

Date of execution of documents to be taken as the date for transfer of property

Summary – The Mumbai ITAT in a recent case of Shankala Realtors (P.) Ltd., (the Assessee) held that date of execution of documents to be taken as the date for transfer of property

Facts

- The assessee-company which was into real estate received certain advance from the prospective buyers of flats but offered the income only in respect of the flat owners with whom agreement to sell had been entered into.
- The Assessing Officer made addition to income shown by assessee and held that entering into an agreement and its registration was not necessary for recognition or revenue on advances.
- The Commissioner (Appeals) confirmed said addition.
- On second appeal:

Held

- The HC stated that it is date of execution of registered document, not the date of delivery of possession or the date of registration of document which is relevant. Once the executed documents are registered, the transfer will take place on the date of execution of documents and not on the date of registration of documents.
- The HC set aside the order of the Commissioner (Appeals) and restored the matter to the file of the Assessing Officer to make an addition, bringing to tax by percentage completion method, the revenue out of the remaining executed agreements after giving the assessee time to file the documents/evidence in respect of agreements.
- In the result, the appeal is allowed for statistical purposes.