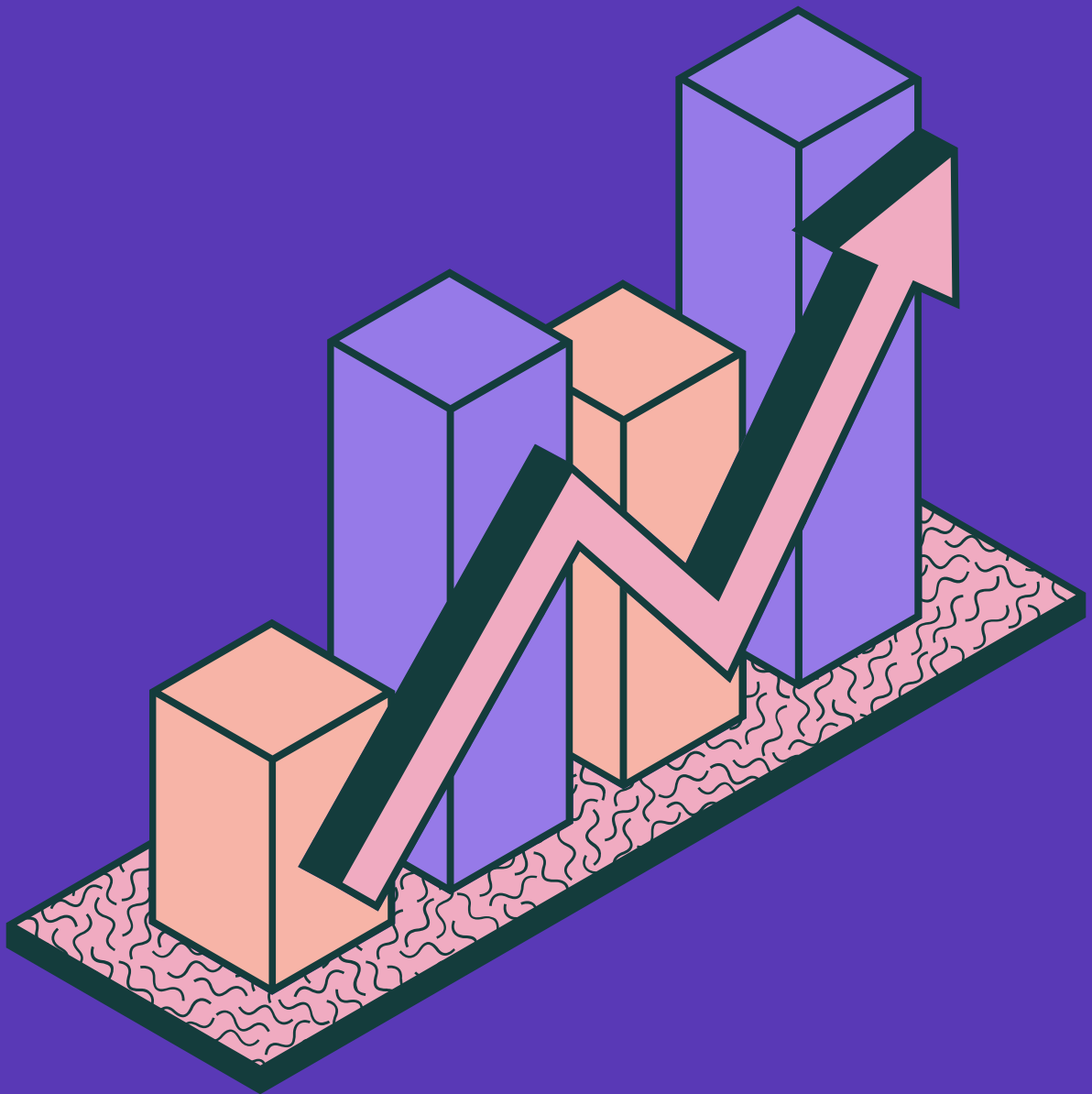


A Monthly newsletter by The Navi Mumbai Branch (WIRC)

The Navi Mumbai Chartered Accountant



Volume 2 | Issue 10 | Jan 2026 | Pages 13



THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA
(Setup by an Act of Parliament)

THE NAVI MUMBAI BRANCH (WIRC)

