

Boon or Burden? Whether the Joint Development Agreement Serves the Builder and Developer. A Developer-Side Financial and Taxation Analysis With Special Reference to the Pune Metropolitan Region

CA SANDIP RADHESHAMJI MUNDADA, DR MEENAKSHI DUGGAL,
DR AMEY CHAOU DHARI, DR PREMILA PAREEKH

Abstract: *For the developer, the Joint Development Agreement (JDA) is often described as a way to build without buying — to mount a project without locking up the capital that an outright land purchase demands. This paper interrogates that proposition for the builder and promoter specifically, asking whether the JDA is genuinely a boon to the developer or whether its tax and compliance architecture quietly erodes the headline advantage. Using a developer-side quantitative model calibrated to Pune Metropolitan Region (PMR) parameters, the study compares an area-sharing JDA against an outright land purchase of the same parcel across base, bull, and bear scenarios.*

The model finds that, although the JDA yields lower absolute revenue, it delivers materially superior risk-adjusted returns — a base-case post-tax net present value roughly nine times that of outright purchase, and a project internal rate of return several times higher — chiefly because it removes the upfront land outlay and transfers land-price risk into the appreciation cycle. These advantages are real but conditional. The withdrawal of Input Tax Credit from 1 April 2019, Reverse Charge Mechanism liability on the transfer of development rights attributable to unsold inventory at the Completion Certificate stage, the compliance burden of the Maharashtra Real Estate Regulatory Authority (MahaRERA), and the revenue-recognition timing prescribed by the ICAI Guidance Note each impose a drag the developer must price into the sharing ratio. The paper concludes that the JDA is a boon to the developer who structures and negotiates it intelligently, and a quiet trap for the one who does not.

CA Sandip Radheshamji Mundada (Research Scholar) JSPM's Rajarshi Shahu College of Engineering Pune India
Dr Meenakshi Duggal, JSPM's Rajarshi Shahu College of Engineering Pune India
Dr Amey Chaoudhari, JSPM's Rajarshi Shahu College of Engineering Pune India
Dr Premila Pareekh, JSPM's Rajarshi Shahu College of Engineering Pune India

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Keywords: Joint Development Agreement; builder; developer; Input Tax Credit; Reverse Charge Mechanism; Transfer of Development Rights; MahaRERA; capital efficiency; internal rate of return; Pune Metropolitan Region.

Introduction

Land is the single heaviest cost a residential developer carries. In a dense and rapidly appreciating market such as Pune, the acquisition of a well-located parcel can absorb anywhere between forty and sixty per cent of total project expenditure before a single foundation is laid. For a builder operating on borrowed capital, that outlay is not merely large; it is dangerous, because it is committed years before the first rupee of revenue arrives and it sits exposed to every twist of the land-price cycle. It is against this structural problem that the Joint Development Agreement has become a mainstream instrument in the Pune Metropolitan Region.

In an area-sharing JDA, the landowner contributes the land and the developer contributes capital, construction expertise, and execution, with the constructed area shared in a pre-agreed ratio. The developer thereby avoids the upfront purchase price altogether, paying instead in built area delivered at the end of the project. ANAROCK Research (2023) records that Pune alone contributed approximately twenty-one per cent of new residential launches across India's top seven cities in 2023, a great many of them on land assembled through precisely this mechanism, particularly in the peripheral growth corridors of Hinjewadi, Kharadi, Wagholi, and Undri and the Pune–Solapur Road belt governed by the Pune Metropolitan Region Development Authority (PMRDA).

The conventional wisdom treats the JDA as an unambiguous gift to the developer. This paper resists that simplicity. While the capital-efficiency case is genuine and, as the model below demonstrates, decisive, the post-2019 indirect-tax regime and the compliance architecture of MahaRERA have layered real costs onto the developer's side of the ledger. The research question is therefore narrow and practical: on a risk-adjusted, post-tax basis, is the JDA a boon to the Pune developer — and under what conditions does that conclusion hold or fail?

Because the developer's outcome is never fully separable from the other parties to the agreement, the analysis situates the developer's economics against the landowner's sharing-ratio expectations and the end-user's price sensitivity wherever they bear on the developer's return. The instrument is examined principally through the builder's eyes, but not in isolation from the stakeholders on either side of the developer.

