



# How to Respond to Notice Under Section 143(2)?

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## WHEN IS NOTICE U/S 143(2) ISSUED?

Notice u/s 143(2) is issued to you by the Income Tax Department when your Income Tax Return is **selected for scrutiny assessment** or **detailed assessment u/s 143(3)**.

In simple words, a scrutiny assessment or detailed assessment u/s 143(3) means that scrutiny is carried out to confirm the **correctness and genuineness of various claims, deductions, etc., made by you in your income tax return**.

The basic purpose of this scrutiny assessment **is to ensure** that you have filed the return with the **correct income** and **paid the tax** accordingly. **The objective** of this scrutiny is to check that:

- You have not **understated your income**
- You have not **computed excessive loss**
- You have not **underpaid the tax** in any manner

So, we can conclude to carry out scrutiny u/s 143(3) of the Income Tax Act, notice u/s 143(2) is issued by the Income Tax Department.

## WHAT IS THE **TIME LIMIT** FOR ISSUANCE OF NOTICE U/S 143(2)?

A notice u/s 143(2) of the income tax act for scrutiny assessment can only be issued up to a period of **three months** from the end of the financial year in which you furnished the return.

(before 1st April 2021, the limit was **six months** from the end of the financial year)

**For example:** Ms. Sharma filed her return on **25.07.2022** for the financial year **2021-2022**.

In such a case, the notice u/s 143(2) of the income tax act can be issued to Ms. Sharma only **up to 30.06.2023** (being the end of three months period from FY 2022-2023 in which the said return was filed).



## WHAT SHOULD YOU KNOW ABOUT NOTICE U/S 143(2)?

- You might receive a notice in PDF format via email.
- If you have not filed your ITR, then you cannot receive a notice under section 143(2). The assessing officer first has to issue a notice u/s 142(1), under which you might be asked to file returns.
- After receiving a notice u/s 143(2), you have to produce all the documents, supporting deductions, reliefs, allowances, exemptions, and other claims made while filing returns.
- You have to provide proof of all the income sources.
- The assessing officer performs a detailed enquiry of the notice.

## So HOW DOES NOTICE U/S - 143(2) WORK?

**Step 1** : A notice under section 143(2) is issued to you by the AO within 3 months from the end of FY in which a return was filed to carry out scrutiny of your income tax return u/s 143(3).

**Step 2** : You or your tax representative will appear before the AO to the place your arguments as mentioned in Notice with evidence as required by the assessing officer.

Alternatively, you can submit an online response to notice under section 143(2) by uploading your evidence and arguments.

**Step 3** : After hearing all the evidence, as produced by the assessee as per notice u/s 143(2), AO will pass an assessment order determining the total tax payable or refund to the assessee after taking into account produced evidence.

## WHAT IS THE **FINAL ORDER U/S 143(3)**?

If notice under section 143(2) of the income tax act was issued upon you by the AO for the production of evidence on the specified day and **after taking into account such evidence and hearing the same**, the **AO will assess your total income or loss and also determine any sum payable by you or due to you by passing the order u/s 143(3).**

## **IS THERE ANY TIME LIMIT FOR ISSUANCE OF THE FINAL ASSESSMENT ORDER U/S 143(3)?**

Time Limits are as below as per section 153:

➤ For the Assessment year 2017-18 or before	21 months from the end of the assessment year
➤ For the Assessment year 2018-19	18 months from the end of the assessment year
➤ For the <b>Assessment year 19-20</b> , 20-21 & 21-22	12 months from the end of the assessment year

For example, Mr. ABC filed his **Return on 25.07.2019** for the **financial year 2018-19 (AY-19-20)**. In such a case, the **notice u/s 143(2)** issued to Mr. ABC **on 30.09.2020** begins at the end of six months of 2019-20 in which the said return was filed.

Now, order u/s 143 (3) can be issued **up to 31.03.2021, the end of 12 months from the end of the A.Y. 2019-20.**



# TYPES OF NOTICES U/S 143(2)

## 1. Limited Scrutiny:

This includes a **computer-assisted scrutiny selection (CASS)**. The scrutiny cases are selected based on set parameters. **Only cases with inaccurate returns and information mismatches are selected.** Also, limited scrutiny entails (to impose) the scrutiny of a limited area, as mentioned in the notice.

