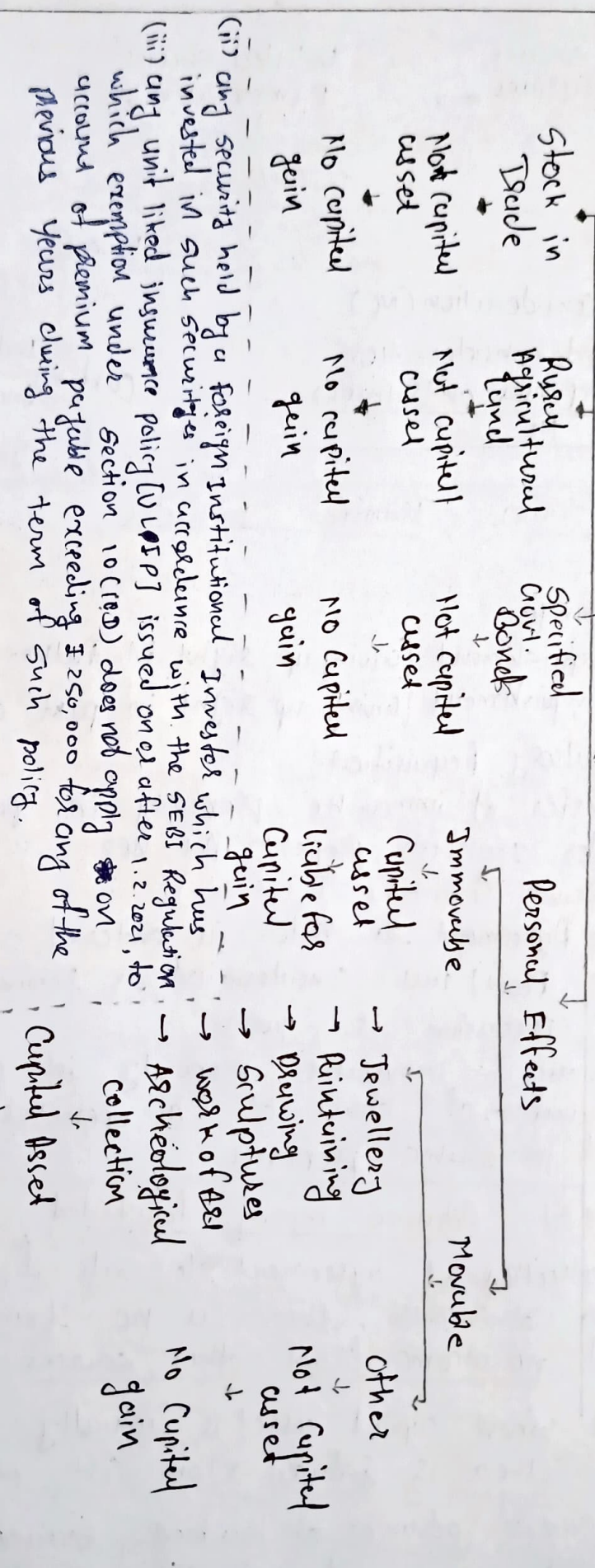
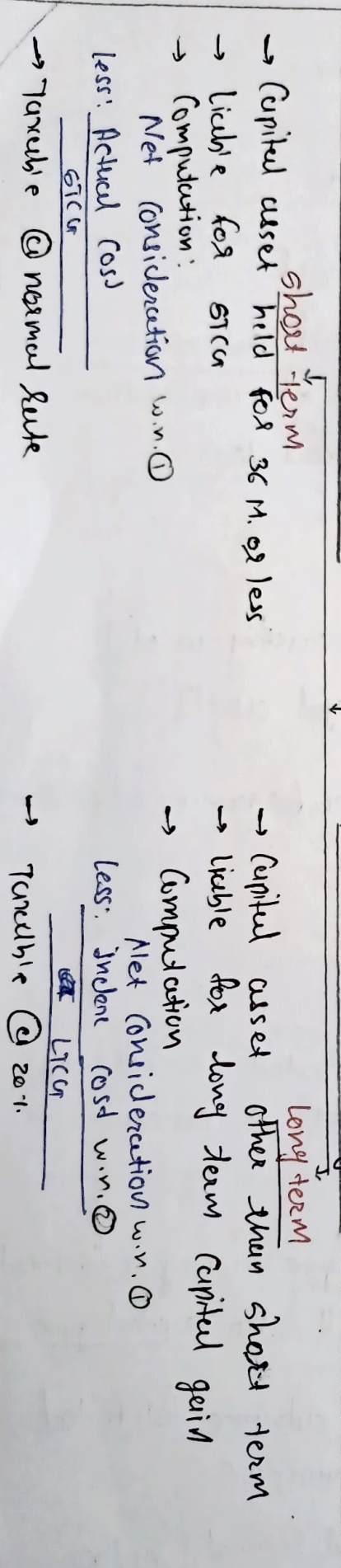


Section 2(14) (ii) Capital asset means any property held by assessee whether connected with business & profession or not.

