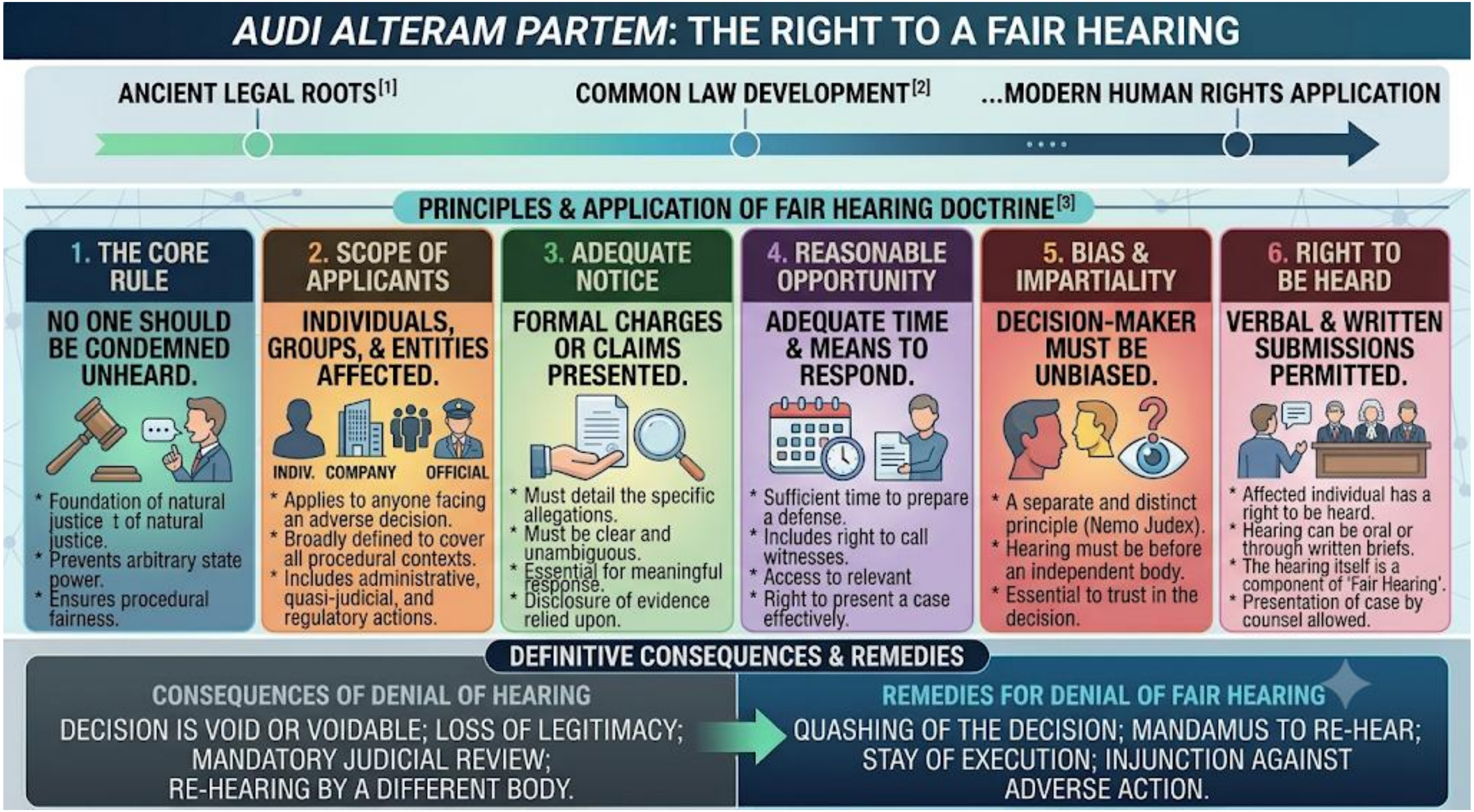
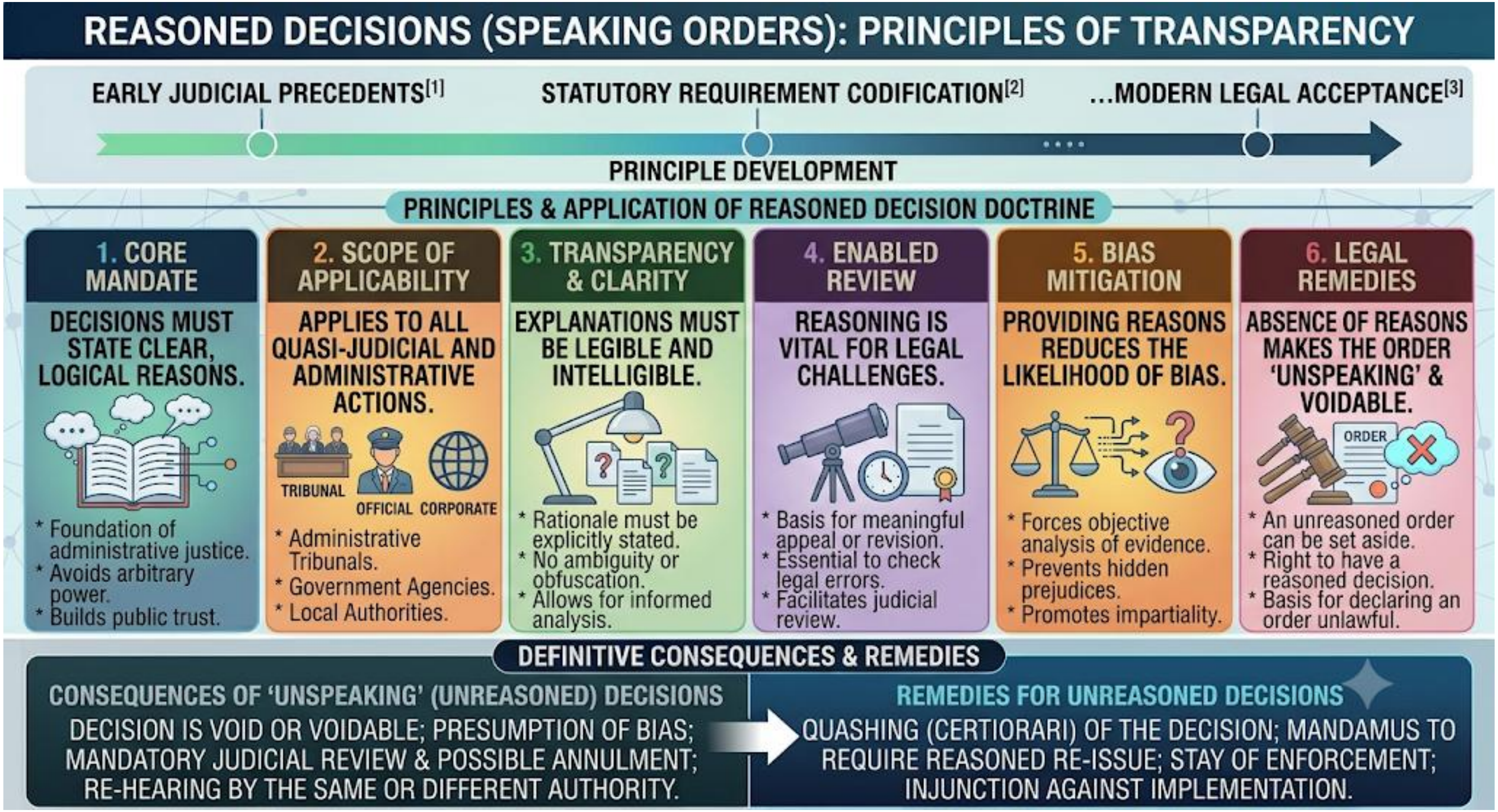
Measures to Address Ex Parte Assessment, Delay in Appeal, Notices Escaping Attention

DR SUHAS KULKARNI

- What we expect from AO


PRINCIPLES OF NATURAL JUSTICE
LEGAL ORIGINS (Natural Justice)
HISTORICAL CASES
...MODERN APPLICATION
LEGAL DOCTRINE DEVELOPMENT & APPLICATION
1. THE CORE PRINCIPLE
NO PERSON SHOULD ACT AS A JUDGE IN THEIR OWN CASE.
* A direct command to disqualify decision-makers.
* Ensures that no private interest can taint a public decision.
* The foundational rule for bias prevention.
2. SCOPE OF APPLICATION
APPLIES TO ALL DECISION-MAKERS AND ADJUDICATORS.
ARBITRATOR
* Covers judges, arbitrators, tribunal members, and administrative panels.
* Extends beyond courtrooms to all quasi-judicial bodies.
* Essential in public and private law.
3. PECUNIARY INTEREST BIAS
ANY PERSONAL FINANCIAL INTEREST
CONTRACT
ANY PERSONAL FINANCIAL INTEREST IN THE OUTCOME.
* Direct or indirect monetary gain.
* Ownership of property or shares related to the case.
* Employment of a party by the decision-maker.
4. OFFICIAL INTEREST BIAS
PERSONAL BIAS BASED ON PREJUDICE OR RELATIONSHIP.
* Family or close personal relationships with a party.
* Pre-conceived opinions about the subject matter.
* Animosity towards a party.
5. OTHER PERSONAL INTEREST BIAS
DIRECT CONFLICT OF INTEREST IN DECISION-MAKING.
CONFLICT
* Prior involvement in the case in another capacity (e.g., as counsel or witness).
* Advocacy for a position that could affect the outcome.
* A clear and significant direct interest.
6. WAIVER AND DISQUALIFICATION
OBLIGATION TO DISCLOSE CONFLICTS AND REQUIREMENT FOR IMPARTIALITY.
* Decision-makers must proactively disclose any potential bias.
* Parties may challenge the impartiality of an adjudicator.
* Failure to act impartially invalidates the decision.
DEFINITIVE CONSEQUENCES & REMEDIES
CONSEQUENCES OF BIAS-TAINTED DECISIONS
DECISION IS VOID OR VOIDABLE; LOSS OF PUBLIC CONFIDENCE; REQUIRED RE-HEARING BY AN IMPARTIAL BODY; LEGAL CHALLENGE AND REVIEW.
REMEDIES FOR APPARENT BIAS
MANDATORY DISQUALIFICATION; PROACTIVE RECUSAL BY DECISION-MAKER; COURT ORDER OR JUDICIAL REVIEW; REVERSAL OF PREVIOUS DECISION.


AUDI ALTERAM PARTEM: THE RIGHT TO A FAIR HEARING
ANCIENT LEGAL ROOTS[1]
COMMON LAW DEVELOPMENT[2]
...MODERN HUMAN RIGHTS APPLICATION
PRINCIPLES & APPLICATION OF FAIR HEARING DOCTRINE[3]
1. THE CORE RULE
NO ONE SHOULD BE CONDEMNED UNHEARD.
* Foundation of natural justice t of natural justice.
* Prevents arbitrary state power.
* Ensures procedural fairness.
2. SCOPE OF APPLICANTS
INDIVIDUALS, GROUPS, & ENTITIES AFFECTED.
INDIV.
COMPANY
OFFICIAL
* Applies to anyone facing an adverse decision.
* Broadly defined to cover all procedural contexts.
* Includes administrative, quasi-judicial, and regulatory actions.
3. ADEQUATE NOTICE
FORMAL CHARGES OR CLAIMS PRESENTED.
* Must detail the specific allegations.
* Must be clear and unambiguous.
* Essential for meaningful response.
* Disclosure of evidence relied upon.
4. REASONABLE OPPORTUNITY
ADEQUATE TIME & MEANS TO RESPOND.
* Sufficient time to prepare a defense.
* Includes right to call witnesses.
* Access to relevant
* Right to present a case effectively.
5. BIAS & IMPARTIALITY
DECISION-MAKER MUST BE UNBIASED.
* A separate and distinct principle (Nemo Judex).
* Hearing must be before an independent body.
* Essential to trust in the decision.
6. RIGHT TO BE HEARD
VERBAL & WRITTEN SUBMISSIONS PERMITTED.
* Affected individual has a right to be heard.
* Hearing can be oral or through written briefs.
* The hearing itself is a component of 'Fair Hearing'.
* Presentation of case by counsel allowed.
DEFINITIVE CONSEQUENCES & REMEDIES
CONSEQUENCES OF DENIAL OF HEARING
DECISION IS VOID OR VOIDABLE; LOSS OF LEGITIMACY; MANDATORY JUDICIAL REVIEW; RE-HEARING BY A DIFFERENT BODY.
REMEDIES FOR DENIAL OF FAIR HEARING
QUASHING OF THE DECISION; MANDAMUS TO RE-HEAR; STAY OF EXECUTION; INJUNCTION AGAINST ADVERSE ACTION.


REASONED DECISIONS (SPEAKING ORDERS): PRINCIPLES OF TRANSPARENCY
EARLY JUDICIAL PRECEDENTS[1]
STATUTORY REQUIREMENT CODIFICATION[2]
...MODERN LEGAL ACCEPTANCE[3]
PRINCIPLE DEVELOPMENT
PRINCIPLES & APPLICATION OF REASONED DECISION DOCTRINE
1. CORE MANDATE
DECISIONS MUST STATE CLEAR, LOGICAL REASONS.
* Foundation of administrative justice.
* Avoids arbitrary power.
* Builds public trust.
2. SCOPE OF APPLICABILITY
APPLIES TO ALL QUASI-JUDICIAL AND ADMINISTRATIVE ACTIONS.
TRIBUNAL
OFFICIAL
CORPORATE
* Administrative Tribunals.
* Government Agencies.
* Local Authorities.
3. TRANSPARENCY & CLARITY
EXPLANATIONS MUST BE LEGIBLE AND INTELLIGIBLE.
* Rationale must be explicitly stated.
* No ambiguity or obfuscation.
* Allows for informed analysis.
4. ENABLED REVIEW
REASONING IS VITAL FOR LEGAL CHALLENGES.
* Basis for meaningful appeal or revision.
* Essential to check legal errors.
* Facilitates judicial review.
5. BIAS MITIGATION
PROVIDING REASONS REDUCES THE LIKELIHOOD OF BIAS.
* Forces objective analysis of evidence.
* Prevents hidden prejudices.
* Promotes impartiality.
6. LEGAL REMEDIES
ABSENCE OF REASONS MAKES THE ORDER 'UNSPEAKING' & VOIDABLE.
ORDER
* An unreasoned order can be set aside.
* Right to have a reasoned decision.
* Basis for declaring an order unlawful.
DEFINITIVE CONSEQUENCES & REMEDIES
CONSEQUENCES OF 'UNSPEAKING' (UNREASONED) DECISIONS
DECISION IS VOID OR VOIDABLE; PRESUMPTION OF BIAS; MANDATORY JUDICIAL REVIEW & POSSIBLE ANNULMENT; RE-HEARING BY THE SAME OR DIFFERENT AUTHORITY.
REMEDIES FOR UNREASONED DECISIONS
QUASHING (CERTIORARI) OF THE DECISION; MANDAMUS TO REQUIRE REASONED RE-ISSUE; STAY OF ENFORCEMENT; INJUNCTION AGAINST IMPLEMENTATION.

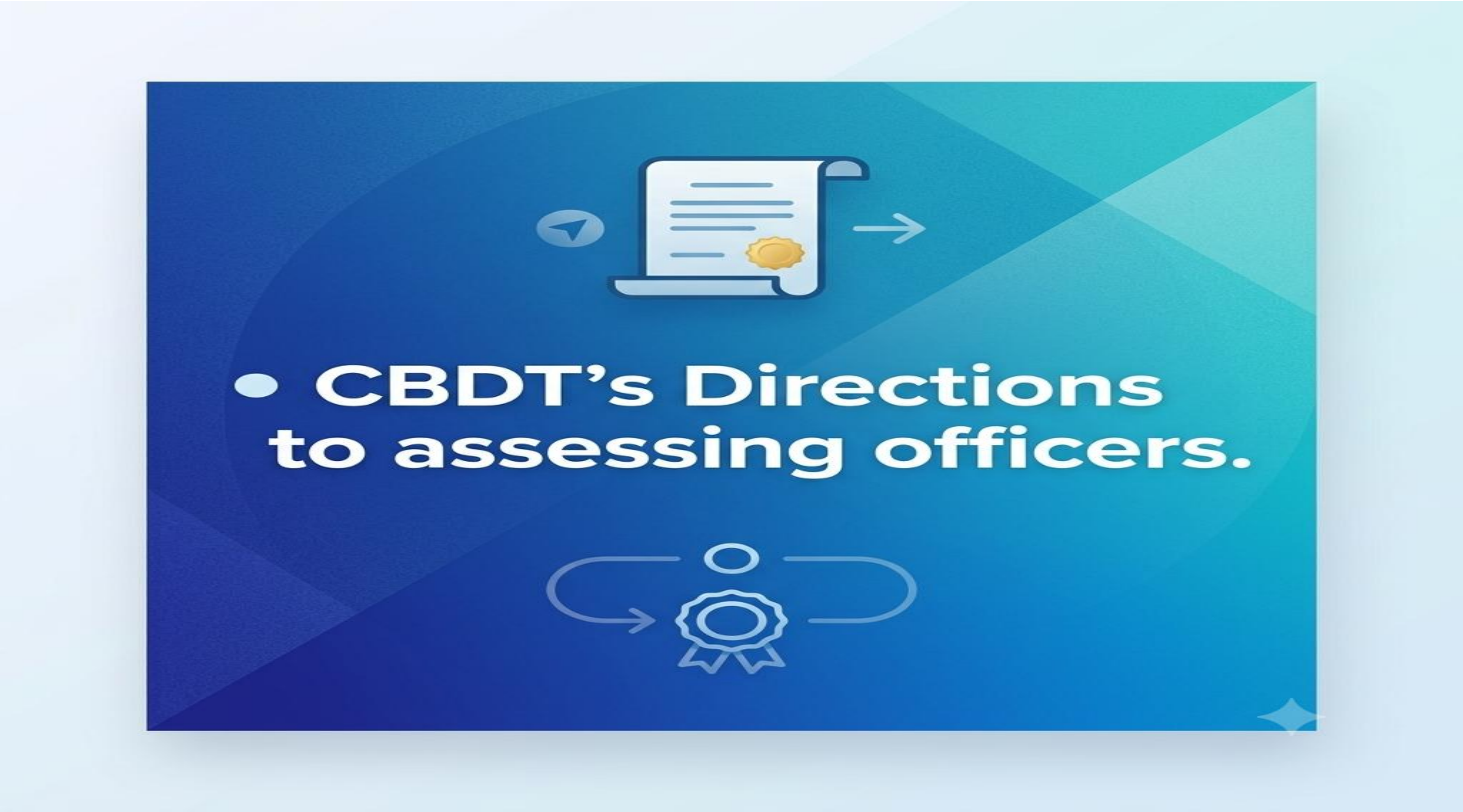
- AO-Quasi Judicial Authority

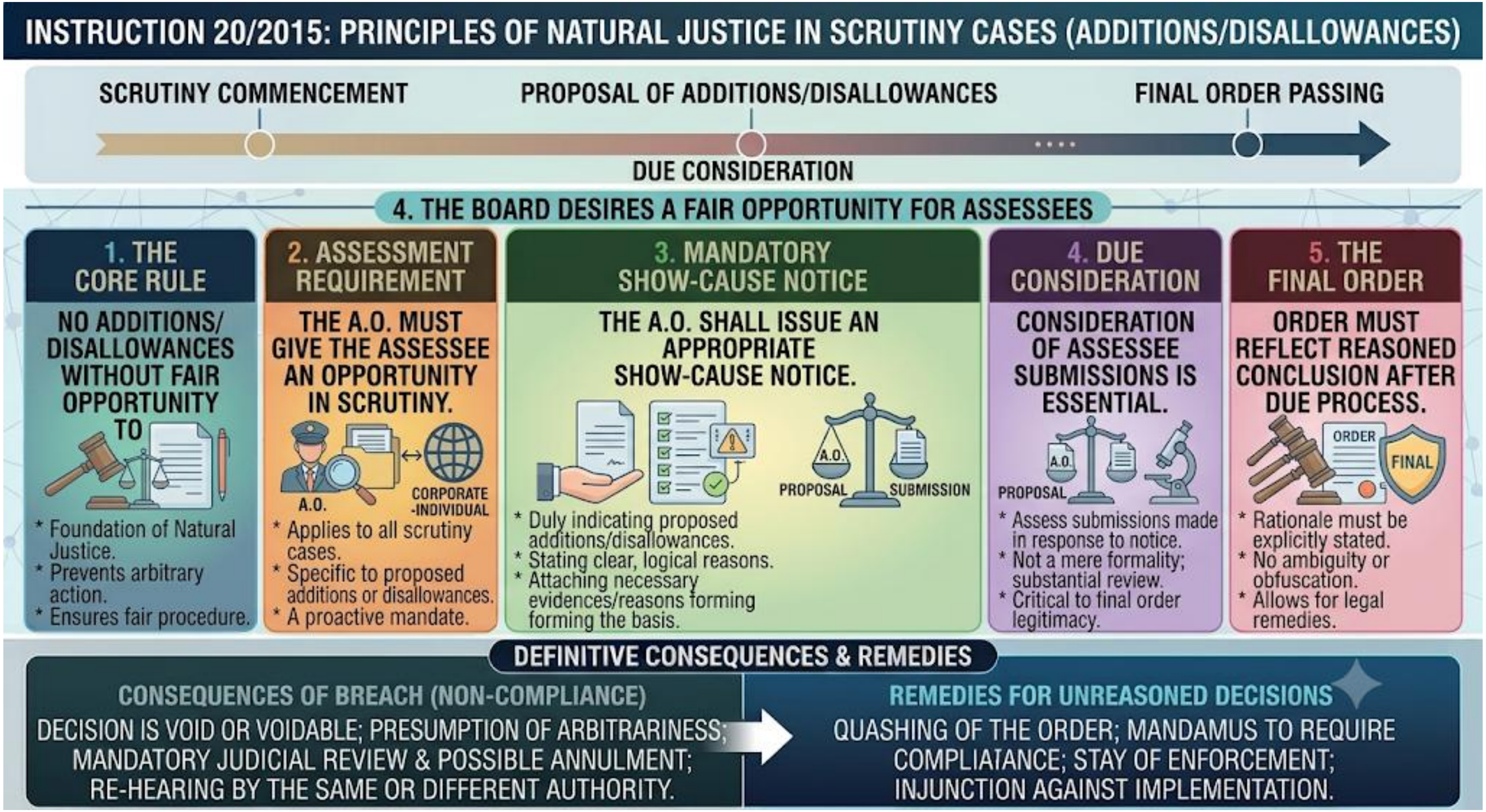

QUASI-JUDICIAL AUTHORITIES (e.g., ADJUDICATING OFFICERS): OVERVIEW AND LIMITATIONS:
What is a Quasi-Judicial Authority?
Powers similar to a traditional Court
INTERPRET LAWS
RESOLVE DISPUTES
PASS BINDING ORDERS
COMPARISON TO TRADITIONAL COURTS
ADVANTAGES
FASTER & RESOLUTION
CHEAPER RESOLUTION
BUT INHERENT LIMITATIONS
LIMITATIONS OF A QUASI-JUDICIAL AUTHORITY
1 COMPROMISED INDEPENDENCE
May be subject to influence from appointing authority
2 LACK OF LEGAL EXPERTISE
Members may lack deep legal training compared to judges
3 VIOLATION OF NATURAL JUSTICE
SPEED
PROCEDURE/ DUE PROCESS
DUE PROCESS
To maintain speed, not bound by strict codes like Civil Procedure Code (CPC) or Law of Evidence
4 LIMITED POWERS AND ENFORCEMENT ISSUES
Cannot punish for disobeying orders; reliant on Civil Courts for enforcement

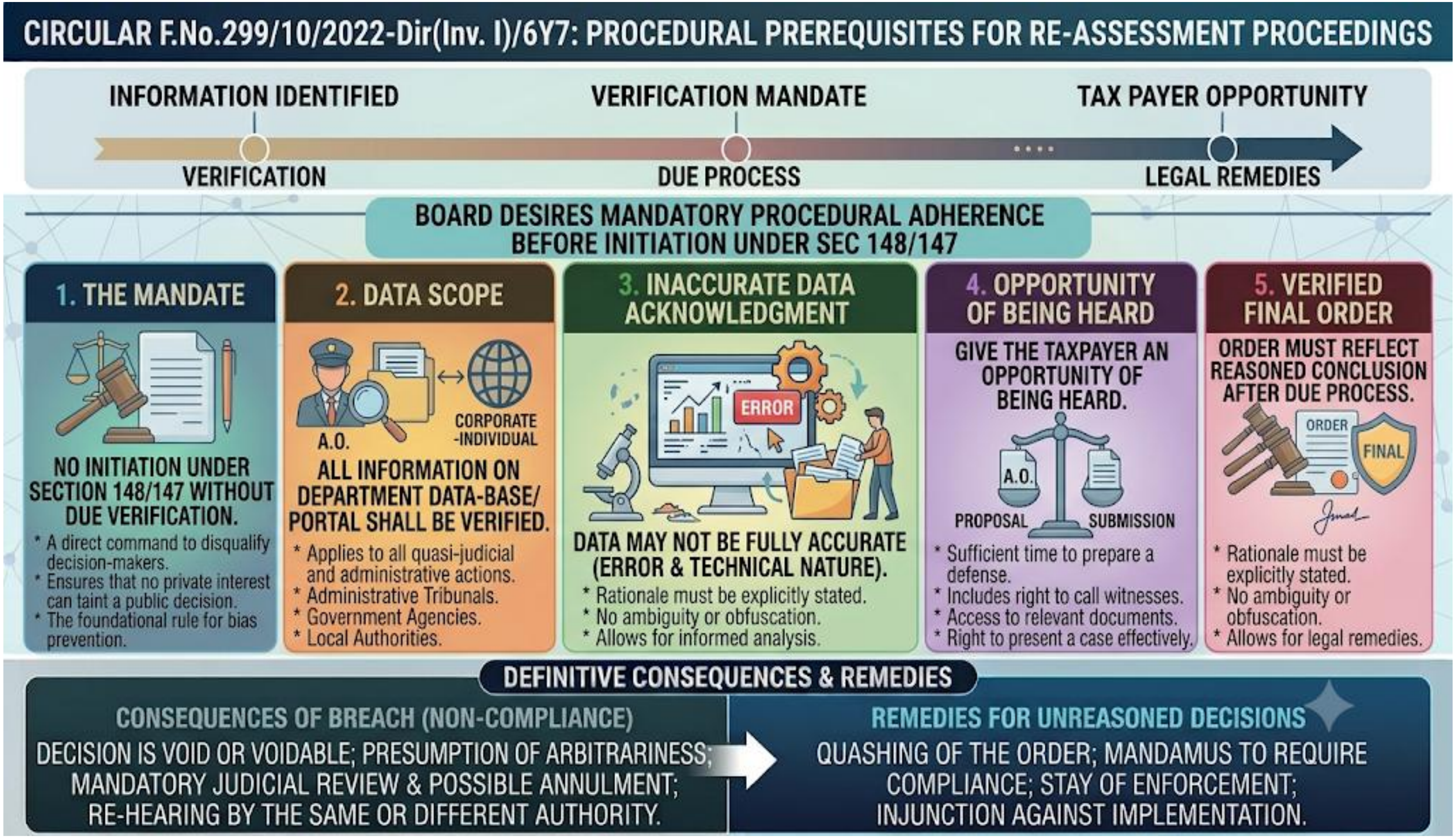
- Mandate of IT Act (Provisions referred relates to 1961 Act)

MANDATES OF THE IT ACT (1961)

Section	Context	Right to be Heard?
142(1)	inquiry before assessment	Subsection (3) explicites that an opportunity of being heard shall be given
143(2)	Scrutiny assessment	Assessee is given a chance to explain
144	Best judgment assessment	Only after non-compliance with notice under Section 142/143
144B	Faceless assessment procedure	Personal hearing only if significant variation exists and specifically requested only
147/148	Reassessment Proceedings	A show cause notice under Section 148A(b) must be issued
148A	Opportunity before issuing notice under Section 148	Express Codification of Audi Alterum Partum
153C	Assessment of income of any other person (search cases)	Issuance of notice followed by an opportunity to be heard
274(1)	Penalty proceedings	Assessee must be given a reasonable opportunity to be heard


• CBDT’s Directions
to assessing officers.


INSTRUCTION 20/2015: PRINCIPLES OF NATURAL JUSTICE IN SCRUTINY CASES (ADDITIONS/DISALLOWANCES)
SCRUTINY COMMENCEMENT
PROPOSAL OF ADDITIONS/DISALLOWANCES
FINAL ORDER PASSING
DUE CONSIDERATION
4. THE BOARD DESIRES A FAIR OPPORTUNITY FOR ASSESSEES
1. THE CORE RULE
NO ADDITIONS/ DISALLOWANCES WITHOUT FAIR OPPORTUNITY TO
* Foundation of Natural Justice.
* Prevents arbitrary action.
* Ensures fair procedure.
2. ASSESSMENT REQUIREMENT
THE A.O. MUST GIVE THE ASSESSEE AN OPPORTUNITY IN SCRUTINY.
A.O.
CORPORATE -INDIVIDUAL
* Applies to all scrutiny cases.
* Specific to proposed additions or disallowances.
* A proactive mandate.
3. MANDATORY SHOW-CAUSE NOTICE
THE A.O. SHALL ISSUE AN APPROPRIATE SHOW-CAUSE NOTICE.
A.O.
PROPOSAL
SUBMISSION
* Duly indicating proposed additions/disallowances.
* Stating clear, logical reasons.
* Attaching necessary evidences/reasons forming forming the basis.
4. DUE CONSIDERATION
CONSIDERATION OF ASSESSEE SUBMISSIONS IS ESSENTIAL.
A.O.
PROPOSAL
* Assess submissions made in response to notice.
* Not a mere formality; substantial review.
* Critical to final order legitimacy.
5. THE FINAL ORDER
ORDER MUST REFLECT REASONED CONCLUSION AFTER DUE PROCESS.
ORDER
FINAL
* Rationale must be explicitly stated.
* No ambiguity or obfuscation.
* Allows for legal remedies.
DEFINITIVE CONSEQUENCES & REMEDIES
CONSEQUENCES OF BREACH (NON-COMPLIANCE)
DECISION IS VOID OR VOIDABLE; PRESUMPTION OF ARBITRARINESS; MANDATORY JUDICIAL REVIEW & POSSIBLE ANNULMENT; RE-HEARING BY THE SAME OR DIFFERENT AUTHORITY.
REMEDIES FOR UNREASONED DECISIONS
QUASHING OF THE ORDER; MANDAMUS TO REQUIRE COMPLIATANCE; STAY OF ENFORCEMENT; INJUNCTION AGAINST IMPLEMENTATION.


CIRCULAR F.No.299/10/2022-Dir(Inv. I)/6Y7: PROCEDURAL PREREQUISITES FOR RE-ASSESSMENT PROCEEDINGS
INFORMATION IDENTIFIED
VERIFICATION MANDATE
TAX PAYER OPPORTUNITY
VERIFICATION
DUE PROCESS
LEGAL REMEDIES
BOARD DESIRES MANDATORY PROCEDURAL ADHERENCE BEFORE INITIATION UNDER SEC 148/147
1. THE MANDATE
NO INITIATION UNDER SECTION 148/147 WITHOUT DUE VERIFICATION.
* A direct command to disqualify decision-makers.
* Ensures that no private interest can taint a public decision.
* The foundational rule for bias prevention.
2. DATA SCOPE
A.O.
CORPORATE -INDIVIDUAL
ALL INFORMATION ON DEPARTMENT DATA-BASE/ PORTAL SHALL BE VERIFIED.
* Applies to all quasi-judicial and administrative actions.
* Administrative Tribunals.
* Government Agencies.
* Local Authorities.
3. INACCURATE DATA ACKNOWLEDGMENT
ERROR
DATA MAY NOT BE FULLY ACCURATE (ERROR & TECHNICAL NATURE).
* Rationale must be explicitly stated.
* No ambiguity or obfuscation.
* Allows for informed analysis.
4. OPPORTUNITY OF BEING HEARD
GIVE THE TAXPAYER AN OPPORTUNITY OF BEING HEARD.
A.O.
PROPOSAL
SUBMISSION
* Sufficient time to prepare a defense.
* Includes right to call witnesses.
* Access to relevant documents.
* Right to present a case effectively.
5. VERIFIED FINAL ORDER
ORDER MUST REFLECT REASONED CONCLUSION AFTER DUE PROCESS.
ORDER
FINAL
* Rationale must be explicitly stated.
* No ambiguity or obfuscation.
* Allows for legal remedies.
DEFINITIVE CONSEQUENCES & REMEDIES
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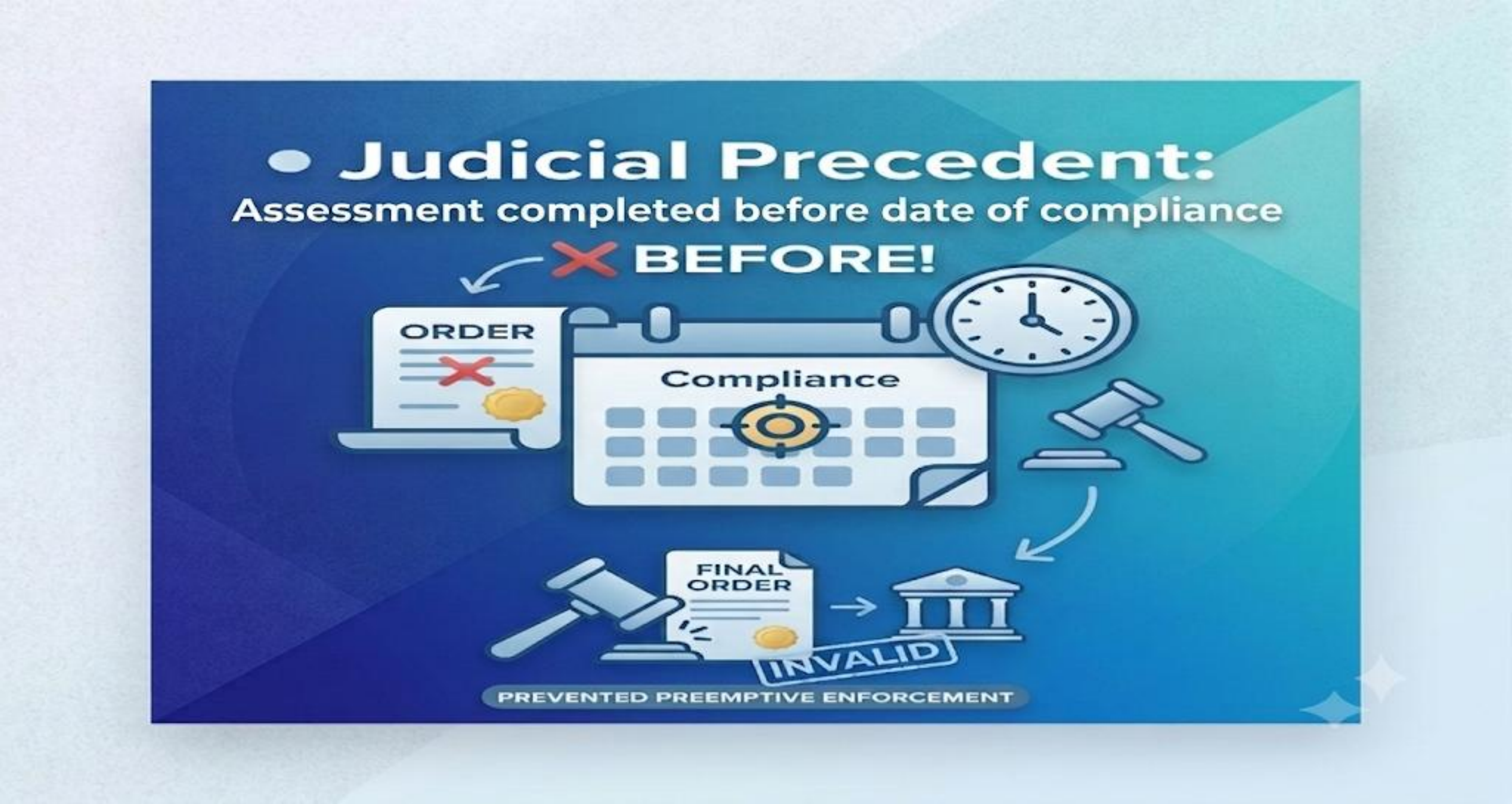
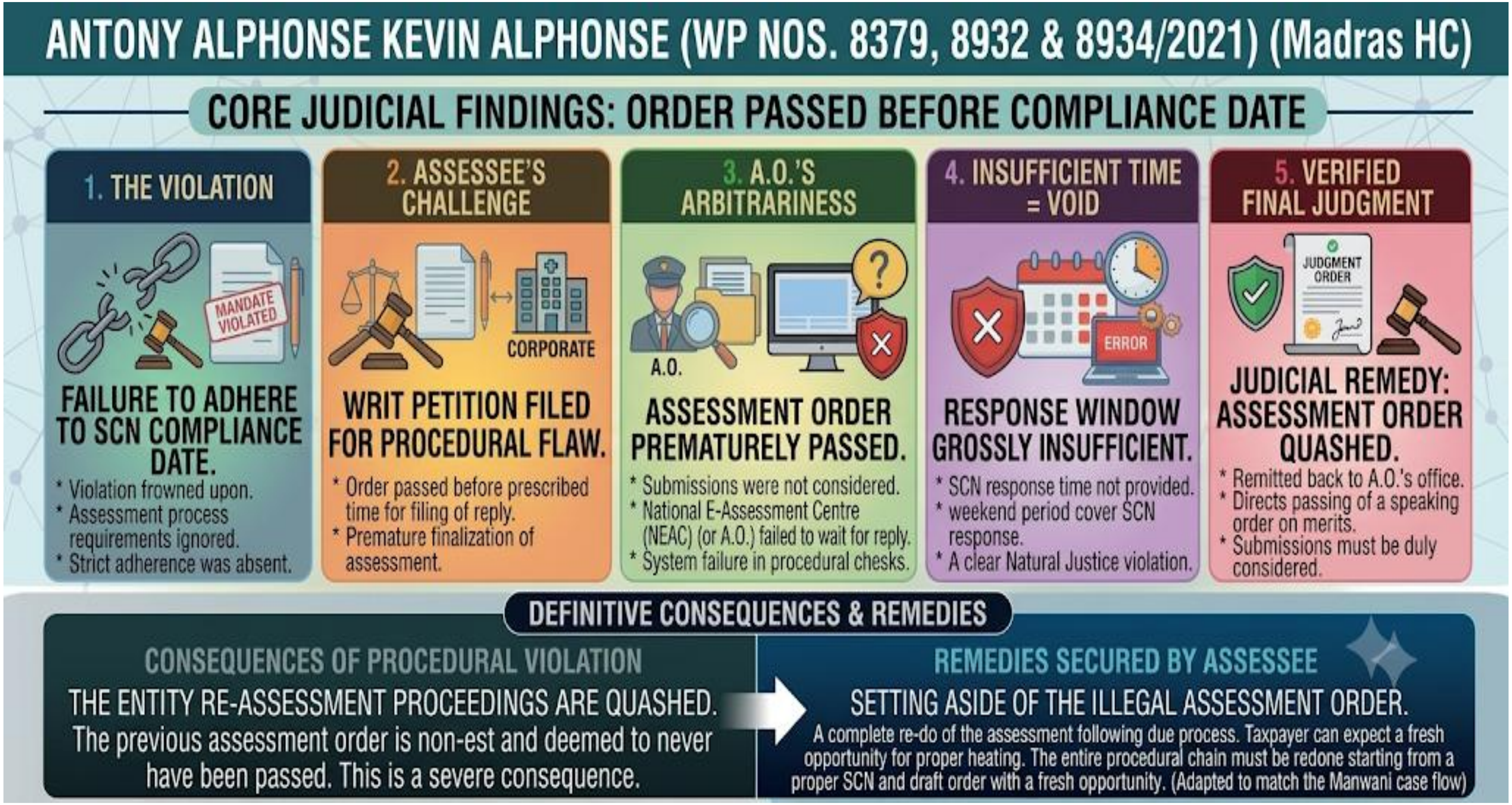
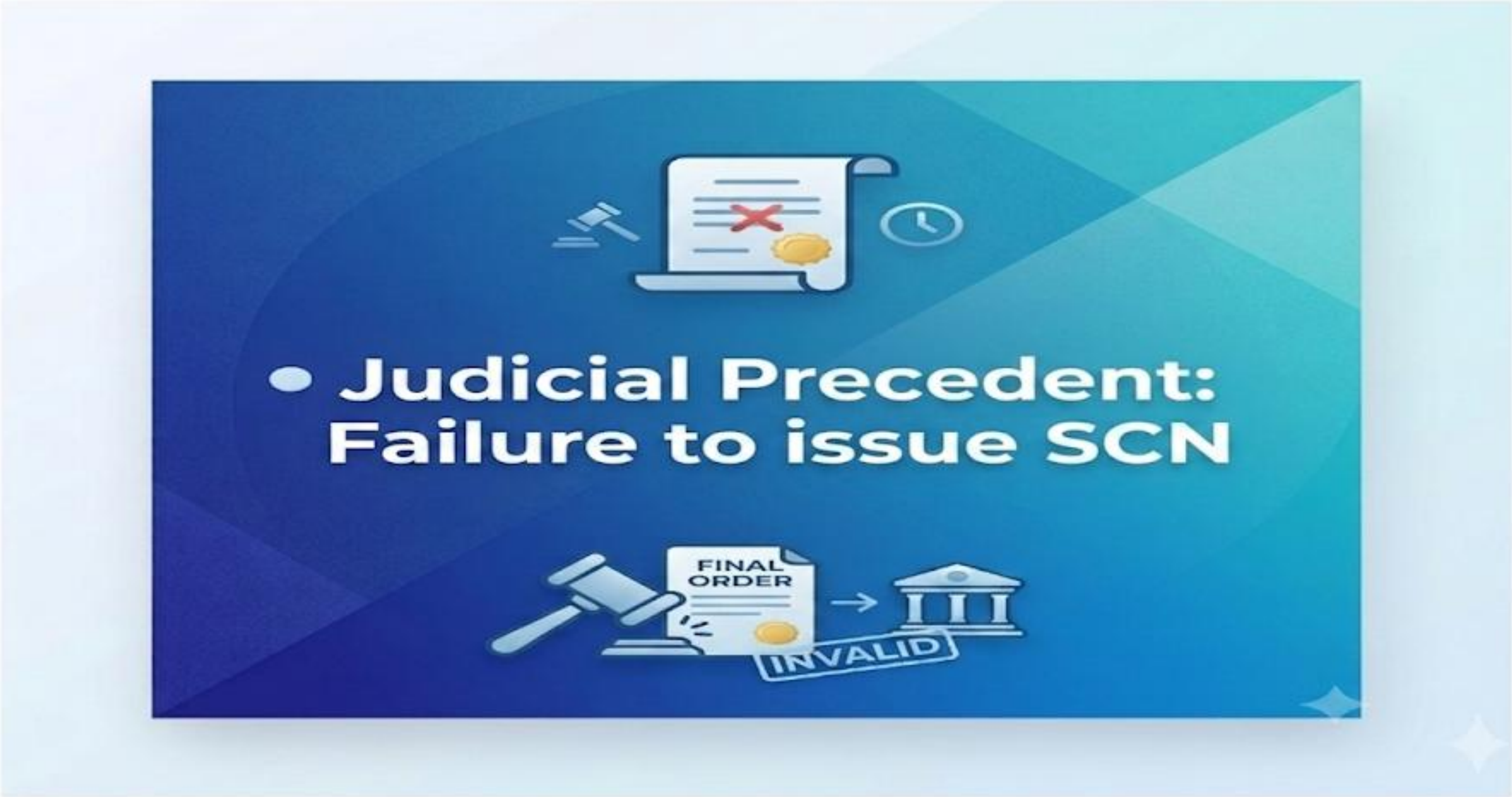
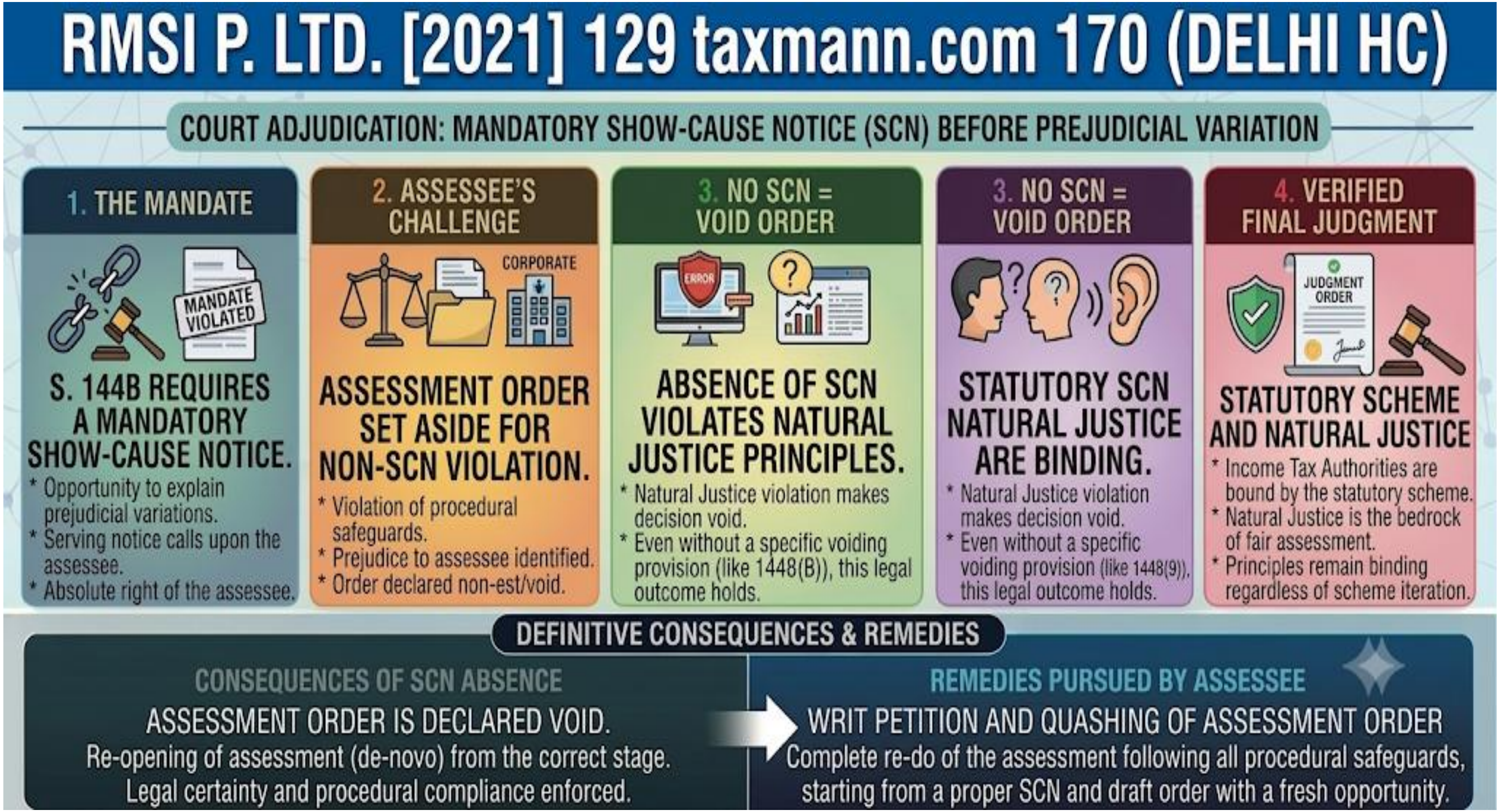
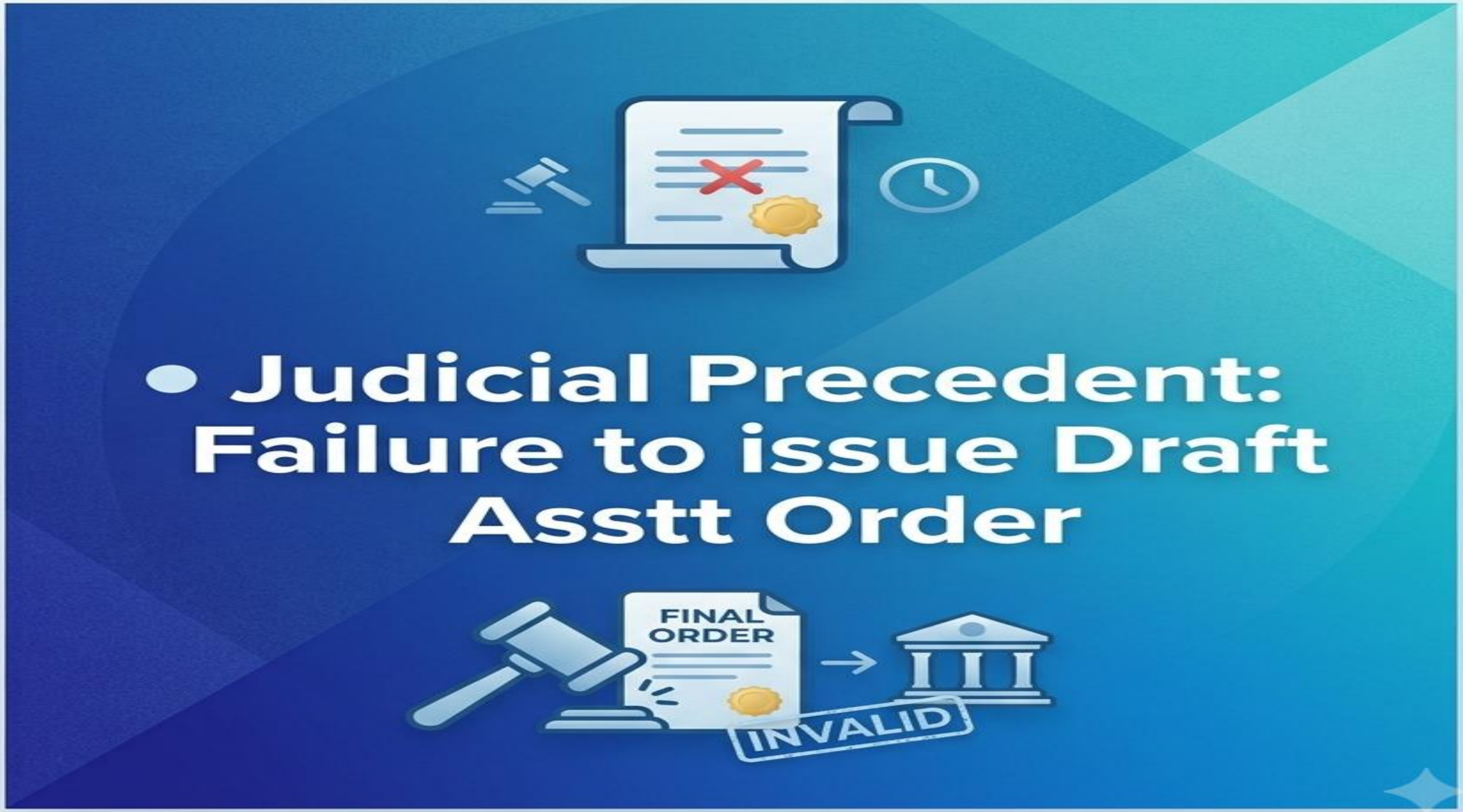

• Judicial Precedent:
Assessment completed before date of compliance
BEFORE!
ORDER
Compliance
FINAL ORDER
INVALID
PREVENTED PREEMPTIVE ENFORCEMENT


ANTONY ALPHONSE KEVIN ALPHONSE (WP NOS. 8379, 8932 & 8934/2021) (Madras HC)
CORE JUDICIAL FINDINGS: ORDER PASSED BEFORE COMPLIANCE DATE
1. THE VIOLATION
MANDATE VIOLATED
FAILURE TO ADHERE TO SCN COMPLIANCE DATE.
* Violation frowned upon.
* Assessment process requirements ignored.
* Strict adherence was absent.
2. ASSESSEE'S CHALLENGE
CORPORATE
WRIT PETITION FILED FOR PROCEDURAL FLAW.
* Order passed before prescribed time for filing of reply.
* Premature finalization of assessment.
3. A.O.'S ARBITRARINESS
A.O.
ASSESSMENT ORDER PREMATURELY PASSED.
* Submissions were not considered.
* National E-Assessment Centre (NEAC) (or A.O.) failed to wait for reply.
* System failure in procedural chesks.
4. INSUFFICIENT TIME = VOID
ERROR
RESPONSE WINDOW GROSSLY INSUFFICIENT.
* SCN response time not provided.
* weekend period cover SCN response.
* A clear Natural Justice violation.
5. VERIFIED FINAL JUDGMENT
JUDGMENT ORDER
JUDICIAL REMEDY: ASSESSMENT ORDER QUASHED.
* Remitted back to A.O.'s office.
* Directs passing of a speaking order on merits.
* Submissions must be duly considered.
DEFINITIVE CONSEQUENCES & REMEDIES
CONSEQUENCES OF PROCEDURAL VIOLATION
THE ENTITY RE-ASSESSMENT PROCEEDINGS ARE QUASHED.
The previous assessment order is non-est and deemed to never have been passed. This is a severe consequence.
REMEDIES SECURED BY ASSESSEE
SETTING ASIDE OF THE ILLEGAL ASSESSMENT ORDER.
A complete re-do of the assessment following due process. Taxpayer can expect a fresh opportunity for proper heating. The entire procedural chain must be redone starting from a proper SCN and draft order with a fresh opportunity. (Adapted to match the Manwani case flow)


Judicial Precedent:
Failure to issue SCN
FINAL ORDER
INVALID


RMSI P. LTD. [2021] 129 taxmann.com 170 (DELHI HC)
COURT ADJUDICATION: MANDATORY SHOW-CAUSE NOTICE (SCN) BEFORE PREJUDICIAL VARIATION
1. THE MANDATE
MANDATE VIOLATED
S. 144B REQUIRES A MANDATORY SHOW-CAUSE NOTICE.
* Opportunity to explain prejudicial variations.
* Serving notice calls upon the assessee.
* Absolute right of the assessee.
2. ASSESSEE'S CHALLENGE
CORPORATE
ASSESSMENT ORDER SET ASIDE FOR NON-SCN VIOLATION.
* Violation of procedural safeguards.
* Prejudice to assessee identified.
* Order declared non-est/void.
3. NO SCN = VOID ORDER
ERROR
ABSENCE OF SCN VIOLATES NATURAL JUSTICE PRINCIPLES.
* Natural Justice violation makes decision void.
* Even without a specific voiding provision (like 1448(B)), this legal outcome holds.
3. NO SCN = VOID ORDER
STATUTORY SCN NATURAL JUSTICE ARE BINDING.
* Natural Justice violation makes decision void.
* Even without a specific voiding provision (like 1448(9)), this legal outcome holds.
4. VERIFIED FINAL JUDGMENT
JUDGMENT ORDER
STATUTORY SCHEME AND NATURAL JUSTICE
* Income Tax Authorities are bound by the statutory scheme.
* Natural Justice is the bedrock of fair assessment.
* Principles remain binding regardless of scheme iteration.
DEFINITIVE CONSEQUENCES & REMEDIES
CONSEQUENCES OF SCN ABSENCE
ASSESSMENT ORDER IS DECLARED VOID.
Re-opening of assessment (de-novo) from the correct stage.
Legal certainty and procedural compliance enforced.
REMEDIES PURSUED BY ASSESSEE
WRIT PETITION AND QUASHING OF ASSESSMENT ORDER
Complete re-do of the assessment following all procedural safeguards, starting from a proper SCN and draft order with a fresh opportunity.


