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From:
Alpine Estates
5-4-187/3&4
Soham Mansion, M.G Road,
Secunderabad – 500003.

7th October, 2019
Hyderabad.

To:
Asst. Commissioner of Income Tax
Circle 10(1) / Hyd
5A IT Towers, A.C.Guards
Masab Tank, Hyderabad.

Sir/Madam,

Sub: Reply to Notice u/s 148 – Asst. Year 2014-15 – PAN AANFA5250F-

- Ref: i) Notice u/s 148 dated 26/03/2019.
ii) Our reply dated 22/04/2019.
iii) Your letter dated 06/05/2019.
iv) Our letter of objections dated 05/09/2019.

This is in continuation to our submission made vide our letter dated 05/09/2019 in connections with Notice u/s 148 for Asst. Year 2014-15. We have submitted our objections to the re-assessment proceedings. Without prejudice to our submission the following is further submitted with regard to the merit and facts of the case, for your kind consideration.

1. The assessee is a Partnership Firm.
2. The firm is engaged in the business of real estate developers.
3. The firm in the course of its business has undertaken development of housing project styled as 'Mayflower Heights'.
4. The firm filed its ROI on 27-09-2014 admitting income o Rs.21,82,260/- after claiming deduction u/s.80IB (10) of Rs.2,92,72,864/- in respect to the profits derived from theabove said housing project.
5. The salient features of the project are as under:

| | |
|-----------------------------------|----------------------|
| Land Area | 19820 Sq. Yards |
| Land Area in Acres | Ac 4.06 Guntas |
| No of Flats | 280 |
| Area of each Unit (Built up Area) | 848 sft to 1390 sft. |

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6. The sanction for housing project has been obtained from a local authority, Kapra Municipality vide Proc No.BA/G3/294/2006-07 dt.29-03-2007.
7. The project was required to be completed on or before 31-03-2012 (i.e. within 5 year from the end of financial year in which first sanction is received on 29-03-2007).
8. The housing projects undertaken by the firm has three blocks A, B & C. The block wise Occupancy Certificate issued by the local authority is as under:

| Block | Certificate No. | Certificate date |
|-------|------------------------|------------------|
| A | BA/G3/294/2006-07/2122 | 01/04-11-2010 |
| B | BA/G3/294/2006-07/784 | 09/134-2010 |
| C | BA/G3/294/2006-07 | 23-3-2011 |

9. On the basis of the dates of above Occupancy Certificates it is viewed that the project is completed in FY 2010-11 itself. But since construction expenses of Rs.1,83,87,647/- are incurred in FY 2013-14 i.e. after the receipt of the Occupancy Certificate, the project cannot be said to be completed within the permitted time line of 31.03.2012.
10. The expenditure of Rs.1,83,87,467/- is towards certain inside the apartment works such as bathroom sanitary fittings & fixtures, electrical fittings, modular kitchen fittings, final painting and other finishing works. **The details of the expenditure incurred during Asst. Year 2014-15 is enclosed.(ANNEXURE – 1)**
11. Generally, these works are carried out only when the apartment is sold and the possession of the same is to be given to the buyer.
12. The natures of expenditure narrated above are inevitable expenditure that will be incurred only at the time of sale and possession to be delivered.
13. The Occupancy certificate certifies that the building has been complied with all the building standards, local laws and it is safe to occupy. The OC is issued only once the building has been complete and it is safe to be occupied.
14. Certification of a building as a whole does not imply that each and every flat in the building is complete in all aspects. This could never have been the objective, intention or the purpose for the issue of an Occupancy Certificate so as to certify that each and every flat in the large housing project is complete in all aspects.
15. The sales revenue for Asst. Year 2014-15 in respect of the housing project is Rs. 15,36,87,866/-. The expenditure incurred is only Rs 1,83,87,647/-. In terms of percentage to sales, the expenditure incurred is only about 12%. Only because that the construction expenses are incurred that too not relatively significant amount, it can per se can be said that the project is not completed.

