Date : 09/12/2019.

From

Alpine Estates,
5-4-187/3 & 4, 2nd Floor,
Soham Mansion, M.G. Road,
Secunderabad – 500 003.

To
Asst. Commisioner of Income-tax,
Circle 10(1)/ Hyd.,
IT Towers, A.C. Guards,
Hyderabad.

Sir,

Sub: Reply to show cause Notice dated 09-12-2019.
Ref: Your Notice No.ITBA/AST/F/147(SCN)/2019-20/1021941790(1).

In connection with the re-assessment proceedings for Asst. Year 2014-15 you have issued the above referred to Show Cause Notice (SCN) proposing to disallow certain expenditure. In reply the following is submitted for your kind consideration.

1. **With respect to disallowance u/s.37 to the extent of Rs.10,36,619/-.**
   It is proposed to disallow Rs.10,36,619/- on the view taken that we have failed to pay the employees' share of PF & ESI contributions within the time prescribed under the relevant Acts.
   It is respectfully submitted that the view taken by you is factually incorrect. The damages are paid u/s.14B and interest u/s.7Q under the relevant acts by virtue of Order passed by PF authorities. There is no question of any amount that is collected from employees' and their share of PF & ESI so collected has not been remitted within the time prescribed under the relevant Act. It will be pertinent to note that no collection / deductions have been made from the payments made to employees under the relevant Act and therefore there is no question of disallowance on account of its late remittance. Further for such late remittances the disallowance get disallowed u/s.36(1)(va) and for which provisions of section 37 cannot be invoked.
   We hope the above facts are appreciated and the proposed disallowance on an incorrect presumption is dropped.

2. **With respect to disallowance of an amount of Rs.5,37,726/- and Rs.2,91,105/-**
   In our letter dated 6-12-2019 we have explained that as to why a single payment to a same person is apportioned, split under three ledger account heads. Merely because total payment for a particular work to a single person got divided under 3 ledgers account it cannot be a reason for disallowance. We had also submitted few sample vouchers with necessary supporting bills. It is respectfully submitted that only and only for reason that a payment is made to a single person and for a particular work got splitted and debited to 3 ledger heads the expenditure has to be disallowed. As a matter of fact there is no doubt about the genuineness of the payment for the work done by a particular persons. All such payments are duly

supported by a documentary evidences/vouchers. All the provisions of section 37(1) as allowability of an expenditure viz that

i) The expenditure are not being in the nature of capital expenditure,
ii) The expenditure are not of personal expenses of the assessee and
iii) That the expenditure are laid out or expended wholly and exclusively for the purposes of business, are satisfied and therefore there can not be any disallowance as proposed in SCN.

We hope that the above facts are appreciated and the proposed disallowance on a incorrect presumption is dropped.

The total expenditure and their split into 3 ledgers account heads is as under:

Labour charges	Rs.7,77,612/-	Ledger copy enclosed – **Annexure-1**
Allowance For Equipment	Rs.5,73,726/-	Ledger copy enclosed – **Annexure-2**
Allowance for Consumables	Rs.2,91,105/-	Ledger copy enclosed – **Annexure-3**

3. **With respect to disallowance of expenses incurred under the heads of 'Job work charges' and 'Other sundry expenses' of Rs.17,32,259/- and 18,73,542/-**

The above expenditures incurred are proposed to be disallowed on the ground that there are not substantiated with supporting ledger accounts.

It may be noted that the supporting ledger for both the above account heads have been substantiated with supporting ledger accounts vide e-submissions made on 06-12-2019. The same are e-filed as Annexure 5 & 6.

The same is again submitted herewith for a ready reference **Annexure – 4.**

It may be noted that the aggregated to 'Other expenses' is Rs.45,14,825/- including PF contractors expenditure of Rs.30,78,362/-. On excluding of Rs.30,78,362/-, the other expenses will aggregate to Rs.14,36,463/-.

In view of the above it is respectfully submitted that no disallowance is to be made as proposed by you.

4. **With respect to claim under the head 'Modular Kitchen'**

The expenditure under the head Modular Kitchen of Rs.11,57,986/- is proposed to be disallowed on the view that they are in the nature of 'TDS payable'. This view is formed perhaps due to the manner in which the entries are appearing in the ledger account copy submitted. The following journal entries are being passed at the time of booking an expenditure of a supplier's invoice on its approval and such supplies are subject to TDS. The accounts are maintained on a TALLY accounting software.

Modilar Kitechen Account	Dr.	say Rs.1,000/-	
To XYZ Spplier A/c.	Cr.		Rs.990/-
To TDS Payable A/c.	Cr.		Rs. 10/-

When a print option is given for ledger account copy of Modular Kitchen it shows debit to expenses head and credit to TDS Payable account. For this reason it appears that an impression is drawn that they are in the nature of 'TDS Payable'. We are enclosing the ledger account copy as generated from the TALLY software in another format which beyond doubt will clear the issue **Annexure -5.**

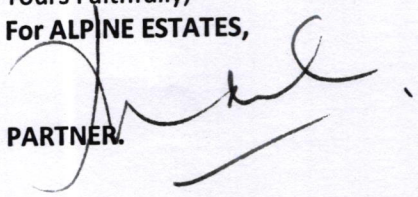
As submitted earlier (06-12-2019), there may be instances where the supplier raises bills for materials but the modular kitchen is not finally fitted and/or approved by us/customers. For

this reason there can be a timing difference between the date of invoice of the supplier and its accounting upon the approval.
It is respectfully submitted that the issue of deduction of TDS will arise only at the time of credit entry or its payments, whichever is earlier. Since we have passed the credit entry in the FY 2013-14, the TDS obligation will also arise in FY 13-14 and not on the date of invoice of the supplier.

Keeping in view the above facts and circumstances it is respectfully submitted that your view that the expenditure incurred on 'Modular Kitchen' are in the nature of 'TDS payable' is not correct and the proposed addition on such presumption is not warranted It is therefore requested to drop the disallowance of the said expenditure as proposed in the SCN.

We hope you will find the above information in order.

Yours Faithfully,
For ALPINE ESTATES,



PARTNER.