Office No. 220, Shiv Center Building, Sector 17,
Vashi, Navi Mumbai 400 703



9289821980 / 9319460232



navimumbai@icai.org



www.navimumbai.icai.org

OFFICE BEARERS

CA Amit Tenani

Chairman

CA R J Phadke

Vice Chairman

CA Nikhil Natekar

Secretary

CA C V Jomon

Treasurer

MEMBERS

CA Pragya Jain

WICASA Chairperson

CA Dipti Jain

CA Amit Somani

CA Nikhil Pagariya

CA Vishal Dagariya

**RCM & BRANCH
NOMINEE**

CA Sanjay Nikam

Content Disclaimer:

The views and opinions expressed in this E-Newsletter are solely those of the individual authors or contributors and do not necessarily reflect the official stance of the Navi Mumbai Branch of WIRC of ICAI. Any unsolicited articles, images, or other content submitted are accepted at the sender's own risk. The branch assumes no responsibility for any loss or damage arising thereof. No part of this publication may be reproduced, in full or in part, without prior written consent from the Navi Mumbai Branch.

Advertisement Disclaimer:

The Navi Mumbai Branch of WIRC of ICAI does not assume responsibility for any actions taken based on the advertisements featured in this Newsletter. Members are advised to consider the provisions of the Code of Ethics before responding to any advertisements.

contents



- 04 Chairman Desk
 - 05 Implications of Society Redevelopment
 - 09 Event Highlights
 - 11 WICASA Chairperson Desk
- 

Chairman Desk

CA Amit Tenani

Chairman,
ICAI - Navi Mumbai (WIRC)



Dear Members and Colleagues,

As we begin 2026, global trade and finance continue to recalibrate amid geopolitical shifts and evolving interest-rate cycles. The renewed momentum on the **India-EU Trade and Investment Agreement** is encouraging, with potential to enhance exports, investments, and regulatory alignment.

At the domestic level, the **Maharashtra State elections** have reinforced policy continuity with focus on infrastructure, manufacturing, and MSMEs. Stable governance is expected to strengthen investor confidence and fiscal discipline in the State.

The **forthcoming World Forum of Accountants (WOFA)** presents a great learning and networking opportunity for members. With the Union Budget scheduled on **01-02-2026**, the period ahead promises insightful discussions and professional excitement in both Direct and Indirect Taxes.

As this is my last Chairman's message, I extend my heartfelt best wishes to the incoming team. I am confident they will take our Branch to greater heights with commitment, innovation, and teamwork.

With Warm Regards,

CA Amit Tenani

Chairman,

Navi Mumbai Branch of WIRC of ICAI



Overview of Implications of Society Redevelopment under Income Tax Act, 1961

Contributed By: • CA Sameer Gavali

Introduction

Society redevelopment projects, particularly those involving co-operative housing societies, require careful financial and tax planning. The redevelopment process triggers multiple tax considerations under the Income Tax Act, 1961, especially related to capital gains and exemptions. This article provides a comprehensive guide to understanding the tax implications for both society members and developers, with a focus on technical details and relevant case laws applicable under Bombay jurisdiction.

Income Tax Implications from the Society's Perspective

Corpus Funds and Non-Monetary Benefits

1. Corpus Funds:

Corpus funds received by the society, including amounts for construction of common areas (e.g., multipurpose halls and society offices), are considered capital receipts and are not subject to tax.

Case Law : CIT v. Sambhaji Nagar Co-op. Hsg. Society Ltd. (Bom HC), ITO v. New Shailaja CHS (ITAT Mumbai), Om Shanti CHS Ltd (ITAT Mumbai). In these cases, Court & Tribunal have held that such receipts are not taxable since they are not against any sale consideration.

Similarly, in ITO v. Dadar CHS Ltd., the ITAT held that corpus funds for common purposes do not result in taxable income.

2. Non-Monetary Benefits

Any amenities provided to society members, such as multipurpose halls or common-use office spaces, are not taxable as income, as they do not constitute a sale consideration.

Case Law: In CIT v. Shree Nirmal Commercial Ltd., the court clarified that non-monetary benefits (e.g., amenities) provided by the developer for the common use of members do not trigger tax obligations.

However, under the amended Section 55(2)(a)(iii), the cost of acquisition for certain specified assets is considered NIL which may affect the computation of capital gains when society development rights are transferred.

Income Tax Implications from the Member's Perspective

1. Relocation and Hardship Allowance

Hardship Allowance and Monthly Rentals paid to society members due to inconvenience during redevelopment are treated as capital receipts and are non-taxable.

Case Law: The Bombay High Court, in Sarfaraz S. Furniturewala v. Afshan Sharfali, WP Number 4958 of 2024, held that hardship allowances paid for relocation during redevelopment are capital receipts and not subject to tax.

