Himachal Pradesh National Law University, Shimla (India)

HPNLU JOURNAL OF TAX LAW (JTL)

JOURNAL ARTICLES ISSN: 2584-0428 HPNLU JTL

Volume III (2024)

DEPRECIATION DENIED: REVIEWING THE EXCLUSION OF GOODWILL OF A BUSINESS OR PROFESSION AS A DEPRECIABLE ASSET IN THE INCOME TAX ACT, 1961

Prabhav Tripathi & Kshitij Srivastava

CONTENTS

DEPRECIATION DENIED: REVIEWING THE EXCLUSION OF GOODWILL OF A BUSINESS OR PROFESSION AS A DEPRECIABLE ASSET IN THE INCOME TAX ACT, 1961

Prabhav Tripathi & Kshitij Srivastava

Abstract

The reputation of a business serves as an intrinsic part of its structure and allows the goodwill to preponderate over the industry. The plausible regard and experience over some time in the contemporary market reflects an advantage that translates itself into an intangible asset. Though it has a nebulous character and intangible nature, goodwill is considered a long-term asset with the potential to magnify a company's value. In the context of Indian taxation laws, the jurisprudence has often held it germane to evaluate the commercial assets and any intangibles falling within the eligibility criteria for depreciation. The claim for depreciation, appropriately, considers identifiable non-monetary assets that form the difference between the business consideration and the real value of physical assets. However, while the depreciation of know-how, intellectual property, licenses, franchises and other rights of a similar nature is categorically permitted, the amendment introduced by the Finance Act of 2021 explicitly excludes the goodwill of a business or profession from the claim.

The primary objective of this paper is to analyse judicial precedents and statutory interpretations regarding the determination of goodwill as a depreciable asset to conclude specifically in the context of its eligibility for depreciation. Assessing how the Legislature and Judiciary have historically approached the concept of goodwill, this paper seeks to further delve into the complexities surrounding the treatment of goodwill for taxation purposes and ascertain its scope as a depreciable asset under the Indian tax regime.

In addition, this paper aims to construct a comparative study of the 'goodwill' concept in tax regimes of major world economies that have settled provisions concerning this issue. The core objective of this comparative analysis is to highlight the divergent approaches adopted by these economies, while taking inspiration from international best practices. Considering the broader impact on corporate tax liabilities, the implications of such alternative treatments on tax planning strategies have also been brought to the limelight, fostering an opportunity for sound policy reforms in India.

This paper concludes with a critical evaluation of the treatment of goodwill under the Indian tax regime, measuring whether the exclusion of depreciation on goodwill aligns with the principles of tax equity and economic efficiency. The findings of this paper also review the need to consider goodwill as a depreciable asset in light of the evolving ecosystem of business practices and global trends.

I

Introduction

In the context of modern India, where business models are on the rise and start-ups are mushrooming rapidly, there is a pertinent need for a detailed and unambiguous tax system. An ideal tax system ensures that taxpayers are served with non-arbitrary treatment while managing the revenue expectations of the state.[1] The exclusion of specific values from calculating a person's taxable income in assessment by way of exemptions, deductions, and depreciation is a step towards this direction.

For taxation and accounting in India, depreciation is the deduction that the revenue authorities permit to the taxpayer due to reducing an asset's real value.[2] As the common factors for such reduction in value include wear and tear and technological advancements, the revised allocation of a tangible or intangible asset's cost helps present the entity's accurate and fair position.[3]

The Income Tax Act, 1961 allows for depreciation under section 32 for tangible assets, including machinery, buildings, plant or furniture, and for intangible assets that deal with know-how, intellectual property rights, franchises or other rights of a similar nature.[4] The owner of such entity or asset may claim such deductions based on the written down value **("WDV")** of the block of assets used in the business or profession. These blocks of assets hold the assets from the same class based on their type, usage similarity and lifespan, having a uniform depreciation percentage within the block.[5] This system of depreciation rates over a block of assets ensures

[1] Amitabha Sen & Rakesh Chaudhary, *Tax Implications of Mergers in Indian Law*, 27 IBL 403 (1999).
[2] Saurabh Panwar and Dinesh Singhal, *Analysis of restriction on Depreciation of Goodwill made by Finance Act 2021*, TAXMANN (Sept. 20, 2021) *available at* – https://www.taxmann.com/research/income-tax/top-story/analysis-of-restriction-on-depreciation-of-goodwill-made-by-finance-act-2021-experts-opinion (last visited Oct. 25, 2024).
[3] *Id.*
[4] Income Tax Act, 1961, S. 32.
[5] Income Tax Act, 1961, S. 32.

