



GOVERNMENT OF INDIA
MINISTRY OF FINANCE
INCOME TAX DEPARTMENT
National e-Assessment Centre
Delhi



To,
VISTA HOMES
5-4-187/3 AND 4, 2ND FLOOR, SOHAM MANSION, M.G
ROAD
SECUNDERABAD 500003, Telangana
India

PAN: AAGFV2068P	Assessment Year: 2018-19	Dated: 12/04/2021	DIN & Letter No : ITBA/AST/F/17/2021-22/1032371581(1)
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Sir/ Madam/ M/s,

Subject: Explanation / clarification in the scrutiny assessment for the A.Y.-2018-19.

It is seen from annexure "Working Sheet" of "Estimation of IT and computation" of "revenue from sales of flats" in your reply, it is found that you follow percentage completion method in order to recognize profit from your Construction Contract Business i.e. Real Estate Development Business. In this annexure you have recognized same percentage of revenue as cost i.e. 69.46% of total revenue of Rs. 67,91,02,556/- (i.e. Rs. 47,17,23,681/-).

In your computation, Total cost is of Rs.67,43,29,905/- [Land- 3,03,07,905 + sanction cost- 2,00,00,000 + construction cost- 67,4329,905 = 65,50,27,905]. But, you made an error of addition amounting to Rs.2,40,74,651/- while computation the Total cost. After rectifying the mistake, it comes to Rs.65,50,27,905/-.

Besides this, you have claim the cost of the current reporting period [L] considered as Rs.40,33,49,495/- which is not correct and without any method. Please explain the same.

However, it is found that though you have adopted the right method of recognizing revenue i.e. percentage completion method, the calculation shown is flawed as per section 43CB r.w.s. 145(2) of the Income Tax Act, 1961 and ICDS III – Construction Contracts. Accordingly a computation of revenue recognition as per percentage completion method as on 31.03.2018 is made and given below.

Computation of revenue recognition as per percentage completion method as on

31/03/2018

S No	Particulars	Amount (in Rs.)
A	Total saleable area (in Sq ft)	406660
B	Total estimated cost (Land + Construction) after rectification of mistake	655027905
C	Total area sold (in sq. ft.) [as mentioned in the revenue from sales of flats in the last page at column -4]	322380
D	Total sale agreement value [as mentioned in the revenue from sales of flats in the last page at column -7]	679102566
E	Cost incurred including land up to 31/03/2018	468408456
F	Percentage of completion [after considering the cost of Rs.655027905/-]	71.51 %
G	Revenue to be recognized [71.51 % of 679102566]	485626245
H	Percentages of sales Area % [C/A X 100]	79.275%
H	Cost allocation	
I	Total cost of land & construction [79.275 % of 468408456]	371331132
J	Profit (total so far till 31.03.2018)	114295113
K	Total revenue upto 31.03.2018	485626245

L	Less Revenue recognized till 31.03.2017	294019418
M	Revenue for the current period (S-T)	191606827
N	Cost (to be recognized) till 31.03.2018	371331132
O	Cost Declared till 31.03.2017	244206509
P	Cost (to be recognized) for the current period (V-W)	127124623
	GROSS Profit for the Current period	6,44,82,204/-

However, the profit for the current period has been shown at Rs. 1,85,61,276/- whereas as per above calculation it comes at Rs. 6,44,82,204/-. You are requested to offer an explanation in this regard and state why the difference i.e. **Rs. 4,59,20,928/- should not be added to the total income as reported in the Income Tax Return for the AY 2018-19.**

You are requested to reply **within three (03) days of the receipt of this letter positively otherwise, it will be presumed that you have nothing to offer anything on this issues.**

Yours faithfully,
Additional / Joint / Deputy / Assistant Commissioner of Income Tax/
Income-tax Officer,
National e-Assessment Centre,
Delhi