

MEHTA & MODI HOMES

5-4-187/3 & 4, IInd Floor, Soham Mansion, M.G. Road, Secunderabad – 500003
Phone: +91-40-66335551, Fax: 040-27544058

Date: 12th November 2012

The Commercial Tax Officer,
M.G. Road Circle,
Ameerpet, Hyderabad

Dear Sir,

Sub: APVAT Act'2005 - M/s. Mehta & Modi Homes, Secunderabad -
Notice of Assessment of Value Added Tax in Form VAT 305A -
Assessment year 2007-08 - Objections called for - Additional
Reply submitted - Reg.

Ref: 1) Notice of Assessment in form VAT 305A dated 24th August 2012.
2) Our reply dated 13th September 2012

We submit that we were issued notice of assessment dated 24-08-2012 for the year 2007-08 proposing levy of VAT @ 4% on the alleged receipts of Rs.16,61,25,381/- to which we have already filed reply through our letter dated 13-09-2012. We have verified our records and submit herewith the additional reply in continuation of the said reply. We request to kindly consider the same on the following grounds.

We submit that we have declared a turnover of Rs. 11,34,93,227/- for the year 2006-07 and Rs. 5,26,32,200/- for the year 2007-08 and paid VAT @1% under composition under Sec. 4 (7) (d) of the APVAT Act, 2005 based on the registrations of villas done during the respective periods. In the notice of assessment for the year 2007-08, you have adopted a turnover of Rs.16,61,25,381/- as our receipts during the year 2007-08. This turnover is might me adopted in the notice based on the income declared in the Profit & Loss Account during the year 2007-08. In This connection we submit that we have declared turnovers of Rs. 11,34,93,227/- and Rs. 5,26,32,200/- for the years 2006-07 and 2007-08 which are equal to the income declared in the profit and Loss Account for the year 2007-08. We submit that we have not recognized/declared any income in the year 2006-07 in our Balance Sheet as we have not completed the construction and handed over the flats to the customers during the year. In fact we have declared this entire turnover as in come in the Profit and Loss Account and Balance Sheet for the year 2007-08 and also to the Income Tax Department. We submit that we are recognized the amounts received from the customers as income based on the following criteria.

- Construction must be completed in all respects
- purchaser should have paid entire consideration
- Sale deed should have been executed in favour of the purchaser.



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Following the above said criteria we have declared the income in the Profit and Loss Account and Balance Sheet, where as for the purpose of paying VAT, we have adopted the following criteria:

- d. VAT is paid after execution of sale deed and the constructions reaches an advanced stage (like completion of all civil works). It is before completing the final works and handing over the possession.
- e. In some cases where the buyer has requested to differ execution of sale deed, VAT has been paid when civil work was completed.
- f. In a couple of cases payment of VAT was differed as dispute arouse with the purchaser and there was a likelihood of cancellation. However, VAT was paid once the dispute was resolved.

We therefore submit that we have declared the amounts received from the customers as taxable turnover prior to recognizing the said amount as income in the Balance Sheet. As we have declared turnover of RS.11,34,93,227/- as taxable turnover out of the total income of Rs. 16,61,25,381/- in the year 2006-07 itself, adopting Rs.16,61,25,381/- again as taxable turnover in the year 2007-08 amounts to levy of tax double time on the same turnover which is illegal and against the provisions of the APVAT Act. Hence this turnover cannot be adopted for the assessment under the VAT Act.

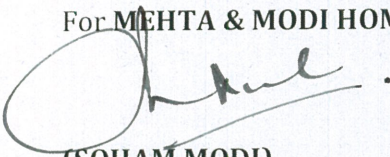
We request to kindly adopt the turnover of Rs.5,26,32,200/- for the year 2007-08 in the notice of assessment. The objections filed by us in our letter dated 13-09-2012 disputing the levy @4 % remain the same. We are also submitting herewith the statements showing the receipts for Rs.5,26,32,200/-

We request to kindly adopt the above turnover and levy VAT @1% only. In case you proceed further we request you to kindly provide us as opportunity of personal hearing to explain our case in detail with statements of turnovers.

Thanking you,

Yours faithfully

For MEHTA & MODI HOMES,


(SOHAM MODI)
Managing Partner