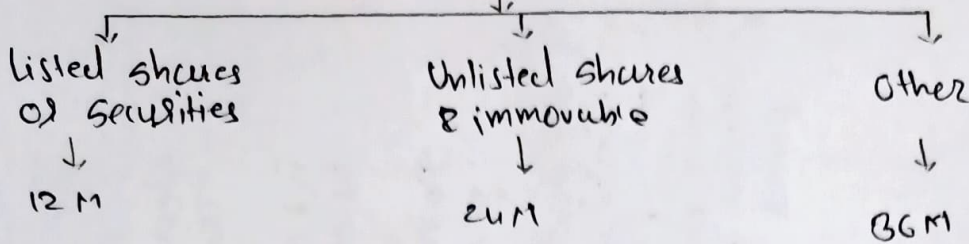
But it excludes



Capital Gain



* Capital asset



w.n. ①

$$\begin{aligned} & \text{Net Consideration (NC)} \\ & \text{Sale consideration} \\ \text{Less: } & \underline{\text{Expenses on transfer}} \\ & \underline{\text{NC}} \end{aligned}$$

w.n. ②

$$\begin{aligned} & \text{Index cost} \\ & \text{Cost} \times \frac{\text{Index no. of sale year}}{\text{Index no. of acquisition or improvement year}} \end{aligned}$$

Section 2(47) Transfer Includes

- (i) Sale
- (ii) Exchange
- (iii) Relinquishment [giving up right]
- (iv) Extinguishment [giving up right]
- (v) Compulsory Acquisition
- (vi) Transfer of immovable property under transfer property

(viii) the owner of a capital asset may convert the same into the stock-in-trade of a business carried on by him. Such conversion is treated as transfer of asset.]

(ix) The maturity of redemption of a zero-coupon bond is not a transfer of contract.

~~Conditions~~ Conditions:

- (a) Agreement to sale
- (b) Part/full consideration is received
- (c) Possession is given
- (vii) Transfer of immovable property in co-operative society by transfer of share of co-operative society & possession of immovable property.

Section 51 Advance money forfeited

→ On collection of agreement to sale if advance money is forfeited upto 31.3.2014, there is no transfer & no capital gain and no income from other sources

→ But when capital asset is actually sold, advance forfeited by seller is reduced from cost of acquisition

→ However, if advance has been received and retained by the previous owner and not the assessee himself, then the same will not go to reduce the cost of acquisition of the assessee

4

Demut & Capital Gain

- To decide which shares are sold from Demut A/c, one has to follow FIFO on demut basis
- For period of holding (long term / short term) & Indexation Date of acquisition is relevant

Section 45(2) - Capital Asset converted into stock in trade & sold off

- When capital asset is converted into stock in trade there is no transfer and capital gain is not taxable
- But capital gain is computed in the p.f. in which capital asset is converted into stock-in-trade. The computation is done as under;

$$\begin{array}{r} \text{NC (FMV on Conversion)} \\ \text{Less: Cost} \times \frac{\text{Index of conversion year}}{\text{Index of acquisition year}} \\ \hline \text{LTCG} \end{array}$$

- When stock in trade is sold off difference between sales price & FMV on conversion is Business & profession income.
- Capital gain & Bap both are taxable in the p.f. in which stock in trade is sold off to outsider

Section 45(5) Compulsory Acquisition

- Compulsory Acquisition is a transfer and it is liable for capital gain.
- Capital gain is computed in the p.f. in which there is compulsory acquisition, computation is done as under:

$$\begin{array}{r} \text{Consideration [Total compensation Amount]} \\ \text{Less: Cost} \times \frac{\text{Index cost of compulsory acquisition year}}{\text{Index cost of Acquisition or implementation year}} \\ \hline \text{LTCG} \end{array}$$

- Full amount of capital gain computed as above is taxable in the p.f. in which first amount of compensation is received
- If the assessee is not satisfied with the amount of compensation, he can apply to the court for enhanced compensation. If the court gives enhanced compensation, it is taxable in the p.f.

