of the Act for the following five assessment years:

Sr. No.	Assessment years
1	2018-19
2	2019-20
3	2020-21
4	2021-22
5	2022-23

However, Patel & Co. would like to declare profit from the medical store lower than 8% of turnover in **assessment year 2020-21**, then it shall not be eligible to claim benefit of section 44AD for the following five assessment years:

Sr. No.	Assessment years
1	2021-22
2	2022-23
3	2023-24
4	2024-25
5	2025-26

Consequently, Patel & Co. shall be required to keep and maintain books of accounts and other documents as per section 44AA and get them audited under section 44AB(e) for all the above years provided its total income exceeds exemption limit- **Section 44AD(5)**

As per the provisions of **section 44AD(3)**, the WDV of any asset shall be deemed to have been calculated as if the eligible assessee had claimed the deduction in respect of the depreciation for each of the relevant assessment years. Considering the requirement of this provision, Patel & Co. can claim depreciation on Shop and furniture for the assessment year **2020-21** as under:

Particulars	Building (Rs.)	Furniture (Rs.)
WDV as on <b>01-4-2016</b>	Nil	Nil
Add: Purchased during previous year 2016-17	40,00,000	5,00,000
Less: Sold out during previous year 2016-17	Nil	Nil
<b>WDV for the previous year 2016-17</b>	<b>40,00,000</b>	<b>5,00,000</b>
Less: depreciation for the previous year 2016-17	(4,00,000)	(50,000)
<b>WDV as on 01-04-17</b>	<b>36,00,000</b>	<b>4,50,000</b>
Less: Depreciation for the previous year 2017-18	3,60,000	45,000
<b>WDV as on 01-04-18</b>	<b>32,40,000</b>	<b>4,05,000</b>
Less: Depreciation for the previous year 2018-19	3,24,000	40,500
<b>WDV as on 01-04-2019</b>	<b>29,16,000</b>	<b>3,64,500</b>
Less: Depreciation for the previous year 2019-20 ( <b>A.Y. 2020-21</b> )	<b>2,91,600</b>	<b>36,450</b>

#### Reader's Note:

#### Practical

Mr. Sanjay is engaged in the business of Civil Construction undertakes small government projects. He received the following amounts by way of contract receipts:

Particulars	Rs.
Towards contract work for supply of labour	70,00,000
Value of materials supplied by Government	10,00,000
Gross receipts	80,00,000

Mr. Sanjay paid Rs. 50,00,000 to labourers in cash. He has brought forward loss and unabsorbed depreciation of the discontinued business Rs.45,000 and Rs. 30,000 respectively. Compute income under the head "PGBP" assuming that he opts for section 44AD.

### **Solution**

Particulars	Rs.
Presumptive income under section 44AD [Rs. 70,00,000 x 8%]	5,60,000
<b>Less:</b> unabsorbed depreciation	Nil
	5,60,000
<b>Less:</b> Business loss brought forward u/s 72	(45,000)
Business Income	5,15,000

### **Notes:**

- (1) As per para **31.1** of the **circular no. 684 of CBDT dated 10-06-1994**, gross receipts are the amount received from the clients for contract and will not include the value of material supplied by the client.
- (2) Once assessee opts for section 44AD, deduction under section 30 to 38 shall be deemed to have been allowed. Therefore, question of disallowance in respect of labour payment of Rs. 50,00,000 in cash under section 40 A(3) does not arise.
- (3) Once assessee opts for section 44AD, deduction under section 30 to 38 shall be deemed to have been allowed. Since depreciation is governed by section 32(2), it cannot be adjusted while computing income under section 44AD of the Act. But brought forward business loss is governed by section 72, same shall be adjusted against presumptive income computed under section 44AD.

