

KARNATAKA STATE CHARTERED ACCOUNTANTS ASSOCIATION (R)



CA. Kumar S Jigajinni
President, KSCAA

CA. Pramod Srihari
Secretary, KSCAA

Date: 26 November 2020

Smt. Nirmala Sitharaman
Hon'ble Minister of Finance
Government of India
15, Safdarjung Road
New Delhi - 110001

Hon'ble Madam,

Subject: Request to extend various time limits under section 54 to 54GB of the Income-tax Act, 1961 (the Act)

The Karnataka State Chartered Accountants Association (R) (in short 'KSCAA') is an association of Chartered Accountants, registered under the Karnataka Societies Registration Act, in 1957. KSCAA is primarily formed for the welfare of Chartered Accountants and represents before various regulatory authorities to resolve the professional concerns faced by chartered accountants and the business community

We have written to your good selves many times populating issues and possible solutions. We have also been proactively involved in suggesting means and practical methodologies on the adoption and implementation of the policies.

This letter is in the backdrop of the Pandemic which necessitates relaxations to the beneficial provisions of the Income-tax Act, 1961 ('the Act'), dealing with computation of income under the head 'Capital Gains'. Said amendments will also aid the Government's efforts to boost the economic activity considering the massive potential for future growth in India within the real estate sector.



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We appreciate the Government's proactive efforts in extending various due dates under the Act, however, there are certain more compliance dates which have missed your attention. Through this representation we wish to bring it to your attention, for extension of various due date/benefits dealing with the exemption of 'Capital Gains' as contained in Sections 45 to 55A of the Act:

1. **Basis for seeking an extension of the time limit**

1.1. **Beneficial provision:**

Capital receipts are not taxed unless specifically provided. Provisions of section 45 of the Act deals with the taxation of income arising on 'transfer' of 'capital asset'. As per Section 54 to 54B of the Act, taxpayers can reap the benefit of tax exemption on capital gains if these are invested in various schemes introduced by the Government;

Provisions of section 54 to 54GB of the Act are beneficial in nature, legislated with an intent to provide benefit to the taxpayer, and promote investment in chosen sectors of national importance. Therefore, the said provisions have been construed liberally, by the judicial bodies, for achieving the purpose for which it was incorporated in the statute.

To serve the intent behind such beneficial provisions, it is implored to bring about necessary legislative amendments to enable the taxpayers to avail such provisions by extending various timelines provided for such investment thereunder.

1.2. **Extension of various other due dates under the provisions of the IT Act:**



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Considering the COVID-19 outbreak, the due dates under various statutes, including the Act, stands extended to a comfortable period to/beyond 31.12.2020.

It is relevant to note that various relaxations provided via Ordinance 2020 in terms of extension of statutory timelines, reduction of TDS and interest rates, waiver of penalty, etc. have now been incorporated in the Taxation and Other Laws (Relaxation & Amendment of Certain Provisions) Act, 2020, and the due date stands extended.

However, the due dates with respect to *making of investment, deposit, payment, acquisition, purchase, construction or such other action, by whatever name called, for the purposes of claiming any deduction, exemption or allowance under the provisions contained in sections 54 to 54GB of the Act*, which required completion/compliance and time-limit of which fell during the period from the 20.03.2020 to 29.09.2020, the same was required to be complied/completed by 30.09.2020. The above timelines, introduced by way of the Taxation and Other Laws (Relaxation and Amendment of Certain Provisions) Bill, 2020 received the Honourable President's assent on 29.09.2020.

It is noteworthy that there was a window of **only one day** for the assessee to undertake necessary compliances or specified actions under the provisions of section 54 to 54GB of the Act.

1.3. **Unjust tax collection on account of the impossibility of performance during pandemic times:**

Various due dates under multiple statutes have been extended, clearly on account of the impossibility of performance due to pandemic times. There is no reason why such benefits should not be extended to the assessee facing the same challenge during the pandemic times.



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There is no doubt that this pandemic has led to a cash crunch. The collection of taxes for this technical failure is fruitless, the damage it would cause is severe than the benefit to the public coffers. Considering the financial stringency faced by an assessee and the balance of convenience, which is clearly in favor of the assessee, it is implored to grant the benefit of extended timelines as a matter of level playing field.

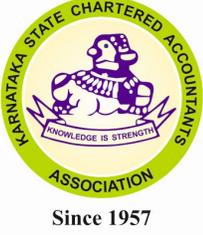
1.4. **Provides require impetus to sluggish real estate**

Real estate, being one of the most important sectors in the economy, has been affected by the Pandemic. The Government's announcement in Atmanirbhar Bharat Package 3 to increase harbour limits from 10% to 20% under section 43CA of the Act is a welcome move. We implore your goodself, to kindly consider an extension of various deadlines under section 54 to 54GB of the Act as the same would provide the necessary impetus to the real estate sector.

1.5. **Karnataka Specific reason:**

The State COVID positive cases and death toll were topping charts, making it 3rd state after Maharashtra and Tamil Nadu, to record deaths over the 10000 mark.

As of today (23.11.2020), the total number of positive cases stood at 8,73,046, next to the state of Maharashtra. Given this alarming rate of COVID spread, the assesses who took necessary precautions, by staying indoors and such other



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measures to contain the spread of the deadly virus, should not be punished with tax for a technical breach of provisions;

Additionally, in flood-like situations, landslides caused havoc in Karnataka. The State Government has estimated Rs. 8000 crore damage and has sought Center's help. This situation has also crippled the activities and regular course of business/life. Expecting the assesses to comply with the provisions of the Act during such testing times would frustrate the provisions of the Act.

2. Our Representation / Prayers

Considering all the above difficulties, we are of the opinion that various due dates for compliance and completion of specified actions under sections 54 to 54GB of the Act which falls between 20.03.2020 to 30.03.2021 (as against 20.03.2020 to 29.09.2020), should be permitted to be complied/completed by 31.03.2021 (as against 30.09.2020).

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We humbly request you to kindly consider our submissions.

Yours sincerely,

For Karnataka State Chartered Accountants Association ®

CA. Kumar S Jigajinni
President

CA. Pramod Srihari
Secretary

CA. Ganesh V Shandage
Chairman
Representation Committee

Cc to:

1. Hon. Shri Anurag Thakur, Minister of State, Finance
2. Shri P C Mody, Chairman, CBDT