• Judicial Precedent: Failure to issue Draft Asstt Order
FINAL ORDER
INVALID

Chander Arjandas Manwani | 130 taxmann.com 445 (Bombay)

FACTS

18-1-2021 — Show Cause Notice 1 (SCN 1)
Why dies the assessment should n't follow Draft Assessment Order? Asks me: if any any personal hearing request by **22-1-2021**

26-1-2021 to 1-2-2021 — Assessee's Response
- Request for time
- Information submission
- **Request for Personal Hearing**

1-2-2021 — Show Cause Notice 2 (SCN 2)
Seeks more documentary evidence

2-3-2021 — Assessment Order (AO)
Passed **without** personal hearing

WRIT PETITION FILED BY ASSESSEE

HELD

Grounds for Setting Aside the Assessment Order

1 Non-Granting of Personal Hearing [Para 6]

My oral submissions?

Notices allowed for a personal hearing via video conferencing. The assessee repeatedly requested it (26-1-2021, 27-1-2021, 5-2-2021).

The revenue ignored the request and did not justify the refusal in the AO.

This ground alone is sufficient to set aside the order.

2 Non-Furnishing of Draft Assessment Order [Para 7]

SCN 2 (Seeking Evidences)

The AO falsely claimed a Draft Assessment Order was sent with SCN 2 on 1-2-2021.

The SCN 2 only sought new documentary evidence.

The affidavit showed the Draft AO was only generated in the ITBA system on 25-5-2021.

No Draft AO was ever issued.

Breach of Faceless Assessment Scheme, 2019

Faceless Assessment Scheme, 2019 (Notif. No. 60/2020 & Circular dated 13-8-2020)

1 Mandatory Procedure for Modification [Para 7]

Proposed Modification → National e-Assessment Centre must serve Notice showing cause as per Draft Assessment Order → Not Complied With (Paras 10)

2 Consequence of Non-Conformity

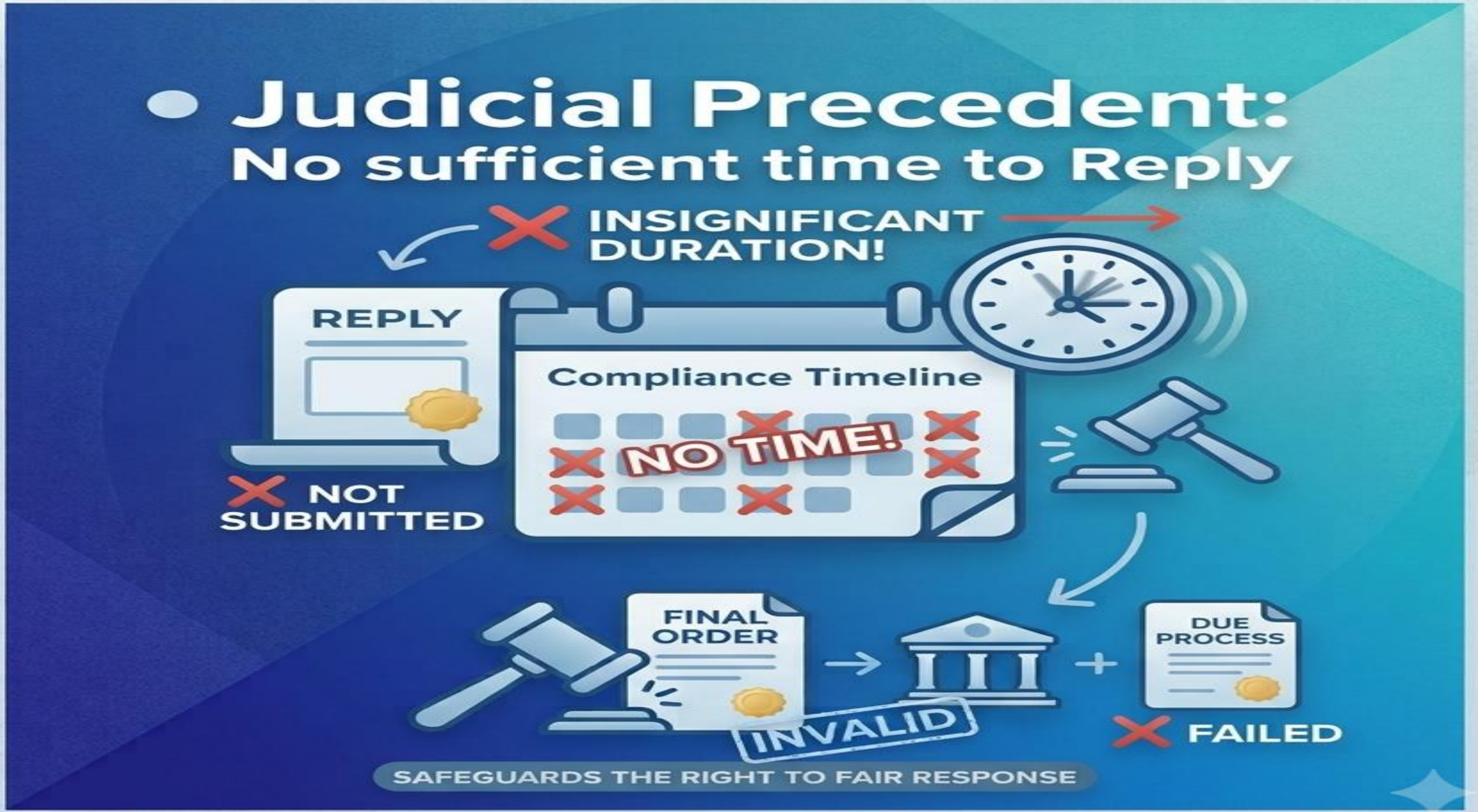
CBDT Circular dated 13-8-2020 requires all assessment orders to pass pass through the Faceless Assessment Scheme, 2019 (with exceptions like like Central/ International Tax Charges).

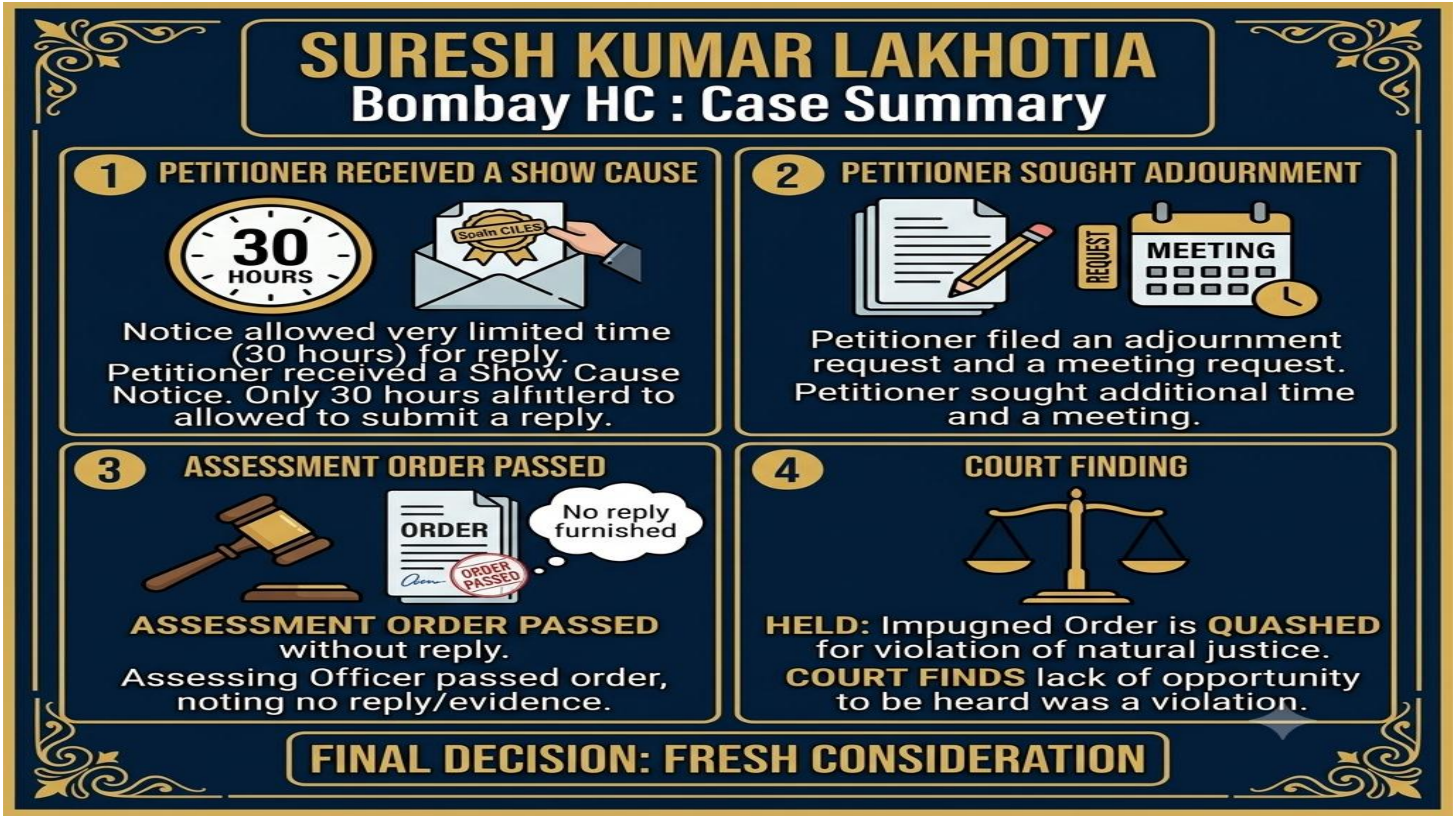
Any order not in conformity is "non est" and "deemed to have never been passed". [Para 11]

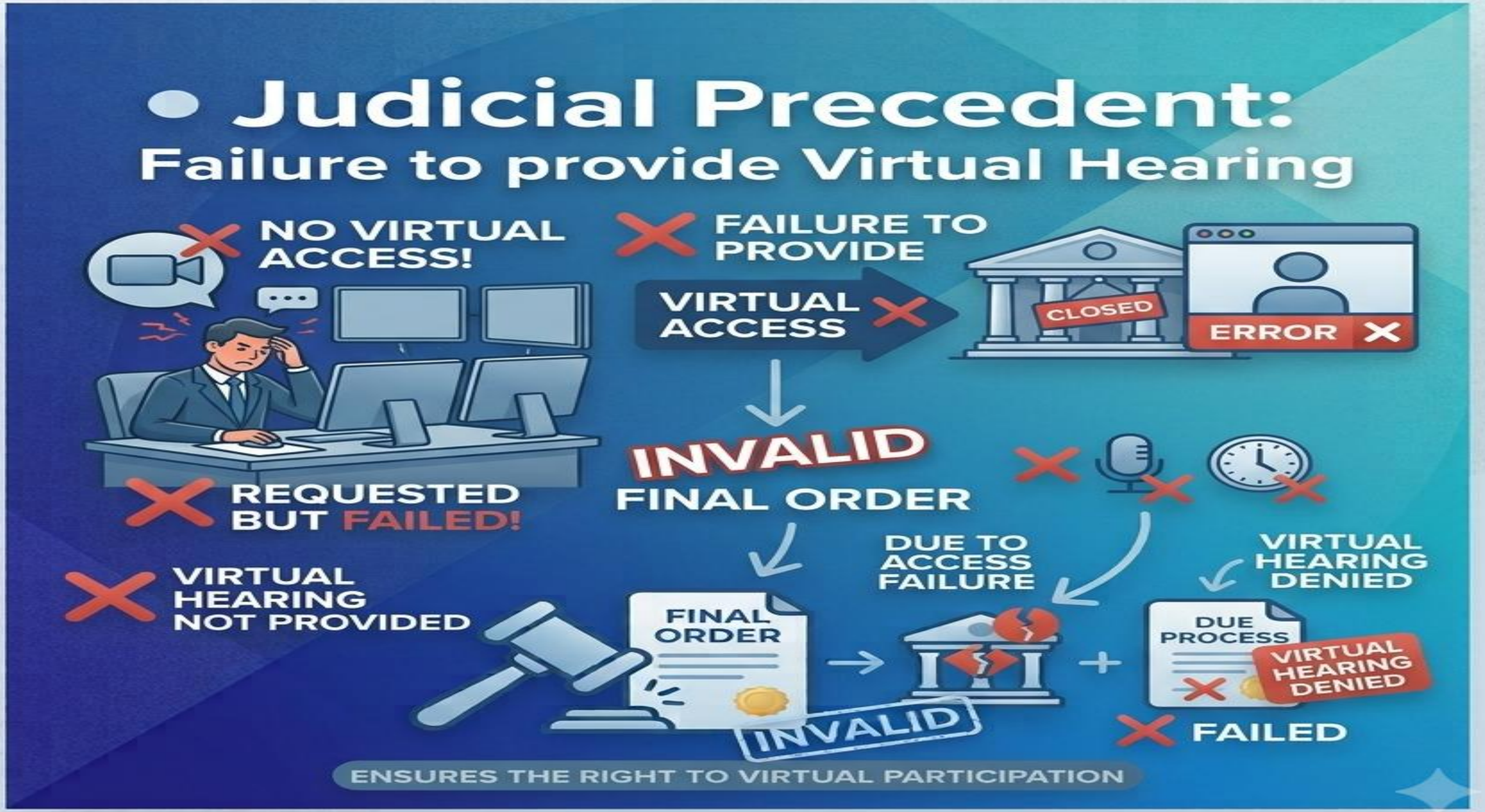
COURT DECISION

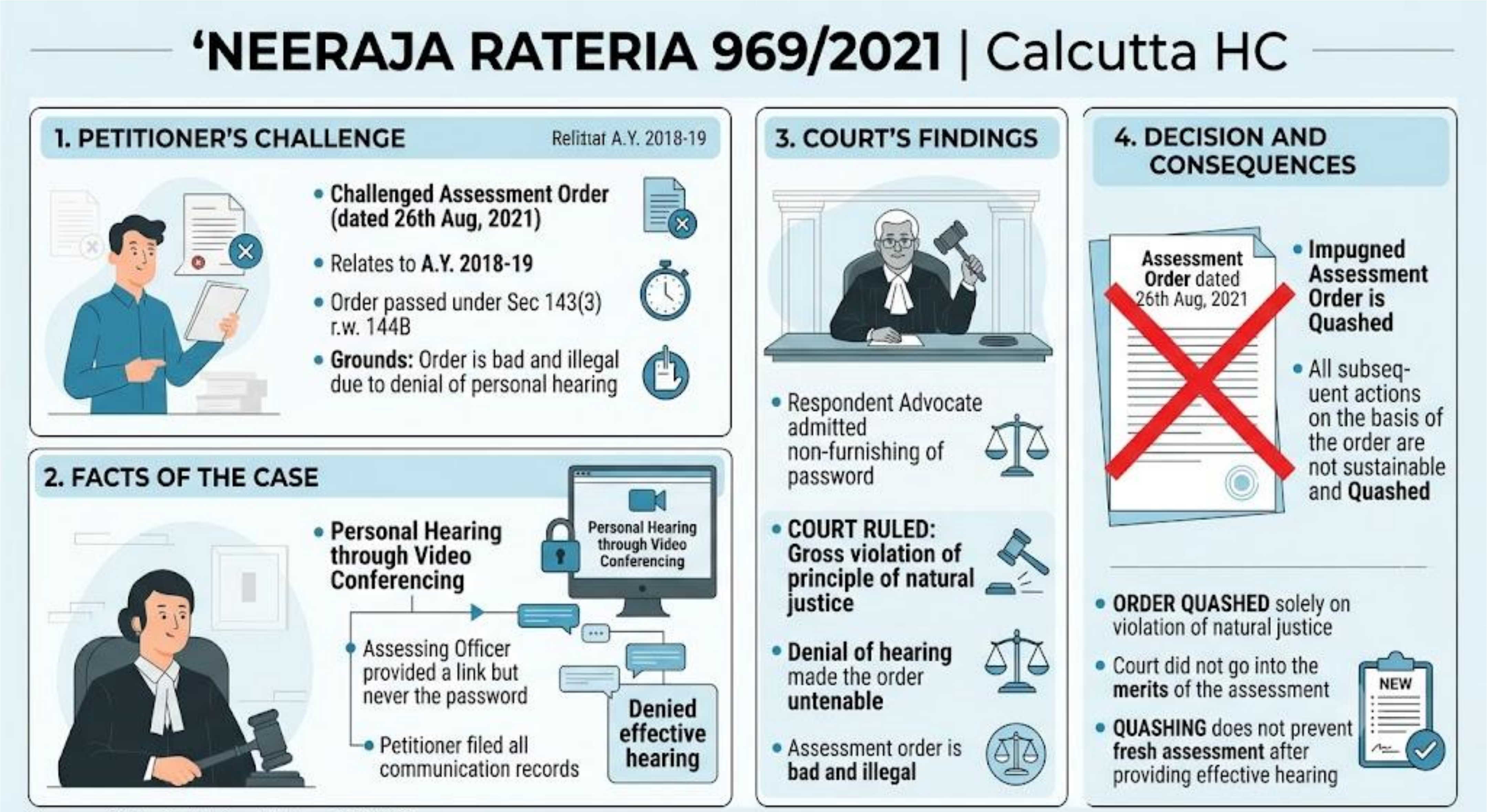
- ✔ Assessment Order Dated 2-3-2021 is Quashed and Set Aside (Para 6)
- ✘ Consequential Notice of Demand Set Aside
- ✘ Notice of Penalty Set Aside

(Para 13)

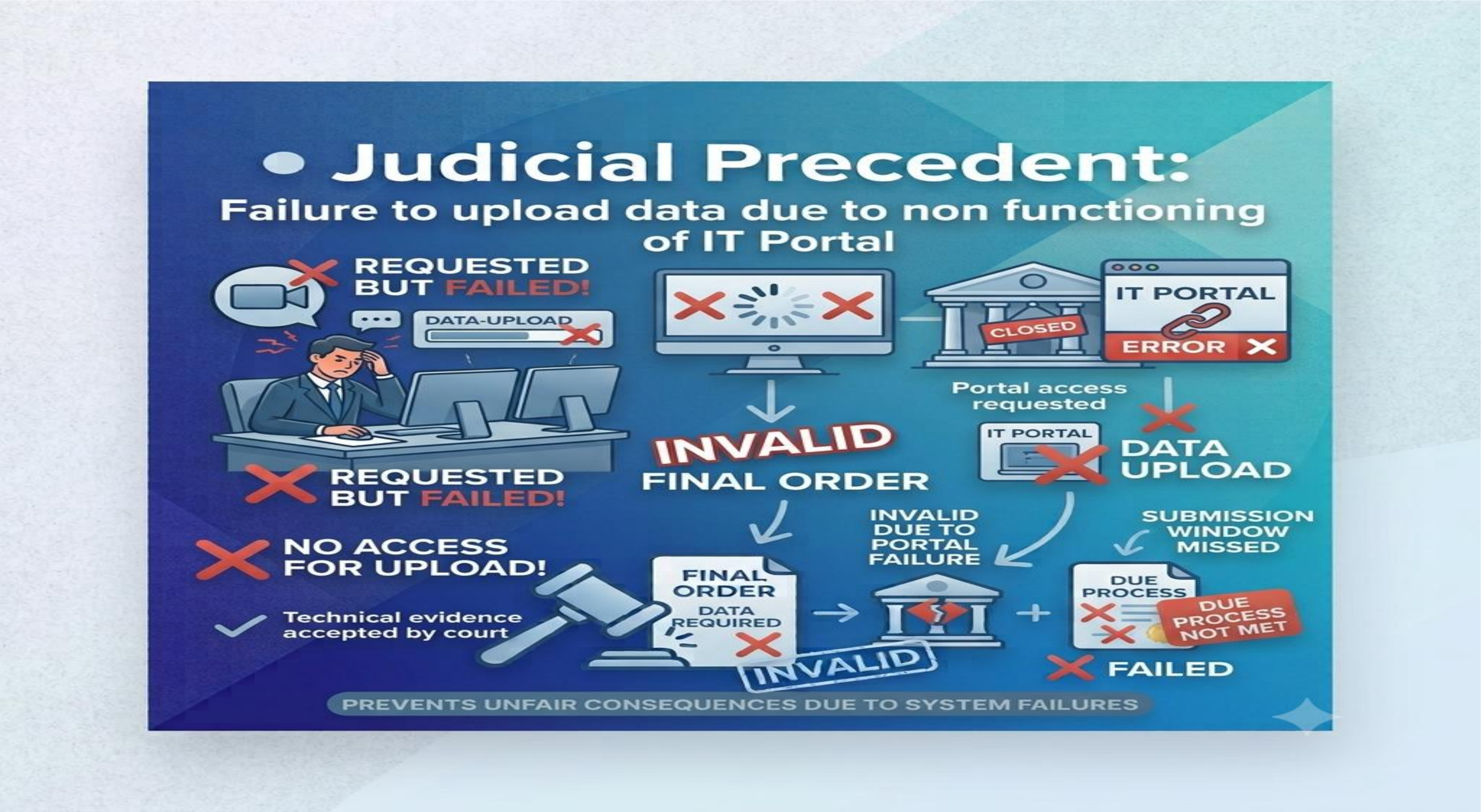

• Judicial Precedent:
No sufficient time to Reply
INSIGNIFICANT
DURATION!
REPLY
Compliance Timeline
NO TIME!
NOT
SUBMITTED
FINAL
ORDER
INVALID
DUE
PROCESS
FAILED
SAFEGUARDS THE RIGHT TO FAIR RESPONSE


SURESH KUMAR LAKHOTIA
Bombay HC : Case Summary
1 PETITIONER RECEIVED A SHOW CAUSE
30 HOURS
Soaln CILES
Notice allowed very limited time (30 hours) for reply.
Petitioner received a Show Cause Notice. Only 30 hours alfıitlerd to allowed to submit a reply.
2 PETITIONER SOUGHT ADJOURNMENT
REQUEST
MEETING
Petitioner filed an adjournment request and a meeting request.
Petitioner sought additional time and a meeting.
3 ASSESSMENT ORDER PASSED
ORDER
ORDER PASSED
No reply furnished
ASSESSMENT ORDER PASSED without reply.
Assessing Officer passed order, noting no reply/evidence.
4 COURT FINDING
HELD: Impugned Order is QUASHED for violation of natural justice.
COURT FINDS lack of opportunity to be heard was a violation.
FINAL DECISION: FRESH CONSIDERATION

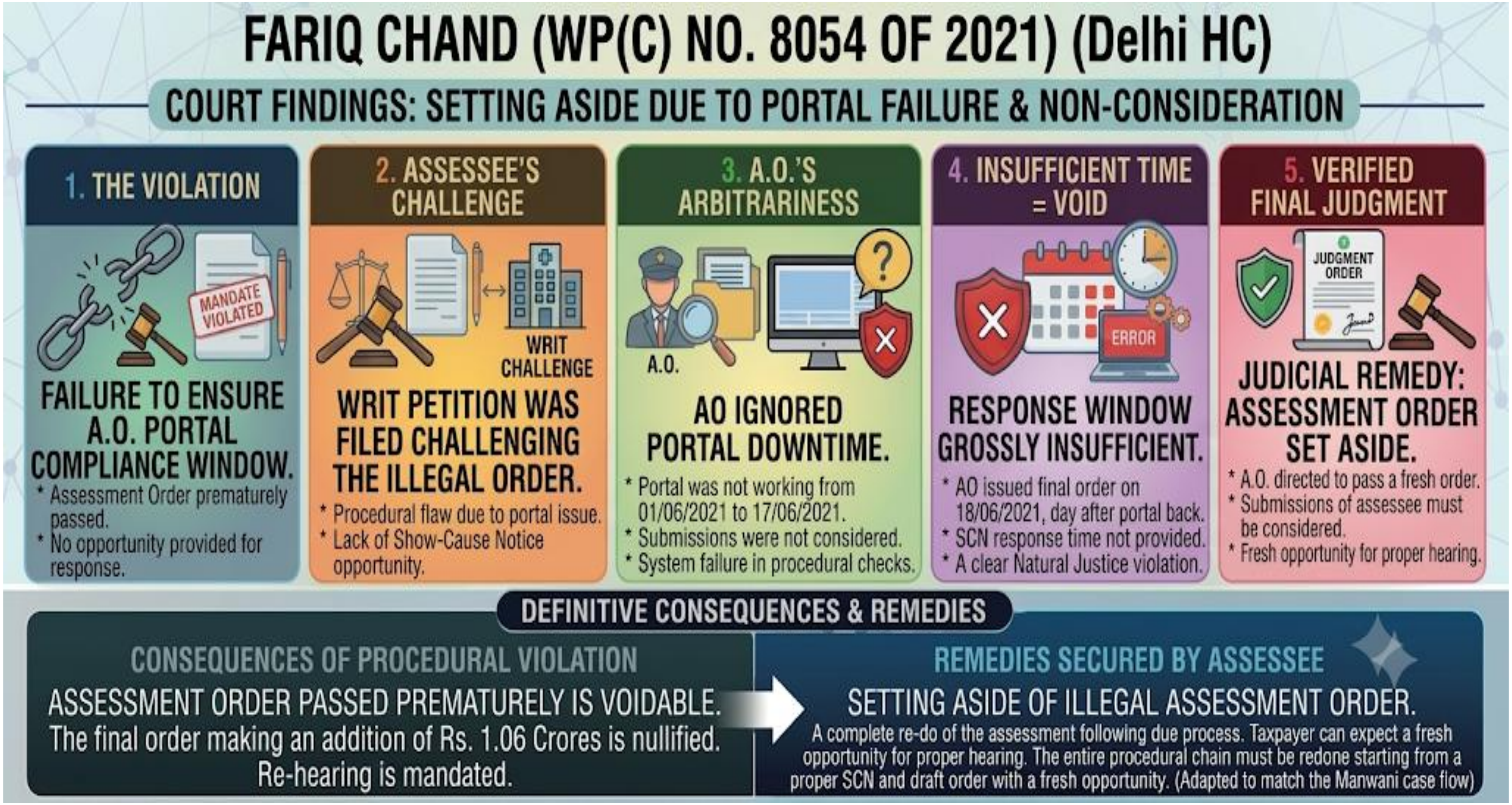

Judicial Precedent:
Failure to provide Virtual Hearing
NO VIRTUAL ACCESS!
FAILURE TO PROVIDE
VIRTUAL ACCESS
CLOSED
ERROR
INVALID
FINAL ORDER
REQUESTED BUT FAILED!
VIRTUAL HEARING NOT PROVIDED
DUE TO ACCESS FAILURE
VIRTUAL HEARING DENIED
FINAL ORDER
INVALID
DUE PROCESS
VIRTUAL HEARING DENIED
FAILED
ENSURES THE RIGHT TO VIRTUAL PARTICIPATION



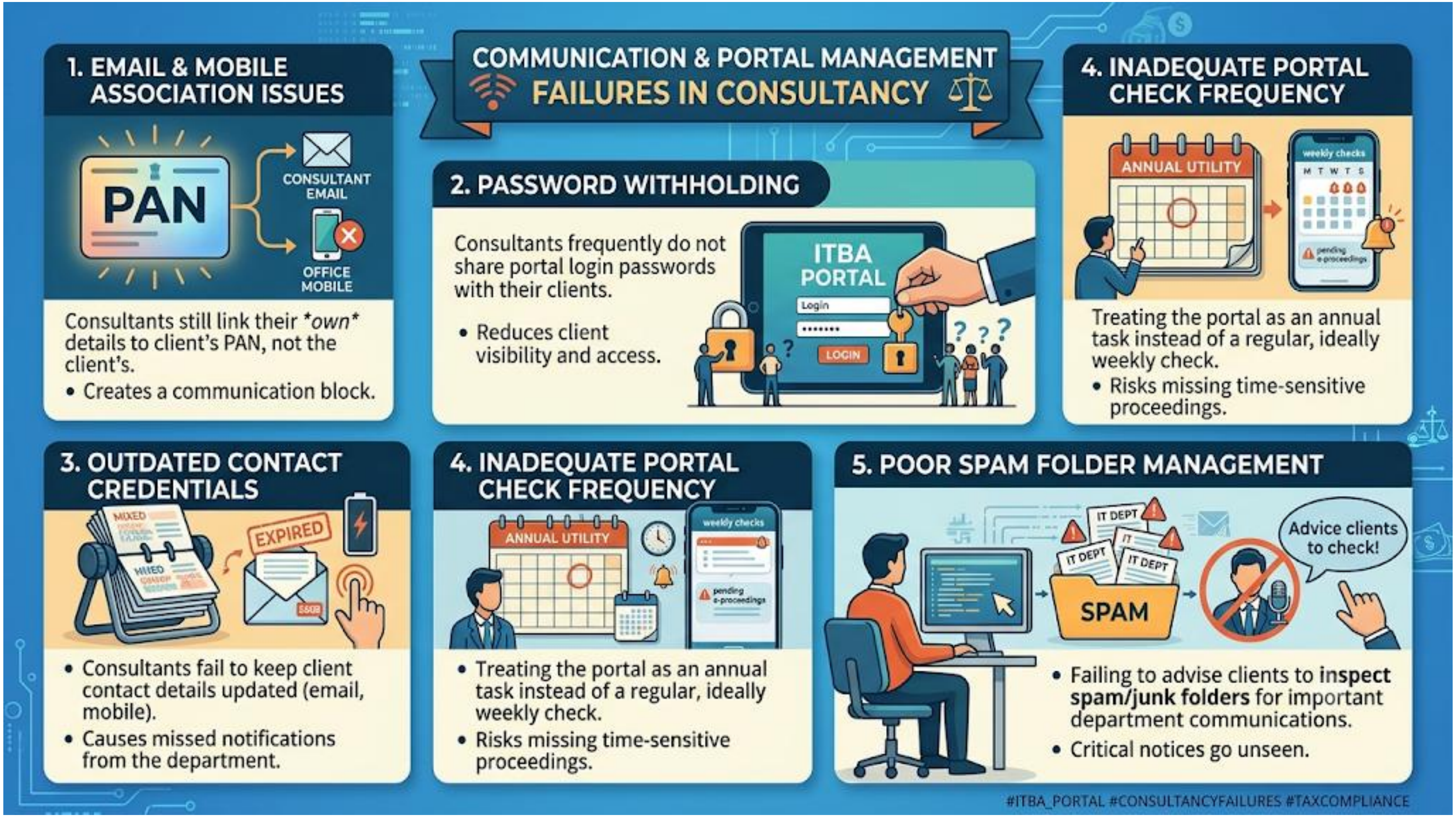
Summary of Calcutta High Court Judgment 969/2021

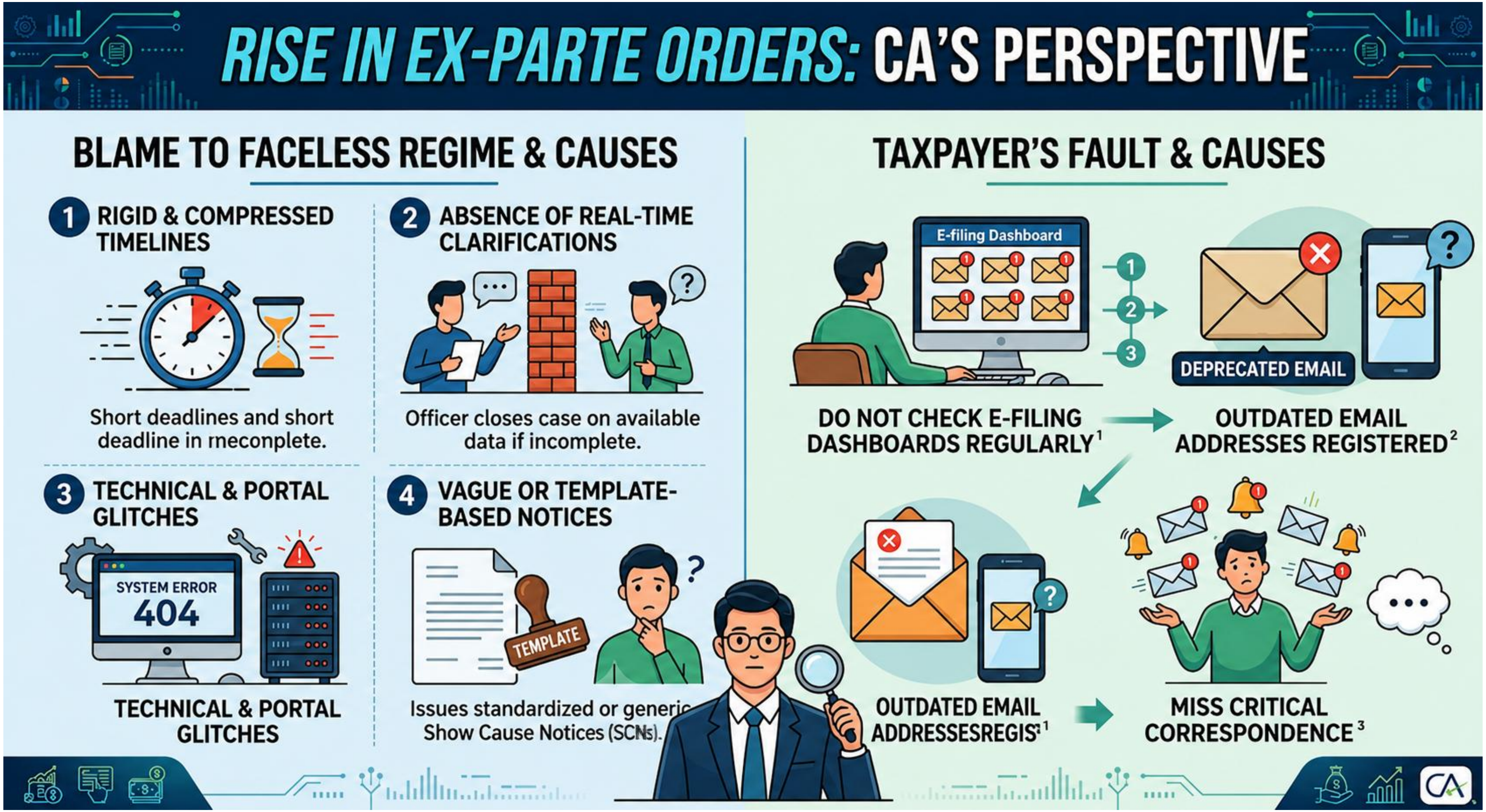


Judicial Precedent:
Failure to upload data due to non functioning of IT Portal
REQUESTED BUT FAILED!
DATA-UPLOAD
IT PORTAL
CLOSED
ERROR
Portal access requested
INVALID
FINAL ORDER
IT PORTAL
DATA UPLOAD
REQUESTED BUT FAILED!
NO ACCESS FOR UPLOAD!
Technical evidence accepted by court
FINAL ORDER
DATA REQUIRED
INVALID
INVALID DUE TO PORTAL FAILURE
SUBMISSION WINDOW MISSED
DUE PROCESS
DUE PROCESS NOT MET
FAILED
PREVENTS UNFAIR CONSEQUENCES DUE TO SYSTEM FAILURES

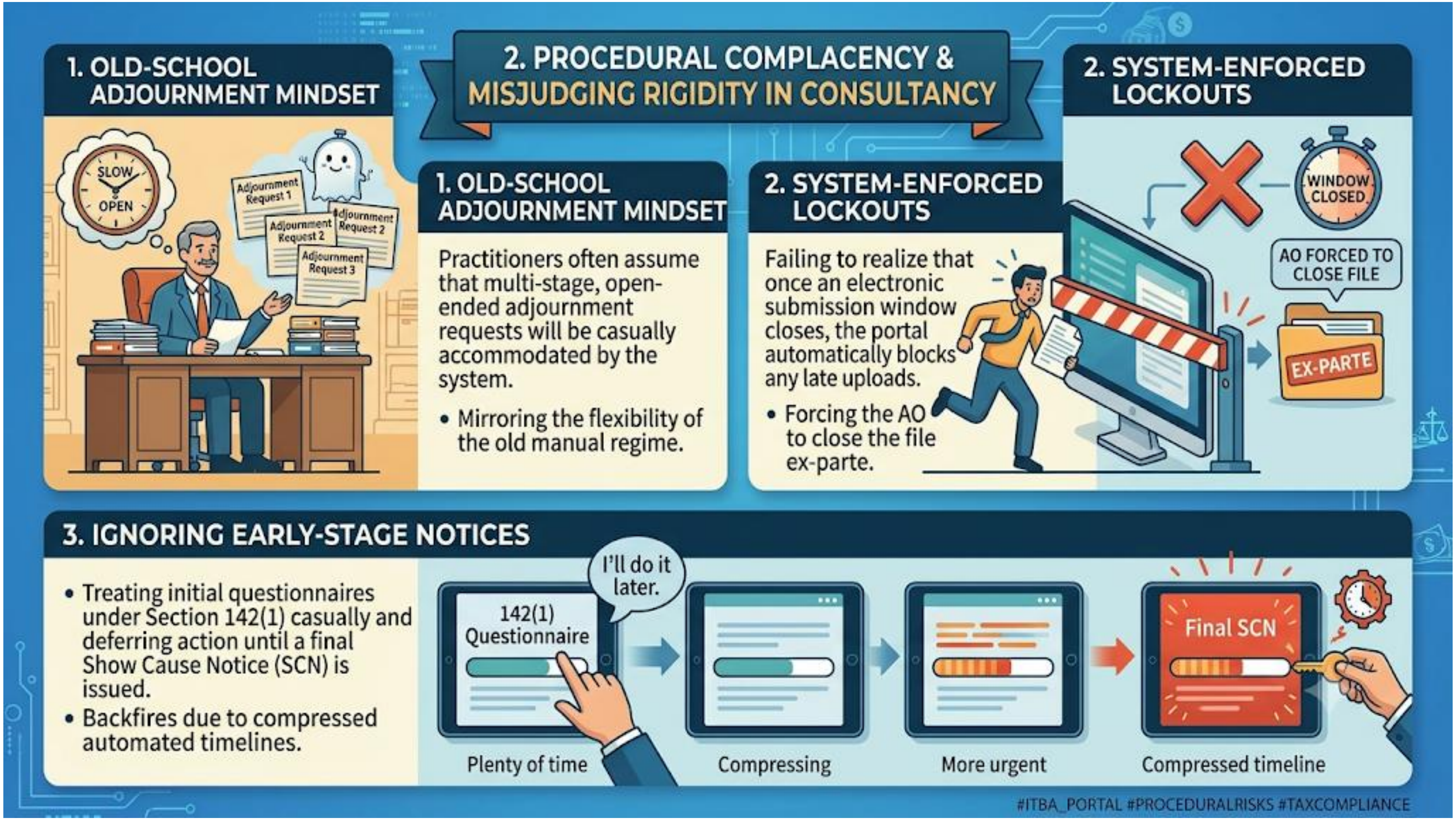

FARIQ CHAND (WP(C) NO. 8054 OF 2021) (Delhi HC)
COURT FINDINGS: SETTING ASIDE DUE TO PORTAL FAILURE & NON-CONSIDERATION
1. THE VIOLATION
MANDATE VIOLATED
FAILURE TO ENSURE A.O. PORTAL COMPLIANCE WINDOW.
* Assessment Order prematurely passed.
* No opportunity provided for response.
2. ASSESSEE'S CHALLENGE
WRIT CHALLENGE
WRIT PETITION WAS FILED CHALLENGING THE ILLEGAL ORDER.
* Procedural flaw due to portal issue.
* Lack of Show-Cause Notice opportunity.
3. A.O.'S ARBITRARINESS
A.O.
AO IGNORED PORTAL DOWNTIME.
* Portal was not working from 01/06/2021 to 17/06/2021.
* Submissions were not considered.
* System failure in procedural checks.
4. INSUFFICIENT TIME = VOID
ERROR
RESPONSE WINDOW GROSSLY INSUFFICIENT.
* AO issued final order on 18/06/2021, day after portal back.
* SCN response time not provided.
* A clear Natural Justice violation.
5. VERIFIED FINAL JUDGMENT
JUDGMENT ORDER
JUDICIAL REMEDY: ASSESSMENT ORDER SET ASIDE.
* A.O. directed to pass a fresh order.
* Submissions of assessee must be considered.
* Fresh opportunity for proper hearing.
DEFINITIVE CONSEQUENCES & REMEDIES
CONSEQUENCES OF PROCEDURAL VIOLATION
ASSESSMENT ORDER PASSED PREMATURELY IS VOIDABLE.
The final order making an addition of Rs. 1.06 Crores is nullified. Re-hearing is mandated.
REMEDIES SECURED BY ASSESSEE
SETTING ASIDE OF ILLEGAL ASSESSMENT ORDER.
A complete re-do of the assessment following due process. Taxpayer can expect a fresh opportunity for proper hearing. The entire procedural chain must be redone starting from a proper SCN and draft order with a fresh opportunity. (Adapted to match the Manwani case flow)

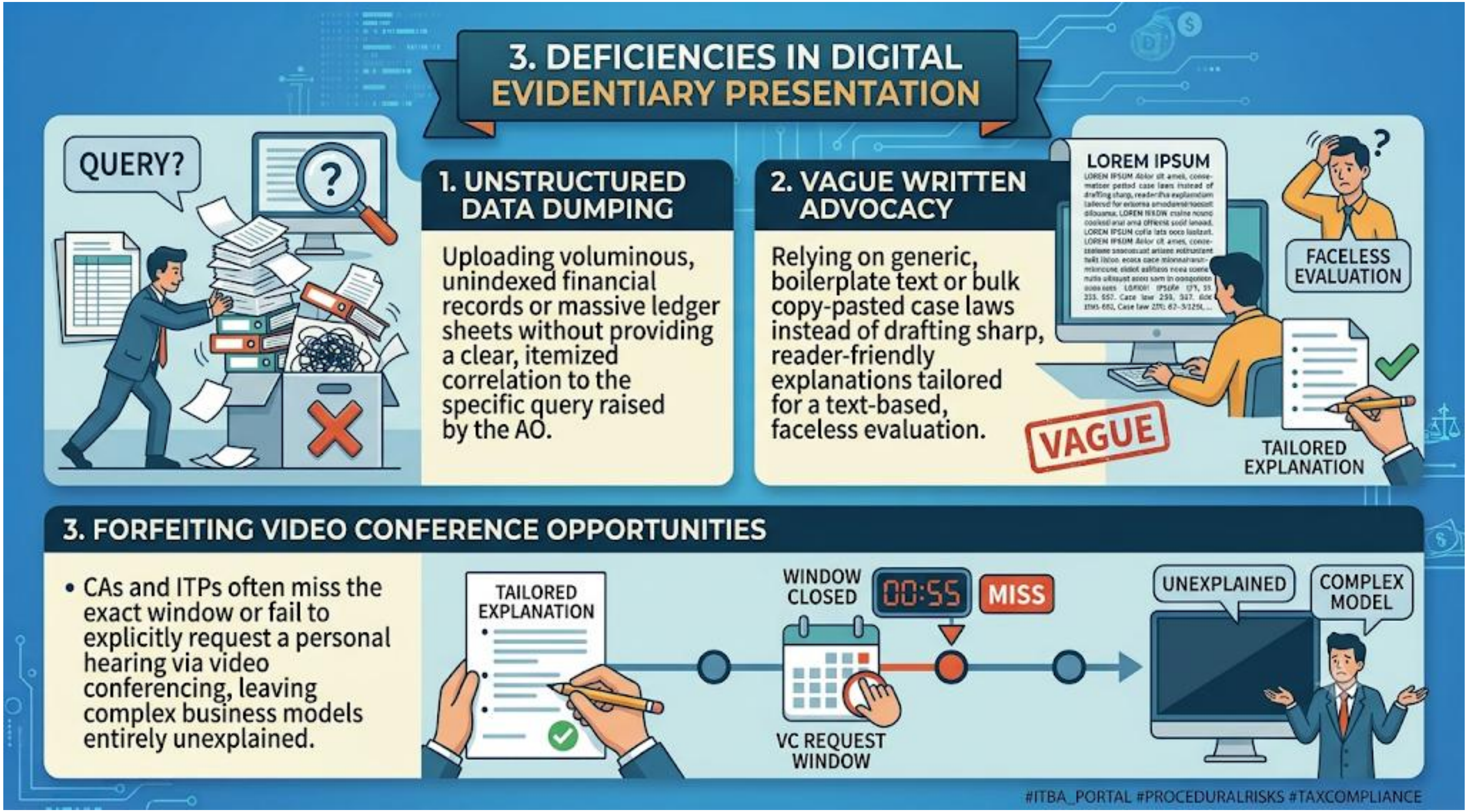
- Probable Reasons for Rising number of Ex-parte asstt