It may be noted that the case referred above, has been discussed by the Hon'ble HC with reference to the deduction of income tax on rental amount paid to society members. During the course of discussion, the Hon'ble HC, referred decision in the case of Shri Devshi Lakhamshi Dedhia ITA No.5350/Mum/2012, Smt. Delilah Raj Mansukhani ITA No.3526/Mum/2017, and Ajay Parasmal Kothari Vs. ITO [2024] 159 taxmann.com 570 (Mumbai - Trib.) and held that since the sum paid is not in the nature of rent, and not to be treated as revenue receipt, no TDS is required to be deducted.

Capital Gains Tax

2. When is Capital Gain Taxable in Redevelopment?

Capital gains are taxable when the transfer of the property is complete, i.e., when the completion certificate is issued by the competent authority (e.g., MCGM in Mumbai or NMMC in Navi Mumbai).

Previously, tax was triggered when the PAAA (Permanent Alternate Accommodation Agreement) was signed; however, the amendment in Section 45(5A) now specifies that capital gains are taxable when the completion certificate is issued (effective from 01.04.2018).

Case Law: In PCIT v. Vembu Vaidyanathan (Bombay HC), IT Appeal No.1459 of 2016, the Court held that capital gains tax is triggered only when the completion certificate is issued, and not at the signing of the PAAA.

3. Capital Gain and Long-Term Capital Gain (LTCG)

The transfer of a long-term capital asset (flat held for more than 24 months) triggers Long-Term Capital Gains (LTCG) tax. If a flat is held or more than 24 months, it qualifies as a long-term capital asset under Section 2(29B) of the Income Tax Act, 1961.

Case Law: The Delhi High Court, in CIT v. Shashi Verma, clarified that the date of allotment for under-construction flats in a society is considered the date of acquisition for the purpose of calculating LTCG

4. Exemption Under Section 54 for Reinvestment in Residential Property

Section 54 provides an exemption from capital gains tax if the member purchases or constructs a new residential property within one year before or two years after the transfer, or constructs it within three years after the transfer. The exemption applies to the value of the new flat.

Case Law : In CIT v. Smt. Beena K. Jain (217 ITR 363) and Payal Kishore Kulchandani v. ITO (ITA No. 3647/MUM/2025), the courts upheld exemptions under Section 54 for reinvestment in residential property.

5. Whether Exemption Under Section 54 for Reinvestment in multiple Residential Properties in exchange of one is allowed :

In case of multiple sale and purchase of residential houses, the exemption cannot be calculated considering the aggregate of capital gain and aggregate of investment in the residential houses. The exemption will be available in relation to each set of sale and corresponding investment in the residential house and the combination which is beneficial to the assessee has to be allowed. **Case Law: In Sushila M. Jhaveri v. ITO (2007) 107 ITD 321 (Mumbai)**, the ITAT ruled that exemption is allowed when multiple flats are exchanged for one, provided the LTCG does not exceed ₹2 crore.

6. Exemption for Exchange of Small Flat for Larger Flat

Members can exchange a smaller flat for a larger one and still claim Section 54 exemption, provided the new flat is residential. The size of the new flat does not matter.

7. Can a Member Claim Exemption Under Section 54 if Two Flats Are Exchanged for One?

A Member can claim exemption U/s. 54 if two flats are exchanged for One. **Case Law: In Vijay Kumar Wanchoo v. ITO (2020) 84 ITR 268**, the Delhi ITAT held that the exemption applies even if two flats are exchanged for one, as long as the conditions of the provision are met.

8. What is the Monetary Limit for Exemption Under Section 54?

Exemption limit for Section 54 is capped at ₹10 crore with effect from 01.04.2024.

9. Will Selling a Redeveloped Flat Within 2 Years Attract Capital Gains Tax?

If the reinvested flat is sold within 2 years of receiving the completion certificate, Short-Term Capital Gains will apply, and exemption under Section 54, granted earlier, will be withdrawn.

10. Can an Individual Claim Exemption for Tenanted Flats in Redevelopment?

Exemption u/s. 54 is not available for tenanted flats. However, Section 54F can be claimed under certain conditions.

11. In the case of a shop owner, whether reinvestment benefit shall be available?

Exemption under Section 54 shall not be applicable for capital gains arising out of transfer of shop in a redeveloped society. However, if the shop is not depreciated and qualifies as a long term asset, the member can claim the benefit of Section 54F and 54EC, subject to fulfilment of certain conditions.