## 2. Complete Scrutiny:

Complete scrutiny is carried out **on the entire ITR filed, including the supporting documents.** These cases are identified based on the reports of CASS. The scope of this type of scrutiny might also include **checking the returns of previous years (Previous years' File may open).**

## 3. Manual Scrutiny:

The cases for scrutiny are selected **on the basis of the parameters defined by the Central Board of Direct Taxes (CBDT).** These **criteria keep changing and can vary from year to year.** (CBDT secret criteria generally based on Value)



## HOW WILL I RECEIVE THIS NOTICE U/S 143(2)?

Generally, you will receive this notice via email in a PDF format on your email id registered with the Income Tax Department. However, it will also be sent to your postal address.

## IF I HAVEN'T FILED MY RETURN, WILL I GET A NOTICE U/S 143(2)?

- No, since you furnished no return, a notice u/s 143(2) cannot be issued to you, and no scrutiny of your records can be done.
- In such a case, section 144 shall apply to you for the best judgment assessment of your records.
- Also, an assessment can be done as per the provisions of section 147 in this case. Sec 147 focuses on income escaping assessment. This gives the Assessing Officer (AO) the power to reopen the assessment proceedings. Whenever the AO finds that the income has escaped assessment, they can reopen the proceeding at any time.

## WHAT ARE THE CONSEQUENCES OF NOT COMPLYING WITH THE NOTICE ISSUED U/S 143(2)?

If you receive a notice from the Income Tax Department, **you should always reply to it and never ignore it.**

But in case of any such **default**, you may be liable for the following:

- **Penalty** u/s 271(1)(b) amounting to **Rs. 10,000** and **even prosecution** (legal proceedings).
- The **Best Judgment assessment u/s 144** can be made.
- The **AO could consider a higher taxable income**, and you may have to bear a high penalty and tax.
- When you dispute the demand for higher taxes in 143(2) of income tax, **at least 20% of the assessed tax has to be paid before appealing** to the higher IT authorities.
- You may be prosecuted if guilty, and this could lead to **imprisonment**.

## IS THE NOTICE U/S 143(2) A CONSEQUENCE OF NOTICE U/S 142(1)?

A notice is issued to you u/s 142(1) for the production of books of accounts, income statement, and statement of assets and liabilities for preliminary investigation. If the AO is not satisfied with the information you reproduce, a notice u/s 143(2) may be issued to you for scrutiny of accounts.

Also, **practically** it is seen that whenever a taxpayer receives notice u/s 143(2), he also receives notice u/s 142(1) for submission of the necessary information/papers.



Notice under section 143(2) of the Income-tax Act, 1961

सीमित संवीक्षा (कंप्यूटर आधारित संवीक्षा चयन)

Limited Scrutiny (Computer Aided Scrutiny Selection)

महोदय/महोदया/ मेसर्स,

Sir/ Madam/ M/s,

आपको सूचित किया जाता है कि निर्धारण वर्ष 2017-18 के पावती संख्या 218075750210917 के अनुसार आपके द्वारा दिनांक 21/09/2017 को दाखिल की गई आयकर विवरणी को सीमित संवीक्षा के लिए चुना गया है और निम्नलिखित कारणों / मुद्दों को जांच हेतु अभिचिन्हित किया गया है:

This is for your kind information that the return of income filed by you for assessment year 2017-18 vide ack. no. 218075750210917 on 21/09/2017 has been selected for Limited Scrutiny and following issue(s) have been identified for examination:

i. Cash deposit during demonetisation period

2. इस संबंध में, आपको दिनांक 28/09/2018 को 03:30 PM तक साक्ष्य प्रस्तुत करने अथवा साक्ष्य प्रस्तुत कराने का अवसर प्रदान किया जा रहा है जिस पर आप उक्त आयकर विवरणी के समर्थन में निर्भर हैं/रहेंगे।

2. In this regard, an opportunity is being given to you to produce or cause to produce any evidence on which you may like to rely in support of the said return of income by 28/09/2018 at 03:30 PM.

