



FAQs on PFA & Defective for ITR 1 to 6 for AY 24-25

Question No.	Relevant ITR Types	Description	Response
1	ITR- 6 - PFA/ Defective	I have offered income of "Chapter-XII-G (tonnage)" in Schedule BP. While calculating the tax MAT is getting calculated on the same, but provisions of MAT are not applicable in this case. How to disclose the same in return of income?	While calculating MAT, any incomes on which MAT is not applicable needs to be reported at Sl. No. 6k - Others. Accordingly, tonnage tax income also needs to be reduced at Sl. No. 6k. Also check the rules regarding filing of relevant statutory form(s).
2	ITR- 6 - PFA/ Defective	If a foreign company is selecting to offer income only under section 44AE/44B/44BB/44BBA/44BBB/44D, is it mandatory to fill Sl. No. 62 of profit & loss account?	Yes, if a foreign company is selecting to offer income only under section 44AE/44B/44BB/44BBA/44BBB/44D it is mandatory to declare receipt & profit from the same at Sl. No. 62 of profit & loss account. However, if the income is not offered under the said sections, the audit liability needs to be checked by the assessee and appropriate audit reports need to be filed. Taxpayer is required to select "Yes" in Sl.No. B of Audit information and also required to select the condition " bii or biii" by virtue of which he is liable for audit.
3	ITR- 6 - PFA/ Defective	If a Company is declaring business income other than presumptive income, then is it mandatory to fill manufacturing account / trading account / profit and loss account / balance sheet?	Yes, if a Company is declaring business income other than presumptive income, then it is mandatory to maintain books of account therefore it is also mandatory to fill manufacturing account / trading account / profit and loss account as applicable & balance sheet.
4	ITR-3, 5 & 6 - PFA/Defective	Can Income chargeable to tax at special rate be shown only in Part-B-TI, without giving the details of the same in the relevant schedules?	Income chargeable to tax at special rate needs to be shown in the relevant income schedules along with Part B-TI.
5	ITR-3, 5 & 6 - PFA/Defective	I was trying to file return after due date by claiming loss from Business & profession which is on account of "Unabsorbed depreciation". Can the said losses be carried forward to next year?	If the return is filed after due date, then Business loss cannot be carried forward to next year as per the Act. Further if the loss in Business & profession is on account of unabsorbed depreciation then the same needs to be reduced from Schedule CFL & to be entered in Schedule UD to carry forward the same to next year.

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6	ITR-3, 5 & 6 - PFA/Defective	If the return for previous years were filed after due date, then brought forward loss from those years can be adjusted from current year income?	If the return for any year was filed after due date, then the loss is not allowed to be carry forwarded to next year, hence the same is not allowed to be adjusted in current year also except below. 1. House Property Loss 2. Unabsorbed Depreciation 3. Allowance under section 35(4)
7	ITR- 6 - PFA/ Defective	In earlier years either me or persons known to me have received notice of 37BA proposing to restrict credit for TDS. What precautions to be taken at the time of filing of return to avoid the same?	It should be ensured to disclose the gross receipts shown in Form 26AS on which credit for TDS has been claimed, in the respective income schedules in return of income as applicable. If the income is not offered to tax during this year, then credit for the corresponding TDS can only be claimed in the year in which the income is offered to tax. Thus, the assessee has the option of carry forward of the said TDS to the subsequent years.
8	ITR-3, 5 & 6 - PFA/Defective	What precautions to be taken to claim TDS/TCS deducted/collected in the hands of others?	Before claiming credit of TDS/TCS from other PANs, please ensure that the other assessee has provided the requisite details in the TDS/TCS schedules of his return of income, including the claimant's PAN and the extent to which credit is being claimed.
9	ITR-3, 5 & 6 - PFA/Defective	How to enter quarterly breakup in schedule CG?	In Schedule CG quarterly breakup to be entered on the basis of applicable tax rate. Further the same should match with applicable rate wise capital gain income remaining after set-off in column 5 of Schedule BFLA.
10	ITR 1&4 - PFA/Defective	Whether ITR 1 or ITR 4 can be filed if taxpayer wants to disclose the special rate incomes in the ITR?	If Taxpayer has received any special rate income like Income from lottery, Income from transfer of property, Income from virtual digital assets etc. then the taxpayer is not eligible to file the ITR 1 and ITR 4 and taxpayer should file other ITR type.
11	ITR 2,3,5,6 - PFA/Defective	Whether current year losses can be carried forwarded to next year without adjusting the same against the current year income?	In Schedule CYLA, current year losses will not be allowed to be carried forward to the next year to the extent of incomes available for set off.

