

CBDT's Clarification on taxability of income from the transfer of unlisted shares

The Central Board of Direct Taxes (CBDT) has issued a clarification vide F No. 225/12/2016/ITA.II, dated May 02, 2016 that the income arising from transfer of unlisted shares would be considered under the head 'capital gain', irrespective of period of holding with a view to avoid disputes/litigation and to maintain uniform approach.

The aforesaid clarifications would not be applicable in the following cases: (i) the genuineness of transactions in unlisted shares itself is questionable or (ii) the transfer of unlisted shares is related to an issue pertaining to lifting of corporate veil; or (iii) the transfer of unlisted shares is made along with the control and management of the underlying business.

In the past, CBDT had issued a Circular dated February 29, 2016 regarding characterization of income from transactions in listed shares and securities.