



Turnover Limits under Section 44AB: Tax Audit Applicability Simplified

Everything businesses and professionals need to know for AY 2025–26

Introduction

Navigating tax compliance can feel overwhelming—especially when it comes to **audit applicability under Section 44AB** of the Income Tax Act, 1961. Whether you're running a traditional business, a digital-first startup, or a professional practice, it's crucial to understand when tax audit becomes mandatory.

Let's break it down. 

What is Section 44AB?

Section 44AB mandates a **tax audit** of accounts for certain categories of taxpayers whose **turnover, sales, or gross receipts** exceed specified thresholds.

Let's decode the limits based on the type of taxpayer:

For Businessmen (Non-Companies)

Q: When do businesses need a tax audit?

 If your **turnover exceeds ₹1 crore**, you're required to get your accounts audited.

However, if you opt for the **Presumptive Taxation Scheme under Section 44AD**, no audit is required **until turnover crosses ₹2 crore**.

For Digital-First Businesses

If you're conducting **95% or more** of your transactions **digitally** (both receipts and payments), your audit threshold **jumps to ₹10 crore**.

 This move incentivizes digital transactions and **reduces compliance burden**.

For Professionals (Doctors, Architects, Lawyers, etc.)

Q: What about professionals?

 If your **gross professional receipts exceed ₹75 lakh**, a tax audit under Section 44AB is compulsory.

Lower Income Under Presumptive Scheme?

If you're under **Section 44AD or 44ADA** but declare **lower-than-deemed profits**, and your income is **above the basic exemption limit**, you **must get your accounts audited** under **Section 44AB(e)**.

 This often catches taxpayers by surprise—so be cautious.

Due Dates for Tax Audit Report Filing

-  **30th September** – For most taxpayers (no international/transfer pricing cases)
-  **31st October** – If international transactions or specified domestic transactions are involved

 Reports must be submitted in **Form 3CA/3CB** along with **Form 3CD**.

Penalty for Non-Compliance (Section 271B)

- **Minimum:** 0.5% of total turnover/gross receipts
- **Maximum:** ₹1,50,000
-  Can be waived if you demonstrate a **reasonable cause** for failure

Quick FAQs

Question

Answer

What is the audit limit for digital businesses?

₹10 crore, if cash transactions <5%

What is the audit limit for professionals?

₹75 lakh in gross receipts

Do I need audit if I declare lower profits under 44AD?

Yes, if income > basic exemption limit

Does Section 44AB apply to salaried individuals?

 No, salaried income is not covered



Insights from D G S G & COMPANY

At **D G S G & COMPANY**, we understand the challenges MSMEs face in navigating audit requirements. If your business operates 95% digitally and has a turnover below ₹10 crore, you may be exempt from audits.

However, uncertainty can lead to costly penalties or notices. Don't leave compliance to chance—let's connect, review your status, and ensure your business stays on the right track.

Compliance isn't just about meeting legal obligations; it's about securing your peace of mind.

Key Personnel

CA Shivam Gupta – Partner

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