Why the JDA Appeals to the Developer

Three structural advantages explain why a financially literate developer reaches for the JDA before reaching for the chequebook.

2.1 Land acquired without land capital

The first and largest advantage is the elimination of the upfront land cost. In an outright purchase, the developer must finance the full land price at the outset, typically through high-cost construction finance, and service that debt across the entire development horizon. Under an area-sharing JDA, the equivalent cost is discharged in kind — as constructed area handed to the landowner at completion — and is funded out of the project's own sales receipts rather than out of borrowed capital committed years in advance. The effect on capital efficiency is profound, and it is the principal driver of the results in Section 7.

2.2 Land-price risk transferred into the appreciation cycle

The second advantage is risk transfer. A developer who buys land outright crystallises the land price on the date of purchase and bears the full consequence if the market softens during construction. A developer operating through a JDA has fixed only a sharing ratio, not a rupee land price; the developer's land cost effectively floats with the same market that determines sale prices. When the market falls, both the developer's revenue and the implied cost of the landowner's share fall together, providing a natural hedge that the outright purchaser does not enjoy. Sandbhor, Bapat, and Chaphalkar (2013) document that every Pune micro-market zone experienced negative price variation during the 2008–09 shock, a reminder that this downside protection is not theoretical.

2.3 Direct-tax neutrality on the developer's own account

The third point is one of comparative neutrality rather than advantage. The developer is taxed on business income on the units it sells, whether the land was bought outright or assembled through a JDA; the capital-gains deferral of Section 45(5A) of the Income-tax Act, 1961 is a landowner benefit, restricted to individuals and Hindu Undivided Families, and does not accrue to the developer. The developer's direct-tax position is therefore broadly mode-neutral. The decisive tax effects on the developer's side are indirect, and they cut against the JDA — which is the subject of the next section.

The Other Side of the Ledger

If the capital-efficiency case were the whole story, the JDA would be an unqualified boon. It is not. Four cost and risk factors weigh against it, and a developer who ignores them will misprice the sharing ratio.

3.1 Withdrawal of Input Tax Credit from 1 April 2019

The restructuring effected by Notification No. 03/2019-Central Tax (Rate), dated 29 March 2019 reduced the headline GST rate on residential units to one per cent for affordable housing and five per cent for other residential, but withdrew Input Tax Credit on those projects. GST paid on construction inputs — cement, steel, contractor services — ceased to be creditable and

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became an embedded, non-recoverable cost. Tibrewal (ICAI Tax Bulletin, May 2019) demonstrates that the net effect on the end-user price was modest, but the burden of the lost credit falls on the developer's margin unless it is passed forward. This drag is mode-neutral in principle — it applies to outright and JDA projects alike — but it sets the baseline against which any JDA advantage must be measured.

3.2 Reverse Charge Mechanism on unsold inventory at completion

This is the cost most specific to the JDA. Under Notification No. 05/2019-Central Tax (Rate), dated 29 March 2019, the transfer of development rights for a Residential Real Estate Project is conditionally exempt only to the extent that apartments are sold before the Completion Certificate is issued. Development rights attributable to inventory still unsold at that date attract GST under the Reverse Charge Mechanism, payable by the developer at one per cent for affordable housing or five per cent for other residential. The developer must fund this out of pocket, at the precise moment when unsold stock is already straining cash flow, with no immediate ability to recover it from the landowner or the buyer. It is, in essence, a penalty on slow absorption — and, as the model shows, it bites hardest in exactly the bear-market conditions where the developer can least afford it.

3.3 MahaRERA compliance and revenue-recognition timing

The Real Estate (Regulation and Development) Act, 2016, enforced through MahaRERA, requires project registration, the ring-fencing of seventy per cent of buyer collections in a designated escrow account, quarterly disclosure, and grievance redressal. Krishnamurthy (2022) finds that these requirements have reduced developer opportunism and improved contractual discipline, but they also impose fixed compliance costs that weigh disproportionately on smaller Pune developers. Separately, the developer cannot recognise revenue at will: the ICAI Guidance Note on Accounting for Real Estate Transactions, read with AS-9 and ICDS-IV, permits percentage-of-completion recognition only once four cumulative conditions are met — critical approvals obtained, 25 per cent of construction cost incurred, 25 per cent of saleable area secured by sale agreements, and 10 per cent of revenue realised. This gate shapes when project income may be booked and is directly relevant to the developer's working-capital planning.

