

**SECTION 56 OF THE INCOME-TAX ACT, 1961 - INCOME FROM OTHER SOURCES -
WITHDRAWAL OF CIRCULAR NO. 10/2018 DATED 31-12-2018 ON APPLICABILITY OF
SECTION 56(2)(viiia) OF THE INCOME-TAX ACT, 1961 FOR ISSUE OF SHARES BY A
COMPANY IN WHICH PUBLIC ARE NOT SUBSTANTIALY INTERESTED**

CIRCULAR NO. 02/2019[F.NO. 173/616/2018-ITA-I], DATED 4-1-2019

Reference is invited to the Circular No. 10/2018 dated 31-12-2018 on the captioned subject.

2. It has been brought to the notice of the Board that the matter relating to interpretation of the term "receives" used in section 56(2)(viiia) of the Income-tax Act, 1961 (the Act) is subjudice in certain higher judicial forums. Further, representations have been received from stakeholders seeking clarification on other similar provisions in section 56 of the Act.

3. Accordingly, the matter has been reconsidered by the Board. Given the fact that the matter relating to interpretation of the term 'receives' used in section 56(2)(viiia) of the Act is pending before judicial forums and stakeholders have sought clarifications on similar provisions in section 56 of the Act, the Board is of the view that the matter is required to be examined afresh so that a comprehensive circular on the matter can be issued

4. In view of the above, the Circular No. 10/2018 dated 31st December, 2018 issued from file No. 173/616/2018-ITA-I is hereby withdrawn and the aid circular shall be considered to have been never issued.

5. A fresh comprehensive circular on the subject shall be issued in due course.

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