

# Tax free settlement of family assets: How Godrej like family arrangement can help in redistribution of wealth among members without capital gain tax

"In the case of Godrej, specifically in the case of listed entities in the Group, there has been a realignment of shareholding amongst and within the promoter group in terms of the mutually agreed 'Settlement Agreement'. What differentiates the Godrej split is that the family arrangement has been done keeping in mind the aspirations of the third and fourth generation of the family," says Vishwas Panjiar, Partner, Nangia Andersen LLP.

### **What is the concept of 'family arrangement'?**

Family arrangement is an agreement that helps a family distribute its wealth among its members in a manner that avoids disputes or potential disputes.

## **Family arrangement: Which type of assets is exempted from tax**

According to Panjiar, all types of capital assets like shares, investments, land etc., would be eligible for the exemption. "However, if the family partition also involves transfer of immovable properties, stamp duty implications may apply," he says. This means that if you have the family wealth in the form of land, buildings, investments or other capital assets, you can distribute them all among the family members using the 'family arrangement process'.

## **When is the 'family arrangement' process exempt from income tax?**

Tax experts say that the concept of 'family arrangement' is not specially defined in the Income-tax Act, 1961. "Taxability arising from a family settlement emanates from judicial precedents that have been rendered by Courts over the years. It has been held that capital gain tax would not apply in case of transfer of assets pursuant to a family arrangement that meets the principles and established criterion," says Panjiar.