3.4 Counterparty, title, and mixed-use complexity

Finally, the developer in a JDA takes on the landowner as a long-term partner rather than a one-time vendor. Title defects, family disputes, or a landowner's later attempt to renegotiate can stall a project for years, particularly on agricultural parcels recently reclassified by the PMRDA. Where commercial carpet area exceeds fifteen per cent of the total, the project loses Residential Real Estate Project status, the conditional TDR exemption under Notification No. 04/2019-Central Tax (Rate), dated 29 March 2019 falls away, and the GST and pro-rata Input Tax Credit computation become materially more onerous. Each of these is a contingent cost that the disciplined developer prices into the sharing ratio rather than discovering after signing.

Research Objectives

4.1 Primary Objective

To examine whether the Joint Development Agreement, evaluated on a risk-adjusted and post-tax basis, serves the financial interests of the builder and developer in the Pune Metropolitan Region better than an outright land purchase of the same parcel, and to identify the conditions under which that advantage holds or reverses.

4.2 Specific Objectives (Developer-Focused)

The specific objectives below are drawn from the developer-side objective set of the parent study (D-Obj 1 to D-Obj 6) and mapped to the corresponding hypotheses and questionnaire sections. Each objective is paired one-to-one with a developer-specific hypothesis (D-H1 to D-H6) in Section 5.

Table 1: Developer-Focused Specific Objectives

Code	Specific Objective	Maps to
D-O1	To quantify the capital-efficiency advantage of the JDA over outright land purchase for the developer, measured through capital deployed, return on capital employed, net present value, and internal rate of return.	H5 / Sec. F
D-O2	To assess the impact of the post-1 April 2019 GST regime — the withdrawal of Input Tax Credit — on the cost structure and gross margin of JDA projects.	H3 / Sec. D
D-O3	To examine the cash-flow and working-capital strain arising from Reverse Charge Mechanism liability on the transfer of development rights attributable to unsold inventory at the Completion Certificate stage.	H3 / Sec. D
D-O4	To evaluate the operational and compliance burden imposed by MahaRERA, the PMRDA regulations, and the ICAI revenue-recognition framework on developer feasibility.	H6 / Sec. G
D-O5	To assess the extent to which developers pass embedded tax costs forward to end-users through unit pricing across market segments.	H7 / Sec. H
D-O6	To identify the tax and structural risks specific to hybrid and mixed-use JDA projects exceeding the fifteen per cent commercial threshold.	H8 / Sec. I

Source: Author's synthesis from the parent study objective set (D-Obj 1 to D-Obj 6).

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Research Hypotheses

Six developer-specific hypotheses frame the empirical inquiry, each stated as a null and alternate pair and each attached to a designated statistical test in the parent study. The first three (D-H1 to D-H3) address the capital-efficiency case and the two principal indirect-tax drags; the remaining three (D-H4 to D-H6) extend the inquiry to the compliance burden, the pass-through of embedded tax cost to end-users, and the structural risk of hybrid and mixed-use projects, completing a one-to-one mapping with the six developer-focused objectives of Section 4.

D-H1 Capital efficiency and the JDA

Table 2a: Hypothesis D-H1

D-H₀	There is no significant difference in risk-adjusted return (NPV and IRR) between a JDA and an outright land purchase for developers in Pune's growth corridors.
D-H₁	A JDA produces a significantly higher risk-adjusted return than an outright land purchase for developers in Pune's growth corridors, after accounting for the post-2019 GST regime.
Test	One-sample t-test; Chi-square across estimated premium bands (H5 / Section F).

D-H2 Input Tax Credit withdrawal and project margin

Table 2b: Hypothesis D-H2

D-H₀	The withdrawal of Input Tax Credit on residential projects effective 1 April 2019 has not significantly affected the gross margin and feasibility of JDA projects in the PMR.
D-H₁	The withdrawal of Input Tax Credit on residential projects effective 1 April 2019 has significantly compressed the gross margin and feasibility of JDA projects in the PMR.
Test	One-sample t-test; Cronbach's α for the indirect-tax cost construct (H3 / Section D).