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12	ITR 1,2,3,4 – PFA/Defective	Whether deduction u/s. 80DD or 80U can be claimed without filing the form 10IA?	Taxpayer is required to e-file the form 10IA to claim the deduction u/s. 80DD or 80U.
13	ITR-3, 5 & 6 - PFA/Defective	Can I adjust brought forward business loss or brought forward depreciation against the presumptive income declared u/s. 44BB or 44BBB?	No. Taxpayer cannot setoff the amount of brought forward business loss or brought forward depreciation against the presumptive income declared u/s. 44BB or 44BBB.
14	ITR-3, 5 & 6 - PFA/Defective	How to disclose income received from Virtual Digital Assets (VDA) in the ITR?	In case taxpayer has earned any income from sale of virtual digital assets then he is required to disclose the details like sales consideration, purchase consideration, date etc in the schedule VDA. Please note that setoff of losses will not be allowed against the income from transactions in virtual digital asset. Further, taxpayer is required to ensure that the value of sale consideration mentioned in column 6 of schedule VDA is not less than the amount of gross receipts mentioned against TDS u/s. 194S in the form 26AS. If the income shown in the ITR at the requisite schedule / Sl.No. is less in comparison to the income in form 26AS then the provisions of section 139(9) may be invoked.
15	ITR-3, 5 & 6 - PFA/Defective	How to disclose income received from winning from lottery, crossword puzzles, races, card games etc. in the ITR?	In case taxpayer has received any income from winning from lottery, crossword puzzles, races, card games etc. then he is required to disclose such income in Sl.No. 2(ai) of schedule OS. Further, taxpayer is required to ensure that income shown in Sl.No. 2(ai) of schedule OS is not less than the amount of gross receipts mentioned against TDS u/s. 194B in the form 26AS. If the income shown in the ITR at the requisite schedule / Sl.No. is less in comparison to the income in form 26AS then the provisions of section 139(9) may be invoked.
16	ITR-3, 5 & 6 - PFA/Defective	How to disclose Income from the activity of owning and maintaining race horses in the ITR?	In case taxpayer has received any income from the activity of owning and maintaining race horses then he is required to disclose such income in Sl.No. 8(a) of schedule OS. Further, taxpayer is required to ensure that income shown in Sl.No. 8(a) of schedule OS is not less than the amount of gross receipts mentioned against TDS u/s. 194BB in the form 26AS. If the income shown in the ITR at the requisite schedule / Sl.No. is less in comparison to the income in form 26AS then the provisions of section 139(9) may be invoked.

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17	ITR-3, 5 & 6 - PFA/Defective	How to disclose Income by way of winnings from online games in the ITR?	In case taxpayer has received any income by way of winnings from online games then he is required to disclose such income in Sl.No. 2(aii) of schedule OS. Further, taxpayer is required to ensure that income shown in Sl.No. 2(aii) of schedule OS is not less than the amount of gross receipts mentioned against TDS u/s. 194BA in the form 26AS. If the income shown in the ITR at the requisite schedule / Sl.No. is less in comparison to the income in form 26AS then the provisions of section 139(9) may be invoked.
18	ITR-3, 5 & 6 - PFA/Defective	in Part A – Other Information, why the entry at Sl. No. 10(h) "Any sum payable to a micro or small enterprise beyond the time limit specified in the Section 15 of the Micro, Small and Medium Enterprises Development Act, 2006" is not allowed?	Since the provisions of disallowance are applicable from the AY 2024-25, allowance on payment basis is applicable only from the AY 2025-26. Thus, taxpayer cannot enter any amount in the field at Sl. No. 10(h) "Any sum payable to a micro or small enterprise beyond the time limit specified in the Section 15 of the Micro, Small and Medium Enterprises Development Act, 2006" in Part A – Other Information.