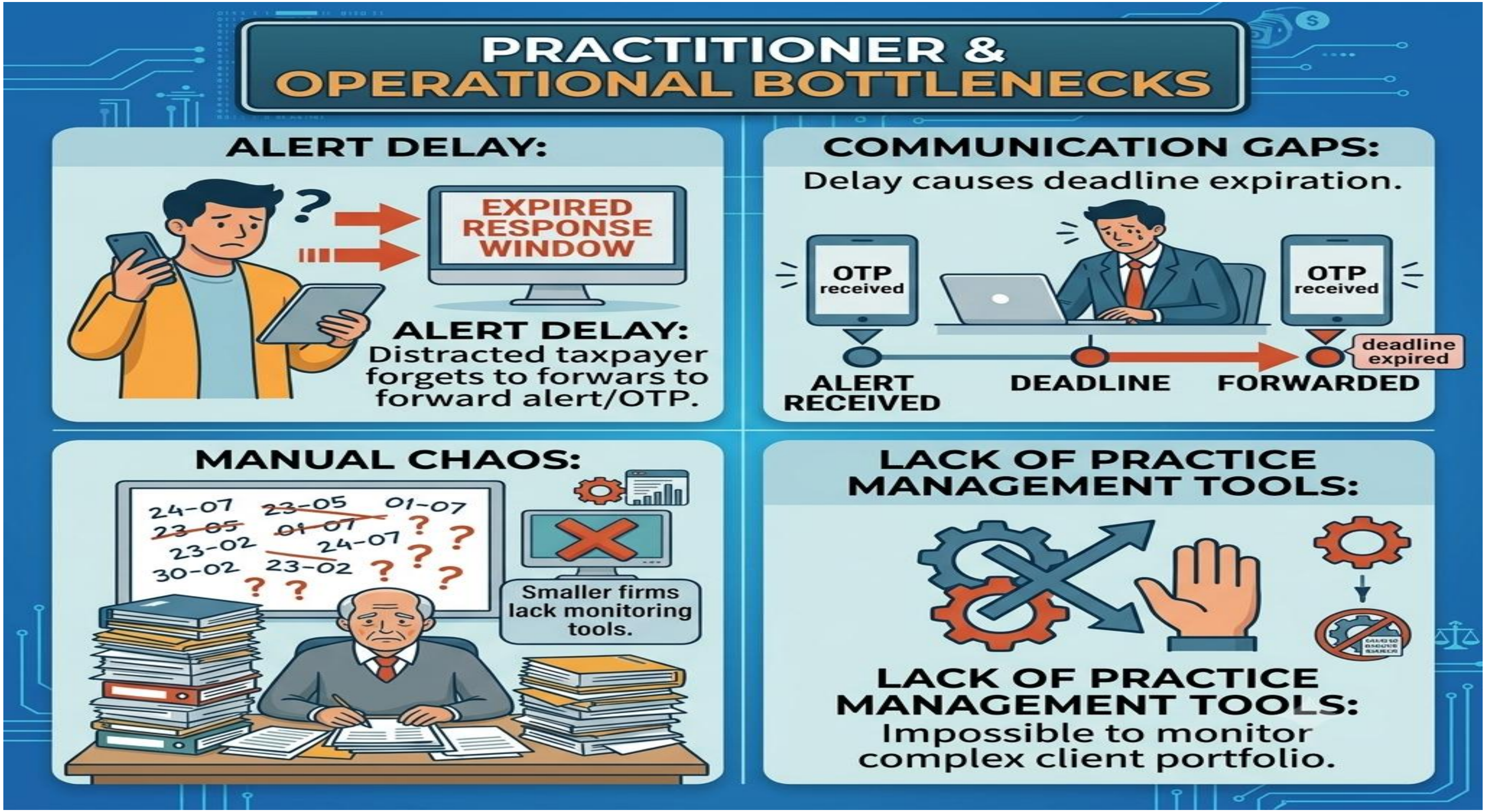

COMMUNICATION & PORTAL MANAGEMENT
FAILURES IN CONSULTANCY
1. EMAIL & MOBILE ASSOCIATION ISSUES
PAN
CONSULTANT EMAIL
OFFICE MOBILE
Consultants still link their *own* details to client's PAN, not the client's.
• Creates a communication block.
2. PASSWORD WITHHOLDING
Consultants frequently do not share portal login passwords with their clients.
• Reduces client visibility and access.
ITBA PORTAL
Login
LOGIN
4. INADEQUATE PORTAL CHECK FREQUENCY
ANNUAL UTILITY
weekly checks
Treating the portal as an annual task instead of a regular, ideally weekly check.
• Risks missing time-sensitive proceedings.
3. OUTDATED CONTACT CREDENTIALS
EXPIRED
• Consultants fail to keep client contact details updated (email, mobile).
• Causes missed notifications from the department.
4. INADEQUATE PORTAL CHECK FREQUENCY
ANNUAL UTILITY
weekly checks
pending e-proceedings
• Treating the portal as an annual task instead of a regular, ideally weekly check.
• Risks missing time-sensitive proceedings.
5. POOR SPAM FOLDER MANAGEMENT
IT DEPT
SPAM
Advice clients to check!
• Failing to advise clients to **inspect spam/junk folders** for important department communications.
• Critical notices go unseen.
#ITBA_PORTAL #CONSULTANCYFAILURES #TAXCOMPLIANCE


RISE IN EX-PARTE ORDERS: CA'S PERSPECTIVE
BLAME TO FACELESS REGIME & CAUSES
1 RIGID & COMPRESSED TIMELINES
Short deadlines and short deadline in rneconplete.
2 ABSENCE OF REAL-TIME CLARIFICATIONS
Officer closes case on available data if incomplete.
3 TECHNICAL & PORTAL GLITCHES
SYSTEM ERROR
404
TECHNICAL & PORTAL GLITCHES
4 VAGUE OR TEMPLATE-BASED NOTICES
TEMPLATE
Issues standardized or generic Show Cause Notices (SCNs).
TAXPAYER'S FAULT & CAUSES
E-filing Dashboard
1
2
3
DEPRECATED EMAIL
DO NOT CHECK E-FILING DASHBOARDS REGULARLY 1
OUTDATED EMAIL ADDRESSES REGISTERED 2
OUTDATED EMAIL ADDRESSESREGIS 1
MISS CRITICAL CORRESPONDENCE 3
CA

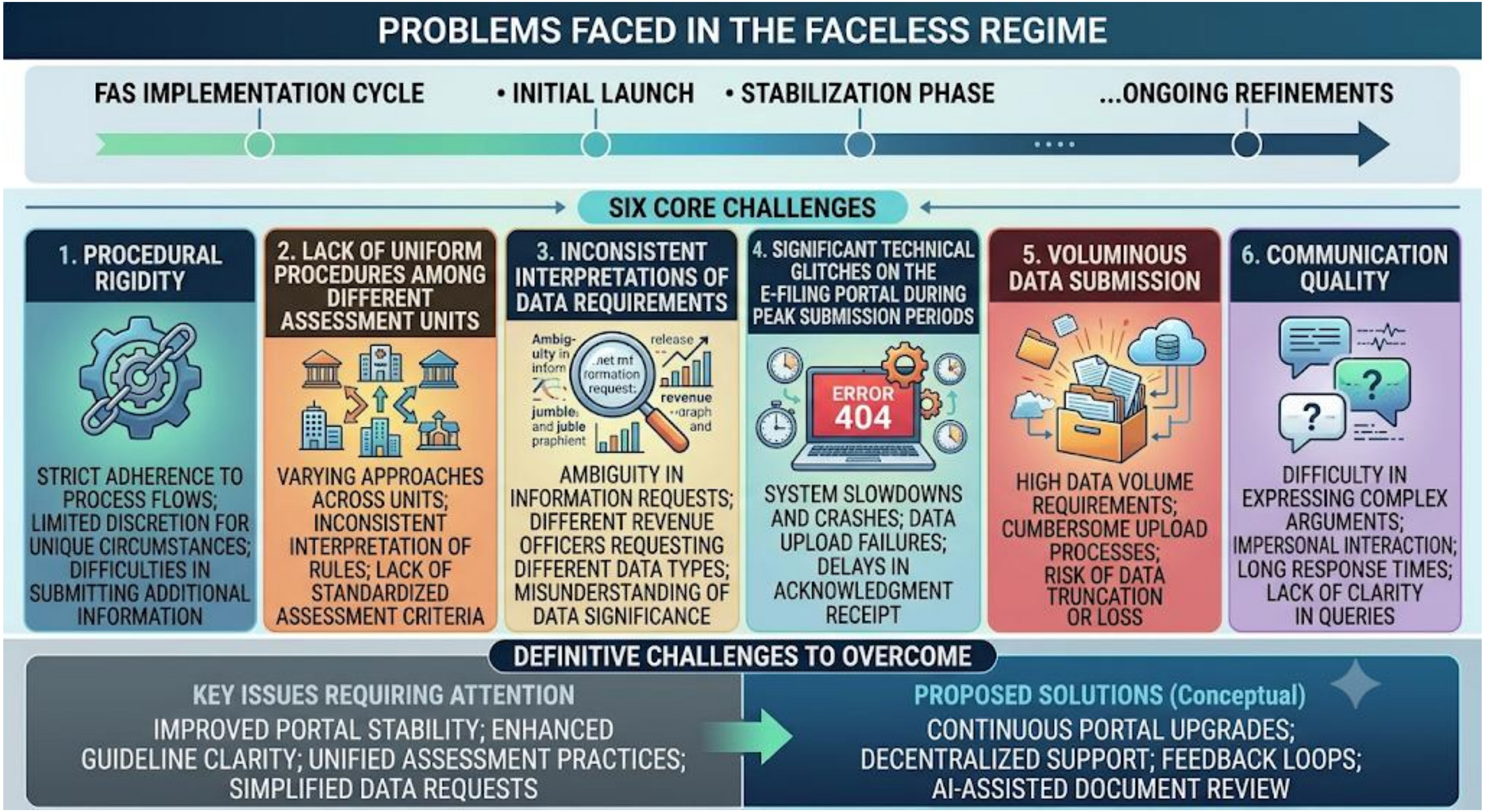
The other side of the coin


2. PROCEDURAL COMPLACENCY &
MISJUDGING RIGIDITY IN CONSULTANCY
1. OLD-SCHOOL ADJOURNMENT MINDSET
SLOW
OPEN
Adjournment Request 1
Adjournment Request 2
Adjournment Request 2
Adjournment Request 3
1. OLD-SCHOOL ADJOURNMENT MINDSET
Practitioners often assume that multi-stage, open-ended adjournment requests will be casually accommodated by the system.
• Mirroring the flexibility of the old manual regime.
2. SYSTEM-ENFORCED LOCKOUTS
Failing to realize that once an electronic submission window closes, the portal automatically blocks any late uploads.
• Forcing the AO to close the file ex-parte.
2. SYSTEM-ENFORCED LOCKOUTS
WINDOW CLOSED
AO FORCED TO CLOSE FILE
EX-PARTE
3. IGNORING EARLY-STAGE NOTICES
• Treating initial questionnaires under Section 142(1) casually and deferring action until a final Show Cause Notice (SCN) is issued.
• Backfires due to compressed automated timelines.
I'll do it later.
142(1) Questionnaire
Final SCN
Plenty of time
Compressing
More urgent
Compressed timeline
#ITBA_PORTAL #PROCEDURALRISKS #TAXCOMPLIANCE


3. DEFICIENCIES IN DIGITAL EVIDENTIARY PRESENTATION
QUERY?
1. UNSTRUCTURED DATA DUMPING
Uploading voluminous, unindexed financial records or massive ledger sheets without providing a clear, itemized correlation to the specific query raised by the AO.
2. VAGUE WRITTEN ADVOCACY
Relying on generic, boilerplate text or bulk copy-pasted case laws instead of drafting sharp, reader-friendly explanations tailored for a text-based, faceless evaluation.
LOREM IPSUM
VAGUE
FACELESS EVALUATION
TAILORED EXPLANATION
3. FORFEITING VIDEO CONFERENCE OPPORTUNITIES
• CAs and ITPs often miss the exact window or fail to explicitly request a personal hearing via video conferencing, leaving complex business models entirely unexplained.
TAILORED EXPLANATION
WINDOW CLOSED
00:55
MISS
VC REQUEST WINDOW
UNEXPLAINED
COMPLEX MODEL
#ITBA_PORTAL #PROCEDURALRISKS #TAXCOMPLIANCE

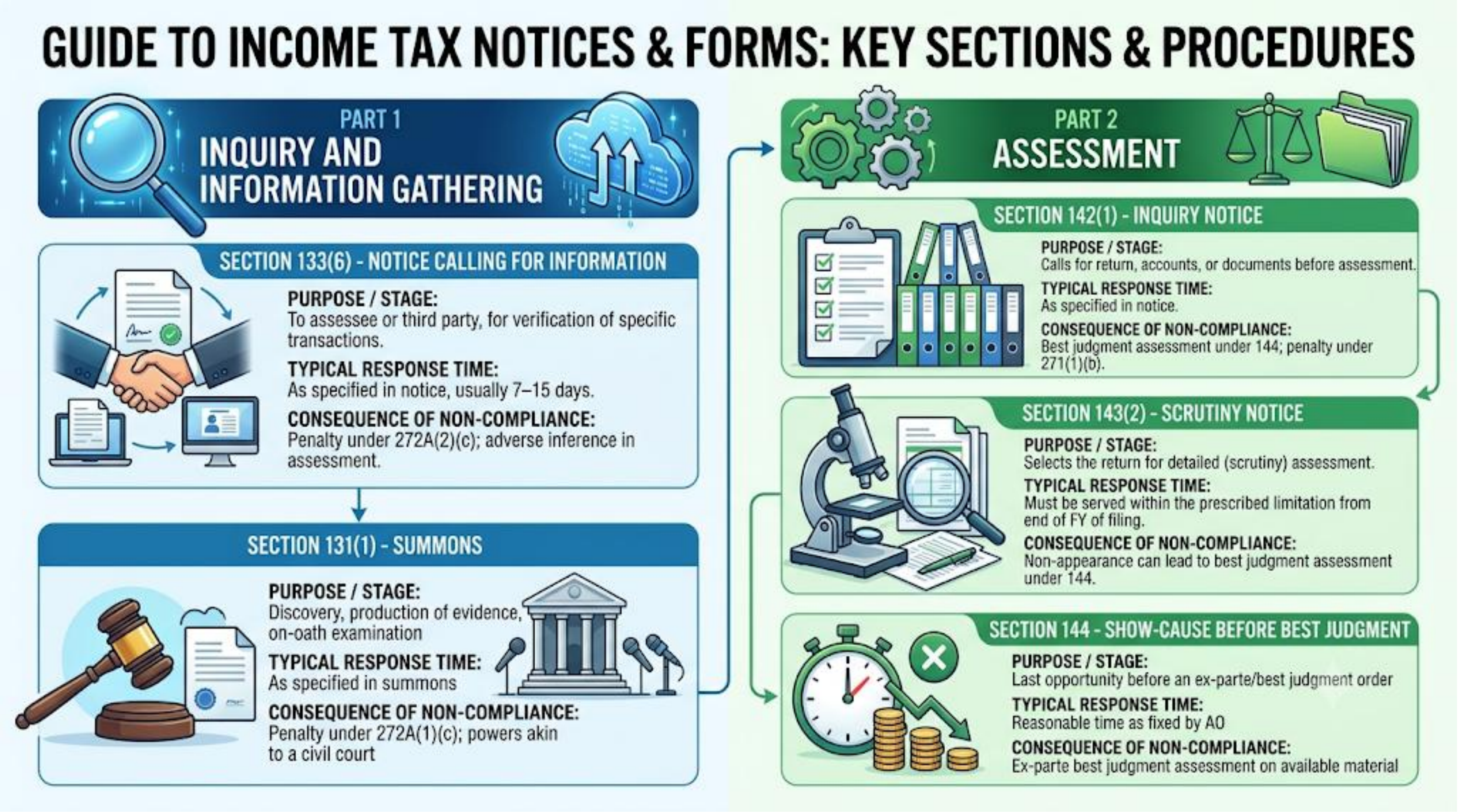

PRACTITIONER &
OPERATIONAL BOTTLENECKS
ALERT DELAY:
EXPIRED RESPONSE WINDOW
ALERT DELAY:
Distracted taxpayer forgets to forwars to forward alert/OTP.
COMMUNICATION GAPS:
Delay causes deadline expiration.
OTP received
OTP received
deadline expired
ALERT RECEIVED
DEADLINE
FORWARDED
MANUAL CHAOS:
24-07
23-05
01-07
23-05
01-07
23-02
24-07
30-02
23-02
Smaller firms lack monitoring tools.
LACK OF PRACTICE MANAGEMENT TOOLS:
LACK OF PRACTICE MANAGEMENT TOOLS:
Impossible to monitor complex client portfolio.

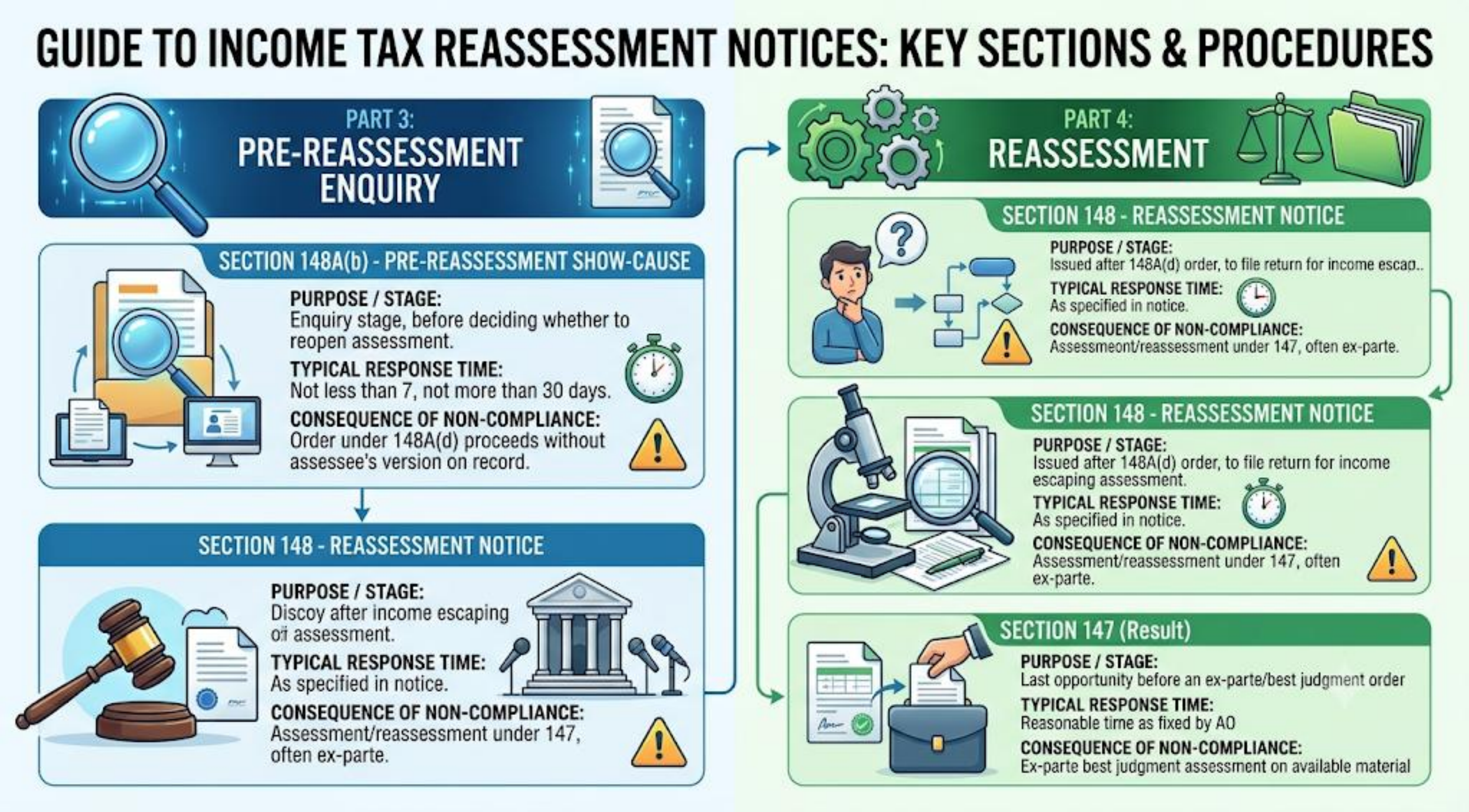

Challenges in
faceless assessment

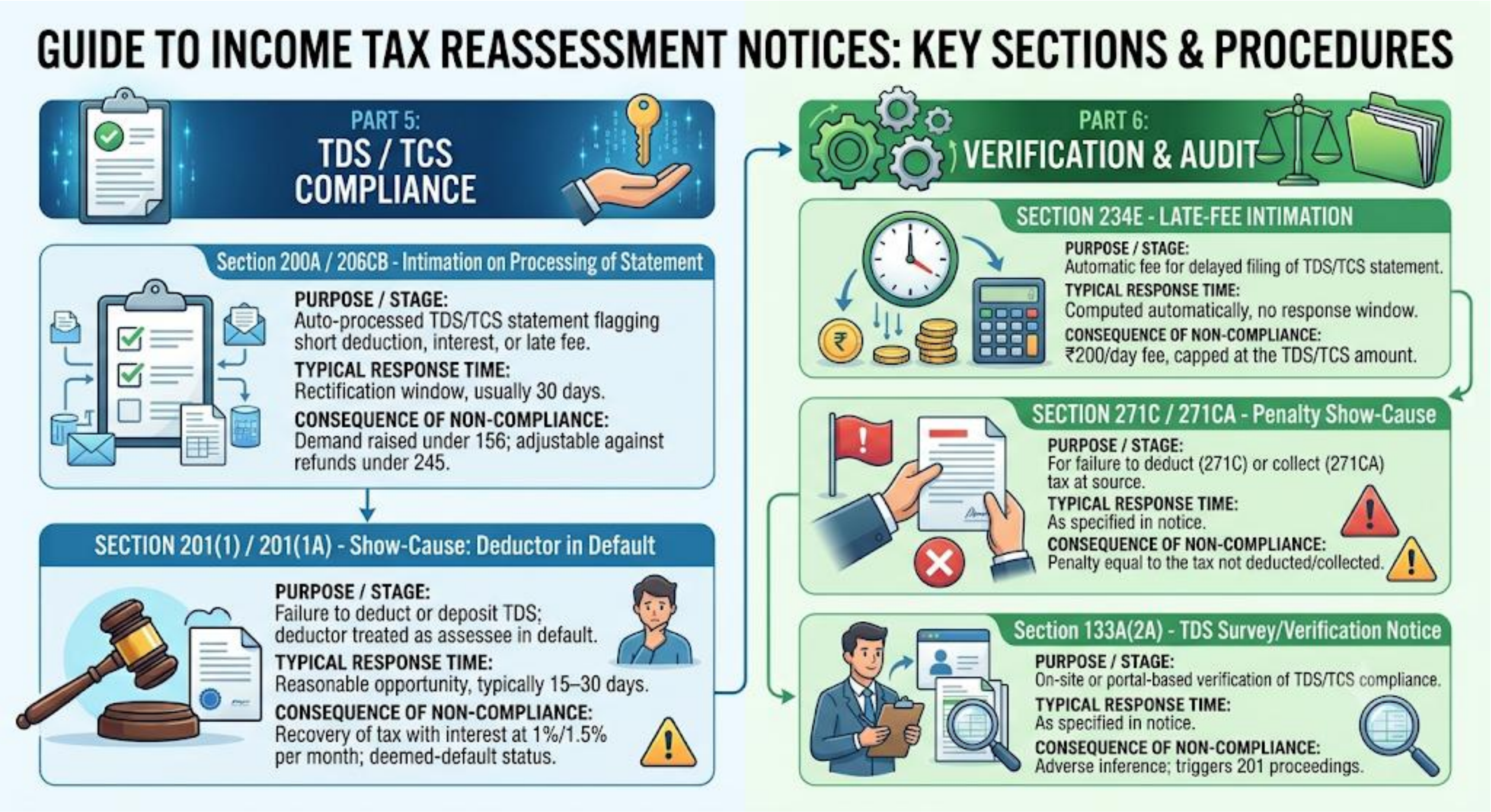


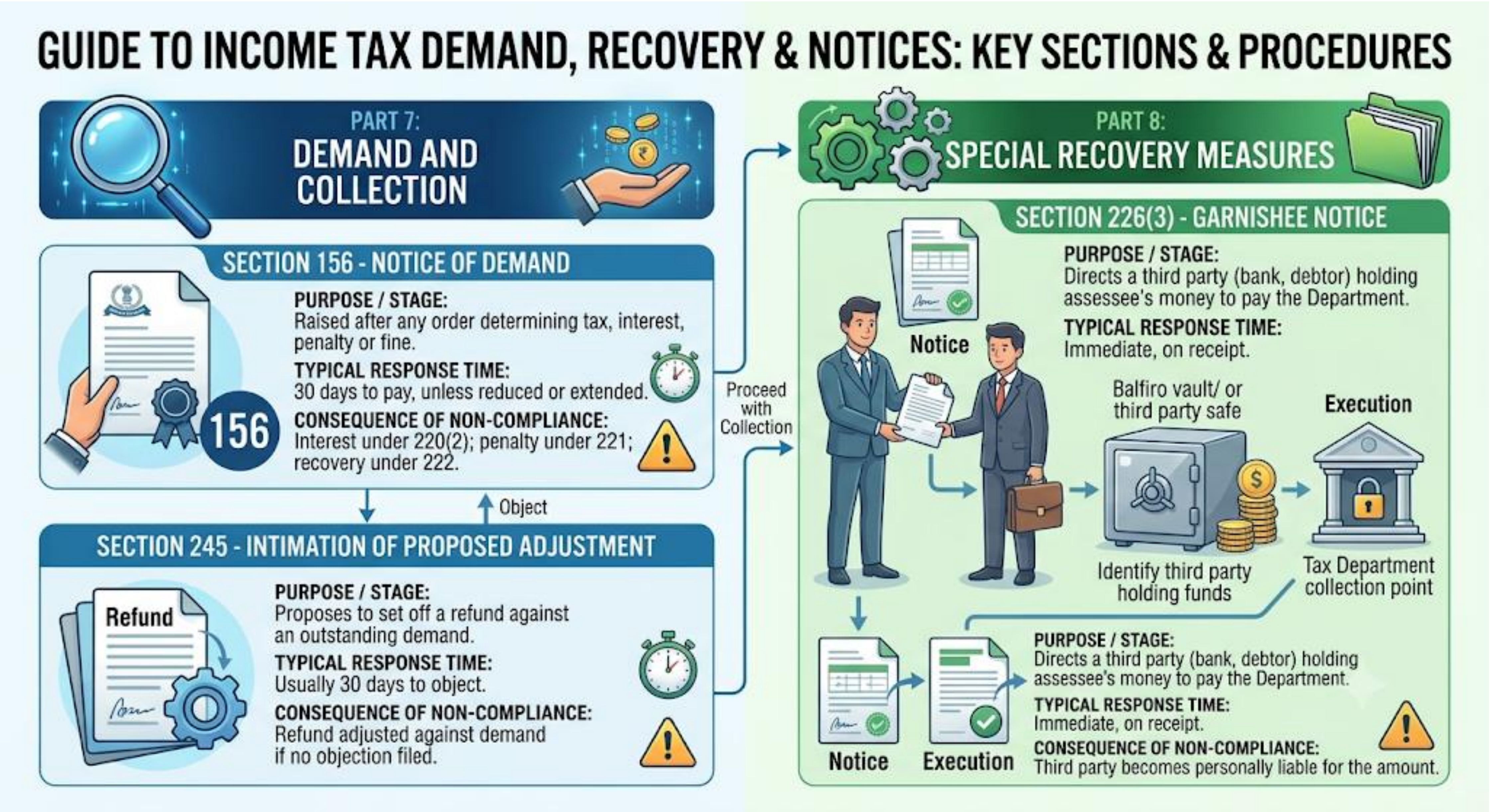
PROBLEMS FACED IN THE FACELESS REGIME
FAS IMPLEMENTATION CYCLE
• INITIAL LAUNCH
• STABILIZATION PHASE
...ONGOING REFINEMENTS
SIX CORE CHALLENGES
1. PROCEDURAL RIGIDITY
STRICT ADHERENCE TO PROCESS FLOWS; LIMITED DISCRETION FOR UNIQUE CIRCUMSTANCES; DIFFICULTIES IN SUBMITTING ADDITIONAL INFORMATION
2. LACK OF UNIFORM PROCEDURES AMONG DIFFERENT ASSESSMENT UNITS
VARYING APPROACHES ACROSS UNITS; INCONSISTENT INTERPRETATION OF RULES; LACK OF STANDARDIZED ASSESSMENT CRITERIA
3. INCONSISTENT INTERPRETATIONS OF DATA REQUIREMENTS
AMBIGUITY IN INFORMATION REQUESTS; DIFFERENT REVENUE OFFICERS REQUESTING DIFFERENT DATA TYPES; MISUNDERSTANDING OF DATA SIGNIFICANCE
4. SIGNIFICANT TECHNICAL GLITCHES ON THE E-FILING PORTAL DURING PEAK SUBMISSION PERIODS
ERROR 404
SYSTEM SLOWDOWNS AND CRASHES; DATA UPLOAD FAILURES; DELAYS IN ACKNOWLEDGMENT RECEIPT
5. VOLUMINOUS DATA SUBMISSION
HIGH DATA VOLUME REQUIREMENTS; CUMBERSOME UPLOAD PROCESSES; RISK OF DATA TRUNCATION OR LOSS
6. COMMUNICATION QUALITY
DIFFICULTY IN EXPRESSING COMPLEX ARGUMENTS; IMPERSONAL INTERACTION; LONG RESPONSE TIMES; LACK OF CLARITY IN QUERIES
DEFINITIVE CHALLENGES TO OVERCOME
KEY ISSUES REQUIRING ATTENTION
IMPROVED PORTAL STABILITY; ENHANCED GUIDELINE CLARITY; UNIFIED ASSESSMENT PRACTICES; SIMPLIFIED DATA REQUESTS
PROPOSED SOLUTIONS (Conceptual)
CONTINUOUS PORTAL UPGRADES; DECENTRALIZED SUPPORT; FEEDBACK LOOPS; AI-ASSISTED DOCUMENT REVIEW

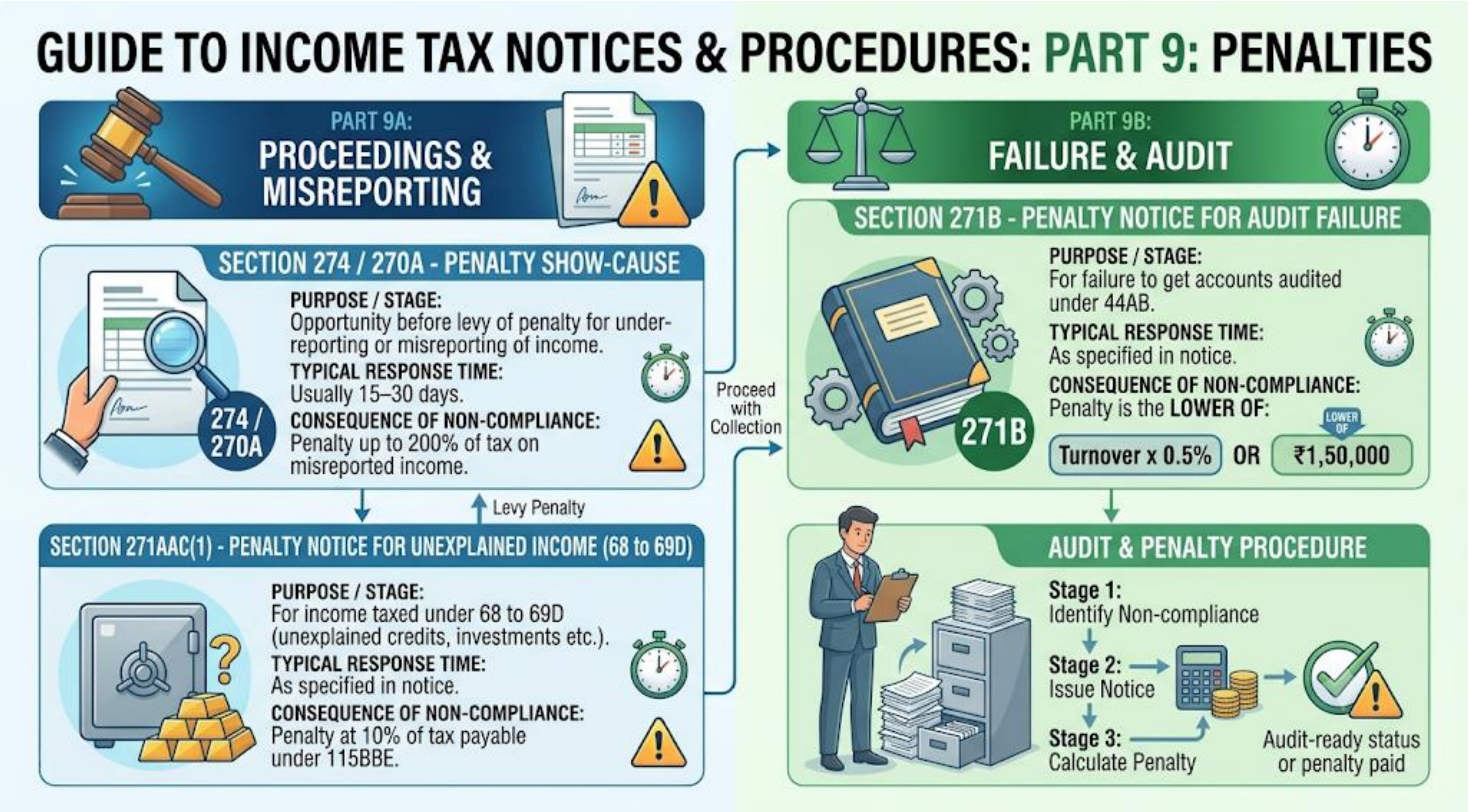
- Various Notices issued by the department and consequences of non response


GUIDE TO INCOME TAX NOTICES & FORMS: KEY SECTIONS & PROCEDURES
PART 1
INQUIRY AND INFORMATION GATHERING
SECTION 133(6) - NOTICE CALLING FOR INFORMATION
PURPOSE / STAGE:
To assessee or third party, for verification of specific transactions.
TYPICAL RESPONSE TIME:
As specified in notice, usually 7–15 days.
CONSEQUENCE OF NON-COMPLIANCE:
Penalty under 272A(2)(c); adverse inference in assessment.
SECTION 131(1) - SUMMONS
PURPOSE / STAGE:
Discovery, production of evidence, on-oath examination
TYPICAL RESPONSE TIME:
As specified in summons
CONSEQUENCE OF NON-COMPLIANCE:
Penalty under 272A(1)(c); powers akin to a civil court
PART 2
ASSESSMENT
SECTION 142(1) - INQUIRY NOTICE
PURPOSE / STAGE:
Calls for return, accounts, or documents before assessment.
TYPICAL RESPONSE TIME:
As specified in notice.
CONSEQUENCE OF NON-COMPLIANCE:
Best judgment assessment under 144; penalty under 271(1)(b).
SECTION 143(2) - SCRUTINY NOTICE
PURPOSE / STAGE:
Selects the return for detailed (scrutiny) assessment.
TYPICAL RESPONSE TIME:
Must be served within the prescribed limitation from end of FY of filing.
CONSEQUENCE OF NON-COMPLIANCE:
Non-appearance can lead to best judgment assessment under 144.
SECTION 144 - SHOW-CAUSE BEFORE BEST JUDGMENT
PURPOSE / STAGE:
Last opportunity before an ex-parte/best judgment order
TYPICAL RESPONSE TIME:
Reasonable time as fixed by AO
CONSEQUENCE OF NON-COMPLIANCE:
Ex-parte best judgment assessment on available material

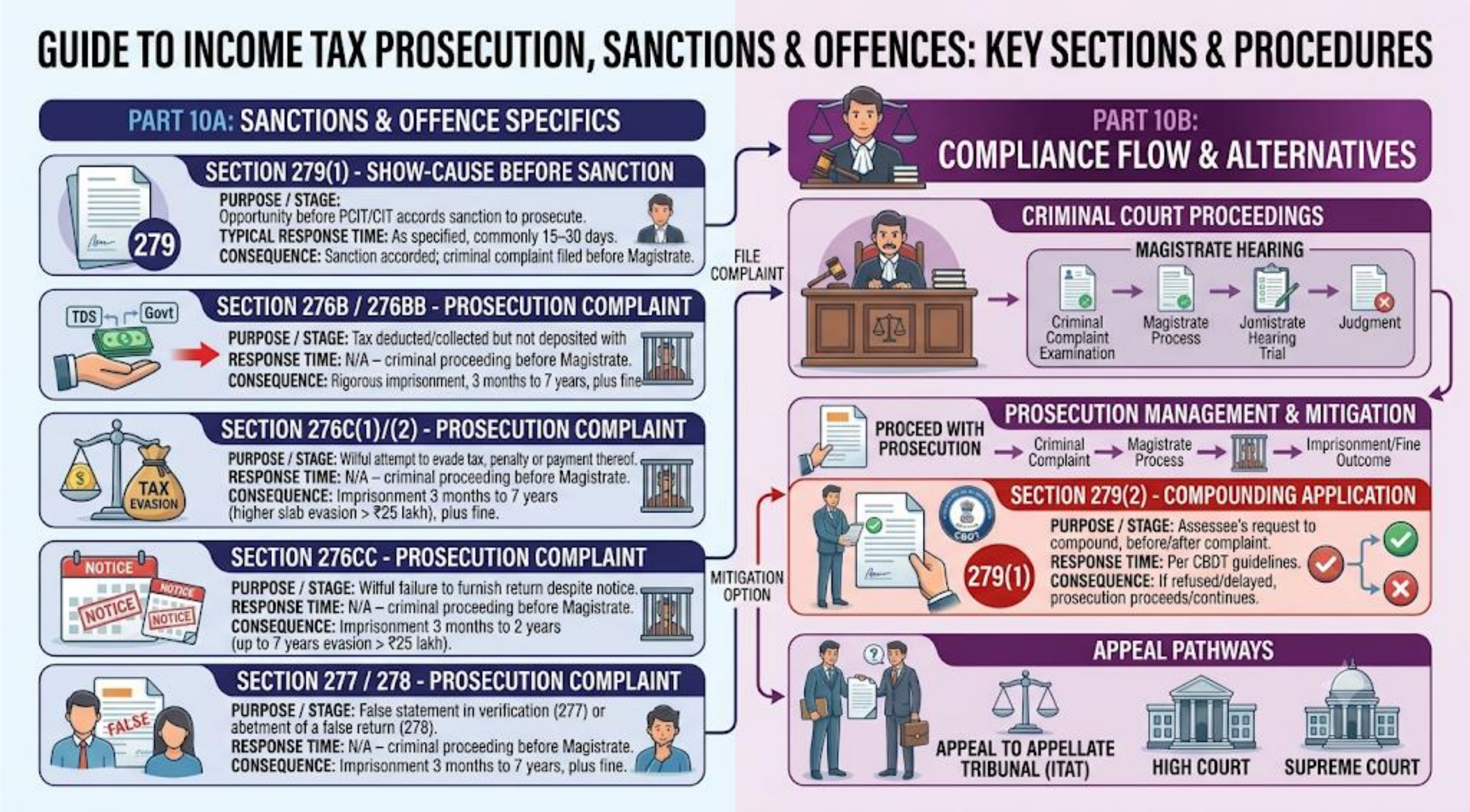

GUIDE TO INCOME TAX REASSESSMENT NOTICES: KEY SECTIONS & PROCEDURES
PART 3:
PRE-REASSESSMENT ENQUIRY
SECTION 148A(b) - PRE-REASSESSMENT SHOW-CAUSE
PURPOSE / STAGE:
Enquiry stage, before deciding whether to reopen assessment.
TYPICAL RESPONSE TIME:
Not less than 7, not more than 30 days.
CONSEQUENCE OF NON-COMPLIANCE:
Order under 148A(d) proceeds without assessee's version on record.
SECTION 148 - REASSESSMENT NOTICE
PURPOSE / STAGE:
Discoy after income escaping
oi assessment.
TYPICAL RESPONSE TIME:
As specified in notice.
CONSEQUENCE OF NON-COMPLIANCE:
Assessment/reassessment under 147,
often ex-parte.
PART 4:
REASSESSMENT
SECTION 148 - REASSESSMENT NOTICE
PURPOSE / STAGE:
Issued after 148A(d) order, to file return for income escap..
TYPICAL RESPONSE TIME:
As specified in notice.
CONSEQUENCE OF NON-COMPLIANCE:
Assessmeont/reassessment under 147, often ex-parte.
SECTION 148 - REASSESSMENT NOTICE
PURPOSE / STAGE:
Issued after 148A(d) order, to file return for income escaping assessment.
TYPICAL RESPONSE TIME:
As specified in notice.
CONSEQUENCE OF NON-COMPLIANCE:
Assessment/reassessment under 147, often ex-parte.
SECTION 147 (Result)
PURPOSE / STAGE:
Last opportunity before an ex-parte/best judgment order
TYPICAL RESPONSE TIME:
Reasonable time as fixed by AO
CONSEQUENCE OF NON-COMPLIANCE:
Ex-parte best judgment assessment on available material


GUIDE TO INCOME TAX REASSESSMENT NOTICES: KEY SECTIONS & PROCEDURES
PART 5:
TDS / TCS COMPLIANCE
Section 200A / 206CB - Intimation on Processing of Statement
PURPOSE / STAGE:
Auto-processed TDS/TCS statement flagging short deduction, interest, or late fee.
TYPICAL RESPONSE TIME:
Rectification window, usually 30 days.
CONSEQUENCE OF NON-COMPLIANCE:
Demand raised under 156; adjustable against refunds under 245.
SECTION 201(1) / 201(1A) - Show-Cause: Deductor in Default
PURPOSE / STAGE:
Failure to deduct or deposit TDS; deductor treated as assessee in default.
TYPICAL RESPONSE TIME:
Reasonable opportunity, typically 15–30 days.
CONSEQUENCE OF NON-COMPLIANCE:
Recovery of tax with interest at 1%/1.5% per month; deemed-default status.
PART 6:
VERIFICATION & AUDIT
SECTION 234E - LATE-FEE INTIMATION
PURPOSE / STAGE:
Automatic fee for delayed filing of TDS/TCS statement.
TYPICAL RESPONSE TIME:
Computed automatically, no response window.
CONSEQUENCE OF NON-COMPLIANCE:
₹200/day fee, capped at the TDS/TCS amount.
SECTION 271C / 271CA - Penalty Show-Cause
PURPOSE / STAGE:
For failure to deduct (271C) or collect (271CA) tax at source.
TYPICAL RESPONSE TIME:
As specified in notice.
CONSEQUENCE OF NON-COMPLIANCE:
Penalty equal to the tax not deducted/collected.
Section 133A(2A) - TDS Survey/Verification Notice
PURPOSE / STAGE:
On-site or portal-based verification of TDS/TCS compliance.
TYPICAL RESPONSE TIME:
As specified in notice.
CONSEQUENCE OF NON-COMPLIANCE:
Adverse inference; triggers 201 proceedings.


GUIDE TO INCOME TAX DEMAND, RECOVERY & NOTICES: KEY SECTIONS & PROCEDURES
PART 7:
DEMAND AND COLLECTION
SECTION 156 - NOTICE OF DEMAND
PURPOSE / STAGE:
Raised after any order determining tax, interest, penalty or fine.
TYPICAL RESPONSE TIME:
30 days to pay, unless reduced or extended.
CONSEQUENCE OF NON-COMPLIANCE:
Interest under 220(2); penalty under 221; recovery under 222.
156
Object
SECTION 245 - INTIMATION OF PROPOSED ADJUSTMENT
Refund
PURPOSE / STAGE:
Proposes to set off a refund against an outstanding demand.
TYPICAL RESPONSE TIME:
Usually 30 days to object.
CONSEQUENCE OF NON-COMPLIANCE:
Refund adjusted against demand if no objection filed.
Proceed with Collection
PART 8:
SPECIAL RECOVERY MEASURES
SECTION 226(3) - GARNISHEE NOTICE
Notice
PURPOSE / STAGE:
Directs a third party (bank, debtor) holding assessee's money to pay the Department.
TYPICAL RESPONSE TIME:
Immediate, on receipt.
Balfiro vault/ or third party safe
Execution
Identify third party holding funds
Tax Department collection point
Notice
Execution
PURPOSE / STAGE:
Directs a third party (bank, debtor) holding assessee's money to pay the Department.
TYPICAL RESPONSE TIME:
Immediate, on receipt.
CONSEQUENCE OF NON-COMPLIANCE:
Third party becomes personally liable for the amount.



GUIDE TO INCOME TAX NOTICES & PROCEDURES: PART 9: PENALTIES
PART 9A:
PROCEEDINGS & MISREPORTING
SECTION 274 / 270A - PENALTY SHOW-CAUSE
274 / 270A
PURPOSE / STAGE:
Opportunity before levy of penalty for under-reporting or misreporting of income.
TYPICAL RESPONSE TIME:
Usually 15–30 days.
CONSEQUENCE OF NON-COMPLIANCE:
Penalty up to 200% of tax on misreported income.
Levy Penalty
SECTION 271AAC(1) - PENALTY NOTICE FOR UNEXPLAINED INCOME (68 to 69D)
PURPOSE / STAGE:
For income taxed under 68 to 69D (unexplained credits, investments etc.).
TYPICAL RESPONSE TIME:
As specified in notice.
CONSEQUENCE OF NON-COMPLIANCE:
Penalty at 10% of tax payable under 115BBE.
Proceed with Collection
PART 9B:
FAILURE & AUDIT
SECTION 271B - PENALTY NOTICE FOR AUDIT FAILURE
271B
PURPOSE / STAGE:
For failure to get accounts audited under 44AB.
TYPICAL RESPONSE TIME:
As specified in notice.
CONSEQUENCE OF NON-COMPLIANCE:
Penalty is the LOWER OF:
LOWER OF
Turnover x 0.5%
OR
₹1,50,000
AUDIT & PENALTY PROCEDURE
Stage 1:
Identify Non-compliance
Stage 2:
Issue Notice
Stage 3:
Calculate Penalty
Audit-ready status or penalty paid


GUIDE TO INCOME TAX PROSECUTION, SANCTIONS & OFFENCES: KEY SECTIONS & PROCEDURES
PART 10A: SANCTIONS & OFFENCE SPECIFICS
SECTION 279(1) - SHOW-CAUSE BEFORE SANCTION
279
PURPOSE / STAGE:
Opportunity before PCIT/CIT accords sanction to prosecute.
TYPICAL RESPONSE TIME: As specified, commonly 15–30 days.
CONSEQUENCE: Sanction accorded; criminal complaint filed before Magistrate.
SECTION 276B / 276BB - PROSECUTION COMPLAINT
TDS
Govt
PURPOSE / STAGE: Tax deducted/collected but not deposited with
RESPONSE TIME: N/A – criminal proceeding before Magistrate.
CONSEQUENCE: Rigorous imprisonment, 3 months to 7 years, plus fine
SECTION 276C(1)/(2) - PROSECUTION COMPLAINT
TAX EVASION
PURPOSE / STAGE: Wilful attempt to evade tax, penalty or payment thereof.
RESPONSE TIME: N/A – criminal proceeding before Magistrate.
CONSEQUENCE: Imprisonment 3 months to 7 years
(higher slab evasion > ₹25 lakh), plus fine.
SECTION 276CC - PROSECUTION COMPLAINT
NOTICE
PURPOSE / STAGE: Wilful failure to furnish return despite notice.
RESPONSE TIME: N/A – criminal proceeding before Magistrate.
CONSEQUENCE: Imprisonment 3 months to 2 years
(up to 7 years evasion > ₹25 lakh).
SECTION 277 / 278 - PROSECUTION COMPLAINT
FALSE
PURPOSE / STAGE: False statement in verification (277) or
abetment of a false return (278).
RESPONSE TIME: N/A – criminal proceeding before Magistrate.
CONSEQUENCE: Imprisonment 3 months to 7 years, plus fine.
FILE COMPLAINT
MITIGATION OPTION
PART 10B:
COMPLIANCE FLOW & ALTERNATIVES
CRIMINAL COURT PROCEEDINGS
MAGISTRATE HEARING
Criminal Complaint Examination
Magistrate Process
Jomistrate Hearing Trial
Judgment
PROSECUTION MANAGEMENT & MITIGATION
PROCEED WITH PROSECUTION
Criminal Complaint
Magistrate Process
Imprisonment/Fine Outcome
SECTION 279(2) - COMPOUNDING APPLICATION
CBDT
279(1)
PURPOSE / STAGE: Assessee's request to compound, before/after complaint.
RESPONSE TIME: Per CBDT guidelines.
CONSEQUENCE: If refused/delayed, prosecution proceeds/continues.
APPEAL PATHWAYS
APPEAL TO APPELLATE TRIBUNAL (ITAT)
HIGH COURT
SUPREME COURT

PART 11A: REVISION PROCEDURES

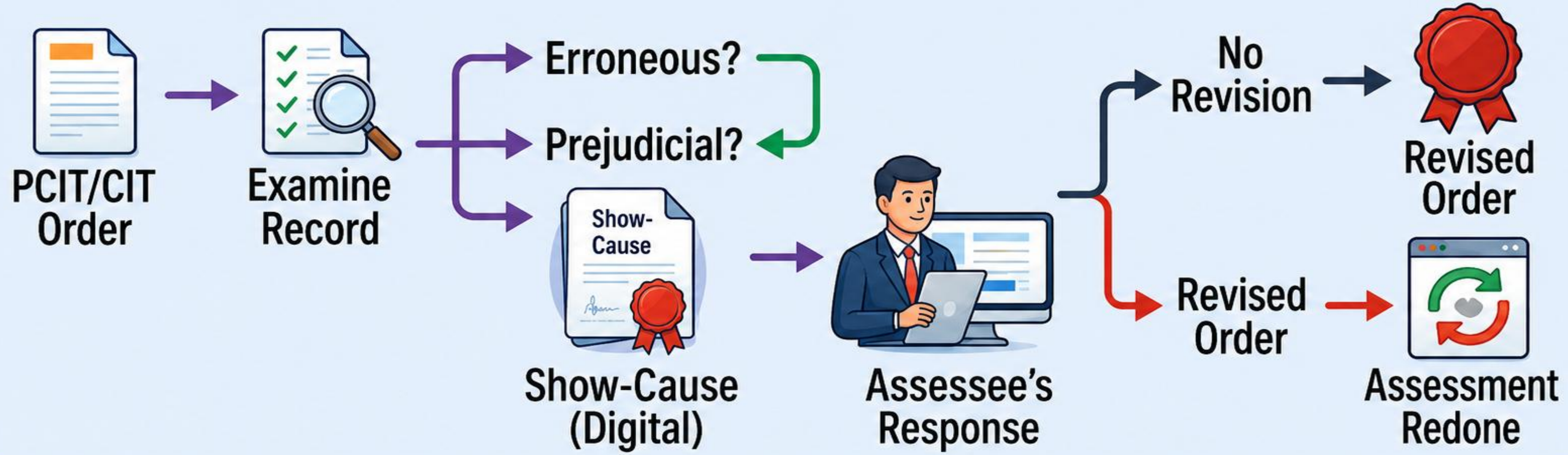
SECTION 263/264 - REVISION SHOW-CAUSE

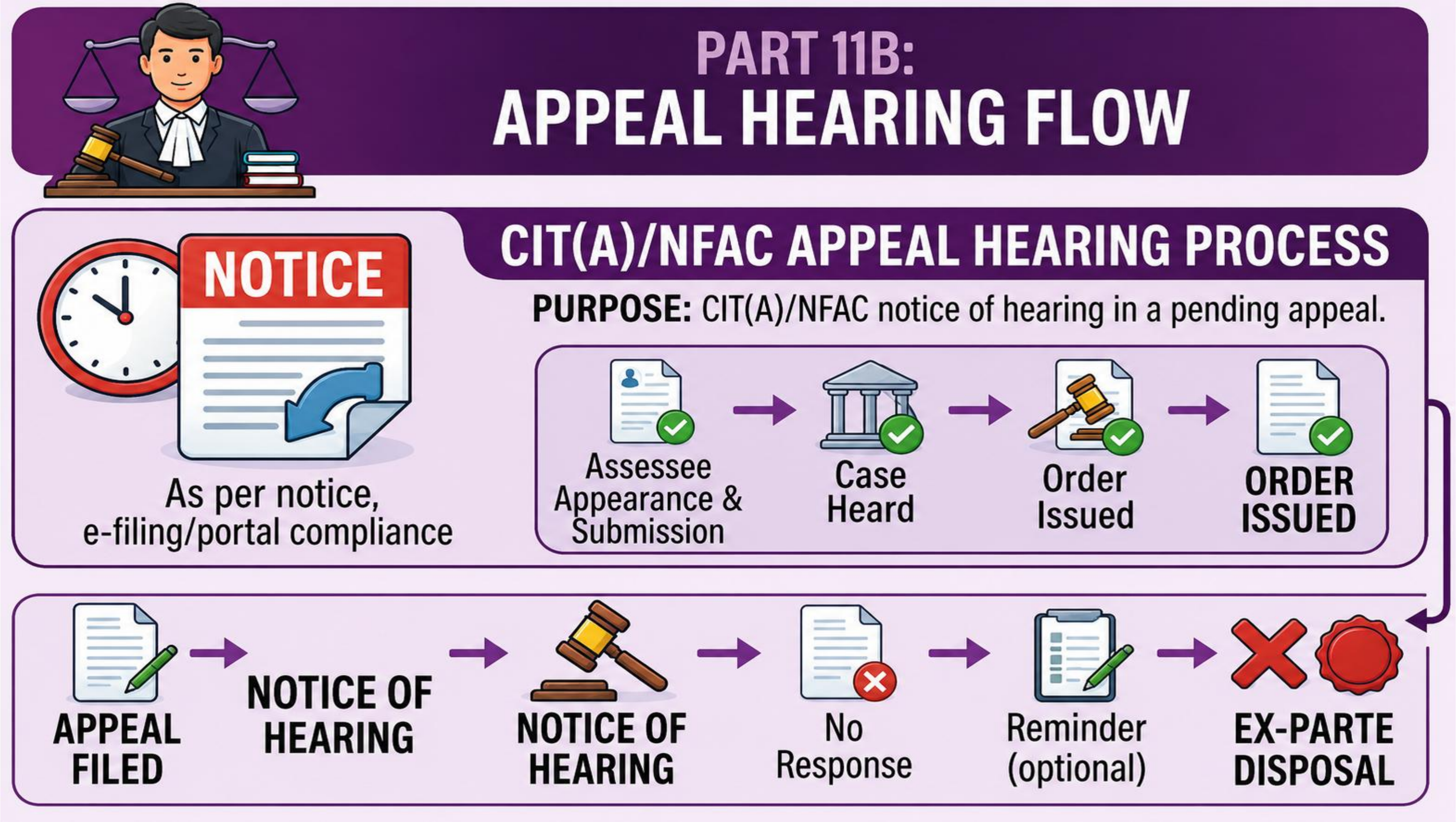
263
264

PURPOSE / STAGE: PCIT/CIT proposes to revise an order held erroneous and prejudicial to revenue.

