

Slump Sale - is it still Tax Efficient?

Provision for Slump Sale has been significantly amended by Finance Act 2021. This has retrospective effect even for slump sale concluded in FY 20-21. The transaction structuring landscape would predominantly change.

<u>Earlier Law</u>

Definition : Transfer of one or more undertakings as a *result of the sale* for a lump sum consideration

Consideration : There was no concept of Fair Market value. It considered actual sale value. For internal reconstructions , the Book Net Worth was mostly arrived as Sale Consideration.

<u>Amendment</u>

Definition : Transfer of one or more undertakings **by any means** for a lumpsum consideration

Consideration : Fair Market Value of the Capital Assets^{*} on date of transfer - calculated in a prescribed manner is deemed to be the consideration for slump sale. This is likley to enhance the taxable gain from Slump sale

Net worth calculation : Where Capital Asset, comprises of **Goodwill not purchased from previous owner**

cost to be taken as NIL

*The manner of arriving at the Fair Market Value is yet to be notified.

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