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INCOME-TAX ACT, 2025

D: Profits and gains of business or profession

Section 40 - Special provision for computation of cost of acquisition of certain assets.

(1) For the purposes of computation of income under the head “Profits and gains of business or profession”, cost of acquisition of an asset which becomes property of––

(a) an amalgamated company under a scheme of amalgamation; or

(b) an assessee, under a gift, or will, or an irrevocable trust, or on total or partial partition of a Hindu undivided family,

when sold as stock-in-trade shall be the sum of—

(i) cost of acquisition of the said asset in the hands of the amalgamating company in case of clause (a), or the transferor or donor in case of clause (b);

(ii) any cost of improvement made;

(iii) any expenditure incurred by the amalgamating company or transferor or donor, as the case may be, wholly and exclusively in connection with such transfer.

(2) This section shall not apply to an asset referred to in section 67(6).

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