D-H3 Reverse Charge Mechanism and developer cash flow

Table 2c: Hypothesis D-H3

D-H₀	Reverse Charge Mechanism liability on development rights attributable to unsold inventory does not significantly strain the working-capital position of Pune developers.
D-H₁	Reverse Charge Mechanism liability on development rights attributable to unsold inventory significantly strains the working-capital position of Pune developers, particularly smaller firms.

Test	One-sample t-test; Chi-square across firm-size categories (H3 / Section D).
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D-H4 Compliance burden and developer feasibility

Table 2d: Hypothesis D-H4

D-H₀	The compliance burden imposed by MahaRERA under the Real Estate (Regulation and Development) Act, 2016, the PMRDA Development Control and Promotion Regulations, and the revenue-recognition framework of the ICAI Guidance Note on Accounting for Real Estate Transactions does not significantly affect the operational feasibility of JDA projects for Pune developers.
D-H₁	This cumulative compliance burden significantly affects the operational feasibility of JDA projects for Pune developers, with the effect falling disproportionately on smaller firms.
Test	One-sample t-test against a neutral mean of 3.0; Cronbach's α for the feasibility construct, target $\alpha \geq 0.70$ (H6 / Section G).

D-H5 Pass-through of embedded tax cost to end-users

Table 2e: Hypothesis D-H5

D-H₀	Pune developers do not significantly pass embedded tax costs — the withdrawn Input Tax Credit and the Reverse Charge Mechanism liability under Notification No. 05/2019-Central Tax (Rate), dated 29 March 2019 — forward to end-users through unit pricing.
D-H₁	Pune developers significantly pass these embedded tax costs forward to end-users through unit pricing, with the extent of pass-through varying by market segment and project location.
Test	Chi-square test on the price-transfer question; One-sample t-test on the Likert items (H7 / Section H).

D-H6 Hybrid and mixed-use structural risk

Table 2f: Hypothesis D-H6

D-H₀	The tax and structural risks specific to hybrid and mixed-use JDA projects exceeding the fifteen per cent commercial carpet-area threshold under Notification No. 04/2019-Central Tax (Rate), dated 29 March 2019 do not significantly affect developer decision-making and project structuring in the PMR.
D-H₁	These tax and structural risks significantly affect developer decision-making and project structuring for hybrid and mixed-use JDA projects in the PMR.
Test	One-sample t-test; Cronbach's α for the compliance construct (H8 / Section I).

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Research Methodology

6.1 Research design

The study employs a mixed-methods design. The analytical core, presented in Section 7, is a deterministic financial model that compares the developer's economics under an area-sharing JDA against an outright land purchase of the same parcel. This is complemented in the parent study by a structured questionnaire administered to developers, promoters, Chartered Accountants, and real estate professionals across the PMR, through which the developer-specific hypotheses are tested. The present paper foregrounds the quantitative model and reports the survey framework as the route to hypothesis confirmation.

6.2 Geographic and temporal scope

The geographic scope is the Pune Metropolitan Region — the Pune Municipal Corporation, the Pimpri Chinchwad Municipal Corporation, and the PMRDA peripheral zones — with the illustrative parcel located in the eastern growth corridor (Wagholi), a representative area-sharing JDA setting. The temporal scope runs from 2013 to 2024, capturing the pre-GST environment, the GST transition of July 2017, the decisive real-estate amendments of 1 April 2019, and the capital-gains changes of the Finance Act, 2024.

6.3 The illustrative model

The model is deterministic and scenario-based rather than stochastic. A single representative parcel is held constant; the developer's outcome is computed under two acquisition modes (outright purchase and area-sharing JDA) and three price scenarios (base, bull, bear), calibrated to the appreciation ranges reported by ANAROCK Research (2023) and the affordability conditions reported by Knight Frank India (2023). All cash flows are phased across a four-year horizon and discounted at the developer's assumed cost of capital of twelve per cent. The figures are illustrative and intended to expose structural relationships, not to predict any specific transaction; actual outcomes depend on the negotiated sharing ratio, absorption rate, and micro-market dynamics.

6.4 Statistical framework

In the parent study, the developer-specific hypotheses are tested using a one-sample t-test against a neutral mean of 3.0 on a five-point Likert scale, Chi-square tests of independence across firm-size and segment categories, and Cronbach's alpha (target ≥ 0.70) to confirm the internal consistency of the indirect-tax cost, feasibility, and compliance constructs. Effect sizes are reported alongside p-values, and the assumptions of normality and independence are checked before inference.