3.

in which it is actually received

- Where capital gain has been charged on the compensation received by the assessee for the compulsory acquisition of any asset or enhanced compensation received by the assessee and subsequently such compensation is reduced by any court, tribunal or any authority, the assessed capital gain of that year shall be recomputed by taking into consideration the reduced amount. This re-computation shall be done by way of rectification
- If the transferee may die before he receives the enhanced compensation, the enhanced compensation will be chargeable to tax in the hands of the person who receives the same

Section 45(1A) Insurance Compensation

- When any person receives any money or other asset under any insurance from an insurer on account of damage to or destruction of any capital asset.
- Then any profit or gains arising from receipt of such money or other asset shall be chargeable to income tax under capital gain in p.f. in which such money or other asset was received
- In order to compute ~~to~~ Capital gain the value of any money or FMV of the other asset on the date of such receipt shall be deemed to be the full value of the consideration received or ~~arising~~ arising as a result of the transfer of such capital asset.

Section 50C Stamp duty valuation (SDV)

- Applicable to tax immovable property like land & building

* Consideration

Step-1 Actual sale price
or
Stamp Duty
value
w.e. is higher

In step-1, if it is stamp duty value, it open for assessee to ask assessing officer (A.O.) to appoint valuation officer (V.O.).

Step-2 Step-1
or
V.O.'s value
w.e. is less

Important Points

1. If Stamp duty value is not more than 110% of Actual Sale price then SDV is ignored & consideration is taken as Actual ~~at~~ ~~as~~ S.P.
2. Date of stamp duty value Conditions:
 - a. Agreement to sale is entered
 - b. Any amt of consideration is received/paid on or before the date of agreement to sale
 - c. It is received/paid by account payee cheque / ECS etc.

↓
fulfilled
↓
SDV as on the
date of agreement
to sale

↓
Not fulfilled
↓
SDV as on the
date of sub
deed.

Section 50 B Slump Sale

- Slump Sale means transfer of one or more undertakings, by any means, for a lump sum consideration without values being assigned to the individual assets and liabilities in such transfer.
- In slump sale whole business/unit is capital asset & liable for Capital gain
- Difference between Net consideration and net worth* is liable for Capital gain

Consideration:-

- (i) the fair market value of capital asset transferred by way of slump sale (FMV)
- (ii) The fair market value ^{or} of the consideration received or accruing as a result of transfer by way of slump sale
w.e. is higher

* Net worth = Asset - Liability

- lock in period - 3 yrs ^{new} (Resi house not to be sold during this period)
- If such investment is not made before the date of filing of return of income, then, the capital gain has to be deposited under the Capital Gains Account Scheme (CGAS). The capital gain in excess of ₹ 10 cr. would not be taken into AIC for the purpose of deposit in CGAS
- The deemed cost of the new asset would be restricted to ₹ 10 cr for the purpose of the exemption under section 54
- If the new asset is transferred before 3 yrs from the date of its acquisition or contribution, then cost of the asset will be reduced by capital gain exempted earlier for computing Capital gain

Section 54EC Capital Gains not chargeable on investment in certain bonds

- Available to any assessee
- Conditions to be fulfilled:
 - There should be transfer of a long term capital asset being land or building or both.
 - Such assets can be depreciable asset (Building) held more than 24 M.
 - The capital gain arising from such transfer should be invested in a long term specified asset within 6 M. from the date of transfer
- Lock in Period: - 5 yrs
- Exemption: - Investment or Capital gain *w.e. is lower*
- The max. investment which can be made in notified bonds or bonds of NHAI and RECL, out of capital gains arising from transfer of one or more assets, during the previous year in which the original asset transferred and in the subsequent financial yr cannot exceed ₹ 50 Lakh.
- In case of transfer or conversion of such bonds or availing loan or advance on security of such bond before the expiry of 5 yrs, the capital gain exempted earlier shall be taxed as long term capital gain in the year of violation of condition.

Section 54 B Capital Gain^{on} transfer of agricultural land

→ Available to Individual & HUF

→ Conditions:

- There should be transfer of urban agriculture land
- Such land must have been used for agriculture purposes by the assessee or a HUF in the 2 years immediately preceding the date of transfer.
- Assessee must purchase another agri. land (urban or rural) within 2 years from the date of transfer.
- If such investment is not made before the date of filing of return of income, then the capital gain has to be deposited under CGHS.

→ If cost of new agri. land \geq Capital gains entire capital gain ~~to the~~ is exempt.

