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I have been entrusted with the job to deal with the income tax implications in case of builders and developers. Builders and developers are mainly engaged in the activity of constructing residential/commercial buildings consisting of units or in trading of units or in development or trading of plots of land ('business activity'). Thus, the main business activity of builders is to invest in plot of land or building or units for the purpose of earning profits as against an investor who holds a piece of an immovable property for capital appreciation. Head of Income As is well known, under the Income- tax Act, 1961, ('the Act') we are concerned with determining the total income of a person and compute the tax thereon for a particular assessment year. Chapter IV of the Act, provides for five heads of income. It is necessary to first determine the head of income, for any source of income, as the computation mechanism prescr.....