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HUNDRED PERCENT DEDUCTION IN RESPECT OF PROFITS FROM HOUSING PROJECTS

(SECTION 80-IBA OF THE INCOME TAX ACT)

Who can claim deduction under this section?

Any assessee (may be an individual, HUF, firm, company or any other person) can claim deduction under this section.

Eligibility conditions for getting deductions under this section:

(1) The assessee has derived profit from the business of developing and building a housing project.

- *"housing project" means a project consisting predominantly of residential units with such other facilities and amenities as the competent authority may approve.*
- *"residential unit" means an independent housing unit with separate facilities for living, cooking and sanitary requirements, distinctly separated from other residential units within the building, which is directly accessible from an outer door or through an interior door in a shared hallway and not by walking through the living space of another household.*

(2) The project is approved by the competent authority after 01-06-2016 but on or before 31-03-2019.

- *Where the approval in respect of a housing project is obtained more than once, the project shall be deemed to have been approved on the date on which the building plan of such housing project was first approved by the competent authority.*

(3) The project is completed within a period of three years (five years, applicable from the assessment year 2018-19) from the date of approval by the competent authority.

- *The project shall be deemed to have been completed when a certificate of completion of project as a whole is obtained in writing from the competent authority.*

(4) The built – up area (carpet area, applicable from the assessment year 2018-19) of the shops and other commercial establishments included in the housing project does not exceed three per cent of the aggregate built-up area (carper area, applicable from assessment year 2018-19).

(5) Measurement of plot of land and residential units

Location of project	**Area of plot of land on which project is situated**	**Built-up area (carpet area, applicable from the assessment year 2018-19) of residential units in the housing project**
Project is located within the municipal limits of Chennai, Delhi, Kolkata or Mumbai	Not less than 1,000 square metres	Not to exceed 30 square metres
Project is located outside the municipal limits but within the distance (measured aerially) of 25 kilometers from the municipal limits of Chennai, Delhi, Kolkata or Mumbai **(applicable only for the assessment year 2017-18)**	Not less than 1,000 square metres	Not to exceed 30 square metres
Project is located in any other place	Not less than 2,000 square metres	Not to exceed 60 square metres

(6) The project is the only housing project on the plot of land as specified in point (5) above.

(7) Utilisation of permissible floor area ratio (FAR)

Location of project	**Utilisation of permissible floor area ratio (FAR)**
Project is located within the municipal limits of Chennai, Delhi, Kolkata or Mumbai	Not less than 90%
Project is located outside the municipal limits but within the distance (measured aerially) of 25 kilometers from the municipal limits of Chennai, Delhi, Kolkata or Mumbai **(applicable only for the assessment year 2017-18)**	Not less than 90%
Project is located in any other place	Not less than 80%

- *“floor area ratio" means the quotient obtained by dividing the total covered area of plinth area on all the floors by the area of the plot of land.*

(8) Where a residential unit in the housing project is allotted to an individual, no other residential unit in the housing project shall be allotted to the individual or the spouse or the minor children of such individual.

(9) The assessee maintains separate books of accounts in respect of the housing project.

- ❖ Where the assessee executes a housing project as a works contract awarded by any person (including the Central or the State Government), deduction under this section can't be claimed by him.
- ❖ Where a housing project is not completed within the time period as mentioned in point (3) above and in respect of which a deduction has been claimed and allowed under this section, the total amount of deduction so claimed and allowed in one or more previous years, shall be deemed to be the income of the assessee chargeable under the head "profits and gains of business or profession" of the previous year in which period for completion so expires.
- ❖ Where deduction under this section is claimed and allowed in respect of profit from a housing project no deduction shall be allowed in respect of such profit under any other provisions of the Act.