### **Reader's Note:**

## **PRESUMPTIVE TAXATION FOR ASSESSEE ENGAGED IN BUSINESS OF PLYING, HIRING AND LEASING GOODS CARRIAGES**

### **Section:- 44AE**

#### **(A) Eligible assessee:**

Eligible assessee would mean an assessee engaged in business of plying, hiring and leasing goods carriages and not owning more than 10 goods carriages at any time during the previous year

#### **(B) Presumptive Income**

The profits and gains from each goods carriage shall be Rs.7,500 for every month or part of a month during which the goods carriage is **owned** by the assessee in the previous year **or** an amount actually earned from the vehicle, whichever is higher.

### (C) Other salient features of this presumptive scheme

- All the deductions under section 30 to 38 shall be deemed to have been allowed.
- If eligible assessee is a firm then it can claim deduction in respect of interest and salary paid to partners subject to the conditions and limits specified under section 40(b).
- The WDV of any asset shall be deemed to have been calculated as if the eligible assessee had claimed the deduction in respect of the depreciation for each of the relevant assessment years.
- An assessee opting for the above scheme shall be exempted from maintenance of books of accounts related to such business as required under section 44AA of the Income-tax Act.
- Where an eligible assessee declares lower profits than the profits required under this section, then he shall be required to keep and maintain books of accounts and other documents as per section 44AA and get them audited and furnish a report of such audit as required under section 44AB.
- An assessee, who is in possession of a goods carriage, whether taken on hire purchase or on instalments and for which the whole or part of the amount payable is still due, shall be deemed to be the owner of such goods carriage.

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#### Practical

Mr. Jambaz owns 12 heavy trucks throughout the previous year **2016-17**. All the trucks were purchased under "Hire Purchase" system. Out of 12 trucks, installments of 9 trucks were fully paid up and while for remaining 3 trucks installments are still due. Since, Mr. Jambaz became the owner of only 9 trucks during the previous year 2016-17, he wants to opt for the presumptive taxation under section 44AE. Advise Mr. Jambaz.

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#### Solution

As discussed above, an assessee, who is in possession of a goods carriage, whether taken on hire purchase or on instalments and for which the whole or part of the amount payable is still due, shall be deemed to be the owner of such goods carriage.

Therefore, Mr. Jambaz owns 12 trucks during the previous **2016-17**. Therefore, he is not eligible to opt for the presumptive taxation under section 44AE.

#### Reader's Note:

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#### Practical

M/s. Chhabada & Co., a partnership firm is engaged in the business of plying goods carriages. On **1<sup>st</sup> April, 2016**, it owns 10 trucks. On **2<sup>nd</sup> May, 2016**, firm sold one of the trucks and purchased another truck on **6<sup>th</sup> May, 2016**. This new truck could however be put to use only on **15<sup>th</sup> June, 2016**.

Compute the total income of M/s. Chhabada & Co. for the assessment year **2017-18**, taking note of the following data:

Particulars	Rs.
Freight charges collected	13,70,000
<b>Less :</b>	
Operational expenses	(6,25,000)
Depreciation as per section 32	(1,85,000)
Salary and interest to partners [as permitted by section 40(b)]	(5,00,000)
Other office expenses	(15,000)
Net profit	45,000
Income from other sources	70,000

### Solution

#### Computation of Total income of Chhabada & Co. for the A.Y. 2017-18

Particulars	Total Income, if books are not maintained	Total Income, if books are maintained and audited
Income from business of plying goods carriages	4,07,500 [Refer Notes]	45,000
Income from other sources	70,000	70,000
<b>Total Income</b>	<b>9,77,500</b>	<b>1,15,000</b>

**Working Note:** Calculation of presumptive income as per section 44AE

Particulars	No. of months	Rate per month	Amount (Rs.)
9 trucks – held throughout the year	12	7,500	8,10,000
1 truck – held up to 2 <sup>nd</sup> May	2	7,500	15,000
1 truck– held from 6th May	11	7,500	82,500
<b>Presumptive Income as per section 44AE</b>			<b>9,07,500</b>
Less: Salary and interest to partners (as permitted by section 40(b))			(5,00,000)
<b>Net presumptive income under section 44AE</b>			<b>4,07,500</b>

#### Other Notes:

1. M/s. Chhabada & Co., does not own more than 10 trucks at any time during the previous year  
Therefore, it is an eligible assessee under section 44AE of the Act.
2. As per the provisions of section 44AE of the Act, assessee has to declare minimum monthly income of Rs. 7,500 per truck per month or part of a month.
3. Once firm opts for the section 44AE, all deductions under section 30 to 38 shall be deemed to have been allowed.
4. Further under section 44AE, it can claim interest and remuneration paid to partners.

