

Specified area [Urban area]

- Area within Jurisdiction of a municipality or Cantonment board having population of not less than ten thousand or,
- Area within distance, measured areally in relation to range of population from municipality or Cantonment board having population of not less than 10000.

Range	Population
≤ 2KM	> 10000
> 2KM to ≤ 6KM	> 100000
> 6KM upto ≤ 8KM	> 1000000

Note: Capital gain arising from the transfer of such urban agriculture land would not be treated as Agriculture Income.

- (iv) Gold Bond : (i) Specified Gold Bond : 6.5% Gold Bond 1977, or 7% Gold Bond 1980 National Defence Gold Bond
(ii) Special Bearer Bonds Issue 1991
(iii) Gold Deposit Bonds Issued by Cn under Gold deposit scheme, Gold monetisation scheme 2015/2018.

- (b) Any securities held by a foreign Institutional Investor [FII.] which has investment in such securities in accordance with the Sebi regulation.
(c) Any unit linked Insurance policy [ULIP] issued on or after 1.2.2021.

Transfer: Following Transactions regard as transfer :-

u/s 2(47)

1. The Sale, Exchange, Relinquishment of Assets
2. The Extinguishment of any Right therein.
3. Compulsory acquisition thereof under any law
4. owner of a capital Assets may convert the same into the stock-in-trade of business carried on by him.
5. maturity of zero coupon Bond
6. Possession of an immovable property is given in consideration of Part-performance of a contract.
7. There are certain type of transaction which have the effect of transferring or enabling the enjoyment of an immovable property.

• Type of Capital Gain .

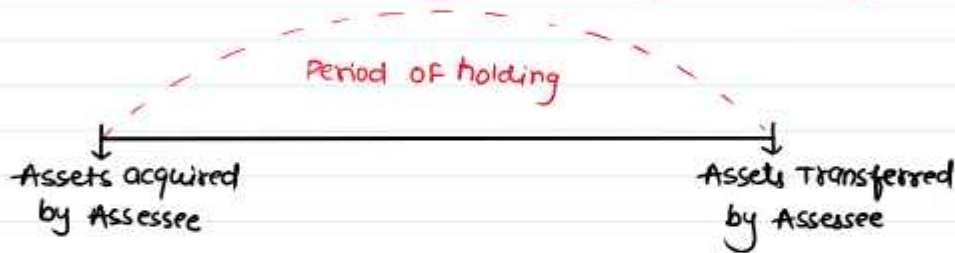


↓ [LTCG]
IF Transfer Long Term Capital Assets
[LTCA]

↓ [STCG]
IF Transfer short Term Capital Assets
[STCA]

Period of Holding

Capital Assets	STCA	LTCA
1. Equity share Listed Under Recognised stock Exchange → [NSE/BSE]	upto 12 MONTH	more than 12 MONTH
2. Unit of Equity oriented Fund / unit of UTI / zero coupon bond	upto 12 MONTH	More than 12 MONTH
3. Unlisted share	upto 24 M	more than 24M
4. Land & Building or both	upto 24M	More than 24M
5. Unit of Debt oriented Fund	upto 36 M	More than 36M
6. Unlisted securities other than share	upto 36M	More than 36M
7. Other Assets [J/w, Goodwill etc]	upto 36M	More than 36M



U/s 48: Computation of Capital gain

Full value of consideration [FVOC]	XX
(-) Transfer Related Exps [Commission (Brokerage etc)]	XX
Net consideration [NC]	XX
(-) Cost of Acquisition [COA]	XX
(-) Cost of Improvement [COI]	XX
Capital gain [CG]	XX
(-) Exemption under Capital gain (U/s 54, 54B, 54EC, 54F etc)	XX
Taxable capital gain	XX

Long Term
↳ LTCA

Short Term
↳ STCA

Ex MR-P purchase a house on 1.10.2021 ₹ 50,00,000. and sold such house on 1.12.2022 ₹ 65,00,000. commission paid on sale of house ₹ - 200000. Cal. capital gain?

So: Computation of capital gain

Full value of consideration	65,00,000
(-) Trf Exps (Commission)	2,00,000
Net consideration	63,00,000
(-) Cost of acquisition	50,00,000
(-) Cost of Improvement	-
Short Term Capital gain	13,00,000

$\xrightarrow{\text{24M}}$
 1.10.21 1.12.22

PROVISO TO SECTION - 48

↳ 1st Proviso to section-48 [First Proviso]

- ↳ A Non-Resident +
- ↳ Purchase Share or Debenture or Bond of Indian companies
- ↳ Acquired in foreign currency

then capital gain shall be calculated in foreign currency and after that it shall be **Re-Converted** into Indian currency

Ex- MR-P (Non-Resident) Purchase ABC Ltd [Indian Co] 1000 Share @ 80 each in foreign currency on 1.2.2022. on 31.12.22 MR-P sold such share @ 100 each. Cal. capital gain if on 31.12.22 1\$ = 90, 1.2.22 1\$ = 80

So: Computation of capital gain

Full value of consideration	\$ 1111.11
$\frac{1000 \times 100}{90}$	-
(-) Trf Exps	-
Net consideration	1111.11
(-) Cost of acquisition	1000
$\frac{1000 \times 80}{80}$	-
Capital gain	111.11

→ Re convert in ₹ = 111.11 × 90 = 10000

Ex-Ex

↳ Second Proviso of Section 48 : Indexation

In case of Long-Term capital Assets ⇒ Cost of Acquisition / Cost of Improvement should be Indexed.

Index cost of acquisition [ICOA] : $COA \times \frac{CII \text{ of yr of Transfer}}{CII \text{ of yr of purchase}}$
 [But if Assets purchase Before 1.4.2001 then CII is always = 100]

then CII is always = 100

Index cost of Improvement [ICOI]: $COI \times \frac{CII \text{ OF Yr OF Transfer}}{CII \text{ OF Yr of Improvement}}$
 [IF Improvement Before 1.4.2001 is ignored]

U/s 55: Cost of acquisition / Cost of Improvement
 : Cost of acquisition [COA]

(i) In case of Intangible Assets

- Goodwill \rightarrow Business / profession [Both Include]
- Trademark, Brand name, Copy right, Patent
- Right to manufacturing product / process
- Right to carry on Business or profession

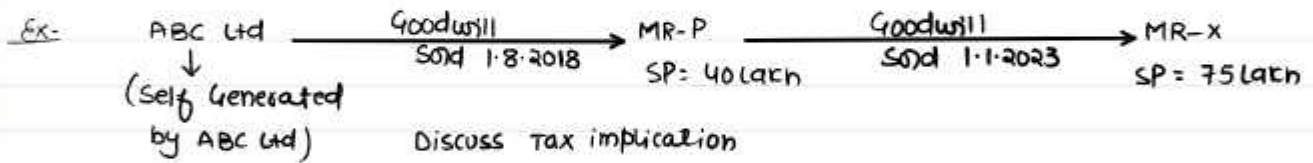


See

Cost of acquisition = NIL

Cost of acquisition = purchase cost

Note: Benefit of FMR 1.4.2001 is NOT available in such intangible Assets



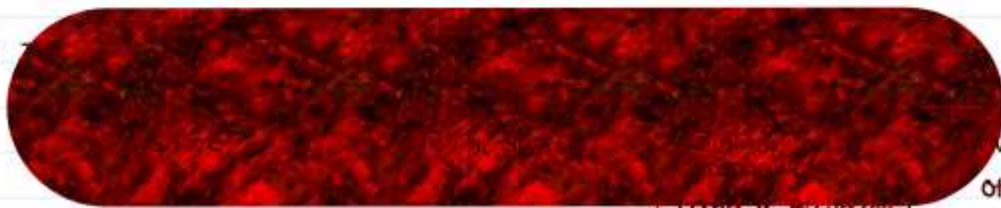
Sol. In hands of ABC Ltd
 PY 18-19

Full value of consideration	40 Lakh
(-) TRF Exps	-
Net consideration	40 Lakh
(-) Cost of Acquisition [Self Generated]	-
LTCN \rightarrow	40 Lakh

In hands of MR-P
 PY 22-23

Full value of consideration	75 Lakh
(-) Transfer Exps	-
Net consideration	75 Lakh
(-) Index Cost of acquisition	47.28
$40,00,000 \times \frac{331}{280}$	
LTCN \rightarrow	27.72

