"Reply to Notice Under Section 221(1) – Avoid Penalty Proceedings Effectively"

From,

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Dated .....

To,

The Assessing Officer,

Circle/Ward .....

Dear Sir/Madam,

Subject : Reply of Your Notice u/s 221(1) for Penalty proceedings

PAN No .....

Please refer to your notice dated ..... u/s 221 (1) of the Income Tax Act, 1961 for Assessment Year ..... served on my client ..... My client has instructed me to submit that there was no default in making payment of tax/the default was for good and sufficient reasons, in view of the following :

(a) That no notice of demand was ever served on my client in respect of the assessment year(s) referred to in your notice.

(b) That the default pointed out in the notice is in respect of payment of penalty or interest and therefore the penalty provisions of section 221 are not applicable.

(c) That the demand has already been stayed by the order of the CIT (Appeals/ITAT/Court; therefore there is no question of alleged failure or default. A copy of the relevant stay order is enclosed for year ready reference (Annexure - 1.)

(d) That the demand under the notice has already been paid on..... . A copy of paid challan is enclosed (Annexure 2) .

(e) That my client has filed an appeal before the CIT(Appeals) on ..... against the assessment and has also made an application to your honour u/s 220(6) for not treating him in default till the disposal of his appeal and the said application has been allowed on..... is pending. A copy of acknowledgement of filing appeal and application u/s 220(6) and your order dated.....are enclosed (Annexures 3,4 and 5) .

(f) That the provisions of section 220(7) are applicable in the case of my client and there being restriction of remittance of the foreign income to which the demand relates, no penalty can be levied u/s 221 (1) .

On the facts and circumstances of the case, it is submitted that the default was for good and sufficient reasons and you are requested to drop the penalty proceedings. And for this act of kindness, my client, as duty bound, shall ever pray.

Thanking you

Yours faithfully

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