

## **Finance min studies high use of black money in real estate sector**

The National Institute of Public Finance and Policy (NIPFP) has asked the inspector general of Registration and Controller of Stamps to submit the details of the three highest-value transactions that happened in the last two years in every area in Mumbai and Pune. It has also sought the number of sale documents registered, registration and stamp duty paid as well as ready reckoner rates fixed in every area.

The information has been demanded for a study called 'Estimation of Unaccounted Incomes in India'. The research was commissioned last June by the Central Board of Direct Taxes, which falls under the Union finance ministry.

The institute began the study-which means to review recent property deals to check for the use of black money-with Delhi and adjoining Gurgaon and Noida before turning it into an all-India exercise. Incidentally, the first study on unaccounted money was conducted by NIPFP in 1985 wherein the estimates-which are not considered reliable-varied from \$462 billion to \$1.4 trillion.

The CBDT commissioned the new study to unearth the use of black money in property deals that largely goes undetected due to the difference in market prices and registry rates set by state governments. According to income tax officials, the high use of cash in secondary market transactions is an open secret.

"In searches conducted over the past two years on Mumbai builders, we have come across property deals involving huge amounts of cash. Though banned by courts, parking space is sold for cash ranging between Rs 2 lakh and Rs 25 lakh per car. We estimate the cash component varies from 20% to 40% of the total flat cost," said a tax official.

It has become commonplace for buyers to under-report the transaction to save on registration cost. For sellers, especially those who do not intend to use the money to buy new property, it means a capital tax burden, which they want to evade.

According to tax officials, the realty sector is a big generator of black money. This, despite the fact that registrars nationwide have to report all realty transactions valued at Rs 30 lakh and above. The tax department normally compares the info it has with the data given along with the tax returns using the permanent account number furnished by taxpayers while registering property.

(The Times of India)