

### **1. Para 1**

In this regard, it is submitted that the assessee has earned long term capital gain of Rs.96,21,948/- on sale of shares of M/s XVZ **and of** Rs.24,99,760/-on sale of shares of M/s ABC. These transactions were made through stock exchange only and Security Transaction Tax (STT) was duly paid on the same. It is also submitted that the assessee has claimed an exemption u/s 10(38) of the Income Tax Act, 1961.

Also, it is pertinent to note that the assessee is a regular investor and deals with stock exchange on year to year basis which is also evident from the records.

### **2. Para 2**

In this regard, it is again submitted that the assessee has appropriately shown its income from shares of M/s XVZ and M/s ABC during the year under consideration. The transactions of sale of shares are made through its broker, M/s SPA Securities Ltd. These transactions through M/s SPA Securities Ltd were carried out on the floor of Bombay Stock Exchange only. The assessee has appropriately shown the actual long term capital gain from sale of these shares and the amount of sale proceeds was received through banking channels only.

In respect of the allegation that assessee is involved in transactions relating to the Penny Stock, the assessee would first like to request your good self to explain the meaning of '**Penny Stock**'.

In respect of Investigation Report of Pr.DIT (Inv.), Kolkata, it is submitted that your good self has not provided any Investigation Report yet wherein the name of the assessee is appeared. Therefore, we are unable to provide any explanation for the same. It is again requested that if your good self have any specific proof/ evidence to substantiate the same, please provide the same and give an opportunity to the assessee to offer an explanation regarding that. Till the same is not proved, no adverse inference may please be drawn against the assessee.

### **3. Para 3**

In this regard, it is submitted that assessee has duly provided all the documents related to transactions of shares of M/s XVZ and M/s ABC. Please refer Page No. 5-26 of letter dated 28/11/2016 for documents related to purchase and sale of shares of M/s XVZ and M/s ABC and Page No. 10-17 of letter dated 20/06/2016 for copy of Demat Account for the year under consideration. Thus, the transactions are genuine and your good self may also verify that from the documents mentioned above.

Further, in respect of the allegation made on the assessee on the basis of Investigation Report, it is again requested to provide the copy of such Report wherein the name of the assessee is appeared. Till such allegation is not proved, no adverse inference may please be drawn against the assessee.

### **4. Para 4**

Your good self has mentioned in "Para 4" of notice about *ad interim ex-parte* order passed by Securities Exchange Board of India (SEBI) dated December 19, 2014 regarding restraining 108 entities. In this regard, it is submitted that the assessee is unaware about any inquiries conducted by SEBI.

It is also pertinent to note that the assessee has sold the shares of both companies during Financial Year 2013-14 only whereas your good self has

mentioned in your notice that the SEBI has passed order on 19-12-2014 (F.Y. 2014-15). Therefore, it is submitted that merely because the investigation was alleged to have done by SEBI against these companies (after assessee has sold his shares), it cannot be said that the assessee has entered into an ingenuine transaction. Also, the assessee is not concerned with the activities of the companies and has no control over the same.

We would also like to mention that shares of M/s XVZ are still being traded on Bombay stock exchange (Date of last Trade — December 20,2016). Your good self may also check that from the site of Bombay Stock Exchange (<http://www.bseindia.com/stock-share-price/trinity-tradelink-limited/tritrade/512417/>).

#### 5. Para 5

In this regard, it is submitted that both companies (M/s XVZ and M/s ABC) are public limited companies, therefore their balance sheets must be available in public domain. However, for the sake of convenience, we are providing the same as under:

- a. In respect of Balance Sheet of M/s XVZ, it is submitted that the balance sheets are available on the website of Bombay Stock Exchange. Your good self may check that by using link, <http://www.bseindia.com/stock-share-price/stockreach/annualreports.aspx?scripcode=512417&expandable=0>
- b. The copy of Annual Report of Financial Year 2013-14 of M/s Trinity Tradelink Limited is enclosed for your kind perusal at **Page No**
- c. In respect of Balance Sheet of M/s ABC, it is submitted that the Balance Sheet of F.Y. 2013-14 is enclosed for your kind perusal at **Page**

**No.....**

5.1. Further, your good self has alleged that no business was carried on by alleged entities. However, during the F.Y. 2013-14 Total Revenue from operation of M/s XVZ was Rs.1,17,39,32,682/-, please refer Page No Li 5 for the relevant page of the annual report of the company.

5.2. Therefore, in view of above, it is submitted that alleging the assessee that the transaction entered by assessee were an attempt to defraud the revenue in converting the unaccounted cash as legally earned income is not justified.

In respect of applicability of the provisions of section 68 of the Income Tax Act, 1961, it is submitted that there is no undisclosed income on assessee's part as the assessee has accurately accounted the amount received from sale of shares in his books and duly disclosed the income from the sale proceeds in his return. Further as mentioned above the transactions are made through stock exchange and amount is received from proper banking channels only. Therefore, in the instant case, provision of section 68 of the Act is not attracted.

For your convenience, extracts of section 68 of the Act is as under:

*"Where any sum is found credited in the books of an assessee maintained for any previous year, and the assessee offers no explanation about the nature and source thereof or the explanation offered by him is not, in the opinion of the Assessing Officer, satisfactory, the sum so credited may be charged to income-tax as the income of the assessee of that previous year"*

Since the assessee has offered explanation, its nature and source of these transactions. Therefore, you are kindly requested that provisions of section 68 of the Act may please not be invoked in the hands of assessee.

In case your good self requires any other/ further information, we shall be pleased to file. Further, you are requested to provide opportunity of being heard to the assessee before drawing any adverse inference, if any. We shall be obliged.