



GOVERNMENT OF INDIA
MINISTRY OF FINANCE
INCOME TAX DEPARTMENT
OFFICE OF THE INCOME TAX OFFICER
WARD 10(3),HYDERABAD

To,
SILVER OAK REALTY
5-4-187/3&4 II FLOOR 5-4-187/3&4 II FLOOR ,SOHAM
MANSION M G ROAD
RANIGUNJ 500003,Telangana
India

PAN: ACXFS3783R	AY: 2016-17	Dated: 22/12/2018	Notice No : ITBA/AST/F/142(1)/2018-19/1014498053(1)
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Notice under Sub Section (1) of Section 142 of the Income Tax Act, 1961

Sir/ Madam/ M/s,

In connection with the assessment for the assessment year **2016-17** you are required to:

- Furnish or cause to be furnished on or before **24/12/2018** at **10:00 AM** the accounts and documents specified overleaf.
- Furnish and verified in the prescribed manner under Rule 14 of I.T. Rules 1962 the information called for as per annexure and on the points or matters specified therein on or before **24/12/2018** at **10:00 AM**.
- The above mentioned evidence/information is to be furnished online electronically in 'E-Proceeding' facility through your account in 'e-filing' website of Income Tax Department.
- Para(s) (a) to (c) are applicable if you have an account in e-filing website of Income Tax Department. Till such an account is created by you, assessment proceedings shall be carried out either through your e-mail account or manually (if e-mail is not available).
- In cases where order has to be passed under section 153A/153C of the Income Tax Act, 1961 read with section 143(3), assessment proceedings would be conducted manually.

Yours faithfully,

SARALA BASAVARAJU
WARD 10(3),HYDERABAD

ANNEXURE

Please refer to the reply furnished dated 21-12-2018. It is aggrieved by the assessee that the following queries were made beyond the scope of limited scrutiny. In this connection it is informed that w.r.t. your points as under:

1. To furnish reasons/purposes for which the agricultural land was sold to M/s.MPPIL: As you are well aware that the reason for selection of scrutiny is to verify the aspect of computation of capital gains and whether it was correctly shown in your return of income. As the transfer of an asset during the subsistence of partnership results in the capital gains u/s.45(4) of the I.T.Act it was necessary to know the purpose for which the same was transferred and when it is stock in trade the same should have been sold in the normal course of business to an outsider.
2. Bifurcation of Gross Profit between sale of land and sale of homes Raising an issue with regards low GP on sale of houses: : As you have clubbed the sale of both the activities it was not clear from your P&L account/Audit report whether the profit on sale of land was offered in full or an estimate basis.
3. Seeking details and method computing value of inventories: Basing on the information furnished by you that the land sold is a part of inventories, the details of inventories was called for. If the same is not included in the inventories the same becomes a capital asset and is liable for taxing under the head "Income from capital gains". When the same was not acceptable to you that the land is a capital asset, the details of stock in trade has to be ascertained as no work in progress has been undertaken on the same.
4. Furnish ledger copy of Religare loan CC-1 & CC-2. This aspect is covered under the increase in share capital where you have furnished that the loans were repaid by the partner and the repayment of the same was credited to the capital account of the partner in the form of increase in capital. The loan copy is a part of the increase in capital and the same was furnished by you in an illegible form. Hence the same was requested to resubmit the same.
5. Regarding the rejection of books of accounts, as the undersigned could point out some discrepancies with reference to the stock in trade as per the earlier information submitted by you and it was requested to furnish the clarifications to reconcile the same. It was the only alternative available to the Assessing officer in any case basing on the clarifications of the assessee.
6. If the assessee feels that any information as called for does not pertain to the limited reasons/issues to be verified, the same can be abstained to be furnished.
7. The information was called for to verify whether the land was included in the

purchases reflected in the Asst.Year 2006-07 and the bifurcation given by you is sufficient. Further information regarding the phase wise GPs& JDAs of Phase-IV were not called for by the undersigned.

8. As the system auto closes accepting the replies by the assessee seven days before the TB date, you are requested to furnish the same by 24-12-2018 if any.

