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INCOME-TAX ACT, 2025

Chapter X: SPECIAL PROVISIONS RELATING TO AVOIDANCE OF TAX

Section 175 - Avoidance of tax by certain transactions in securities.

(1) Where the owner of any securities (herein referred to as “the owner”) sells or transfers such securities and buys back or reacquires them or buys or acquires any similar securities, any interest that becomes payable in respect of such securities,––

(a) is receivable by a person other than the owner, shall be deemed, for all purposes of this Act, to be the income of the owner; and

(b) shall not be the income of the other person,

irrespective of whether it would have been chargeable to income-tax under any other provision of this Act.

(2) Where similar securities as referred to in sub-section (1) are bought or acquired, the owner shall not be under greater liability to income-tax than he would if the original securities had been bought back or reacquired.

(3) If any person has had a beneficial interest in any securities at any time during a tax year, and the result of any transaction relating to such securities or the income from it is that, in respect of such securities within such year,––

(a) either no income is received by him; or

(b) the income received by him is less than what would have been if the income from such securities had accrued from day to day and been apportioned accordingly,

the income from such securities for such year shall be deemed to be the income of such person.

(4) The provisions of sub-sections (1), (2) and (3) shall not apply if the owner, or the person who has had a beneficial interest in the securities, proves to the satisfaction of the Assessing Officer that—

(a) there has been no avoidance of income-tax; or

(b) the avoidance of income-tax was exceptional and not systematic and also that in any of the three preceding years any avoidance of income-tax by a transaction of the nature referred to in sub-sections (1), (2) or (3) was not there in his case.

(5) If a person carrying on a business which consists wholly or partly in dealing in securities, buys or acquires any securities and sells back or retransfers the securities, then, if the result of the transaction is that interest in respect of the securities receivable by him is not deemed to be his income by reason of the provisions contained in sub-section (1), no account shall be taken of the transaction in computing the profits arising from or loss sustained in the business for any of the purposes of this Act.

(6) The provisions of sub-section (5) shall have effect, subject to any necessary modifications, as if references to selling back or retransferring the securities included references to selling or transferring similar securities.

(7) The Assessing Officer may, by notice in writing, require any person to provide within specified time, which shall not be less than twenty-eight days, details in respect of all securities of which such person was the owner or in which he had a beneficial interest at any time during the period specified in the notice, for the purposes of this section and for the purpose of discovering whether income-tax has been borne in respect of the interest on all those securities.

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(8) If—

(a) any person buys or acquires any securities or unit within three months before the record date;

(b) such person sells or transfers—

(i) such securities within three months after such date; or

(ii) such unit within nine months after such date;

(c) the dividend or income on such securities or unit received or receivable by such person is exempt,

then, the loss, if any, arising to him on account of such purchase and sale of securities or unit, to the extent such loss does not exceed the dividend or income received or receivable on such securities or unit, shall be ignored for the purposes of computing his income chargeable to tax.

(9) If—

(a) any person buys or acquires any securities or unit within three months before the record date;

(b) such person is allotted additional securities or unit without any payment on the basis of holding of such securities or unit on such date;

(c) such person sells or transfers all or any of the securities or unit referred to in clause (a) within nine months after such date, while continuing to hold all or any of the additional securities or unit referred to in clause (b),

then, the loss, if any, arising to him on account of such purchase and sale of all or any of such securities or unit shall be ignored for the purposes of computing his income chargeable to tax.

(10) Irrespective of any other provision of this Act, loss ignored as per sub-section (9) shall be deemed to be the cost of purchase or acquisition of such additional securities or unit referred to in sub-section (9)(b) as are held by him on the date of such sale or transfer.

(11) For the purposes of this section,—

(a) “interest” includes a dividend;

(b) “record date” means such date as may be fixed by—

(i) a company;

(ii) a Mutual Fund or the Administrator of the specified undertaking or the specified company, where—

(A) “Administrator” means the Administrator as referred to in clause (a) of section 2 of the Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002;

(B) “specified company” means a company as referred to in clause (h) of section 2 of the Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002; or

(iii) a business trust defined in section 2(21); or

(iv) an Alternative Investment Fund defined in regulation 2(1)(b) of the Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012, made under the Securities and Exchange Board of India Act, 1992,

for the purposes of entitlement of the holder of the securities or units to receive dividend, income, or additional securities or units without any consideration;

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(c) “securities” includes stocks and shares;

(d) securities shall be deemed to be similar if they entitle their holders to the same rights against the same persons as to capital and interest and the same remedies for the enforcement of those rights, irrespective of any difference in the total nominal amounts of the respective securities or in the form in which they are held or in the manner in which they can be transferred;

(e) “unit” shall mean,—

(i) a unit of a business trust defined in section 2(21);

(ii) a unit defined in section 208(3)(c); or

(iii) beneficial interest of an investor in an Alternative Investment Fund, referred to in clause (b)(iv), and shall include shares or partnership interests.

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