

NANGIA & CO LLP


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Foreword

“Welcome to the Assurance Gazette for June 2025 Edition.

This edition highlights the key amendments relevant to Form 3CD for Assessment Year 2025-26, applicable from April 1, 2025. The Finance Act introduced amendments to ensure Income-tax provisions align with reporting and disclosure requirements.

Additionally, we present ICAI’s strategic revision of the Forensic Accounting and Investigation Standards (FAIS), marking significant progress in global forensic practices. The article outlines key updates focused on technological integration, enhanced clarity, and cross-border applicability—underscoring ICAI’s ongoing commitment to professional excellence in a rapidly evolving landscape.”



Key Amendments in Form 3CD for AY 2025-26



Introduction

The Central Board of Direct Taxes has introduced amendments through the Income-tax (Eighth Amendment) Rules, 2025, via Notification No. 23/2025 dated March 28, 2025 to some clauses of Form 3CD (part of tax audit report). These amendments come into effect from 1 April 2025 and are discussed below:

Clause 12:

Addition of Section 44BBC

What? Introduced new section 44BBC. This section introduces a special presumptive taxation regime for non-resident entities involved in the operation of cruise ships. Under this provision, 20% of specified receipts related to passenger carriage will be deemed as taxable income.

Why? To bolster India's cruise-shipping sector, the Finance Bill 2024 introduces a new section, 44BBC, establishes a presumptive taxation regime for non-resident cruise ship operators.

Clause 19:

Omission of Section 32AC, 32AD, 35AC, 35CCB

What? Omit the reference to section 32AC (Investment in new plant and machinery), 32AD (Investment in backward areas), 35AC (Donations to approved welfare projects), 35CCB (Conservation of natural resources).

Why? These deductions have reached their sunset period and are no longer applicable. Hence, unnecessary reporting of defunct clauses removed.

Clause 21:

Reporting of expenses for settling legal issues for non-compliance with the law

What? Mandates reporting of expenses incurred for settling proceedings related to legal contraventions notified by the Central Government.

Why? The government wants to track and scrutinize expenses related to regulatory or legal violations. Taxpayers often claim such settlement expenses as business deductions, which the government aims to restrict.

Clause 22:

Enhanced MSME Reporting

- What?**
- Clause 22 has been bifurcated into three sub-clauses for enhance reporting.
 - In addition to reporting of interest to MSME inadmissible, the clause now required to detailed reporting as below:
 - i) Total amount due to MSMEs under section 15 of MSMED, and
 - ii) Among that due amount, how much was
 - (a) Paid within the prescribed time, and
 - (b) Not paid in time, and hence not allowable under Section 43B(h).

Why? Promotes timely payments to MSMEs, protecting small businesses and Prevents misuse by allowing deductions only for timely or legally permissible payments.

Clause 26:

Reporting under Section 43B

- What?**
- Refine references to specific provisions within the section in clause 26 (A) & 26 (B).
 - In sub-clause (A), for the word “allowed”, the word “allowable” is substituted.

Why? The earlier wording could have led to confusion, as an expense not yet paid cannot be “allowed” for deduction. By using “allowable”, the amendment reinforces that these expenses are only eligible for deduction upon payment.

Clause 28 & 29:

Omission of Clause 28 & 29

What? Omitting Clause 28 (Disclosures related to receipt of shares/property without consideration under Section 56(2)(viia)) and Clause 29 (Reporting of receipt of consideration exceeding fair market value under Section 56(2)(viib)).

- Why?**
- Clause 28 was specifically linked to Section 56(2)(viia), which no longer exists, the reporting requirement in Form 3CD has been removed.
 - Clause 29 was linked to section 56(2)(viib) in which reporting requirements have been restructured and became redundant.



Clause 31:

Detailed Reporting of Loan & Deposit

What? Introduced dropdown selection for reporting on the nature of loans and deposits in clause 31(a)(ii), 31(b)(ii) and 31(c)(ii).

Why? The amendment refines Clause 31 of Form 3CD to enhance clarity, compliance, and ease of reporting. It ensures that only loans and deposits are reported, introduces a dropdown menu for better categorization, and eliminates confusion regarding the term “specified sum”, thereby improving the quality of tax audits.

Clause 36B:

New Clause for Share Buyback Reporting

What? A new Clause 36B has been introduced to report details of share buybacks under Section 2(22)(f).

