

Slump Sale

1. Slump sale' has been defined under section 2(42C) of the Income-tax Act, 1961 ('the Act') as 'the transfer of one or more undertakings as a result of the sale for a lump sum consideration without values being assigned to the individual assets and liabilities in such sales.'

2. Section 50B read with Section 48 of the Act provides that capital gains on slump sale will be the difference between the full value of the consideration received/ accruing as a result of transfer of capital asset and the net worth of the undertaking sold.

3. Finance Act 2021 had amended Section 50B(2) of the Act by inserting sub-clause (ii), which reads as under:

"Fair market value of the capital assets as on the date of transfer, calculated in the prescribed manner, shall be deemed to be the full value of the consideration received or accruing as a result of the transfer of such capital asset."

4. Rule 11 UAE provides that the FMV of capital assets shall for higher of:

- * FMV of the capital assets transferred by way of slump sale (FMV1) or
- * FMV of the consideration received or accruing as a result of transfer by way of slump sale (FMV2) For this purpose:

5. $FMV1 = A + B + C + D - L$

A = book value of all the assets (other than jewellery, artistic work, shares, securities and immovable property)

B = the price which the jewellery and artistic work would fetch if sold

C = FMV of shares and securities

D = the stamp duty value of immovable property

L = book value of liabilities as appearing in the books of accounts but not including the following:

- i. the paid-up capital
- ii. the amount set apart for payment of dividends on preference shares and equity shares
- iii. reserves and surplus
- iv. any amount representing provision for taxation
- v. any amount representing provisions made for meeting liabilities, other than ascertained liabilities
- vi. any amount representing contingent liabilities

$$6. \text{FMV2} = E + F + G + H$$

E = value of the monetary consideration received or accruing as a result of the transfer

F = FMV of non-monetary consideration received or accruing as a result of the transfer represented by property referred to in Rule 11UA(1) determined in the manner provided in the said sub-rule

G = the price which the non-monetary consideration received or accruing as a result of the transfer represented by property, other than immovable property, which is not referred to in Rule 11UA(1), would fetch if sold in the open market

H = the stamp duty value of immovable property