

Circular No. 14/2021

Guidelines under section 9B and sub-section (4) of section 45 of the Income-tax act, 1961

Dated – 2nd July, 2021

Finance Act, 2021 inserted a new section 98 in the Income-tax Act 1961. This section mandates that whenever a specified person receives any capital asset or stock in trade or both from a specified entity, during the previous year, in connection with the dissolution or reconstitution of such specified entity, then it shall be deemed that the specified entity have transferred such capital asset or stock in trade or both, as the case may be, to the specified person. This deemed transfer would be in the year in which such capital asset or stock in trade or both are received by the specified person. Any profits and gains arising from such deemed transfer is deemed to be the income of such specified entity of the previous year in which such capital asset or stock in trade or both were received by the specified person. Further, it is chargeable to income-tax as income of such specified entity under the head " Profits and gains of business or profession" or under the head "Capital gains", in accordance with the provisions of this Act. It has also been provided that the fair market value of the capital asset or stock in trade or both, on the date of its receipt by the specified person, shall be deemed to be the full value of the consideration received or accruing as a result of such deemed transfer. The definitions of terms " reconstitution of the specified entity", "specified entity" and "specified person" are provided in section 98 of the Act.

For more details, please follow:

https://www.incometaxindia.gov.in/communications/circular/circular_14_2021.pdf