



MUNJAL AUTO

INDUSTRIES LIMITED

Waghodia Plant

MAIL/SECY/INCOME TAX/2023-24/3

March 14, 2024

To,
The Secretary,
BSE

Corporate Office: - 2nd Floor , Tower "C" Unitech Business Zone, Nirvana Country, South City-2, Sector-50, Gurugram-122018 Tel: +91-124-4057891-92,
Waghodia Plant / Regd. Office : - 187, GIDC, Industrial Estate, Waghodia, Distt. Vadodara (Gujarat) - 391760. Tel: +91-2668-262421, Fax: +91-2668-262427
Bawal Plant : Plot No. 37, Sector 5, Ph - II, IMT-Bawal, Distt. Rewari (HR) - 123501. Tel: +91-1284-264435-36, Fax : +91-1284-264434
Haridwar Plant: - Plot No.-11, Industrial Park II, Vill.-Salempur Mehmood, Distt.-Haridwar (Uttarakhand) - 249402. Tel: +91-01334-235530,32, Fax: +91-1334-235533
Dharuhera Plant : - Plant No. -32A, Industrial Area, Dharuhera, Distt.-Rewari (HR) - 122106. Tel: +91-01274-243010-14

For more information please mail mail@munjalauto.com or visit us www.munjalauto.com

CIN : L34100GJ1985PLC007958



GOVERNMENT OF INDIA
MINISTRY OF FINANCE
INCOME TAX DEPARTMENT
OFFICE OF THE DEPUTY
COMMISSIONER OF INCOME TAX
CIRCLE 2(1)(1), VADODARA

To, MUNJAL AUTO INDUSTRIES LIMITED 187 GIDC ESTATE , WAGHODIA DIST. BARODA 391760 , Gujarat India	
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PAN: AAACG8588L	A.Y: 2020-21	Dated: 16/02/2024	DIN & Notice No: ITBA/AST/F/148A(SCN)/2023- 24/1061054082(1)
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Notice under clause(b) of section 148A of the Income-tax Act,1961

Sir/Madam/M/s

Whereas I have information which suggests that income chargeable to tax for the Assessment Year **2020-21** has escaped assessment within the meaning of section 147 of the Income-tax Act, 1961. The details of the information/ enquiry conducted on which reliance is being placed, along with supporting documents, are enclosed with this notice.

- 2.You are required to show-cause as to why, in view of the details contained in enclosures mentioned in point number 1 above, a notice section 148 of the Income tax Act, 1961 should not be issued.
- 3.You may submit your reply to this notice, along with supporting documents (if any) on the above mentioned issues on or before **26/02/2024** electronically at www.incometax.gov.in.

RAJEEV CHHABRA
CIRCLE 2(1)(1), VADODARA

Note: If digitally signed, the date of digital signature may be taken as date of document.
ROOM NO:403,FOURTH FLOOR, Aayakar Bhawan,Baroda, INCOME TAX OFFICE, RACE COURSE CIRCLE, BARODA, Gujarat, 390007
Email: BARODA.DCIT2.1.1@INCOMETAX.GOV.IN, Office Phone:02652345621

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* DIN- Document identification No.

ANNEXURE

In your case, assessment 143(3) r.w.s 144B of the Income-tax Act, 1961(hereinafter referred as "Act") for the AY 2020-21 was finalized on 06.09.2022 with total assessed income of Rs.(-)4,50,46,390/-. Subsequently, in your case the following audit objections which form information as per Explanation 1(ii) to section 148 of the Act and which suggests that income of Rs.1,86,24,208/- chargeable to tax has escaped assessment; were raised: -

1. " Incorrect allowance of business expenditure

As per section 14A of the Income Tax Act 1961, no deduction is allowed in respect of expenditure incurred by the assessee in relation to income which does not form part of the total income. The amount of such disallowable expenditure is computed under rule 8D of the Rules.

Return of income for the A.Y. 2020-21 was electronically filed on 15.02.2021 vide acknowledgement No. 261194161150221 declaring income of (-) Rs. 4,50,46,390/-. The case was selected under CASS for complete scrutiny and the assessment u/s 143(3) read with section 144B of the Income Tax Act was completed on 06.09.2022 determining the total income of the assessee at Rs. (-) Rs. 4,50,46,390/-.