#### Reader's Note:

## **PRESUMPTIVE TAXATION FOR ASSESSEE ENGAGED IN SPECIFIED PROFESSION**

### **Section:- 44ADA (Newly inserted by Finance Act, 2016)**

#### **(A) Eligible Assessee**

Eligible assessee – would mean a resident assessee who is engaged in following profession [specified under section 44AA(1) and whose total gross receipts does not exceed Rs. 50 lakh in a previous year.

- legal
- medical
- engineering
- architectural
- accountancy
- technical consultancy
- interior decoration
- authorized representative
- film artist.

#### **(B) Presumptive Income**

50% of the total gross receipts **or** amount earned by the eligible assessee from such profession whichever is higher.

#### **(C) Other salient features of this presumptive scheme**

- All the deductions under section 30 to 38 shall deemed to have been allowed.
- If eligible assessee is a firm then it cannot claim deduction in respect of interest and salary paid to partners.
- The WDV of any asset shall be deemed to have been calculated as if the eligible assessee had claimed the deduction in respect of the depreciation for each of the relevant assessment years.
- Where an eligible assessee declares lower profits than the profits required under this section and whose total income exceeds maximum amount not chargeable to tax, then he shall be required to keep and maintain books of accounts and other documents as per section 44AA and get them audited and furnish a report of such audit as required under section 44AB.

**Practical**

Thakker & Co., a firm of chartered accountants following information:

Particulars	Rs.
Gross Receipts	48,00,000
Salary and interest to partners [as permitted by section 40(b)]	(12,00,000)
Salary to employees	(8,00,000)
Depreciation	(6,00,000)
Other expenses	(5,00,000)
<b>Net profit of the firm</b>	<b>17,00,000</b>

Determine the total income of Thakker & Co. for the assessment year **2017-18** assuming that income from other sources is Rs. 40,000 and the firm is eligible for a deduction of Rs. 5,000 under section 80G.

**Solution****Computation of Total income of Thakker & Co. for the A.Y. 2017-18**

Particulars	Total Income, if books are not maintained	Total Income, if books are maintained and audited
Income from profession	24,00,000 [Refer Notes]	17,00,000
Income from other Sources	40,000	40,000
<b>Gross Total Income</b>	<b>24,40,000</b>	<b>17,40,000</b>
Less: Deduction under section 80 G	(5,000)	(5,000)
<b>Total Income</b>	<b>23,35,000</b>	<b>17,35,000</b>

**Working Note:** Calculation of presumptive income as per section 44ADA

Particulars	Amount in Rs.
Gross Receipts	48,00,000
<b>Presumptive Income as per section 44ADA (50% of Gross Receipts)</b>	<b>24,00,000</b>
Less: Salary and interest to partners	Not deductible
<b>Net presumptive income under section 44ADA</b>	<b>24,00,000</b>

**Other Notes:**

1. Thakker & Co., is a firm of chartered accountants and gross receipts for the relevant previous year does not exceed Rs. 50 Lacs. Therefore, it is an eligible assessee under section 44ADA of the Act.
2. As per the provisions of section 44ADA of the Act, assessee has to declare minimum 50% of gross receipts as income under the head "PGBP", if firm would not like to maintain books of accounts.
3. Once firm opts for the section 44ADA, all deductions under section 30 to 38 shall be deemed to have been allowed.
4. Further under section 44ADA, firm cannot claim interest and remuneration paid to partners as well.