FAQs based on tax Audit report

Q. No.	Relevant ITR Types	Description	Response
1	ITR-3, 5 & 6 - PFA/Defective	How much of the sum received from employees and not credited to the employees account on or before the due date as per the section 36(1) (va) is required to be disallowed?	Taxpayers are required to deposit the contributions received from employees for various funds within the due date as per section 36(1) (va). Further the details of the due date as per the respective Acts need to be reported correctly by the Auditor in clause 20(b) of Form 3CD. Any payment made beyond the due date as per the Act and reported in the Audit report is required to be disallowed u/s 36(1) (va).
2	ITR-3, 5 & 6 - PFA/Defective	How to disclose the Dividend income received u/s. 2(22)(e)?	Details of dividend income received u/s. 2(22)(e) with in the financial year is required to be disclosed in the clause 36A of form 3CD. Further the same needs to be offered in Schedule OS of ITR at appropriate places.
3	ITR-3, 5 & 6 - PFA/Defective	How to disclose the effect on profit due to ICDS & the method of valuation of stock specified under section 145A?	In the audit report, auditor is required to report the "increase in profit", "decrease in profit", and "net effect" separately in the columns provided at Sl. No. 13(e) and 14(b). In the return of income at schedule ICDS, the "net impact" on profit due to ICDS adjustments shall be shown separately against each line item. In addition, at schedule OI, Sl. No. 3a the sum of all the positive items of 13(e) and 14(b) shall be shown and at Sl. No. 3b the sum of all the negative items of 13(e) and 14(b) shall be shown. The net difference of 3(a) minus 3(b) is not expected to be less than the difference of all the positive and negative items of 13(e) and 14(b). It is seen that some of the adjustment items of schedule BP are a repeat item in ICDS adjustments also and are separately identifiable. Example. "Adjustments due to depreciation". The impact of such adjustments having dual / multiple impact may be reported using other appropriate columns of schedule BP, so as to nullify the impact of dual/ multiple adjustment.
4	ITR-3, 5 & 6 - PFA/Defective	How to disclose "Amount debited to profit and loss account and disallowable u/s. 37" in income tax return?	In the audit report, auditor is required to report the amount disallowable u/s. 37 at the clause 21(a) and 21(g) of form 3CD. Taxpayer is required to report at least the same amount disallowable u/s. 37 in Sl. No. 7j of Part A - OI of ITR which is reported at the clause 21(a) and 21(g) of form 3CD. In case, the amount reported in ITR in Sl.No. 7j of PART A - OI of ITR is less than the amount disallowable u/s. 37 at the clause 21(a) and 21(g) of form 3CD then the difference will be added to the total income of the taxpayer.

Question No.	Relevant ITR Types	Description	Response
5	ITR-3, 5 & 6 - PFA/Defective	How to disclose "Amount disallowed u/s. 43B in preceding previous year but allowable during previous year" in return of income?	In the audit report, auditor is required to report the amount disallowed u/s. 43B in preceding previous year but allowable during previous year at the clause 26(A)(a) of form 3CD. Taxpayer is required to report the same amount disallowed u/s. 43B in preceding previous year but allowable during previous year in Sl. No. 10i of Part A - OI of ITR which is reported at the clause 26(A)(a) of form 3CD. In case the amount reported in ITR in Sl.No. 10i of PART A - OI of ITR is more than the amount disallowed u/s. 43B in preceding previous year but allowable during previous year at the clause 26(A)(a) of form 3CD then the difference will be added to the total income of the taxpayer.
6	ITR-3, 5 & 6 - PFA/Defective	How to disclose "Amount debited to profit and loss account and disallowed u/s. 43B" in return of income?	In the audit report, auditor is required to report the amount disallowed u/s. 43B at the clause 26(B)(b) of form 3CD. Taxpayer is required to report at least the same amount disallowed u/s. 43B in Sl. No. 11i of Part A - OI of ITR which is reported at the clause 26(B)(b) of form 3CD. In case, the amount reported in ITR in Sl.No. 11i of PART A - OI of ITR is less than the amount disallowed u/s. 43B at the clause 26(B)(b) of form 3CD then the difference will be added to the total income of the taxpayer.
7	ITR-3, 5 & 6 - PFA/Defective	How to disclose "Amount not credited to profit and loss account" in return of income?	In the audit report, auditor is required to report the amount not credited to profit & loss account at the clause 16(a) to 16(d) of form 3CD. Taxpayer is required to report at least the same amount not credited to profit & loss accounting Sl. No. 5(a) to 5(d) of Part A - OI of ITR which is reported at the clause 16(a) to 16(d) of form 3CD. In case, the amount reported in ITR in Sl.No. 5(a) to 5(d) of PART A - OI of ITR is less than the amount not credited to profit & loss account at the clause 16(a) to 16(d) of form 3CD then the difference will be added to the total income of the taxpayer.



