



## FAQ'S - TAX RELATED MATTERS

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**Q : Is it necessary to obtain any permission, from the Income Tax authorities if I want to purchase any immovable property ?**

**A :** There is restriction on transfer of immovable property under Section 269UC of the Income Tax act.

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**Q : Does the Indian Income Tax Act offers any special incentive for purchase of residential property by obtaining finance either from banks or other financial institutions ?**

**A :** Under Section 88 of the income tax you can claim benefit for the principle repayment, interest on loan is deductible u/s 24 from income from House Property.

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**Q : Whether the benefits attached to a residential property are also available to a commercial property ?**

**A :** No such benefits are not available for commercial Properties.

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**Q : What are the formalities specified under the Indian Income Tax Law, if any, that one has to complete before or after selling any house property, commercial or residential ?**

**A :** You have to obtain Permission u/s 230A of the Income Tax Act if the value of the property to be sold is more than 5 lakh.

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**Q : Whether incidental charges like brokerage, registration fees, stamp duty and other charges arising out of sale of house property deductible from profit arising on sale ?**

**A :** These expenses are allowable expenses from the full value of consideration of the sale of house property.

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**Q : Is there any way by which I can claim exemption from tax on capital gain ?**

**A :** The Income Tax act has made provision u/s 54 & 54A--G of the act whereby you can claim exemption from tax on capital gains.

Sec. 54: Purchase or construct another residential house worth the amount of capital gains.  
Sec. 54 protects capital gains arising out of sale (or transfer) of a residential house whether self-occupied or not, provided the assessee has purchased within 1 year before or 2 years



after the date of sale of the original asset or has constructed within 3 years after that date, a residential house. The only condition is that the newly-acquired property should not be sold within 3 years from the date of its purchase or construction. If this condition is not satisfied, the cost of the new asset is to be reduced by the amount of long-term capital gains exempted from tax on the original asset and the difference between its sale price and the reduced cost will be chargeable as short-term (yes, short-term!) capital gain earned during the year in which the new asset is sold. This condition is unfair. One of my readers, Capt. Shelar, had sold a house situated in a main city and purchased a more spacious house in the suburbs. After moving in he found that one of the neighbours is a goonda and another is running a brothel. He desired to shift in a hurry but alas! He found himself trapped. Sec. 54EA & 54EB: Invest within 6 months the amount of capital gains in avenues covered by Sec. 54EB which locks in the funds for 7 years or invest the of sale proceeds in avenues covered by Sec. 54EA which locks in the funds for 3 years. Sometimes the same avenue also attracts tax rebate u/s 88. However, if the assessee has availed of the Sec. 54EA/EB exemption from capital gains by contributing a certain amount, the rebate u/s 88 will not be allowed on the same amount and vice versa.