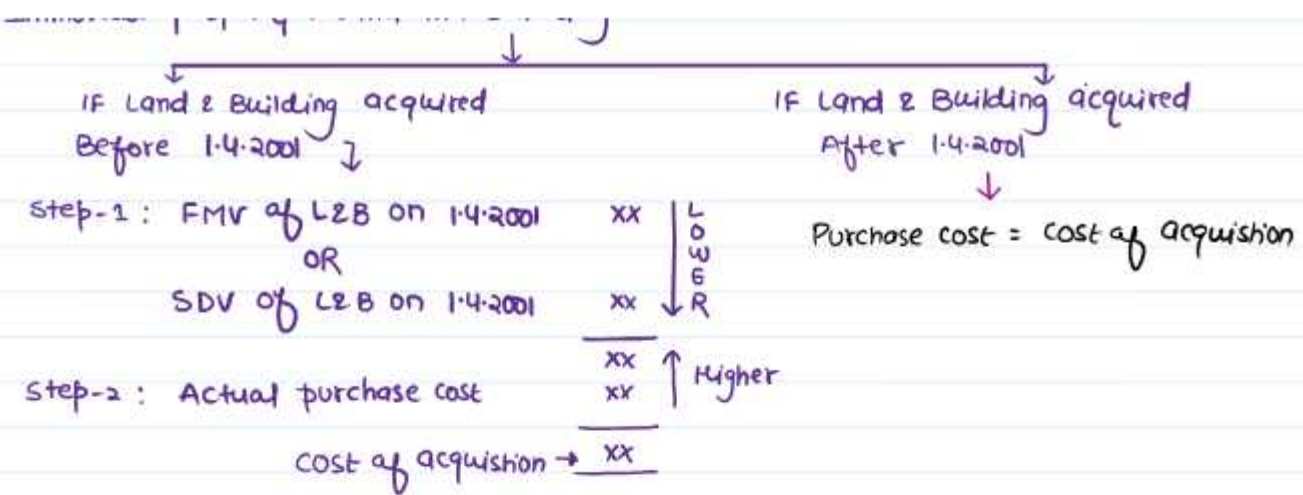
(2)



Immovable property other than Bonus / Right Share.
 (Land & Building)

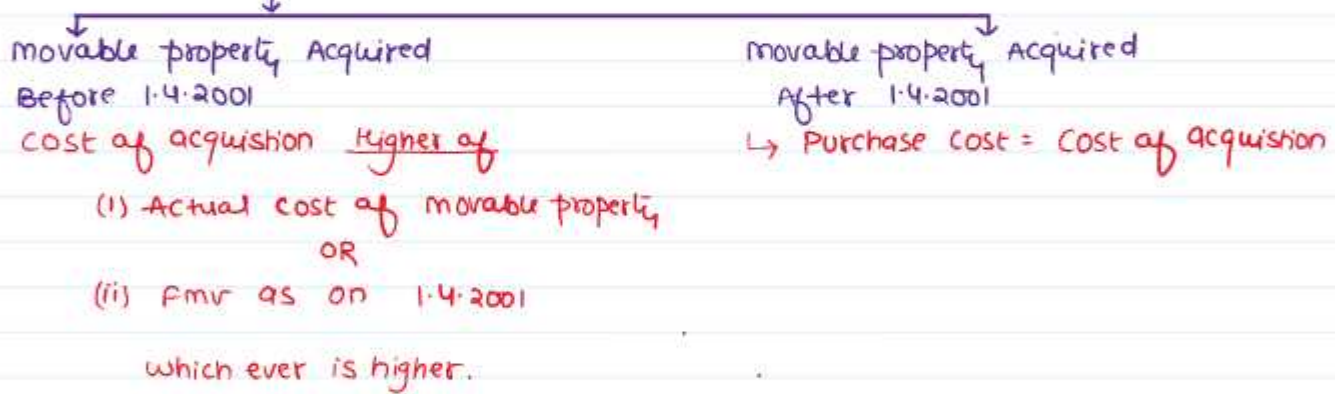
• Immovable property : Land and Building





Actual cost	FMV as on 1.4.2001	SDV as on 1.4.2001	COA
100	150	170	150
100	160	60	100
100	170	180	170
100	180	80	100
100	20	100	100

• Movable property



Ex- Sale date = 1.1.2023

Assets	Date of purchase	Cost of acquisition	FMV as on 1.4.2001	SDV as on 1.4.2001	COA ICOA
1. Gold	1.11.1990	500000	800000	-	2648000
2. Building	1.12.12	10,00,000	4,00,000	6,00,000	16,55,000
3. Share	1.8.2004	1,00,000	50,000	-	2929203
4. Building	1.5.1995	5,00,000	9,00,000	15,00,000	2979000
5. Plot	1.8.2000	8,00,000	10,00,000	7,00,000	2648000
6. J/w	1.12.2018	3,00,000	50,000	-	354643

• Bonus Share





Note: Period of holding → Date of Allotment to Date of Transfer

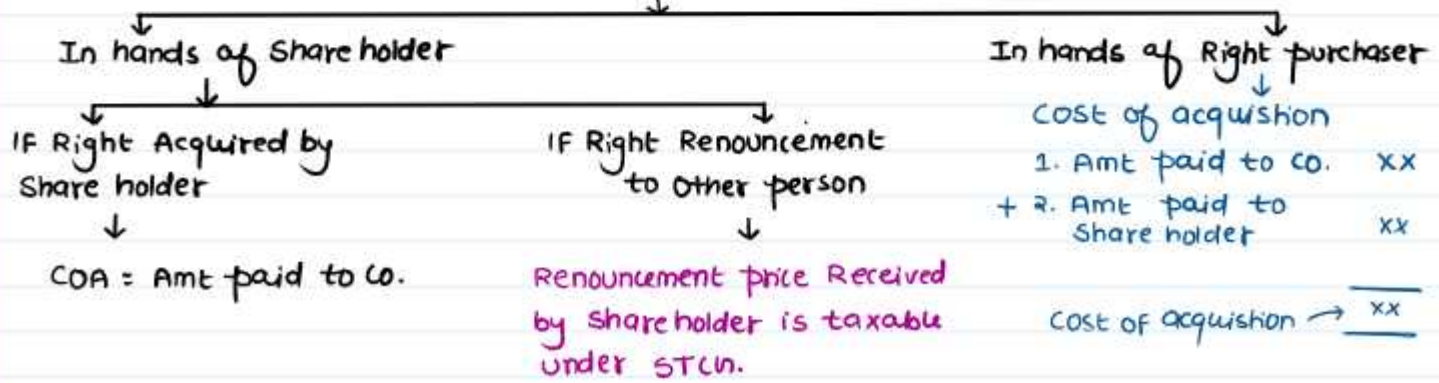
Ex. MR-P Purchase 1000 share of A Ltd on 1.7.1994 @ 100 each. On 15.12.1996 A Ltd Issue Bonus Share 1:1. and on 1.12.2007 A Ltd Issue again 1:1 Bonus Share.
 On 31.1.2023 MR-P sold all share @ 700 each [STT Not paid]
 Fmv of share 95 on 1.4.2001 = 200.
 Cal. Capital gain in hands of MR-P.

Sol: computation of capital gain

Total No. of Share holding
 Original share = 1000
 Bonus 96-97 1:1 = 1000
 Bonus 07-08 1:1 = 2000
 Share → 4000

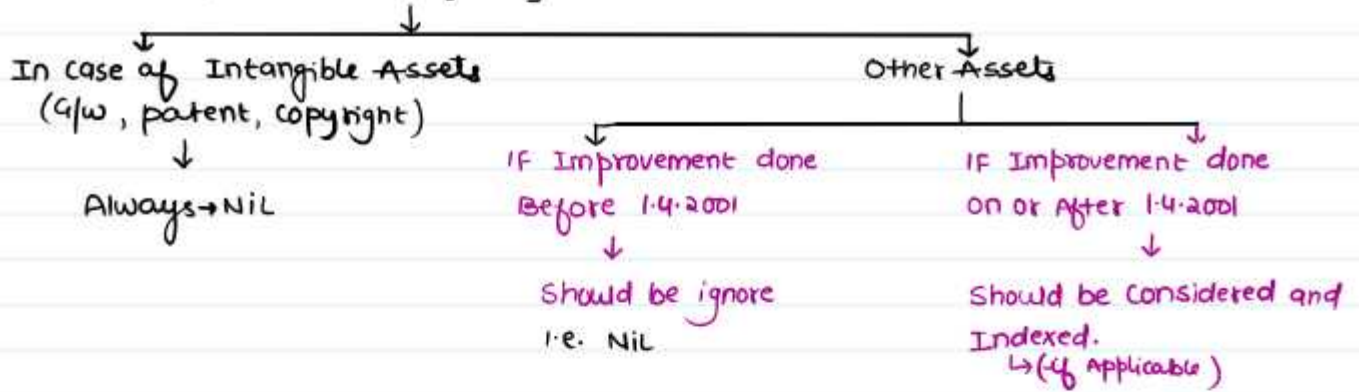
Full value of consideration [4000 x 700]	28,00,000
(-) Ttg Related Exps	-
Net consideration	28,00,000
(-) Index cost of acquisition	
Original share	
[1000 x 200 x $\frac{331}{100}$]	662000
Bonus share (96-97)	
[1000 x 200 x $\frac{331}{100}$]	6,62,000
Bonus share (2007-08)	-
LTCM →	14,76,000

