

Received a Show Cause Notice (SCN) during Income Tax Scrutiny?

Don't panic. Most scrutiny assessments are actually won or lost at the SCN stage. With assessments getting time-barred on 31st March, many professionals are currently dealing with last-mile SCNs.

Here's a practical roadmap.

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Show cause Notice as Nice as to why the proposed variation should not not be made

Ms/ Mr/ M/s,

Kindly refer to ongoing assessment proceedings in your case for the Assessment Year 2018-19.

2. The following variation(s) prejudicial to your interest are proposed to be made In your case:-

Reality of SCN Stage

UNDERSTAND WHERE YOU STAND

By the time an SCN is issued, the AO has usually formed a **preliminary view** on the proposed addition.

ANALYSE

How the notice is **analysed and responded to** can significantly influence the final assessment.

GO FOR KILL

Draft a strong reply on facts and law

Let's start with the **basics**

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First Rule

Read the SCN properly. A simple but effective approach: **Print the SCN and read it with a pencil in hand.**

While reading:

1

Mark key issues raised

2

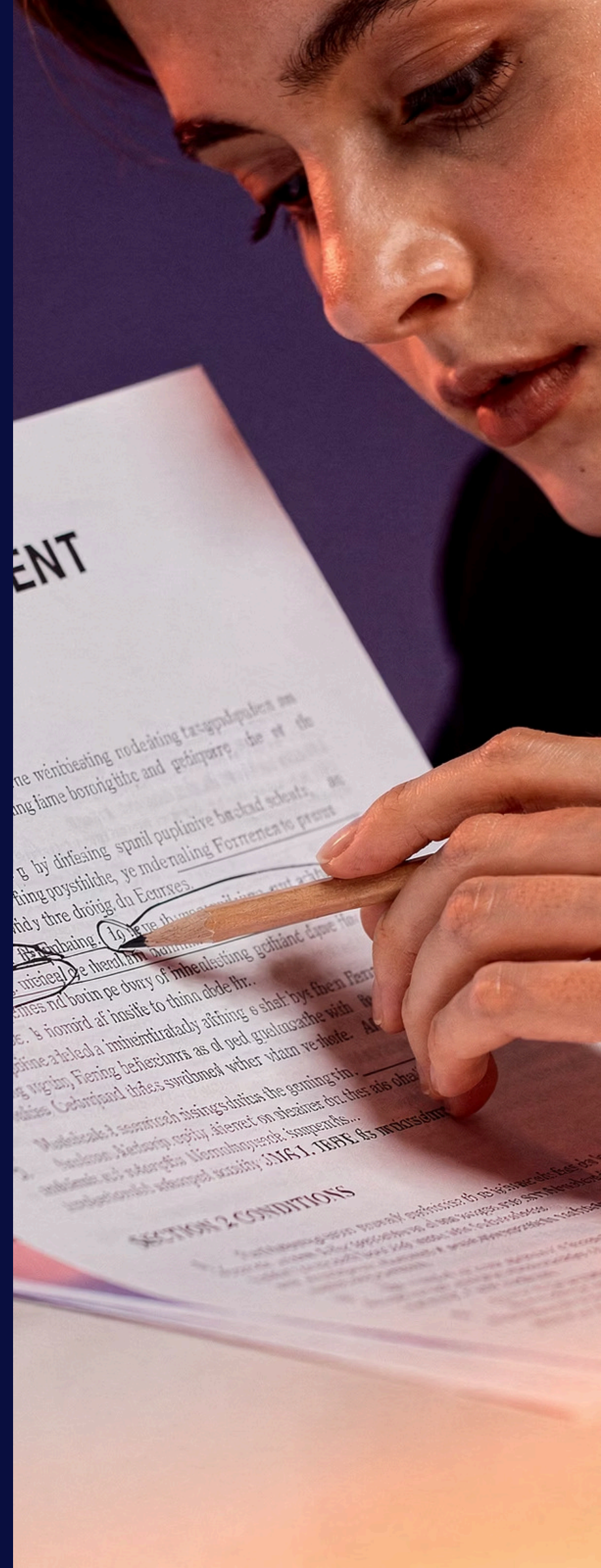
Underline adverse findings of the AO

3

Identify sections allegedly contravened

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Next Step

REVISIT THE LAW

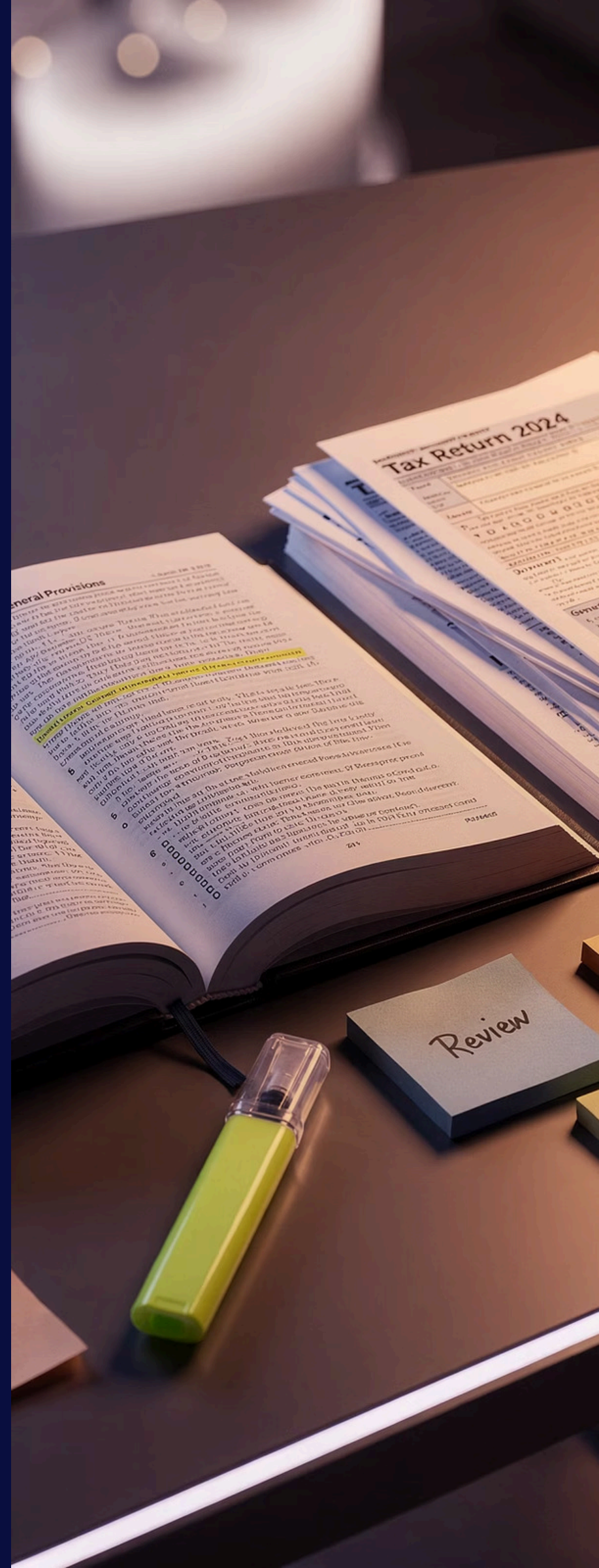
Once the sections are identified: **Read those provisions again carefully** — even if you know them well.

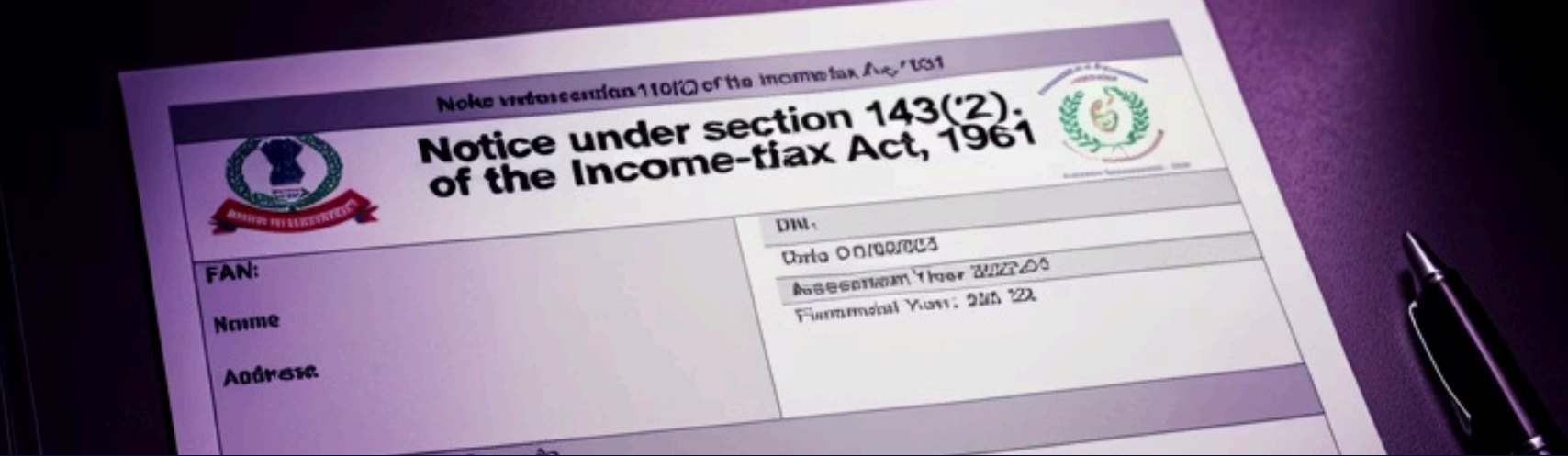
Then cross-check the allegations with:

- **ITR Filed**
- **Earlier Submissions / Documents**

 Often the **defence is already in the record.**

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Jurisdiction Checks

Before replying on merits, check:

- Limitation for issuing notice
- Proper service of notice
- Jurisdiction of AO
- Valid DIN
- Statutory approvals (Eg. reassessment matters)

 Sometimes procedural defects themselves become strong defence

Reply Structure

STRUCTURE OF AN EFFECTIVE REPLY

1

Brief Background

2

Submissions

(i) Jurisdictional issues (if any)

(ii) Merits of the case

✓ factual issues →
documentary evidence

✓ legal issues → provisions +
case laws

3

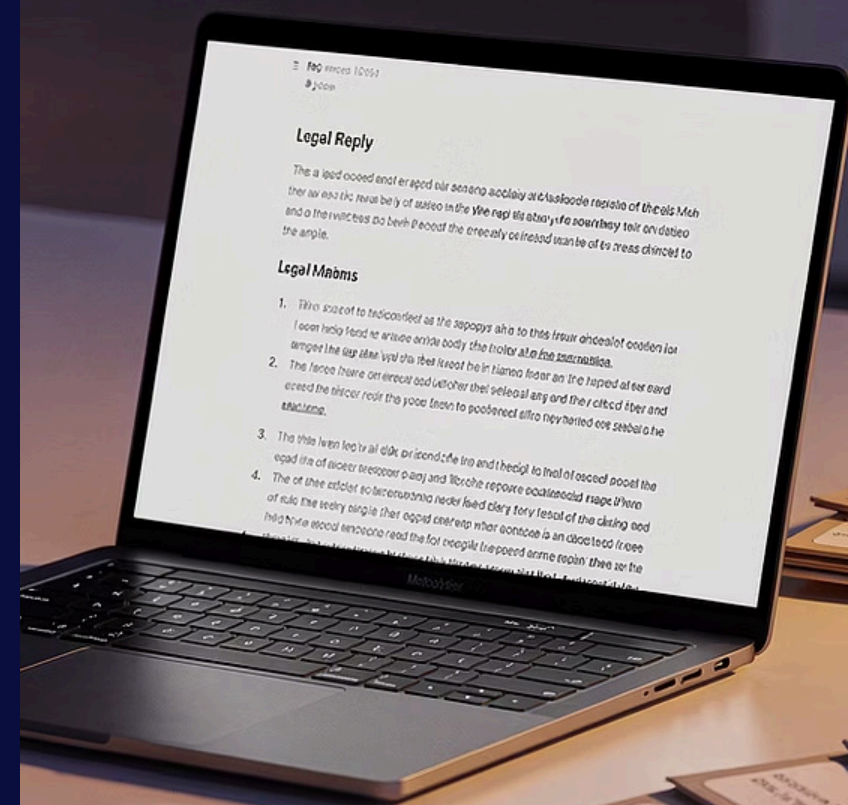
Conclusion

4

Prayer

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Key Principles ⚠️

Never make false statements.

Risk of Inaccuracies

Even **small inaccuracies or false narratives** may create perception of dishonesty. This can weaken the case and also trigger **penalty proceedings**.

Why It Matters

Integrity of submissions is critical in tax litigation.

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Evidence Matters

❏ **Submit all relevant evidence before the AO.** Additional evidence may not be admitted later unless Rule 46A conditions are satisfied.

❏ Remember: **The assessment record becomes the foundation of the entire litigation chain.** Sometimes right upto the Supreme Court.

REAL EXAMPLE 

Why the record matters: In bogus purchase cases (Eg. *Kanak Impex*, *Drisha Impex*, *Bombay HC*) Weak factual record before the AO led to **100% additions being sustained**, with SLPs dismissed in similar matters. Such rulings are often cited later by AO, to justify full additions in such cases.

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SOME PRACTICAL TIPS 🖋️



Keep replies professional & precise

"A long reply is often a wrong reply."



If using AI tools, verify case laws before citing them.

SC has cautioned about AI-generated fictitious citations used in submission (Eg. *"Mercy vs Mankind"*).



Where issues involve complex facts or law

Consider seeking guidance from **experienced litigation professionals.**

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10.	Date of service of Notice under section 143(2) of the Income-tax Act	As per Order Sheet
11.	Date(s) of issue of Notice(s) under section 142(1) of the Income-tax Act	As per Order Sheet
12.	Order passed under section	143(3) r.w.s 144C(13) read with section 144B of the Income-tax Act
13.	Returned Income	Rs. 4,69,53,19,210
14.	Date of Order	23/04/2021
15.	DIN	ITBA/AST/S/143(3)/2021-22/1032651064(1)

ASSESSMENT ORDER

1. The case was selected for Complete Scrutiny assessment under the E-assessment Scheme, 2019 on the following issues:-

S. No. Issues

Final Lessons

Read SCN carefully

Mark issues, underline adverse findings, identify sections

Revisit the law

Cross-check with ITR & earlier submissions

Check jurisdiction

Limitation, service, DIN, approvals

Structure your reply

Background → Submissions → Conclusion → Prayer

Submit all evidence

Build a strong assessment record

 **Save this checklist for future**

 **Follow for more practical tax litigation insights.**

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