

INCOME-TAX ACT, 2025

E: Capital gains

Section 77 - Special provision for computation of capital gains in case of slump sale.

(1) Any profits or gains arising from the slump sale effected in the tax year shall be chargeable to income-tax as long-term capital gains and shall be deemed to be the income of the tax year in which the transfer took place, subject to the provisions of sub-section (2).

(2) The profits and gains arising from a slump sale involving the transfer of a capital asset, being one or more undertakings or divisions owned and held by an assessee for thirty-six months or less, immediately before the date of its transfer, shall be treated as short-term capital gains.

(3) In relation to capital assets, being an undertaking or division transferred by way of slump sale,—

(a) the “net worth” of the undertaking or division shall be deemed to be the cost of acquisition and the cost of improvement for sections 72 and 73; and

(b) the fair market value of the capital assets on the date of transfer, calculated in such manner, as may be prescribed, shall be deemed to be the full value of the consideration received or accruing as a result of such transfer.

(4) Every assessee, in the case of a slump sale, shall furnish in the prescribed form a report of an accountant, before the specified date referred to in section 63, and the report shall--

(a) include the computation of the net worth of the undertaking or division; and

(b) certify that the net worth has been correctly arrived at as per the provisions of this section.

(5) For the purposes of this section,—

(a) the “net worth” shall be the “aggregate value of total assets” of the undertaking or division, as reduced by the value of its liabilities as appearing in the books of account, and for computing net worth, any change in the value of assets due to revaluation shall be ignored;

(b) the “aggregate value of total assets” shall,—

(i) for depreciable assets, be the written down value of the block of assets determined under section 41(1)(c);

(ii) for capital asset being goodwill of a business or profession, which was not acquired by the assessee by purchase from a previous owner, be *nil*;

(iii) for capital assets for which the entire expenditure has been allowed or is allowable as a deduction under section 46, be *nil*; and

(iv) for other assets, be the book value.