

A Study of Taxation Complexities Concerning Immovable Properties with Special Reference to the Khandesh Region

CA. Murtuza A. Bandukwala

Research Scholar

Bandukwala & Bafna Jalgaon.

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Dr. Neelima Warke

Research Guide

Godavari Institute of Management and Research, Jalgaon.

Abstract

This research examines the multifaceted taxation complexities associated with immovable properties, focusing on the interplay between legal frameworks, tax administration, and compliance. It analyzes major forms of property taxation such as capital gains, business profit tax, GST, property tax, and stamp duty. The study adopts a mixed-method approach, combining primary survey data and published secondary sources to identify challenges, evaluate practices, and propose actionable recommendations for a more equitable, efficient, and transparent property taxation regime.

Introduction

Immovable property taxation profoundly affects the financial and developmental outlook of economy, which encompasses residential, commercial, agricultural, and heritage assets. Despite its economic significance, property taxation in India is marked by *complex regulations*, administrative hurdles, and inconsistent practices. These issues create inequities, inefficiencies, and diminish trust among taxpayers and stakeholders.

Objectives of the Study

- Analyze the existing taxation framework for immovable properties, including assessment methods, rates, exemptions, and loopholes.
- Identify challenges faced by taxpayers and tax authorities.
- Investigate impacts on property owners, investors, and real estate development.
- Evaluate tax enforcement mechanisms regarding evasion and non-compliance.
- Propose policy measures for improved efficiency, equity, and transparency.
- Benchmark local practices with national and international best practices.

Hypotheses

1. Complexity and ambiguity in tax laws leads to difficulties for both tax authorities and property owners.
2. Substantial discrepancies exist between stamp duty and market values for property transactions.
3. Tax evasion and non-compliance remain prevalent due to system limitations.

Review of Literature

1. Taxation of Capital Gains in Developing Countries (Author: Juanita D. Amatong, eISBN: 9781451947267)

This Literature review explained:

a) Nature of Capital Gains in Developing Economies:

The composition of capital gains in developing countries is different from that in advanced countries. In advanced countries, a considerable proportion of capital gains comes from the sale of securities. The concentration of wealth in developing countries held in real estate. Investment in real estate in developing countries is explained by several factors, including the lack of developed capital markets, the holding of land as a hedge against inflation, and the desire to gain long range stability, political power, and social prestige.

b) Administrative Difficulties:

One of the most serious objections to a capital gains tax is the unusual administrative burden which such a tax entails.

To administer the capital gains tax properly requires records of property held, the length of time held, original costs and related costs, sales price, etc.

Developing countries are ill-equipped to cope with the task of recording, unearthing old records, revaluating assets, etc. Inadequate real estate records, including the lack of up-to-date property assessment rolls and the underreporting of sales prices, contrive to make the proper administration of the capital gains tax difficult. Honest taxpayers pay their liabilities while others avoid or evade the tax by resorting to under-the table deals or other avoidance schemes.

2. Goods & Service Tax (GST) and its impact on Indian Real Estate Industry.

(Author: Anjan Kumar Roy Choudhury Assistant Professor, Department of Commerce, Vidyasagar Evening College, Kolkata, W.B. ISSN: 2249-894X, UGC approved Journal No. 48514 volume - 8 | issue - 8 | May – 2019)

This study explained the provisions of GST Act, 2017 applicable to real estate sector. Though the government has tried to bring more clarity, transparency and reduce complexity in calculation of Tax under GST but still there are some of the key complexities involved:

- a. Dual Nature of Real Estate Transactions
- b. Different GST Rates and Exemptions
- c. Input Tax Credit (ITC) Calculation
- d. Transitional Provisions
- e. Compliance and Documentation

3. Immovable Property : where, why and how should it be taxed? (Author(s): Doris Prammer, Principal Economist at the Economic Analysis Division of the Oesterreichische National bank, Date published: Apr 2021, **SUERF Policy Note, Issue No 230**).

1. Taxation on rental income from property:

The study focused on taxation on rental income from the property and deductions available in case where property is financed by a mortgage.

Real estate property can be produced for rent in a market by a landlord, for investment and use as a business input by a firm or for investment and own use by an owner-occupier. These different purposes of real estate property would call – according to optimal tax theory – for different taxation. The matter is complicated by the fact that uses may change over time.

2. Capital Gain Tax on Immovable property:

The sale of the immovable property is generally subject to a capital gains tax, where the difference between the sale and the overall purchase price is taxed in almost all EU member states (see table 1). At the same time, those member states which tax the profits, allow for generous exemptions for the main residence. Usually, capital gains on the main residence are tax exempt subject to a minimum time of tenure (2-5 years) or provided that the capital gains are reinvested in the acquisition of a new main residence (e.g. Spain). If immovable property is transferred charge-free in the case of an inheritance or gift, the transfer is subject to inheritance/gift tax in about half of the EU member states⁷. Even if a country does not apply a general inheritance/gift tax, the cost-free transfer of immovable property might still be subject to taxation (e.g. Austria).

Research Methodology

A dual approach is used:

- **Primary Data:** Questionnaire-based survey covering property owners, investors, and administrators in Jalgaon, Dhule, and Nandurbar.
- **Secondary Data:** Aggregated from government publications, reference books, scholarly journals, and local revenue records.

Sample Design

The population constitutes taxpayers associated with various forms of immovable property taxation across three districts in the Khandesh region. Random sampling is employed to ensure representation of diverse property segments and tax scenarios, with precise respondent selection based on reliable data portals.

Data Analysis

- Identifies inconsistencies in valuation methods, frequent exploitation of exemptions, and administrative inefficiencies in collection.
- Reveals complexity in calculation of capital gains, tax on business property income, and GST, leading to widespread avoidance and evasion.
- Highlights lack of uniform assessment protocols and challenges resulting from the absence of reliable property record databases.

Findings

- Underassessment and valuation inconsistencies are major contributors to tax gaps.
- Exemption misuse worsens inequitable tax burdens and undermines revenue collection.
- Administrative constraints and outdated systems limit enforcement and compliance efforts.
- Taxpayers face confusion due to *complex tax calculation requirements* and frequent policy changes.

Limitations

- Study limited to sample respondents within Khandesh districts due to time and resource constraints.
- Reliance on secondary data subject to updates and policy revisions.
- Findings may not be fully generalizable outside the defined regional context.

Conclusion



The research concludes that the prevailing property taxation ecosystem is characterized by complexity, inequity, and inefficiency. Addressing these gaps through improved valuation standards, standardized exemption/deduction rules, and robust administrative mechanisms is vital. Recommendations focus on policy simplification, technological modernization, and enhanced stakeholder engagement for sustainable regional development.

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