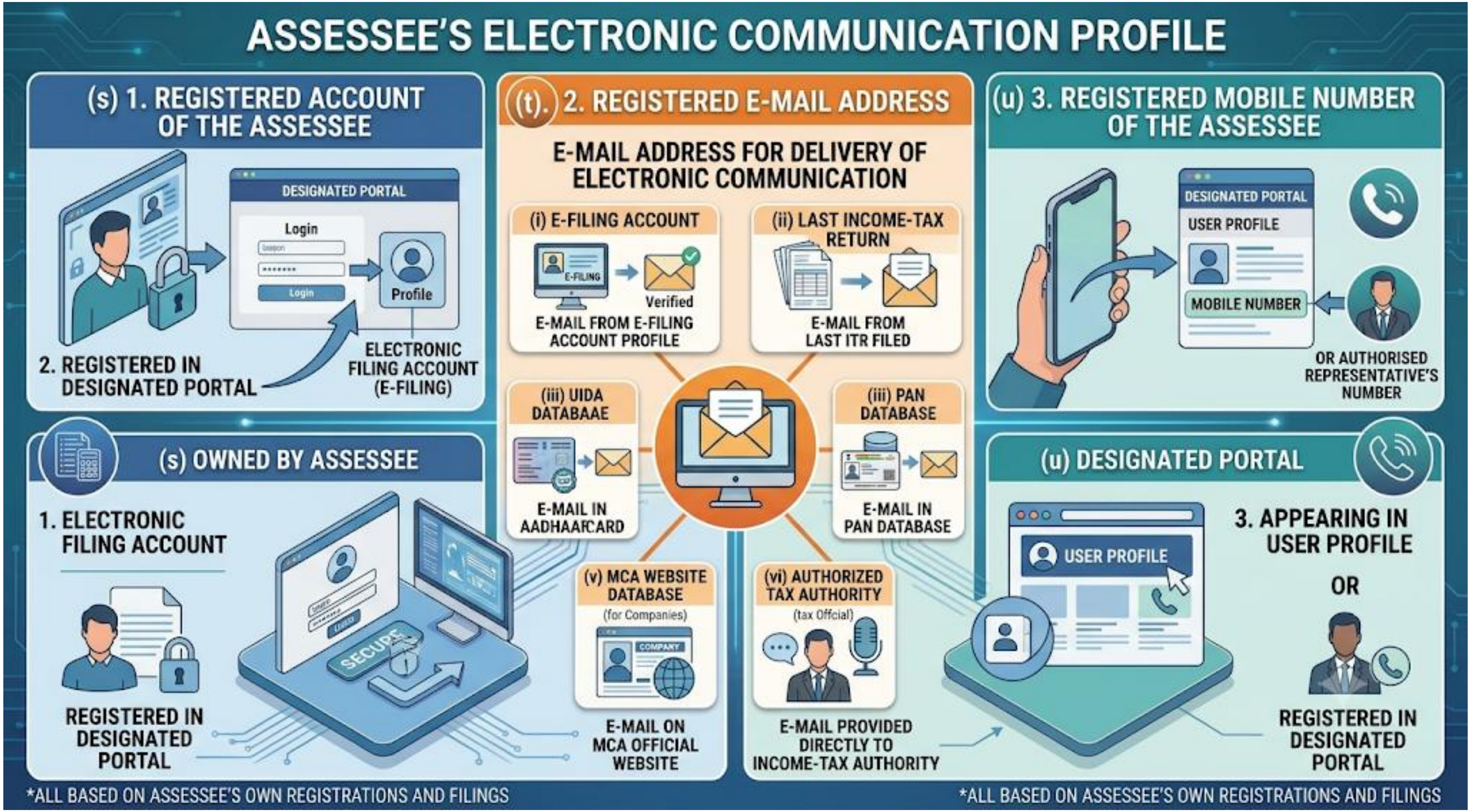
TYPICAL RESPONSE TIME: Reasonable opportunity as fixed.

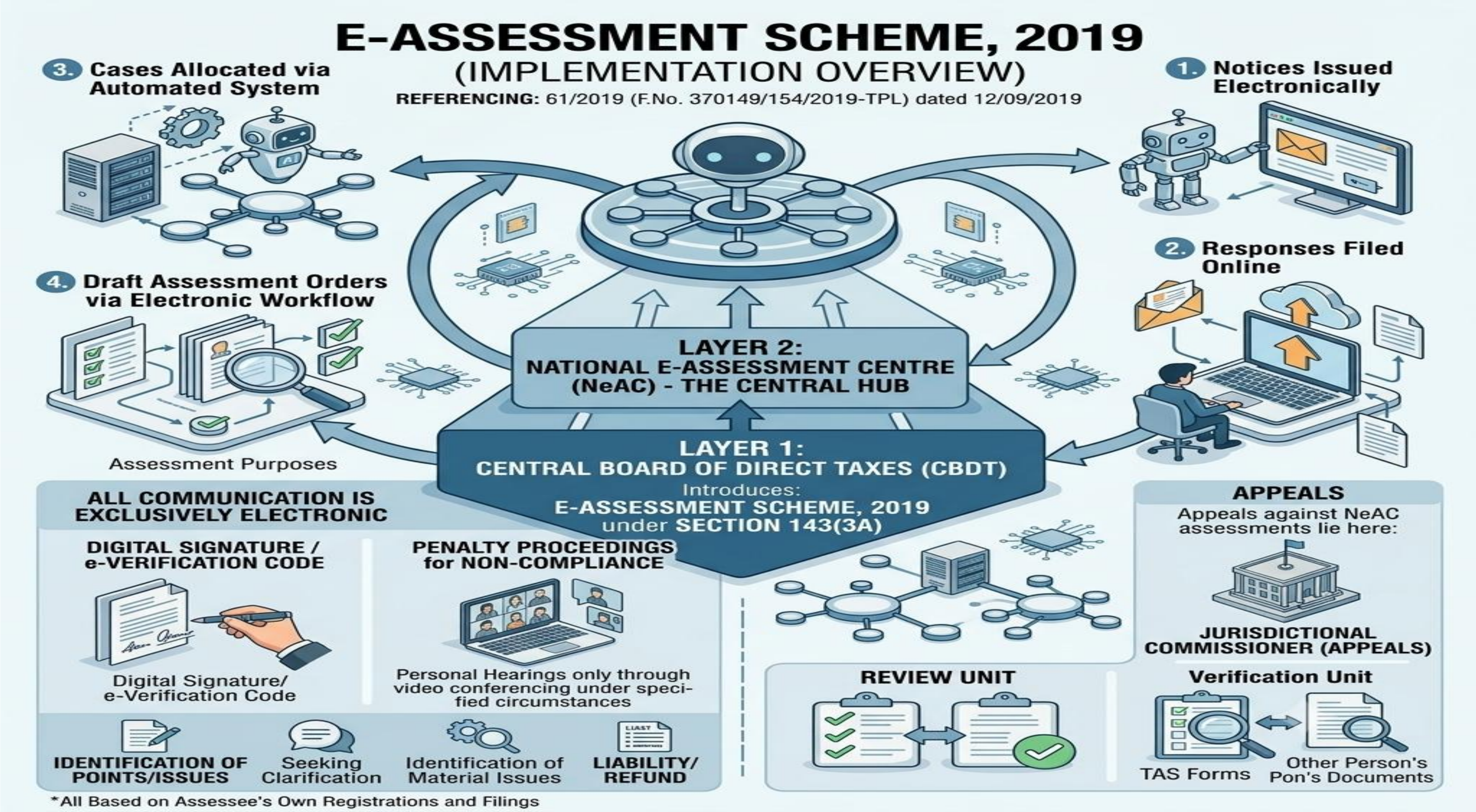
CONSEQUENCE: Order set aside, revised, or assessment redone.

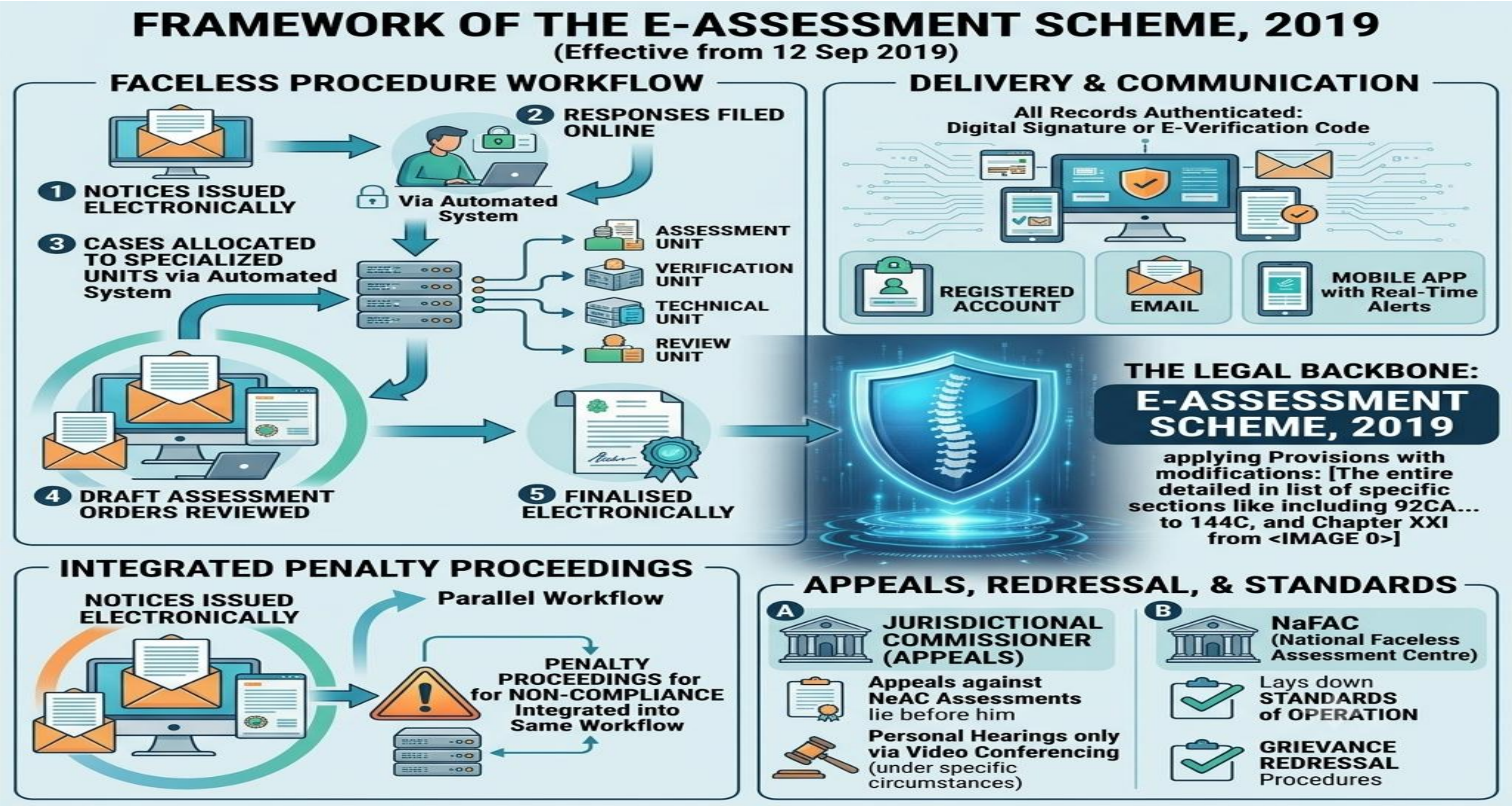


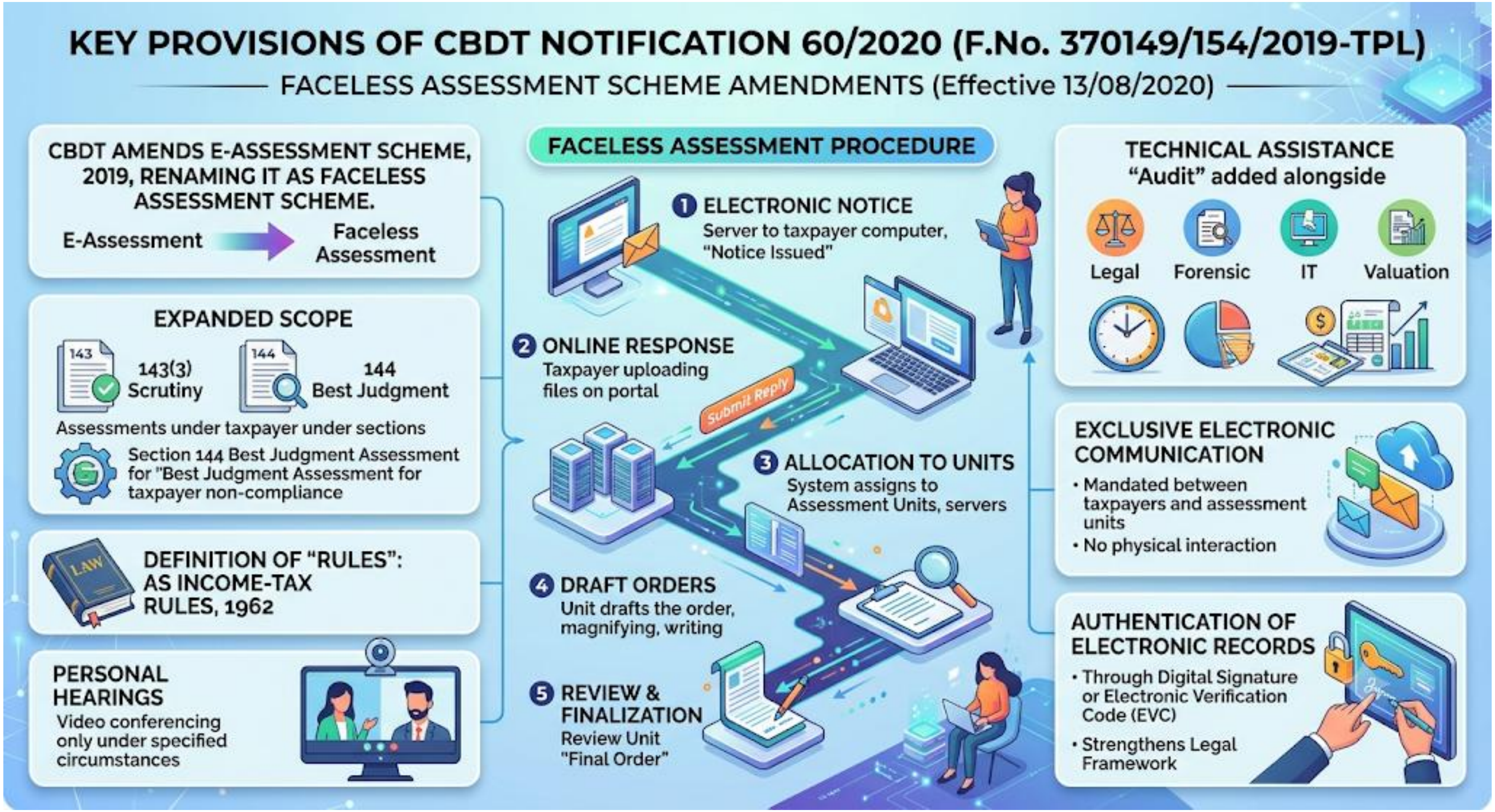

PART 11B:
APPEAL HEARING FLOW
NOTICE
As per notice, e-filing/portal compliance
CIT(A)/NFAC APPEAL HEARING PROCESS
PURPOSE: CIT(A)/NFAC notice of hearing in a pending appeal.
Assessee Appearance & Submission
Case Heard
Order Issued
ORDER ISSUED
APPEAL FILED
NOTICE OF HEARING
NOTICE OF HEARING
No Response
Reminder (optional)
EX-PARTE DISPOSAL

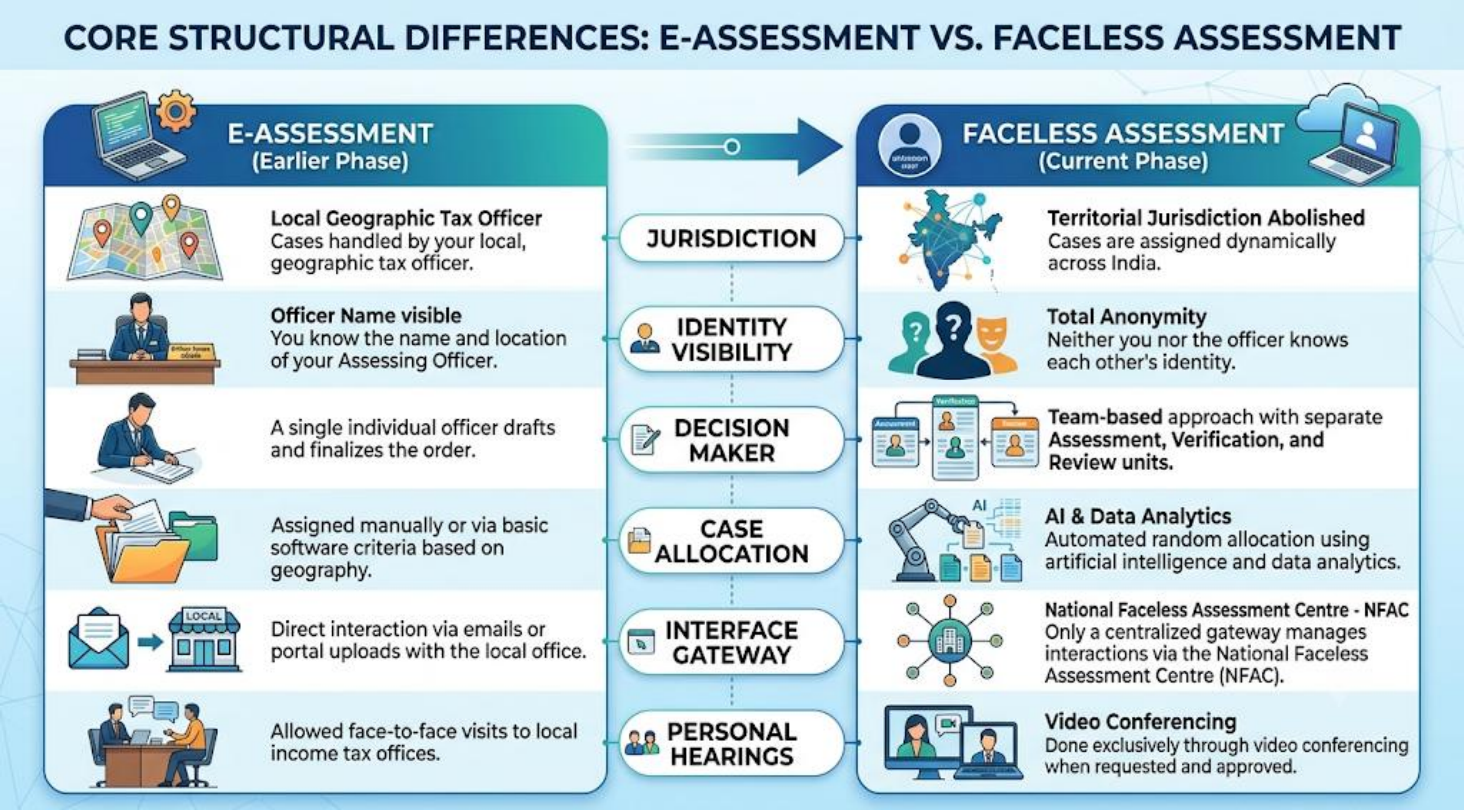
- e-Assessment and Faceless Assessment Regime

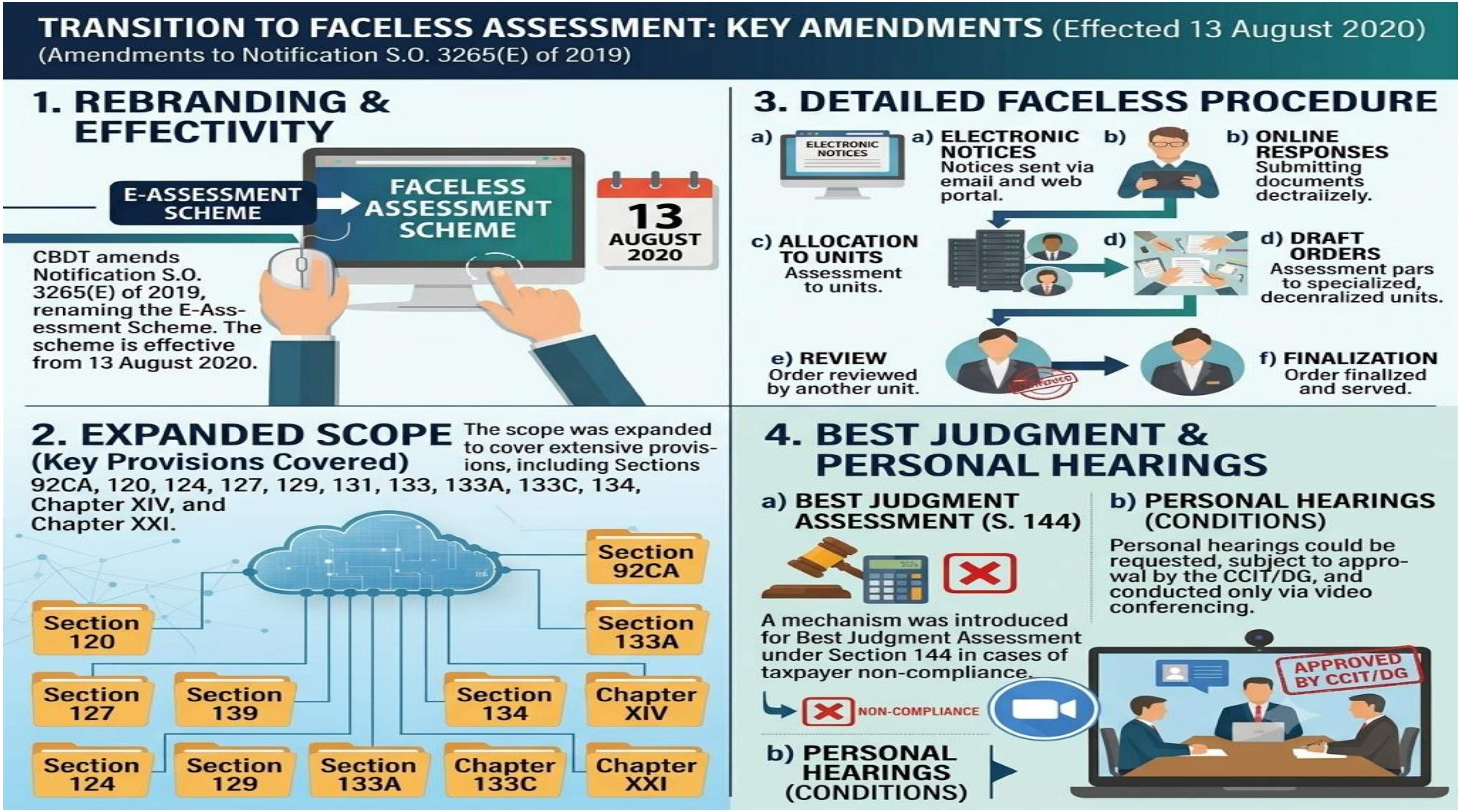

ASSESSEE'S ELECTRONIC COMMUNICATION PROFILE
(s) 1. REGISTERED ACCOUNT OF THE ASSESSEE
DESIGNATED PORTAL
Login
Login
Profile
2. REGISTERED IN DESIGNATED PORTAL
ELECTRONIC FILING ACCOUNT (E-FILING)
(t). 2. REGISTERED E-MAIL ADDRESS
E-MAIL ADDRESS FOR DELIVERY OF ELECTRONIC COMMUNICATION
(i) E-FILING ACCOUNT
E-FILING
Verified
E-MAIL FROM E-FILING ACCOUNT PROFILE
(ii) LAST INCOME-TAX RETURN
E-MAIL FROM LAST ITR FILED
(iii) UIDA DATABAAE
E-MAIL IN AADHAARCARD
(iii) PAN DATABASE
E-MAIL IN PAN DATABASE
(v) MCA WEBSITE DATABASE
(for Companies)
COMPANY
E-MAIL ON MCA OFFICIAL WEBSITE
(vi) AUTHORIZED TAX AUTHORITY
(tax Offcial)
E-MAIL PROVIDED DIRECTLY TO INCOME-TAX AUTHORITY
(u) 3. REGISTERED MOBILE NUMBER OF THE ASSESSEE
DESIGNATED PORTAL
USER PROFILE
MOBILE NUMBER
OR AUTHORISED REPRESENTATIVE'S NUMBER
(s) OWNED BY ASSESSEE
1. ELECTRONIC FILING ACCOUNT
REGISTERED IN DESIGNATED PORTAL
SECURE
(u) DESIGNATED PORTAL
USER PROFILE
3. APPEARING IN USER PROFILE
OR
REGISTERED IN DESIGNATED PORTAL
*ALL BASED ON ASSESSEE'S OWN REGISTRATIONS AND FILINGS
*ALL BASED ON ASSESSEE'S OWN REGISTRATIONS AND FILINGS


E-ASSESSMENT SCHEME, 2019
(IMPLEMENTATION OVERVIEW)
REFERENCING: 61/2019 (F.No. 370149/154/2019-TPL) dated 12/09/2019
3. Cases Allocated via Automated System
1. Notices Issued Electronically
2. Responses Filed Online
4. Draft Assessment Orders via Electronic Workflow
Assessment Purposes
LAYER 2: NATIONAL E-ASSESSMENT CENTRE (NeAC) - THE CENTRAL HUB
LAYER 1: CENTRAL BOARD OF DIRECT TAXES (CBDT)
Introduces:
E-ASSESSMENT SCHEME, 2019
under SECTION 143(3A)
ALL COMMUNICATION IS EXCLUSIVELY ELECTRONIC
DIGITAL SIGNATURE / e-VERIFICATION CODE
Digital Signature/ e-Verification Code
PENALTY PROCEEDINGS for NON-COMPLIANCE
Personal Hearings only through video conferencing under specified circumstances
IDENTIFICATION OF POINTS/ISSUES
Seeking Clarification
Identification of Material Issues
LIABILITY/ REFUND
APPEALS
Appeals against NeAC assessments lie here:
JURISDICTIONAL COMMISSIONER (APPEALS)
REVIEW UNIT
Verification Unit
TAS Forms
Other Person's Pon's Documents
*All Based on Assessee's Own Registrations and Filings

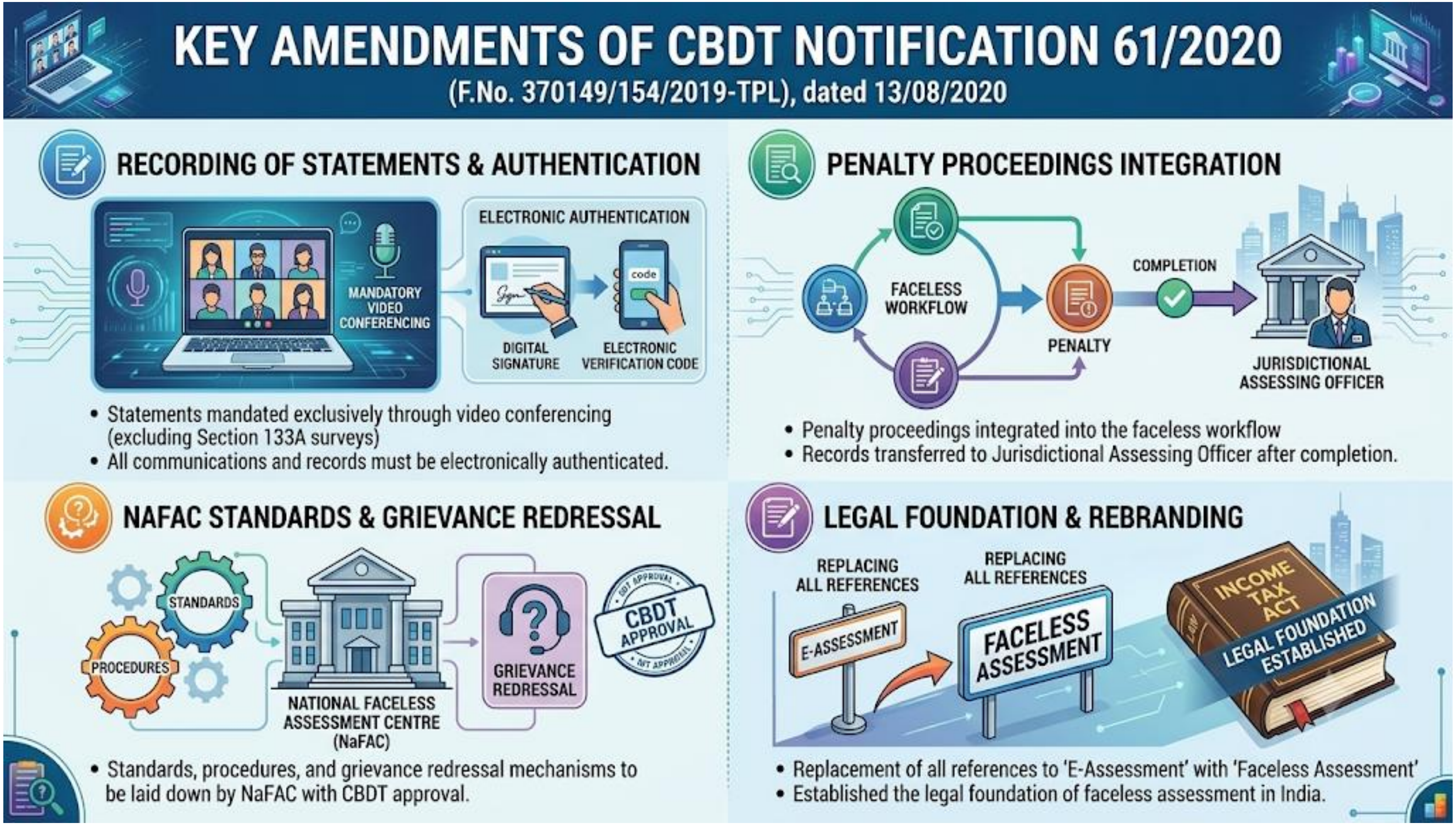

FRAMEWORK OF THE E-ASSESSMENT SCHEME, 2019
(Effective from 12 Sep 2019)
FACELESS PROCEDURE WORKFLOW
1 NOTICES ISSUED ELECTRONICALLY
2 RESPONSES FILED ONLINE
Via Automated System
3 CASES ALLOCATED TO SPECIALIZED UNITS via Automated System
ASSESSMENT UNIT
VERIFICATION UNIT
TECHNICAL UNIT
REVIEW UNIT
4 DRAFT ASSESSMENT ORDERS REVIEWED
5 FINALISED ELECTRONICALLY
DELIVERY & COMMUNICATION
All Records Authenticated: Digital Signature or E-Verification Code
REGISTERED ACCOUNT
EMAIL
MOBILE APP with Real-Time Alerts
THE LEGAL BACKBONE:
E-ASSESSMENT SCHEME, 2019
applying Provisions with modifications: [The entire detailed in list of specific sections like including 92CA... to 144C, and Chapter XXI from <IMAGE 0>]
INTEGRATED PENALTY PROCEEDINGS
NOTICES ISSUED ELECTRONICALLY
Parallel Workflow
PENALTY PROCEEDINGS for for NON-COMPLIANCE Integrated into Same Workflow
APPEALS, REDRESSAL, & STANDARDS
A JURISDICTIONAL COMMISSIONER (APPEALS)
Appeals against NeAC Assessments lie before him
Personal Hearings only via Video Conferencing (under specific circumstances)
B NaFAC (National Faceless Assessment Centre)
Lays down STANDARDS of OPERATION
GRIEVANCE REDRESSAL Procedures

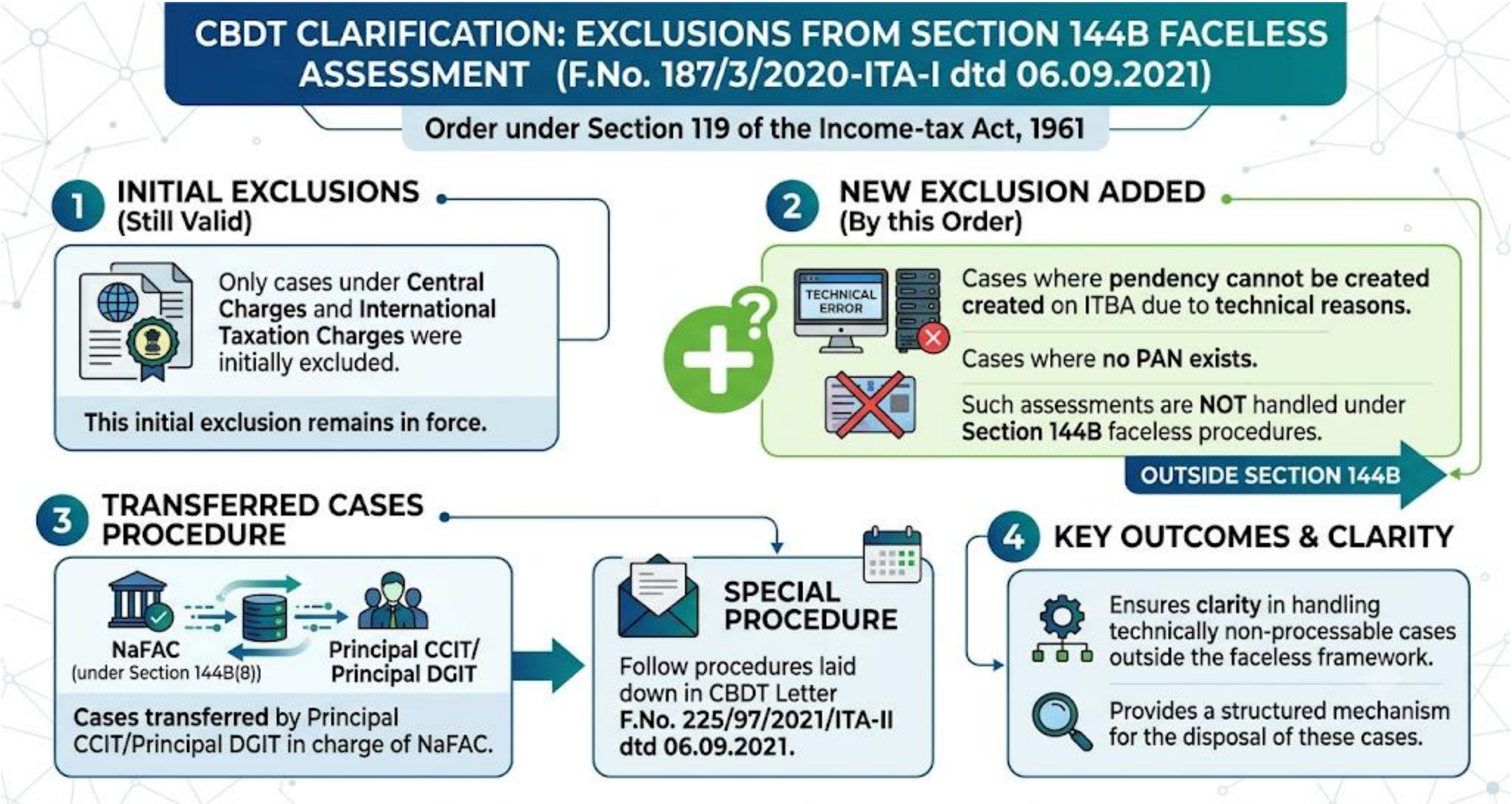

KEY PROVISIONS OF CBDT NOTIFICATION 60/2020 (F.No. 370149/154/2019-TPL)
FACELESS ASSESSMENT SCHEME AMENDMENTS (Effective 13/08/2020)
CBDT AMENDS E-ASSESSMENT SCHEME, 2019, RENAMING IT AS FACELESS ASSESSMENT SCHEME.
E-Assessment
Faceless Assessment
EXPANDED SCOPE
143
143(3) Scrutiny
144
144 Best Judgment
Assessments under taxpayer under sections
Section 144 Best Judgment Assessment for "Best Judgment Assessment for taxpayer non-compliance
LAW
DEFINITION OF "RULES": AS INCOME-TAX RULES, 1962
PERSONAL HEARINGS
Video conferencing only under specified circumstances
FACELESS ASSESSMENT PROCEDURE
1 ELECTRONIC NOTICE
Server to taxpayer computer, "Notice Issued"
2 ONLINE RESPONSE
Taxpayer uploading files on portal
Submit Reply
3 ALLOCATION TO UNITS
System assigns to Assessment Units, servers
4 DRAFT ORDERS
Unit drafts the order, magnifying, writing
5 REVIEW & FINALIZATION
Review Unit "Final Order"
TECHNICAL ASSISTANCE
"Audit" added alongside
Legal
Forensic
IT
Valuation
EXCLUSIVE ELECTRONIC COMMUNICATION
• Mandated between taxpayers and assessment units
• No physical interaction
AUTHENTICATION OF ELECTRONIC RECORDS
• Through Digital Signature or Electronic Verification Code (EVC)
• Strengthens Legal Framework

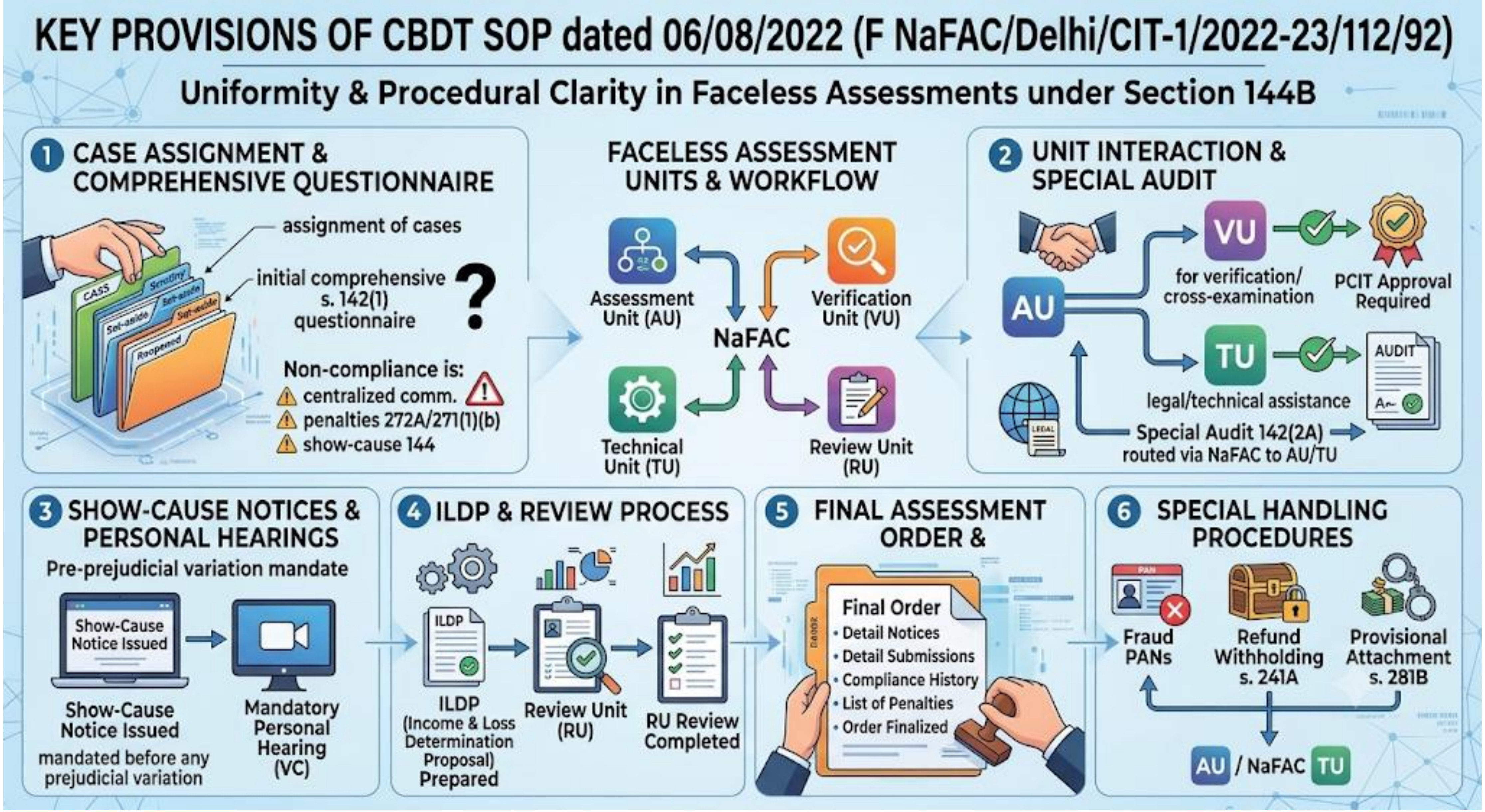

CORE STRUCTURAL DIFFERENCES: E-ASSESSMENT VS. FACELESS ASSESSMENT
E-ASSESSMENT
(Earlier Phase)
FACELESS ASSESSMENT
(Current Phase)
JURISDICTION
Local Geographic Tax Officer
Cases handled by your local, geographic tax officer.
Territorial Jurisdiction Abolished
Cases are assigned dynamically across India.
IDENTITY VISIBILITY
Officer Name visible
You know the name and location of your Assessing Officer.
Total Anonymity
Neither you nor the officer knows each other's identity.
DECISION MAKER
A single individual officer drafts and finalizes the order.
Team-based approach with separate Assessment, Verification, and Review units.
CASE ALLOCATION
Assigned manually or via basic software criteria based on geography.
AI & Data Analytics
Automated random allocation using artificial intelligence and data analytics.
AI
INTERFACE GATEWAY
LOCAL
Direct interaction via emails or portal uploads with the local office.
National Faceless Assessment Centre - NFAC
Only a centralized gateway manages interactions via the National Faceless Assessment Centre (NFAC).
PERSONAL HEARINGS
Allowed face-to-face visits to local income tax offices.
Video Conferencing
Done exclusively through video conferencing when requested and approved.

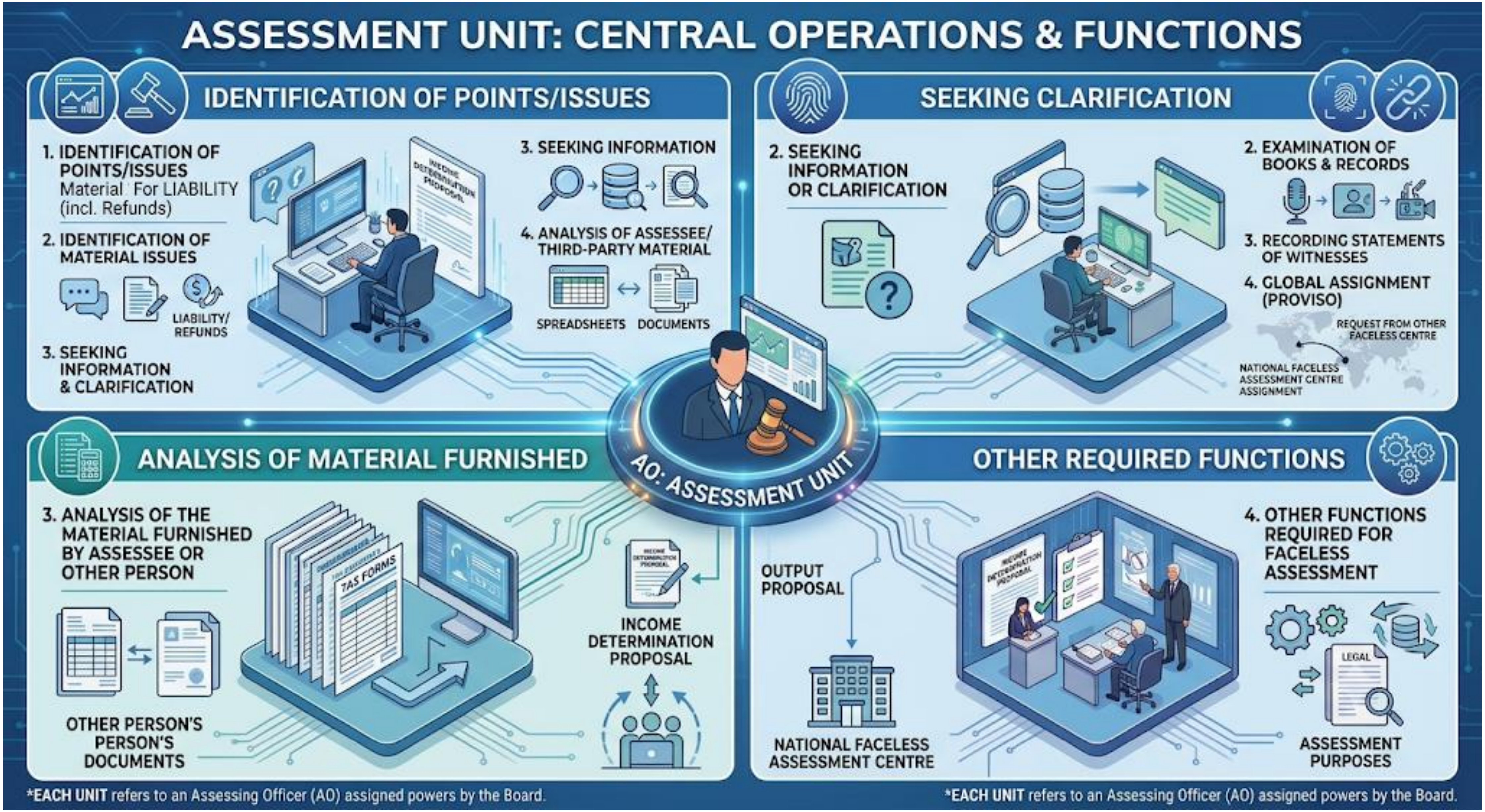


TRANSITION TO FACELESS ASSESSMENT: KEY AMENDMENTS (Effected 13 August 2020)
(Amendments to Notification S.O. 3265(E) of 2019)
1. REBRANDING & EFFECTIVITY
E-ASSESSMENT SCHEME
FACELESS ASSESSMENT SCHEME
13 AUGUST 2020
CBDT amends Notification S.O. 3265(E) of 2019, renaming the E-Assessment Scheme. The scheme is effective from 13 August 2020.
3. DETAILED FACELESS PROCEDURE
a)
ELECTRONIC NOTICES
a) ELECTRONIC NOTICES
Notices sent via email and web portal.
b)
b) ONLINE RESPONSES
Submitting documents dectraiizely.
c) ALLOCATION TO UNITS
Assessment to units.
d)
d) DRAFT ORDERS
Assessment pars to specialized, decenralized units.
e) REVIEW
Order reviewed by another unit.
f) FINALIZATION
Order finallzed and served.
2. EXPANDED SCOPE
(Key Provisions Covered)
The scope was expanded to cover extensive provisions, including Sections 92CA, 120, 124, 127, 129, 131, 133, 133A, 133C, 134, Chapter XIV, and Chapter XXI.
Section 92CA
Section 120
Section 133A
Section 127
Section 139
Section 134
Chapter XIV
Section 124
Section 129
Section 133A
Chapter 133C
Chapter XXI
4. BEST JUDGMENT & PERSONAL HEARINGS
a) BEST JUDGMENT ASSESSMENT (S. 144)
A mechanism was introduced for Best Judgment Assessment under Section 144 in cases of taxpayer non-compliance.
NON-COMPLIANCE
b) PERSONAL HEARINGS (CONDITIONS)
b) PERSONAL HEARINGS (CONDITIONS)
Personal hearings could be requested, subject to approwal by the CCIT/DG, and conducted only via video conferencing.
APPROVED BY CCIT/DG

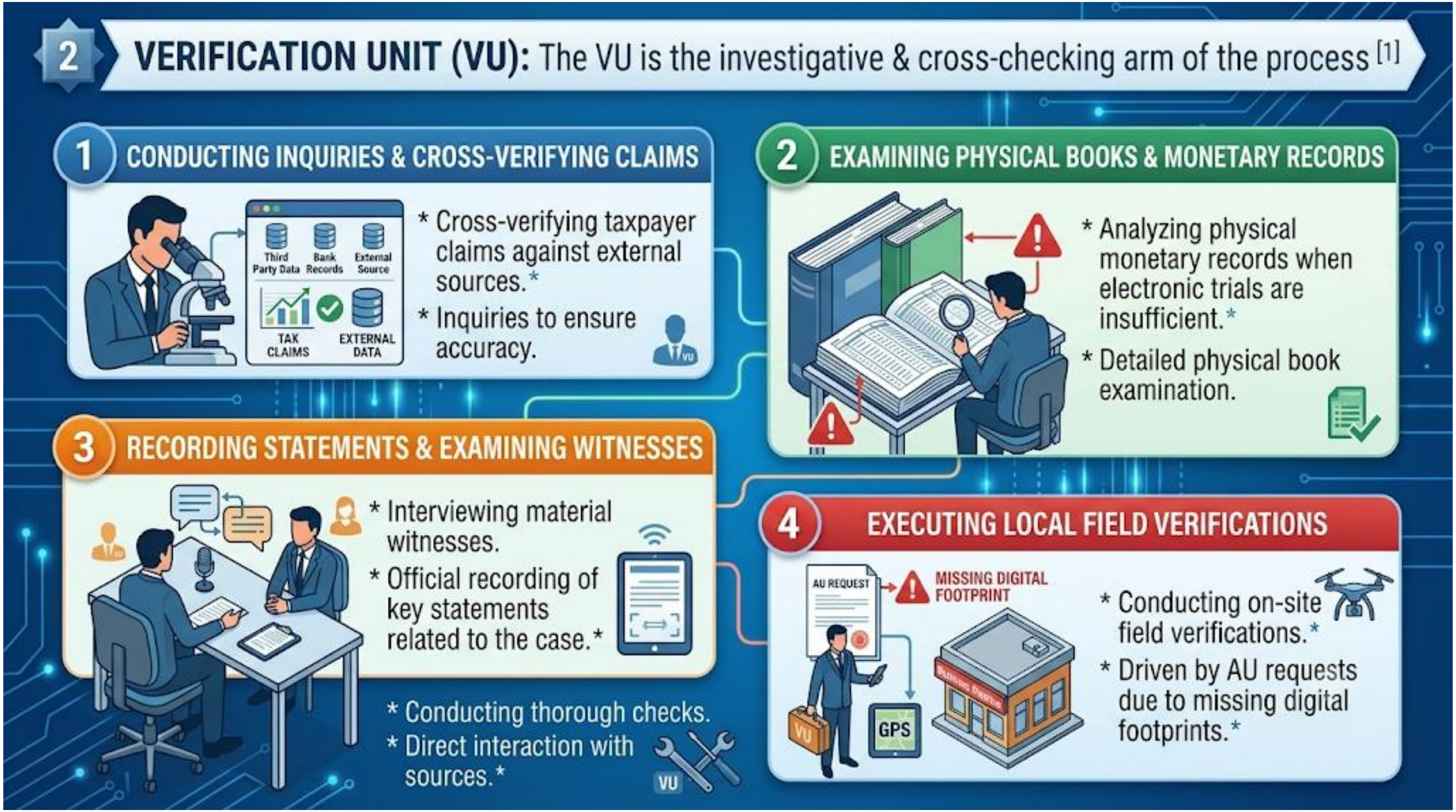

KEY AMENDMENTS OF CBDT NOTIFICATION 61/2020
(F.No. 370149/154/2019-TPL), dated 13/08/2020
RECORDING OF STATEMENTS & AUTHENTICATION
MANDATORY VIDEO CONFERENCING
ELECTRONIC AUTHENTICATION
code
DIGITAL SIGNATURE
ELECTRONIC VERIFICATION CODE
• Statements mandated exclusively through video conferencing (excluding Section 133A surveys)
• All communications and records must be electronically authenticated.
PENALTY PROCEEDINGS INTEGRATION
FACELESS WORKFLOW
PENALTY
COMPLETION
JURISDICTIONAL ASSESSING OFFICER
• Penalty proceedings integrated into the faceless workflow
• Records transferred to Jurisdictional Assessing Officer after completion.
NAFAC STANDARDS & GRIEVANCE REDRESSAL
STANDARDS
PROCEDURES
NATIONAL FACELESS ASSESSMENT CENTRE (NaFAC)
GRIEVANCE REDRESSAL
CBDT APPROVAL
• Standards, procedures, and grievance redressal mechanisms to be laid down by NaFAC with CBDT approval.
LEGAL FOUNDATION & REBRANDING
REPLACING ALL REFERENCES
E-ASSESSMENT
REPLACING ALL REFERENCES
FACELESS ASSESSMENT
INCOME TAX ACT
LEGAL FOUNDATION ESTABLISHED
• Replacement of all references to 'E-Assessment' with 'Faceless Assessment'
• Established the legal foundation of faceless assessment in India.

