



Ministry of Finance



# Income Tax relief for Real-estate Developers and Home Buyers



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As part of the AatmaNirbhar Bharat Package 3.0 as announced by Hon'ble Finance Minister on 12th November, 2020, certain income tax relief measures were brought in for real-estate developers and home buyers.

Up to 2018, section 43CA of the Income-tax Act, 1961 ('the Act') provided for deeming of the stamp duty value (circle rate) as sale consideration for transfer of real-estate inventory in the case the circle rate exceeded the declared consideration. Consequentially, stamp duty value was deemed as purchase consideration in case of buyer under section 56(2)(x) of the Act.

In order to provide relief to real estate developers and buyers, the Finance Act, 2018, provided a safe harbour of 5%. Accordingly, these deeming provisions triggered only where the difference between the sale/purchase consideration and the circle rate was more than 5%. In order to provide further relief in this matter, Finance Act, 2020 increased this safe harbour from 5% to 10%. Therefore, currently, the circle rate is deemed to be the sale/purchase consideration for real estate developers and buyers only where the variation between the agreement value and the circle rate is more than 10%.

In order to boost demand in the real-estate sector and to enable the real-estate developers to liquidate their unsold inventory at a rate substantially lower than the circle rate and giving benefit to the home buyers, it has been decided to further increase the safe harbour from 10% to 20% under section 43CA of the Act for the period from 12th November, 2020 to 30th June, 2021 in respect of only primary sale of residential units of value up to Rs. 2 crore. Consequential relief by increasing the safe harbour from 10% to 20% shall also be allowed to buyers of these residential units under section 56(2)(x) of the Act for the said period. Therefore, for these transactions, circle rate shall be deemed as sale/purchase consideration only if the variation between the agreement value and the circle rate is more than 20%.

Legislative amendments in this regard shall be proposed in due course.

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**RM/KMN**

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