

Accounting Norms for Developers Soon

CBDT panel report had said real estate companies use subjective ways to report revenues

The finance ministry said on Thursday it would soon bring out an accounting standard for revenue recognition in the real estate sector so that builders do not show too much discretion in showing revenue from projects that are under construction.

Central Board of Direct Taxes (CBDT) chairperson Poonam Kishore Saxena said in reply to a question from FE that the ministry is working on an accounting standard for the sector for the purpose of taxation. "The Tax Planning and Legislation unit will shortly come out with an accounting standard for revenue recognition in the real estate sector for tax purposes," Saxena said.

Recently, a panel on black money appointed by CBDT had pointed out that many real estate companies resort to subjective ways of recognising revenue. While some show income when a project is only 30% complete in order to get bank credit, the cash-rich ones do not show income even when a project is 90% complete, the panel had said. Accounting standard 7, which stipulates that revenue recognition in construction contracts should correspond to the percentage of project completion, excludes the real estate sector. Income Tax Act does not recognise AS 7 of Institute of Chartered Accountants of India (ICAI).

Another committee appointed by the CBDT to look into the accounting standards issued by ICAI submitted its report in August, but that too was silent on the subject. The ministry, therefore, wants to issue its own standard for taxation of real estate firms.

Saxena was hopeful of meeting the direct tax collection target for this fiscal on account of the track record of the department. The ministry has set a target of R5.7 lakh crore for corporate tax, personal income tax and wealth tax collectively for the year. The direct taxes to GDP ratio stands at 5.6% as of now, slightly lower than last year's.

To a question on what would be the department's next move on the controversial Vodafone tax dispute, the CBDT chief reiterated finance minister P Chidambaram's statement that the assessing officer handling the issue will not act rashly. The officer will take a view in the light of the provisions of law as they stand today, the judicial pronouncements giving the British telecom giant relief from the \$11-billion tax demand, the retrospective amendments to the Income Tax Act this year and the Attorney General's views on the subject. "An assessment officer is an independent authority. We do not influence them," she said.

Saxena told reporters that the department will only collect that much of tax that is due from a tax payer and not a rupee more. She said that Income Tax department officers are conscious of their duty as tax facilitators. "We want to give our best services to the tax payer," she said.

CBDT chairperson also added that the Income Tax department tries to ensure that refunds, particularly for small tax payers, are cleared without any delay.