• Right share :



COST OF IMPROVEMENT [COI]

COST OF IMPROVEMENT [COI]



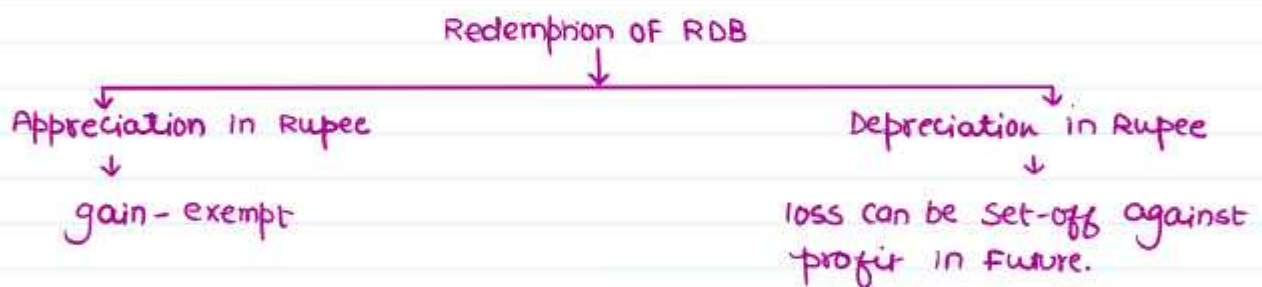
MCO

→ THIRD PROVISIO OF SECTION 48 : No Indexation in case of Debenture / Bond
however • Capital Index Bond
• Sovereign gold Bond } → can be Index.

→ 5th Proviso OF Section 48 :

Foreign Exchange Fluctuation gain on RDB [Rupee Denomination Bond]

↳ IF a non resident Invest in RDB in foreign currency → Any gain Arising on RDB against foreign currency at the of Redemption of RDB shall be exempt.



Note : No Indexation under RDB

: Exemption Not available IF RDB is Transfer Before maturity.

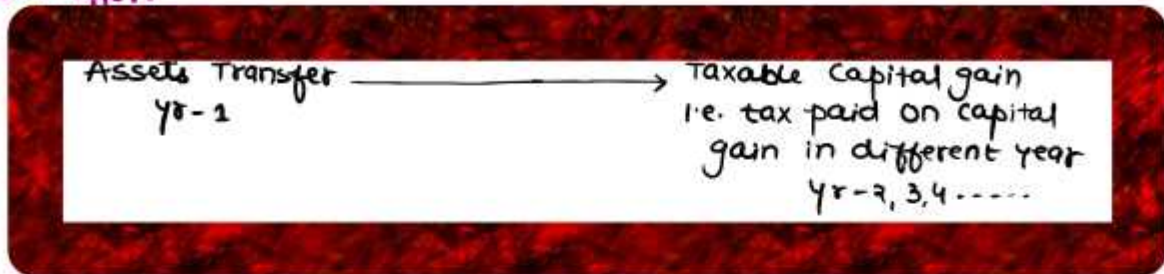
→ 6th [Sixth] Proviso OF v/s 48 : STT NOT Allowed



In short : STT Fully ignore calculating of Capital gain.

u/s 45(1): charging section

capital gain is chargeable to tax in the year of transfer But in following 4 case capital gain is NOT taxable in year of transfer.

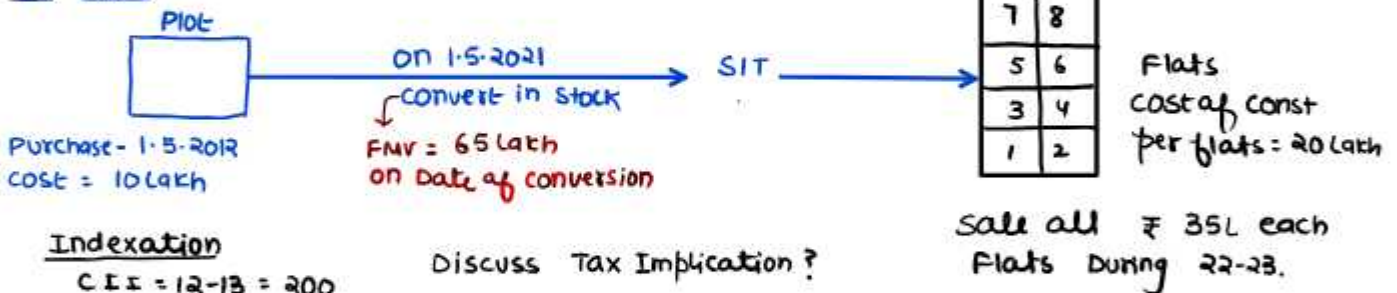


Case-1: Conversion of Capital Assets into Stock-in-Trade:

capital gain shall be arise

- ↳ where in which assessee convert capital assets into SIT.
- ↳ Capital gain shall be taxable [paid] in which SIT is sold.

Ex MR-P



Indexation

C.I.I = 12-13 = 200
= 21-22 = 317

Discuss Tax Implication?

Sol: computation of capital gain

Full value of consi	6500000
(-) TRB Exps	-
NC	65,00,000
(-) ICOA $[10L \times \frac{317}{200}]$	15,85,000
LTCN	49,15,000

Taxable when stock sold → PY 22-23

Business Income

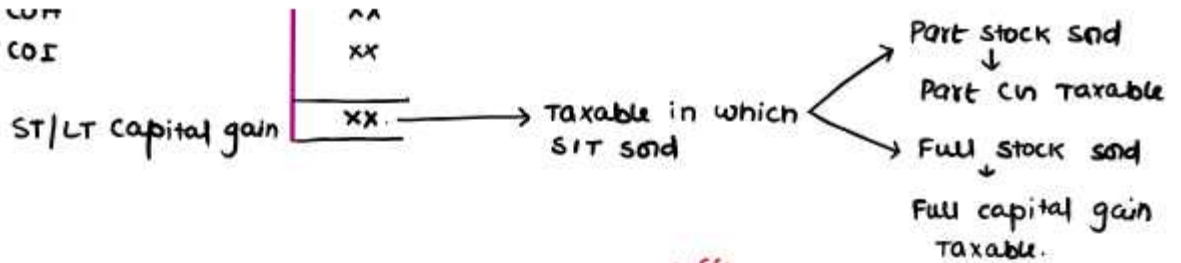
Sale value = 280 Lakh (35x8)
(-) cost of const = 160 Lakh (20x8)
(-) cost of land = 65 Lakh
<u>PGBP 55 Lakh</u>

computation of capital gain in case of conversion of Assets into SIT

Full value of consideration	FMV on Date of conversion
(-) Transfer Related exps	-
Net consideration	XX
(-) ICOA COA	XX
(-) ICDE COI	XX

Part stock sold
↓
Part can taxable

- (-) ICOM | WMT
- (-) ICOT | COI



Case-2: Assets compulsory Acquisition by govt $\begin{matrix} \swarrow S_n \\ \searrow C_n \end{matrix}$

Capital gain taxable in the year of in which compensation is received
 ↳ tax paid

- capital gain → Assets Transfer → year in which compulsory Acquisition of Assets
- capital gain → Tax paid → in which compensation received.

computation of capital gain

Full value of consideration	Compensation Received From Govt.	<u>Indexation</u> COA X $\frac{CII \rightarrow \text{Yr in which Compensation Recd}}{CII \rightarrow \text{Yr in which Assets is purchase}}$
(-) Transfer Related Exps	-	
Net Consideration	xx	
(-) ICOA COA	xx	
(-) ICOT COI	xx	
LT/ST CN	xx	

↳ Compensation is Received in Instalment



Note: Enhanced compensation taxable in the year in which final order is passed by court.

Note: Any Interest received on late compensation shall be taxable under IFOs & 50% Deduction Available.

i.e. Interest on Enhanced compensation X 50% = Taxable under IFOs.

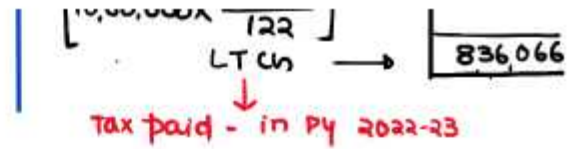
Ex- MR-A Purchase a house property ₹ 10L on 18.07.2006. On 1.8.2016 state govt has compulsory acquired such house-property compensation fixed by state govt ₹ 30L 1st Instalment of original compensation ₹ 500000 received on 1.8.2022. Cal. capital gain in hands of MR-A.