**Reader's Note:**

**(A) Applicability of this provision:**

Section 44AB prescribes accounts to be audited in following five situations:-

Clause No.	Situation giving rise to tax audit
(a)	Every person carrying on business shall, if his total sales, turnover or gross receipts, as the case may be, in business exceed or <b>exceeds one crore rupees</b> in any previous year;
(b)	Every person carrying on profession shall, if his gross receipts in profession exceed <b>twenty-five (fifty – Amendment by Finance Act, 2016)</b> lakh rupees in any previous year; or
(c)	Every person carrying on the business shall, if the profits and gains from the business are deemed to be the profits and gains of such person <b>under section 44AE</b> or section 44BB or section 44BBB, as the case may be, <b>and he has claimed his income to be lower than the profits or gains so deemed</b> to be the profits and gains of his business, as the case may be, in any previous year;
(d)	Every person carrying on the profession shall, if the profits and gains from the profession are deemed to be the profits and gains of such person under <b>section 44ADA</b> and he has claimed such income to be lower than the profits and gains so deemed to be the profits and gains of his profession <b>and his total income exceeds the maximum amount which is not chargeable to income-tax</b> in any previous year; <b>(modified by Finance Act, 2016)</b>
(e)	Every person carrying on the business shall, if the <b>provisions of section 44AD(4)</b> are applicable in his case <b>and his total income exceeds the maximum amount which is not chargeable to income-tax</b> in any previous year. <b>(Amendment by Finance Act, 2016)</b>

**Practical**

Mr. Ramesh runs grocery shop. Total turnover of this grocery shop for the previous year **2016-17** is Rs. 1 Cr and 45 Lacs. He would not like to opt for the provisions of section 44AD. He regularly maintains books of accounts. Due to loss under head house property and the deductions under section 80C to 80 U, total income of Mr. Ramesh for the previous year **2016-17** is Rs. 2,30,000. Whether he is required to get his accounts audited? If yes, then under which clause?

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### Solution

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Consider following press release issued by the CBDT dated 20<sup>th</sup> June, 2016 giving clarification on “Threshold Limit of tax audit under section 44AB and section 44AD”:

- Section 44AB of the Income-tax Act ('the Act') makes it obligatory for every person carrying on business to get his accounts of any previous year audited if his total sales, turnover or gross receipts exceed one crore rupees.
- However, if an eligible person opts for presumptive taxation scheme as per section 44AD(1) of the Act, he shall not be required to get his accounts audited if the total turnover or gross receipts of the relevant previous year does not exceed two crore rupees.
- The higher threshold for non-audit of accounts has been given only to assessee's opting for presumptive taxation scheme under section 44AD.

Considering the above press release and the fact that Mr. Ramesh would not like to opt for section 44AD, he is advised to get his accounts audited under **clause (a) section 44AB** of the Act since turnover of grocery shop exceeded Rs. 1 Cr irrespective of his total income.

**Reader's Note:**

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### Practical

Mr. Kishore owns 5 heavy trucks throughout the previous year **2016-17**. He wants to declare business income of Rs. 2,45,000 from truck operations. Income from other sources is Rs.5,000. He wants to claim deduction of Rs. 30,000 u/s 80C. Advise Mr. Kishore for maintaining books of accounts and getting them audited.

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### Solution

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In this case, Mr. Kishore wants to declare income from truck operation Rs.2,45,000 which is less than the income required to be disclosed under section 44AE (i.e.,  $5 \times \text{Rs.}7500 \times 12 = \text{Rs. } 4,50,000$ ). Therefore, he must maintain books of accounts and get the same audited under section 44AB(c) irrespective of his total income.

**Reader's Note:**

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### Practical

Mr. Utsav is a chartered accountant. He practices in individual name. For the previous year **2016-7**, his gross receipts from the profession was Rs. 9,00,000. He wants to declare Rs. 2,55,000 net income from this profession. Further, he earned interest on fixed deposit Rs. 5,000. He wants to claim deduction Rs. 30,000 u/s 80C. Advise him about getting his accounts audited in view of requirements of Section 44AB (d) of the Act.

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**Solution**

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In this case, Mr. Utsav wants to declare Rs.2,55,000 from his profession which is less than 50% of gross receipts (Rs.9,00,000 in this case).