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16. The project was started in AY 2007-08 and expenditure was incurred over a period of 9 years i.e, upto Asst. Year 15-16. Details of year wise expenditure incurred is given in **ANNEXURE – 2**. The total expenditure incurred in AY 14-15 and AY 15-16 was just 4.44% and 0.86% respectively.
17. Further the breakup of significant expenditure incurred during Asst. Year 2014-15 is as under:

| Particulars | Amount | % of Total Expenditure |
|--------------------------------|--------------------|------------------------|
| Electrical Goods | 15,50,212 | 8.43 |
| False Ceiling Materials | 1,91,706 | 1.04 |
| Furniture | 15,54,839 | 8.46 |
| Modular Kitchen | 11,57,986 | 6.30 |
| Paints/ Colours | 3,32,850 | 1.81 |
| Sanitary&Plumbing | 16,74,918 | 9.11 |
| Tiles | 24,10,637 | 13.11 |
| Electricity charges | 1,62,428 | 0.88 |
| House Keeping & Maintenance | 1,92,573 | 1.05 |
| Provident Fund - Contractors | 30,78,362 | 16.74 |
| Salaries-Construction Division | 6,90,889 | 3.76 |
| Water Tanker Charges | 1,09,550 | 0.60 |
| Job Work Charges | 17,32,259 | 9.42 |
| Labour Allowances | 16,74,896 | 9.11 |
| Other Sundry Expenses | 18,73,542 | 10.19 |
| Total | 1,83,87,647 | 100.00 |

It will be evident from the above nature of expenditure incurred the significant amount is spent on finishing works and for certain PF Payments. These expenditures are not for any further significant Building Construction but are for interior finishing works.

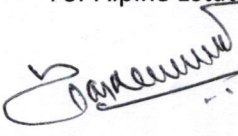
18. Out of 270 flats only 179 flats were sold up to date of final Occupancy Certificate i.e., 20.03.2011. Balance 101 flats were sold after final Occupancy Certificate. The market had collapsed after the 2008 financial meltdown. There was no demand for the flats and large outstanding loans were repayable to banks and private parties. Therefore, it was decided that free furniture, false ceiling, curtains, modular kitchen, etc., should be thrown in free of cost to improve prospects of sales. It took 3 years to sell the balance flats. Over the period of time several upgrades like floor tiles, bathroom tiles, etc., were made.

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19. Keeping in view the above facts it is reiterated that because of expenditure incurred on Interior finishing works after the receipt of Occupancy Certificate cannot be said that the project is not complete for the purposes of claiming deduction u/s 80IB(10).
20. It is also submitted that the beneficial provisions are to be interpreted liberally so as to allow the incentives provided under the IT Act.

Yours faithfully,

For Alpine Estates

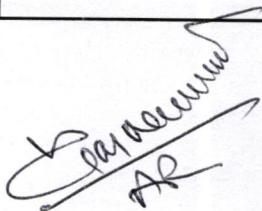


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| Details of the expenditure | | |
|---|--|----------------------|
| Add: Construction expenses during the year: | | |
| Building Material | | 11,400,122.00 |
| Other Material & Expenses | | 4,514,825.00 |
| Hire Charges | | 93,633.00 |
| Job Work Charges | | 1,732,259.00 |
| Labour Allowances | | 1,674,896.00 |
| | | 19,415,735.00 |
| Less: Extra Spets | | 1,014,373.00 |
| Less: Room Rents - Miscellaneous Income | | 13,715.00 |
| | | 18,387,647.00 |
| <u>BUILDING MATERIALS</u> | | |
| Building Material | | 145,146.00 |
| Cement/Readymix | | 388,829.00 |
| Chemical | | 25,316.00 |
| Consumables | | 49,051.00 |
| Doors | | 476,026.00 |
| Electrical Goods | | 1,550,212.00 |
| Equipment | | 251,585.00 |
| False Ceiling Materials | | 191,706.00 |
| Furniture | | 1,554,839.00 |
| Gardening Charges | | 5,350.00 |
| Gardening Material | | 12,210.00 |
| Granite | | 51,752.00 |
| Hardware/Wieres | | 331,015.00 |
| Marbles/Pavers | | 124,931.00 |
| Metal | | 3,150.00 |
| Modular Kitchen | | 1,157,986.00 |
| Paints/Colours | | 332,850.00 |
| Pipes | | 60.00 |
| Plywood & Glass | | 186,338.00 |
| Sand | | 64,273.00 |
| Sanitary & Plumbing | | 1,674,918.00 |
| Steel | | 87,589.00 |
| Stone Dust/Shabad Stones | | 292,254.00 |
| Sundry Purchase | | 19,676.00 |
| Tiles | | 2,410,637.00 |
| Welding Material | | 12,423.00 |
| | | 11,400,122.00 |
| <u>OTHER EXPENSES</u> | | |
| Electricity Charges | | 162,428.00 |
| Hamali Charges | | 1,770.00 |
| House Keeping & Maintenance Charges | | 192,573.00 |
| Labour Welfare Expenses | | 1,130.00 |
| Misc Exp - Site | | 16,339.00 |
| Petrol/Diesel Charges | | 70.00 |
| Provident Fund - Contractors | | 3,078,362.00 |
| Repairs & Maintenance | | 18,010.00 |
| Salaries - Construction Division | | 690,889.00 |
| Security Services | | 197,984.00 |

