

Date : 20-03-2023

From:

Rajesh Kumar Jayantilal Kadakia,
5-2-223, Gokul, 3rd Floo,
Opp: Andhra Bank, Distillery Road,
Secunderabad – 500 003.

To

AD IT (INT TAXN)-1/Hyd.,

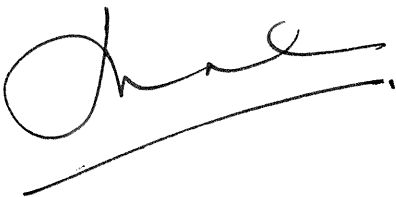
Sir / Madam,

Sub: Income tax Scrutiny Asst. Proceedings – Own case – Asst. year – 2020-21
PAN – AERPK6958C - Reg.

Ref: Show Cause Notice (SCN) dated 17-03-2023 vide DIN ITBA/PNL/F/17/2022-23/1050877619(1).

In connection with the above the following is submitted for your kind consideration.

1. The Income returned is Rs 2,08,73,740/-.The Income assessed u/s 143(3) is Rs 2,22,07,280/-
Thus, there has been addition of Rs 13,33,538/-.Copy of order u/s 143(3) is enclosed herewith as **Annexure-1**.
2. The addition is for the reason that the claim of Interest paid of Rs 88,90,253/- on the borrowings of Rs 10,00,00,000/- is restricted to Rs 75,56,715/-
3. The borrowing to the extent of Rs 8,50,00,000/- has gone for investment on CCD's on which interest income of Rs 89,25,000/- is received. The balance of borrowings of Rs 1,50,00,000/- got invested in other investments which might have not generated income directly.
4. A view is taken that there is no direct nexus of the borrowings to the extent of Rs 1,50,00,000/- with the income generating investment. The estimated proportionate interest there on of Rs 13,33,538/- has been disallowed and added to income returned. It may be noted that there is no failure on my part to disclose the Income from other Sources as stated in the Assessment order (para 10). The fact is that income has been fully disclosed and the issue is with regard to claim of interest paid on borrowings.
5. The addition of Rs 13,33,538/- is not on account of failure to disclose the income but is due to excessive claim of deduction on the borrowing. The borrowings of Rs 10,00,00,000/- has been made at a time and therefore the entire interest paid on such borrowings is claimed as deduction against the interest income earned.



6. Thus in effect there is an estimated disallowance of interest to the extent of Rs 13,33,538/- based on the proportionate workings.
7. The tax payable on Rs 13,33,538/- is worked out at **Rs 6,01,174/-**. The working are under:
As per my working I have to pay regular tax amount of Rs 5,56,646/- + Interest u/s 234D of Rs 44,528/- as per Asst. order u/s 143(3).The workings of regular tax to be paid is as under

	As per ITR Filed	As per 143(1)(a)	As per 143(3)
Total Income	2,08,73,740/-	2,08,73,740/-	2,22,07,280/-
Total Tax payable	78,60,440/-	78,60,440/-	84,17,089/-

Thus the differential tax payable is Rs 5,56,649/- (i.e., 84,17,089/- (-) 78,60,440).

- 8.The said amount is paid on 16-06-2022.The copy of the challan is enclosed herewith **Annexure-2**.
- 9.Please note that as per the demand notice u/s.156 the tax demand is NIL. The copy of the same is enclosed herewith **Annexure-3**.
- 10.The tax workings vide order u/s.143(3) there is an apparent mistake, I have separately filed rectification petition u/s.154 as on 20-06-2022.The Copy of the petition is attached herewith **Annexure-4**.
- 11.In response to earlier notice u/s 274 dated 25-05-2022, a reply dated 07-06-2022 is filed on 20-06-2022.The copy of the same is enclosed herewith **Annexure-5**.
- 12.I have paid the taxes on the addition made and not preferring an appeal before CIT (Appeals).
- 13.I have filed petition in Form No.68 on 20-06-2022 u/s 270AA of the act, requesting for immunity from imposition of penalty u/s.270A of the act. Copy of the same is enclosed herewith **Annexure-6**.
- 14.Keeping in view the above submissions and facts and circumstances of the case it is requested not to levy penalty and grant immunity as provided in section 270AA.

Yours faithfully,

(RAJESH KADAKIA).