Period of holding

sol. computation of capital gain [22-23]

Full value of consideration	30,00,000
(-) Trf Related Exps	-
Net Consideration	30,00,000
(-) ICOA	2163934
$\left[10,00,000 \times \frac{264}{122} \right]$	
LT CN	836,066

Period of holding



Case-3: Insurance Claim

- ↳ capital gain will be taxable in the year in which Insurance claim is received
- ↳ IF NO claim received FROM Insurance Co., then NO capital gain taxable.

Computation of capital gain

Full value of Consideration	Claim Amt
• claim in money	money
• claim Received in Assets	FMR of Assets
	XX
(-) Transfer Exps	XX
Net consideration	XX
(-) COA ICOA	XX
LT ST capital gain	XX

Case-4: Joint Development Agreement [JDA]

- ↳ capital gain taxable in Previous year in which completion certificate [CC] for whole/ Part of property is Issued by competent Authority.

Computation of capital gain under JDA

Full value of consideration	
a) SDV of his Share on the date of Issue certificate	XX
+	
b) Cash Received From Developer	XX
	XX
(-) Transfer Exps	XX
NET consideration	XX
(-) ICOA COA	XX
LT ST capital gain	XX

Note: In case assessee transfer his share in the project before date of CC then capital gain will taxable year in which transfer of share as normal provision of capital gain.

Section: 45(3): Transfer of capital Assets by

- Partner to Partnership Firm
- member to AOP/BOI



Received consideration Full / Part upto the date of agreement in any mode other than cash.

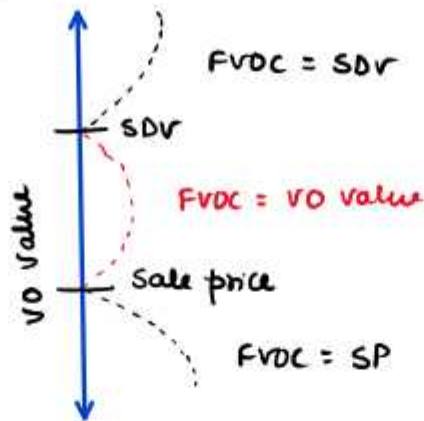
NOT: U/S 55A: Reference to Valuation officer

[Reference to VO only if variance of FMV

(i) 15% of sale price

OR
(ii) ₹ 25000

which-ever is lower



U/S 50CA: valuation of consideration in case of unquoted share.

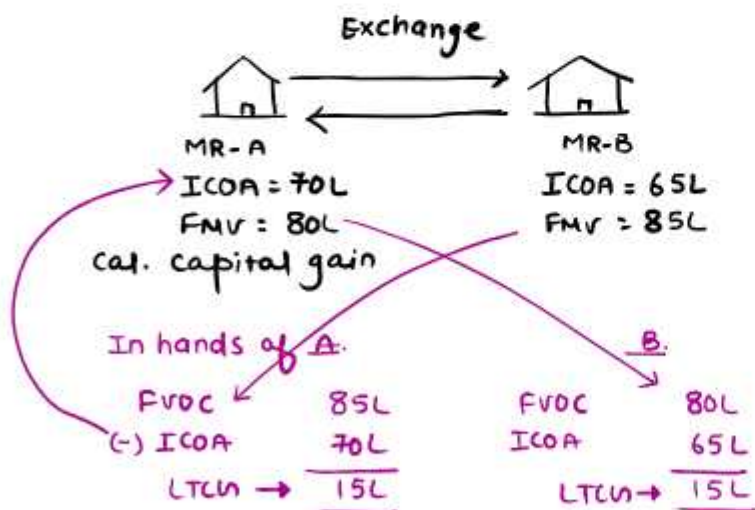
FMV of unquoted share shall be FVOC.

• unquoted means other than quoted

Quoted [Listed] share means listed into NSE/BSE.

U/S 50D: where sale consideration is not ascertainable or can't be determined.

FMV of such Assets as on the date of Transfer shall be FVOC [Full value of consideration.]



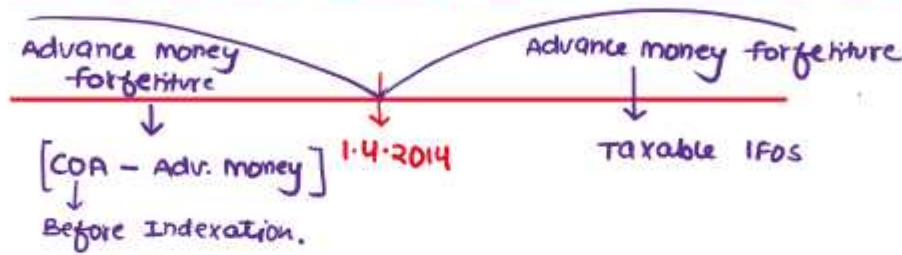
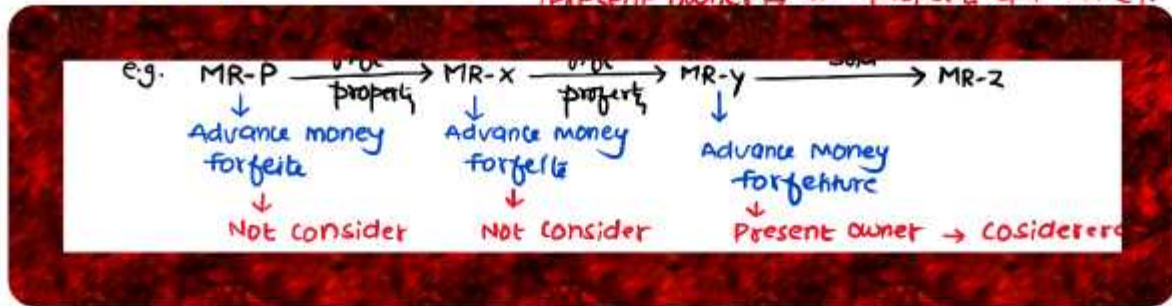
U/S 51: Advance money forfeited :

→ Any Advance money forfeiture on or after 1.4.2014 shall be taxable in year of forfeiture under IFOS.

→ Any Advance money forfeiture by Assessee Before 1.4.2014 shall be reduced from CAG [Before Indentation]

→ Any Advance money forfeiture by Assessee Before 14.2.2014 shall be reduced from COA [Before Indexation]

Present owner → जो property ऐं च 281 हैं।



Ex. MR-P Purchase a property on 1.8.1996 ₹ 75000.

COST OF Improvement

1.8.1998 = 50000
 1.11.2012 = 100000

Advance money forfeited

1.7.2006 = 40000
 1.12.2019 = 200000

FMR As on 1.4.2001 = 500000

SDR As on 1.4.2001 = 400000

MR-P sold such property to MR-X ₹ 25,00,000. SDR on Date of Transfer ₹ 65,00,000. [1.1.2023]

cal. Capital gain / IFOs in hands of MR-P.

SO: Computation of capital gain

Full value of consideration (As per v/s 50C)	65,00,000
(-) Trg Exps	-
Net Consider.	65,00,000
(-) Index cost of acquisition	
400000	
(-) $\frac{400000}{360000} \times \frac{331}{100}$	11,91,600
(-) Index cost of improvement	
$100000 \times \frac{331}{200}$	1,65,500
Long Term capital gain	51,42,900

IFOS - 19-20

Advance money forfeited = 200000.

SLUMP SALE # v/s 50B.

Slump sale means assets transfer the entire undertaking / Division / Branch for Lumpsum consideration without assigning value / selling price to Individual Assets.

Computation of capital gain under Slump sale

Full value of consideration (Lump-sum consideration)	XX [Not less than FMV]
(-) Transfer Exps	XX
Net consideration	XX

Higher = FVOC
 FVOC [Lump-sum] vs FMV
Computation of Net worth Assets

(-) Transfer exps	xx
Net consideration	xx
(-) Cost of Acquisition ↳ [No Index] (Net worth of undertaking)	xx
LT/ST capital gain	xx

Computation of Net worth

<u>Assets</u>	
1. Depreciable Assets	WDR (As per I.T.)
2. Other Assets	Book-value
	xxx
(-) Current Liab.	Book-value
Net worth →	xx

Note:-1: Re-valuation of Assets shall be Reversed



Note:-2: For computing Net worth, Assets on which deduction u/s 35/35AD claimed then value of such Assets is NIL.

