

Distressed sale of immovable property

Potential solutions for sale/buy
below guideline value

July 2021

Problem statement

- ▶ By now, we all are aware that the global pandemic of COVID-19 has caused major disruption in businesses globally.
- ▶ It is beyond doubt that the pandemic has a devastating effect on demand for real-estate sector in India
- ▶ Further, there are no signs of recovery in near future while the country is bracing itself to face the next wave of pandemic
- ▶ However, the public are still forced to sell their properties at a distressed value, to fund their emergency liquidity needs
- ▶ This is also the case with the bankers with distressed properties* against their bad loans and want to clean up their balance sheet
- ▶ Despite the market value of real estate sector taking the worst possible hit, there is no recourse from the government's end in revising the guidelines for stamp duty value of the properties

Key challenges



Seller has to pay capital gains tax at stamp duty value of the property despite low market value



Gift tax in the hands of Buyer for the difference between stamp duty value and market value



Tedious tax litigation to be undergone if the property is sold at a price less than guideline value

Potential solutions..

Option 1 – Obtain a lower guidance valuation

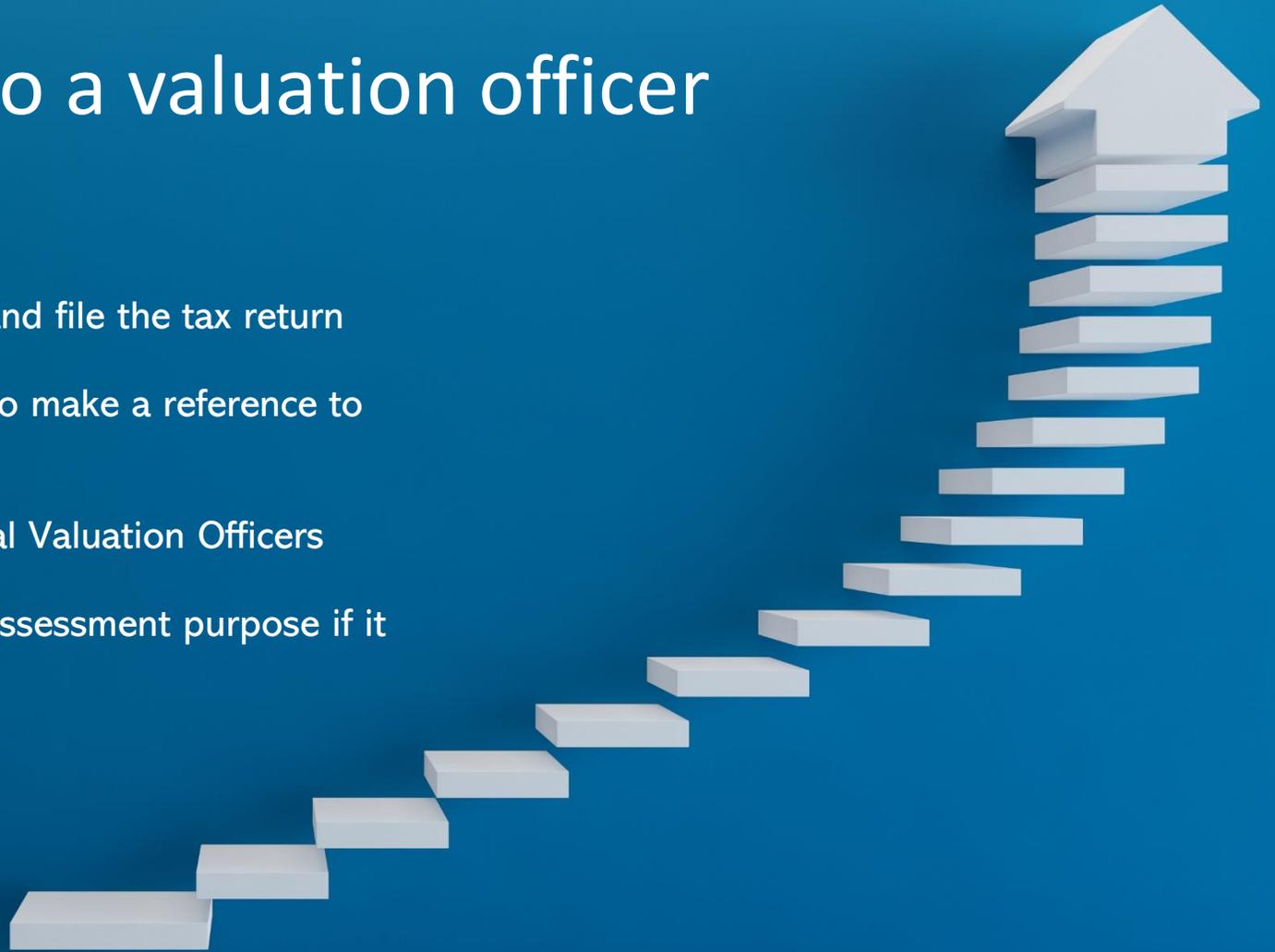
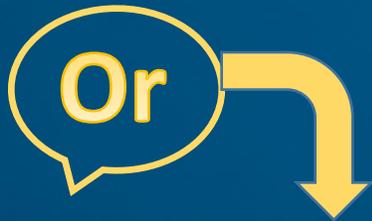
- Approach the relevant registrar / sub-registrar in the office of Department of Stamps & Registration
- Submit the case before him explaining the dip in market value of the subject property
- Substantiate the claim with appropriate evidence with respect to the prevailing market value
- Obtain a lower guidance value certificate from the registrar
- Sell the property at the above value and file your taxes accordingly



Potential solutions..

Option 2 - Reference to a valuation officer

- Sell the property at prevailing market value
- Compute the capital gains tax accordingly and file the tax return
- During assessment, request the tax officer to make a reference to the valuation officer
- The property will be valued by Departmental Valuation Officers
- Such valuation shall be considered for tax assessment purpose if it is lower than the Stamp duty value



Alternatively, we can also work around other potential solutions which could altogether mitigate the need to approach the tax and regulatory authorities to achieve the desired objectives

Contact us



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