more straightforward calculation and reduces the burden of compliance on taxpayers.[6]

The compliance undertaken in such matters by the taxpayers deals with the determination of partial or full ownership of the assets by the assessee, their usage for purposes of business or profession, and the prudent exclusion of any asset not permitted for depreciation. In light of the latter, Section 32 of the Act categorically restricts claims of deduction on any office appliances, machinery or plant falling within specific limitation criteria, any road transport vehicle, cost of land and goodwill, among other things.[7]

Though depreciation deals with the correlation of asset cost with its decreasing revenue-generation capacity for a fairer tax evaluation, the status of 'goodwill' as a depreciable asset has been the bone of contention for a long time. The article shall delve into the nuances of the concept of goodwill, analyse the underlying jurisprudence and legislative intent, and conclusively determine the viability of goodwill as a depreciable asset.

II

Goodwill as a Depreciable Asset

In business and accounting, 'goodwill' refers to an intangible asset representing the premium paid over the fair market value of a company's net assets. The requirement of this payment predominantly acknowledges the company's competitive advantages and market reputation during mergers, acquisitions, or corporate restructuring.

It is relatively simple to describe goodwill; however, defining it is complex.[8] Lord Macnaghten described goodwill, in ***Inland Revenue Commissioners* v. *Muller Co's Margarin***, [9]as the "benefit or advantage of the good name, reputation and connection of a business." He also observed that goodwill, as an intangible asset, cannot exist independently, as it is contingent upon being attached to a thriving business. To align the valuation of goodwill with recognised accounting standards,

---

[6] Dr Shrikant Kamat, *Tax on Goodwill is not Good News,* TAX INDIA ONLINE (Aug. 03, 2021), https://taxindiaonline.com/news/details?id=41716&view=column (last visited Oct. 24, 2024).
[7] Income Tax Act, 1961, S. 32.
[8] *Supra* 6.
[9] *Inland Revenue Commissioners v. Muller Co's Margarin* [1901] A.C. 217.

it can be calculated as the difference between the fair market value of the identifiable net assets and their acquisition price.

Goodwill Depreciation Prior to 2021

There has been a historical disagreement between the taxpayers and the Revenue Department regarding the qualification of goodwill as a depreciable intangible asset under Section 32 of the Income Tax Act, 1961.[10] While the taxpayers have argued that goodwill can be aligned with other intangibles like patents and trademarks, the department has contended that there is no explicit mention of the term within the statute's list of depreciable assets. This divergence in the interpretation has led to persistent litigation between the taxpayers and the department.

To provide legislative clarification, the Supreme Court in ***CIT v. Smifs Securities Ltd.***.[11] ruled that goodwill can be recognised as a "bundle of commercial rights" eligible for depreciation under Section 32 of the Act.[12] Despite being a pivotal development in interpreting the act, the judgment lacked detailed legislative analysis, leading to sustained judicial scrutiny and frequent litigation of disputes. As a result of this lack, the Revenue Department continued to challenge the status of goodwill as a depreciable asset. It argued that it lacked a determinable cost basis, which is a prerequisite for computing depreciation allowances.

Amendments by the Finance Act 2021: What Changed and Why?

In response to the prolonged uncertainty regarding the treatment of goodwill, the Parliament, in its attempt to mitigate the ambiguity, introduced certain amendments through the Finance Act, 2021. The amendments categorically excluded goodwill from the brackets of depreciable assets. They also highlighted how the goodwill does not inherently depreciate but may also appreciate or have volatile valuations tied to the business's performance. Conclusively, the amendments argued for differentiated tax treatments of goodwill compared with traditional intangible assets.

III

Jurisprudence, Evolution and Court Rulings on Goodwill

[10] Income Tax Act, 1961, S. 32.
[11] CIT v. Smifs Securities Ltd., (2012) 348 ITR 302 (India).
[12] Income Tax Act, 1961, S. 32.

