



# TAX AUDIT

A PROPRIETARY TAX-TECHNOLOGY  
SOLUTION BY BDO INDIA

BDO in India  
2024

**BDO**

Our **Technology Products and Solutions** are built to address the comprehensive tax needs of clients & businesses. In response to changing regulatory environments and growing business needs, our suite of products combines the experience of tax advisory through proprietary applications and products developed by the firm's in-house technology team.



### A CLOUD-BASED SOLUTION FOR TAX AUDIT COMPLIANCE

Tax audit is an annual compliance requirement that an entity is required to comply with in the Format of Form 3CD before the filing of the income tax return. Preparation of Form 3CD is a time-consuming process and requires critical analysis of the books of accounts and financial statements by applying various tax logics to ensure compliance w.r.t provisions of the Income Tax Law and then reporting the compliance information in predefined formats provided by the tax department. Due to the volume, complexity and data coming from varied sources, the preparation of form 3CD becomes tedious and challenging, thereby resulting in delayed compliances.

Additionally, an auditor's sign-off is required in a predefined format before uploading Form 3CD. Therefore, the management is required to share the necessary details over email or through physical files for review and verification.

Our 'Tax Audit' solution is a comprehensive web-based solution that assists businesses in managing the reporting requirement of tax audit compliance. The solution helps in automating data collation and processing to highlight the reportable transactions under each sub-clause of Form 3CD through direct integration with ERP which in turn helps in eliminating the process of manual data entry and reduces the hours on manual procedures.

It also eliminates the need to share sensitive information over email, as the auditor would now be able to access the information through the tool. The Tax Audit solution also helps taxpayers to avoid penalties and fines by ensuring that compliances are adhered to timely.

## CURRENT CHALLENGES FACED BY ORGANISATIONS WHILE COMPILING DATA FOR TAX AUDIT COMPLIANCE

- **Voluminous Data:** Dealing with large volumes of data can pose challenges in processing, analysis and ensuring accuracy.
- **Unstructured and Complex data:** Data in tax audits is often unstructured and complex, making it difficult to extract meaningful insights and comply with reporting requirements.
- **Data from Multiple Sources:** Integrating data from multiple sources can be challenging due to differences in formats, systems, and data compatibility.
- **Manual Documentation:** Manual preparation of tax audit reports for each clause using spreadsheets and Excel files can be time-consuming, prone to errors, and difficult to manage.
- **Data Sharing Issues:** Sharing data with the auditor through spreadsheets and PDFs can lead to version control issues, security concerns, and delays in communication. Sending sensitive information and data over email poses risks in terms of data security, privacy, and the potential for information loss or miscommunication.
- **Complex Data:** The volume and complexity of data from varied sources make preparing Form 3CD a time-consuming and challenging process, requiring substantial effort and resources.
- **Requires Management Time and Efforts:** Ensuring compliance with the provisions of income tax laws requires a detailed analysis of accounts and financial statements, adding complexity and increasing the management burden.



## WHY BDO'S TAX AUDIT SOLUTION

### CLOUD BASED SOLUTION

A web-based platform accessible from anywhere, enabling automation of the reporting requirement of Form 3CD.

### TAX LOGICS

Critical analysis of books of accounts and financial statements and information available through IT Portal/ Traces or any third-party websites facilitated through inbuilt tax logics, ensuring accurate compliance with tax laws.

### MAKER TO CHECKER WORKFLOW

Smooth flow of information from the maker to the checker level, allowing for comprehensive review and verification of data.

### RULE-BASED ENGINE

A unique approach of setting-up a rule-based engine for identifying the transactions at each clause level.

### PENALTY AVOIDANCE

Assistance to taxpayers in avoiding penalties and fines by ensuring compliance with income tax annual filings.

### AUTOMATED DATA EXTRACTION

Seamless integration with ERP systems, third-party APIs, and other BDO solutions for automated data extraction; thereby, saving time and efforts in data collection and providing a comprehensive view.

### DIGITAL REPOSITORY

Centralises storage of working papers, supporting documents, and other relevant files, facilitating easy access and retrieval.

### PROACTIVE AUDIT AND ASSESSMENT PREPAREDNESS

Enhanced readiness for audits and assessments through proactive features that streamline the compliances by adhering to standardized processes.



## REPORTS, DASHBOARDS AND ANALYTICS

Generation of comprehensive reports and customisable dashboards for easy monitoring and analysis of tax audit compliance. Summary dashboards and quick statistics to track the status and completeness of clauses, providing insights at a glance.



## SECURE INFORMATION EXCHANGE

Elimination of the need to send sensitive information and documents to the auditor over email, ensuring data security and confidentiality.



## DATA INTEGRITY AND CONTROL

Maintaining data integrity and control over the flow of information, ensuring accuracy and reliability in reporting.



## PAST DATA THROUGH JSON IMPORT

Fetching of past data (e.g., brought forward losses, WDV of block of assets, etc) from previous year Json file thereby saving manual efforts.



## DIGITISATION OF HISTORICAL DATA STORAGE

Storage of historical data and working documents to effectively manage litigation and reference information on past audits.



## AUTOMATED RECONCILIATION FOR CLAUSE 34A AND CLAUSE 44

Auto-reconciliation of clause 34a and clause 44 by fetching details from multiple sources and populating data as per the statutory format.



## MASTER DATA MANAGEMENT

Efficient management of master data, ensuring accuracy and consistency throughout the tax audit process.



## CALCULATION ENGINE

The application has inbuilt logics to perform calculation as required by the respective clauses (e.g. 14A disallowance)



## CLAUSE-WISE REPORT GENERATION

Generates clause-wise reports in the format required by the government utility, ensuring accurate and standardised reporting.

## ABOUT BDO GLOBAL

BDO is a leading professional services organisation and are global leaders of the mid-tier, with a presence in 160+ countries and over 115,600 people working out of more than 1,750 offices. We endeavor to deliver an exceptional client experience through a tailored solutions approach, while partnering with our employees and clients globally.

## ABOUT BDO IN INDIA

BDO in India offers Assurance, Tax, Advisory, Business Services & Outsourcing and Digital Services for both domestic and international clients across industries. The team at BDO in India consists of over 9,000 professionals led by more than 300 partners and directors operating out of 18 offices, across 12 key cities.

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