

**MINISTRY OF FINANCE**

**(Department of Revenue)**

**[CENTRAL BOARD OF DIRECT TAXES]**

**Notification No. 61/2017**

**New Delhi, the 12<sup>th</sup> July, 2017**

**INCOME-TAX**

**Income-tax (20th Amendment), Rules, 2017 - Determination of fair market value of unquoted equity shares and other than a quoted share**

**G.S.R. 865(E).**- In exercise of the powers conferred by section 50CA and sub-section (2) of section 56 read with section 295 of the Income-tax Act, 1961 ( 43 of 1961), the Central Board of Direct Taxes hereby makes the following rules further to amend the Income-tax Rules, 1962, namely:-

**1.** (1) These rules may be called the Income-tax (20th Amendment), Rules, 2017.

(2) They shall come into force from the 1st day of April, 2018 and shall apply in relation to assessment year 2018-19 and subsequent years.

**2.** In the Income-tax Rules, 1962, -

**(A)** in rule 11UA, sub-rule (1), in clause (c), for sub-clause(b), the following sub-clause shall be substituted, namely:-

“(b) the fair market value of unquoted equity shares shall be the value, on the valuation date, of such unquoted equity shares as determined in the following manner, namely:-

the fair market value of unquoted equity shares =  $(A+B+C+D - L) \times (PV)/(PE)$ , where,

A= book value of all the assets (other than jewellery, artistic work, shares, securities and immovable property) in the balance-sheet as reduced by,-

(i) any amount of income-tax paid, if any, less the amount of income-tax refund claimed, if any; and

(ii) any amount shown as asset including the unamortised amount of deferred expenditure which does not represent the value of any asset;

B = the price which the jewellery and artistic work would fetch if sold in the open market on the basis of the valuation report obtained from a registered valuer;

C = fair market value of shares and securities as determined in the manner provided in

this rule;

D = the value adopted or assessed or assessable by any authority of the Government for the purpose of payment of stamp duty in respect of the immovable property;

L= book value of liabilities shown in the balance sheet, but not including the following amounts, namely:-

(i) the paid-up capital in respect of equity shares;

(ii) the amount set apart for payment of dividends on preference shares and equity shares where such dividends have not been declared before the date of transfer at a general body meeting of the company;

(iii) reserves and surplus, by whatever name called, even if the resulting figure is negative, other than those set apart towards depreciation;

(iv) any amount representing provision for taxation, other than amount of income-tax paid, if any, less the amount of income-tax claimed as refund, if any, to the extent of the excess over the tax payable with reference to the book profits in accordance with the law applicable thereto;

(v) any amount representing provisions made for meeting liabilities, other than ascertained liabilities;

(vi) any amount representing contingent liabilities other than arrears of dividends payable in respect of cumulative preference shares;

PV= the paid up value of such equity shares;

PE = total amount of paid up equity share capital as shown in the balance-sheet;”

(B) after rule 11UA, the following rule shall be inserted, namely:-

**“Determination of Fair Market Value for share other than quoted share.**

**11UAA.** For the purposes of section 50CA, the fair market value of the share of a company other than a quoted share, shall be determined in the manner provided in sub-clause (b) or sub-clause(c),as the case may be, of clause (c) of sub-rule (1) of rule 11UA and for this purpose the reference to valuation date in the rule 11U and rule 11UA shall mean the date on which the capital asset, being share of a company other than a quoted share, referred to in section 50CA, is transferred.” .

[F. No. 149/136/2014-TPL]

**PRAVIN RAWAL, Director (Tax Policy and Legislation)**

**Note:** The principal rules were published in the Gazette of India Extraordinary, part III, section

3, sub-section (i), vide notification number S.O. 969(E), dated the, 26th March, 1962 and were last amended vide notification number G.S.R.No.826(E) dated the 4th July, 2017.