In the 2012 judgment of ***CIT v. Smifs Securities Ltd***..,[13] the Supreme Court held that goodwill qualifies as a depreciable asset and categorised it with the traditional intangible assets. The apex court, while applying the principle of *Ejusdem Generis*,[14] broadened the definition of "business or commercial rights" under Section 32 of the Act, and allowed depreciation of goodwill. However, this judgment is criticised for its limited exploration of legislative intent and asset categorisation under statutory provisions such as Explanation 7 to Section 43(1)[15] and Explanation 2(b) to Section 43(6)(c)[16] of the Act, thus creating room for misuse in depreciation claims by the assessee.

Following a similar pattern to the Supreme Court, the Bangalore Tribunal also upheld permitting depreciation on goodwill in amalgamations in the ***United Breweries Ltd. v. Additional CIT.***[17] ruling, with an emphasis on valuation accuracy to curb inflated claims. While the tribunal reinforced the ***Smifs Securities***[18] precedent, it added cautionary limits on goodwill valuation for tax purposes. The tribunal's cautious approach towards the issue highlighted the requirement for accurate valuation and computation of goodwill to prevent misleading tax deductions created artificially. The ruling created a practical limit to allow goodwill as a depreciable asset.

Evolution of Legal Treatment

The Legislature took its turn to respond to these rulings through the Finance Act, 2021, which demonstrated amendments to specific provisions. These amendments represented a decisive shift in the treatment of goodwill for tax purposes by removing its entire depreciable status.

Relevant amendments in the Finance Act, 2021[19]:

1. Section 2(11): Exclusion of Goodwill from "block of assets" and thus any category of intangible assets.[20]
2. Section 32(1)(ii): Express omission of goodwill from the list of depreciable assets.

[13] CIT v. Smifs Securities Ltd., (2012) 348 ITR 302 (India).
[14] LII CORNELL LAW SCHOOL, *Ejusdem Generis available at* – https://www.law.cornell.edu/wex/ejusdem_generis (last visited Oct. 20, 2024).
[15] Income Tax Act, 1961, S. 43(1).
[16] Income Tax Act, 1961, S. 43(6).
[17] United Breweries Ltd. v. Additional CIT, (2016) 76 taxmann.com 103 (India).
[18] CIT v. Smifs Securities Ltd., (2012) 348 ITR 302 (India).
[19] Finance Act, 2021.
[20] Income Tax Act, 1961, S. 2.

3. Explanation 3(b) to Section 32(1): Removal of Goodwill from the statutory definition of intangible assets.[21]
4. Section 43(6)(c)(ii): Mandate to deduce the written-down value (WDV) of goodwill if a previous inclusion of a block of assets exists.[22]
5. Sections 50 and 55: Adjustments to govern capital gains treatment and acquisition cost calculations for goodwill—also, introduction of Rule 8AC to provide for methods of WDV adjustment.[23]

By enforcing the Finance Act, 2021, the legislature overrode the previous judicial precedents to clear the ambiguity and bring consistency in the tax treatment of goodwill and its qualification as a depreciable asset.

The Central Board of Direct Taxes (CBDT) introduced a new rule in 2021, Rule 8AC,[24] to further clarify the treatment of goodwill for short-term capital gains and the revaluation of the WDV under Section 50.[25] The rule has made it compulsory that goodwill be removed from the block of assets beyond its WDV as evaluated on April 1, 2020, and such removed goodwill would be subject to taxation as short-term capital gains. While the rule was intended to clarify the treatment of goodwill, it has opened potential litigation doors around asset reclassification without a distinct definition of goodwill.

The latest development in the treatment of goodwill is the Income Tax Appellate Tribunal, Hyderabad ruling in ***S&P Capital IQ (India) Private Limited v. ACIT***[26]. In this case, the Dispute Resolution Panel (DRP) denied depreciation on goodwill, given the legislative exclusion and the procedural limits as specified under the Finance Act, 2021 and argued that the due specific limitations under Sections 43(1), 43(6), and 49(1) of the Act[27] were not applied in the *Smifs Securities* case.[28] On the opposite note, the appellate tribunal ruled in favour of depreciation claims for goodwill in years before the amendments brought in 2021. The appellate tribunal held that the depreciation on goodwill remained valid until explicitly disallowed.