**Computation of Total Income of Mr. Utsav**

Particulars	Rs.
Income from profession	2,55,000
<b>Add:</b> Income from other Sources	5,000
<b>Gross Total Income</b>	<b>2,60,000</b>
<b>Less:</b> Deduction under section 80C	(30,000)
<b>Total Income</b>	<b>2,30,000</b>

Since total income of Mr. Utsav does not exceed exemption limit, therefore, he is not required to get his accounts audited in view of the requirements of section 44AB(d) of the Act even though he would like to declare income from profession lower than 50% of gross receipts.

**Reader's Note:**

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**Practical**

Does your answer differ in above problem, if income from other sources was Rs.40,000 instead of Rs.5,000.

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**Solution**

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**Computation of Total Income**

Particulars	Amount in Rs.
Business Income	2,55,000
<b>Add:</b> Income from other Sources	40,000
<b>Gross Total Income</b>	<b>2,95,000</b>
<b>Less:</b> Deduction under section 80C	30,000
<b>Total Income</b>	<b>2,65,000</b>

Since total income of Mr. Utsav exceeded exemption limit, therefore, he is required to get his accounts audited under section 44AD(d).

**Reader's Note:**

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**(B) Audit**

The audit shall be conducted by an accountant as explained u/s. 288 of the Income Tax Act.

### (C) Specified date for furnishing report

On or before due date of filing return under **section 139 (1) of the Act.**

### (D) Forms of report

Nature of Person	Audit Report	Statement of Particulars
In case of a person who carries on business or profession and who is required to get his accounts audited under any law	Form 3CA	Form 3CD
In case of person who carries on business or profession but not being a person referred to above.	Form 3CB	Form 3CD

### (E) Consequence of non – compliance

Failure to

- 1) get accounts audited;
- 2) obtain a audit report as required u/s. 44AB;
- 3) furnish the said report before the due date;

then, the assessee is liable to pay a penalty @ 0.5% of the gross turnover / receipts or Rs.1,50,000/- whichever is less. **[Section 271B].**

## PROVISIONS IN RELATION TO MAINTENANCE OF BOOKS OF ACCOUNTS UNDER INCOME TAX ACT

### Section:- 44AA

The requirement of this section regarding maintenance of books of account by certain persons are based on two criteria:

- (a) Financial criteria;
- (b) Persons specified under Section 44AA (1).

Accordingly, the requirement of keeping books of account shall be as under:

Types of profession / Business	Financial criteria	Books of account / documents to be maintained
Specified professions u/s 44AA(1)	<ul style="list-style-type: none"> <li>• Total gross receipts exceed Rs.1,50,000 in any of the three years immediately preceding the previous year <b>or</b></li> <li>• where the profession is newly set up in the previous year, total gross receipts are likely to exceed Rs.1,50,000.</li> </ul>	Books and documents as prescribed under Rule 6F (2).
Specified professions u/s 44AA (1)	<ul style="list-style-type: none"> <li>• Total gross receipt Rs.1,50,000 or below in any of the three years immediately preceding the previous year <b>or</b></li> <li>• total gross receipts not likely to exceed Rs.1,50,000 in the previous year, if the profession is newly set up.</li> </ul>	Such books of account and other documents as may enable the Assessing Officer to compute his total income in accordance with the provision of the Act.
Other persons	<ul style="list-style-type: none"> <li>• Income from business or profession exceeds Rs.1,20,000 or total sales, turnover or gross receipts exceed Rs.10 lakhs in any of the three years preceding the previous year <b>or</b></li> <li>• Where the business or profession newly set up in the previous year, if his income from business or profession likely to exceed Rs. 1,20,000 or total sales, turnover or gross receipts likely to exceed Rs.10 lakhs, <b>or</b></li> <li>• where profits and gains from the business are claimed to be lower than profits computed under Section 44AE or 44BB or 44BBB or</li> <li>• <del>where the profits and gains from the business are claimed to be lower than the profits under section 44AD and his total income exceeds maximum amount which is not chargeable to tax during such previous year.</del> <b>[Amendment made by Finance Act, 2016]</b></li> </ul>	Such books of account and other documents as may enable the Assessing Officer to compute his total income in accordance with the provision of the Act.