3. उपर्युक्त निर्दिष्ट प्रमाण / सूचना को आपको ऑनलाइन माध्यम से इलेक्ट्रॉनिक रूप में [incometaxindiaefiling.gov.in](http://incometaxindiaefiling.gov.in) पर अपने ई-फाइलिंग खाता द्वारा प्रस्तुत किया जाना है। बाद की निर्धारण कार्यवाही भी आयकर विभाग की 'ई-कार्यवाही' सुविधा द्वारा की जायेगी। 'ई-कार्यवाही' पर एक संक्षिप्त नोट आपके संदर्भ के लिए संलग्न है।

3. The evidence/information specified above has to be furnished online electronically through your E-filing account in [incometaxindiaefiling.gov.in](http://incometaxindiaefiling.gov.in). Subsequent assessment proceedings shall also be conducted electronically through the 'E-Proceeding' facility of Income-tax Department. A brief note on 'E-Proceeding' is enclosed for your kind reference.

4. निर्धारण कार्यवाही के दौरान, यदि आवश्यक होगा तो सूचना /दस्तावेज हेतु विशेष प्रश्नावली (यों) या अधियाचना (यों) को बाद में जारी किया जाएगा।

4. In course of assessment proceedings, if required, specific questionnaire(s) or requisition(s) for information/document shall be issued subsequently.

5. कृपया ध्यान दें कि यदि आपके पास ई-फाइलिंग खाता है तो आपके लिए पैरा 3 लागू है। आपके द्वारा स्वयं अपना खाता न बना लेने तक निर्धारण कार्यवाही आपके द्वारा वर्णित की गई ई-मेल के माध्यम से या मैन्युअल रूप से (यदि ई-मेल उपलब्ध नहीं है) की जाएगी।

5. Please note that para 3 is applicable if you have an E-filing account. Till the time such an account is created by you, assessment proceedings shall be carried out either through your specified e-mail account or manually (if e-mail is not available).

संलग्नक : यथोपरि

Enclosure : as above

A Sample  
Notice U/S  
143(2) for  
better  
understanding

## FAQ:

### **1. WHAT IS THE PROCEDURE ADOPTED FOR MAKING THE ASSESSMENT UNDER SECTION 143(3), I.E., **SCRUTINY ASSESSMENT**?**

The tax officer would perform tests and processes to confirm the correctness and genuineness of various claims, deductions, etc., made by the taxpayer in the income tax return, and to initiate a scrutiny assessment, the Income Tax officer must first issue an income tax notice u/s 143(2). The time limit to issue notice is three months from the end of the relevant F.Y. in which the return is filed.

### **2. WHAT IS LIMITED SCRUTINY?**

Limited Scrutiny cases shall remain confined only to the specific reasons/issues for which the case has been picked up for scrutiny.

## FAQ:

### 3. WHAT IS THE ASSESSMENT ORDER U/S 143 (3)?

This is a comprehensive assessment known as a scrutiny assessment. A careful examination of the return of income will be performed at this step to validate the veracity and credibility of numerous claims, deductions, and so on made by the taxpayer in the return of income.

### 4. WHAT IS THE MEANING OF INTIMATION U/S 143 (1)?

Assessment under section 143(1) is a preliminary review of an income tax return. At this point, no comprehensive assessment of the income return is performed. A summary of the assessment under Section 143(1) can be completed without calling the assessee.



## FAQ:

### **5. WHAT IS THE TIME LIMIT FOR THE NOTICE OF SCRUTINY ASSESSMENT 143(2)?**

The time limit is only up to a period of **3 months** from the end of the financial year in which the assessee filed his return.

### **6. WHAT HAPPENS IF I DON'T RESPOND TO THE NOTICE WITHIN 30 DAYS?**

If you do not answer within 30 days, your income tax return will be processed after making the relevant adjustments for which the notice has been sent. The assessing officer may close the assessment with the information he has with the **best judgment under Section 144**.

## FAQ:

### 7. **WHAT DOCUMENTS** DO I NEED TO RESPOND TO THE NOTICE UNDER 143 2?

Ans:

A notice u/s 143(2) mandates that you produce all supporting documents for the exemptions, deductions, relief, and allowances claimed in your ITR filing. All income sources will also need to be proven through documentary evidence.

### 8. HOW CAN I DOWNLOAD THE **ITR-V ACKNOWLEDGEMENT**?

Ans:

The process is simple and is as follows:

- Visit the official website for Income Tax India and **log in**.
- Go to the '**View Forms or Returns**' section and choose the year and relevant forms of the ITRs filed.
- Choose ITR V acknowledgement using the appropriate acknowledgement number.
- Click on the Go tab and okay the download process.





# Thank You!

By **CMA** Amit Dey,  
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