

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
RAJYA SABHA
UNSTARRED QUESTION NO. 3751
ANSWERED ON 05/04/2022

CURBING BLACK MONEY CIRCULATION IN THE REAL ESTATE SECTOR

3751: SHRI TIRUCHI SIVA:

Will the Minister of FINANCE be pleased to state:

- (a) the steps taken by Government to reduce the circulation of black money in the real estate sector; and
- (b) the impact of the steps taken so far, including the percentage reduction in black money circulation in the sector?

ANSWER

THE MINISTER OF STATE FOR FINANCE
(SHRI PANKAJ CHAUDHARY)

(a) & (b) Various steps have been taken in the recent past to reduce the circulation of black money in the real estate sector. Some of the major steps in this regard are as under:

1. Several legislative measures under the Income Tax Act, 1961 have been taken to reduce black money in the real estate sector. Some of these legislative provisions are as below:
 - (i) Section 43CA and Section 50C were brought in for adoption of stamp duty value as consideration if it is more than the declared consideration.
 - (ii) Section 56(2)(x) provides for taxing the amount of the difference between the stamp duty value and consideration received, if any, in case the same exceeds Rs. 50,000 in the hands of recipient.
 - (iii) Section 194-IA provides that any person responsible for paying to a resident any sum exceeding Rs. 50 lakhs by way of consideration for an immovable property (other than agricultural land) has to deduct tax @1% of such sum at the time of payment. The Finance Act, 2022 has amended this section to provide that in case of transfer of an immovable property (other than agricultural land), TDS is to be deducted at the rate of 1% of the higher value out of sum paid to a resident taxpayer or the stamp duty value of such property.
 - (iv) Section 50CA read with the relevant Income Tax Rules, 1962, provides for taking of stamp duty value of immovable property held by an unlisted company for the purpose of determination of capital gains on transfer of shares of such company.
 - (v) In order to curb cash dealing in real-estate transactions, section 269SS was amended to prohibit receipt of any amount of Rs. 20,000/- or more for transfer of immovable property otherwise than by banking channel. Similar restriction is provided under section 269T.

- (vi) Section 285BA requires specified entities to furnish a Statement of Financial Transactions (SFT) in respect of specified financial transactions during the financial year. Such specified financial transactions include transactions in property.
 - (vii) Rule 114B and Rule 114E of the Income-tax Rules, 1962 provide for mandatory quoting of PAN and reporting of transaction of immovable property, if the consideration exceeds the respective thresholds specified in these rules.
2. The Benami Transactions (Prohibition) Act, 1988 was comprehensively amended through the Benami Transactions (Prohibition) Amendment Act, 2016 to provide for an effective regime for prohibition of benami transactions. Such benami transactions include transactions in real estate sector also.
 3. The information available with the Income Tax Department is analysed using advanced technology and tools, with the aim to verify the compliance of an assessee with the relevant tax provisions, create necessary deterrence and to take appropriate action as per law in cases where any discrepancy is found.
 4. Whenever any instance of unaccounted/black money in the real estate sector comes to its notice, the Income Tax Department takes appropriate actions as per the provisions of the Income Tax Act, 1961. Such actions include conducting searches and surveys, assessment of income, levy of tax, imposition of penalty, launching of prosecution etc.
 5. The Real Estate (Regulation and Development) Act, 2016 (RERA) has been enacted by the Parliament to protect the interest of homebuyers to ensure transparency and accountability in the real estate sector. It, inter alia, provides for mandatory registration of real estate projects with the Real Estate Regulatory Authority before any advertisement, marketing, booking, selling or offering for sale, or inviting persons to purchase in any manner. Further, to curb black money transactions, the RERA provides for compulsory deposit of 70% of the amount realized from allottees in a separate bank account to cover the cost of construction and land cost of the real estate project.

Moreover, to endure transparency and reduce the circulation of black money in Real Estate Sector RERA mandates the promoter to get his accounts audited within six months after the end of every Financial Year by a Chartered Accountant in practice, for verifying that the amounts collected for a particular project have been utilized for the project and the withdrawal of such amounts has been in compliance with the proportion to the percentage of project completion.

Such steps taken are in accordance with the resolve of the Government to fight the menace of black money and reduce its circulation in various sectors, including the real estate sector.