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|--|--|----------------------|
| Transportation Expenses | | 45,450.00 |
| Water Tanker Charges | | 109,550.00 |
| Weighment Charges | | 270.00 |
| | | 4,514,825.00 |
| ALPINE ESTATES | | A.Y.2014-2105 |
| <u>ALLOWANCE FOR CONSTRUCTION EQUIP. HIRE CHARGES</u> | | |
| Arjun - Allw for Const Equip | | 38,125.00 |
| Bhikshapathy Ch - Allw for Const Equip | | 18,823.00 |
| B.Venkatesh-Allw for Const Equip | | 1,440.00 |
| Killeshwar-Allw for Const Equip | | 8,640.00 |
| Mannem-Allw for Const Equip | | 25,605.00 |
| Ravinder Allow for Const Equip. | | 1,000.00 |
| | | 93,633.00 |
| <u>JOB WORK CHARGES</u> | | |
| Anand Jyothi Babu - Job Work | | 14,500.00 |
| Bassappa.B - Job Work | | 800.00 |
| Biro Porida Job Work | | 7,800.00 |
| B.Venkatesh Job Work | | 2,000.00 |
| Ch Srinivas Job Work | | 8,610.00 |
| Duddi Neelaiah Job Work | | 168,835.00 |
| Hussain Peer - Job Work | | 4,000.00 |
| Hussain Shaik Job Work | | 29,800.00 |
| Janardhan - Job Work | | 56,570.00 |
| Kaveri Timber Dipot-Job Work | | 11,654.00 |
| K.Chiranjeevi Job Work Charges | | 36,400.00 |
| K Ravi Job Work | | 28,200.00 |
| Krishna - Job Work | | 164,232.00 |
| Mannem - Job Work | | 449,835.00 |
| Marka Narasimhulu Goud - Job Work | | 88,300.00 |
| M.D. Zahed Job Work | | 9,950.00 |
| Phanendar-Job Work | | 223,750.00 |
| Raja Chary - Job Work | | 119,947.00 |
| Ramakrishna-Jobwork | | 2,250.00 |
| Shaik Mohsin Job Work | | 132,906.00 |
| S.Yadagiri Job Work | | 53,725.00 |
| Tanveer Khan - Job Work | | 38,300.00 |
| Tirupathi - Job Work | | 36,825.00 |
| Venkat Ramulu Job Work | | 2,970.00 |
| Yadagiri- Job Work | | 40,100.00 |
| | | 1,732,259.00 |
| <u>LABOUR ALLOWANCES</u> | | |
| Allowance for Consumables | | 291,105.00 |
| Allowance for Equipment Charges | | 573,726.00 |
| Allowance for Transport Charges | | 32,453.00 |
| Labour Charges | | 777,612.00 |
| | | 1,674,896.00 |



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| Alpine Estates | | | |
|---|------------------------|--------------------------|-------------------|
| Details of Construction Expenses | | | |
| Sl. No. | Assessment Year | Construction Exp. | Percentage |
| 1 | 2007-08 | 3,142,464 | 0.76 |
| 2 | 2008-09 | 67,119,901 | 16.19 |
| 3 | 2009-10 | 120,736,655 | 29.12 |
| 4 | 2010-11 | 103,094,049 | 24.87 |
| 5 | 2011-12 | 45,385,405 | 10.95 |
| 6 | 2012-13 | 26,755,980 | 6.45 |
| 7 | 2013-14 | 26,393,210 | 6.37 |
| 8 | 2014-15 | 18,387,647 | 4.44 |
| 9 | 2015-16 | 3,558,818 | 0.86 |
| | | 414,574,129 | 100.00 |

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