	<ul style="list-style-type: none"> <li>• <b>Where the provisions of section 44AD(4) are applicable in his case and his total income exceeds maximum amount not chargeable to tax in any previous year [Amendment made by Finance Act, 2016]</b></li> </ul>	
Other persons	Not covered by above	Not required to maintain any books of account.

**(1) Persons specified u/s 44AA (1):** Every person carrying on legal, medical, engineering or architectural profession or the profession of accountancy or technical consultancy or interior decoration or authorized representative or film artist.

**(2) Books and documents specified under Rule 6F:** The books of account and other documents prescribed under Rule 6F(2) are:

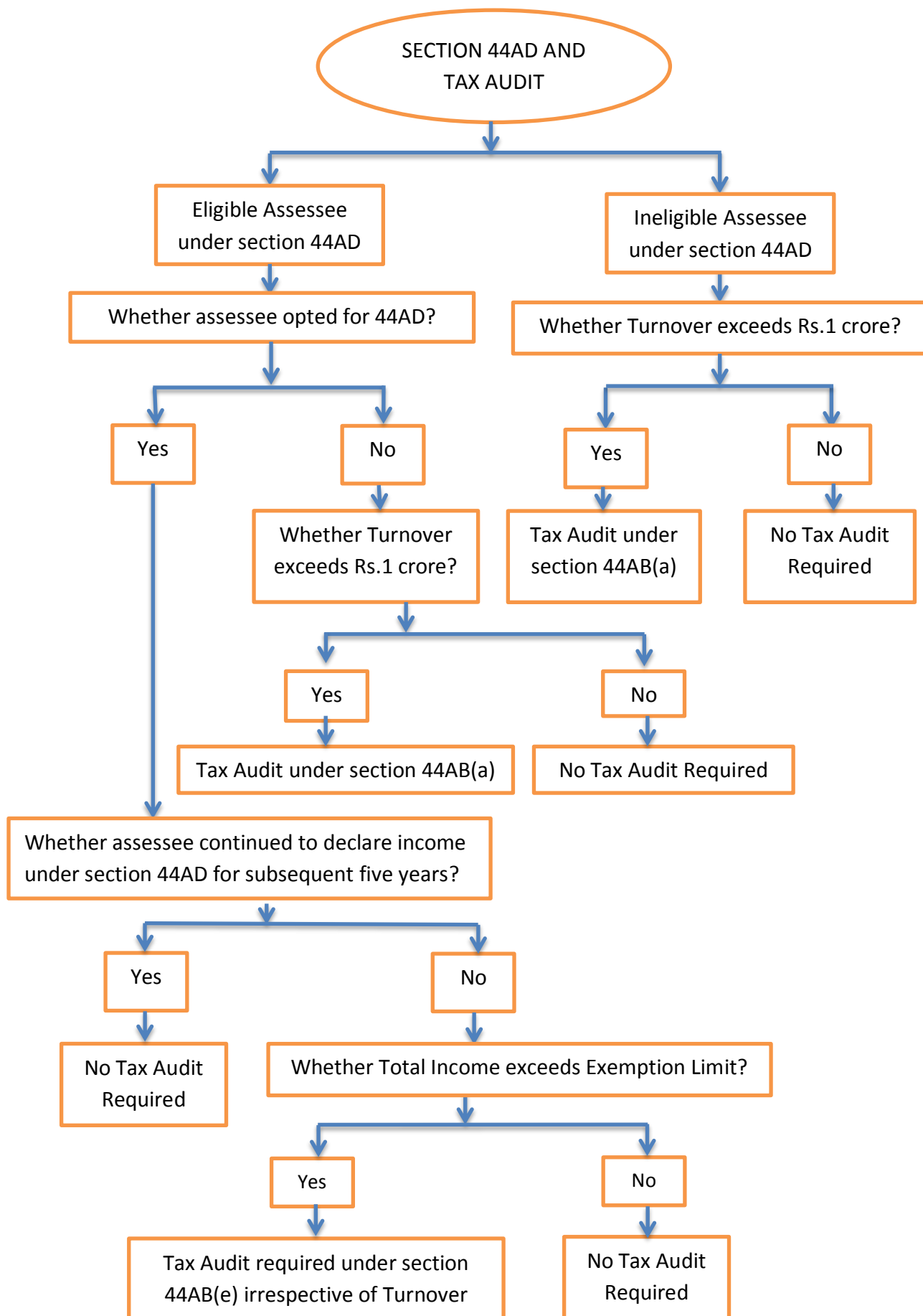
- (i) a cash book;  
In cases where the cash book maintained by the assessee contains adequate particulars in respect of the expenditure incurred by him, it would not be necessary to prepare and sign the payment voucher.
- (ii) a journal, if the accounts are maintained under mercantile system of accounting
- (iii) a ledger;
- (iv) for an amount exceeding Rs.25, carbon copies of bills, whether machine numbered or otherwise serially numbered, wherever such bills are issued by the assessee and carbon copies or counterfoils of machine numbered or otherwise serially numbered receipts issued by him;
- (v) original bills wherever issued to the assessee and receipts in respect of expenditure incurred by the assessee or, where such bills and receipts are not issued and the expenditure incurred does not exceed Rs.50, payment vouchers prepared and signed by the assessee.