Note:-3: Nature of capital gain

- ↳ IF undertaking held for more than 3yr = LTCG
- ↳ if undertaking held for 3yr or less = STCG
- [unit sold at ₹1]

Ex. A Ltd Balance sheet

		Division		
		A	B	
E.S. Capital	400	Fixed Assets	100	150 → (depreciable Assets)
Res. Surplus	200	Current Assets	100	200
Current Liab		Land	50	75
Division A	150	Other Assets	150	75
Division B	150			
	900		400	500

Note

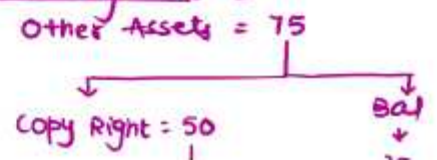
- WDR of Assets Division-A = 80 Division = 120
- Revaluation of Land [upward Revaluation = Division A = 20, B = 40]
- Other Assets of B Include purchase of copy right ₹ = 50 [Date of purchase = 1.4.2020 / Dep. Rate 25%]
- Division B Transfer under slump sale ₹ 400 and FMV of Division B is 450.
- Transfer Related Exps = 20.

cal. Capital gain under SOB. [Assuming Division B operate since 1961.]

SOB computation of capital gain under Slump sale u/s SOB

Full value of consideration	450 [FMV]
(-) Transfer exps	20
Net consideration	430
(-) Cost of Acquisition	

Working note - 1



Net Consideration	430
(-) COST of Acquisition ↓ Net Worth	258.125
Long Term cap. gain	171.875

Copy Right = 50	
↓	
(-) Dep 20-21	12.5
(-) Dep 21-22	9.375
WDR	<u>28.125</u>

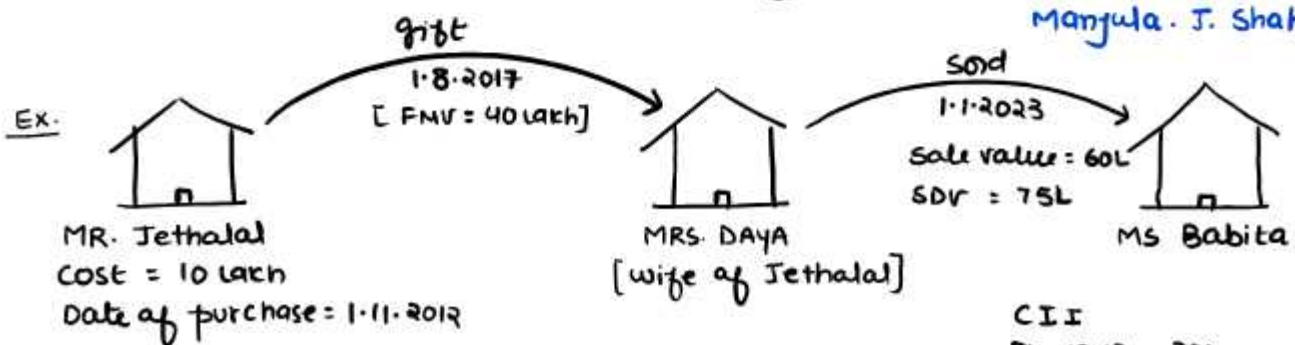
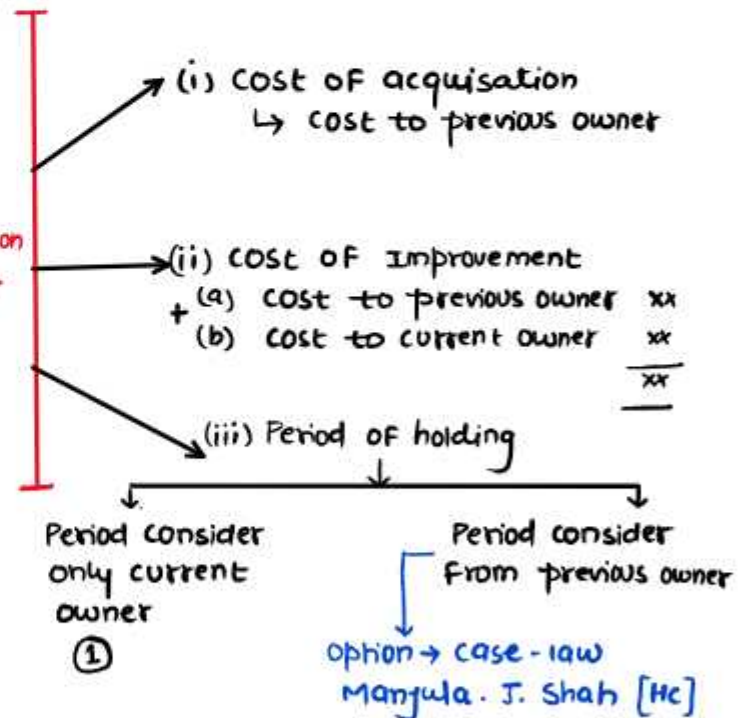
Calculation of Net worth

Fixed Assets	= 120
+ Current Assets	= 200
+ Other Assets	= 53.125
+ Land [75-40]	= 35
	<u>408.125</u>
(-) current Liab	= 150
Net worth	= <u>258.125</u>

u/s 47: Certain Transaction Not Regarded as transfer i.e. exempt Transfer

→ in following transaction → Transfer not consider as transfer i.e. No capital gain will arise in hands of transferee.

1. Distribution of capital Assets on Partition of HUF.
2. Transfer of capital Assets under Gift, will, irrevocable Transfer
3. Transfer of Assets under Amalgamation provided Amalgamated co. is Indian co.
- 4/s. Holding co → Subsidiary co.
Assets Transfer
[100% share hold by holding co.]



cal. Capital gain in hands of Jethalal / MRS. DAYA.

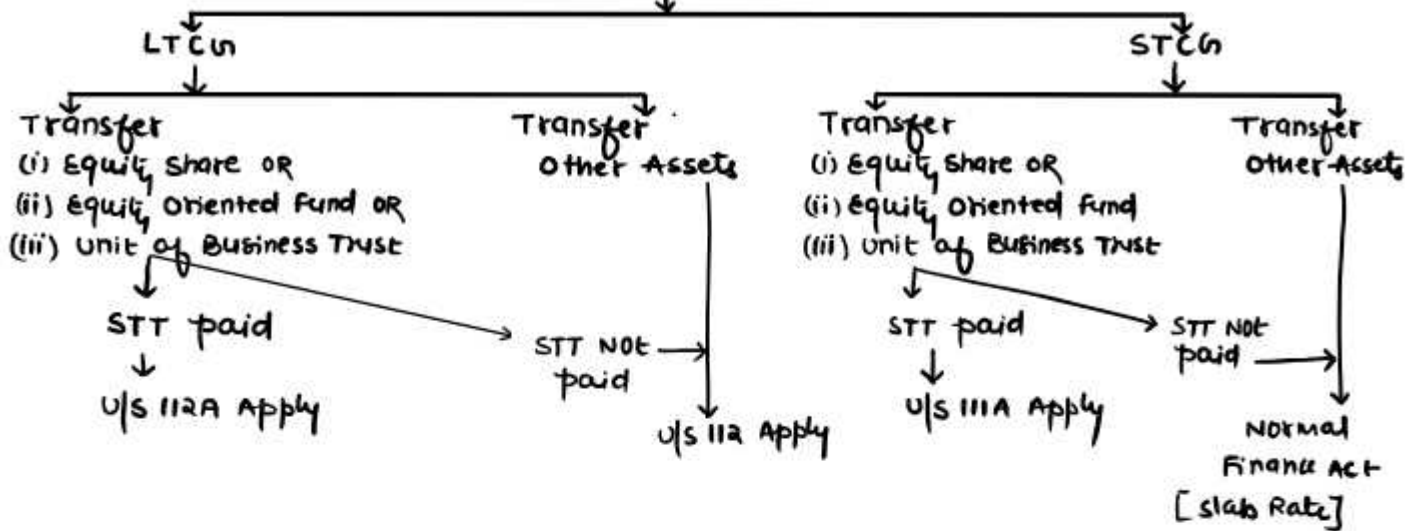
CII	
PY = 12-13	200
PY = 17-18	272
PY = 22-23	331

