

# Professional Ethics and Liabilities of Auditors

## (Amendments for May 2026 Exams & Onwards)

### 19.16A – The Chartered Accountants (Limit on Number of Tax Audits) Guidelines, 2025.

*[Effective from 01.04.2026 – Will supersede all earlier guidelines on this subject]*

<b>Limit on Acceptance &amp; Signing tax Audit Assignments</b>	<p>A CA in practice shall not accept &amp; sign, in a FY, more than “specified number of tax audit assignments”.</p> <p style="text-align: center;"><b>Point to remember</b></p> <p><b>In case acceptance &amp; signing of audit assignments are spread over in two different FYs, then, FY in which report is signed will be considered for “specified number of tax audit assignments”.</b></p>
<b>Specified number of tax audit assignments</b>	<p>Specified number of tax audit assignments means:</p> <p>(a) in case of a CA in practice or a proprietary firm of CA, 60 tax audit assignments, in a FY, whether in respect of corporate or non-corporate assesses.</p> <p>(b) in case of firm of CAs, 60 tax audit assignments per partner in the firm, in a FY, whether in respect of corporate or non-corporate assesses.</p>
	<p style="text-align: center;"><b>Points to remember</b></p> <ul style="list-style-type: none"> <li>• <b>In computing “specified number of tax audit assignments”, each financial year’s audit would be taken as a separate assignment.</b></li> <li>• <b>In computing “specified number of tax audit assignments”, number of such assignments, which he or any partner of his firm has accepted, whether singly or in combination with any other CAs in practice or firm of such Chartered Accountants, shall be taken into account.</b></li> <li>• <b>Audit of head office &amp; branch offices of an entity shall be regarded as single tax audit assignment.</b></li> <li>• <b>Audit of one or more branches of same entity by one CA in practice shall be construed as only one tax audit assignment.</b></li> </ul>
<b>Specified number of tax audit assignments in case of a Firm of CAs</b>	<ul style="list-style-type: none"> <li>• In case of a firm of CAs in practice, “specified number of tax audit assignments” shall be construed as specified number of tax audit assignments for each partner of the firm.</li> <li>• Limit on number of tax audit assignments per partner in a CA Firm cannot be distributed/or shared between the partners.</li> <li>• Where any partner of the firm is also a partner of any other firm or firms of CAs in practice, number of tax audit assignments which may be taken for all the firms put together in relation to such partner shall not exceed “specified number of tax audit assignments” in aggregate.</li> <li>• Where any partner of a firm of CAs in practice accepts one or more tax audit assignments in his individual capacity, total number of such assignments which may be accepted and signed by him shall not exceed “specified number of tax audit assignments” in the aggregate.</li> <li>• A CA being a part time practicing partner of a firm shall not be taken into account for the purpose of reckoning the tax audit assignments of the firm.</li> </ul>

<b>Exclusions</b>	<ul style="list-style-type: none"> <li>• Tax audit assignments arising out of requirements under Cl. (c), Cl. (d) and Cl. (e) of Sec. 44AB, in relation to persons covered under Secs. 44AE, 44ADA &amp; 44AD, respectively, shall not be taken into account for purpose of reckoning “specified number of tax audit assignments”.</li> <li>• In case of revision of tax audit report, revised tax audit report shall not be taken into account for the purpose of calculating “specified number of tax audit assignments”.</li> </ul>
<b>Record of Tax Audit Assignments</b>	A CA in practice shall maintain a record of the tax audit assignments accepted and signed by him in each FY in the format as may be provided by the Council.