Scrutiny of P&L, Balance Sheet, ITR and computation of income etc. revealed that assessee had earned exempt income of Rs. 1356828 profits from its investments in mutual funds. As such assessee had made various investments, income from which do not form part of total income details as per balance sheet as on 31-03-2019 & 31-03-2020 is as under:

Investments	As on 31-03-2019 (A)	As on 31-03-2020 (B)	Average of A&B

Mutual Funds (Unquoted)	₹745.77 lacs	₹1888.01 lacs	₹ 1316.89 lacs
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As per P&L, assessee had claimed various expenses including Finance cost of ₹843.95 lacs & various other administrative expenses during the year. It was however noticed that while computing total income, disallowance u/s 14A read with rule 8D was not made though as per section 14A read with rule 8D the disallowance of ₹13,16,890 (1% of average value of investment i.e. ₹1316.89 lacs) was required to be made.

It is also pertinent to mention that during assessment proceeding, assessee vide its submission dated 25th December 2021 para 11 stated that Commissioner of Income Tax (Appeals)-2, Vadodara (CIT-A) vide order dated 27.03.2019 u/s 143(3) r.w.s 92CA(3) of the Act for A.Y. 2014-15, the CIT(A) has deleted the disallowance made u/s 14A r.w.s Rule 8D. However, it is observed that facts of the said judgement may not be squarely applicable in the instant case as in the instant case assessee had incurred huge interest expenditure to the tune of 843.95 lacs whereas, as per appellate order, in the case of AY 2014-15 the interest expenditure was very nominal i.e. Rs.8,65,605/-. Further, assessee himself had disallowed an amount of Rs. 2,00,000 during AY 2014-15 whereas in AY 2020-21 assessee did not make any Suo-motu disallowance towards administrative cost. Further, similar disallowance u/s 14A r.w.s 8D was also made in AY 2017-18 in the case of assessee.

This non disallowance as per section 14A read with rule 8D of ₹13,16,890 has resulted in underassessment of income of ₹13,16,890”.

II. According to section 35(2AB) of the Income Tax Act, 1961, no company shall be entitled for deduction under clause (1) unless it enters into an agreement with the prescribed authority for co-operation in such research and development facility and fulfils such conditions with regard to maintenance of accounts and audit thereof and furnishing of reports in such manner as may be prescribed. & According to Rule 6(7A) of the Income Tax Rules, the

prescribed authority shall furnish electronically its report (i) in relation to the approval of in-house research and development facility in Part A of Form No.3CL (ii) quantifying the expenditure incurred on in house research and development facility by the company during the previous year and eligible for weighted deduction under sub-section (2AB) of section 35 of the Act in Part B of form No.3CL. Return of income for the A.Y. 2020-21 was electronically filed on 15.02.2021 by assessee vide acknowledgement No. 261194161150221 declaring income of (-) Rs. 4,50,46,390/-. The case was selected under CASS for complete scrutiny and the assessment u/s 143(3) read with section 144B of the Income Tax Act was completed on 06.09.2022 determining the total income of the assessee at Rs. (-) Rs. 4,50,46,390/-. Audit scrutiny of the assessment records revealed that the assessee had claimed deduction u/s 35(2AB) of Rs. 1,73,07,318 for R&D facility. On verification of the assessment case record it was observed that the assessee was asked to furnish the detail with explanation in respect of "large deduction claimed under section 35(2AB)" of the Act during the year. In response, the assessee furnished details of revenue and capital expenditure being undertaken by the company on in-house scientific research and development facility, party wise detail of above expenses along with copy of letter of approval from prescribed authority in Form 3CM & report from an accountant in Form 3CLA. It was however noticed that the assessee did not submit Form 3CL wherein expenditure and amount eligible for deduction is quantified by the prescribed authority. As per amended Rule 6(7A) of the Income Tax Rules, the deduction under section 35(2AB) will be subject to the condition that the prescribed authority shall quantify the expenditure incurred during the previous year and eligible for weighted deduction in part B of Form 3CL. Therefore, after amendment in Rule 6(7A), there is specific provision that the expenditure and amount eligible for deduction shall be quantified by the prescribed authority. In view of the same, since, the expenditure and eligible deduction u/s 35(2AB) was not quantified by the prescribed authority, therefore, same was required to be disallowed. This non disallowance as per section 35(2AB) read with Rule 6(7A) of the Income Tax Rules of Rs. 1,73,07,318 has resulted in underassessment of income of Rs. 1,73,07,318"

2. Therefore, you are requested to show cause as to why a notice u/s. 148 should not be issued to you based on above information which suggests that income of Rs. 1,86,24,208/- chargeable to tax has escaped assessment in your case for the AY 2020-21. Your reply to this show cause notice may please be furnished electronically positively by 26.02.2024 along with relevant documentary evidence in support of your claim.

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MUNJAL
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T/F/148A

AUTO INDUSTRIES LIMITED
A.Y. 2020-21
SON/2023-24/1061054032(1)

RAJEEV CHHABRA
CIRCLE 2(1)(1), VADODARA

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al document is digitally signed please
Signature at the bottom of the page)



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