

PRESS RELEASE

New Delhi, 11th May, 2017.

Request for stakeholders comments on Draft Income Computation and Disclosure Standards on Real Estate Transactions

Section 145(2) of the Income-tax Act, 1961 ('the Act') provides that the Central Government may notify Income Computation and Disclosure Standards (ICDS) for any class of assessee or for any class of income. Accordingly, Central Government notified 10 ICDS vide Notification No. S.O. 3079 (E) dated 29th September, 2016. These ICDS *inter-alia* contains provisions relating to valuation of inventory; construction contracts; Effects in changes of foreign exchange rates, borrowing costs etc. These ICDS are applicable from assessment year 2017-18 (previous year 2016-17) in respect of specified assessee for computation of income under the head "Profits and gains of business or profession" or "Income from other sources".

The Finance Minister had constituted a committee comprising of experts from accounting field; departmental officers and representatives from Institute of Chartered Accountants of India (ICAI) to suggest the areas in respect of which further ICDS may be notified under the Act.

The Committee suggested notification of ICDS in respect of Real Estate Transactions and submitted the draft of the same. The draft ICDS submitted by the committee is based on the Guidance Note issued on Real Estate Transactions issued by ICAI. For the purposes of providing uniformity and certainty and harmonising the same with provisions of the Act, the committee suggested certain changes in draft ICDS.

The draft ICDS on Real Estate Transactions along with the significant changes suggested in ICDS vis-à-vis the Guidance Note issued by ICAI are uploaded on the Income-tax website at <http://www.incometaxindia.gov.in>. The stakeholders are requested to submit their comments on draft ICDS on Real Estate Transactions by **26th May, 2017** to Director TPL-III by e-mail at dirtpl3@nic.in.

(Meenakshi J Goswami)
Commissioner of Income Tax
(Media and Technical Policy)
Official Spokesperson, CBDT.

Draft Notification

INCOME-TAX

In exercise of the powers conferred by section 50CA and sub-section 2 of section 56 read with section 295 of the Income-tax Act, 1961 (43 of 1961), the Central Board of Direct Taxes hereby makes the following rules further to amend the Income-tax Rules, 1962, namely:-

1. (1) These rules may be called the Income-tax (th Amendment), Rules, 2017.

(2) They shall come into force from the 1st day of April, 2018 and shall apply in relation to assessment year 2018-19 and subsequent years.

2. In the Income-tax Rules, 1962 (hereafter referred to as the Principal rules), for sub-clause (b) of clause (c) of sub-rule(1) of Rule 11UA, the following sub-clause shall be substituted, namely:-

“(b) the fair market value of unquoted equity shares shall be the value, on the valuation date, of such unquoted equity shares as determined in the following manner, namely:—

the fair market value of unquoted equity shares = $(A+B+C+D - L) \times (PV)/(PE)$ where,

A= book value of all the assets (other than jewellery, artistic work, shares, securities and immovable property) as reduced by,- (i) any amount of income-tax paid, if any, less the amount of income-tax refund claimed, if any, and (ii) any amount shown as asset including the unamortised amount of deferred expenditure which does not represent the value of any asset;

B = the price which the jewellery and artistic work would fetch if sold in the open market on the basis of the valuation report obtained from a registered valuer;

C = fair market value of shares and securities as determined in the manner provided in this rule;

D = the value adopted or assessed or assessable by any authority of the government for the purpose of payment of stamp duty in respect of the immovable property.

L= book value of liabilities, but not including the following amounts, namely:—

(i) the paid-up capital in respect of equity shares;

(ii) the amount set apart for payment of dividends on preference shares and equity shares;

(iii) reserves and surplus, by whatever name called, even if the resulting figure is negative, other than those set apart towards depreciation;

(iv) any amount representing provision for taxation, other than amount of income-tax paid, if any, less the amount of income-tax claimed as refund, if any, to the extent of the excess over the tax payable with reference to the book profits in accordance with the law applicable thereto;

(v) any amount representing provisions made for meeting liabilities, other than ascertained liabilities;

(vi) any amount representing contingent liabilities other than arrears of dividends payable in respect of cumulative preference shares;

PE = total amount of paid up equity share capital as shown in the balance-sheet;

PV= the paid up value of such equity shares;”

3. In the principal rules, in Chapter H, after Rule 11UA, the following Rule shall be inserted, namely:-

“**11UAA.** For the purposes of section 50CA, the fair market value of the share, not being a quoted share, shall be determined in the manner provided in sub-clause (b) of clause (c) of sub-rule(1) of Rule 11UA .”