SO: MR. Jethalal
 u/s 47 Apply
 No. capital gain

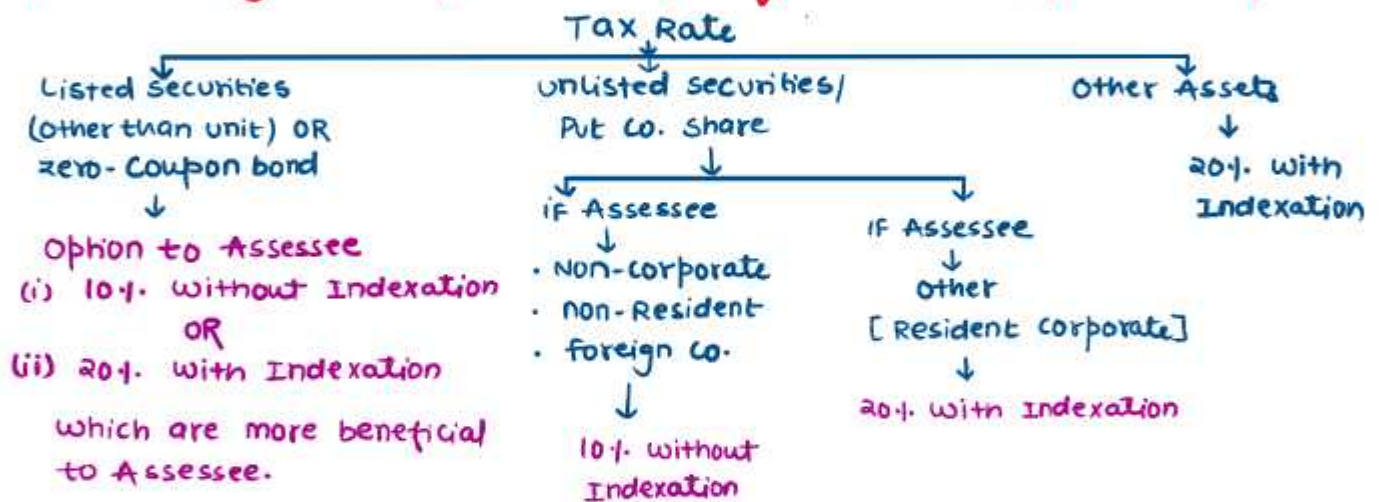
MRS. DAYA.
 Computation of Capital gain

Full value of consid.	75,00,000	75,00,000
(-) Transfer Exps	-	-
Net consideration	75,00,000	75,00,000
(-) Index cost of Acq.		
$1000000 \times \frac{831}{272}$ [current owner]	12,16,912	6,55,000
Long Term Capital gain	62,83,088	68,45,000

Tax Rate under capital gain



U/s 112: Long Term capital Transfer of other Assets / STT not paid



Bond



Note:

1. No Deduction u/s 80C to 80U available against u/s 112
2. Deficiency of Basic exemption limit is Allowed against u/s 112.
3. Rebate u/s 87A is allowed.

EX-1 MR-P [Age 62 yr]

Income
 U/s 112 [LTCG] = 300000
 Other Income = 200000
 Cal. Tax payable is

Resident

Total Income = 500000
 U/s 112 300000 ← Ar...
 Normal Income 200000

u/s 112 LTCG = 300000
 Other Income = 200000
 Cal. Tax payable if
 • MR-P is Resident Assessee
 • MR-P is Non-Resident Assessee.

(-) u/s 87A

+ cess @ 4%

u/s 112 300000 - 100000 <hr/> 200000 x 20% = 40000 = 12500 <hr/> 27500	← Adjust →	Normal Income 200000 - 300000 <hr/> - 100000
		+ cess @ 4% 1100 <hr/> 28600 Tax payable

EX-2 MR-P

Income

LTCG u/s 112 = 40,00,000
 Other Income = 20,00,000

Cal. Tax payable.

Total Income = 60,00,000

Tax on LTCG u/s 112 = 800000
(40L x 20%)

(+) Tax on Bal Income =

upto 25000 0
 next 25000 12500
 next 50000 100000
 next 10L 300000 = 4,12,500

+ surcharge @ 10%

+ cess @ 4%

Tax payable

12,12,500

12,12,500

1333750

53350

1387100

u/s 112A: Long Term capital gain in case of Transfer of

- (1) Equity share
- (2) Equity oriented fund
- (3) unit of Business Trust

(i) Tax Rate Excess of 100000 = 10%

e.g. u/s 112A = 375000

Tax = (375000 - 100000) x 10% = 27500

(2) STT paid [Securities Transaction Tax]

For Equity share

STT must be paid at Both time

(i) at purchase of share

+

(ii) at Transfer of share

Unit / Equity oriented fund

STT paid only time of Transfer

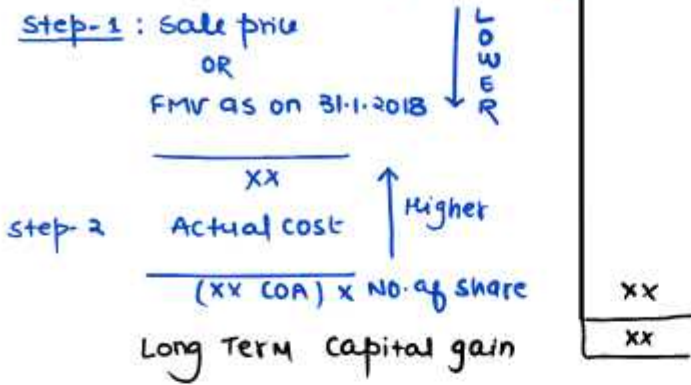
Computation of capital gain u/s 112A

Full value of consideration	xx
(-) Transfer Exps	xx
Net consideration	xx
(-) Cost of acquisition [NO Index]	

Note:

- NO Indexation u/s 112A
- NO Deduction u/s 80C to 80U available against u/s 112A
- NO 87A Rebate Available against u/s 112A Income
- Deficiency of Basic exemption

(-) Cost of acquisition [NO Index]



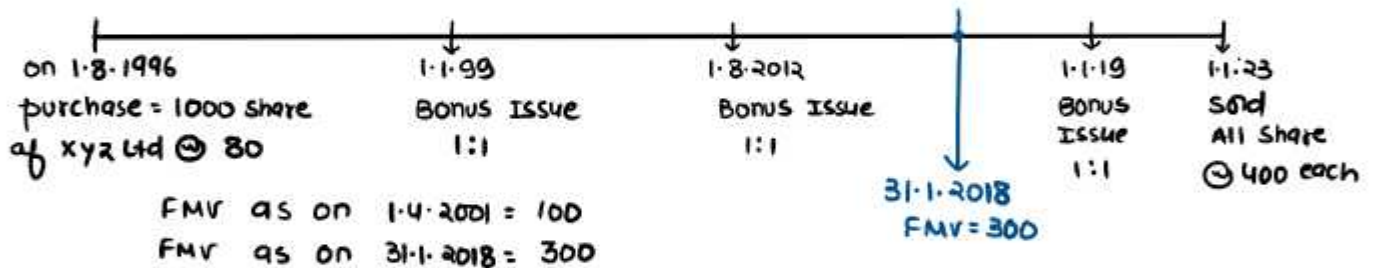
against u/s 112A income

- Deficiency of Basic exemption limit is Allowed to Adjust.
- Maximum Surcharge Rate u/s 112A is 15%.

EX.

	NO. of share	Sale price	Actual cost	FMR 31.1.2018	LTCM u/s 112A	COA
1.	1000	150	50	100	50 x 1000 = 50K	100
2.	1000	150	150	200	0	150
3.	1000	150	160	155	- 10000 Loss	160
4.	1000	150	100	145	5000 gain	145
5.	1000	150	75	60	75000 gain	75

EX.



Calculate capital gain
Case-1: STT paid on sale
Case-2: STT not paid on sale.

Case-1: STT paid u/s 112A Apply computation of capital gain

Full value of consideration (8000x400)	32,00,000
(-) Transfer Related Exps	-
Net consideration	32,00,000
(-) Cost of Acquisition [Original share + Bonus share Before 31.1.2018]	
Sale price = 400	
FMR 31.1.18 = 300	Lower
Actual cost = 300	Higher
COA = [300 x 4000]	12,00,000
Bonus share After 31.1.2018	
SP = 400	

(-) Index cost of Original share
 $100 \times 1000 \times \frac{331}{100}$
Bonus share - 1
 $100 \times 1000 \times \frac{331}{100}$
Bonus share - 2
Bonus share - 3

$LCA = [500 \times 4000]$
 BONUS Share After 31.1.2018
 SP = 400
 FMR [31.1.18] = 300
 Actual Cost = 0
 $[300 \times 4000]$
 LTCN →