### Revised Answers of Related Questions

<b>Q.1</b>	<p><b>A member of the institute shall not accept in a year more than the specified number of tax audits under section 44AB of the Income-tax Act.</b></p> <p><b>Mr. Gaurav is a partner in M/s XYZ &amp; Co., a firm of Chartered Accountants with 6 partners.</b></p> <p><b>During the assessment year 2026-27, Mr. Gaurav alone had signed 290 tax audit reports consisting of both corporate and non-corporate assessees.</b> <span style="float: right;"><b>[Nov. 16 (4 Marks)]</b></span></p>
	<p><b>Ans.: Signing of Tax Audit Report:</b></p> <ul style="list-style-type: none"> <li>• As per Clause 1 of Part II of Second Schedule to CA Act, 1949, a member of the Institute, whether in practice or not, shall be deemed to be guilty of professional misconduct, if he contravenes any of the provisions of this Act or the regulations made thereunder or any guidelines issued by the Council.</li> <li>• In accordance with the Chartered Accountants (Limit on Number of Tax Audits) Guidelines, 2025, A CA in practice shall not accept &amp; sign, in a financial year, more than “specified number of tax audit assignments”.</li> <li>• Specified number of tax audit assignments, in case of firm of CAs, means 60 tax audit assignments per partner in the firm, in a financial year, whether in respect of corporate or non-corporate assesses.</li> <li>• Said limit of 60 would be the aggregate limit in respect of all tax audits accepted and signed by a member, both in his individual capacity and as a partner of a firm(s). In other words, an individual member cannot sign more than 60 tax audit reports in a financial year. Limit on number of tax audit assignments per partner in a CA Firm cannot be distributed/or shared between the partners.</li> <li>• In the present case, there are six partners in the firm and hence the firm can accept 360 tax audit assignment; however, a partner can sign only 60 tax audit report on the behalf of the firm.</li> </ul> <p><b>Conclusion:</b> Mr. Gaurav has contravened the requirements of the Chartered Accountants (Limit on Number of Tax Audits) Guidelines, 2025, hence guilty of professional misconduct under Clause 1, Part II of Second Schedule to CA Act, 1949.</p>
<b>Q.2</b>	<p><b>M/S PQR &amp; Co. is a partnership firm of 3 partners P, Q and R. All partners are exclusively associated with the firm in practice and are not doing practice in individual capacity. For the year ended 31st March, 2026, the partners have undertaken audits and signed audit reports under section 44AB/ 44AD of the Income-tax Act, 1961 as under:</b></p>

	Under Section 44AB	Under Section 44AD
P	10	15
Q	60	5
R	100	5

Discuss whether there is any professional misconduct by the firm in regard to the aforesaid audits.

[Nov. 19 (4 Marks)]

**Revised Answer for May 2026 Exams & onwards**

**Ans.: Signing of Tax Audit Report:**

- As per Clause 1 of Part II of Second Schedule to CA Act, 1949, a member of the Institute, whether in practice or not, shall be deemed to be guilty of professional misconduct, if he contravenes any of the provisions of this Act or the regulations made thereunder or any guidelines issued by the Council.
- In accordance with the Chartered Accountants (Limit on Number of Tax Audits) Guidelines, 2025, A CA in practice shall not accept & sign, in a financial year, more than “specified number of tax audit assignments”.
- Specified number of tax audit assignments, in case of firm of CAs, means 60 tax audit assignments per partner in the firm, in a financial year, whether in respect of corporate or non-corporate assesses. Limit on number of tax audit assignments per partner in a CA Firm cannot be distributed/or shared between the partners.
- Tax audit assignments arising out of requirements under Cl. (c), Cl. (d) and Cl. (e) of Sec. 44AB, in relation to persons covered under Secs. 44AE, 44ADA & 44AD, respectively, shall not be taken into account for purpose of reckoning “specified number of tax audit assignments”.
- Said limit of 60 would be the aggregate limit in respect of all tax audits accepted and signed by a member, both in his individual capacity and as a partner of a firm(s). In other words, an individual member cannot sign more than 60 tax audit reports in a financial year.
- In the present case, there are three partners in the firm and hence the Firm can accept 180 tax audit assignment; Firm has accepted 170 tax audit assignments other than the audit u/s 44AD. Number of tax Audit assignments accepted and signed by Mr. P and Mr. Mr. Q is within the limits prescribed under Guidelines. However, number of tax audits assignments undertaken and signed by Mr. R exceeds the limit of 60 tax audit assignments.

**Conclusion:** Firm has contravened the requirements of the Chartered Accountants (Limit on Number of Tax Audits) Guidelines, 2025, as number of tax audit assignments in case of Mr. R exceeds the limit of 60; hence guilty of professional misconduct under Clause 1, Part II of Second Schedule to CA Act, 1949.

