

Draft Notification

INCOME-TAX

In exercise of the powers conferred by section 50CA and sub-section 2 of section 56 read with section 295 of the Income-tax Act, 1961 (43 of 1961), the Central Board of Direct Taxes hereby makes the following rules further to amend the Income-tax Rules, 1962, namely:-

1. (1) These rules may be called the Income-tax (th Amendment), Rules, 2017.

(2) They shall come into force from the 1st day of April, 2018 and shall apply in relation to assessment year 2018-19 and subsequent years.

2. In the Income-tax Rules, 1962 (hereafter referred to as the Principal rules), for sub-clause (b) of clause (c) of sub-rule(1) of Rule 11UA, the following sub-clause shall be substituted, namely:-

“(b) the fair market value of unquoted equity shares shall be the value, on the valuation date, of such unquoted equity shares as determined in the following manner, namely:—

the fair market value of unquoted equity shares = $(A+B+C+D - L) \times (PV)/(PE)$ where,

A= book value of all the assets (other than jewellery, artistic work, shares, securities and immovable property) as reduced by,- (i) any amount of income-tax paid, if any, less the amount of income-tax refund claimed, if any, and (ii) any amount shown as asset including the unamortised amount of deferred expenditure which does not represent the value of any asset;

B = the price which the jewellery and artistic work would fetch if sold in the open market on the basis of the valuation report obtained from a registered valuer;

C = fair market value of shares and securities as determined in the manner provided in this rule;

D = the value adopted or assessed or assessable by any authority of the government for the purpose of payment of stamp duty in respect of the immovable property.

L= book value of liabilities, but not including the following amounts, namely:—

(i) the paid-up capital in respect of equity shares;

(ii) the amount set apart for payment of dividends on preference shares and equity shares;

(iii) reserves and surplus, by whatever name called, even if the resulting figure is negative, other than those set apart towards depreciation;

(iv) any amount representing provision for taxation, other than amount of income-tax paid, if any, less the amount of income-tax claimed as refund, if any, to the extent of the excess over the tax payable with reference to the book profits in accordance with the law applicable thereto;

(v) any amount representing provisions made for meeting liabilities, other than ascertained liabilities;

(vi) any amount representing contingent liabilities other than arrears of dividends payable in respect of cumulative preference shares;

PE = total amount of paid up equity share capital as shown in the balance-sheet;

PV= the paid up value of such equity shares;”

3. In the principal rules, in Chapter H, after Rule 11UA, the following Rule shall be inserted, namely:-

“**11UAA.** For the purposes of section 50CA, the fair market value of the share, not being a quoted share, shall be determined in the manner provided in sub-clause (b) of clause (c) of sub-rule(1) of Rule 11UA .”