SARALA BASAVARAJU
WARD 10(3),HYDERABAD



(In case the document is digitally signed please refer Digital Signature at the bottom of the page)



e-Proceedings Response Acknowledgement**INCOME TAX DEPARTMENT****PROCEEDING DETAILS**

PAN/TAN	ACXFS3783R
Name	SILVER OAK REALTY
Assessment Year	2016-17
Proceeding Name	Assessment Proceeding u/s 143(3)
Document Reference ID	100000005212782
Notice Section	142(1)
Description	[ITBA]Notice u/s 142(1)of Income Tax Act 1961.
Notice Issue Date	22-12-2018
Due Date for Submission	24-12-2018
Communication Sent date	
Document Id	ITBA/AST/F/142(1)/2018-19/1014498053(1)

RESPONSE SUBMITTED

Response Type	Full Response
Response/Remarks	In reply to notice u/s 142(1) dated 22-12-2018, our submissions are made for your kind consideration. Please note that the same is also filed under inwar d on 24-12-2018 as the e-filing option was temporar ily closed.
Hash * value of remarks	vBeMQGvHtog682KE4zKofrUgRG5qFtU4f7D8lr8AH30=

SI No.	Attachment name	Description	Others	Size (bytes)	Hash * value of attachment
1	Reply-dated-24-12-2018.pdf	Others	Reply Lett er dated 2 4-12-2018	558111	5cZWTNLm8YTElraLBZ+W Pc3jag6CgRAN2EaKcTFi db0=

This is a system generated acknowledgement and does not require signature.

* Hash : This value will uniquely identify the uploaded files and remarks.

Date: 24-12-2018

From:

Silver Oak Realty
5-4-187/3 & 4, 2nd floor,
Soham Mansion, M.G Road,
Secunderabad – 500003.

24/12/18
प्राप्त/Received
आवक/INWARD
रेंज-10, हैदराबाद
Range-10, Hyderabad

To:

Income tax Officer,
Ward 10(3) / Hyd
IT Towers, A.C Guards
Hyderabad.

Sir/Madam,

Sub: Income tax assessment proceedings-own case-PAN ACXFS3783R – Asst. year 2016-17.

Ref:(i) Notice u/s 142(1) dated 22-12-2018.

In connection with the income assessment proceedings SCN dated 18.12.2018 have been issued. In response, reply dated 21-12-2018 has been given. We in the reply have, inter alia, submitted our view and objections to certain issues being beyond the scope of and jurisdiction under Limited Scrutiny assessment proceedings.

In response, Vide Annexure to above referred notice u/s 142(1) dated 22-12-2018, it is informed w.r.t our points raised as under:

1. To our point w.r.t asking for the reasons / purposes for which the agricultural land admeasuring 16.5 Gts was sold to M/s. Modi Properties & Investments Pvt Ltd .

It has been replied that as the transfer of an asset during the subsistence of partnership results in the capital gains u/s 45(4) of the I.T Act, it was necessary to know the purpose.

In our letter dated 09-10-2018, which is in reply to notice dated 04-10-2018, we have submitted that what has been sold has been part of the inventory. It is further submitted that the land sold by the firm is not a capital asset within the meaning of Section 2(14) of the I.T Act. Sale of such inventory has been rightly considered as business income in the return of income filed.

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The reason / purpose for which the land is sold in our view does not determine the nature of income that may arise so as to compute the income arising therefrom either as business income or capital gains. The capital gains arises only when a capital asset within the meaning of the provisions of the section 2(14) is transferred.

It appears that the issue of reason/purpose is raised on the pre-conceived notion that when it is stock-in-trade, the same should have been sold in the normal course of business to an outsider.

2. To our point w.r.t bifurcation of GP between sale of land and sale of houses and issue w.r.t low GP on sale of houses.

It has been replied that since we have clubbed the sale of both the activities, it was not clear from the P & L account/Audit report whether the profit on sale of land was offered in full or on an estimate basis.

Vide our reply dated 16-11-2018 which is in response to your notice u/s 142(1) dated 15-11-2018 we have clearly worked out the Gross Profit on sale of land which is Rs.1,11,83,900/-. Further vide our letter dated 22-11-2018, which is in reply to your notice under 142(1) dated 20-11-2018, the bifurcation of Gross Profit offered on sale of land and sale of houses as requested by you is furnished. Thus it was clear from our submissions that the Gross Profit of Rs.1,11,83,900/- on sale of land was on actuals and not on an estimate basis. Despite this submission vide your SCN dated 18-12-2018 you have continued to raise the issue of low GP on sale of houses. In the said SCN detailed working and bifurcation has been given and arrived at the Gross profit on sale of houses at Rs.6,68,580/- and it is stated that this low GP is highly illogical. In our view, this is nothing but fishing and roving enquiries and beyond the scope and jurisdiction of Limited Scrutiny for which the case got selected under CASS.

3. In SCN dated 18-12-2018, it is stated that against GP of Rs.20,08,580/-, the firm has claimed an expenditure of Rs.1,23,11,643/- as indirect expenditure which has no reasonableness by any imagination for a business to carry on.

In our reply dated 21-12-2018, we have submitted that this issue raised is beyond the scope of Limited Scrutiny. No justification has been given in this regard. Nevertheless, we have furnished the justification of the expenditure.