Why? The introduction of Clause 36B in Form 3CD enhances monitoring of buyback transactions, ensures correct tax treatment, and helps prevent misuse of buybacks for tax planning purposes. By requiring details of the buyback amount and cost of acquisition, it aids tax authorities in identifying potential tax avoidance strategies and ensures better enforcement of Section 115QA

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Nangia's Take

- The CBDT issues circulars, notifications, and rules under the powers granted by the Income-tax Act to implement, administer, and clarify legislative provisions, thereby supporting compliance and effective enforcement.
- Amendments introduced through the Finance Act are often aimed at aligning Income-tax provisions with reporting and disclosure requirements, such as those under Form 3CD, to enhance transparency, consistency, and auditability of financial information.
- In light of the recent changes applicable for AY 2025–26, it is expected that ICAI issues revised Guidance Note taking care of amendments to Form 3CD. This will aid both auditors and companies in accurate interpretation and implementation of the amendments.



A strategic update on Revised Forensic Accounting and Investigation Standards (FAIS) by ICAI

Introduction

On May 24, 2025, the Institute of Chartered Accountants of India (ICAI), through its Digital Accounting and Assurance Board (DAAB), released Exposure Drafts of the updated Forensic Accounting and Investigation Standards (FAIS) and an enhanced Implementation Guide. This strategic move aims to:

Strengthen global relevance of forensic accounting practices,

Align the standards with emerging technologies, and

Facilitate broader adoption across international jurisdictions.

The original set of FAIS, issued on July 1, 2023, was made mandatory for all forensic engagements undertaken by ICAI members. The accompanying Implementation Guide—initially recommendatory—served to assist members in applying the standards practically and consistently.

Analysis

Forensic accounting today operates in a fast-evolving landscape influenced by:

Rapid technological innovations (e.g., AI, blockchain, digital forensics),

Increasing complexity of financial crimes, and

Cross-border legal and regulatory variations.

Recognizing these dynamics, ICAI’s DAAB initiated a comprehensive revision process with the help of subject matter experts. The objectives of the revision are:

Global Harmonization: Making the standards generic and country-agnostic to enhance acceptance across jurisdictions.

Technological Alignment: Updating provisions to reflect current tools and investigative methodologies.

Usability and Clarity: Enhancing readability and consistency for practical application.

The result is a framework that ensures ICAI members and other stakeholders are equipped to handle complex forensic assignments with competence, confidence, and credibility.

Proposed Changes

The Exposure Drafts of the Revised FAIS and Implementation Guide introduce key structural and content-related enhancements:

1. Standard Framework Structure

The FAIS now includes 20 standards, categorized as:

- **100 Series** – Key Concepts
- **200 Series** – Engagement Management
- **300 Series** – Execution of Assignments
- **400 Series** – Specialized Areas
- **500 Series** – Reporting
- **600 Series** – Quality Control

This structured approach covers the entire lifecycle of forensic engagements, from planning to quality assurance.

2. Key Revisions in the Standards

The FAIS now includes 20 standards, categorized as:

Global Applicability: Removal of country-specific references makes the standards suitable for use across different regulatory environments.

Technology Integration: Revised standards now incorporate AI tools, blockchain analysis, and digital evidence protocols.

Clear Terminology: Standardization of language improves understanding and cross-border utility.

3. Enhanced Implementation Guide

The revised Implementation Guide acts as a practical toolkit. Its features include:

21 Consolidated Guidance Materials: Offering a unified reference base.

Real-world Examples: Case scenarios demonstrating application of standards.

Checklists and Methodologies: Step-by-step instructions for effective execution.

Interpretative Clarifications: Detailed explanations to support standard compliance.

“The Implementation Guide is designed to provide technical clarifications and practical guidance... ensuring that practitioners can apply the standards consistently and professionally.”
– ICAI, DAAB

4. Public Consultation

The revised FAIS has been released for a 21-day public exposure period, ending on June 19, 2025. ICAI encourages feedback from:

- Practicing professionals
- Audit firms
- Regulators
- Academic institutions
- Global accounting bodies

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Nangia's Take

The updated FAIS and Implementation Guide represent ICAI's proactive response to the evolving needs of forensic accounting. By:

- Future-proofing the standards,
- Making them globally adaptable,
- Enhancing integration with digital tools, and
- Providing clear, practical guidance—

ICAI is setting a new benchmark in forensic accounting standards.



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