Data Analysis: An Illustrative Developer Model

Consider a residential project in the Wagholi corridor of eastern Pune, on a parcel that yields one lakh square feet of saleable area after the applicable Floor Area Ratio. The developer can acquire the project in one of two ways: by purchasing the land outright for ₹30 crore, or by entering an area-sharing JDA under which the landowner receives thirty per cent of the

constructed area and the developer retains seventy per cent, with no upfront land payment beyond a goodwill deposit.

Table 3: Model Assumptions

Parameter	Assumption
Saleable area (post-FAR)	1,00,000 sq. ft.
Outright land price	₹30.00 crore
Construction + soft cost	₹2,800 / sq. ft. (₹28.00 crore)
Base selling price (bull / bear)	₹7,500 (₹9,000 / ₹6,200) / sq. ft.
JDA landowner area share	30% (developer retains 70%)
JDA goodwill deposit	₹2.00 crore
Project horizon	4 years
Discount rate (cost of capital)	12% per annum
Embedded non-recoverable GST (ITC loss)	8% of construction cost
RCM on TDR for unsold inventory	5% on attributable share (scales with unsold stock)

Source: Author's calibration to ANAROCK Research (2023) and Knight Frank India (2023). Illustrative only.

7.1 Base-case margin and capital efficiency

The first comparison holds the selling price at the base of ₹7,500 per square foot. The outright purchaser sells the full one lakh square feet and earns gross revenue of ₹75 crore; the JDA developer sells only its seventy thousand square feet and earns ₹52.5 crore. On absolute revenue, the outright route is far larger — and this is precisely the comparison that misleads the financially unintelligent developer. The decisive metrics are margin and the capital required to earn it.

Table 4: Base-Case Comparison (selling price ₹7,500 / sq. ft.)

Metric (Base case)	Outright Purchase	Area-sharing JDA
Developer saleable area	1,00,000 sq.ft.	70,000 sq.ft.
Developer revenue	₹75.00 cr	₹52.50 cr
Less: land cost	₹30.00 cr	— (₹2.00 cr deposit)
Less: construction cost	₹28.00 cr	₹28.00 cr

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Metric (Base case)	Outright Purchase	Area-sharing JDA
Less: ITC drag (embedded GST)	₹2.24 cr	₹2.24 cr
Less: RCM on unsold TDR	—	₹0.15 cr
Developer surplus	₹14.76 cr	₹20.11 cr
Surplus margin (on developer revenue)	19.7%	38.3%
Capital deployed	₹60.24 cr	₹32.24 cr
Return on capital employed	24.5%	62.4%
Approximate project IRR	~13.6%	~55%

Source: Author's model. Figures rounded; illustrative only.

The pattern is striking. The JDA developer earns a larger absolute surplus (₹20.11 crore against ₹14.76 crore) on roughly half the deployed capital. Return on capital employed more than doubles, from 24.5 per cent to 62.4 per cent, and the project's internal rate of return rises from a marginal 13.6 per cent — barely above the assumed cost of capital — to approximately 55 per cent. The entire difference is explained by the absence of the ₹30 crore land outlay, which the outright purchaser must finance from day one and which the JDA developer never incurs.

7.2 Scenario analysis: where the JDA truly earns its keep

The capital-efficiency case is at its most persuasive not in the base case but at the extremes. The next table reports the post-tax net present value of each route at a twelve per cent discount rate across the three price scenarios.

Table 5: Post-Tax NPV by Scenario (discount rate 12%)

Scenario	Selling price	Outright NPV	JDA NPV	Edge
Bull (15% appreciation)	₹9,000	₹12.67 cr	₹20.12 cr	+59%
Base (8% appreciation)	₹7,500	₹1.25 cr	₹12.06 cr	~9.6x
Bear (3% appreciation)	₹6,200	-₹8.64 cr	₹4.65 cr	positive vs loss

Source: Author's model, four-year phased cash flows discounted at 12%. Illustrative only.

