

F No 370133/30/2016-TPL
Government of India
Ministry of Finance
Department of Revenue
Central Board of Direct Taxes

New Delhi, Dated 25th July, 2016

Subject: Draft Rules for prescribing the manner of determination of amount received by the company in respect of share - section 115QA of the Income-tax Act, 1961-reg.

Under section 115QA of the Income-tax Act, 1961 (the Act), additional Income-tax at the rate of 20 percentis levied on the distributed income arising out of buy back of unlisted share by the company. The distributed income was defined to be the consideration paid by the company on buy back of shares as reduced by the amount which was received by the company for issue of such shares.

2. The Finance Act, 2016 amended the definition of "distributed income", with effect from 01.06.2016, to mean the consideration paid by the company on buy back of shares as reduced by the amount, which was received by the company for issue of such shares, determined in the manner as may be prescribed.

3. Therefore, the methodology for determination of the amount received by the company under different circumstances in which the shares have been issued, is proposed to be provided through the amendments of the Income-tax Rules, 1962. The draft rules, on which **comments and suggestion of stakeholders and general public may be sent electronically by 31st July, 2016 at the email address, ustpl1@nic.in** in this regard, are as under:

"(1) Where the share has been issued by a company on its subscription by any person, the paid up amount actually received by the company in respect of such share including any amount actually received by way of premium shall be the amount received by the company for issue of the share.

(2) Where the company had at any time, prior to the buy-back of the share, returned any sum out of the amount received in respect of such share the amount as reduced by the sum so returned shall be the amount received by the company for issue of the share.

(3) Where the share has been issued by a company being an amalgamated company, under a scheme of amalgamation, in lieu of the share or shares of an amalgamating company, then, the amount received by the amalgamating company in respect of such share or shares determined in accordance with this rule, shall be deemed to be the amount received by the amalgamated company in respect of the share so issued by it.

(4) The amount received by a company, being a resulting company in respect of shares issued by it under a scheme of demerger shall be the amount which bears to the amount received by the demerged company in respect of the original shares determined in accordance with this rule the

same proportion as the net book value of the assets transferred in a demerger bears to the net worth of the demerged company immediately before such demerger.

(5) The amount received by the demerged company in respect of the original shares in the demerged company shall be deemed to have been reduced by the amount as so arrived at under sub-rule (4).

(6) Where the share has been issued or allotted, without any consideration, on the basis of existing shareholding in the company, the consideration in respect of such share shall be deemed to be Nil.

(7) The amount received by a company in respect of any share issued by it on conversion of bond or debenture, debenture-stock or deposit certificate in any form, issued by it shall be that part of the amount received by the company in respect of the instrument as is so converted.

(8) In any other case the face value of the share shall be deemed to be the amount received by the company for issue of the share."