4. To our point w.r.t seeking details and method of computing the value of inventories, it is informed to us that the details were required basing on the information furnished by us that the land sold is a part of inventories. In your SCN dated 18-12-2018 at point No. 8.1, you have requested us to bifurcate the purchases of Rs.1,23,60,055/- along with the

copy of sale deeds that are included in the said amount. It was our submissions vide the letter dated 11-10-2018 in reply to Notice u/s 142(1) dated 09-10-2018 that the land of 16.5 Gts which got purchased in FY 2005-06 is grouped as Phase III land and is considered as inventories. Based on our submission in your SCN dated 18-12-2018, you have requested for bifurcation and sale deed copies. The information was to be submitted on or before 20-12-2018.

But before the above information is submitted and made available to you for verification, past assessment records available with you have been verified and certain workings of land inventories have been made and stated in SCN dated 18-12-2018. On this workings you have taken a view that there is a discrepancy in the stock of land, shortfall of land in Phase III and transfer of Phase IV land to the group of Phase III land is to cover up the discrepancy.

Even before we could make our submissions with details, this view has been formed and is nothing but a fishing and roving enquiry.

5. To our point w.r.t furnishing of ledger copy of Religare loan CC1 and CC2.

It is replied that it is covered under the increasing the share capital.

However in your SCN dated 18-12-2018, in point No.4 it is stated that on the perusal of the ledger account, there are some prior period payments, and the same shall be disallowed as the prior period expenditure. Again, this is beyond the scope of Limited Scrutiny as this is not the issue that was to be examined.

6. We have not abstained from furnishing the information as requested from time to time. We apprehend non submission of the same may be presumed that we have nothing to say and perhaps agree to your view.

7. Without prejudice to above, w.r.t the sale of 16.5 Gts land, we reiterate our submissions made and in nut shell put it as under:

- i. The sale of land (16.5 Gts) is under a Registered Agreement of sale dated 31-03-2016.
- ii. The sale consideration agreed is Rs.1,20,00,000/-
- iii. The land purchased was under a Registered Sale Deed document no.1759/2006 dated 27-01-2006.
- iv. The brief description of the land sold is Survey No. 34, Cherlapally Village, Ghatkesar Mandal, RR District and is admeasuring 16.5 Gts.
- v. The cost of the land based on the above documentary evidence works out to Rs.8,16,100/- as follows. The total cost is Rs.25,71,850/- (Basic amount-23,50,000 + Registration cost-2,21,850) and is for Ac 1.12 Gts (which is equal to 52 Gts). The proportionate cost for 16.5 Gts is Rs.8,16,067/- (Rs.25,71,850/52*16.5 Gts). The same is rounded off to Rs.8,16,100/-.

- vi. The land sold, was held as inventory since the date of its purchase i.e., F.Y. 2005-06 till the date of sale.
- vii. The firm is engaged in the business of real estate developers.
- viii. The land is sold to one of the firm's partner MPPL in the normal course of its business.
- ix. The sale proceeds of Rs.1,20,00,000/- has been credited to Construction Account and the cost of sales of Rs.8,16,100/- has been deducted from the carrying value of the inventories.
- x. Thus the value of consideration and consequent profits thereon got correctly computed and disclosed.
- xi. The GP of 1,11,83,900/- is correctly computed and same is forming part of GP of Rs.1,31,92,480/- as per the audited Construction Account.
- xii. Since we are engaged in the business of real estate developers and the land sold was held as inventory, the resultant income got correctly declared as Business Income.

Therefore it is clearly evident that the sale consideration on the sale of land, its purchase cost and consequent profit is correctly reflected in the books of accounts. This satisfies the issue required to be examined under Limited Scrutiny. It is humbly submitted, hair-splitting of GP on transactions other than sale of land is beyond purview of Limited Scrutiny.

We hope you will find the above information in order.

Yours faithfully,

For Silver Oak Reality

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(Partner).



e-Proceedings

PAN	Assessment Year	Proceeding Name	Opt for e-Proceeding	Proceeding Status	Proceeding Limitation Date	Proceeding Closure Date	Action
ACXFS3783R	2016-17	Assessment Proceeding u/s 143(3)	YES	e-Submission closed by officer	31/12/2018	-	-

Note :

1. Please note that even if you select No, all selected Notices and Letters will be available for viewing. However, option to submit response through e-Filing shall not be available.
2. Please click on the **Proceeding Name** hyperlink to view the Proceeding Details
3. In case of PAN users Assessment Year is taken into consideration. In case of TAN users Financial Year is taken into consideration.