This case underscores the ongoing challenges the taxpayers and the revenue department face. Such divergence between the legislature's interpretation and judicial precedents reflects the complexity of reconciling retrospective tax law

[21] Income Tax Act, 1961, S. 32.
[22] Income Tax Act, 1961, S. 43.
[23] Income Tax Act, 1961, S. 55.
[24] Income Tax Rules, 1962, R. 8AC.
[25] Income Tax Act, 1961, S. 50.
[26] S&P Capital IQ (India) Private Limited vs. ACIT, (2024) 2024 ITAT 240 (India).
[27] Income Tax Act, 1961.
[28] CIT v. Smifs Securities Ltd., (2012) 348 ITR 302 (India).

amendments with judicial interpretation. This complex intersection may fuel further litigation related to the treatment of goodwill.

The Direct Tax Code, 2025: Goodwill as a Depreciable Asset

While announcing the Budget for the financial year 2024-2025, the Finance Minister of India raised the call for a comprehensive review of the Income Tax Act, 1961.[29] Though the Centre is under discussion on the revised direct tax code with relevant stakeholders, no notification from the Government suggests the possibility of a change in the status quo of 'goodwill'. The objective behind reviewing the current tax system in India is to bring forth changes that make the tax laws more lucid, simple, and easy to understand. With this notion in mind, the Centre also proposes reducing the scope for exemptions, deductions, and depreciation in the reformed tax laws under the Direct Tax Code 2025. Thus, the exclusion of goodwill from the calculation of depreciation shall have to maintain its status quo unless the Centre decides to take a contrary approach.

Moreover, the chances of such a climactic twist in the draft direct tax code are dubious, as the 2010 draft of the Direct Taxes Code Bill explicitly included goodwill in calculating depreciation under business capital assets.[30] However, it was excluded from forming a part of the block of assets as per amendments made by the Finance Act, 2021.[31] Although there is close to no chance of the Parliament taking a U-turn on its tax policy about 'goodwill', the possibility of witnessing a reform through the 2025 Code cannot be ruled out based on the need to incentivise entrepreneurial practices in India.

IV

Comparative Analysis: Goodwill Depreciation in OECD

The practices that lead to an economic boost in the developed countries have, more often than not, been the source of inspiration for developing economies to improve their financial status on the global stage. Despite having the largest population in the world, the tax awareness and participation in India still lingers at single-digit rates.[32] To boost the scope and scale of tax activity, a proper orientation of potential taxpayers regarding the pros and benefits of the regime has to be made. Adopting

---

[29] Suranjali Tandon, *How to Reform India's Income Tax Law*, INDIAN EXPRESS (Aug. 3, 2024), https://indianexpress.com/article/opinion/columns/how-to-reform-indias-income-tax-law-9491746/ (last visited Oct. 23, 2024).
[30] The Direct Taxes Code Bill, 2010.
[31] Finance Act, 2021, S. 8.
[32] *Supra* 6.

the best practices prevalent in other nations is a suitable step towards individually determining the tax structure of every significant taxable operation in India. Considering the question of goodwill as a depreciable asset, the practices undertaken in other countries and their impact could be comparatively analysed to shape an adequate mechanism for its evaluation under Indian taxation laws.

Leading from the front, the tax system of the United States of America allows the tax implications of goodwill in specific scenarios. The merger and acquisition deals in the USA are transacted as either an asset sale or a stock sale. If an asset sale acquires a company, the goodwill created and other intangible assets mentioned under Section 197 of the US Internal Revenue Code are permitted for deduction and amortisation over 15 years.[33] If the acquisition results from a stock sale, the goodwill created cannot be deducted from the tax calculation.

Further, the tax regime in Germany permits a straight-line goodwill depreciation over 15 years and a period of 5 years for general accounting purposes.[34] Applying the same straight-line method, the Belgian tax laws allow the goodwill in asset deals to be amortised for less than 5 years. For accounting purposes, however, such goodwill is not depreciated if the transactions follow the going concern principle and the operations are assumed to run in the foreseeable future.[35]

Luxembourg also serves as one of the prominent examples where the depreciation of purchased goodwill has been appreciated, with tax authorities generally allowing 5 to 10 years for depreciation.[36] Moving from the European countries to Asia, the South Korean tax structure also suggests the straight-line amortisation of goodwill over 5 years for the expenses listed for accounting purposes.[37]

Contrary to the above, the tax legislation followed in Australia takes a rigid stand against the inclusion and treatment of goodwill or other self-generated intangible assets as depreciable assets. The rationale behind the Australian Government's decision rests on the substantial revenue generation that the goodwill and intangible assets allow, and granting depreciation on the same would not produce any

---

[33] US Internal Revenue Code, 1986, S. 61 (United States of America).

