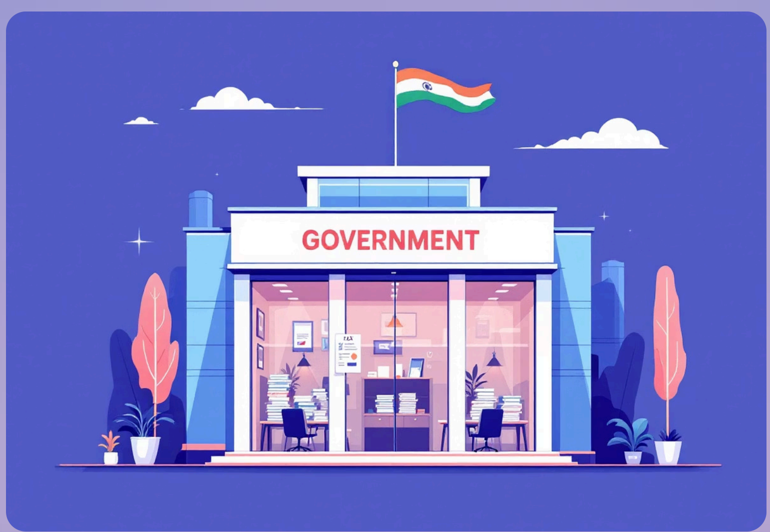
Suresh Anchaliya & Co.

CHARTERED ACCOUNTANTS



CBDT outlines SOP for monitoring and assessing capital gains on JDAs

Based on successful practices of the DGIT(Inv.), Kolkata, CBDT issues comprehensive guidelines for identifying and assessing capital gains under Section 45(5A) for Joint Development Agreements providing a standardized approach to ensure compliance and revenuecollection across all investigation directorates

Understanding Section 45(5A): The Problem & Solution

Before Section 45(5A)

Landowners faced immediate capital gains tax liability upon signing JDAs, despite not receiving actual consideration or developed property shares. This created genuine financial hardship with tax obligations without means to pay.

After Finance Bill 2017

Capital gains now chargeable only when completion certificate is issued by competent authority and on fair value, calculated on basis of stamp duty value of landowner's share plus any monetary consideration received.

Proven investigation methodology adopted by DGIT (Inv.), Kolkata

01

Access RERA/HIRA Websites

Utilize publicly available regulatory databases to identify registered and approved real estate projects with comprehensive project details and documentation.

02

Identify JDA Projects

Scrutinize project details to locate approved developments under Joint Development Agreements where landowners are individuals or Hindu Undivided Families.

03

Cross-Reference Tax Returns

Download tax returns from CPC 2.0 portal for the assessment year when completion certificate was issued to verify compliance.

04

Verify Capital Gains Disclosure

Check Schedule-CG in tax returns to ensure proper disclosure of capital gains as per Section 45(5A) provisions and calculate any undisclosed amounts.

05

Issue Summons if Required

When non-compliance is detected, issue summons under Section 131(1A) to obtain taxpayer's version and supporting documentary evidence for assessment.

Implementation Framework & Key Benefits

Proactive Identification

Systematic approach enables early detection of potential non-compliance cases rather than reactive investigations based on chance discoveries or third-party information.

Data-Driven Methodology

Leverages publicly available regulatory information and cross-references with tax filing data for comprehensive assessment and verification processes.

Transparent & Non-Intrusive

Follows fair and transparent procedures while maintaining efficiency in revenue collection and ensuring taxpayer rights are protected throughout the process.

Pan-India implementation deadline: Report submission by 31st October 2025

How Assessee's can be Compliance-Ready

Assessee's, particularly individuals and HUFs, who have entered into Joint Development Agreements during F.Y. 2021-22, F.Y. 2022-23 and F.Y. 2023-24 can now expect to receive notices or summons from the Income Tax Department.

Documents to Keep Ready

- Copy of registered Joint Development Agreement (JDA)
- Proof of ownership and cost of acquisition of land
- Completion certificate issued by competent authority
- RERA/HIRA project registration details
- Valuation reports (if any) and stamp duty valuation documents
- Correspondence with developer (allotment letters, possession letters, payment receipts)

Replies & Explanations to Prepare

- Justification for the year of offering capital gains (linked to date of completion certificate)
- Computation workings of capital gains as per section 45(5A)
- Explanation of any monetary consideration received before completion certificate and its tax treatment
- Clarification on disclosure made in return of income and reconciliation with Form 26AS/ AIS data
- Response to any mismatch or non-reporting pointed out in the notice

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