

Slump Sale under GST (2026): Transfer of Business as a Going Concern

Description

Last updated: 08 October 2026 · Written and reviewed by CA Meet Dhrangadhariya, CSM & Co LLP

Quick summary

- A slump sale (selling a whole business, or a complete independent unit, for one lump sum) is treated as a “supply of service” under Schedule II, clause 4(c) of the CGST Act.
- That supply is exempt from GST under Notification No. 12/2017-Central Tax (Rate), entry 2, if the business or unit transferred is a going concern - fully functional, with all assets and liabilities moving together.
- Selling only selected assets, or a unit that cannot function on its own, is a taxable transfer of business assets, not an exempt going-concern transfer.
- Input tax credit on the stock and inputs that move with the business transfers to the buyer through Form GST ITC-02, not as ordinary supply.
- The Karnataka Authority for Advance Ruling (Rajshri Foods) confirmed that a fully functional unit sold with all its assets and liabilities qualifies for the exemption.

A slump sale means selling a whole business, or one complete and independent unit of it, for a single lump sum price, without separately valuing each asset or liability. GST law does not use or define the term “slump sale” at all - it only cares whether what moved was a “going concern.”

Is a slump sale a supply under GST?

Supply under GST is defined widely, covering sale, transfer, lease, barter or disposal made for consideration in the course or furtherance of business, so a slump sale is a supply unless a specific provision takes it out.

Schedule II: the key distinction

Schedule II of the CGST Act, 2017, clause 4, deals with transfer of business assets:

- Clause 4 generally treats a transfer of business assets as a **supply of goods**.
- Clause 4(c) carves out an exception: where a business is transferred **as a whole, as a going concern**, that transfer is treated as a **supply of service**, not of goods.

The exemption: Notification No. 12/2017-Central Tax (Rate)

Entry 2 of this notification exempts “services by way of transfer of a going concern, as a whole or an independent part thereof,” from GST. Read with Schedule II clause 4(c), this means a slump sale structured as a genuine going-concern transfer is a supply of service that carries a nil rate of tax.

What “going concern” requires

GST law does not define “going concern,” but rulings and departmental practice look for the transferred unit to be:

- A complete, self-contained business, not a selection of individual assets.
- Fully functional and capable of continuing to operate under the new owner without interruption.
- Transferred along with its liabilities, not just its assets, and typically its employees and contracts.

What is taxable, and what is exempt

Transaction	GST treatment
Transfer of selected business assets only (not the whole unit)	Supply of goods, taxable under Schedule II, clause 4
Transfer of a business, or an independent unit, as a going concern	Supply of service, exempt under Notification 12/2017-CT(R)
Sale of a non-functional unit, or one stripped of key assets/liabilities before transfer	Risks being treated as a taxable asset sale, not an exempt going-concern transfer

Input tax credit: Form GST ITC-02

Because the seller’s business, including its unutilised input tax credit, moves to the buyer, that credit is not reversed or forfeited. The seller transfers the balance in its electronic credit ledger to the buyer by filing **Form GST ITC-02**, and the buyer must accept the transfer on the portal for the credit to pass through.

Registration

The seller generally applies to cancel or suitably amend its GST registration once the business (or unit) stands transferred, and the buyer must hold or obtain its own registration to receive the credit and continue operating the transferred business.

The Rajshri Foods ruling

The Karnataka Authority for Advance Ruling considered a company with three manufacturing units that intended to sell one of them, complete with its land, building, plant and machinery, current assets and liabilities, for a lump sum. The Authority held that because the entire functional unit, assets and liabilities together, was transferred, the transaction was a supply of service covered by the Notification 12/2017 exemption, not a supply of goods.

How CSM & Co LLP can help

Structuring a slump sale to genuinely meet the going-concern test, and handling the ITC transfer and registration formalities correctly, decides whether the deal is exempt or exposed to GST - please reach out to our team and we will be happy to assist.

Technical terms explained in simple words

Term	What it means
Slump sale	Selling a whole business, or one complete unit of it, for one lump sum price, without pricing each asset separately. Not a GST term; borrowed from income-tax usage.
Going concern	A business, or part of one, that is complete and functional and can keep operating without interruption once transferred to a new owner.
Schedule II	A schedule to the CGST Act that lists activities deemed to be a supply of goods or of services.
Form GST ITC-02	The form used to transfer unutilised input tax credit from a transferor’s electronic credit ledger to a transferee’s, on a business transfer, sale, merger, demerger, amalgamation or lease.
Advance ruling	A binding decision by a tax authority, given to a specific applicant on a specific set of facts, clarifying how the law applies to their transaction.

Frequently asked questions

Is a slump sale taxable under GST?

No, not when the business or unit transferred is a going concern. Schedule II, clause 4(c) of the CGST Act treats the transfer of a business as a whole, as a going concern, as a supply of service, and Notification No. 12/2017-Central Tax (Rate) exempts that service from GST.

What does “going concern” mean for this exemption?

The unit being sold must be a complete, functional business on its own - all its assets, liabilities, employees and contracts transfer together, and it can continue operating under the new owner without a

break. Selling only selected assets out of a business does not qualify.

What happens if only some assets are sold, not the whole business?

That is a transfer of business assets, taxed as a supply of goods under Schedule II, clause 4, not the exempt going-concern transfer of clause 4(c).

How is input tax credit handled in a slump sale?

The unutilised input tax credit in the seller's electronic credit ledger is transferred to the buyer by filing Form GST ITC-02, rather than being reversed or lost.

Does a slump sale still need GST registration formalities?

Yes. The seller typically applies to cancel or amend its registration once the business transfers, and the buyer must already hold, or obtain, GST registration to receive the transferred credit and continue the business.

What did the Rajshri Foods ruling decide?

The Karnataka Authority for Advance Ruling held that selling one of three manufacturing units, complete with its assets and liabilities and fully functional, as a going concern, is a supply of service covered by the Notification 12/2017 exemption.

Official sources

- CBIC Tax Information Portal – Schedule II, CGST Act, 2017
- Notification No. 12/2017-Central Tax (Rate)
- GST Portal

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Date
01/11/2026
Date Created
12/05/2026
Author
meetsoni