Allotment Date, Not Registration: ITAT’s Landmark Ruling Changes How House Property Sale Gains are Computed

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 Allotment Date, Not Registration: ITAT’s Landmark Ruling Changes How House Property Sale Gains are Computed ITAT’s landmark ruling now lets homeowners use the allotment date, not registration, to claim long-term capital gains tax benefits on property salesBy - Kavi Priya |16 April 2025 5:55 PM ISTX A recent ruling by the Income Tax Appellate Tribunal (ITAT), Mumbai, has brought welcome relief to taxpayers selling house property. In a case involving Anil Murarilal Agarwal, the tribunal clarified that the date of allotment, not the registration date, should be considered when calculating long-term capital gains (LTCG). This change in interpretation could lower tax liabilities for...Read the full article. A recent ruling by the Income Tax Appellate Tribunal (ITAT), Mumbai, has brought welcome relief to taxpayers selling house property. In a case involving Anil Murarilal Agarwal, the tribunal clarified that the date of allotment, not the registration date, should be considered when calculating long-term capital gains (LTCG). This change in interpretation could lower tax liabilities for many homeowners, especially those facing delays in property registration. Background Anil Murarilal Agarwal, engaged in a property business, contested an addition made by the Assessing Officer (AO) amounting to over Rs. 1.42 crore as alleged short■term capital gain (STCG) on the sale of two flats at Rashmi Heights, Malad, Mumbai. According to the AO, the made by the Assessing Officer (AO) amounting to over Rs. 1.42 crore as alleged short■term capital gain (STCG) on the sale of two flats at Rashmi Heights, Malad, Mumbai. According to the AO, the transaction was treated as having occurred in the assessment year (AY) 2016-17, primarily because only the sale/purchase agreements were registered much later, even though the actual transfer and economic arrangements had been completed back in AY 2010-11. Read More: Income Tax Deductions Every Salaried Person Should Know: Here’s 2025 Update Allotment and Agreement Dates: The flats were originally allotted (as evidenced by allotment letters) in the financial year 2004-05. The assessee entered into the purchase and sale agreements during FY 2009-10, so completing the effective transfer in AY 2010-11. Delay in Registration: Due to builder-related delays, formal registration of the sale deeds occurred much later. The AO relied on the registration date and the corresponding stamp duty value (which was significantly higher) to reclassify the gain as short-term. Double Taxation Issue: The taxpayer had already offered and paid tax on long-term capital gains in AY 2010-11. The subsequent addition in AY 2016–17 amounted to a form of double taxation, which the taxpayer argued was impermissible. Income Tax 2025: Will It Save You Money or Cost You More? Find Out Inside! Click here What Did the ITAT Say? The tribunal stated that: The holding period starts from the date of allotment, not when the sale is officially registered. Agarwal had already declared and paid tax on the gains in 2010-11, so taxing them again in 2016-17 would be double taxation, which is not allowed. The tribunal also dismissed the claim that the flats were part of a Slum Rehabilitation Scheme, which could have affected the tax treatment. The tribunal cancelled the Rs. 1.42 crore addition and ruled that no further capital gains tax was payable in 2016–17. Income Tax Bill 2025: What's New, could have affected the tax treatment. The tribunal cancelled the Rs. 1.42 crore addition and ruled that no further capital gains tax was payable in 2016–17. Income Tax Bill 2025: What's New, What's Gone, and What You Must Know! Click Here Why This Ruling Matters for Homeowners By recognizing the allotment date as the start of ownership, this ruling helps homeowners qualify earlier for long-term capital gains status. That means they can benefit from lower tax rates and exemptions under Sections 54 and 54F of the Income Tax Act, 1961. Instead of being taxed at high slab rates for short-term capital gains, homeowners may only have to pay 12.5% or 20% tax on LTCG, and they can also claim exemptions if they reinvest the money in another house. Income Tax 2025: Will It Save You Money or Cost You More? Find Out Inside! Click here Understanding Tax Exemptions: Sections 54 and 54F Section 54 Section 54 gives tax relief when a long-term residential property is sold, and the capital gains are reinvested in another house. The new property must be bought within 2 years or constructed within 3 years of the sale. A special account (Capital Gains Account Scheme) must be used to park unspent money if reinvestment is delayed. From FY 2023–24, the exemption is capped at Rs. 10 crore. The Future of Taxation is Here – Unravel the Income Tax Bill 2025! Click Here Section 54F This applies when a non-residential property is sold (like land or a commercial unit): The full sale proceeds, not just the capital gain, must be used to buy a residential house. The same timelines and exemption cap apply. However, if the taxpayer owns more than one other house, the exemption can be denied. Read More: India's Super-Rich Pay Less than 1% of their Wealth in Taxes, Study Reveals What This Means for You If you are selling a property and it was allotted to you several years ago, even if the registration happened recently, you can calculate capital gains Study Reveals What This Means for You If you are selling a property and it was allotted to you several years ago, even if the registration happened recently, you can calculate capital gains from the allotment date. This might make your gains long-term and help you: Pay less tax (12.5% or 20%) Claim tax exemptions under Section 54 or 54F Avoid double taxation Income Tax 2025: Will It Save You Money or Cost You More? Find Out Inside! Click here Conclusion The ITAT's decision in the Agarwal case is a major win for homeowners and property investors. It brings clarity, fairness, and tax relief, especially for those caught in registration delays. Taxpayers now have a solid legal backing to calculate their capital gains based on the date of allotment, ensuring they are not unfairly taxed. As always, it's wise to keep records like allotment letters, agreement dates, and sale proceeds, and consult a tax professional when planning a property transaction. Support our journalism by subscribing to Taxscan premium. Follow us on Telegram for quick updates Kavi Priya Content writer at Taxscan with a passion for clear, engaging legal content. I simplify tax and law topics while sharpening my research and communication skills.ITAT MumbaiLTCGNext StoryRelated Stories Quick Links Top Stories News Updates Columns Interviews CST & VAT / GST Corporate Laws Other Taxations Events Scan Income Tax Service Tax Excise & Customs International Taxation Domestic Taxation Firms Scan Job Scan Know More About Us Careers Advertise Privacy Policy Terms and Conditions Contact Us Get news delivered to your in-box. Subscribe to our newsletter. 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