**Q.3**

**M/s JAZZ & Co. is a partnership firm consisting of two partners CA J and CA Z.**

**CA J is exclusively associated with the firm and is not doing practice in individual capacity, whereas CA Z is doing practice in his individual capacity also.**

**For the financial year 2026-27, the firm has already undertaken audits and signed audit reports under section 44AB/44AD of the Income Tax Act, 1961 as under:**

	Under section 44AB for corporate clients	Under section 44AB for non-corporate clients	Under section 44AD/44ADA
CA J	30	60	20
CA Z	5	10	12

For the financial year 2026-27, CA Z has undertaken audits in individual capacity and signed audit reports under section 44AB/44AD of the Income Tax Act, 1961 as under:

	Under section 44AB for corporate clients	Under section 44AB for non-corporate clients	Under section 44AD/44ADA
CA Z	4	9	8

For the financial year 2026-27, the firm is approached further to take up the following assignments:

3 tax audit assignments under section 44AB for corporate clients

4 tax audit assignments under section 44AD.

Advise whether the firm should accept the further tax audit assignments for the financial year 2023-24 as above in the light of professional code of conduct. [May 25 (5 Marks)]

#### Revised Answer for May 2026 Exams & onwards

#### Ans.: Signing of Tax Audit Report:

- As per Clause 1 of Part II of Second Schedule to CA Act, 1949, a member of the Institute, whether in practice or not, shall be deemed to be guilty of professional misconduct, if he contravenes any of the provisions of this Act or the regulations made thereunder or any guidelines issued by the Council.
- In accordance with the Chartered Accountants (Limit on Number of Tax Audits) Guidelines, 2025, A CA in practice shall not accept & sign, in a financial year, more than "specified number of tax audit assignments".
- Specified number of tax audit assignments, in case of firm of CAs, means 60 tax audit assignments per partner in the firm, in a financial year, whether in respect of corporate or non-corporate assesses. Limit on number of tax audit assignments per partner in a CA Firm cannot be distributed/or shared between the partners.
- Tax audit assignments arising out of requirements under Cl. (c), Cl. (d) and Cl. (e) of Sec. 44AB, in relation to persons covered under Secs. 44AE, 44ADA & 44AD, respectively, shall not be taken into account for purpose of reckoning "specified number of tax audit assignments".
- Said limit of 60 would be the aggregate limit in respect of all tax audits accepted and signed by a member, both in his individual capacity and as a partner of a firm(s). In other words, an individual member cannot sign more than 60 tax audit reports in a financial year.
- In the present case, there are two partners in the firm and hence the Firm can accept 120 tax audit assignment; Firm has accepted 105 tax audit assignments other than the audit u/s 44AD. Number of tax Audit assignments accepted and signed by Mr. J is 90 which exceeds the limit of 60 prescribed under Guidelines. However, number of tax audits assignments undertaken and signed by Mr. Z in aggregate is 28 (15 on behalf of Firm and 13 in Individual Capacity)

**Conclusion:** Firm has contravened the requirements of the Chartered Accountants (Limit on Number of Tax Audits) Guidelines, 2025, as number of tax audit assignments in case of Mr. J exceeds the limit of 60; hence guilty of professional misconduct under Cl. 1, Part II of Second Schedule to CA Act, 1949.

Total No. of Tax Audit assignments Firm can accept is 120; whereas total no. of audit assignments undertaken by the Partner CA J and CA Z is 118; therefore, Firm can accept 2 tax audit assignments u/s 44AB for corporate clients and 4 tax audit assignments u/s 44AD considering that audit assignments u/s 44AB to be undertaken and signed by CA Z.

**Note: Alternate Answer possible with different interpretation.**



Link for Resources (Revision Videos, MTPs, Amendments, Charts, etc.)			
1	Youtube Channel	<a href="https://www.youtube.com/@altclassesca9193">https://www.youtube.com/@altclassesca9193</a>	
2	Telegram Channel	<a href="https://t.me/altclasses">https://t.me/altclasses</a>	
3	Whatsapp Group for Doubts	<a href="https://chat.whatsapp.com/LSDM362giy2ErmRgTi7ceA">https://chat.whatsapp.com/LSDM362giy2ErmRgTi7ceA</a>	
4	LMS Link	<a href="https://altclasses.in/knowledge-forum-ca-final/">https://altclasses.in/knowledge-forum-ca-final/</a>	
5	Contact Number	<b>9319805511, 7206941195</b>	CA Pankaj Garg
6	Website Link	<a href="https://altclasses.in/">https://altclasses.in/</a>	