

One of the business undertaking sold along with assets & liabilities would fall within meaning of slump sale

Summary – The Cochin ITAT in a recent case of Amalgam Foods Ltd., (the Assessee) held that One of the business undertaking sold along with assets & liabilities would fall within meaning of slump sale

Facts

- The assessee sold its sea food business undertaking for a lump-sum consideration as a going concern. The Assessing Officer held that it was a case of slump sale within meaning of section 50B and, thus, profit earned by assessee was taxable as long term capital gain.
- The Commissioner (Appeals) upheld the order passed by Assessing Officer.
- The assessee filed instant appeal contending that what had been sold represented depreciable assets which had to be treated as business receipts only.
- On second appeal:

Held

- The ITAT held that the agreement is clear that the intention of the parties was to sell the entire sea food business undertaking for a lumpsum consideration which is nothing but slump purchase price.
- Since the assets and liabilities of the sea food business undertaking were sold by the agreement the sale will consequently fall in line with the idea of slump sale as per the provisions of section 2(42C). Since the assessee sold the entire undertaking with all its assets and liabilities together with all licences, permits, approvals, registration, contracts, employees and other contingent liabilities also for a slump price, this kind of sale would fall under the purview of section 50B of the Act. The provisions of section 50B are applicable so as to ascertain computation of capital gain in this case.
- In view of the above, there is no infirmity in the order of the Commissioner (Appeals) and the same is confirmed. The ground of appeal of the assessee is dismissed.