

Government of India
Ministry of Finance
Department of Revenue
Central Board of Direct Taxes

New Delhi, 3rd May, 2018

PRESS RELEASE

CBDT invites suggestions on draft notification pertaining to new Rule 11UAB of IT Rules, 1962

Finance Act, 2018 has inserted clause (via) to section 28 of the Income-tax Act, 1961 ('the Act') so as to provide that any profit and gains from conversion of inventory into capital asset or its treatment as capital asset shall be charged to tax as business income. It has also been provided that for this purpose the fair market value of inventory on the date of conversion or treatment determined in prescribed manner shall be deemed to be the full value of consideration. Accordingly, rules are to be framed for providing the manner in which fair market value of the inventory shall be determined.

In view of the above, it is proposed to insert a new rule 11UAB in the Income-tax Rules, 1962 for prescribing the manner of determination of fair market value of the inventory which has been converted into, or treated as, capital asset.

In order to have wider consultation in this matter, the draft of notification proposed to be issued for amending the Income-tax Rules, 1962 has been uploaded on www.incometaxindia.gov.in. Stakeholders are requested to submit their comments/ suggestions on the draft notification by 14.05.2018 at the e-mail address dirtpl2@nic.in.

(Surabhi Ahluwalia)
Commissioner of Income Tax
(Media & Technical Policy)
Official Spokesperson, CBDT.

Draft of notification to be issued for amending Income-tax Rules, 1962 for prescribing the manner of determination of fair market value of the inventory for the purpose of 28(via) of the Income-tax Act, 1961.

S.O.....(E). – In exercise of the powers conferred by clause (via) of section 28 read with section 295 of the Income-tax Act, 1961 (43 of 1961), hereinafter referred to as the Income-tax Act, the Central Government hereby makes the following rules further to amend the Income-tax Rules, 1962, namely:—

1. (1) These rules may be called the Income-tax (th amendment), Rules, 2018.
(2) They shall come into force from the 1st day of April, 2019 and shall apply in relation to assessment years 2019-20 and subsequent years.
2. In the Income-tax Rules, 1962,—
 - (A) After rule 11UAA, the following rule shall be inserted, namely:—

“Determination of fair market value for inventory

11UAB. (1) For the purposes of clause (via) of section 28 of the Act, the fair market value of the inventory,—

- (i) being an immovable property, being land or building or both, shall be the value adopted or assessed or assessable by any authority of the Central Government or a State Government for the purpose of payment of stamp duty in respect of such immovable property on the date on which the inventory is converted into, or treated, as a capital asset;
- (ii) being jewellery, archaeological collections, drawings, paintings, sculptures, any work of art, shares or securities referred to in rule 11UA, shall be the value determined in the manner provided in sub-rule (1) of rule 11UA and for this purpose the reference to the valuation date in the rule 11U and rule 11UA shall mean the date on which the inventory is converted into, or treated, as a capital asset;
- (iii) being the property, other than specified in clause (i) and clause (ii), the price that such property would ordinarily fetch on sale in the open market on the date on which the inventory is converted into, or treated, as a capital asset.”