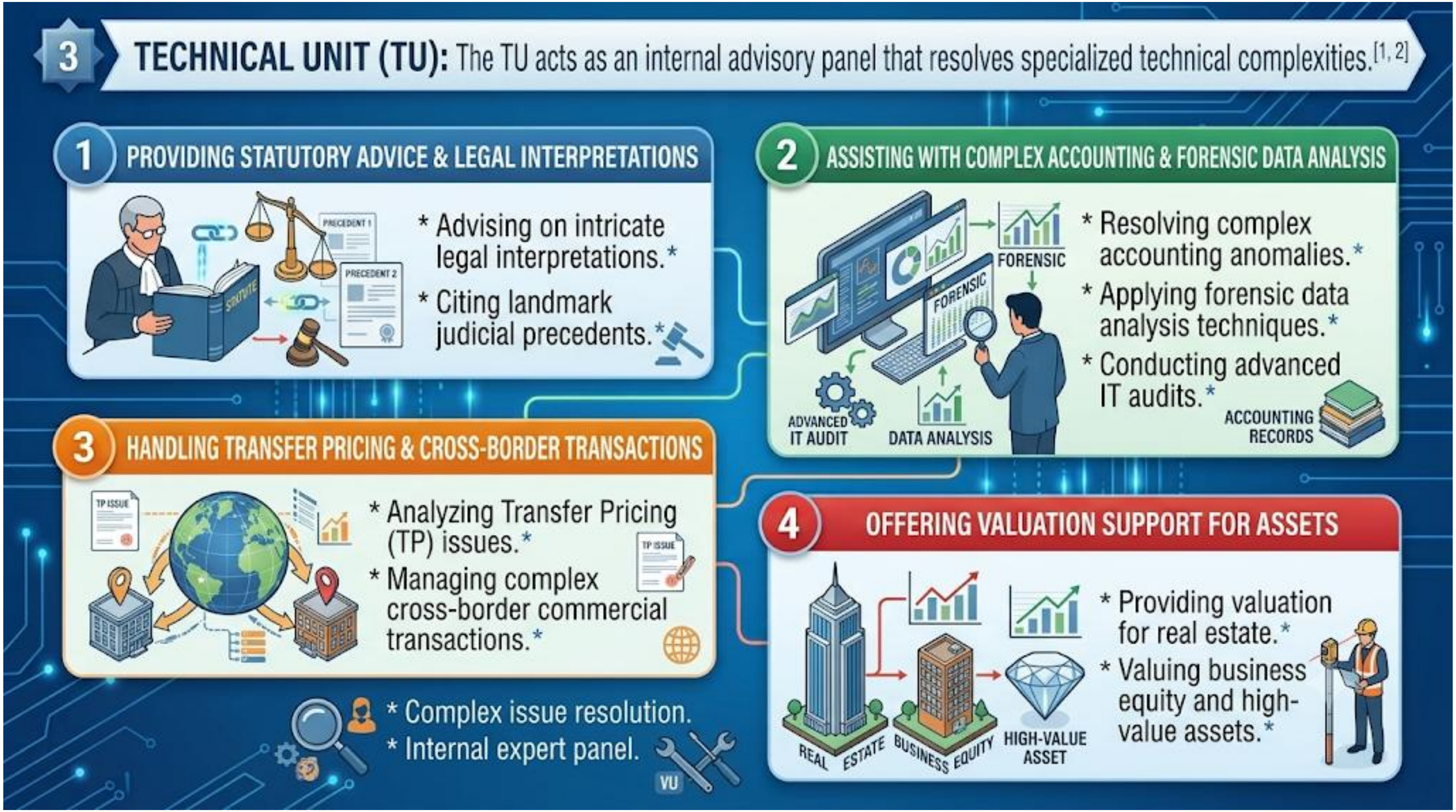

CBDT CLARIFICATION: EXCLUSIONS FROM SECTION 144B FACELESS ASSESSMENT (F.No. 187/3/2020-ITA-I dtd 06.09.2021)
Order under Section 119 of the Income-tax Act, 1961
1 INITIAL EXCLUSIONS (Still Valid)
Only cases under Central Charges and International Taxation Charges were initially excluded.
This initial exclusion remains in force.
2 NEW EXCLUSION ADDED (By this Order)
TECHNICAL ERROR
Cases where pendency cannot be created created on ITBA due to technical reasons.
Cases where no PAN exists.
Such assessments are NOT handled under Section 144B faceless procedures.
OUTSIDE SECTION 144B
3 TRANSFERRED CASES PROCEDURE
NaFAC
(under Section 144B(8))
Principal CCIT/ Principal DGIT
Cases transferred by Principal CCIT/Principal DGIT in charge of NaFAC.
SPECIAL PROCEDURE
Follow procedures laid down in CBDT Letter F.No. 225/97/2021/ITA-II dtd 06.09.2021.
4 KEY OUTCOMES & CLARITY
Ensures clarity in handling technically non-processable cases outside the faceless framework.
Provides a structured mechanism for the disposal of these cases.

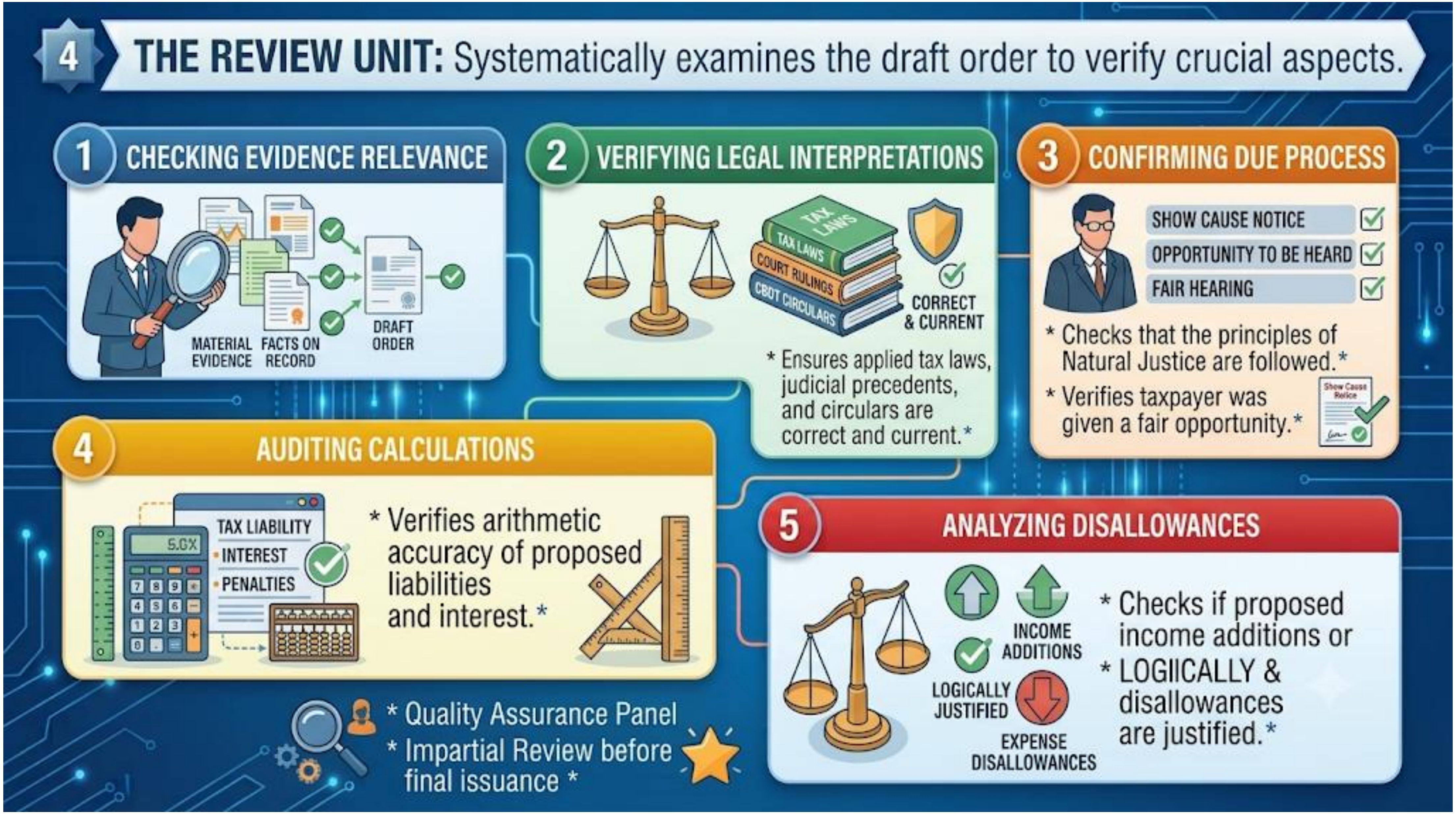

KEY PROVISIONS OF CBDT SOP dated 06/08/2022 (F NaFAC/Delhi/CIT-1/2022-23/112/92)
Uniformity & Procedural Clarity in Faceless Assessments under Section 144B
1 CASE ASSIGNMENT & COMPREHENSIVE QUESTIONNAIRE
assignment of cases
initial comprehensive s. 142(1) questionnaire
Non-compliance is:
centralized comm.
penalties 272A/271(1)(b)
show-cause 144
FACELESS ASSESSMENT UNITS & WORKFLOW
Assessment Unit (AU)
Verification Unit (VU)
NaFAC
Technical Unit (TU)
Review Unit (RU)
2 UNIT INTERACTION & SPECIAL AUDIT
AU
VU
for verification/ cross-examination
PCIT Approval Required
TU
legal/technical assistance
AUDIT
Special Audit 142(2A) routed via NaFAC to AU/TU
3 SHOW-CAUSE NOTICES & PERSONAL HEARINGS
Pre-prejudicial variation mandate
Show-Cause Notice Issued
Show-Cause Notice Issued
mandated before any prejudicial variation
Mandatory Personal Hearing (VC)
4 ILDP & REVIEW PROCESS
ILDP
ILDP (Income & Loss Determination Proposal) Prepared
Review Unit (RU)
RU Review Completed
5 FINAL ASSESSMENT ORDER &
Final Order
• Detail Notices
• Detail Submissions
• Compliance History
• List of Penalties
• Order Finalized
6 SPECIAL HANDLING PROCEDURES
PAN
Fraud PANs
Refund Withholding s. 241A
Provisional Attachment s. 281B
AU / NaFAC TU

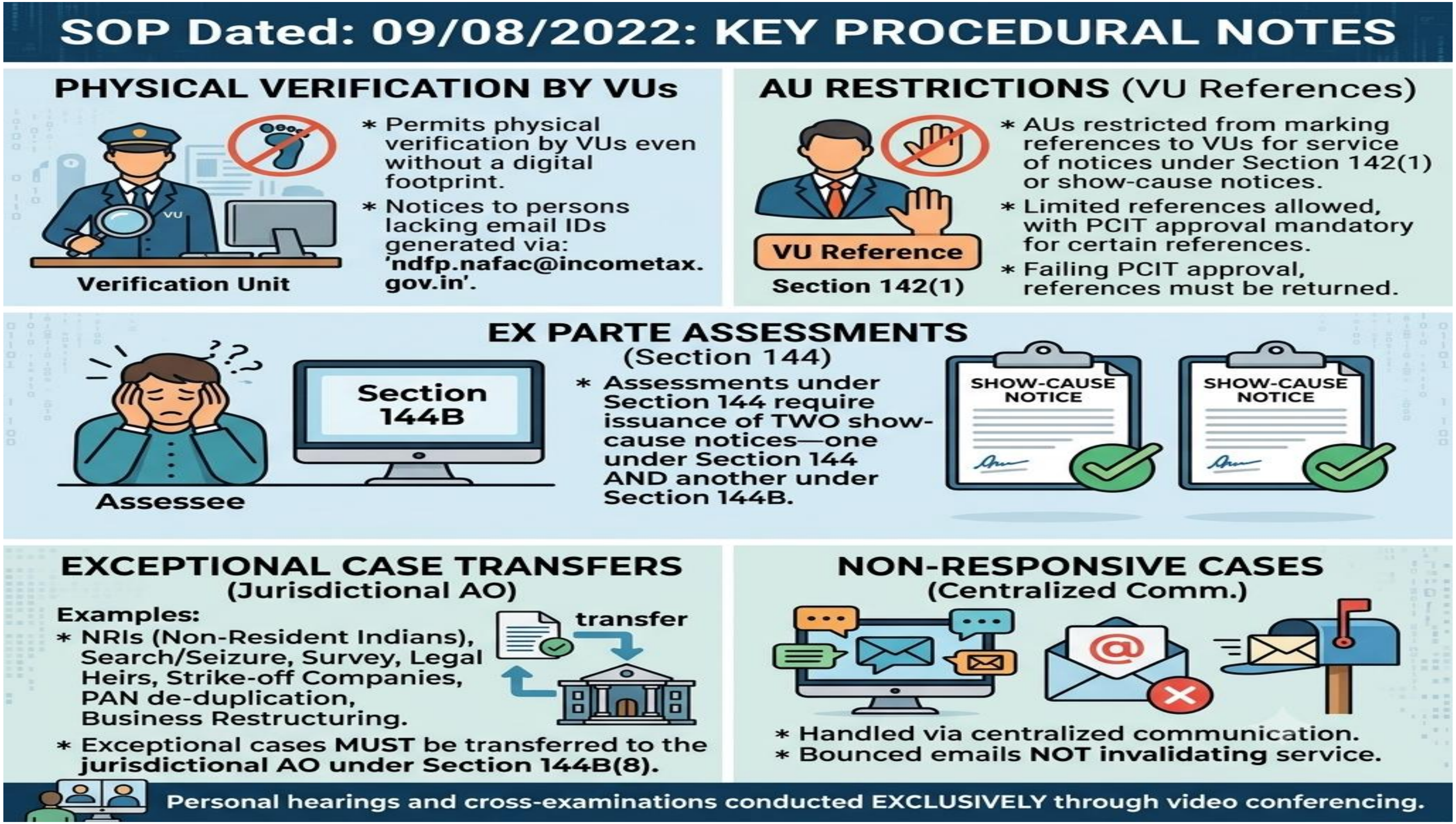


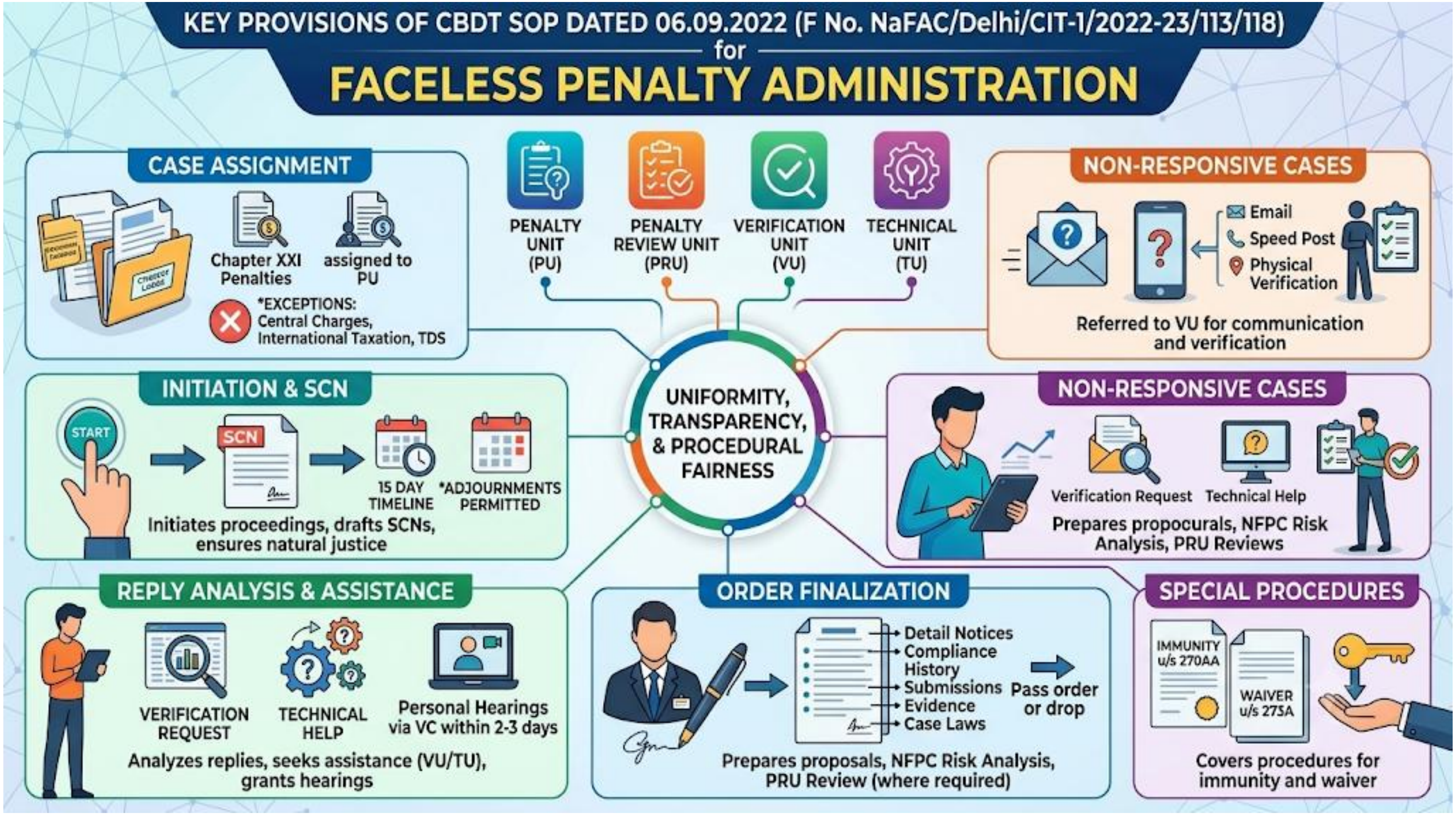
ASSESSMENT UNIT: CENTRAL OPERATIONS & FUNCTIONS
IDENTIFICATION OF POINTS/ISSUES
1. IDENTIFICATION OF POINTS/ISSUES
Material For LIABILITY (incl. Refunds)
2. IDENTIFICATION OF MATERIAL ISSUES
LIABILITY/ REFUNDS
3. SEEKING INFORMATION & CLARIFICATION
3. SEEKING INFORMATION
4. ANALYSIS OF ASSESSEE/ THIRD-PARTY MATERIAL
SPREADSHEETS
DOCUMENTS
SEEKING CLARIFICATION
2. SEEKING INFORMATION OR CLARIFICATION
2. EXAMINATION OF BOOKS & RECORDS
3. RECORDING STATEMENTS OF WITNESSES
4. GLOBAL ASSIGNMENT (PROVISO)
REQUEST FROM OTHER FACELESS CENTRE
NATIONAL FACELESS ASSESSMENT CENTRE ASSIGNMENT
AO: ASSESSMENT UNIT
ANALYSIS OF MATERIAL FURNISHED
3. ANALYSIS OF THE MATERIAL FURNISHED BY ASSESSEE OR OTHER PERSON
OTHER PERSON'S PERSON'S DOCUMENTS
INCOME DETERMINATION PROPOSAL
OTHER REQUIRED FUNCTIONS
OUTPUT PROPOSAL
NATIONAL FACELESS ASSESSMENT CENTRE
4. OTHER FUNCTIONS REQUIRED FOR FACELESS ASSESSMENT
LEGAL
ASSESSMENT PURPOSES
*EACH UNIT refers to an Assessing Officer (AO) assigned powers by the Board.
*EACH UNIT refers to an Assessing Officer (AO) assigned powers by the Board.

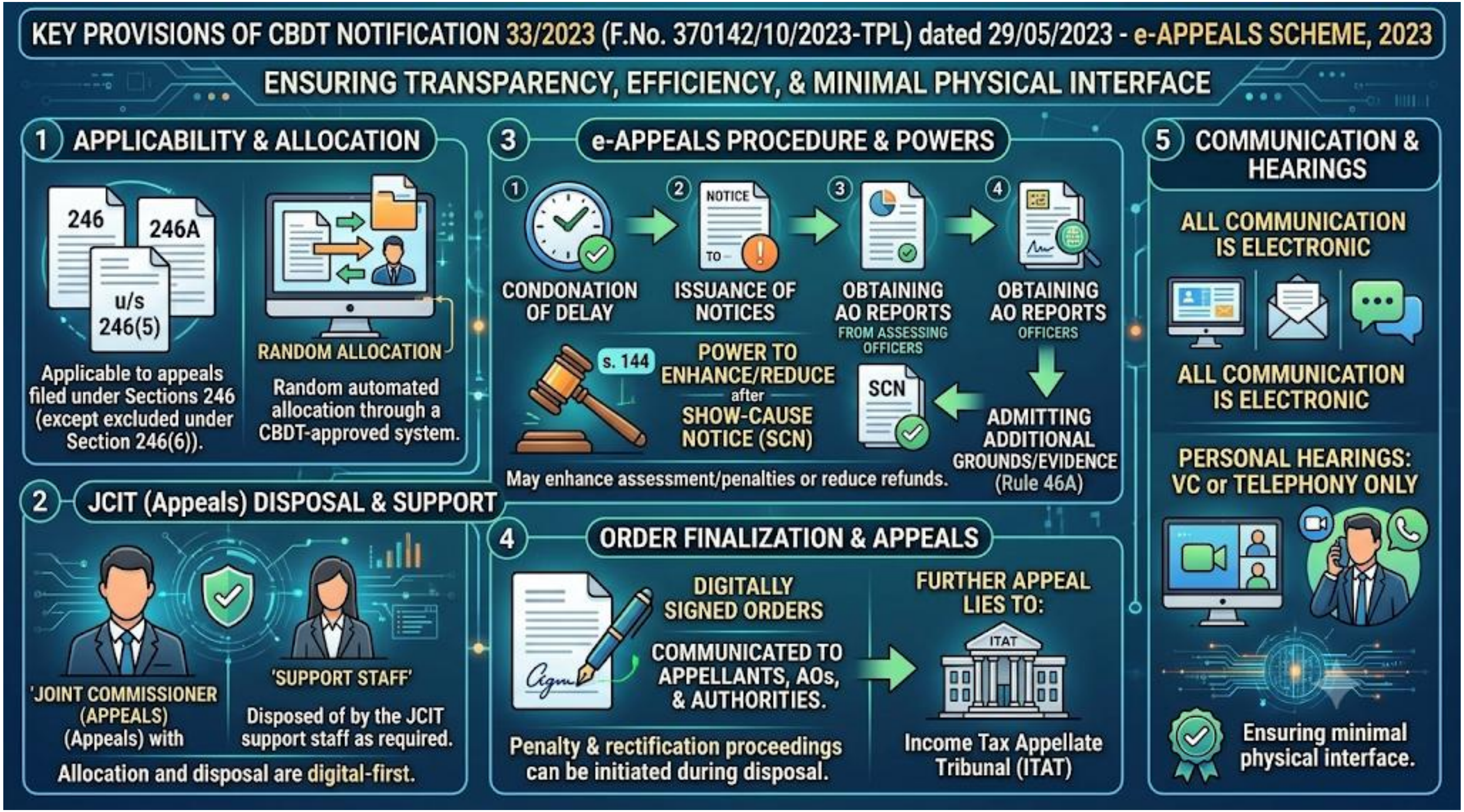

2
VERIFICATION UNIT (VU): The VU is the investigative & cross-checking arm of the process [1]
1 CONDUCTING INQUIRIES & CROSS-VERIFYING CLAIMS
Third Party Data
Bank Records
External Source
TAX CLAIMS
EXTERNAL DATA
* Cross-verifying taxpayer claims against external sources.*
* Inquiries to ensure accuracy.
VU
2 EXAMINING PHYSICAL BOOKS & MONETARY RECORDS
* Analyzing physical monetary records when electronic trials are insufficient.*
* Detailed physical book examination.
3 RECORDING STATEMENTS & EXAMINING WITNESSES
* Interviewing material witnesses.
* Official recording of key statements related to the case.*
* Conducting thorough checks.
* Direct interaction with sources.*
VU
4 EXECUTING LOCAL FIELD VERIFICATIONS
AU REQUEST
MISSING DIGITAL FOOTPRINT
VU
GPS
* Conducting on-site field verifications.*
* Driven by AU requests due to missing digital footprints.*

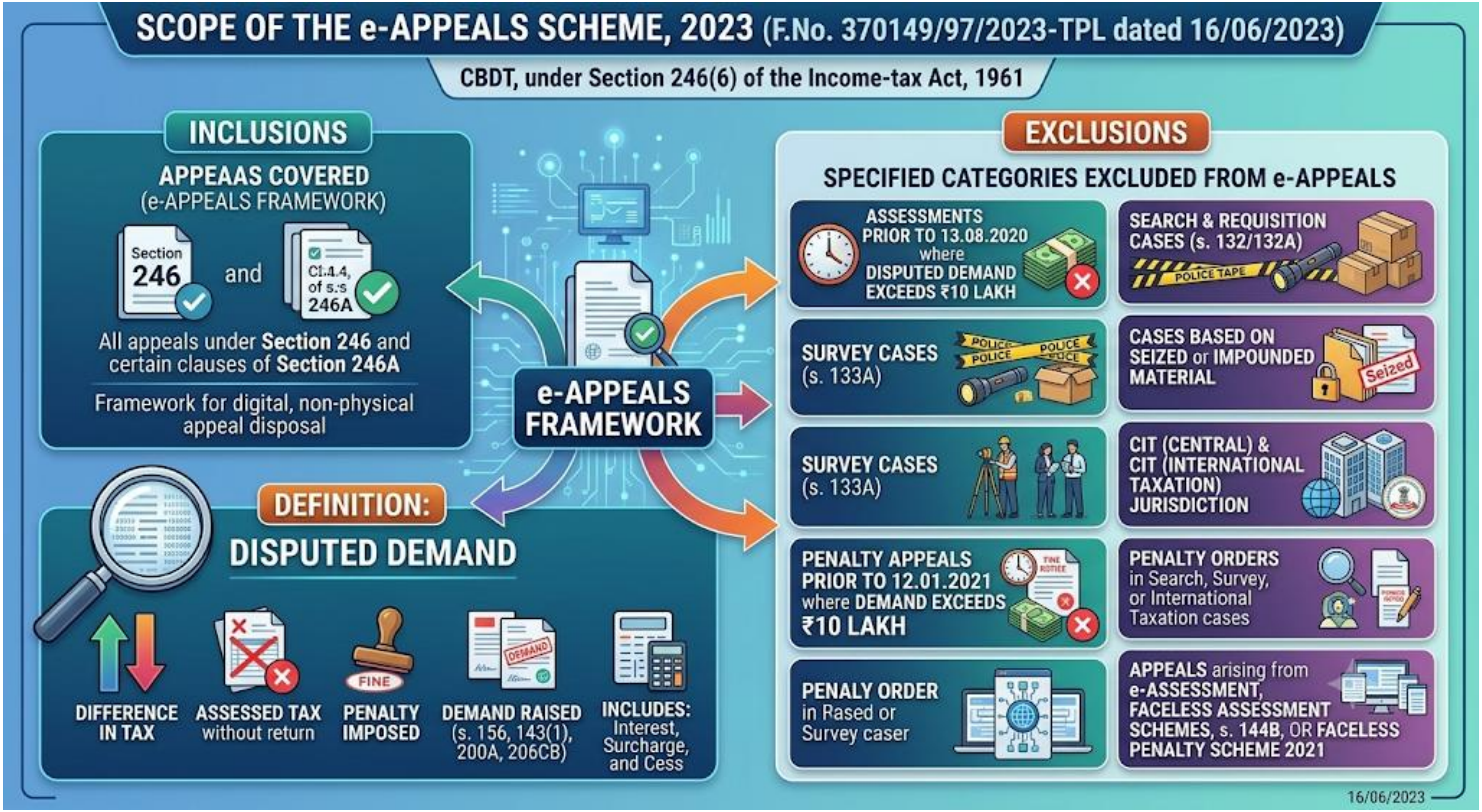

3
TECHNICAL UNIT (TU): The TU acts as an internal advisory panel that resolves specialized technical complexities.[1, 2]
1 PROVIDING STATUTORY ADVICE & LEGAL INTERPRETATIONS
STATUTE
PRECEDENT 1
PRECEDENT 2
* Advising on intricate legal interpretations.*
* Citing landmark judicial precedents.*
2 ASSISTING WITH COMPLEX ACCOUNTING & FORENSIC DATA ANALYSIS
FORENSIC
FORENSIC
ADVANCED IT AUDIT
DATA ANALYSIS
* Resolving complex accounting anomalies.*
* Applying forensic data analysis techniques.*
* Conducting advanced IT audits.*
ACCOUNTING RECORDS
3 HANDLING TRANSFER PRICING & CROSS-BORDER TRANSACTIONS
TP ISSUE
TP ISSUE
* Analyzing Transfer Pricing (TP) issues.*
* Managing complex cross-border commercial transactions.*
4 OFFERING VALUATION SUPPORT FOR ASSETS
REAL ESTATE
BUSINESS EQUITY
HIGH-VALUE ASSET
* Providing valuation for real estate.*
* Valuing business equity and high-value assets.*
* Complex issue resolution.
* Internal expert panel.
VU


4
THE REVIEW UNIT: Systematically examines the draft order to verify crucial aspects.
1 CHECKING EVIDENCE RELEVANCE
MATERIAL EVIDENCE
FACTS ON RECORD
DRAFT ORDER
2 VERIFYING LEGAL INTERPRETATIONS
TAX LAWS
TAX LAWS
COURT RULINGS
CBDT CIRCULARS
CORRECT & CURRENT
* Ensures applied tax laws, judicial precedents, and circulars are correct and current.*
3 CONFIRMING DUE PROCESS
SHOW CAUSE NOTICE
OPPORTUNITY TO BE HEARD
FAIR HEARING
* Checks that the principles of Natural Justice are followed.*
* Verifies taxpayer was given a fair opportunity.*
Show Cause Notice
4 AUDITING CALCULATIONS
TAX LIABILITY
INTEREST
PENALTIES
* Verifies arithmetic accuracy of proposed liabilities and interest.*
5 ANALYZING DISALLOWANCES
INCOME ADDITIONS
LOGICALLY JUSTIFIED
EXPENSE DISALLOWANCES
* Checks if proposed income additions or
* LOGIICALLY & disallowances are justified.*
* Quality Assurance Panel
* Impartial Review before final issuance *


SOP Dated: 09/08/2022: KEY PROCEDURAL NOTES
PHYSICAL VERIFICATION BY VUs
VU
Verification Unit
* Permits physical verification by VUs even without a digital footprint.
* Notices to persons lacking email IDs generated via: 'ndfp.nafac@incometax.gov.in'.
AU RESTRICTIONS (VU References)
VU Reference
Section 142(1)
* AUs restricted from marking references to VUs for service of notices under Section 142(1) or show-cause notices.
* Limited references allowed, with PCIT approval mandatory for certain references.
* Failing PCIT approval, references must be returned.
EX PARTE ASSESSMENTS
(Section 144)
Section 144B
Assessee
* Assessments under Section 144 require issuance of TWO show-cause notices—one under Section 144 AND another under Section 144B.
SHOW-CAUSE NOTICE
SHOW-CAUSE NOTICE
EXCEPTIONAL CASE TRANSFERS
(Jurisdictional AO)
Examples:
* NRIs (Non-Resident Indians), Search/Seizure, Survey, Legal Heirs, Strike-off Companies, PAN de-duplication, Business Restructuring.
transfer
* Exceptional cases MUST be transferred to the jurisdictional AO under Section 144B(8).
NON-RESPONSIVE CASES
(Centralized Comm.)
* Handled via centralized communication.
* Bounced emails NOT invalidating service.
Personal hearings and cross-examinations conducted EXCLUSIVELY through video conferencing.


KEY PROVISIONS OF CBDT SOP DATED 06.09.2022 (F No. NaFAC/Delhi/CIT-1/2022-23/113/118)
for
FACELESS PENALTY ADMINISTRATION
CASE ASSIGNMENT
Chapter XXI Penalties
assigned to PU
*EXCEPTIONS: Central Charges, International Taxation, TDS
PENALTY UNIT (PU)
PENALTY REVIEW UNIT (PRU)
VERIFICATION UNIT (VU)
TECHNICAL UNIT (TU)
NON-RESPONSIVE CASES
Email
Speed Post
Physical Verification
Referred to VU for communication and verification
INITIATION & SCN
START
SCN
15 DAY TIMELINE
*ADJOURNMENTS PERMITTED
Initiates proceedings, drafts SCNs, ensures natural justice
UNIFORMITY, TRANSPARENCY, & PROCEDURAL FAIRNESS
NON-RESPONSIVE CASES
Verification Request
Technical Help
Prepares propocurals, NFPC Risk Analysis, PRU Reviews
REPLY ANALYSIS & ASSISTANCE
VERIFICATION REQUEST
TECHNICAL HELP
Personal Hearings via VC within 2-3 days
Analyzes replies, seeks assistance (VU/TU), grants hearings
ORDER FINALIZATION
Detail Notices
Compliance History
Submissions
Evidence
Case Laws
Pass order or drop
Prepares proposals, NFPC Risk Analysis, PRU Review (where required)
SPECIAL PROCEDURES
IMMUNITY u/s 270AA
WAIVER u/s 273A
Covers procedures for immunity and waiver


KEY PROVISIONS OF CBDT NOTIFICATION 33/2023 (F.No. 370142/10/2023-TPL) dated 29/05/2023 - e-APPEALS SCHEME, 2023
ENSURING TRANSPARENCY, EFFICIENCY, & MINIMAL PHYSICAL INTERFACE
1 APPLICABILITY & ALLOCATION
246
246A
u/s 246(5)
Applicable to appeals filed under Sections 246 (except excluded under Section 246(6)).
RANDOM ALLOCATION
Random automated allocation through a CBDT-approved system.
2 JCIT (Appeals) DISPOSAL & SUPPORT
'JOINT COMMISSIONER (APPEALS) (Appeals) with
'SUPPORT STAFF'
Disposed of by the JCIT support staff as required.
Allocation and disposal are digital-first.
3 e-APPEALS PROCEDURE & POWERS
1 CONDONATION OF DELAY
2 NOTICE TO ISSUANCE OF NOTICES
3 OBTAINING AO REPORTS FROM ASSESSING OFFICERS
4 OBTAINING AO REPORTS OFFICERS
s. 144
POWER TO ENHANCE/REDUCE after SHOW-CAUSE NOTICE (SCN)
SCN
ADMITTING ADDITIONAL GROUNDS/EVIDENCE (Rule 46A)
May enhance assessment/penalties or reduce refunds.
4 ORDER FINALIZATION & APPEALS
DIGITALLY SIGNED ORDERS
COMMUNICATED TO APPELLANTS, AOs, & AUTHORITIES.
FURTHER APPEAL LIES TO:
ITAT
Income Tax Appellate Tribunal (ITAT)
Penalty & rectification proceedings can be initiated during disposal.
5 COMMUNICATION & HEARINGS
ALL COMMUNICATION IS ELECTRONIC
ALL COMMUNICATION IS ELECTRONIC
PERSONAL HEARINGS: VC or TELEPHONY ONLY
Ensuring minimal physical interface.


SCOPE OF THE e-APPEALS SCHEME, 2023 (F.No. 370149/97/2023-TPL dated 16/06/2023)
CBDT, under Section 246(6) of the Income-tax Act, 1961
INCLUSIONS
APPEAAS COVERED
(e-APPEALS FRAMEWORK)
Section 246
and
All appeals under Section 246 and certain clauses of Section 246A
Framework for digital, non-physical appeal disposal
e-APPEALS FRAMEWORK
DEFINITION:
DISPUTED DEMAND
DIFFERENCE IN TAX
ASSESSED TAX without return
FINE
PENALTY IMPOSED
DEMAND
DEMAND RAISED (s. 156, 143(1), 200A, 206CB)
INCLUDES: Interest, Surcharge, and Cess
EXCLUSIONS
SPECIFIED CATEGORIES EXCLUDED FROM e-APPEALS
ASSESSMENTS PRIOR TO 13.08.2020 where DISPUTED DEMAND EXCEEDS ₹10 LAKH
SEARCH & REQUISITION CASES (s. 132/132A)
POLICE TAPE
SURVEY CASES (s. 133A)
POLICE
CASES BASED ON SEIZED or IMPOUNDED MATERIAL
Seized
SURVEY CASES (s. 133A)
CIT (CENTRAL) & CIT (INTERNATIONAL TAXATION) JURISDICTION
PENALTY APPEALS PRIOR TO 12.01.2021 where DEMAND EXCEEDS ₹10 LAKH
PENALTY ORDERS in Search, Survey, or International Taxation cases
PENALY ORDER in Rased or Survey caser
APPEALS arising from e-ASSESSMENT, FACELESS ASSESSMENT SCHEMES, s. 144B, OR FACELESS PENALTY SCHEME 2021
16/06/2023

- Ex Parte Asstts – Judicial Precedents in favour of the Revenue

PRIVY COUNCIL · 1937 · APPEAL NO. 43 OF 1936

Commissioner of Income-tax, U.P. & C.P. v. Badridas Ramrai Shop, Akola

Best-judgment assessment under Section 23(4) of the Income-tax Act, 1922 — and why "honest guess-work" by the Assessing Officer is enough.

How the Dispute Reached the Privy Council

29 Apr 1931 — Notice under S. 22(2)/S 139 served; assessee later files an incomplete return showing only an "approximate loss" of Rs. 1,700.

8 Sep 1931 — Combined notice under S. 22(4)/142 (produce accounts) and S. 23(2) /143(2) (attend / produce evidence); hearing fixed for 14 Sep, later adjourned to 19 Oct 1931.

19 Oct 1931 — Assessee seeks a further adjournment on the hearing date itself, citing illness (medical certificate). Officer refuses; no accounts produced.

19 Oct 1931 — Income-tax Officer completes a best-judgment assessment under S. 23(4)/ (S.144), estimating income at Rs. 1 lakh from local repute and enquiry.

Dec 1931 – Feb 1932 — S. 27 /(S. 146) cancellation application refused; S. 30/ (S. 264) appeal to the Assistant Commissioner dismissed (27 Feb 1932).

1932–36 — Reference under S. 66(2)/ (S. 256) on 7 points of law; Judicial Commissioners (Central Provinces) rule partly for the assessee — Commissioner appeals to the Privy Council.

QUESTIONS REFERRED

Seven Points of Law Framed for the High Court

1 Was the officer justified in assuming jurisdiction under S. 23(4)/ (S.144) absent legal evidence of deliberate non-compliance?

2 Could the circumstances have proved by the assessee amount to “sufficient cause” under S. 27/146?

3 Given the assessee's illness and the officer's silence on the adjournment, could the ex parte assessment be cancelled?

4 Was the S. 22(4)/S. 23(2) notice procedure legal, and could S. 23(4) /144follow from it?

5 Was there evidence to substantiate the officer's “local enquiry” finding of Rs. 1 lakh income?

6 Was the officer's judgment vitiated by imaginary assumptions, irregular enquiry, and unmet hearsay?

7 Was the assessment truly “to the best of his judgment” given the arbitrary reasons and trade depression?

THE ASSESSEE

- Too ill to attend; medical certificate cited influenza and weakness.
- Officer never communicated a definite refusal of adjournment — an omission that caused non-compliance.
- Assessment rested on caprice, hearsay and imaginary assumptions; officer should have called for account books instead of estimating.
- Sought review of jurisdiction and of whether facts met the “sufficient cause” standard under S. 27/146.

THE COMMISSIONER

- Accounts could have been sent by messenger even without personal attendance — medical evidence didn't establish otherwise.
- “Sufficient cause” under S. 27/146 is a question of fact, not referable under S. 66(2)/260A.
- A Lahore Full Bench decision was adverse to the claim that a S. 23(2) /143(2)notice made the S. 22(4)/142(1) notice illegal.
- No strict evidentiary basis is needed for a best-judgment estimate — reasons given only show it wasn't arbitrary.

AUTHORITIES CONSIDERED

Table of Precedents Cited

Precedent	Cited For	Court's Treatment
Krishna Kumar v. The Commissioner, (1981) 5 ITC 295 (SB)	Whether a terse assessment (“Business. Rs. 30,000.”) can be “to the best of one's judgment” — High Court said yes.	An ex-parte assessment made by an Income-tax Officer cannot be deemed invalid or lacking basis simply because detailed calculations or extensive elaborations are absent from the face of the order, provided the officer has exercised their "best judgment
Abdul Bari Chowdhury v. CIT, Burma, AIR 1931 Rang 194 (FB)	Rangoon HC: an ex parte assessment may rest on the officer's “mere guess”; his order is final, no appeal.	Their Lordships agreed — guess-work is permissible if it is an honest exercise of judgment.
Full Bench, Lahore High Court (unidentified by name)	Service of a S. 23(2)/143(2) notice does not render a S. 22(4)/142(1)notice illegal.	Relied on by the Commissioner as adverse to the respondent's contention on point (iv).

Five Steps in Lord Russell's Analysis

1. **S. 23(4) (S. 144) is mandatory, not discretionary**

   Non-compliance with a S. 22(4)(142(1)) notice compels assessment to the best of the officer's judgment; under S. 27(146) the onus is on the assessee to show sufficient cause.

2. **The facts didn't meet the S. 27 (146) standard**

   Accounts could have gone by messenger; the adjournment request came too late — the S. 27 (146)and S. 30 (250)remedies were bound to fail.

3. **The seven points were questions of fact**

   A wrong factual conclusion is not converted into a question of law — so no reference lay under S. 66(2) (260A) at all.

4. **No statutory basis for the Judicial Commissioners' two “rules”**

   Neither a prior local inquiry nor a recorded note of it is required by the Act's language.

5. **The true test: honest exercise of judgment**

   Guess-work and some arbitrariness are permissible; only dishonesty, vindictiveness or caprice would vitiate the assessment — reviewable by the Commissioner under S. 33.

HOLDING

Appeal Allowed; Best-Judgment Assessment Upheld

- Officer had jurisdiction and was entitled to make the S. 23(4)/144 assessment on these facts.
- The 7 referred questions were factual — not properly referable under S. 66(2)/260A.
- The Judicial Commissioners' two extra-statutory “rules” were rejected outright.
- Only dishonest, vindictive or capricious conduct — not mere guess-work — can vitiate a best-judgment assessment; remedy lies in Commissioner's revision under S. 33/263.
- Judicial Commissioners' order reversed; respondent to pay costs of the appeal.

RELEVANCE TO PRACTICE TODAY

Why Badridas Ramrai Still Matters Under the 1961 Act

1 S. 144 assessments

The “honest exercise of judgment” standard from this case is still the touchstone for challenging a best-judgment assessment under S. 144 — mere guess-work isn't a ground; dishonesty or caprice is.

2 No mandatory “local inquiry” requirement

An AO's S. 144 order cannot be struck down merely for not recording a local inquiry or its details — there is no such statutory prerequisite, then or now.

3 Fact vs. law distinction

A finding that the AO's estimate was wrong on facts is not, by itself, a question of law — relevant when framing substantial questions of law under S. 260A appeals.

4 Adjournment conduct matters

Delaying an adjournment request to the very date of compliance, without adequate medical proof, weakens a “sufficient cause” / “reasonable opportunity” argument in penalty and reassessment proceedings alike.

BEST JUDGMENT ASSESSMENT

Reassessment of Escaped Turnover & the Limits of Estimation

Commissioner of Sales-Tax, Madhya Pradesh v. M/s. H.M. Esufall, H.M. Abdulali

Supreme Court of India | Bench: K.S. Hegde & Hans Raj Khanna, JJ. | 18 April 1973

1973 AIR 2266 • (1973) 3 SCR 1005 • (1973) 2 SCC 137 • 32 STC 77 • 90 ITR 271

Prepared for internal reference: Best Judgment Assessment — Sales Tax & Income Tax parallel

RATIO

The Supreme Court's Test: Nexus, Not Precision

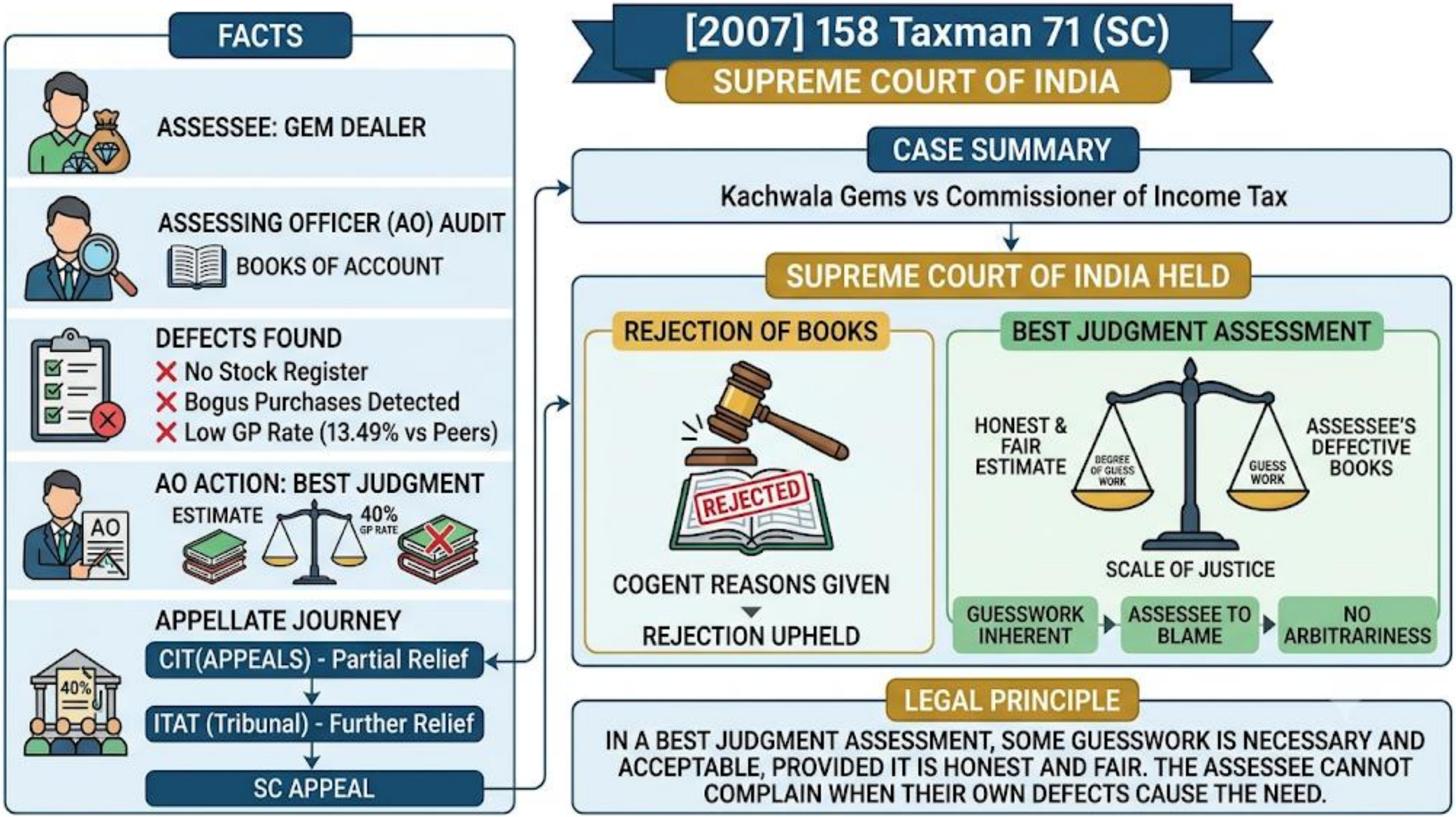
Held: The Sales-tax Officer's extrapolation from 19 days to the full year was legal and justified — reversing the High Court.