17,00,000
 0
 20,00,000

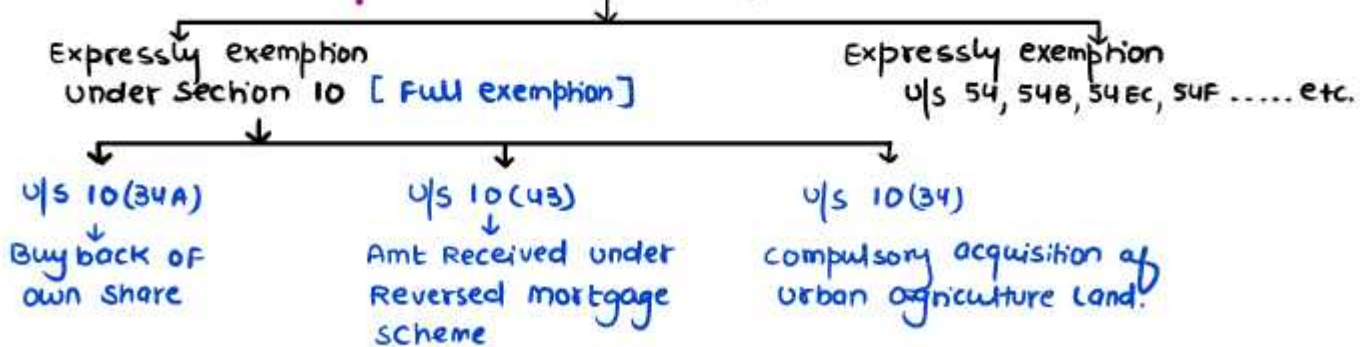
BONUS share - 3
 LTCN
 3L

- U/s 111A: Short Term Capital gain in Transfer of
- (i) Equity Share
 - (ii) Equity oriented Fund
 - (iii) Unit of Business Trust
- Tax Rate = 15%.
 - STT paid on Transfer [same Note applicable U/s 112A]
 - U/s 87A Rebate Available against U/s 111A Income
 - U/s 80C to 80U NOT Available
 - Deficiency under Basic exemption limit is Adjusted against U/s 111A Income
 - maximum Surcharge Rate 15%.

Ex. MR-P [Age 62yr]
Income
 U/s 112 = 200000
 U/s 111A = 100000
 other = 50000
 Cal. Tax payable.

200000 Short
 50000
 X 15%
 7500
 (-) U/s 87A 7500
 0 Tax payable.

Exemption Under Capital Gain

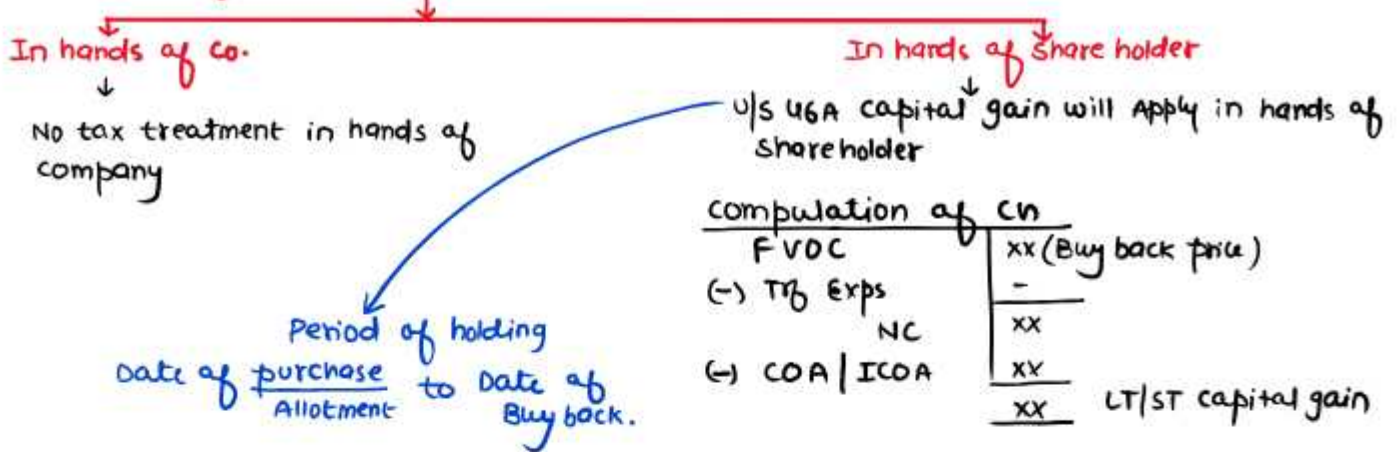


- Buy back of own share from market. U/s 10(34A)

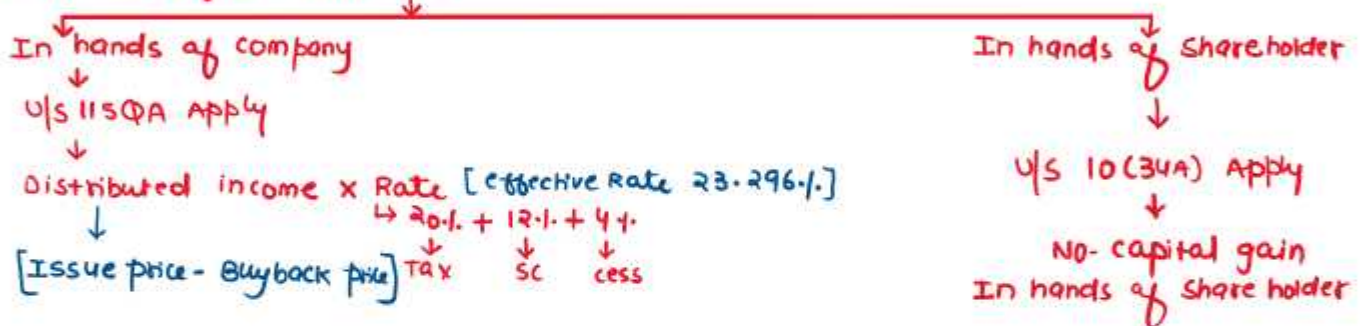
Buy back means purchase of own share/securities from market.

Buy back means purchase of own share/securities from market.

↳ In case of other than Domestic Co.

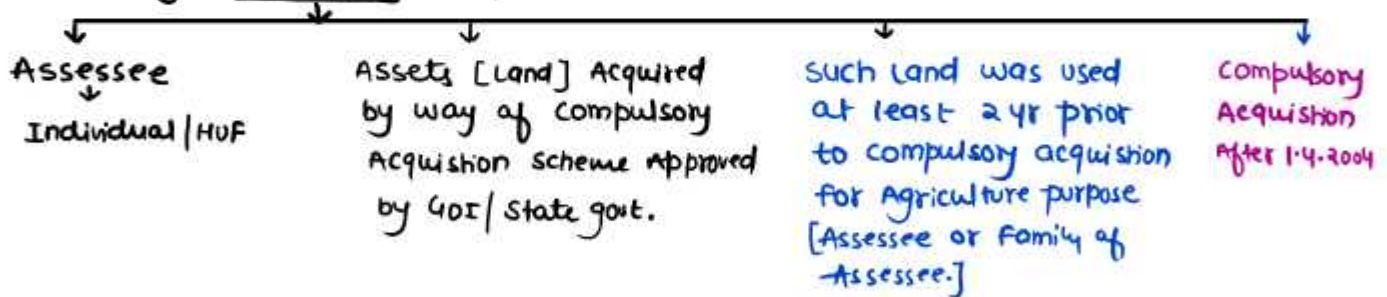


↳ In case of Domestic Co.



• Compulsory acquisition of URBAN Agriculture Land. U/S 10(34)

↳ Compulsory acquisition of URBAN Agriculture Land is exempt from tax if following condition satisfied



Exemption U/S 54, 54B, 54EC, 54F.....

1. U/S 54: Capital gain on Sale of Residential House :

• Eligible Assessee: Individual/HUF

• Conditions :

- (i) Long Term Capital gain (in case of Old house Transfer) +
- (ii) Transfer a Residential house +
- (iii) Purchase a Residential house

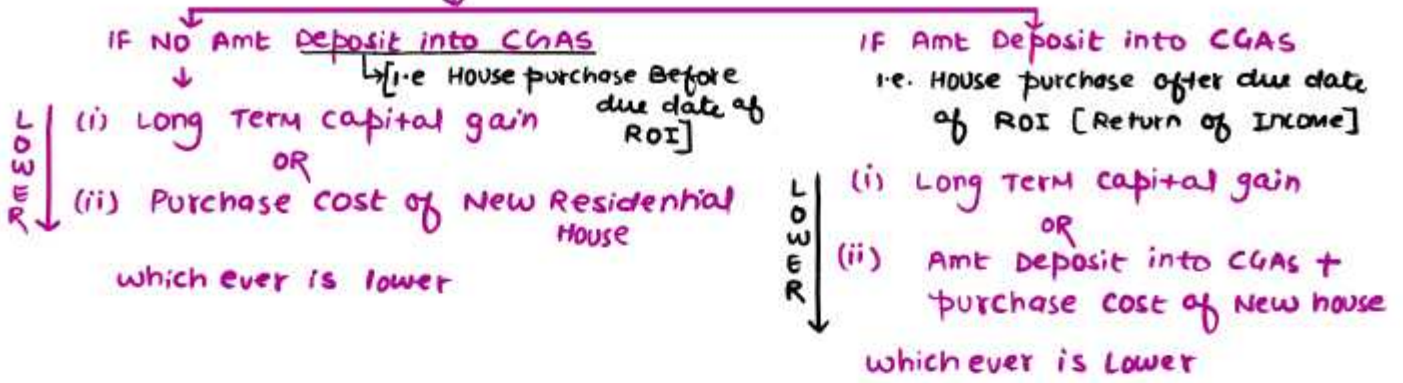
• Amount of Deduction :

CGAs: Capital gain account scheme.

