

Investors to Pay Tax on Buybacks Now; Promoter Plans may be Hit

Team ET

Buyback Count

Year	No of Co	Amount (₹Cr)
2020	55	36,517
2021	42	13,658
2022	58	38,305
2023	48	48,079
2024	18	6,685

(Till June '24)

Source: Primedatabase.com

ve been accumulated in the company, and not with the shareholders who intend to continue in the company. In such cases, the incidence of tax will now be different, because the recipient shareholders may be liable to tax at a rate higher or lower than 23%; most likely, it will be a higher burden," Dalal said.

In recent times, several technology companies had launched share repurchase programmes, where they paid the buyback tax. In 2023, 48 companies spent ₹48,079 crore via share repurchase programmes, according to Prime Database.

Buyback tax was introduced in 2013 for unlisted companies and it was extended to listed companies in 2019.

The budget proposed to tax income received on the buyback of shares in the hands of investors. Until now, companies were paying taxes on share buybacks.

The move is expected to hurt the promoters and large shareholders the most as share buybacks were used by companies as a tax-efficient way to reward them.

"The incidence of buyback tax being shifted from the company to the shareholders applies not only to listed companies, but also to unlisted companies; in some cases of closely-held companies, buybacks have been resorted to for some shareholders

to exit a company, either due to some family settlement or otherwise," said Ketan Dalal, MD, Katalyst Advisors

"This is especially so, where the funds ha-