FAQs based on other Audit reports and Forms

Question No.	Relevant ITR Types	Description	Response
1	ITR-3, 5 & 6 - PFA/Defective	How to claim deduction & avoid adjustment u/s 80-IA or u/s 80-IB or u/s. 80 IC or u/s 80IE or U/s 80IAC or 80IAB?	Form 10CCB needs to be filed within the time allowed to claim deduction. The amount of deduction claimed in return should not be more than the deduction mentioned in the form against corresponding section and to the extent of income available in BP after brought forward adjustment. Any difference may result in adjustment through restriction of claim in corresponding section.
2	ITR-3, 5 & 6 - PFA/Defective	How to claim deduction & avoid adjustment u/s 80JJAA?	Form 10DA needs to be filed within the time allowed to claim deduction. The amount of deduction claimed in return should not be more than the deduction mentioned in the form. Any difference may result in adjustment through restriction of claim for the said section.
3	ITR-3, 5 & 6 - PFA/Defective	Is it required to file return within due date to claim Part-C deductions & deduction u/s 10AA?	Yes, it is required to file the return within due date /extended due date as per section 139(1) to claim Part-C deductions & deduction u/s 10AA.
4	ITR-3, 5 & 6 - PFA/Defective	How to claim deduction & avoid adjustment u/s 80LA or u/s 80LA (1) ?	Form 10CCF needs to be filed within the time allowed to claim deduction. The amount of deduction claimed in return should not be more than the deduction mentioned in the form against corresponding section. Any difference may result in adjustment through restriction of claim in corresponding section.
5	ITR-3, 5 & 6 - PFA/Defective	How should the profit mentioned in form 29B/29C should be reflected in the Schedule MAT/AMT in return of income?	The amount of profit & other figures mentioned in the return of income should match with the amount of profit & other figures mentioned in Form 29B / 29C.
6	ITR- 6 - PFA/ Defective	How should the profit mentioned in form 66 should be reflected in Schedule BP for "Chapter-XII-G (tonnage)" in return of income?	The amount of income offered in return should match with the amount of profit mentioned in Form 66. Further it is mandatory to file Form 66 to avoid defective notice.
7	ITR- 6 - PFA/ Defective	Whether form 10-IB, 10-IC & 10-ID are required to be filed each year?	No, form 10-IB, 10-IC & 10-ID as applicable is required to be filed only in the first year of opting for the same. However please ensure that this form is filed within due date. Only when you missed to file the form within the due date, file the same again in the next year within the due date. Please note that once opted for new tax regime, one cannot go out of the same. However, one can move from 115BA to 115BAA or 115BAB to 115BAA.

Question No.	Relevant ITR Types	Description	Response
8	ITR- 6 - PFA/ Defective	Is it mandatory to file form 3CE if income is offered u/s 44DA in Schedule BP?	If the amount of income offered in return u/s 44DA then it is mandatory to file Form 3CE with in the time allowed. If the form is not filed, then return can be rendered defective.