[34] German Income Tax Act (EStG), 2002, S. 7(I)(3) (Germany).

[35] KPMG International, *Taxation of Cross-Border Mergers and Acquisitions Belgium* (2014) *available at* – https://assets.kpmg.com/content/dam/kpmg/pdf/2014/05/belgium-2014.pdf (last visited Oct. 20, 2024).

[36] KPMG International, *Taxation of Cross-Border Mergers and Acquisitions Luxembourg* (2014) *available at* – https://assets.kpmg.com/content/dam/kpmg/pdf/2014/05/luxembourg-2014.pdf (last visited Oct. 20, 2024).

[37] KPMG International, *Taxation of Cross-Border Mergers and Acquisitions Korea* (2014) *available at* – https://assets.kpmg.com/content/dam/kpmg/pdf/2014/05/korea-2014.pdf (last visited Oct. 20, 2024).

significant boost in the investment-innovation paradigm of the country.[38] Though the non-inclusion of goodwill has been often reviewed in Australia, the absence of any impactful outcome against the opportunity cost of losing out on revenue has discouraged the revision of the disallowance provision.

The above examples show how most of the flourishing tax economies worldwide, wholly or partly, allow goodwill to fall under the scope and ambit of depreciation. The policies discussed and followed by members of the Organisation for Economic Co-operation and Development (OECD) commonly construct a best international practices model for India to customise and mimic as per its taxation requirements. Though Australia contradicts the general conduct of the OECD members, such exclusion is suitable for its tax regime as the business and professional acumen has reached a stage of sustainable maturity and does not require financial measures of encouragement. Nevertheless, business models in India are still budding, and proper implementation of globally standard practices might provide adequate push for participation.

V

Analysing the Need for Goodwill Depreciation post the 2021 Amendment

The question of the inclusion of 'goodwill of a business or profession' in the permitted assets for depreciation has a history of causing tussles between the revenue authorities and the taxpayers. Though the jurisprudence over this issue has evolved and developed by various facets of interpretations allowing or disallowing the inclusion of goodwill in the definition, the Supreme Court's decision in *CIT v. Smifs Securities Ltd.*[39] was able to clear the fog altogether. The verdict entitled the depreciation of goodwill of a business or profession under section 32 of the Income Tax Act, 1961, in cases of merger transactions. Subsequently, the courts and tribunals relied on this landmark judgment to give parallel rulings on depreciation. However, with a single stroke, the Centre excluded goodwill from the scope of any tax depreciation with an amendment in the Financial Act, 2021. The amendment specifically excluded goodwill from the definition of intangible assets and as a part of the block of assets, while also invalidating the Supreme Court's decision in *Smifs Securities*.

---

38 Christina Allen & Richard Krever, *Recognising the Cost of Purchased Goodwill*, 35 ATF 59, 61 (2019).
39 CIT v. Smifs Securities Ltd., (2012) 348 ITR 302 (India).

Furthermore, as discussed above, the upcoming Direct Tax Code 2025 also does not hint at proposing any overturning changes to the relatively fresh amendment of 2021.[40] The memorandum released to explain the 2021 amendments provided the reasoning for imposing a bar on the depreciation claims. Firstly, it mentioned that the deductions on goodwill violate various other provisions of the Income Tax Act in certain situations, like business reorganisation, as it brings the amalgamation costs and WDV to zero. Secondly, the goodwill does not generally fall into the category of a depreciable asset. This is because, depending on the impact of the business, it has the potential to see appreciation, resulting in no value depreciation. Though the points in the memorandum are reasonable, the better solution would have been to define the 'goodwill' criteria for taxation and accounting purposes and fill the lacuna specifically for business reorganisation.

In the comparative analysis undertaken by discussing tax policies of OECD nations on goodwill, it could be observed that goodwill has been allowed to be depreciated or amortised over certain years by various Member States. The incentivization of businesses and professions with such depreciations helps boost taxpayers' investment and innovation engagement. As Australia has reached a stage of economic sustainability in terms of investment and corporate opportunities, including goodwill as a depreciable asset would not provide a relatively concrete push, making it a detrimental decision for revenue generation. In the case of India, however, the situation is not the same.