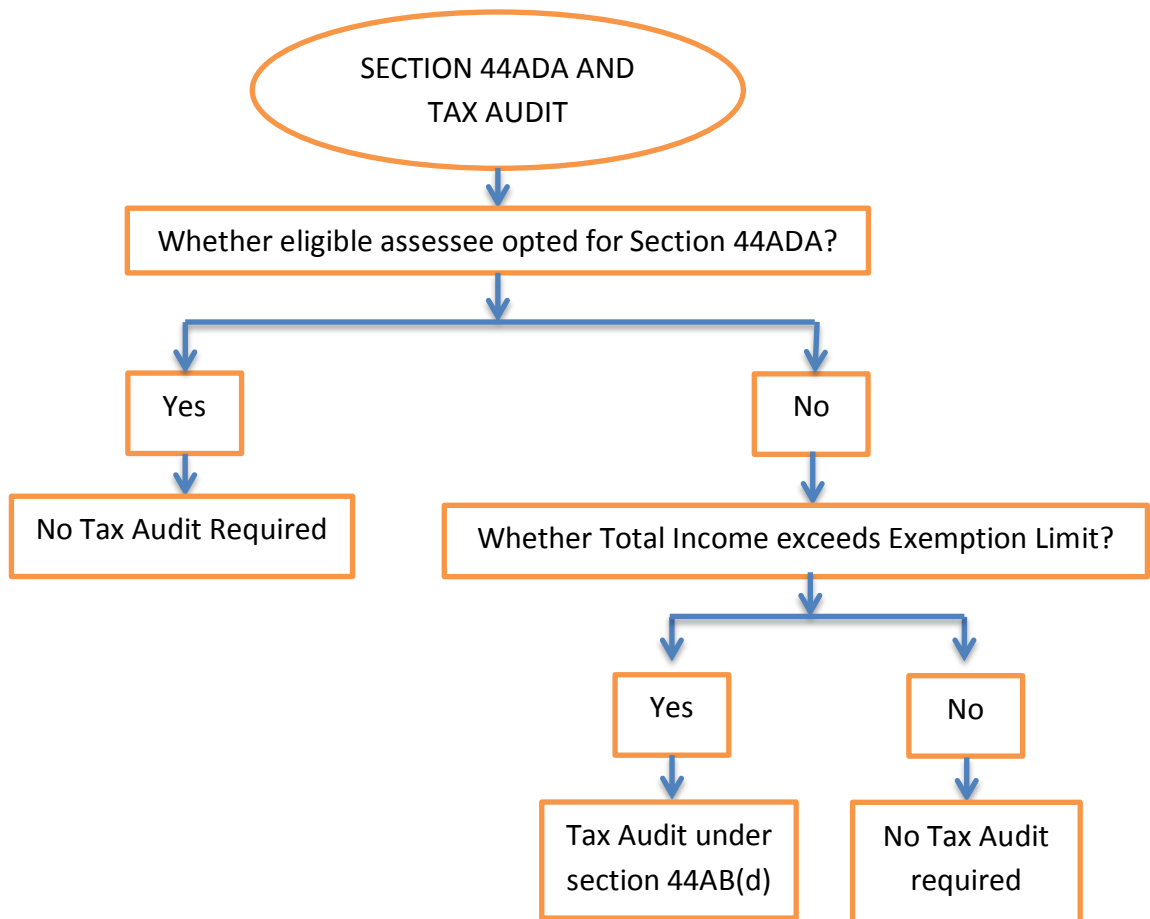
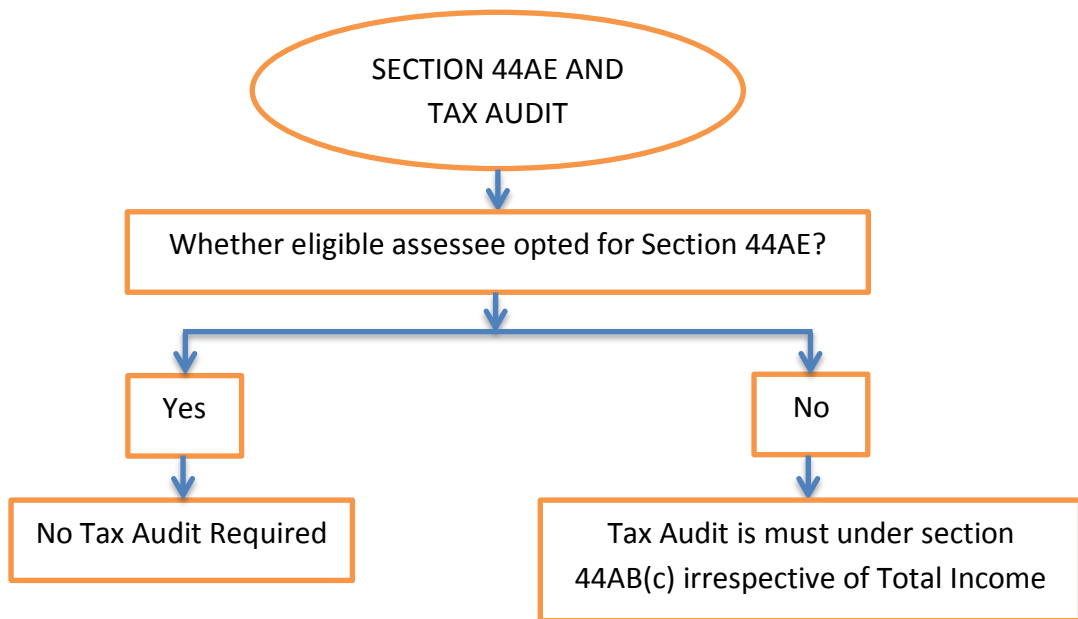
**(3)** In addition to the above books of account and other documents, under Rules 6F(3) a person carrying on medical profession shall also maintain the following:

- (i) a daily case register in Form No.3C;
- (ii) an inventory under broad heads, as on the first and the last day of the previous year, of the stock of drugs, medicines and other consumable accessories used for the purpose of his profession.

**(4)** The books of account and other documents specified above under rule 6F(2) and 6F(3) shall be kept and maintained for a period of 6 years from the end of the relevant assessment year.

To sum up presumptive taxation and tax audit, consider following:





**Whether deduction of interest and remuneration to partner shall be allowed out of presumptive income?**

Section 44AD	Section 44AE	Section 44ADA
No	Yes	No