→ If cost of new agri. land $<$ Capital gains, capital gains to the extent of cost of new agri. land is exempt

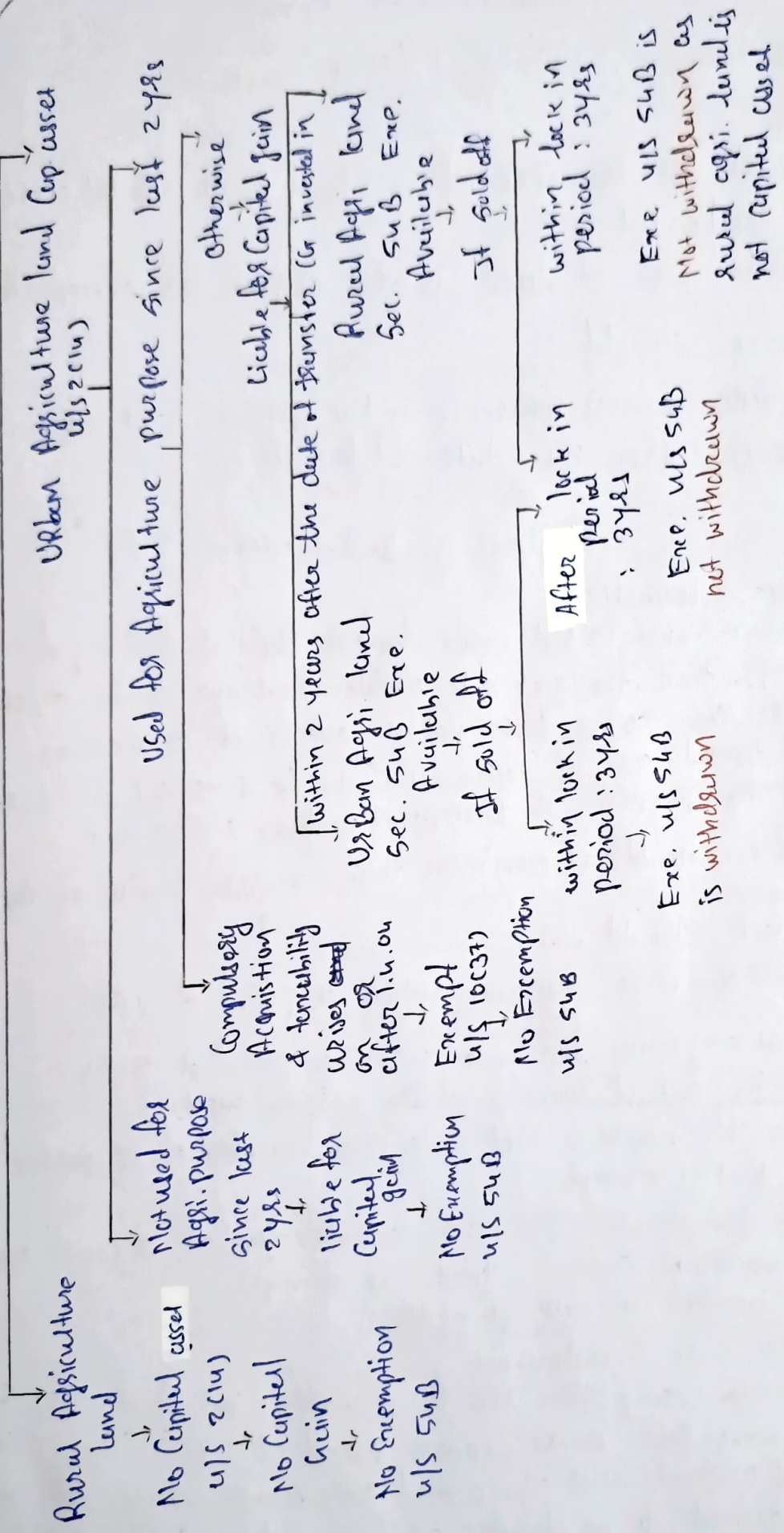
lock-in-period: 3 years

→ If the new agriculture land is transferred before 3 years from the date of its acquisition, then cost of the land will be reduced by capital gains exempted earlier for computing capital gains of new agriculture land.

→ However, if the new agri. land is rural agri. land, there ~~will~~ would be no capital gains on transfer of such land

(P.T.O)

For Individual & HUF Capital Gain on Agriculture Land



Section 54F Capital gain in case of investment in residential house

→ Eligible assessee: Individual / HUF

→ Conditions.

