

CASE STUDY - 1 ON SOCIETY REDEVELOPMENT

FACTS OF THE CASE

ABC Co-operative Housing Society Ltd ("Society") is a 50 years old building constructed on a freehold land situated at Dadar, Mumbai consisting of 20 members. Due to the dilapidated condition of the building Society handed-over the development rights to "Best Developer Limited" and the receipt of Completion Certificate is due in next 2 months.

1. Total Carpet area of new building – 50000 sq. ft.
2. The aggregate existing carpet area of flats owned by Old Members is 12,000 sq. ft. They shall be entitled to 35% additional area over and above their existing carpet area. Aggregate new carpet area of flats for old members – 16,200 sq. ft.
3. Corpus of Rs. 20 lacs each to old members.
4. Hardship compensation of Rs. 10 Lakhs for the difficulty created due to vacating the existing premises, moving into new rental premises, etc.
5. Rent of Rs. 80K per month for the next 48 months
6. Area for sale to new members / purchasers – 33,800 sq. ft. Estimated sale consideration Rs. 200 crores.
7. Estimated Cost of the project – 150 crores.
8. Few Society Members are purchasing extra area for which consideration is mutually agreed at 20% less than the prevailing stamp duty ready reckoner rate.
9. The developer intends to sell the flat at Rs 45,000/- per sqf to the new buyers.
10. The developer has opted for new scheme of taxation under GST with effect from 01.04.2019
11. The Developer is of the view that 30% of the new flats will remain unsold till the receipt of Completion Certificate.
12. The developer intends to purchase FSI/TDR from open market.

Society, Society members and Developer understand that a lot of complex taxation and legal issues arise on receipt of Completion certificate of a project. In this regard, the client seeks advice on the following issues from Direct tax and Indirect tax.