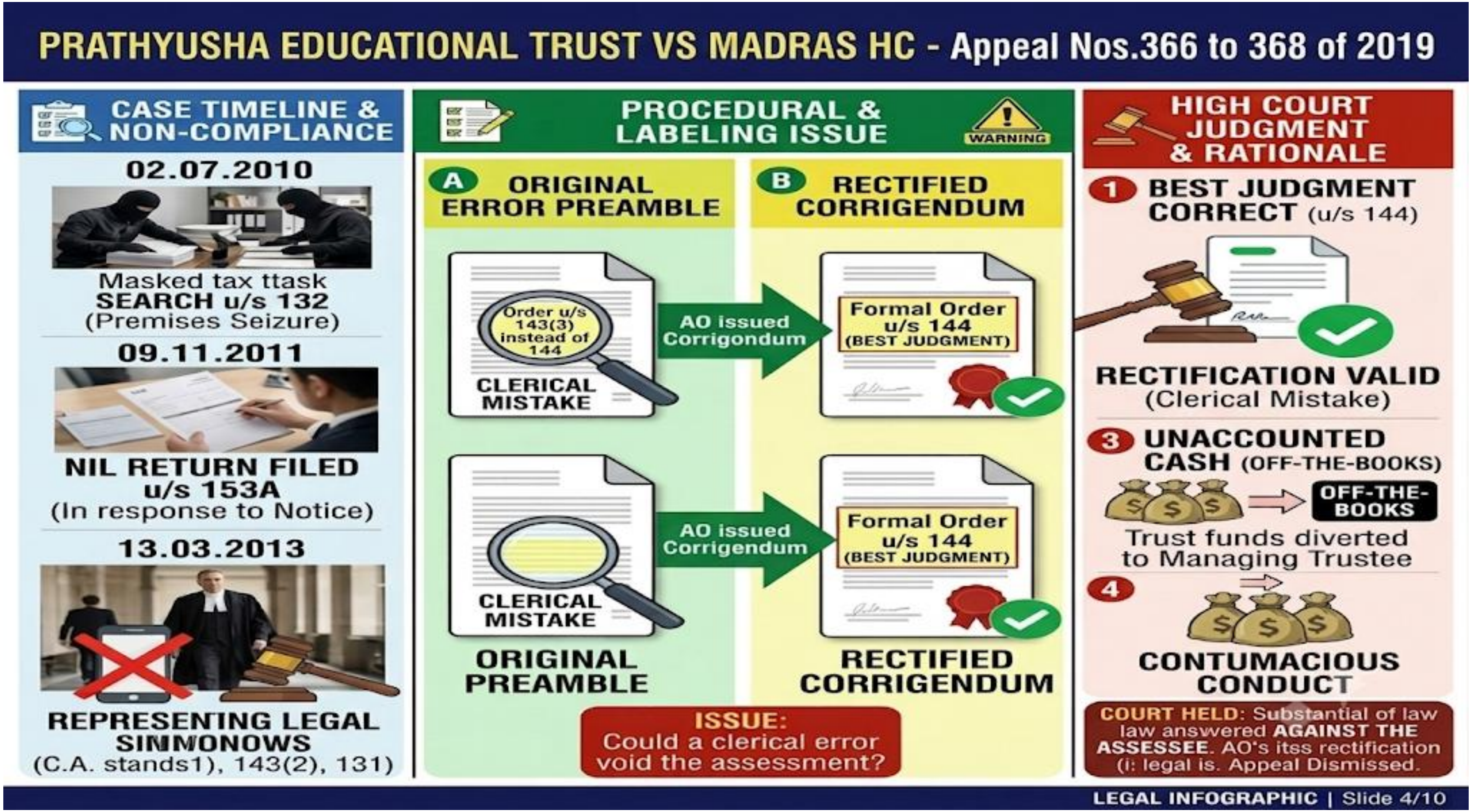
Guesswork is inevitable — but must be honest
Once accounts are rightly rejected, the AO cannot find the exact suppressed turnover. An estimate necessarily involves guesswork; that guesswork must be bona fide, not arbitrary.

Reasonable nexus is the test — not proof of the exact figure
The question is whether the basis adopted has a reasonable nexus with the material discovered — not whether it precisely proves the escaped turnover for the whole year.

Relevant basis suffices, even if not the most appropriate
If the basis adopted is a relevant one, courts cannot displace it merely because a more appropriate basis might have existed.

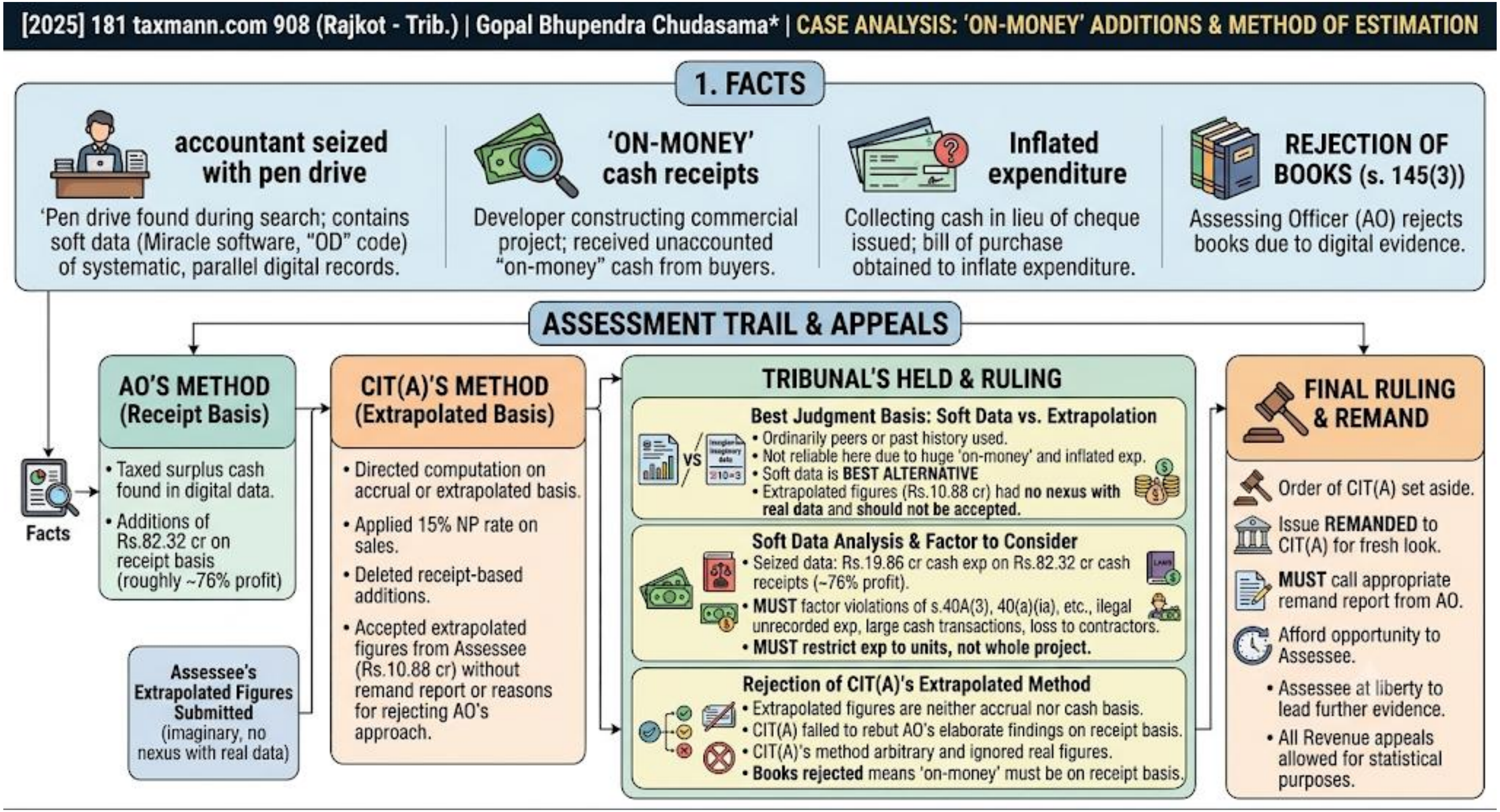
Burden shifts to the assessee who maintained false accounts
An assessee who suppresses transactions cannot demand precise proof from the AO of exactly how much more was suppressed — that fact lies peculiarly within his own knowledge.

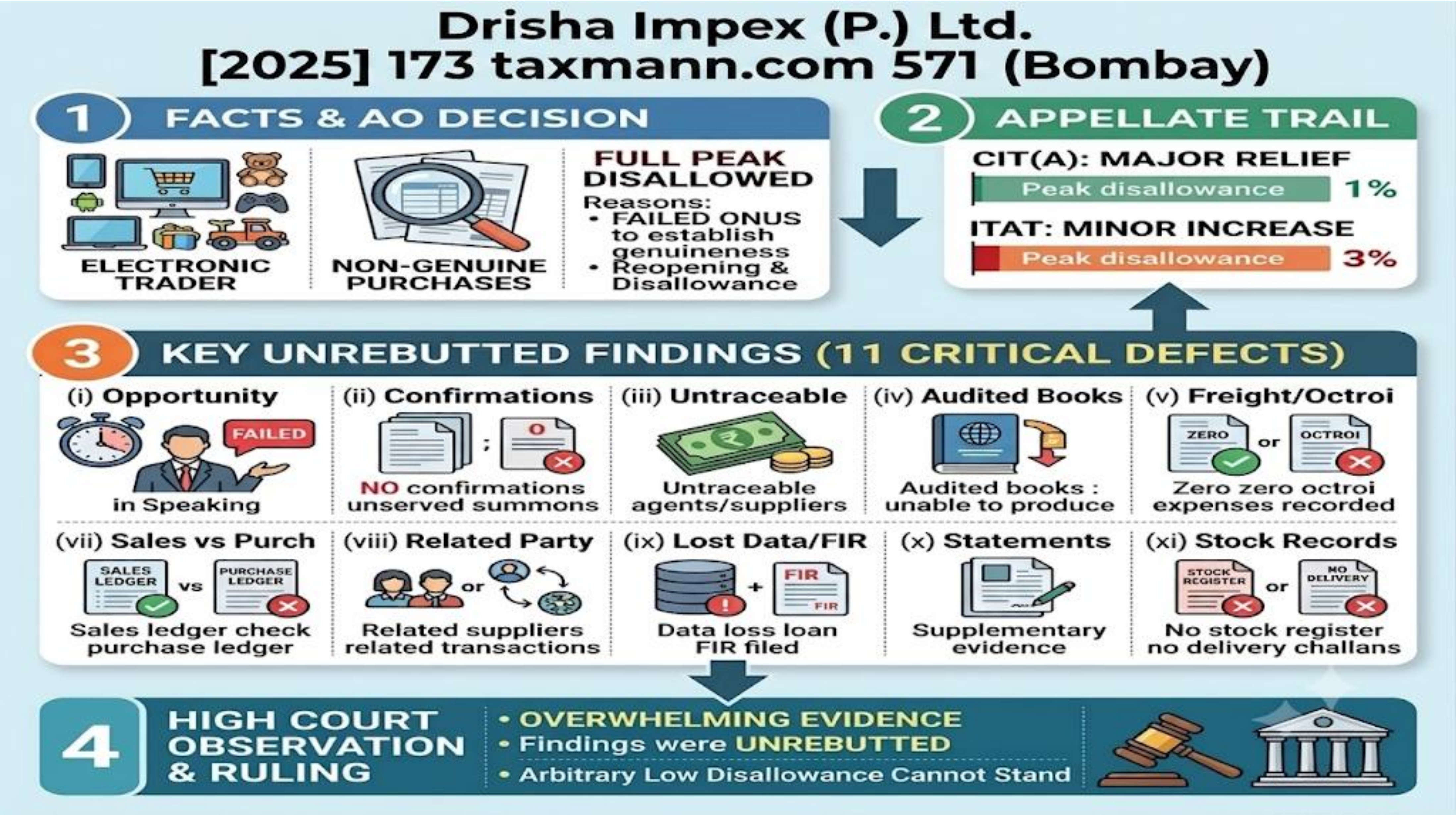

FACTS
ASSESSEE: GEM DEALER
ASSESSING OFFICER (AO) AUDIT
BOOKS OF ACCOUNT
DEFECTS FOUND
No Stock Register
Bogus Purchases Detected
Low GP Rate (13.49% vs Peers)
AO ACTION: BEST JUDGMENT
ESTIMATE
40%
GP RATE
AO
APPELLATE JOURNEY
40%
CIT(APPEALS) - Partial Relief
ITAT (Tribunal) - Further Relief
SC APPEAL
[2007] 158 Taxman 71 (SC)
SUPREME COURT OF INDIA
CASE SUMMARY
Kachwala Gems vs Commissioner of Income Tax
SUPREME COURT OF INDIA HELD
REJECTION OF BOOKS
REJECTED
COGENT REASONS GIVEN
REJECTION UPHELD
BEST JUDGMENT ASSESSMENT
HONEST & FAIR ESTIMATE
DEGREE OF GUESS WORK
GUESS WORK
ASSESSEE'S DEFECTIVE BOOKS
SCALE OF JUSTICE
GUESSWORK INHERENT
ASSESSEE TO BLAME
NO ARBITRARINESS
LEGAL PRINCIPLE
IN A BEST JUDGMENT ASSESSMENT, SOME GUESSWORK IS NECESSARY AND ACCEPTABLE, PROVIDED IT IS HONEST AND FAIR. THE ASSESSEE CANNOT COMPLAIN WHEN THEIR OWN DEFECTS CAUSE THE NEED.



PRATHYUSHA EDUCATIONAL TRUST VS MADRAS HC - Appeal Nos.366 to 368 of 2019
CASE TIMELINE & NON-COMPLIANCE
02.07.2010
Masked tax ttask
SEARCH u/s 132
(Premises Seizure)
09.11.2011
NIL RETURN FILED
u/s 153A
(In response to Notice)
13.03.2013
REPRESENTING LEGAL
SINMONOWS
(C.A. stands1), 143(2), 131)
PROCEDURAL & LABELING ISSUE
WARNING
A ORIGINAL ERROR PREAMBLE
B RECTIFIED CORRIGENDUM
Order u/s 143(3) instead of 144
CLERICAL MISTAKE
AO issued Corrigondum
Formal Order u/s 144 (BEST JUDGMENT)
CLERICAL MISTAKE
AO issued Corrigendum
Formal Order u/s 144 (BEST JUDGMENT)
ORIGINAL PREAMBLE
RECTIFIED CORRIGENDUM
ISSUE:
Could a clerical error void the assessment?
HIGH COURT JUDGMENT & RATIONALE
1 BEST JUDGMENT CORRECT (u/s 144)
RECTIFICATION VALID
(Clerical Mistake)
3 UNACCOUNTED CASH (OFF-THE-BOOKS)
OFF-THE-BOOKS
Trust funds diverted to Managing Trustee
4
CONTUMACIOUS CONDUCT
COURT HELD: Substantial of law law answered AGAINST THE ASSESSEE. AO's itss rectification (i: legal is. Appeal Dismissed.
LEGAL INFOGRAPHIC | Slide 4/10

D.M. Ajay Kumar Vivek Kumar 8 taxmann.com 127 (Himachal Pradesh)
BACKGROUND & ASSESSING OFFICER (AO)'s ACTION
GP
20.73%
BUSINESS DEALING WITH HERBS
GROSS PROFIT (GP) ON SALES
AO FINDS ISSUES:
NO Purchase Vouchers
NO Seller Addresses
NO Stock Details
(Opening/Closing Stock unverified)
BOOKS OF ACCOUNT
REJECTED
AO estimates GP at 33%
BEST JUDGMENT ASSESSMENT - 33% GP
APPEALS PROCESS
ASSESSEE-AO
COMMISSIONER (APPEALS)
NO INGURES HOTALS
DELETED THE ADDITION
NO SPECIFIC DEFECTS
REVENUE APPEALS TO THEID
REVERSES
TRIBUNAL
KACHWALA GEMS v. Jt. CIT
(Apex Court 2007)
AO WAS
WELL WITHIN RIGHT
TO REJECT BOOKS
DUE TO LACK OF PROOF
IN CONDTCTION
FINAL COURT HOLDING
HIGH COURT / SUBREME COURT PRINCIPLES
HELD: REJECTION UPHELD
REASONS:
• NO PURCHASE VOUCHERS
• NO SELLER DETAILS
• NO PROPER STOCK REGISTERS
(VERIFIED VIA KACHWALA GEMS)
GP PERCENTAGE IS A QUESTION OF FACT
BEST JUDGMENT
involves some GUESS WORK
COURTS WILL NOT INTERFERE
DOWOLVER
APPEAL DISMISSED


[2025] 181 taxmann.com 908 (Rajkot - Trib.) | Gopal Bhupendra Chudasama* | CASE ANALYSIS: 'ON-MONEY' ADDITIONS & METHOD OF ESTIMATION
1. FACTS
accountant seized with pen drive
'Pen drive found during search; contains soft data (Miracle software, "OD" code) of systematic, parallel digital records.
'ON-MONEY' cash receipts
Developer constructing commercial project; received unaccounted "on-money" cash from buyers.
Inflated expenditure
Collecting cash in lieu of cheque issued; bill of purchase obtained to inflate expenditure.
REJECTION OF BOOKS (s. 145(3))
Assessing Officer (AO) rejects books due to digital evidence.
ASSESSMENT TRAIL & APPEALS
Facts
AO'S METHOD (Receipt Basis)
• Taxed surplus cash found in digital data.
• Additions of Rs.82.32 cr on receipt basis (roughly ~76% profit)
Assessee's Extrapolated Figures Submitted (imaginary, no nexus with real data)
CIT(A)'S METHOD (Extrapolated Basis)
• Directed computation on accrual or extrapolated basis.
• Applied 15% NP rate on sales.
• Deleted receipt-based additions.
• Accepted extrapolated figures from Assessee (Rs.10.88 cr) without remand report or reasons for rejecting AO's approach.
TRIBUNAL'S HELD & RULING
Best Judgment Basis: Soft Data vs. Extrapolation
VS
• Ordinarily peers or past history used.
• Not reliable here due to huge 'on-money' and inflated exp.
• Soft data is BEST ALTERNATIVE
• Extrapolated figures (Rs.10.88 cr) had no nexus with real data and should not be accepted.
Soft Data Analysis & Factor to Consider
• Seized data: Rs.19.86 cr cash exp on Rs.82.32 cr cash receipts (~76% profit).
• MUST factor violations of s.40A(3), 40(a)(ia), etc., ilegal unrecorded exp, large cash transactions, loss to contractors.
• MUST restrict exp to units, not whole project.
Rejection of CIT(A)'s Extrapolated Method
• Extrapolated figures are neither accrual nor cash basis.
• CIT(A) failed to rebut AO's elaborate findings on receipt basis.
• CIT(A)'s method arbitrary and ignored real figures.
• Books rejected means 'on-money' must be on receipt basis.
FINAL RULING & REMAND
Order of CIT(A) set aside.
Issue REMANDED to CIT(A) for fresh look.
MUST call appropriate remand report from AO.
Afford opportunity to Assessee.
• Assessee at liberty to lead further evidence.
• All Revenue appeals allowed for statistical purposes.


Drisha Impex (P.) Ltd.
[2025] 173 taxmann.com 571 (Bombay)
1 FACTS & AO DECISION
ELECTRONIC TRADER
NON-GENUINE PURCHASES
FULL PEAK DISALLOWED
Reasons:
• FAILED ONUS to establish genuineness
• Reopening & Disallowance
2 APPELLATE TRAIL
CIT(A): MAJOR RELIEF
Peak disallowance 1%
ITAT: MINOR INCREASE
Peak disallowance 3%
3 KEY UNREBUTTED FINDINGS (11 CRITICAL DEFECTS)
(i) Opportunity
FAILED
in Speaking
(ii) Confirmations
NO confirmations unserved summons
(iii) Untraceable
Untraceable agents/suppliers
(iv) Audited Books
Audited books : unable to produce
(v) Freight/Octroi
ZERO
or
OCTROI
Zero zero octroi expenses recorded
(vii) Sales vs Purch
SALES LEDGER
vs
PURCHASE LEDGER
Sales ledger check purchase ledger
(viii) Related Party
or
Related suppliers related transactions
(ix) Lost Data/FIR
FIR
Data loss loan FIR filed
(x) Statements
Supplementary evidence
(xi) Stock Records
STOCK REGISTER
or
NO DELIVERY
No stock register no delivery challans
4 HIGH COURT OBSERVATION & RULING
• OVERWHELMING EVIDENCE
• Findings were UNREBUTTED
• Arbitrary Low Disallowance Cannot Stand

- Non submission before assessing officer and CIT(A) - Cost is levied

Tariqrashid M. Munshi Vs ITO (ITAT Ahmedabad)

TAX LAW

Appeal No. ITA No. 641/AHD/2018 | **Date of Order** 13/02/2020 | **Assessment Year** 2012-2013

INCOME TAX APPELLATE TRIBUNAL, AHMEDABAD

FACTS & PROCEEDINGS BELOW

1. ASSESSEE

Assessee did not appear before the authorities below.

NO APPEARANCE

2. ASSESSING OFFICER (AO)

AO

ADDITIONS

Additions were made by the AO as the assessee did not provide supporting evidences.

3. Ld. CIT (A)

CIT (A)

CONFIRMED

Additions were confirmed by Ld. CIT (A) without hearing the assessee.

CONSEQUENCE

Additions made & sustained without considering relevant evidences → May result in recovery of taxes on additions which are not sustainable in the eyes of Law.

KEY LEGAL PRINCIPLES

- Primary onus lies on assessee to co-operate in proceedings.
- Penalty for default should be commensurate with the default.
- Assessee should not suffer for non-appearance when addition itself is not sustainable under the Act.

TRIBUNAL FINDINGS & ORDER

1. ADDITIONS UNSUSTAINABLE

EVIDENCE

Additions were made and sustained only because assessee did not file evidences.

Recovery of tax on such additions is not justified.

2. SET ASIDE & REMIT

In the interest of justice and fair play, order of Ld. CIT (A) is set aside and matter is remitted to AO for fresh adjudication as per provisions of Law.

3. PENALTY FOR NON-APPEARANCE

PENALTY

Assessee is liable for penalty for non-appearance before the authorities below.

4. PENALTY IMPOSED

Penalty of Rs. 5,000/- is imposed on the assessee.

To be deposited in the Income Tax Officer before the commencement of proceedings before AO.

5. CO-OPERATION DIRECTED

Assessee is directed to co-operate in the proceedings before AO and furnish all requisite documents in advance.

FINAL OUTCOME

Order of Ld. CIT (A) set aside. Matter remitted to AO for fresh adjudication as per Law.

↓

Penalty of Rs. 5,000/- imposed and to be deposited before proceedings.

↓

Assessee to co-operate and submit all necessary documents in advance.

VIMARSH PRAKASHBHAI VASAVADA vs. ITO

ASST. YEAR – 2020-21

ITAT ORDER – KEY FINDINGS & DIRECTIONS

13 ASSESSMENT BY AO

AO

Entire sale consideration from alleged LTCG treated as **UNEXPLAINED MONEY** u/s 69A.

CONSEQUENCES:

- Deduction u/s 54F denied
- Foreign tax credit denied

14 NON-COMPLIANCE

- Several notices issued by CIT(A).
- On some occasions adjournments sought.
- On several occasions no response at all.
- No documentary evidence, details or explanations filed till appellate order.

CLEAR NON-COMPLIANCE BY ASSESSEE

15 ISSUES NEED MERITS-BASED REVIEW

- Nature of capital gains
- Applicability of section 69A
- Allowability of deduction u/s 54F
- Claim of foreign tax credit

Require proper verification of facts and examination of documentary evidence.

16 ITAT ORDER

SET ASIDE

Order of CIT(Appeals) **SET ASIDE**

Matter **RESTORED** to the file of CIT(Appeals) for **DE-NOVO ADJUDICATION**

- CIT(Appeals) shall adjudicate all grounds on merits.
- After affording adequate opportunity of being heard to the assessee.
- May call for remand report / further verification from AO, if necessary.

17 DIRECTION TO ASSESSEE

- Shall fully cooperate in appellate proceedings.
- Shall file all relevant documents, evidences and explanations.

In case of any further non-compliance or failure, CIT(Appeals) may decide the appeal on the basis of material available on record in accordance with law.

18 COST IMPOSED

COST OF ₹ 10,000/-

To be deposited with Prime Ministers Relief Fund

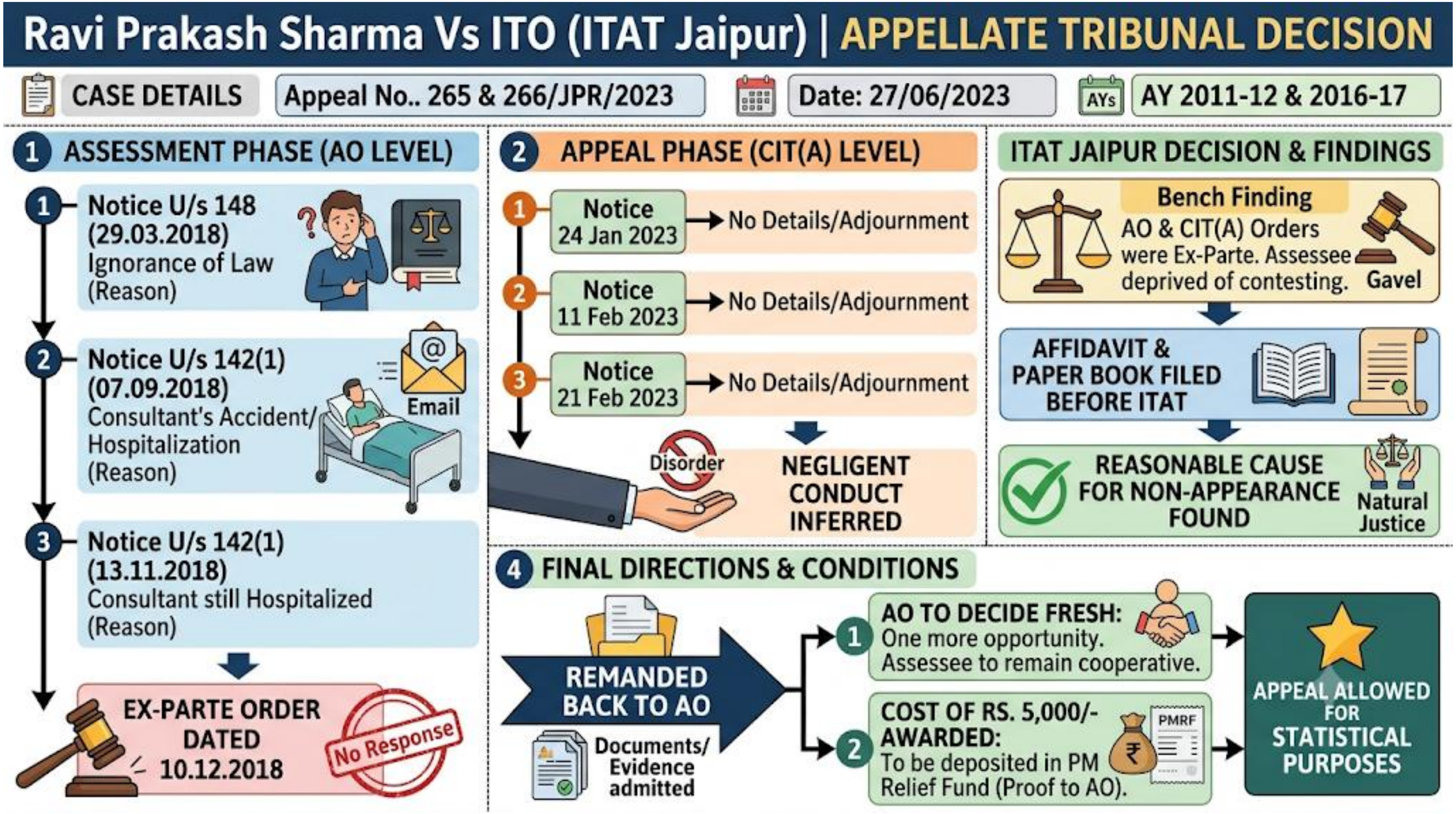
Proof to be produced before CIT(Appeals) at the time of hearing.

19 FINAL OUTCOME

Assessee's appeal is **ALLOWED FOR STATISTICAL PURPOSES**

SUBJECT TO PAYMENT OF COST

OBJECTIVE: Ensure fair hearing and adjudication on merits while upholding accountability of the assessee for non-compliance and non-cooperation.


Ravi Prakash Sharma Vs ITO (ITAT Jaipur) | APPELLATE TRIBUNAL DECISION
CASE DETAILS
Appeal No.. 265 & 266/JPR/2023
Date: 27/06/2023
AYs
AY 2011-12 & 2016-17
1 ASSESSMENT PHASE (AO LEVEL)
1 Notice U/s 148 (29.03.2018) Ignorance of Law (Reason)
2 Notice U/s 142(1) (07.09.2018) Consultant's Accident/ Hospitalization (Reason)
Email
3 Notice U/s 142(1) (13.11.2018) Consultant still Hospitalized (Reason)
EX-PARTE ORDER DATED 10.12.2018
No Response
2 APPEAL PHASE (CIT(A) LEVEL)
1 Notice 24 Jan 2023 → No Details/Adjournment
2 Notice 11 Feb 2023 → No Details/Adjournment
3 Notice 21 Feb 2023 → No Details/Adjournment
Disorder
NEGLIGENT CONDUCT INFERRED
ITAT JAIPUR DECISION & FINDINGS
Bench Finding
AO & CIT(A) Orders were Ex-Parte. Assessee deprived of contesting.
Gavel
AFFIDAVIT & PAPER BOOK FILED BEFORE ITAT
REASONABLE CAUSE FOR NON-APPEARANCE FOUND
Natural Justice
4 FINAL DIRECTIONS & CONDITIONS
REMANDED BACK TO AO
Documents/ Evidence admitted
1 AO TO DECIDE FRESH: One more opportunity. Assessee to remain cooperative.
2 COST OF RS. 5,000/- AWARDED: To be deposited in PM Relief Fund (Proof to AO).
PMRF
APPEAL ALLOWED FOR STATISTICAL PURPOSES

SANKHALA EXPORTS PVT. LTD. 4643/Mum/2025

APPEAL AGAINST DISMISSAL BY NFAC DUE TO NON COMPLIANCE TO NOTICES u/s 250

REASON FOR NON COMPLIANCE TO NOTICES

u/s 250

Non compliance to notices issued under section 250 was not deliberate but occurred due to negligence on the part of the office of the erstwhile Chartered Accountant and staff.

The appellant had duly instructed his staff to monitor the appeal proceedings before NFAC, Delhi and to inform him of any notices.

Due to lapses in communication, the notices were not brought to his attention, resulting in non appearance.

Compliance had been made in earlier stages before the AO, CIT(A), and ITAT, which demonstrates bona fides and absence of mala fide intention.

AFFIDAVIT

Affidavit of Director, Shri Umesh Bansal, affirms he was unaware of the notices due to staff negligence and had no intention to avoid representation.

SUBMISSIONS OF THE APPELLANT

He has been actively participating in proceedings in earlier years and appellate stages; only at the NFAC stage the lapse occurred.

In view of sufficient and reasonable cause, the appellant prays that the matter be remanded back to NFAC u/s 250 with liberty to issue fresh notices.

So that the appeal may be decided on merits rather than dismissed *ex parte*.

ITAT ORDER

ITAT holds that in the present case, it is proper to restore the matter back to the file of Ld. CIT(A) for deciding the matter afresh by providing adequate opportunity to the assessee.

COST IMPOSED

Rs. 10,000/-

imposed upon the assessee for non appearance before Ld. CIT(A) and non cooperation during the assessment proceedings.

PM RELIEF FUND

The said amount shall be deposited by the assessee in the Prime Minister's Relief Fund.

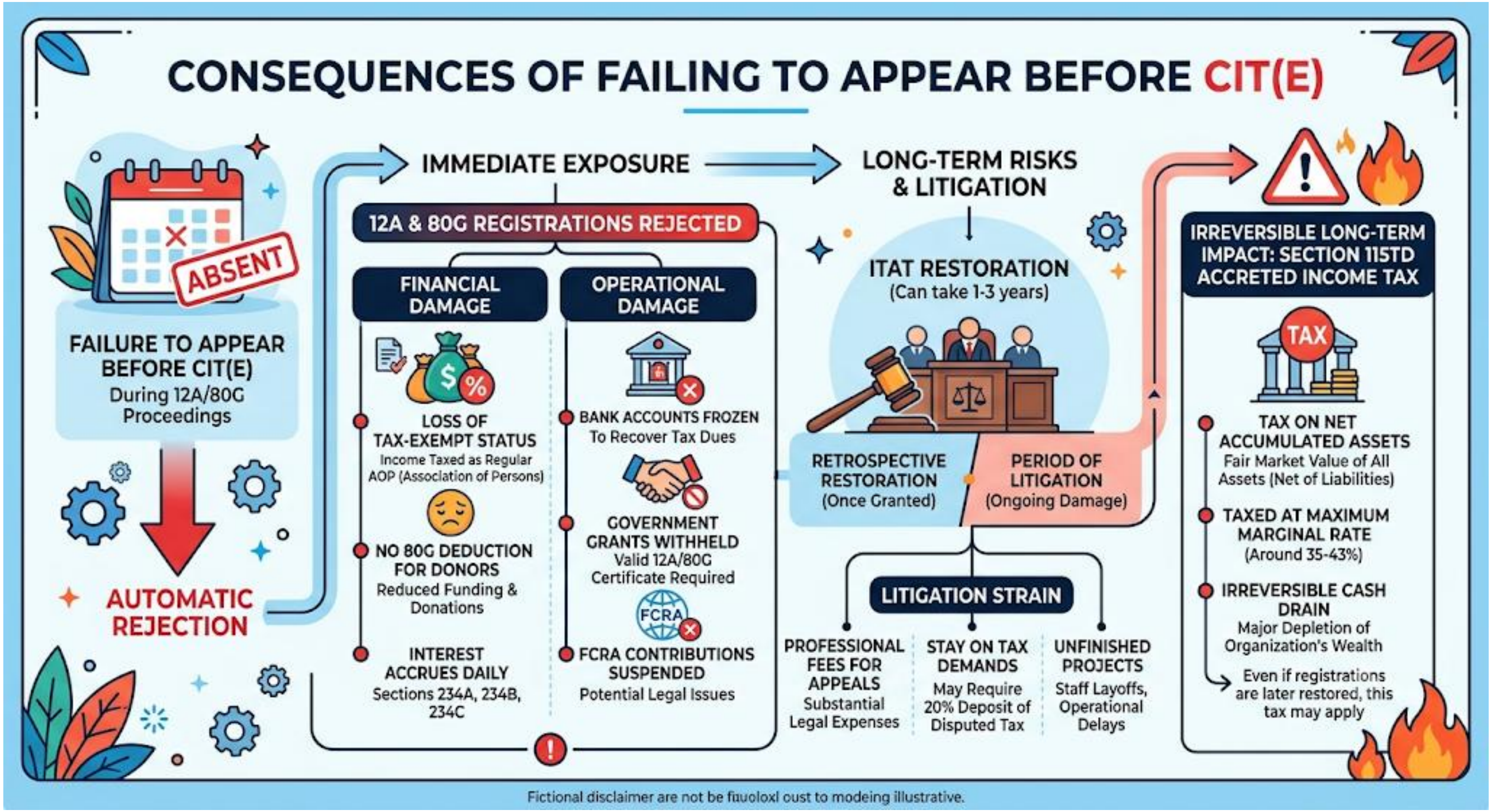
RECEIPT

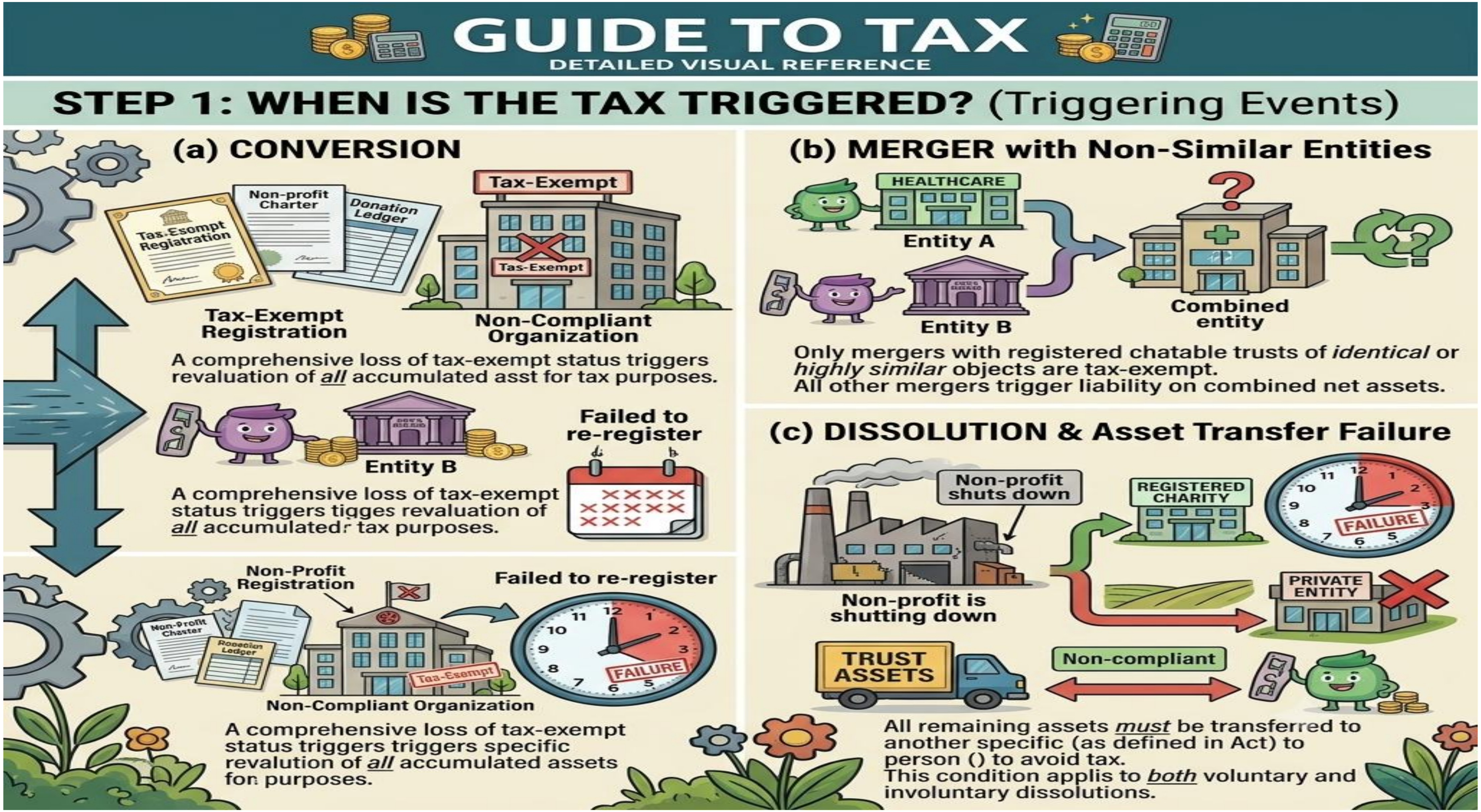
A copy of the receipt shall be placed on file before Ld. CIT(A) within 30 days from the date of receipt of this order.

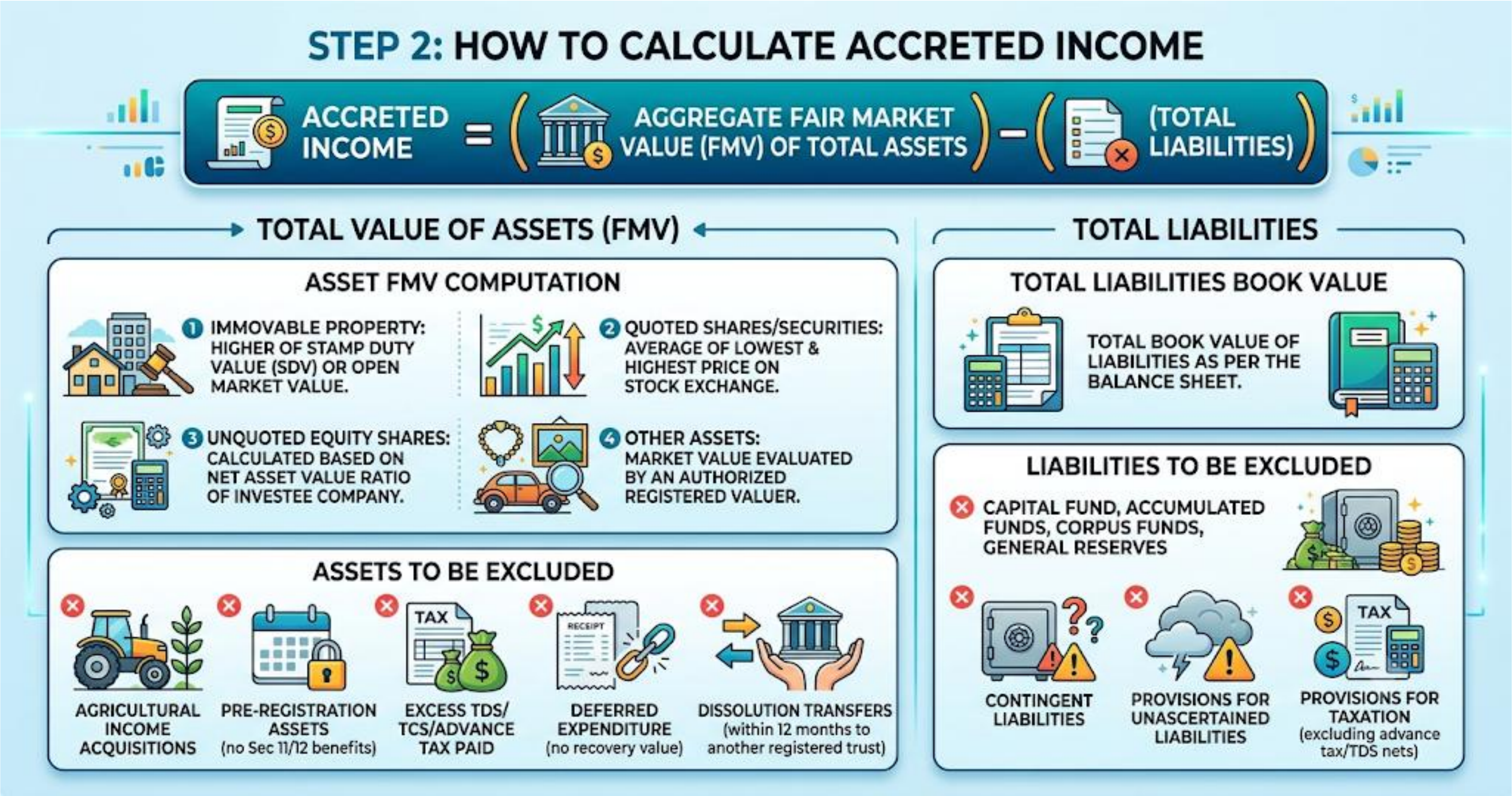
The assessee shall not seek any adjournment on frivolous grounds and shall remain cooperative during the course of proceedings.

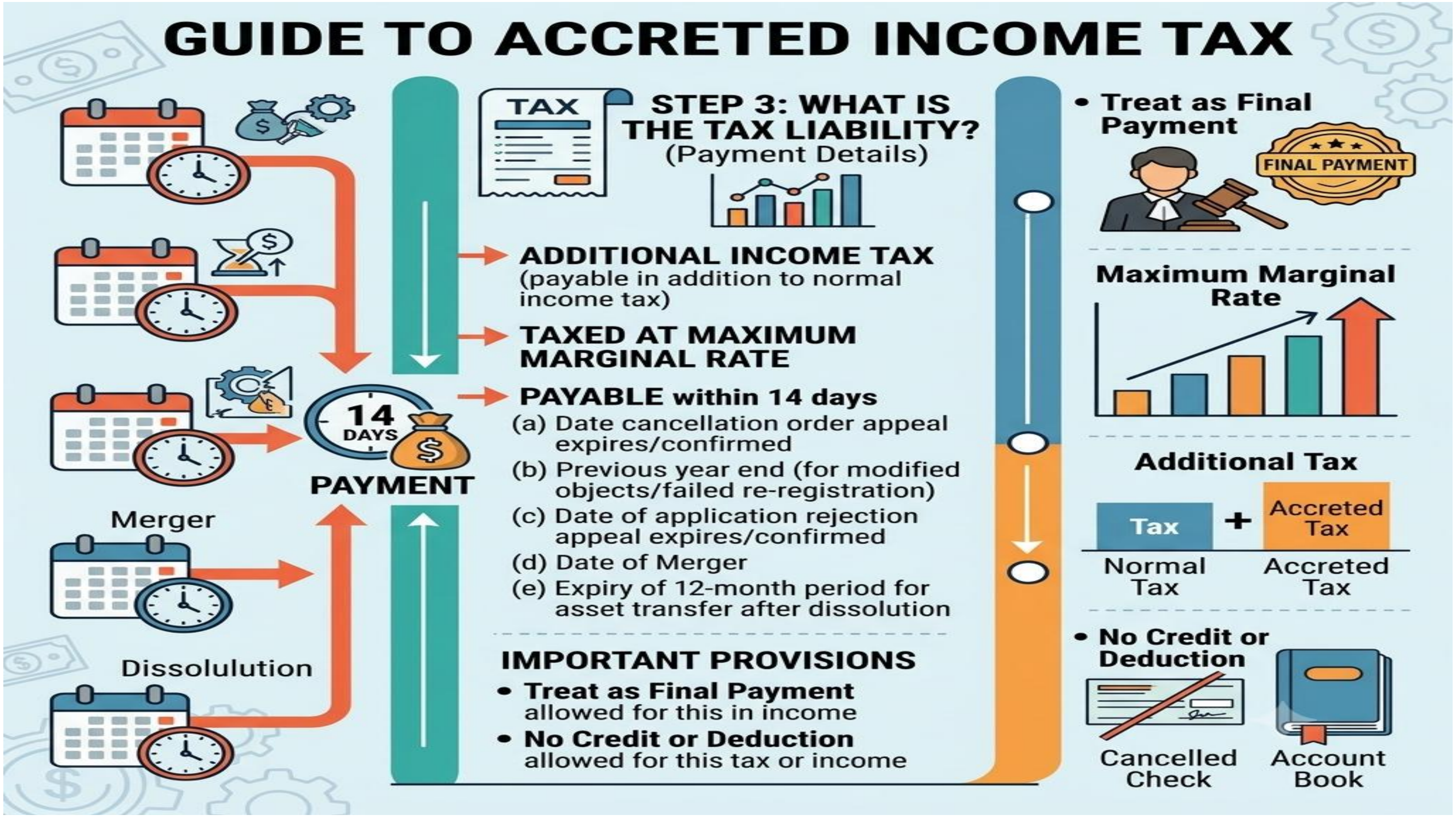
OBJECTIVE: TO ENSURE FAIR HEARING AND DECISION ON MERITS WITH COOPERATION OF THE ASSESSEE.

- Non Submission before CIT(E): Consequences

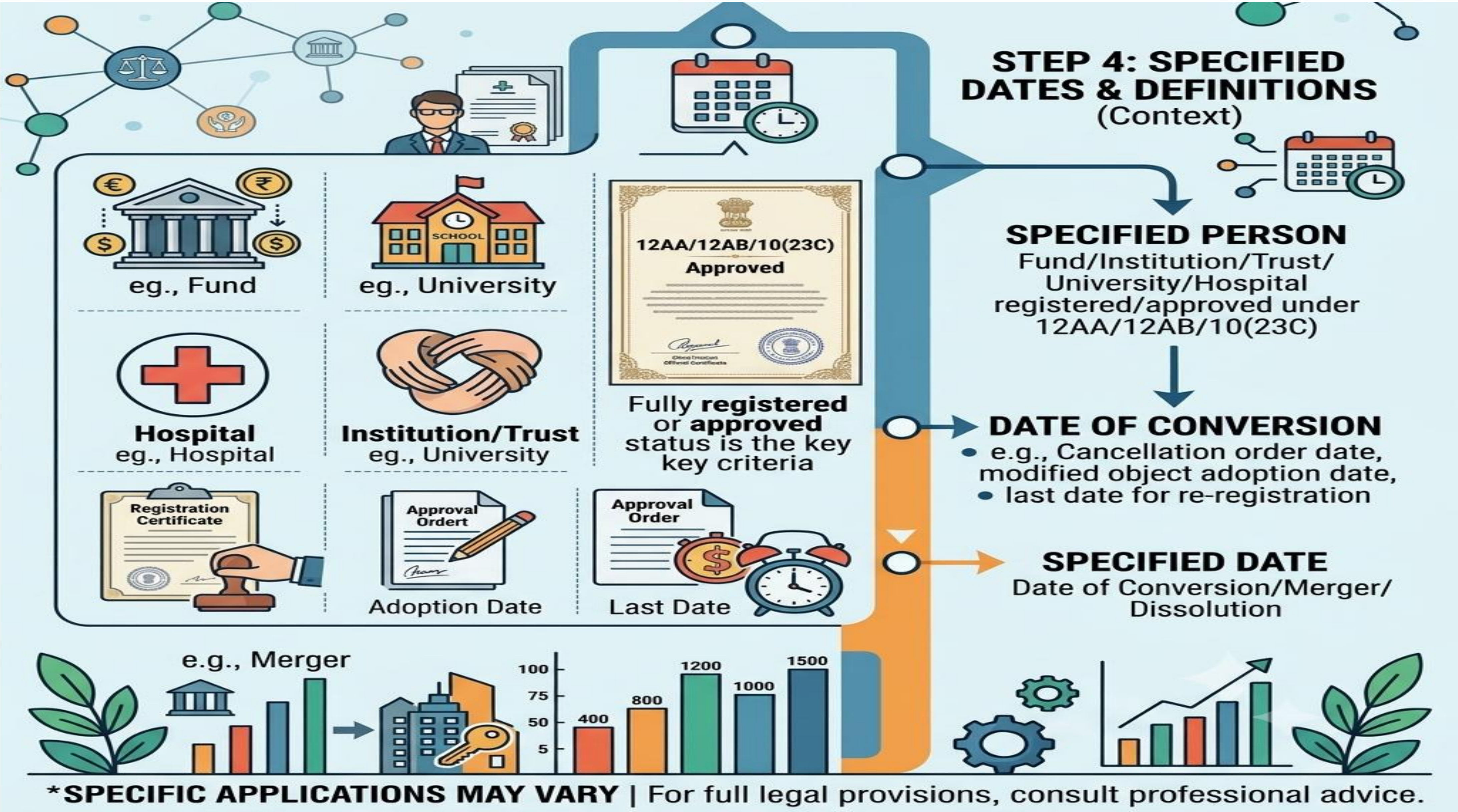

CONSEQUENCES OF FAILING TO APPEAR BEFORE CIT(E)
ABSENT
FAILURE TO APPEAR BEFORE CIT(E)
During 12A/80G Proceedings
AUTOMATIC REJECTION
IMMEDIATE EXPOSURE
12A & 80G REGISTRATIONS REJECTED
FINANCIAL DAMAGE
LOSS OF TAX-EXEMPT STATUS
Income Taxed as Regular AOP (Association of Persons)
NO 80G DEDUCTION FOR DONORS
Reduced Funding & Donations
INTEREST ACCRUES DAILY
Sections 234A, 234B, 234C
OPERATIONAL DAMAGE
BANK ACCOUNTS FROZEN
To Recover Tax Dues
GOVERNMENT GRANTS WITHHELD
Valid 12A/80G Certificate Required
FCRA
FCRA CONTRIBUTIONS SUSPENDED
Potential Legal Issues
LONG-TERM RISKS & LITIGATION
ITAT RESTORATION
(Can take 1-3 years)
RETROSPECTIVE RESTORATION
(Once Granted)
PERIOD OF LITIGATION
(Ongoing Damage)
LITIGATION STRAIN
PROFESSIONAL FEES FOR APPEALS
Substantial Legal Expenses
STAY ON TAX DEMANDS
May Require 20% Deposit of Disputed Tax
UNFINISHED PROJECTS
Staff Layoffs, Operational Delays
IRREVERSIBLE LONG-TERM IMPACT: SECTION 115TD ACCRETED INCOME TAX
TAX
TAX ON NET ACCUMULATED ASSETS
Fair Market Value of All Assets (Net of Liabilities)
TAXED AT MAXIMUM MARGINAL RATE
(Around 35-43%)
IRREVERSIBLE CASH DRAIN
Major Depletion of Organization's Wealth
Even if registrations are later restored, this tax may apply
Fictional disclaimer are not be fiuoloxl oust to modeing illustrative.


