

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF REVENUE
RAJYA SABHA

UNSTARRED QUESTION NO. 894

ANSWERED ON 30.07.2024

AMENDMENT IN SECTION 54 / 54F OF THE INCOME TAX ACT

894. SHRI SANJEEV ARORA:

Will the Minister of FINANCE be pleased to state:

- (a) whether the proposed amendment in Section 54/54F of the Income Tax Act is also applicable in case of collaboration agreements, if so, the same may result in tax on notional value where money is actually not received;
- (b) whether amounts kept in Capital Gains Deposit Account Scheme as on 31.03.2023 and reinvested in assessment year 2024-25 would also be impacted by the proposed amendments; and
- (c) the rationale behind fixing cap at 10 Crores as it would effect the real estate industry?

ANSWER

MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI PANKAJ CHAUDHARY)

(a), (b) and (c): No proposal for amendment in section 54/54F of the Income- tax Act has been made in the Finance (No.2) Bill, 2024, introduced in the Lok Sabha.

Section 54 and section 54F of the Income-tax Act provide for rollover benefits on investment in a residential house. The primary objective behind providing the rollover benefit was to mitigate the acute shortage of housing, and to give impetus to house building activity.

However, it was observed that claims of huge deductions by high-net-worth assesseees were being made under these provisions, by purchasing very expensive residential houses, thereby defeating the very purpose of these sections.

In order to prevent this, the Finance Act 2023 has imposed a new limit on the maximum cost of new asset with reference to which deduction can be claimed by the assessee under section 54 and 54F of the Income-tax Act, to rupees ten crores.