- There must be transfer of a long term capital asset, not being a residential house
- Transfer of plot of land is also eligible for exemption.

- The assessee should

→ purchase 1 resi. house in India within 1 yr ~~or~~ before or 2 yrs after the date of transfer

or
Construct 1 resi. house in India within 3 yrs from the date of transfer.

→ If such invest. is not made before the date of filing of return of income, then, the net sale consideration has to be deposited under the CGAs but not in excess of ₹ 10 crores.

→ The deemed cost of new asset would be restricted to ₹ 10 crores for the purpose of Exemption under section 54F

- The assessee should not own more than 1 resi. house on the date of transfer.

- The assessee should not-

→ Purchase any other resi. house within a period of 2 yrs

or
→ Construct any other resi. house within a period of 3 yrs from the date of transfer of the original asset.

→ If cost of new resi. house \geq Net Sale Consideration of original asset, entire capital gain is exempt

→ If cost of new resi. house $<$ Net Sale Consideration of original asset, only proportional capital gain is exempt

$$LTCG \times \frac{\text{Amt invested in new resi. house}}{\text{Net Sale Consideration}}$$

→ If assessee purchases any other resi. house within a period of 2 yrs or construct any other resi. house within a period of 3 yrs from the date of transfer of original asset, the capital gain exempt under sec. 54F shall be deemed to be taxable as long term capital gain in the p.f. in which such residential house is purchased

→ If the new house is transferred within a period of 3 yrs from the date of its purchase

- CG would arise on transfer of the new house &
- The CG exempt rule under sec. 54F would be applicable as long-term CG

Note: In case of the new resi. house sold after 2 years the capital gain would be long term capital gain

For Difficult Sums:

Types of Exemptions

Sec.	Asset Sold	Asset Acquired
54	LT resi. house	Resi. house
54B	LT/ST Urban Agri. land	Urban/Rural Agri. land
54EC	LT Immoveable Asset	REC etc. bonds
54F	Any LTC Asset other than Resi. house	1 st or 2 nd house

} specific Exemption
} General Exemption

Types of Sums

S.R.No.	Asset Sold	Asset Acquired
1	One	One
2	One	more than one*
3	more than one	one*
4	more than one	more than one*

* Combined Exemption Sums

Rules

1. Always avail specific Exe (54 & 54B) first & then avail general Exe. (Sec. 54EC & 54F)
2. Sec. 54F is always kept at last
3. All the exemptions are computed on Gross capital gain

Section 45 (SA) Redevelopment Scheme

Option - 1 New Unit against old unit

→ liable for Capital gain in the p.f. in which completion certificate of new unit is received

→ Computation:

Stamp duty value of new unit on the date of completion certificate
+
Any Amt received by cash / cheque

Total consideration
less: Cost / Index cost of old unit

LICG

Option - 2 Surrendered Right in old Unit

→ liable for Capital gain in the p.f. in which Right in old unit is surrendered

→ Computation:

Actual Amt for Consideration }
or } w.e. higher
SDV of old unit

less: Index / Actual Cost

LIT Capital Gain

Section 46 Capital Gain on distribution of Asset by Companies in liquidation

1: In the hands of the company: Assets of the company are distributed to its shareholders on its liquidation, such distribution shall not be regarded as a transfer by the company for the purpose of Section 45.

If, however, the liquidator sells the asset of the company resulting in a Capital gain and distributes the funds so ~~collected~~ collected, the company will be liable to pay tax on such gains

2. In the hands of shareholders: Share holder receives money or other asset from the company on its liquidation. They will be chargeable to income tax under the head 'capital gain' in respect of the MV of the assets received on the date of acquisition, or the moneys so received by them.

The portion of the distribution which is attributable to the accumulated profit of the company is to be treated as dividend income u/s 2(22)(c), which would be taxable in the hands of shareholders.

Section 46A Capital Gain on Buyback of shares or specified Securities

1. Increase of shares of a company other than a domestic company and specified Securities:

→ Consideration received by a holder of specified Securities from any company on purchase of its ^{specified} Securities is chargeable to tax in the hands of the holder of specified Securities.

→ The diff. between the cost of acquisition and the value of consideration received by the holder of the Securities is chargeable to tax as capital gains in his hands. [Computation as per Sec. 48]

→ As far as shares are concerned, this provision would be attracted in the hands of the shareholders only if the shares are bought back by the company, other than a domestic company.

2. In case of buy back of shares effected before 1.10.2024 by domestic companies:

→ Addition income tax @ 20% (plus surcharge @ 12% and cess @ 4%) is ~~levied~~ leviable in the hands of the company.

