

# Introduction

Certain concessions are provided under various provisions of the Income-tax Act in respect of amalgamation which are as under:

**(a) To amalgamating company**

1) Sec. 47 (vi): In a scheme of amalgamation if an Indian Company satisfies the condition of Sec.

(1B), Capital Gains tax is not attracted in case of transfer of capital asset by the amalgamating company to the amalgamated company.

2) Sec. 47(via): Tax concession to foreign amalgamating company.

By virtue of Sec. 47(via), transfer of shares in an Indian Company held by a foreign company to another foreign company in a scheme of amalgamation is not treated as transfer if the following conditions are satisfied :-

- (i) Shares in an Indian company held by a foreign company.
- (ii) Business of the foreign company is taken over by another company in a scheme of amalgamation.
- (iii) At least 25% of the shareholders of amalgamation foreign company continue to remain shareholders of the amalgamated company.
- (iv) Such transfer does not attract tax on Capital Gains in the company in which the amalgamating company is incorporated.

## (b) To shareholders of an amalgamating company

Sec. 47(vii) : Transfer by a shareholder in a scheme of amalgamation of a capital asset being a share or shares held by him in amalgamating company if such transfer is made in consideration of allotment to him of shares in the amalgamated company and the amalgamated company is an Indian Company.

## (c) To amalgamated company

The following benefits in the hands of amalgamating company are available to the amalgamated company:

- Sec. 35(5) : Expenditure on scientific research
- Sec. 35A(6) : Expenditure on acquisition of patent right or copy right
- Sec. 35AB(3) : Expenditure on know how
- Sec. 35ABB(6) : Expenditure for obtaining license to operate telecommunication services
- Sec. 35D(5) : Amortization of preliminary expenses

- Sec. 36E(7) : Deduction for expenditure on prospecting etc. for certain minerals
- Sec. 36(ix) : Expenditure incurred for the purpose of promoting family planning.
- Sec. 72A : Carry forward and set off of accumulated and unabsorbed depreciation
- Sec. 35DD : Amortisation of expenditure in case of amalgamation or demerger

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