

## INCOME-TAX ACT, 2025

### E: Capital gains

#### **Section 71 - Withdrawal of exemption in certain cases.**

(1) The profits or gains arising from the transfer of capital asset not charged under section 67 by virtue of section 70(1)(c) and (d) shall, irrespective of anything contained in the said clauses, be deemed to be income chargeable under the head “Capital gains” of the tax year in which such transfer took place, if at any time before the expiry of eight years from the date of such transfer,—

(a) the transferee company converts the capital asset into, or treats it as, stock-in-trade of its business; or

(b) the parent company or its nominees or the holding company, ceases or cease to hold the whole of the share capital of the subsidiary company.

(2) If any of the conditions laid down in section 70(zd) or (zf) are not complied with, the profits or gains arising from the transfer of such capital asset or intangible asset not charged under section 67 by virtue of such conditions shall be deemed to be the profits and gains chargeable to tax under the head “Capital gains” of the successor company for the tax year in which such conditions are not complied with.

(3) If any of the conditions laid down in section 70(ze) are not complied with, the profits or gains arising from the transfer of such capital asset or intangible assets or share or shares not charged under section 67 by virtue of such conditions shall be deemed to be the profits and gains chargeable to tax under the head “Capital gains” of the successor limited liability partnership or the shareholder of the predecessor company, for the tax year in which such conditions are not complied with.