GUIDE TO TAX
DETAILED VISUAL REFERENCE
STEP 1: WHEN IS THE TAX TRIGGERED? (Triggering Events)
(a) CONVERSION
Non-profit Charter
Donation Ledger
Tax-Esompt Registration
Tax-Exempt
Tas-Exempt
Tax-Exempt Registration
Non-Compliant Organization
A comprehensive loss of tax-exempt status triggers revaluation of *all* accumulated asst for tax purposes.
Entity B
Failed to re-register
A comprehensive loss of tax-exempt status triggers tigges revaluation of *all* accumulated tax purposes.
Non-Profit Registration
Non-Profit Charter
Rosecion Ledger
Tas-Esempt
Failed to re-register
FAILURE
Non-Compliant Organization
A comprehensive loss of tax-exempt status triggers triggers specific revalution of *all* accumulated assets fon purposes.
(b) MERGER with Non-Similar Entities
HEALTHCARE
Entity A
Entity B
Combined entity
Only mergers with registered chatable trusts of *identical* or *highly similar* objects are tax-exempt.
All other mergers trigger liability on combined net assets.
(c) DISSOLUTION & Asset Transfer Failure
Non-profit shuts down
REGISTERED CHARITY
FAILURE
Non-profit is shutting down
PRIVATE ENTITY
TRUST ASSETS
Non-compliant
All remaining assets *must* be transferred to another specific (as defined in Act) to person () to avoid tax.
This condition applis to *both* voluntary and involuntary dissolutions.


STEP 2: HOW TO CALCULATE ACCRETED INCOME
ACCRETED INCOME = (AGGREGATE FAIR MARKET VALUE (FMV) OF TOTAL ASSETS) − ((TOTAL LIABILITIES))
TOTAL VALUE OF ASSETS (FMV)
ASSET FMV COMPUTATION
1 IMMOVABLE PROPERTY: HIGHER OF STAMP DUTY VALUE (SDV) OR OPEN MARKET VALUE.
2 QUOTED SHARES/SECURITIES: AVERAGE OF LOWEST & HIGHEST PRICE ON STOCK EXCHANGE.
3 UNQUOTED EQUITY SHARES: CALCULATED BASED ON NET ASSET VALUE RATIO OF INVESTEE COMPANY.
4 OTHER ASSETS: MARKET VALUE EVALUATED BY AN AUTHORIZED REGISTERED VALUER.
ASSETS TO BE EXCLUDED
AGRICULTURAL INCOME ACQUISITIONS
TAX
PRE-REGISTRATION ASSETS (no Sec 11/12 benefits)
EXCESS TDS/ TCS/ADVANCE TAX PAID
RECEIPT
DEFERRED EXPENDITURE (no recovery value)
DISSOLUTION TRANSFERS (within 12 months to another registered trust)
TOTAL LIABILITIES
TOTAL LIABILITIES BOOK VALUE
TOTAL BOOK VALUE OF LIABILITIES AS PER THE BALANCE SHEET.
LIABILITIES TO BE EXCLUDED
CAPITAL FUND, ACCUMULATED FUNDS, CORPUS FUNDS, GENERAL RESERVES
CONTINGENT LIABILITIES
PROVISIONS FOR UNASCERTAINED LIABILITIES
TAX
PROVISIONS FOR TAXATION (excluding advance tax/TDS nets)

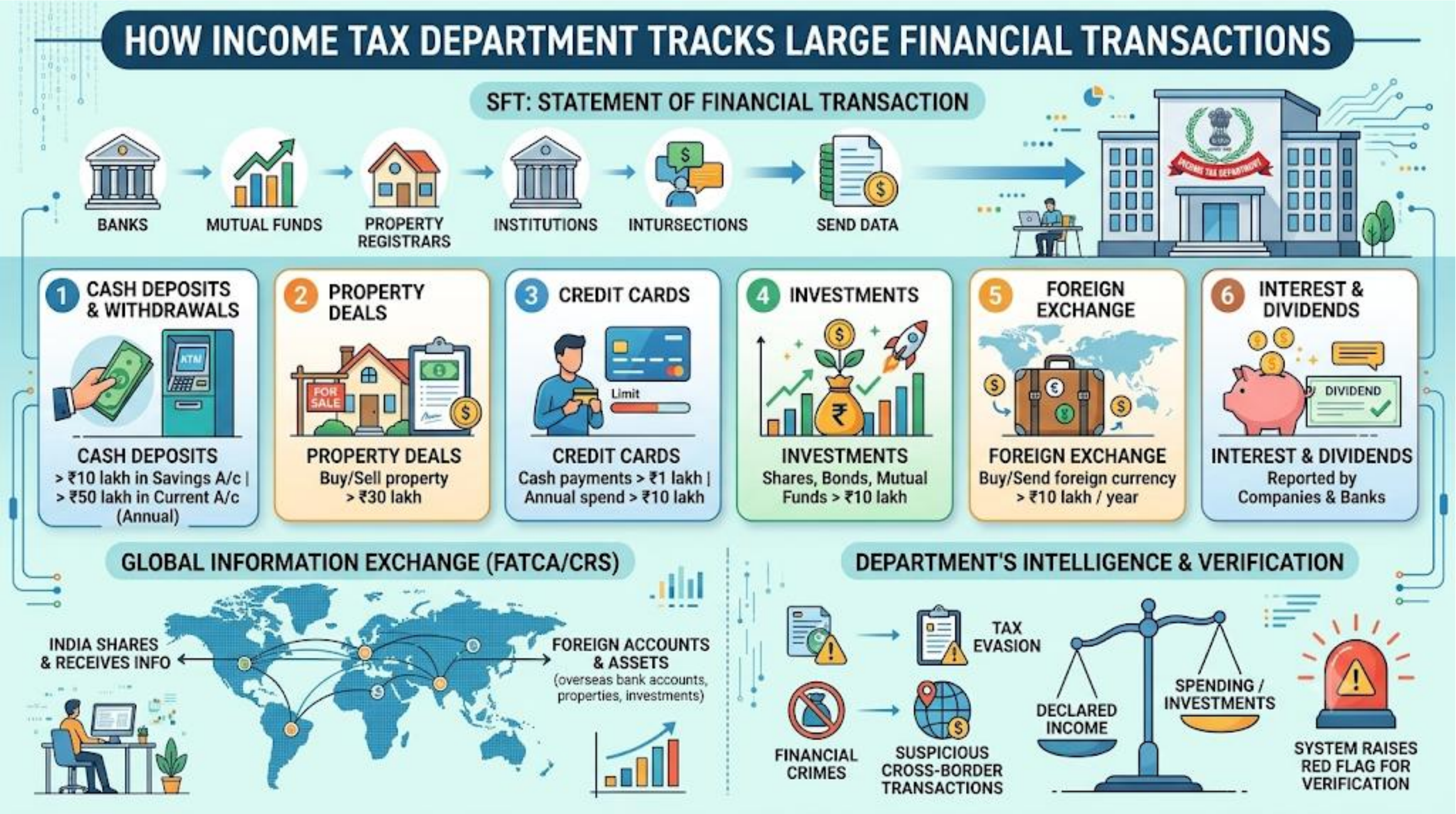


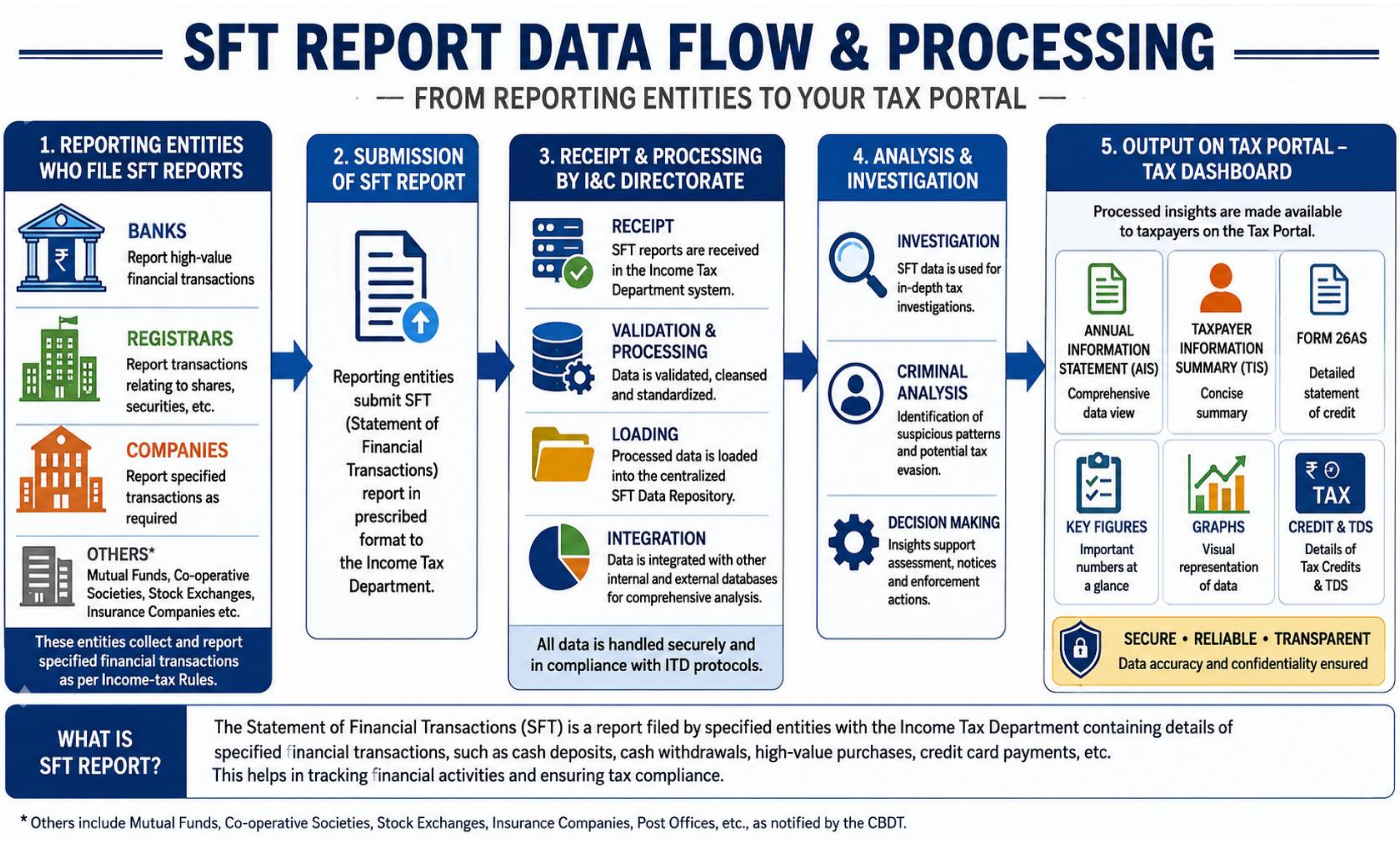
GUIDE TO ACCRETED INCOME TAX
TAX
STEP 3: WHAT IS THE TAX LIABILITY?
(Payment Details)
ADDITIONAL INCOME TAX
(payable in addition to normal income tax)
TAXED AT MAXIMUM MARGINAL RATE
PAYABLE within 14 days
(a) Date cancellation order appeal expires/confirmed
(b) Previous year end (for modified objects/failed re-registration)
(c) Date of application rejection appeal expires/confirmed
(d) Date of Merger
(e) Expiry of 12-month period for asset transfer after dissolution
14 DAYS
PAYMENT
Merger
Dissolulution
IMPORTANT PROVISIONS
• Treat as Final Payment allowed for this in income
• No Credit or Deduction allowed for this tax or income
• Treat as Final Payment
FINAL PAYMENT
Maximum Marginal Rate
Additional Tax
Tax
+
Accreted Tax
Normal Tax
Accreted Tax
• No Credit or Deduction
Cancelled Check
Account Book



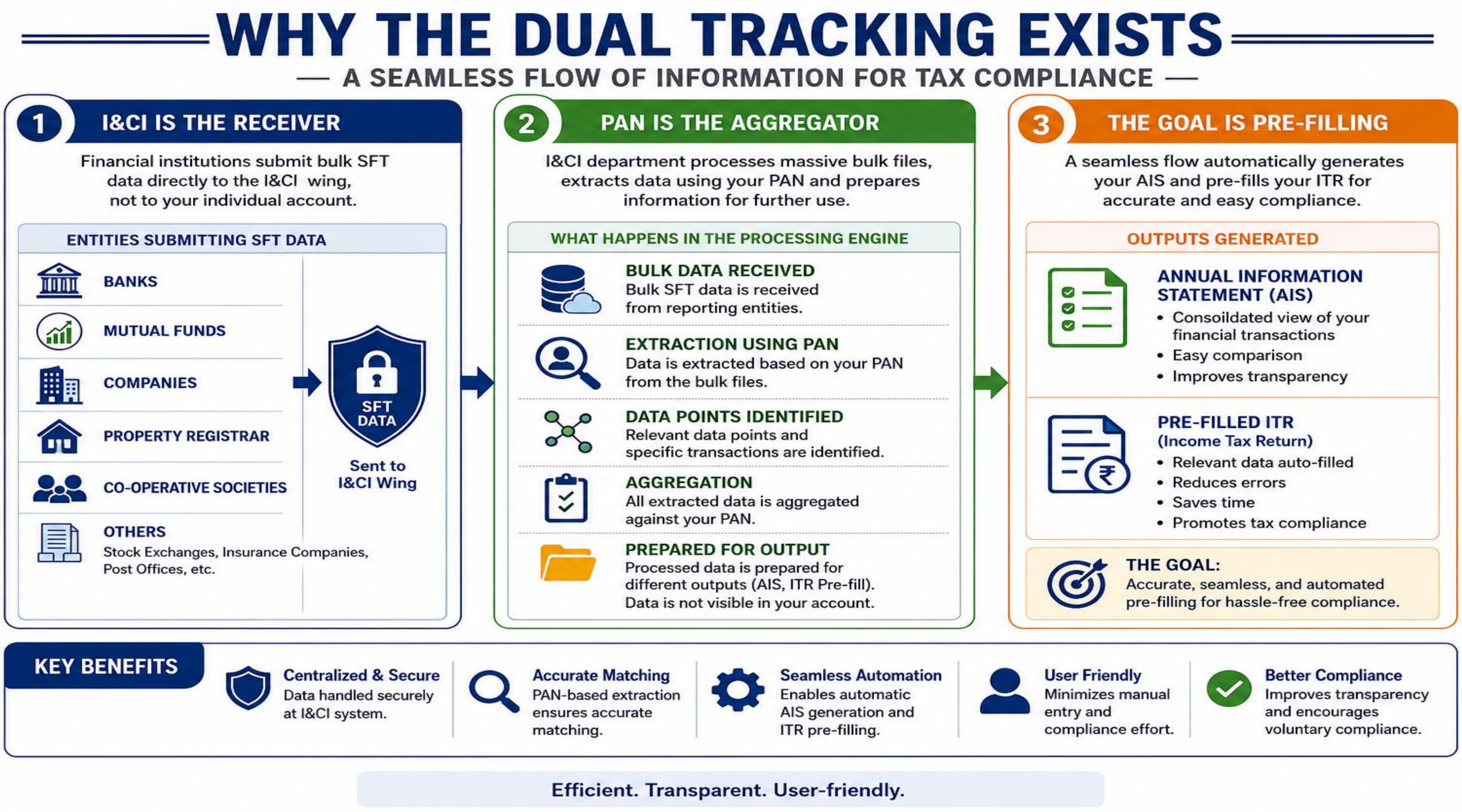
STEP 4: SPECIFIED DATES & DEFINITIONS
(Context)
eg., Fund
eg., University
12AA/12AB/10(23C)
Approved
SCHOOL
Hospital
eg., Hospital
Institution/Trust
eg., University
Fully registered or approved status is the key key criteria
Registration Certificate
Approval Ordert
Adoption Date
Approval Order
Last Date
SPECIFIED PERSON
Fund/Institution/Trust/ University/Hospital registered/approved under 12AA/12AB/10(23C)
DATE OF CONVERSION
• e.g., Cancellation order date, modified object adoption date,
• last date for re-registration
SPECIFIED DATE
Date of Conversion/Merger/ Dissolution
e.g., Merger
100
75
50
5
400
800
1200
1000
1500
*SPECIFIC APPLICATIONS MAY VARY | For full legal provisions, consult professional advice.

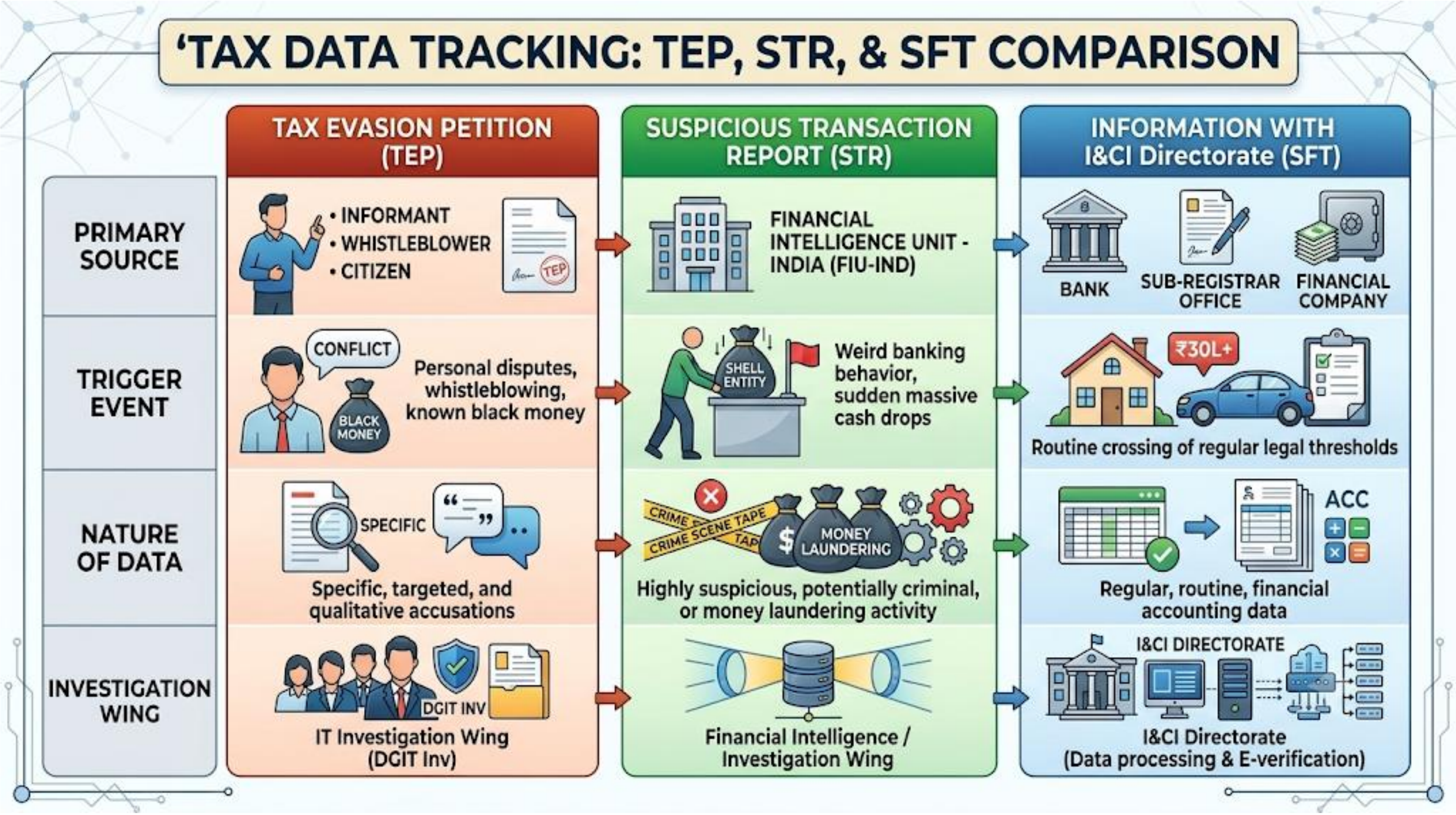
- Various Notices issued by Investigation Wing

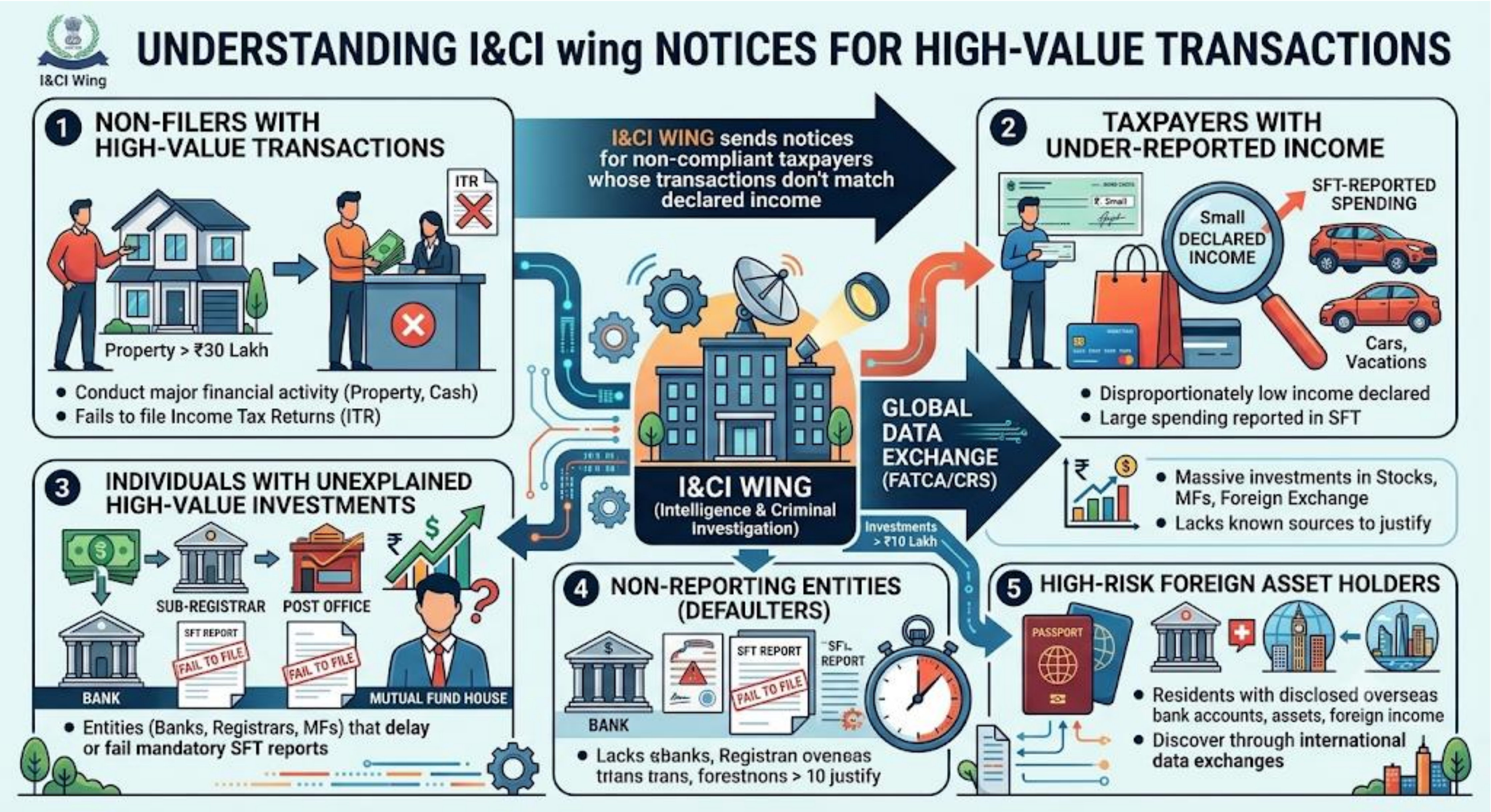

HOW INCOME TAX DEPARTMENT TRACKS LARGE FINANCIAL TRANSACTIONS
SFT: STATEMENT OF FINANCIAL TRANSACTION
BANKS
MUTUAL FUNDS
PROPERTY REGISTRARS
INSTITUTIONS
INTURSECTIONS
SEND DATA
INCOME TAX DEPARTMENT
1 CASH DEPOSITS & WITHDRAWALS
ATM
CASH DEPOSITS
> ₹10 lakh in Savings A/c |
> ₹50 lakh in Current A/c
(Annual)
2 PROPERTY DEALS
FOR SALE
PROPERTY DEALS
Buy/Sell property
> ₹30 lakh
3 CREDIT CARDS
Limit
CREDIT CARDS
Cash payments > ₹1 lakh |
Annual spend > ₹10 lakh
4 INVESTMENTS
INVESTMENTS
Shares, Bonds, Mutual
Funds > ₹10 lakh
5 FOREIGN EXCHANGE
FOREIGN EXCHANGE
Buy/Send foreign currency
> ₹10 lakh / year
6 INTEREST & DIVIDENDS
DIVIDEND
INTEREST & DIVIDENDS
Reported by
Companies & Banks
GLOBAL INFORMATION EXCHANGE (FATCA/CRS)
INDIA SHARES & RECEIVES INFO
FOREIGN ACCOUNTS & ASSETS
(overseas bank accounts, properties, investments)
DEPARTMENT'S INTELLIGENCE & VERIFICATION
TAX EVASION
FINANCIAL CRIMES
SUSPICIOUS CROSS-BORDER TRANSACTIONS
DECLARED INCOME
SPENDING / INVESTMENTS
SYSTEM RAISES RED FLAG FOR VERIFICATION



SFT REPORT DATA FLOW & PROCESSING
— FROM REPORTING ENTITIES TO YOUR TAX PORTAL —
1. REPORTING ENTITIES WHO FILE SFT REPORTS
BANKS
Report high-value financial transactions
REGISTRARS
Report transactions relating to shares, securities, etc.
COMPANIES
Report specified transactions as required
OTHERS*
Mutual Funds, Co-operative Societies, Stock Exchanges, Insurance Companies etc.
These entities collect and report specified financial transactions as per Income-tax Rules.
2. SUBMISSION OF SFT REPORT
Reporting entities submit SFT (Statement of Financial Transactions) report in prescribed format to the Income Tax Department.
3. RECEIPT & PROCESSING BY I&C DIRECTORATE
RECEIPT
SFT reports are received in the Income Tax Department system.
VALIDATION & PROCESSING
Data is validated, cleansed and standardized.
LOADING
Processed data is loaded into the centralized SFT Data Repository.
INTEGRATION
Data is integrated with other internal and external databases for comprehensive analysis.
All data is handled securely and in compliance with ITD protocols.
4. ANALYSIS & INVESTIGATION
INVESTIGATION
SFT data is used for in-depth tax investigations.
CRIMINAL ANALYSIS
Identification of suspicious patterns and potential tax evasion.
DECISION MAKING
Insights support assessment, notices and enforcement actions.
5. OUTPUT ON TAX PORTAL – TAX DASHBOARD
Processed insights are made available to taxpayers on the Tax Portal.
ANNUAL INFORMATION STATEMENT (AIS)
Comprehensive data view
TAXPAYER INFORMATION SUMMARY (TIS)
Concise summary
FORM 26AS
Detailed statement of credit
KEY FIGURES
Important numbers at a glance
GRAPHS
Visual representation of data
₹ TAX
CREDIT & TDS
Details of Tax Credits & TDS
SECURE • RELIABLE • TRANSPARENT
Data accuracy and confidentiality ensured
WHAT IS SFT REPORT?
The Statement of Financial Transactions (SFT) is a report filed by specified entities with the Income Tax Department containing details of specified financial transactions, such as cash deposits, cash withdrawals, high-value purchases, credit card payments, etc.
This helps in tracking financial activities and ensuring tax compliance.
* Others include Mutual Funds, Co-operative Societies, Stock Exchanges, Insurance Companies, Post Offices, etc., as notified by the CBDT.


WHY THE DUAL TRACKING EXISTS
— A SEAMLESS FLOW OF INFORMATION FOR TAX COMPLIANCE —
1 I&CI IS THE RECEIVER
Financial institutions submit bulk SFT data directly to the I&CI wing, not to your individual account.
ENTITIES SUBMITTING SFT DATA
BANKS
MUTUAL FUNDS
COMPANIES
PROPERTY REGISTRAR
CO-OPERATIVE SOCIETIES
OTHERS
Stock Exchanges, Insurance Companies, Post Offices, etc.
SFT DATA
Sent to I&CI Wing
2 PAN IS THE AGGREGATOR
I&CI department processes massive bulk files, extracts data using your PAN and prepares information for further use.
WHAT HAPPENS IN THE PROCESSING ENGINE
BULK DATA RECEIVED
Bulk SFT data is received from reporting entities.
EXTRACTION USING PAN
Data is extracted based on your PAN from the bulk files.
DATA POINTS IDENTIFIED
Relevant data points and specific transactions are identified.
AGGREGATION
All extracted data is aggregated against your PAN.
PREPARED FOR OUTPUT
Processed data is prepared for different outputs (AIS, ITR Pre-fill). Data is not visible in your account.
3 THE GOAL IS PRE-FILLING
A seamless flow automatically generates your AIS and pre-fills your ITR for accurate and easy compliance.
OUTPUTS GENERATED
ANNUAL INFORMATION STATEMENT (AIS)
• Consoildated view of your financial transactions
• Easy comparison
• Improves transparency
PRE-FILLED ITR
(Income Tax Return)
• Relevant data auto-filled
• Reduces errors
• Saves time
• Promotes tax compliance
THE GOAL:
Accurate, seamless, and automated pre-filling for hassle-free compliance.
KEY BENEFITS
Centralized & Secure
Data handled securely at I&CI system.
Accurate Matching
PAN-based extraction ensures accurate matching.
Seamless Automation
Enables automatic AIS generation and ITR pre-filling.
User Friendly
Minimizes manual entry and compliance effort.
Better Compliance
Improves transparency and encourages voluntary compliance.
Efficient. Transparent. User-friendly.


‘TAX DATA TRACKING: TEP, STR, & SFT COMPARISON
TAX EVASION PETITION (TEP)
SUSPICIOUS TRANSACTION REPORT (STR)
INFORMATION WITH I&CI Directorate (SFT)
PRIMARY SOURCE
• INFORMANT
• WHISTLEBLOWER
• CITIZEN
TEP
FINANCIAL INTELLIGENCE UNIT - INDIA (FIU-IND)
BANK
SUB-REGISTRAR OFFICE
FINANCIAL COMPANY
TRIGGER EVENT
CONFLICT
BLACK MONEY
Personal disputes, whistleblowing, known black money
SHELL ENTITY
Weird banking behavior, sudden massive cash drops
₹30L+
Routine crossing of regular legal thresholds
NATURE OF DATA
SPECIFIC
Specific, targeted, and qualitative accusations
CRIME SCENE TAPE
MONEY LAUNDERING
Highly suspicious, potentially criminal, or money laundering activity
ACC
Regular, routine, financial accounting data
INVESTIGATION WING
DGIT INV
IT Investigation Wing (DGIT Inv)
Financial Intelligence / Investigation Wing
I&CI DIRECTORATE
I&CI Directorate (Data processing & E-verification)


I&CI Wing
UNDERSTANDING I&CI wing NOTICES FOR HIGH-VALUE TRANSACTIONS
1 NON-FILERS WITH HIGH-VALUE TRANSACTIONS
ITR
Property > ₹30 Lakh
• Conduct major financial activity (Property, Cash)
• Fails to file Income Tax Returns (ITR)
I&CI WING sends notices for non-compliant taxpayers whose transactions don't match declared income
2 TAXPAYERS WITH UNDER-REPORTED INCOME
Small DECLARED INCOME
SFT-REPORTED SPENDING
Cars, Vacations
• Disproportionately low income declared
• Large spending reported in SFT
I&CI WING
(Intelligence & Criminal Investigation)
GLOBAL DATA EXCHANGE (FATCA/CRS)
• Massive investments in Stocks, MFs, Foreign Exchange
• Lacks known sources to justify
Investments > ₹10 Lakh
3 INDIVIDUALS WITH UNEXPLAINED HIGH-VALUE INVESTMENTS
SUB-REGISTRAR
POST OFFICE
BANK
SFT REPORT
FAIL TO FILE
FAIL TO FILE
MUTUAL FUND HOUSE
• Entities (Banks, Registrars, MFs) that delay or fail mandatory SFT reports
4 NON-REPORTING ENTITIES (DEFAULTERS)
BANK
SFT REPORT
FAIL TO FILE
SFT REPORT
• Lacks ɑBanks, Registran oveneas trians trans, forestnons > 10 justify
5 HIGH-RISK FOREIGN ASSET HOLDERS
PASSPORT
• Residents with disclosed overseas bank accounts, assets, foreign income
• Discover through international data exchanges

- Notices issued by TDS Section

WHEN DO YOU GET NOTICE FROM TDS SECTION?

1. IF YOU ARE A DEDUCTOR (EMPLOYER / BUSINESS / PROPERTY BUYER)

Automated process by CPC-TDS (TRACES portal). Notices usually within **1-3** months of return filing (Forms 24Q, 26Q, 27Q).

Penalty ₹200

LATE FILING FEES (Section 234E)
₹200 per day for each day of default until you file.

LATE PAYMENT INTEREST (Section 201(1A))
Charging **1% to 1.5%** interest per month.

SHORT DEDUCTION / PAN ERRORS
Deduct at a **lower rate** or **enter invalid PAN.** Mandates **flat 20% rate deduction** demand notice.

PAN CARD

PROPERTY PURCHASE DELAY (Form 26QB)
Buy property worth **₹50 Lakh** or more. Fail to deduct/deposit 1% TDS within 30 days of payment month. Receive **demand notice.**

30 day

2. IF YOU ARE A DEDUCTEE / INDIVIDUAL TAXPAYER

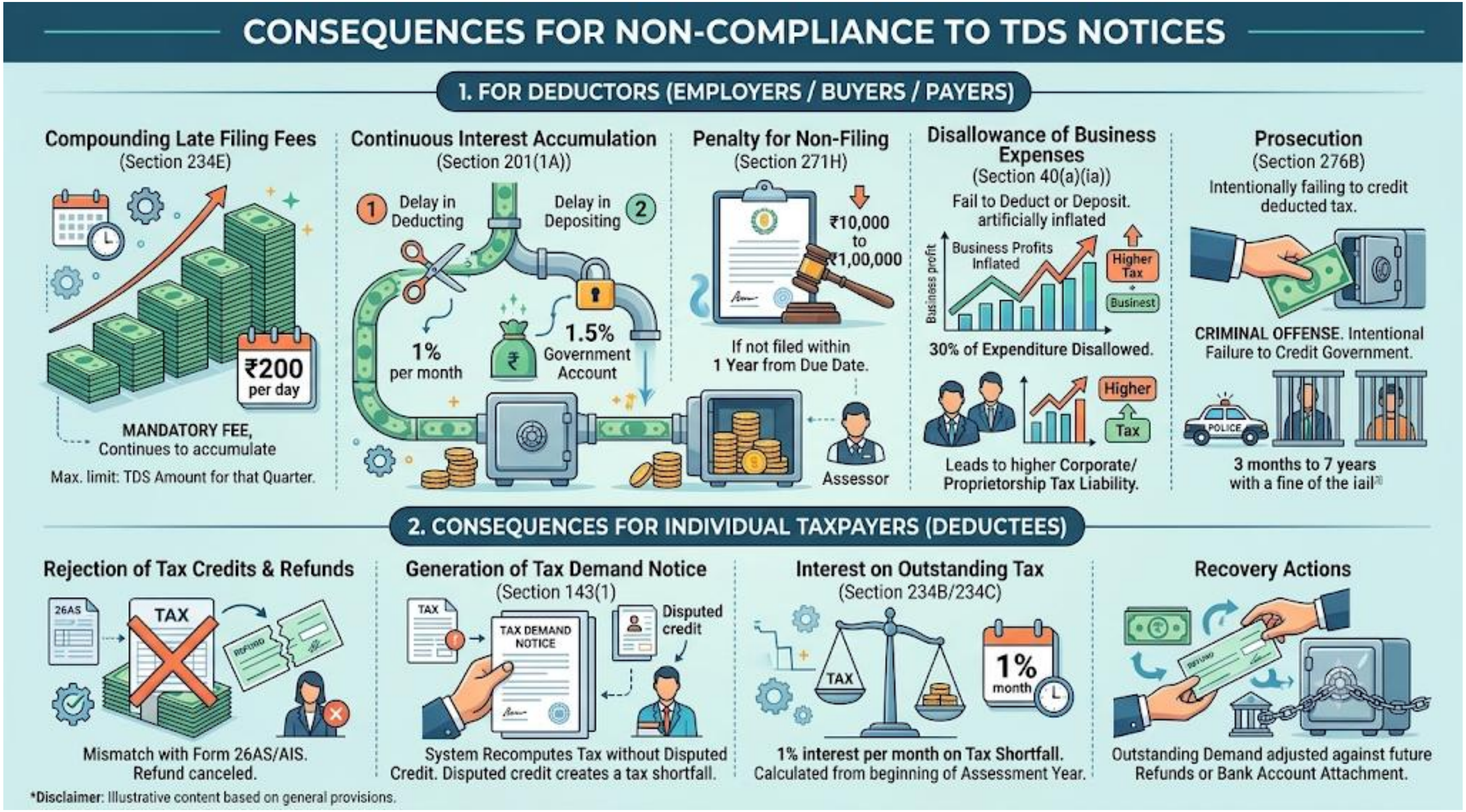
Assessing Officer after you file your Income Tax Return (ITR), during processing (Section 143(1)).

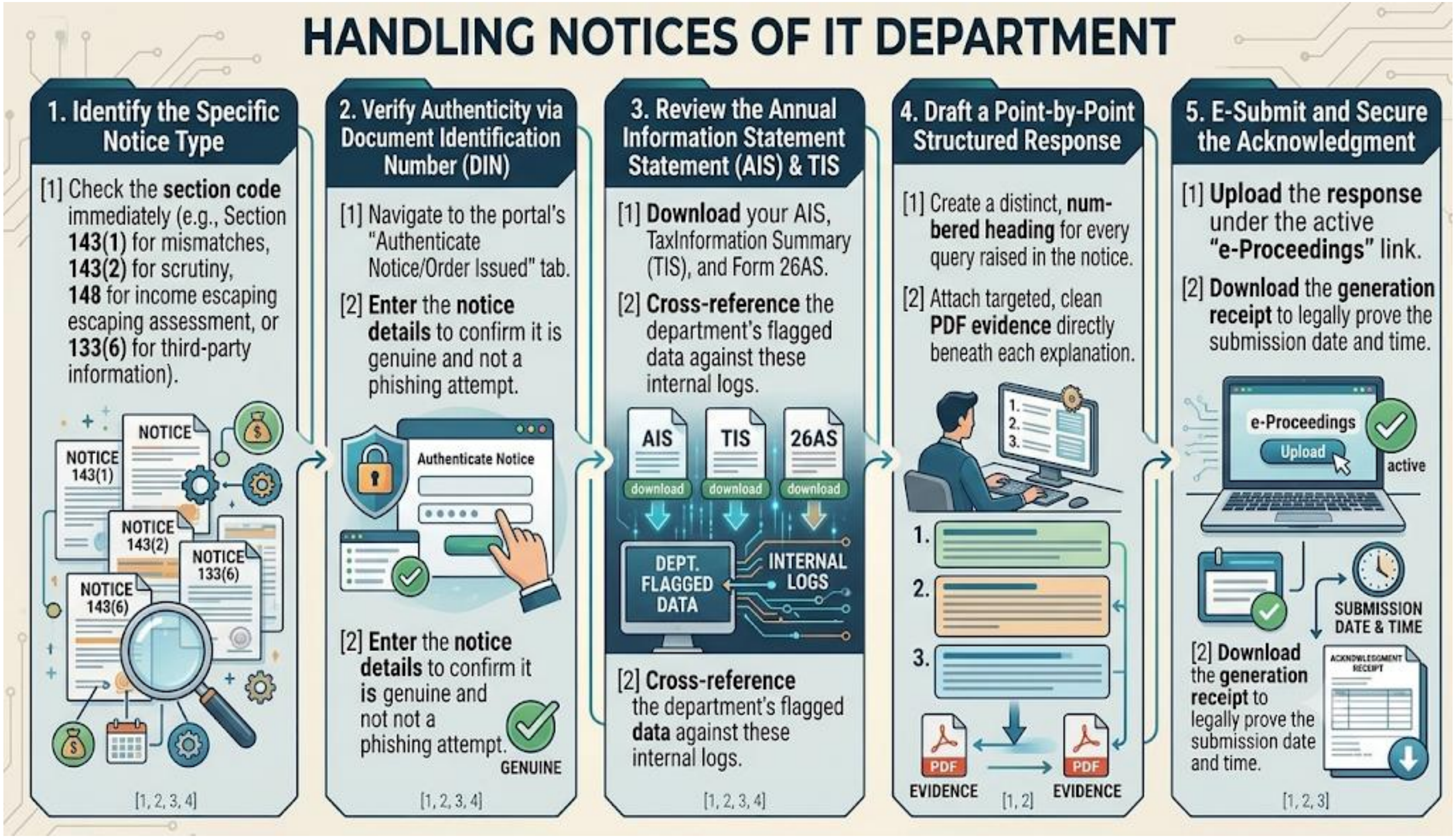
TDS MISMATCH
Claim refund/credit in ITR.
Employer/bank failed deposit or entered incorrect PAN.
Amount not in Form 26AS or AIS.
Refund rejected.

ITR vs Form 26AS/AIS

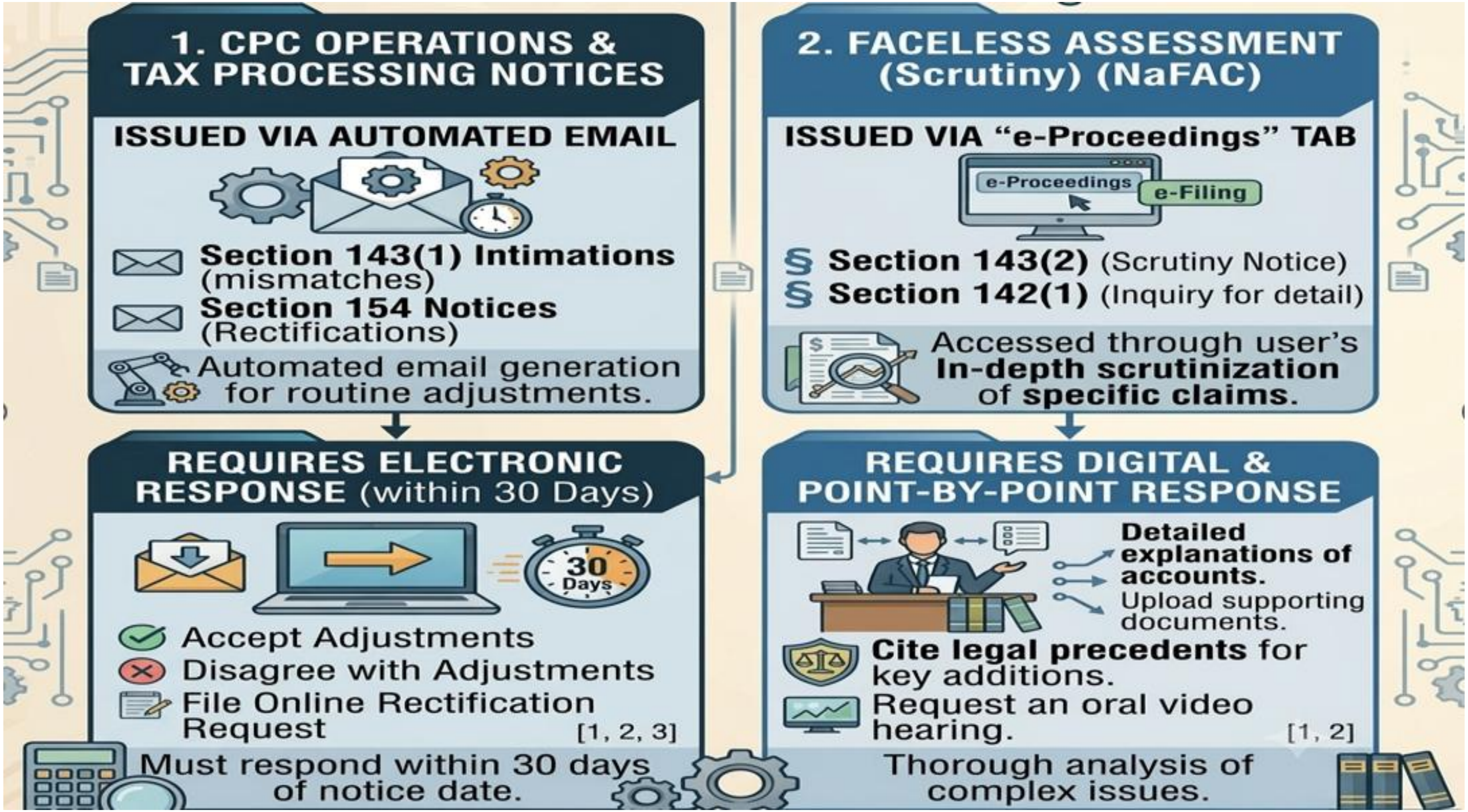
UNDERPAID TAX BRACKET
Bank deducted 10% on Fixed Deposit (FD) interest.
Total income puts you in **20% or 30% tax bracket.**
Receive demand notice if tax not paid while filing ITR.