With the rise in startups and demand for innovation, India's business and professional industry is growing. In this age of development, pulling off viable tax incentive measures could not be justified with Australia's justifications. The revenue collected from direct and indirect taxes helps the nation develop, but such macro-expansion does not adequately compensate for the benefits of goodwill depreciation. A bottom-up approach to promoting business activities through tax relaxations that holistically improve revenue generation may better suit India's economic climate. Given this, the following suggestion can be considered in this regard:

1. Introduce a *statutory definition* for goodwill with a detailed evaluation criterion within the Income Tax Act. The current goodwill tax regime's varied interpretations and valuation methods have resulted from a lack of clear definitions, leading to frequent disputes. The government can provide taxpayers with a consistent framework for goodwill recognition by formally specifying the attributes that comprise its value, such as customer loyalty, market advantage, brand reputation, etc. The government should also outline standardised

[40] Finance Act, 2021, S. 8.

valuation methods, like income-based or market-based, to create a clear, uniform basis for assessing goodwill's tax treatment.

2. The economic realities facing businesses should be aligned with the tax policy governing these businesses. To accomplish this goal, a limited depreciation framework tailored to goodwill would sometimes permit its partial depreciation. These situations may include documented loss in market share, restructuring of business, or regulatory impacts upon the company. This cautionary approach can help mitigate artificially inflated claims and simultaneously acknowledge situations where goodwill has faced genuine depreciation.

3. Setting up a pre-approval process can help businesses avoid the risk of misaligning or exaggerating claims, especially during high-value transactions such as mergers and acquisitions, which might lead to disputes with the tax authorities later. In this process, businesses could be required to review and get confirmation of the goodwill valuation by the tax authorities, before it enters the procedural framework of depreciation. The pre-approval procedure would restore faith in the businesses, enhance transparency and reduce subsequent litigation.

4. The sudden exclusion of goodwill from depreciation has resulted in abrupt tax liabilities and complications in accounting for businesses that used to follow a different criterion. Transitional reconciliation provisions must be added to the Finance Act to address the retrospective denial of goodwill depreciation. This transition can be made in phases, allowing businesses to adjust the WDV gradually over several years. This would not only create a smoother shift but also minimise the financial impact of compliance with the updated framework without significant financial strain on the businesses.

5. India should refrain from strictly following Australia's methods of excluding goodwill from depreciation, owing to the economic and developmental differences between the two countries. The Indian economy is still evolving, and there is a greater need to sustain strategic tax incentives to promote business expansion, entrepreneurial ventures, and commercial activities. Such strategic tax incentives will benefit startups and growing business ecosystems.

6. Goodwill depreciation should not be excluded across all business reorganisations; instead, a distinction should be made between the cases where the reorganisation does not involve a third-party buyer and traditional mergers and acquisitions. This will prevent potential tax avoidance strategies in internal restructuring and incentivise legitimate business growth while mitigating tax revenue loss.

7. The draft of the Direct Taxes Code, 2010, which invited public comments, had initially included 'goodwill' under the ambit of both intangible and business capital assets. Considering the legislative intent at that time, if the same wisdom is applied in drafting the Direct Tax Code, 2025 – a revised and better version of the depreciation mechanism for intangible assets could be achieved to foster economic growth and business development.

Conclusion

The treatment of goodwill within the Indian tax regime has undergone significant transformations. This evolution reflects the complexities inherent in defining and valuing intangible assets and the dynamic nature of the business environment where this concept is dealt with. The historical ambiguity surrounding the depreciable status of goodwill has led to disputes between taxpayers and the revenue department and divergence in views between the legislature and judicial rulings.

To understand these challenges, the Indian government must adopt a forward-thinking approach encompassing clear definitions and guidelines for treating goodwill. The policymakers can mitigate the abrupt financial impacts of the recent amendments by establishing standardised valuation methods and implementing transitional provisions to move towards a more stable tax environment. Additionally, the alignment of tax policies with the economic realities of businesses will enhance compliance and support the growth of the Indian economy.

The complexity of this issue highlights the necessity for ongoing dialogue between the legislature, tax authorities, and the business community. By prioritising clarity and consistency in the tax treatment of goodwill, India can better position itself to facilitate equitable taxation, encourage investment, and promote sustainable economic growth in an increasingly competitive global landscape.