→ The income arising to the shareholders in respect of such buyback of shares of the domestic company is exempt under section 10(34A), since the domestic company is liable to pay additional ~~tax~~ income tax on the buyback of shares.

3. In case of Buy back of shares effected on or after 1.10.2024 by domestic companies:

- The sum paid by a domestic company for purchase of its own shares would be treated as dividend and taxable under the head of ITOS in the hands of shareholders. No deduction for expenses would be available against such dividend income.
- Value of consideration received by a shareholder on buy back of shares by a domestic company would be NIL and the diff. between the cost of acquisition and the value of consideration received by sh. holder will ~~be~~ result into Capital loss. The same can be set off and carried forward as per the applicable set off & carry forward provision of the act.

Section 47 Transactions not regarded as transfer

1. Any distribution of capital assets on the total or partial partition of HUF [47(ii)]

2. Any transfer of a capital asset by an individual or HUF under a gift or will or irrevocable trust. [47(iii)]

Note: Up to A.Y. 2024-25, transfer of ~~the~~ capital asset (other than shares, deb. or warrants allotted by a company under any ESOP) under a gift or a will or irrevocable trust by any person was not considered as a transfer.

3. Transfer of capital asset by a company to its subsidiary company [47(iv)]

Conditions:

- ① The parent company or the nominee must hold the whole of the share of the subsidiary company
- ② The subsidiary company must be an Indian company

4. Transfer of capital asset by a subsidiary company to its 100% holding company, being an Indian company [47(v)]
Company:

- ① The whole of the shares of the subsidiary company must be held by the holding company.
- ② The holding company must be an Indian company

Exception: The exception mentioned in 3 or 4 above will not apply if a capital asset is transferred as stock-in-trade.

5. Transfer of capital asset by amalgamating company to amalgamated Indian company, in a scheme of amalgamation [47(vi)]

6. The transfer of capital asset by the demerged company to the resulting Indian company, in a scheme of demerger. [47(vib)]

7. Any transfer or issue of shares by the resulting company, in a scheme of demerger to the shareholder of the demerged company, if the transfer is made in consideration of the demerger of the undertaking [47(vid)]

8. Transfer of shares by a shareholder, in scheme of amalgamation, of shares held by him in the amalgamating company [47(vii)]

Conditions:

① Transfer is made in consideration of the allotment to him of any shares in the amalgamated company, except where the share holder is the amalgamated company

② The amalgamated company is an Indian company.

9. Transfer of capital asset, being a government security carrying a periodic payment of interest, made in India through an intermediary dealing in settlement of securities, by a non resident to another non-resident [47(viib)]

10. Redemption by an individual of sovereign gold bonds issued by ABS under the Sovereign Gold Bond Scheme, 2015 [47(viic)]

11. Conversion of gold into Electronic gold Receipt issued by a vault manager or ~~vice versa~~ vice versa
12. Transfer of following ~~as~~ capital asset to Govt. or to the University or the National Museum, National gallery Art, National Archives or any other public museum or institution notified by Govt.
- work of Art
 - archaeological, ~~an~~ scientific or art collection
 - book
 - manuscript
 - drawing
 - painting
 - photograph
 - prime [taxit]
13. Transfer by way of conversion of bonds or debentures, debenture stock or deposit certificates in any form, of a company into shares or debentures of the company [taxit]
14. Conversion of preference shares into Eq. shares [taxit]
15. Transfer of a capital asset in a transaction of reverse mortgage under a scheme made & notified by Govt. [taxit]
- Max. Period of Reverse Mortgage loan

	Mode of distribution	Max. Period of loan
a.	where loan is directly disbursed directly to the Reverse Mortgagor	20 yrs from date of signing the agreement by the Reverse mort mortgagor and the approved lending institution
b.	where the loan is disbursed, in part or in full, to the annuity sourcing institution for the purpose of periodic payments by way of annuity to the Reverse mortgagor	The residual life of the borrowing

(i) Applicability of concessional rate of tax: short term capital gain on transfer of:

1. an equity share in company or
2. on unit of an equity business trust
3. a unit of an equity oriented fund

(ii) Concessional rate of tax in respect of STCG on transfer of certain asset

Date of Transfer	Rate of Tax
before 23.7.2024	15%
On or after 23.7.2024	20%

(iii) Conditions:

- (1) the transaction of sale of such equity share or unit should be entered into on or after 1.10.2004, being the date on which chapter VII of the Finance (No. 2) Act, 2004 came into force.
- (2) Such transaction should be chargeable to securities transaction tax under the said chapter.

