

Date: 12<sup>th</sup> November 2020

## Circle rate norms for purchase of flats relaxed

In stimulus package of Rs 2,65,080 crore announced by Government on 12<sup>th</sup> November, Income Tax provisions prescribing taxation when purchase of immovable property is done below Circle rate have been relaxed. A 20% buffer has been provided which hitherto was only 10%.

Necessary conditions to avail the relaxation are:

1. It should be a primary purchase
2. Value of property should be upto two crores and not beyond.

The Finance Act, 2013 had Introduced Section 43CA to cover the transfer of immovable property held as stock in trade. As per this provision, the excess of stamp duty value over the sale consideration (agreement value) accruing from the sale of immovable property (held as stock-in-trade) is taxable as business income in the hands of the seller. Correspondingly, Section 56(2)(x) provides that if the sale consideration of immovable property is less than the stamp duty value, the difference between stamp duty value and purchase consideration is chargeable to tax as residuary income in the hands of the buyer. There is therefore taxation on both buyers and sellers in such situations but if the difference was less than 10% these provisions were exempted. This has now been increased to 20% if conditions are met with.

- The increased buffer of tolerance limit is available only upto 30<sup>th</sup> June 2021.

### CBVA Views

There is a fall in the market value of immovable properties but the circle rates have not changed. The relaxation is therefore a welcome move.

Best Regards,

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