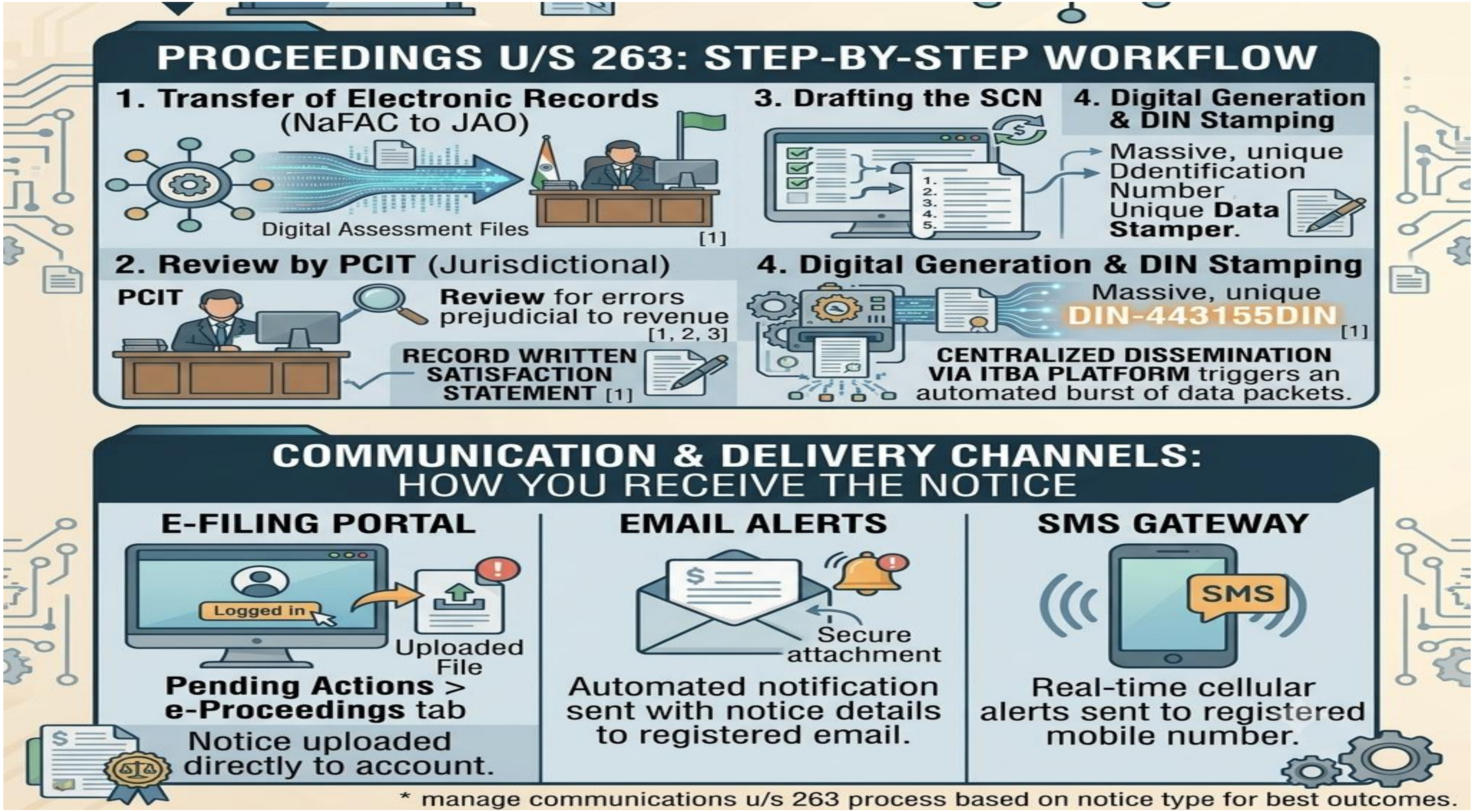
10% 20% 20% 30%

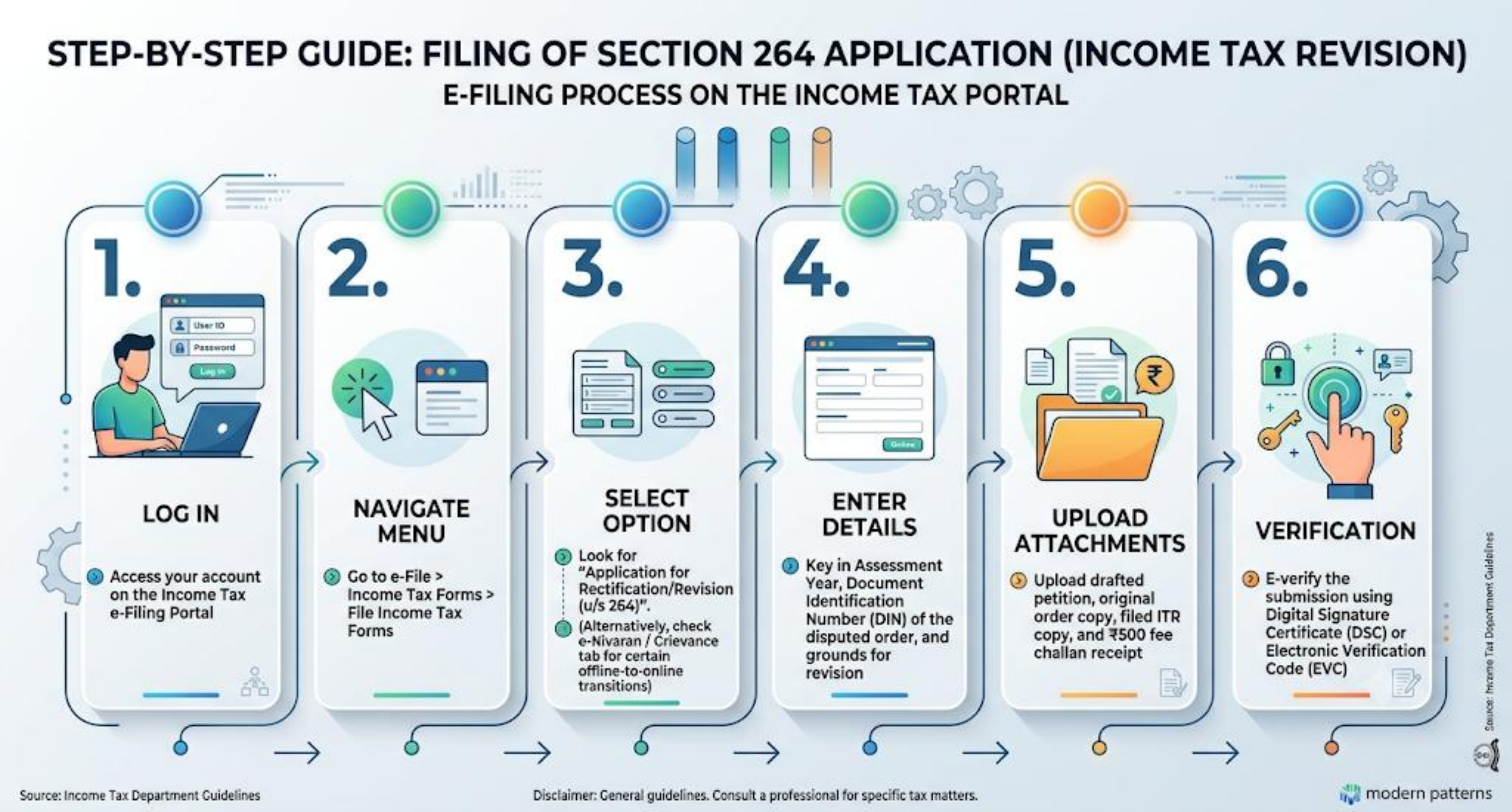

CONSEQUENCES FOR NON-COMPLIANCE TO TDS NOTICES
1. FOR DEDUCTORS (EMPLOYERS / BUYERS / PAYERS)
Compounding Late Filing Fees
(Section 234E)
₹200
per day
MANDATORY FEE,
Continues to accumulate
Max. limit: TDS Amount for that Quarter.
Continuous Interest Accumulation
(Section 201(1A))
1 Delay in Deducting
Delay in Depositing 2
1%
per month
1.5%
Government Account
Penalty for Non-Filing
(Section 271H)
₹10,000
to
₹1,00,000
If not filed within
1 Year from Due Date.
Assessor
Disallowance of Business Expenses
(Section 40(a)(ia))
Fail to Deduct or Deposit.
artificially inflated
Business Profits Inflated
Business profit
Higher Tax
Business
30% of Expenditure Disallowed.
Higher
Tax
Leads to higher Corporate/
Proprietorship Tax Liability.
Prosecution
(Section 276B)
Intentionally failing to credit
deducted tax.
CRIMINAL OFFENSE. Intentional
Failure to Credit Government.
POLICE
3 months to 7 years
with a fine of the iail
2. CONSEQUENCES FOR INDIVIDUAL TAXPAYERS (DEDUCTEES)
Rejection of Tax Credits & Refunds
26AS
TAX
REFUND
Mismatch with Form 26AS/AIS.
Refund canceled.
Generation of Tax Demand Notice
(Section 143(1))
TAX
TAX DEMAND NOTICE
Disputed credit
System Recomputes Tax without Disputed
Credit. Disputed credit creates a tax shortfall.
Interest on Outstanding Tax
(Section 234B/234C)
TAX
1%
month
1% interest per month on Tax Shortfall.
Calculated from beginning of Assessment Year.
Recovery Actions
REFUND
Outstanding Demand adjusted against future
Refunds or Bank Account Attachment.
*Disclaimer: Illustrative content based on general provisions.

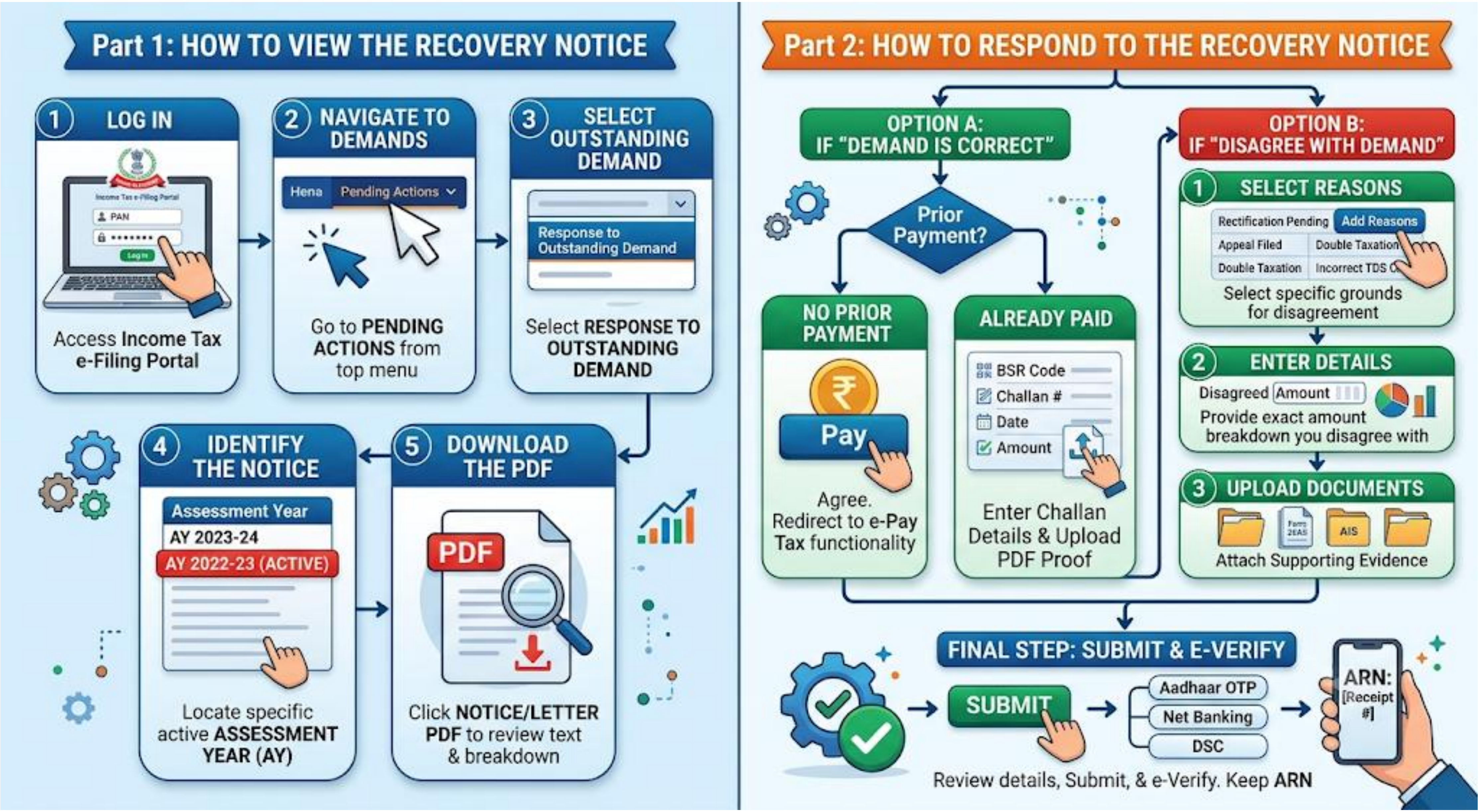

HANDLING NOTICES OF IT DEPARTMENT
1. Identify the Specific Notice Type
[1] Check the section code immediately (e.g., Section 143(1) for mismatches, 143(2) for scrutiny, 148 for income escaping escaping assessment, or 133(6) for third-party information).
NOTICE
NOTICE 143(1)
NOTICE 143(2)
NOTICE 133(6)
NOTICE 143(6)
[1, 2, 3, 4]
2. Verify Authenticity via Document Identification Number (DIN)
[1] Navigate to the portal's "Authenticate Notice/Order Issued" tab.
[2] Enter the notice details to confirm it is genuine and not a phishing attempt.
Authenticate Notice
[2] Enter the notice details to confirm it is genuine and not a phishing attempt.
GENUINE
[1, 2, 3, 4]
3. Review the Annual Information Statement Statement (AIS) & TIS
[1] Download your AIS, TaxInformation Summary (TIS), and Form 26AS.
[2] Cross-reference the department's flagged data against these internal logs.
AIS
TIS
26AS
download
download
download
DEPT. FLAGGED DATA
INTERNAL LOGS
[2] Cross-reference the department's flagged data against these internal logs.
[1, 2, 3, 4]
4. Draft a Point-by-Point Structured Response
[1] Create a distinct, numbered heading for every query raised in the notice.
[2] Attach targeted, clean PDF evidence directly beneath each explanation.
1.
2.
3.
PDF
EVIDENCE
[1, 2]
PDF
EVIDENCE
5. E-Submit and Secure the Acknowledgment
[1] Upload the response under the active "e-Proceedings" link.
[2] Download the generation receipt to legally prove the submission date and time.
e-Proceedings
Upload
active
SUBMISSION DATE & TIME
[2] Download the generation receipt to legally prove the submission date and time.
ACKNOWLEDGMENT RECEIPT
[1, 2, 3]

- Procedural Framework for handling notices from Different Tax Directorates

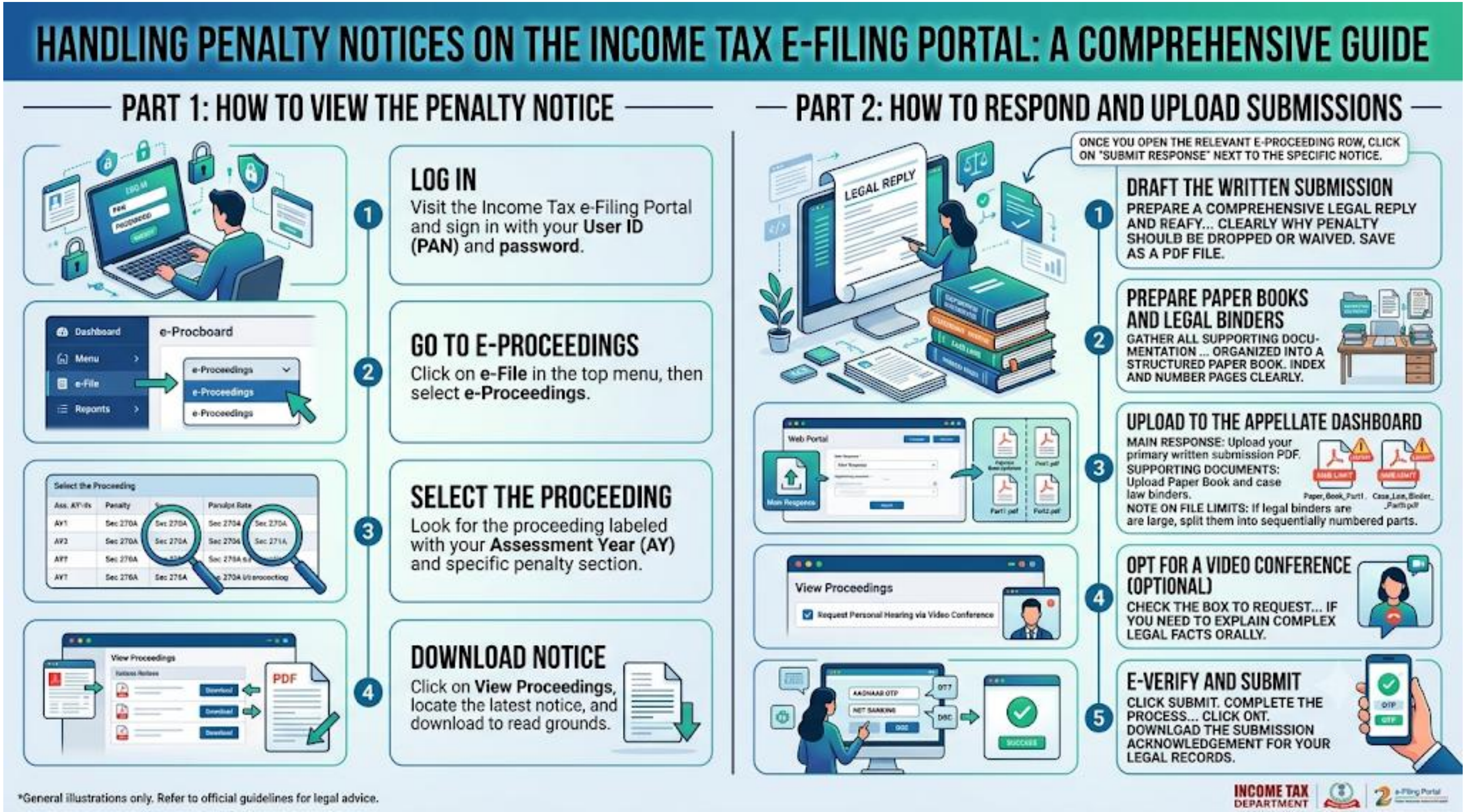

1. CPC OPERATIONS & TAX PROCESSING NOTICES
ISSUED VIA AUTOMATED EMAIL
Section 143(1) Intimations (mismatches)
Section 154 Notices (Rectifications)
Automated email generation for routine adjustments.
REQUIRES ELECTRONIC RESPONSE (within 30 Days)
30 Days
Accept Adjustments
Disagree with Adjustments
File Online Rectification Request
[1, 2, 3]
Must respond within 30 days of notice date.
2. FACELESS ASSESSMENT (Scrutiny) (NaFAC)
ISSUED VIA "e-Proceedings" TAB
e-Proceedings
e-Filing
§ Section 143(2) (Scrutiny Notice)
§ Section 142(1) (Inquiry for detail)
Accessed through user's In-depth scrutinization of specific claims.
REQUIRES DIGITAL & POINT-BY-POINT RESPONSE
Detailed explanations of accounts.
Upload supporting documents.
Cite legal precedents for key additions.
Request an oral video hearing.
[1, 2]
Thorough analysis of complex issues.

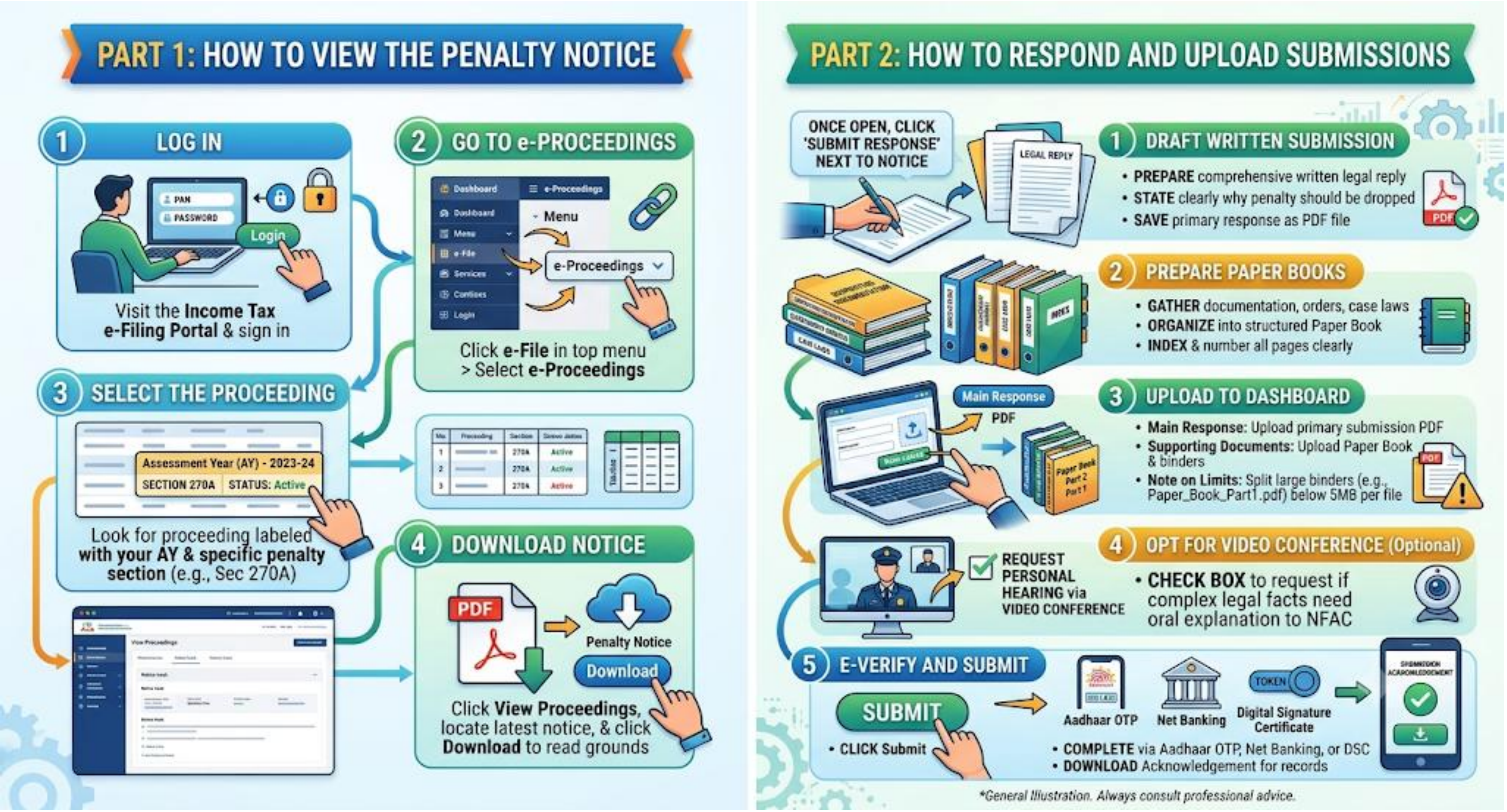

PROCEEDINGS U/S 263: STEP-BY-STEP WORKFLOW
1. Transfer of Electronic Records (NaFAC to JAO)
Digital Assessment Files
[1]
3. Drafting the SCN
1. 2. 3. 4. 5.
4. Digital Generation & DIN Stamping
Massive, unique Ddentification Number Unique Data Stamper.
2. Review by PCIT (Jurisdictional)
PCIT
Review for errors prejudicial to revenue [1, 2, 3]
RECORD WRITTEN SATISFACTION STATEMENT [1]
4. Digital Generation & DIN Stamping
Massive, unique
DIN-443155DIN
[1]
CENTRALIZED DISSEMINATION VIA ITBA PLATFORM triggers an automated burst of data packets.
COMMUNICATION & DELIVERY CHANNELS: HOW YOU RECEIVE THE NOTICE
E-FILING PORTAL
Logged in
Uploaded File
Pending Actions > e-Proceedings tab
Notice uploaded directly to account.
EMAIL ALERTS
Secure attachment
Automated notification sent with notice details to registered email.
SMS GATEWAY
SMS
Real-time cellular alerts sent to registered mobile number.
* manage communications u/s 263 process based on notice type for best outcomes.


STEP-BY-STEP GUIDE: FILING OF SECTION 264 APPLICATION (INCOME TAX REVISION)
E-FILING PROCESS ON THE INCOME TAX PORTAL
1.
User ID
Password
Log in
LOG IN
Access your account on the Income Tax e-Filing Portal
2.
NAVIGATE MENU
Go to e-File > Income Tax Forms > File Income Tax Forms
3.
SELECT OPTION
Look for "Application for Rectification/Revision (u/s 264)".
(Alternatively, check e-Nivaran / Crievance tab for certain offline-to-online transitions)
4.
Online
ENTER DETAILS
Key in Assessment Year, Document Identification Number (DIN) of the disputed order, and grounds for revision
5.
UPLOAD ATTACHMENTS
Upload drafted petition, original order copy, filed ITR copy, and ₹500 fee challan receipt
6.
VERIFICATION
E-verify the submission using Digital Signature Certificate (DSC) or Electronic Verification Code (EVC)
Source: Income Tax Department Guidelines
Disclaimer: General guidelines. Consult a professional for specific tax matters.
modern patterns

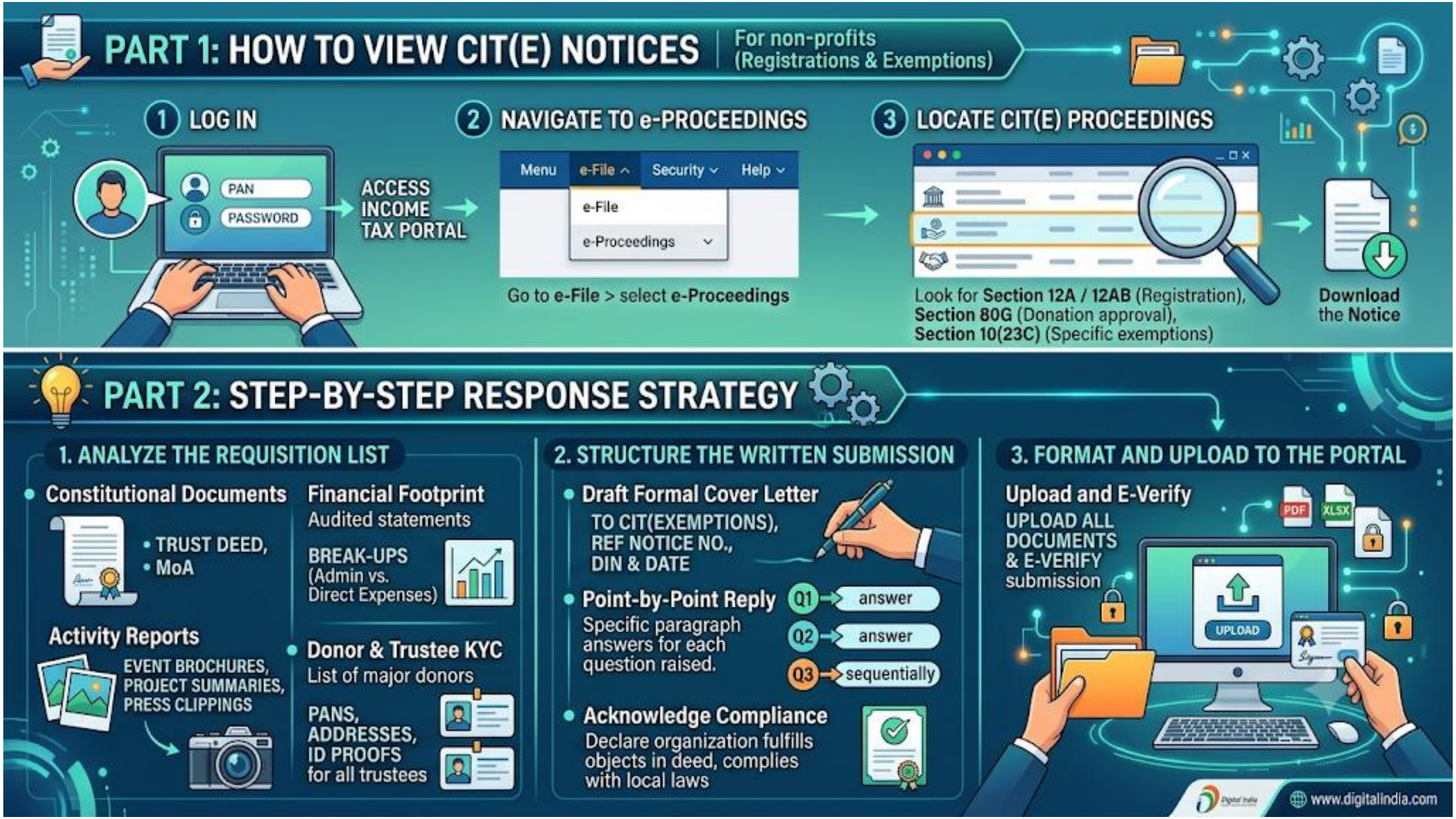


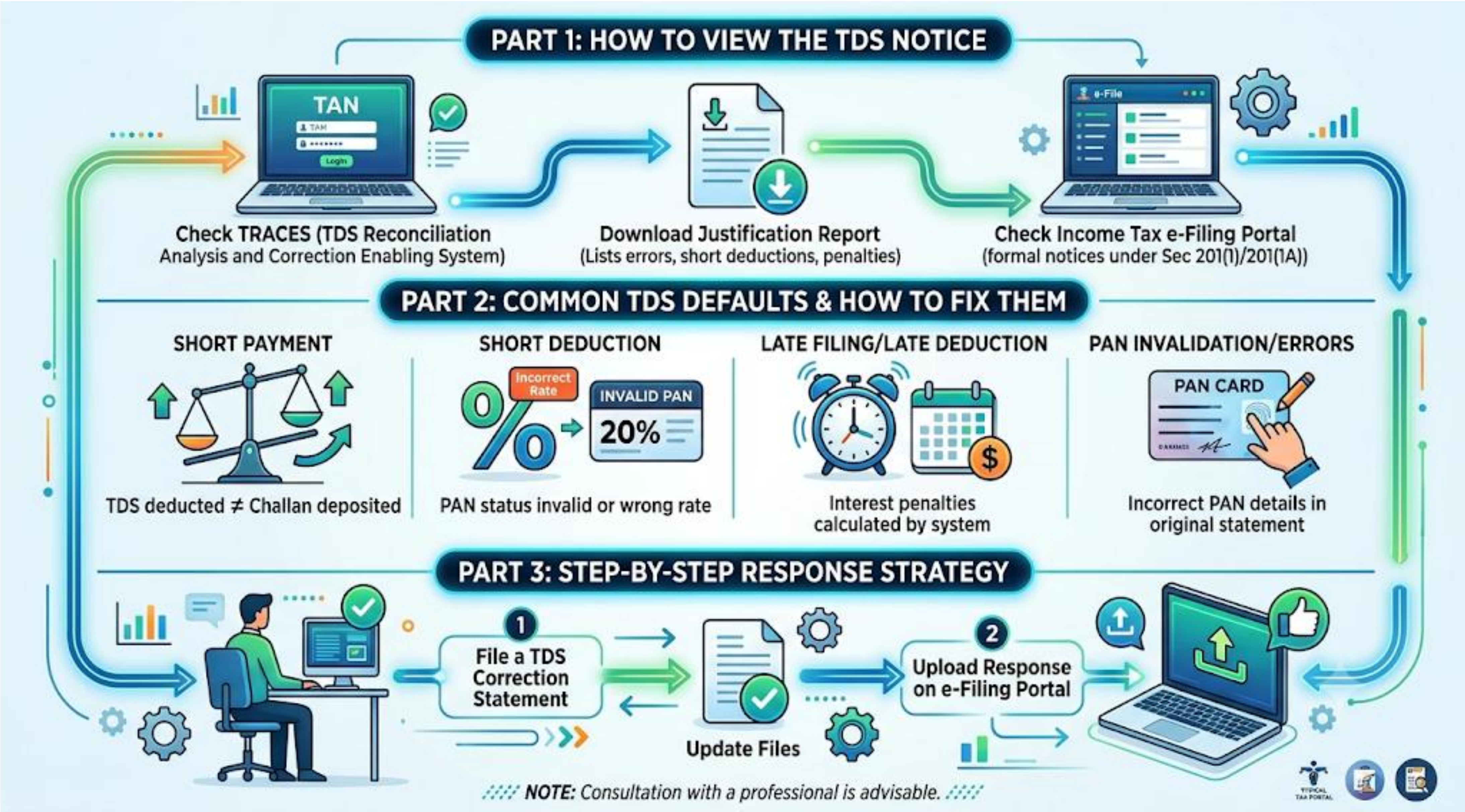
Part 1: HOW TO VIEW THE RECOVERY NOTICE
1 LOG IN
Income Tax e-Filing Portal
PAN
Log In
Access Income Tax e-Filing Portal
2 NAVIGATE TO DEMANDS
Hena
Pending Actions
Go to PENDING ACTIONS from top menu
3 SELECT OUTSTANDING DEMAND
Response to Outstanding Demand
Select RESPONSE TO OUTSTANDING DEMAND
4 IDENTIFY THE NOTICE
Assessment Year
AY 2023-24
AY 2022-23 (ACTIVE)
Locate specific active ASSESSMENT YEAR (AY)
5 DOWNLOAD THE PDF
PDF
Click NOTICE/LETTER PDF to review text & breakdown
Part 2: HOW TO RESPOND TO THE RECOVERY NOTICE
OPTION A: IF "DEMAND IS CORRECT"
Prior Payment?
NO PRIOR PAYMENT
₹
Pay
Agree. Redirect to e-Pay Tax functionality
ALREADY PAID
BSR Code
Challan #
Date
Amount
Enter Challan Details & Upload PDF Proof
OPTION B: IF "DISAGREE WITH DEMAND"
1 SELECT REASONS
Rectification Pending
Add Reasons
Appeal Filed
Double Taxation
Double Taxation
Incorrect TDS
Select specific grounds for disagreement
2 ENTER DETAILS
Disagreed Amount
Provide exact amount breakdown you disagree with
3 UPLOAD DOCUMENTS
AIS
Attach Supporting Evidence
FINAL STEP: SUBMIT & E-VERIFY
SUBMIT
Aadhaar OTP
Net Banking
DSC
ARN: [Receipt #]
Review details, Submit, & e-Verify. Keep ARN

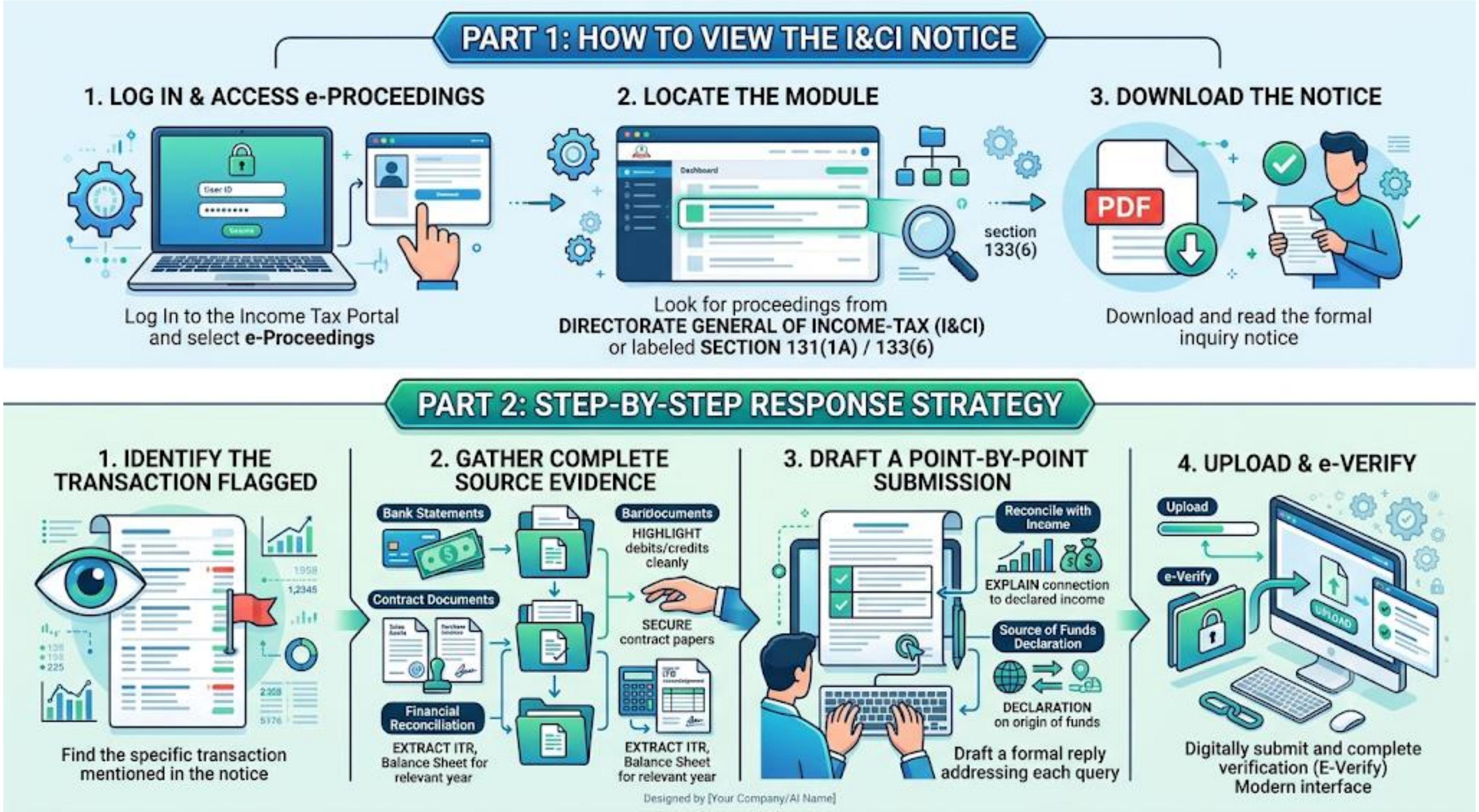

HANDLING PENALTY NOTICES ON THE INCOME TAX E-FILING PORTAL: A COMPREHENSIVE GUIDE
PART 1: HOW TO VIEW THE PENALTY NOTICE
1
LOG IN
Visit the Income Tax e-Filing Portal and sign in with your User ID (PAN) and password.
2
GO TO E-PROCEEDINGS
Click on e-File in the top menu, then select e-Proceedings.
3
SELECT THE PROCEEDING
Look for the proceeding labeled with your Assessment Year (AY) and specific penalty section.
4
DOWNLOAD NOTICE
Click on View Proceedings, locate the latest notice, and download to read grounds.
PART 2: HOW TO RESPOND AND UPLOAD SUBMISSIONS
ONCE YOU OPEN THE RELEVANT E-PROCEEDING ROW, CLICK ON "SUBMIT RESPONSE" NEXT TO THE SPECIFIC NOTICE.
1
DRAFT THE WRITTEN SUBMISSION
PREPARE A COMPREHENSIVE LEGAL REPLY AND REAFY... CLEARLY WHY PENALTY SHOULB BE DROPPED OR WAIVED. SAVE AS A PDF FILE.
2
PREPARE PAPER BOOKS AND LEGAL BINDERS
GATHER ALL SUPPORTING DOCU-MENTATION ... ORGANIZED INTO A STRUCTURED PAPER BOOK. INDEX AND NUMBER PAGES CLEARLY.
3
UPLOAD TO THE APPELLATE DASHBOARD
MAIN RESPONSE: Upload your primary written submission PDF.
SUPPORTING DOCUMENTS: Upload Paper Book and case law binders.
NOTE ON FILE LIMITS: If legal binders are are large, split them into sequentially numbered parts.
4
OPT FOR A VIDEO CONFERENCE (OPTIONAL)
CHECK THE BOX TO REQUEST... IF YOU NEED TO EXPLAIN COMPLEX LEGAL FACTS ORALLY.
5
E-VERIFY AND SUBMIT
CLICK SUBMIT. COMPLETE THE PROCESS... CLICK ONT. DOWNLGAD THE SUBMISSION ACKNOWLEDGEMENT FOR YOUR LEGAL RECORDS.
LEGAL REPLY
e-Procboard
Dashboard
Menu
e-File
Reports
e-Proceedings
Select the Proceeding
View Proceedings
Request Personal Hearing via Video Conference
PDF
Web Portal
AADHAAR OTP
NET BANKING
SUCCESS
*General illustrations only. Refer to official guidelines for legal advice.
INCOME TAX DEPARTMENT



PART 1: HOW TO VIEW THE PENALTY NOTICE
1 LOG IN
PAN
PASSWORD
Login
Visit the Income Tax e-Filing Portal & sign in
2 GO TO e-PROCEEDINGS
Dashboard
e-Proceedings
Menu
e-File
Services
Contities
Login
e-Proceedings
Click e-File in top menu > Select e-Proceedings
3 SELECT THE PROCEEDING
Assessment Year (AY) - 2023-24
SECTION 270A
STATUS: Active
Look for proceeding labeled with your AY & specific penalty section (e.g., Sec 270A)
View Proceedings
4 DOWNLOAD NOTICE
PDF
Penalty Notice
Download
Click View Proceedings, locate latest notice, & click Download to read grounds
PART 2: HOW TO RESPOND AND UPLOAD SUBMISSIONS
ONCE OPEN, CLICK 'SUBMIT RESPONSE' NEXT TO NOTICE
LEGAL REPLY
1 DRAFT WRITTEN SUBMISSION
• PREPARE comprehensive written legal reply
• STATE clearly why penalty should be dropped
• SAVE primary response as PDF file
PDF
2 PREPARE PAPER BOOKS
INDEX
• GATHER documentation, orders, case laws
• ORGANIZE into structured Paper Book
• INDEX & number all pages clearly
Main Response
PDF
Paper Book Part 2 Part 1
3 UPLOAD TO DASHBOARD
• Main Response: Upload primary submission PDF
• Supporting Documents: Upload Paper Book & binders
• Note on Limits: Split large binders (e.g., Paper_Book_Part1.pdf) below 5MB per file
PDF
REQUEST PERSONAL HEARING via VIDEO CONFERENCE
4 OPT FOR VIDEO CONFERENCE (Optional)
• CHECK BOX to request if complex legal facts need oral explanation to NFAC
5 E-VERIFY AND SUBMIT
SUBMIT
• CLICK Submit
Aadhaar OTP
Net Banking
TOKEN
Digital Signature Certificate
SUBMISSION ACKNOWLEDGEMENT
• COMPLETE via Aadhaar OTP, Net Banking, or DSC
• DOWNLOAD Acknowledgement for records
*General Illustration. Always consult professional advice.


PART 1: HOW TO VIEW CIT(E) NOTICES
For non-profits (Registrations & Exemptions)
1 LOG IN
PAN
PASSWORD
ACCESS INCOME TAX PORTAL
2 NAVIGATE TO e-PROCEEDINGS
Menu
e-File
Security
Help
e-File
e-Proceedings
Go to e-File > select e-Proceedings
3 LOCATE CIT(E) PROCEEDINGS
Look for Section 12A / 12AB (Registration), Section 80G (Donation approval), Section 10(23C) (Specific exemptions)
Download the Notice
PART 2: STEP-BY-STEP RESPONSE STRATEGY
1. ANALYZE THE REQUISITION LIST
Constitutional Documents
• TRUST DEED,
• MoA
Financial Footprint
Audited statements
BREAK-UPS (Admin vs. Direct Expenses)
Activity Reports
EVENT BROCHURES, PROJECT SUMMARIES, PRESS CLIPPINGS
Donor & Trustee KYC
List of major donors
PANS, ADDRESSES, ID PROOFS for all trustees
2. STRUCTURE THE WRITTEN SUBMISSION
Draft Formal Cover Letter
TO CIT(EXEMPTIONS), REF NOTICE NO., DIN & DATE
Point-by-Point Reply
Specific paragraph answers for each question raised.
Q1 answer
Q2 answer
Q3 sequentially
Acknowledge Compliance
Declare organization fulfills objects in deed, complies with local laws
3. FORMAT AND UPLOAD TO THE PORTAL
Upload and E-Verify
UPLOAD ALL DOCUMENTS & E-VERIFY submission
PDF
XLSX
UPLOAD
www.digitalindia.com


PART 1: HOW TO VIEW THE TDS NOTICE
TAN
Login
Check TRACES (TDS Reconciliation Analysis and Correction Enabling System)
Download Justification Report (Lists errors, short deductions, penalties)
e-File
Check Income Tax e-Filing Portal (formal notices under Sec 201(1)/201(1A))
PART 2: COMMON TDS DEFAULTS & HOW TO FIX THEM
SHORT PAYMENT
TDS deducted ≠ Challan deposited
SHORT DEDUCTION
Incorrect Rate
INVALID PAN
20%
PAN status invalid or wrong rate
LATE FILING/LATE DEDUCTION
Interest penalties calculated by system
PAN INVALIDATION/ERRORS
PAN CARD
Incorrect PAN details in original statement
PART 3: STEP-BY-STEP RESPONSE STRATEGY
1
File a TDS Correction Statement
Update Files
2
Upload Response on e-Filing Portal
NOTE: Consultation with a professional is advisable.

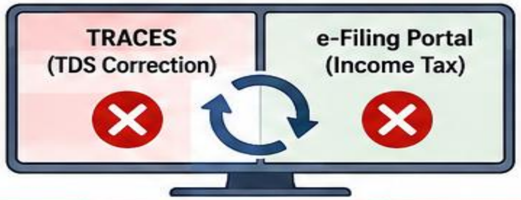

PART 1: HOW TO VIEW THE I&CI NOTICE
1. LOG IN & ACCESS e-PROCEEDINGS
Log In to the Income Tax Portal and select **e-Proceedings**
2. LOCATE THE MODULE
section 133(6)
Look for proceedings from
DIRECTORATE GENERAL OF INCOME-TAX (I&CI)
or labeled **SECTION 131(1A) / 133(6)**
3. DOWNLOAD THE NOTICE
PDF
Download and read the formal inquiry notice
PART 2: STEP-BY-STEP RESPONSE STRATEGY
1. IDENTIFY THE TRANSACTION FLAGGED
Find the specific transaction mentioned in the notice
2. GATHER COMPLETE SOURCE EVIDENCE
Bank Statements
Baridocuments
HIGHLIGHT debits/credits cleanly
Contract Documents
SECURE contract papers
Financial Reconciliation
EXTRACT ITR, Balance Sheet for relevant year
EXTRACT ITR, Balance Sheet for relevant year
3. DRAFT A POINT-BY-POINT SUBMISSION
Reconcile with Income
EXPLAIN connection to declared income
Source of Funds Declaration
DECLARATION on origin of funds
Draft a formal reply addressing each query
4. UPLOAD & e-VERIFY
Upload
e-Verify
UPLOAD
Digitally submit and complete verification (E-Verify)
Modern interface
Designed by [Your Company/AI Name]

- **Common Mistakes by Taxpayers**

CRITICAL MISTAKES MADE BY TAXPAYERS

Avoid these costly errors that can trigger penalties, investigations and frozen bank accounts.

1 MISROUTING REPLIES TO ALTERNATE PORTALS



WHAT HAPPENS

- Submitting a TRACES TDS correction on the e-filing portal or vice-versa.
- Replies are not treated as valid or are delayed.

WHY IT'S CRITICAL

- Causing non-compliance penalties simply due to incorrect digital positioning.
- You may incur interest, penalty and prolonged scrutiny.

2 TREATING NON-ASSESSMENT NOTIFICATIONS AS SPAM

WHAT HAPPENS

- Ignoring preliminary Insight or SFT alerts because they are not formal "assessments".
- No response or delayed response.

WHY IT'S CRITICAL

- Allows minor data mismatches to escalate into aggressive, full-scale tax investigations.
- Once escalated, the matter may involve summons, notices and heavy litigation.

3 OVERLOOKING BANK-LINKED DEMAND STATUSES

WHAT HAPPENS

- Neglecting the "Outstanding Tax Demand" tracker.
- Delaying action until the statutory 30-day appeal window expires.

WHY IT'S CRITICAL

- Bank accounts may face surprise frozen attachments.
- 30 DAYS — Missing the 30-day window can result in loss of right to appeal and recovery proceedings.

KEY TAKEAWAY

- Use the correct portal for the correct purpose.
- Respond to all departmental communications, including preliminary alerts.
- Monitor your demand status regularly and act within statutory timelines.
- Be transparent and accurate – align your replies with true financial realities and data available with the department.

STAY COMPLIANT. STAY PROTECTED. Timely action today saves you from bigger trouble tomorrow.


PRECAUTIONS TO BE TAKEN BY TAXPAYERS
Proactive steps today ensure compliance, avoid penalties and safeguard your finances.
1 MAINTAIN MULTI-PLATFORM OPERATIONAL CREDENTIALS
e-Filing Portal
e-Filing Portal
TRACES Portal
TRACES Portal
Insight Dashboard
Ensure seamless, active access to the e-Filing Portal, the TRACES Portal, and the Insight Dashboard.
Check the "Pending Actions" tab across all active profiles at least once every 14 days.
2 SEGMENT DIGITAL DOCUMENTATION BY DIRECTORATE FOCUS
CORPORATE INCOME
TRUST DONATIONS
EMPLOYEE TDS CERTIFICATES
Set up separate digital vaults for corporate income, trust donations, and employee TDS certificates.
Keep clean transaction trails ready for all high-value items caught by the automated AIS matrix.
3 ESTABLISH REAL-TIME ALERT ESCALATION MATRICES
OTP
Portal OTPs
1
Email Notifications
TAXPAYER
CONSULTANT
Route critical portal OTPs and email notifications to both the taxpayer and the consultant simultaneously.
Initiate defensive file reviews immediately upon the generation of any fresh digital demand.
DIGITAL DEMAND
KEY TAKEAWAY
Stay active across all tax portals and dashboards.
Organize and maintain documents as per directorate focus.
Respond quickly to alerts and demands to avoid larger consequences.
BE PROACTIVE. BE PREPARED. STAY COMPLIANT. | Timely action today saves you from bigger trouble tomorrow.

- **Common Mistakes by CAs/ITPs**

COMMON ERRORS MADE BY CHARTERED ACCOUNTANTS (CAs)

Avoid these pitfalls that weaken client positions and invite unnecessary demands and litigation.

1 TREATING REVISIONS AND APPEALS AS ROUTINE SCRUTINY

THE ERROR

Submitting generic ledger books in response to complex Section 263 jurisdictional challenges.

WHAT IS MISSED

- Failing to argue core legal limits.
- Ignoring administrative jurisdiction boundaries.
- Overlooking the "plausible view" doctrine.

IMPACT

263

Increased risk of revision orders being upheld and appeal dismissal.

2 NEGLECTING TRACES SYSTEMATIC WORKFLOW SEQUENCES

THE ERROR

TRACES

Relying on physical letter replies for TDS defaults instead of uploading a digital correction statement.

WHAT IS MISSED

- Incorrect sequence of actions on the TRACES portal.
- Wrong challan-matching entries.
- Delay in digital correction submissions.

IMPACT

Permanent unadjusted demands, interest levies and prolonged disputes.

3 MIXING TRUST FRAMEWORKS WITH CORPORATE TAX RULES

THE ERROR

VS

Applying standard commercial business deduction logic to NGO or trust-related CIT(E) notices.

WHAT IS MISSED

- Trust law focuses on literal "application of income".
- Not understanding the differences between business profit and trust income application.
- Ignoring Section 11, 12, 13 principles.

IMPACT

Risk of registration cancellation, denial of exemption and addition of income.

4 DELAYING ADMINISTRATIVE STAY ORDERS DURING ACTIVE RECOVERY

THE ERROR

BANK

Waiting for the recovery officer to freeze a corporate bank account before applying for a stay.

WHAT IS MISSED

- Not applying for stay at the earliest opportunity.
- Failure to secure a conditional dynamic stay from the jurisdictional PCIT.

IMPACT

Bank account freeze, reputational damage, operational disruptions and cash flow blockages.

KEY TAKEAWAY

- Understand the law, not just the paperwork.
- Follow system workflows and respond digitally.
- Respect the unique compliance architecture of trusts.
- Act early, stay ahead and protect your client's interests.

THINK STRATEGIC. ACT TIMELY. DELIVER VALUE. | Your expertise. Your diligence. Your client's protection.


ESSENTIAL PRECAUTIONS FOR CAs: MINIMIZING PORTAL ERRORS & NOTICES
BEST PRACTICES FOR SECURE & COMPLIANT SUBMISSIONS
1.
FORM 26AS
AIS
HISTORICAL RETURNS
TRACES LOGS
Compare ANY NOTICE QUERY against historical data before replying. Review ALL connected dashboards.
Avoid triggering new mismatches while clearing notices.
1. CONDUCT FULL PORTAL AUDITS BEFORE SUBMISSION
2.
INDEX SHEET
HYPERLINK PAIRS
TO OTHER FILES
TO OTHER FILES
EXECUTIVE COVER SUMMARY
PDF OPTIMIZER
OPTIMIZE & COMPRESS
Prefix ALL uploaded documents with a HYPERLINKED INDEX SHEET and EXECUTIVE COVER SUMMARY.
STRICTLY MATCH portal file size constraints.
2. STRUCTURE SELF-CONTAINED LEGAL RESPONSES
3.
Take TIMESTAMPED SCREENSHOTS of system errors or
SYSTEM ERROR
GATEWAY CRASH
ERROR CODE 503
FIRM-WIDE DASHBOARD
TIMELINE
ALERTS
FIRM-WIDE DASHBOAD
TRACK LIMITATION DATES
ACTIVE CLIENT NOTICES
Maintain a CENTRALIZED firma-wide DASHBOARD to track precise limitation dates.
3. LOG PORTAL TECHNICAL FOOTPRINTS DEFENSIVELY
SECURE COMPLIANCE | PROACTIVE CA PRACTICES


THANK YOU
DEEPEST APPRECIATION FOR YOUR ATTENTION & ENGAGEMENT
YOUR SUPPORT
YOUR PARTNERSHIP
MAKING A DIFFERENCE
GROWING TOGETHER