However, short-term capital gains arising from transactions undertaken in foreign currency on a recognised stock exchange located in an International Financial Services Centre (IFSC) would be taxable at a concessional rate of 15% or 20% as the case may be, even though STT is not leviable in respect of such transaction.

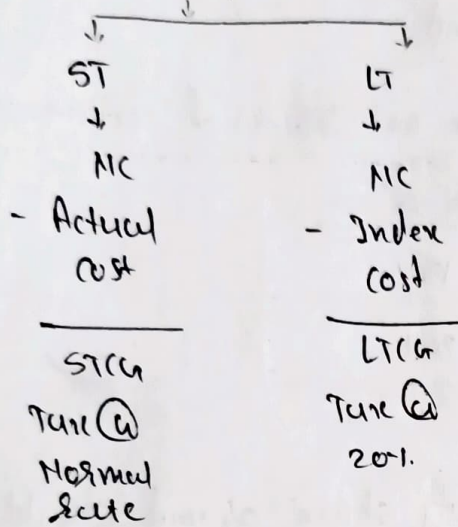
(iv) Adjustment of Unexhausted Basic Exemption limit: In case of resident individual or HUF, if the basic exemption is not fully exhausted by any other income, then, such short-term capital gain will be reduced by the ~~ex~~ unexhausted basic exemption limit and only the balance would be taxed at 15% or 20%, as the case may be.

However, the benefit of availing the basic exemption limit is not available in the case of non-residents.

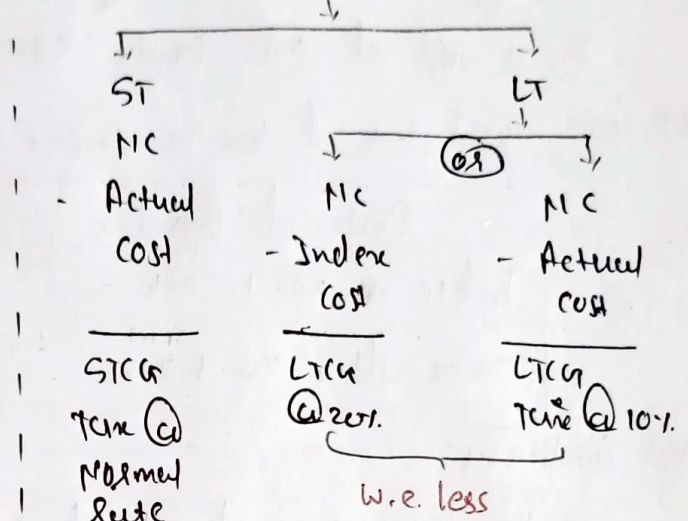
(v) Deduction under chapter VI-A cannot be availed in respect of such short term capital gain on equity shares of the company or units of a equity oriented mutual fund or unit of a business trust included in the total income of the assessee

Shares & Securities

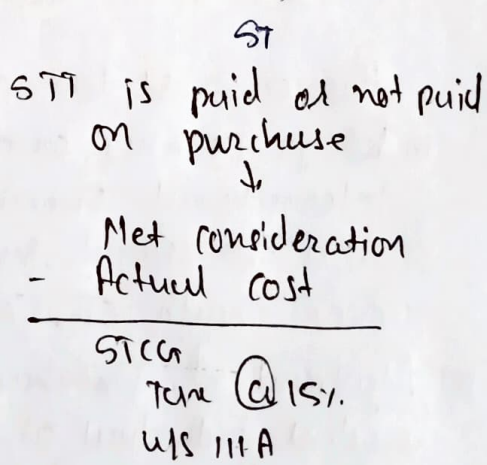
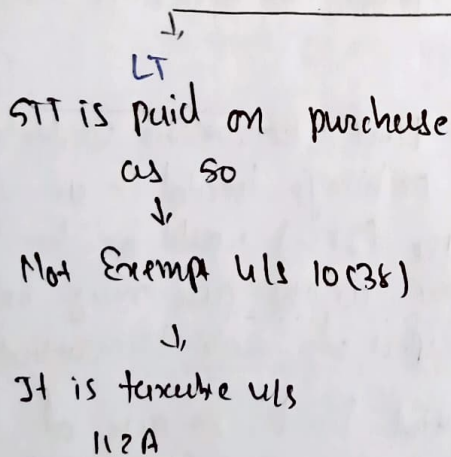
1. Unlisted