Two findings stand out. First, in the base case the JDA's NPV of ₹12.06 crore is nearly ten times the outright route's thin ₹1.25 crore — the outright purchaser barely clears its cost of

capital, because the discounted land outlay consumes almost the entire surplus. Second, and more importantly, the bear case is decisive: the outright purchaser is pushed into a net present value loss of ₹8.64 crore, having committed ₹30 crore of land capital into a falling market, while the JDA developer remains comfortably positive at ₹4.65 crore. This is the risk-transfer advantage of Section 2.2 made concrete. The JDA does not merely improve the developer's upside; it protects the developer's downside, and it does so most powerfully in precisely the conditions where survival is at stake.

7.3 *The drag, isolated*

The model also isolates the two principal JDA-specific costs. The Input Tax Credit withdrawal embeds roughly ₹2.24 crore of non-recoverable GST into the cost base — about 4.3 per cent of the JDA developer's revenue — a permanent margin reduction that applies whichever acquisition route is chosen. The Reverse Charge Mechanism on unsold development rights is more insidious because it is contingent on absorption: modelled at ₹0.15 crore in the fast-selling base case, it rises to roughly ₹0.90 crore in the bear case, where slow sales leave more inventory unsold at the Completion Certificate stage. The RCM is thus a cost that arrives at the worst possible moment, and it is the single strongest argument for negotiating a JDA clause that shares this liability with the landowner rather than absorbing it whole.

Findings

Four findings emerge from the developer-side analysis.

- On a risk-adjusted, post-tax basis the JDA is a clear boon to the Pune developer. It delivers a higher absolute surplus on roughly half the deployed capital, more than doubling return on capital employed and lifting the internal rate of return from the low teens to the region of fifty per cent in the base case. The advantage is structural, not incidental, and it derives almost entirely from the elimination of the upfront land outlay.
- The JDA's greatest value is defensive. Its edge over outright purchase is largest in the bear scenario, where it converts a substantial net-present-value loss into a positive return by transferring land-price risk into the appreciation cycle. For a developer concerned with survival across a downturn, this downside protection matters more than the upside.
- The post-2019 indirect-tax regime imposes a genuine but manageable drag. The Input Tax Credit withdrawal is mode-neutral and modest; the Reverse Charge Mechanism on unsold development rights is JDA-specific, contingent on absorption, and dangerous in slow markets. Neither reverses the headline conclusion, but both must be priced into the sharing ratio.
- The conclusion is conditional on financial intelligence. The advantage holds for the developer who negotiates the sharing ratio with the tax drag in view, secures MahaRERA-compliant documentation, allocates the RCM liability contractually, and verifies the landowner's title. It fails for the developer who anchors on absolute revenue, ignores the absorption-linked RCM exposure, or partners with a defective title.

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Conclusion

Is the Joint Development Agreement a boon to the builder and developer? On the evidence of this Pune-calibrated analysis, the answer is a qualified yes. The instrument lets the developer build without buying, freeing the capital that an outright purchase would sterilise for years and converting a fixed, front-loaded land cost into a variable, back-loaded share that floats with the market. The result is a step-change in capital efficiency and a powerful hedge against the downturns that periodically sweep Pune's micro-markets. The model places the base-case net present value at nearly ten times that of outright purchase and shows the JDA remaining profitable in a bear market that would push the outright purchaser into loss.

Yet the boon is not unconditional, and the honest answer to the developer is that the instrument rewards intelligence and punishes its absence. The withdrawal of Input Tax Credit, the Reverse Charge Mechanism on unsold development rights at the Completion Certificate stage, the compliance burden of MahaRERA, and the revenue-recognition gate of the ICAI Guidance Note each chip at the advantage, and the developer who fails to price them into the sharing ratio surrenders the very margin the JDA was meant to create. The developer's gain, moreover, is never wholly separable from the landowner whose sharing ratio it negotiates or the end-user to whom embedded tax costs may be passed; a sharing ratio extracted too aggressively from an uninformed landowner, or a tax cost loaded too heavily onto a price-sensitive buyer, stores up the counterparty and absorption risk that the model shows to be most dangerous.

For the financially intelligent Pune developer — one who reads the parcel, the cycle, the landowner's title, and the tax architecture together — the Joint Development Agreement is among the most effective land-monetisation instruments available. For the developer who reads only the headline revenue, it is a slower and costlier trap. The instrument does not decide the outcome; the intelligence brought to it does.

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