(iii) PURCHASE & RESIDENTIAL HOUSE

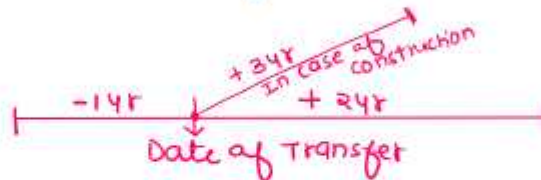
• Amount of Deduction :

CGAS: Capital gain Account Scheme.



• Time limit for purchase of New Residential house


- ↳ Before one year from date of transfer OR
- ↳ After two year from date of transfer (if purchase of house OR
- ↳ After three year from date of transfer (in case of construction of house)



• Capital gain A/c scheme applicable if house not purchase within due date of ROI u/s 139(1).

• Where Amount of capital gain [LTCG]



Ex.  sold 1.1.2023 → ₹ 68 Lakh
 Transfer Exps = 3 Lakh
 Cost = 15 Lakh
 Date of purchase = 1.3.2013

Assessee purchase a new Residential house properly ₹ 25 Lakh on 31.3.23

Cal. capital gain ?

Sol. Computation of capital gain

Full value of consi.	68,00,000
(-) TR Exps	3,00,000
Net consideration	65,00,000
(-) ICOA [15LX 331/200]	24,82,500
LTCG	40,17,500
(-) u/s 54 Taxable CG	25,00,000
	15,17,500

LTCLN

LTCLN	4017500
(-) U/S 54	25,00,000
Taxable CN	15,17,500

• consequence of transfer New assets with in 3yr

IF New Residential house transferred before 3yr from date of acquisition/ construction then cost of New assets will be reduced by capital gain exempt earlier.

U/S 54F: Exemption of capital gain in case of Investment in Residential house.

- ↳ Eligible Assessee: Individual / HUF
- ↳ Type of capital gain: Long Term capital gain
- ↳ Transfer of Assets: Any long term capital Assets other than Residential House property.
- ↳ Purchase of New Assets [Invest in New Assets]: New Residential House purchase / construction.
- ↳ Time period for purchase / construction = -1, +2, +3 [same as 54]
- ↳ Exemption U/S 54F: Lower of

$$\begin{matrix} \text{L} \\ \text{3300} \\ \text{R} \end{matrix} \left\{ \begin{array}{l} \text{(i) LTCN} \\ \text{OR} \\ \text{(ii) LTCN} \times \frac{\text{Amt Invest in RHP}}{\text{NET consideration}} \end{array} \right. \rightarrow \text{RHP: Residential house property.}$$

• consequence of transfer New assets with in 3yr

IF New Residential house transferred before 3yr from date of acquisition/ construction then capital gain exempt earlier is taxable in which new Residential house was transferred.

Ex: MR-P Transfer following Assets 1.4.22.

1. 1000 share of xyz Ltd @ 1000 each
[cost of purchase 500 each on 1.7.2012]
 2. Gold J/W @ 15 Lakh
cost of purchase = 3 Lakh on 1.4.2001]
- cal. capital gain if MR-P purchase a Residential house ₹ 50,000 on 1.7.2022

Sol: Computation of capital gain

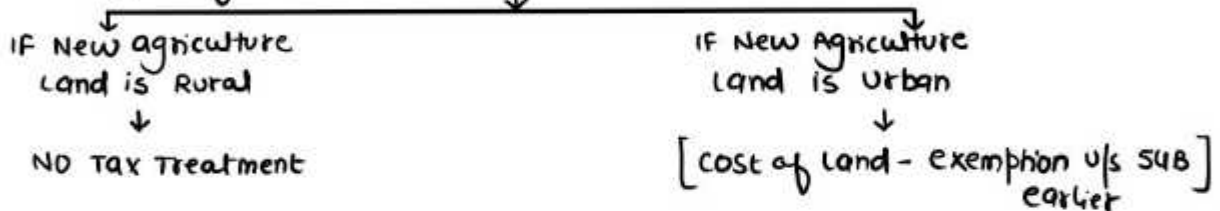
	Share	J/W
FVOC	10,00,000	15,00,000
(-) TRB Exps	-	-
NC	10,00,000	15,00,000
(-) ICOA	827,500	
• $[1000 \times 500 \times \frac{331}{200}]$		993,000
• $[300000 \times \frac{331}{100}]$	1,72,500	5,07,000
LTCN	-	1,69,000
(-) U/S 54F [J/W]	1,72,500	33,800
$[507000 \times \frac{50000}{15,00,000}]$		

U/S 54B: Transfer of Urban Agriculture Land

U/s 54B: Transfer of Urban Agriculture Land

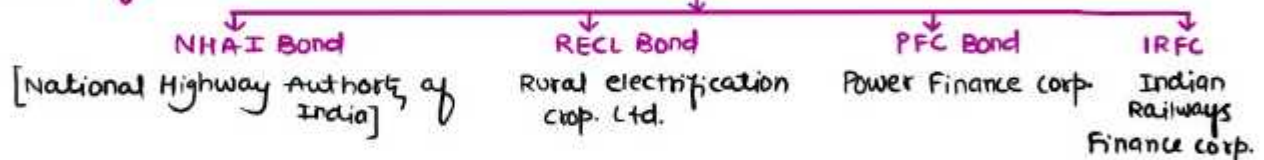
1. Assessee: Individual / HUF
2. Nature of capital gain: ST / LT
3. Transfer Assets: Sale of Urban agriculture Land
4. Purchase of New Assets: New Agriculture Land [Urban or Rural]
5. Time limit:- Within 2 yr from date of Transferred.
6. Capital gain Account scheme Applicable
7. Amount of exemption: Lower of
 - (i) LT/ST capital gain
 - OR
 - (ii) cost of new Assets OR Deposit in capital gain A/c scheme

8. Transfer of New Assets within 3 yr



U/s 54EC: Investment in certain Bond

1. Assessee: Any person
2. Nature of capital gain: LTCN Transfer of Land & Building
3. Purchase of New Assets: Invest in certain Bond



4. Time limit of purchase of Bond: 6 Months from date of Transfer
5. Capital gain A/c Scheme NOT Apply
6. Exemption u/s 54EC: LOWER OF
 - (i) Long Term capital gain
 - OR
 - (ii) value of Bond [NHAI | RECL | PFC | IRFC]
 - OR
 - (iii) Maximum Limit 50,00,000.

I. If Bond is Transfer (sold) OR convert into money or other form within 5 year from date of transfer

↓
exempt capital gain earlier u/s 54EC is taxable in year of transfer.

U/S 54D: Capital gain on Transfer of Land & Building of an Industrial undertaking by way of Compulsory acquisition.

1. Assessee: Any person
2. Nature of Capital gain: LT/ST
3. Transferred Assets: Compulsory acquisition of Land & Building of an Industrial undertaking which was used for Industry/Manufacturing during 2yr prior to date of transfer.
4. Purchase of New Assets: New Land & Building in other Industrial undertaking
5. Time limit → 3yr from date of receipt of compensation.
6. Capital gain A/c scheme Applicable.
7. Consequences of transfer of new assets before 3yr from date of transfer then cost of new assets will reduced by capital gain exempt u/s 54D earlier.
8. Amt of exemption: Lower of
 - (i) LT/ST capital gain
 - (ii) cost of new assets [L&B]
 - (iii) Amt deposit in CGAs.

• Taxation in case of liquidation u/s 46(1) + u/s 2(22)(c)

In hands of company

- (i) Distribution of Assets is treated as Deemed Dividend u/s 2(22)(c)
- (ii) As per 46(1): Distribution of Assets in case of liquidation not treated as transfer, hence NO capital gain taxable in hands of co.

In hands of Share holder

1. Deemed Dividend u/s 2(22)(c)
Apply → Taxable under IFOs.

2. Computation of Capital gain

Money Received	xxx
+ FMV of Assets Received	xxx
(-) Deemed Dividend u/s 2(22)(c)	xxx
Full value of consideration	xx
(-) Transfer exp	xx
	xx
(-) ICOA/COA	xx
capital gain	xx

Note:-1 Period of holding

Date of acquisition of share to Date of liquidation.

Note:-2 Cost of acquisition of Assets received under liquidation is FMV of such Assets on the date of distribution [i.e. liquidation].