Important Sections

1. Section 2(29AA) Long Term Capital Assets
2. Section 2(29B) Long Term Capital Gains
3. Section 2(47) Transfer
4. Section 45 Capital Gain
5. Section 45(5A)
6. Section 48 Computation of Capital Gains
7. Section 54 and Section 54EC
8. Section 54F
9. Section 55(2)
10. Section 194 I
11. Section 53A of the Transfer of Property Act 1882

Conclusion

Society redevelopment projects trigger a range of tax implications that need to be navigated carefully by both society members and developers. Income tax provisions under the Income Tax Act, 1961, offer opportunities for exemption through Sections 54, 54F, and 54EC. However, the applicability of these exemptions, particularly in light of case laws and Section 45(5A), requires detailed understanding and strategic planning. Chartered accountants must guide clients through the complexities of these provisions and ensure compliance with the latest amendments to avoid adverse tax implications.

Reference Material

1. CBDT circular No.471 dated 15.10.1986
2. CBDT circular No.672 dated 16.12.1993



GREAT THINGS IN BUSINESS ARE NEVER DONE BY ONE PERSON. THEY'RE DONE BY A TEAM OF PEOPLE.



- Steve Jobs

EVENT HIGHLIGHTS



EVENT HIGHLIGHTS



WICASA Chairperson Desk

CA Pragya Jain
Chairperson,
WICASA - Navi Mumbai (WIRC)



Dear Students,

In January 2026, we guided more than 1,000 students to set a clear lakshya while choosing the CA profession—emphasizing that true success is achieved without compromising dignity.

Lakshya, or goal, gives direction to human life. It is the inner force that motivates us to study, work, struggle, and grow. Without a clear lakshya, life becomes aimless. However, the true value of a goal is not measured only by its achievement, but by **the path chosen to achieve it.**

In today's competitive world, many people believe that success justifies every means. This mind-set often leads to unethical behaviour, harassment, manipulation, and attacks on the dignity of others. Such success is hollow. A lakshya achieved by crushing others, silencing voices, or violating dignity is not real success—it is failure in disguise.

When we pursue our goals without harassing anyone or compromising someone's self-respect, we build character along with achievement. Character is what sustains success in the long run.

Respect for dignity is fundamental. Every individual, irrespective of gender, position, or power, deserves to be treated with respect. Achieving goals by intimidating, exploiting, or humiliating others creates fear, trauma, and injustice. Such actions damage institutions, relationships, and trust. On the other hand, goals achieved with empathy and fairness inspire confidence and create positive change.

True lakshya also demands courage—the courage to say no to wrong methods, even when shortcuts are tempting. It requires strength to compete ethically, to rise without pulling others down, and to stand firm on moral values. A society progresses only when its members chase excellence without compromising humanity.

In conclusion, lakshya should be pursued with a clear conscience and a compassionate heart. **Success achieved without harassment, without injustice, and without attacking dignity specially to the women is the only success worth celebrating.** When goals and values walk together, achievement becomes meaningful, sustainable, and honourable.

History remembers those who achieved greatness with integrity, not those who succeeded through abuse of power.

Warm Regards,
CA Pragya Jain
Chairperson,
Navi Mumbai WICASA



**CHASE YOUR LAKSHYA WITH
DISCIPLINE AND RESPECT FOR
OTHERS.**

**THE HIGHEST ACHIEVEMENT IS
SUCCESS WITHOUT HARMING
DIGNITY.**



Credits & Acknowledgments

We extend our heartfelt thanks to all contributors, writers, and volunteers who made this edition possible. The success of this newsletter lies in the collective efforts of dedicated professionals who shared their insights, time, and creativity.

This newsletter has been prepared and edited by CA Hemanshu Pandya & CA Jugal Solanki



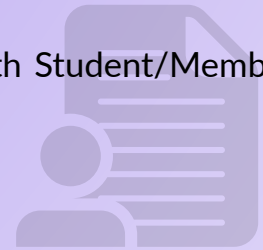
Call for Articles

We invite members and students of ICAI to contribute insightful articles, research papers, experiences, and thought pieces for upcoming editions. This platform is dedicated to encouraging meaningful knowledge sharing within the fraternity.

While sending article, send it in word format with your details along with Student/Membership Registration Number.

To submit an article, please write to us at: navimumbai@icai.org

Subject: Newsletter Article Submission



Advertisement Opportunities

Promote your services, events, or products in our monthly newsletter, circulated among CA professionals, firms, and corporates across Navi Mumbai and beyond.

For advertising queries, reach out to:

Mobile: 9289821980 / 9319460232

Email: navimumbai@icai.org

