

What To Do When You Receive A Notice From The Tax Department

Most of us manage to get through our days without ever having to deal with the Income Tax Department. Sometimes we're not that lucky. So what do you do when the long arm of the tax department reaches out and hands you a notice?

Our advice – don't panic and don't ignore it. Find out exactly why the notice was sent to you and then carefully handle it or else you may end up paying a hefty penalty in addition to your tax payments.

Remember, receiving a notice does not mean you have committed a crime. Often notices are sent for relatively innocuous reasons like a minor error in filing a tax return or an enquiry for basic information. In such cases submitting the requested information is enough. If the reason is not so innocuous, and the notice demands a scrutiny assessment, this means you will need to prepare yourself for a more detailed examination.

Five things to do when you receive a notice

- 1. Record the date and time of receipt of notice** – Ensure that you record the time and date of receipt of the notice either on the notice itself or somewhere else so that later on you are able to defend yourself and substantiate that you replied to the notice on time. This is important because the time limit by which the reply needs to be filed is mentioned on the notice and usually starts from the date of service of the notice. Also preserve the envelope in which the notice was dispatched and using the speed post number on it, keep a tracking status of the same, for future reference.
- 2. Check to whom it was issued** – Was the notice meant for you or for someone with a similar name? The Tax authority issues notices based on your PAN followed by name and address. Whenever you receive a notice, check all the details of whom it has been issued, PAN, name, address, etc.
- 3. Check the validity and details of the Issuer** – Check the validity of the notice, there are certain notices which can be issued within prescribed time or else they lose their validity. So, check the relevant section under which notice has been issued and check the time limit of the same. Also ensure that it is a genuine notice by checking details of the issuer, whether it is stamped and signed or digitally signed, the designation, office address etc.
- 4. Identify the reason behind issuance of notice** – It is good practice to identify the reason behind the issuance of the notice before submitting any response. It could be a minor error or a major issue. Based on the reasons identified, you can plan your next steps and decide on what and how to file your response before the tax authority.
- 5. Submit your response on time** – Now that you have identified why you received the notice and have understood exactly what needs to be submitted, you need to examine the information and submit it on time before the tax authority. In case you are not able to gather all information requested by the tax authority, ask for additional time and file a request letter seeking more time to submit the same with an appropriate reason. Please note that non-appearance or not furnishing information on time may result in penal consequences.

Things to keep in mind when responding to a notice

- 1. How and where to respond** – With the move towards increased digitization and e-assessments, you could be receiving notices over email instead of speed post. Today many notices are to be responded online via your income tax e-portal. Hence, it is important to keep in mind how and where to respond against the notice received by you. Once you have identified who has issued the notice, please ensure that reply is submitted to the correct authority. For example, if you submitted your reply before your jurisdictional tax officer instead of the CPC, that would be treated as if no response had been filed.
- 2. Who can respond** – In case of individuals, they have to respond by themselves but in case of Company or any other legal entity, the authorized person is required to respond. Alternatively, response may also be made through a tax expert on your behalf by authorizing him vide a valid Power of Attorney (POA).
- 3. Prepare two sets of documents** – In case of a complex issue, please seek the advice of a tax expert when preparing your response. However, if it is not a complex issue, ensure that you prepare two sets of documents to be submitted before the tax officer along with a covering letter listing out the documents you are submitting. Keep one set for your own records.
- 4. Take acknowledgment and trail of events** – Get a stamp / acknowledgment on your copy for your records as a proof that you have submitted your documentation. In case the documents are to be submitted online through the e-portal, make sure that you take a screenshot of the acknowledgement message that appears on your screen when you have submitted your reply or else records for online responses are also available on your e-portal.

All in all, a tax notice is uncomfortable but in most cases manageable and is certainly not a reason to panic.



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