MAKHIJANI GERA & ASSOCIATES LLP

⚠ India Tax Update

Tax Audit Report: New Form 26

Effective India Tax Year 2026–27 | Section 63 of the Income-tax Act, 2025 | Rule 47 of the Income-tax Rules, 2026

Background

Until now, the tax audit report was filed in three separate forms:

- **Form 3CA** for companies, banks, and insurance companies (entities already audited under another law such as the Companies Act).
- **Form 3CB** for other entities such as partnership firms and individuals.
- **Form 3CD** the detailed annexure attached to both 3CA and 3CB, containing the substantive disclosures.

The new **Form 26** consolidates all three into a single report, organised into four parts (A, B, C, and D). The scope of required disclosures has been expanded considerably.

What has changed

Part A (replaces Form 3CA)

- Reporting to be made on whether any observation/ qualifications/adverse remark/ disclaimer/ emphasis made by the statutory auditor. If it results in any variation in profit/ loss then quantified value to be reported.

- Qualification in Tax Audit Report (if any) has to be classified under one of four categories:
    - Based on a test check (i.e., not all transactions were verified)
    - Based on management representation (i.e., the auditor has relied upon explanations and information furnished by management)
    - Unable to verify (i.e., evidence was not available)
    - Others

Part B (replaces Form 3CB)

- Reporting to be made on whether observation/ qualifications/adverse remark/ disclaimer/ emphasis made, would result in variation in profit/ loss. If yes, quantified value to reported.

- All observations even those that cannot be quantified must now be explicitly reported

Part C (replaces 3CD Part A)

- Residential status must now be explicitly stated.

Part D (replaces 3CD Part B)

A. Technology & Books of Account

- Disclosure of the accounting software used.
- If books of account are stored on cloud servers or any third-party software platform, provide the internet protocol (IP) address and the country where that server is located.
- You must also confirm whether daily back-ups are maintained on servers located in India and remain accessible in India at all times.

B. Taxation — New Reporting Items

- **Deductions under various sections:** A new reporting requirement has been introduced for amounts claimed as deductions under specific provisions of the Income Tax Act.

- **MAT/AMT credit utilisation:** If you are a company subject to Minimum Alternate Tax (MAT), or an individual/firm subject to Alternate Minimum Tax (AMT), and you are utilising credit from earlier years, this must now be specifically reported.

- **Unquoted shares:** Transactions involving shares of private companies (i.e., shares not listed on a stock exchange) must now be explicitly disclosed.

- **Income from other sources**: Income earned but not reflected in your profit & loss account qualifying under the head 'Income from Other Sources' now to be reported here.

C. International Transactions & Compliance

- **Remittances to non-residents:** Any remittances reported in Part-D of Form 145 during the tax year.

- Statement of Financial Transactions (SFT) reporting on high-value transactions.

For any queries on the above, please free to reach out to us at:
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