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INCOME-TAX ACT, 2025

Chapter II: BASIS OF CHARGE

Section 8 - Income on receipt of capital asset or stock-in-trade by specified person from specified entity.

(1) Where a specified person receives during the tax year any capital asset or stock-in-trade, or both, from a specified entity in connection with the dissolution or reconstitution of such specified entity, then the specified entity shall be deemed to have transferred such capital asset or stock-in-trade, or both, to the specified person in the year in which such capital asset or stock-in-trade, or both, are received by the specified person.

(2) Any profits and gains arising from the deemed transfer mentioned in sub-section (1) by the specified entity shall be—

(i) deemed to be the income of such specified entity of the tax year in which such capital asset or stock-in-trade, or both, were received by the specified person; and

(ii) 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”.

(3) For the purposes of this section, 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 mentioned in sub-section (1).

(4) If any difficulty arises in giving effect to the provisions of this section and section 67(10), the Board may, with the previous approval of the Central Government, issue guidelines for removing the difficulty.

(5) Every guideline issued by the Board under sub-section (4) shall be laid before each House of Parliament while it is in session for a total period of thirty days which may be comprised in one session or in two or more successive sessions, and if, before the expiry of the session immediately following the session or the successive sessions aforesaid, both houses agree in making any modification in such guideline or both Houses agree that the guideline, should not be issued, the guideline shall thereafter have effect only in such modified form or be of no effect, as the case may be; so, however, that any such modification or annulment shall be without prejudice to the validity of anything previously done under that guideline.

(6) For the purposes of this section,—

(a) “specified entity” means a firm or other association of persons or body of individuals (not being a company or a co-operative society);

(b) “specified person” means a person, who is a partner of a firm or member of other association of persons or body of individuals (not being a company or a co-operative society) in any tax year;

(c) “reconstitution of the specified entity” means, where—

(i) one or more of its partners or members, of such specified entity ceases to be partners or members; or

(ii) one or more new partners or members are admitted in such specified entity in such circumstances that one or more of the persons who were partners or members, of the specified entity, before the change, continue as partner or partners or member or members after the change; or

(iii) all the partners or members, of such specified entity continue with a change in their respective share or in the shares of some of them.

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