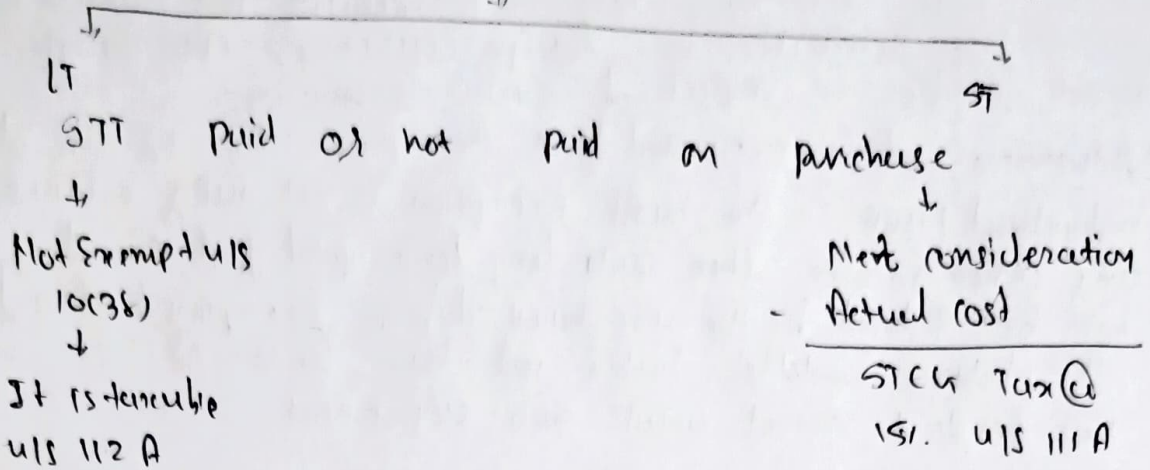
2. Listed other than 3.



3. (i) Listed ~~or~~ shares sold through recognised stock exchange & security transaction tax paid at sales



3 (ii) Listed Equity oriented mutual Fund sold through Recognised Stock Exchange & STT paid on Sales



Section 112 Tax on long term Capital gain

Just refer mutual one

Section 112 A Tax on long term Capital Gain on certain asset.

- (i) Applicability of concessional rate of tax: Not with standing anything contained in sec. 112, a concessional rate of tax will be leviable on long term capital gains exceeding ₹125,000 on transfer of:
- an equity share in company
 - a unit of a business trust
 - a unit of an equity oriented fund

(ii) Concessional rate of tax in respect of LTCG on transfer of certain asset:

Date of transfer	Rate of tax
before 23.7.2024	10% on LTCG exceeding ₹125,000
On or after 23.7.2024	12.5% on LTCG exceeding ₹125,000
However, the total exemption on LTCG in previous yrs cannot exceed ₹125000	

(iii) Conditions:

- In case of eq. sh. in a company, STT has been paid on acquisition and transfer of such capital asset
- In case of unit of an equity oriented fund or unit of business trust, STT has been paid on transfer of such capital asset

However, CG may, by the notification in the official gazette specify the nature of acquisition of eq. sh. on which the condition of payment of STT on acquisition would not apply

Further LTCG arising from transactions undertaken on a 8009 stock exchange located in IFCS would be taxable at a concessional rate of 10% or 12.5%, where the consideration for transfer is received or receivable in foreign currency, even though SIT is not leviable in respect of such transaction.

(iii) Adjustment of unexhausted basic exemption limit: In case of resident individual/HUF, if the basic exemption is not fully exhausted by any other income, then such long term capital gain exceeding ₹125000 will be reduced by the unexhausted basic exemption limit and only the balance would be liable for tax @ 10% or 12.5%. Non resident cannot avail such adjustment.

(iv) No deduction under Chapter VI-A against LTCG taxable under Section 112A

(v) No benefit of set off under section 71A against LTCG taxable under Section 112A

→ Computation

$$\frac{\text{Net consideration} - \text{Cost}}{\text{LTCG}}$$

Cost: (A) Actual cost
or

(B) [(i) FMV on 31.1.2018
or
(ii) Actual sale price
(i) & (ii) w.e. less]

(A) or (B) w.e. higher

→ Indexation is not allowed

Capital asset acquired before 1.4.2001

Immovable property

(A) Actual cost
or

(B) [(i) FMV on 1.4.01
or
(ii) SW on 1.4.01
(i) & (ii) w.e. less]

(A) or (B) w.e. higher.

Others

(A) Actual cost
or

(B) FMV on 1.4.01

(A) or (B) w.e. higher

