CAPITAL GAINS

SITUATIONS WHERE CAPITAL GAIN/LOSS COMPUTED:

1 — NON-DEPRECIABLE ASSETS - 48
2 — DEPRECIABLE ASSETS - 50 & 50A
3 — LIQUIDATION - 46
4 — SLUMP SALE - 50B
5 — BUYBACK - 46A
6 — 50AA
7 — CONVERSION CA → SIT
8 EXEMPTION under 54 SERIES

2

Amount Received =		[FVOC] XXXX
(−) GROSS BLOCK		
OPENING WDV	XXX	
(Additions DURING THE P.Y) (+) ACTUAL COST OF ASSET	XXX	
(+) Expenses on Transfer	XXX	
TOTAL GROSS BLOCK		(XXXX)
CAPITAL GAIN/CAPITAL LOSS		XXXX

FVOC = Full Value of Consideration

Index numbers - [IMPORTANT]

P.Y 1999 - 2000 = 100
P.Y 2023 - 2024 = 348
P.Y 2024 - 2025 = 363

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50A – SLM (Electricity Company)

- PROFIT UPTO Original Cost
  ↓
  BALANCING CHARGE

- PROFIT OVER & ABOVE original cost
  ↓
  Capital gain u/s 50A

- LOSS ON SALE [SALE VALUE < WDV]
  ↓
  Difference = Terminal Depreciation

IMP 6 50AA – CAPITAL GAIN UNDER THIS SECTION IS ALWAYS SHORT-TERM (IRRESPECTIVE OF PERIOD OF HOLDING)

BEFORE 23-7-2024	ON/AFTER 23-7-2024
50AA includes ↓	50AA includes ↓
- Specified mutual funds	- Specified mutual funds
- MARKET linked DEBENTURE	- MARKET linked DEBENTURE
	- Unlisted Debentures
	- Unlisted BONDS

TRANSFER

- BEFORE (23-7-24) ← BASED ON PERIOD OF HOLDING: ≤36M - STCA, >36M - LTCA
- ON/AFTER (23/7/24) → ALWAYS STCA (PERIOD OF HOLDING - N/A)

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(IMP- FOR- APPLICABILITY OF TAX RATE)

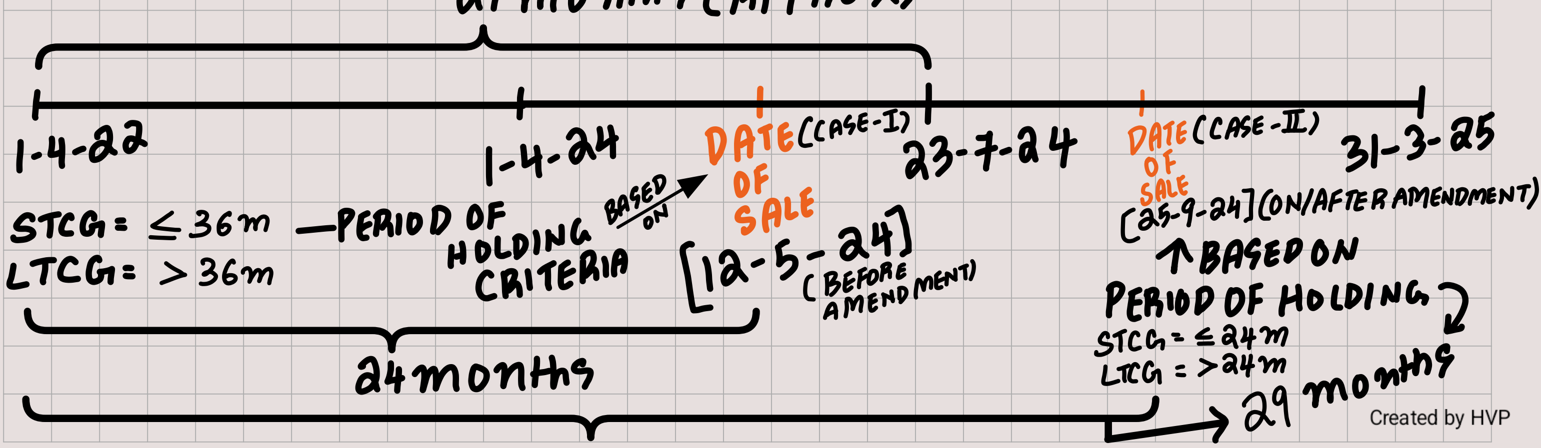
* PERIOD OF HOLDING *

- LISTED SECURITIES [OTHER THAN UNITS]
- LISTED UNITS OF EQUITY-ORIENTED FUND
- UNITS OF UTI
- ZERO COUPON BOND

PARTICULARS	Before Amendment (Before 23/7/24)		After Amendment (On/After 23/7/24)	
	STCA	LTCA	STCA	LTCA
HIGHLY VOLATILE ASSETS	≤ 12m	> 12m	≤ 12m	> 12m
OTHER CAPITAL ASSETS	≤ 36m	> 36m	(N/A to 50B) ≤ 24m	(N/A to 50B) > 24m
UNLISTED SECURITIES OTHER THAN SHARES	≤ 36m	> 36m	≤ 24m (N/A to 50B)	> 24m (N/A to 50B)
UNLISTED SHARES	≤ 24m	> 24m	≤ 24m	> 24m
LAND/BUILDING	≤ 24m	> 24m	≤ 24m	> 24m

BASED DATE OF SALE OF ASSET — Determination whether Asset is STCA/LTCA

EX: SALE OF UNLISTED SECURITIES [OTHER THAN SHARES]



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TAX RATES

- LISTED SHARES
- LISTED UNITS OF EQUITY-ORIENTED MUTUAL FUNDS
- UNIT OF BUSINESS TRUSTS

FIRST IDENTIFY WHETHER LTCA/STCA

↓

(STT PAID) TRANSFER

STCA (STCG) (111A)

- BEFORE 23/7/24 → 15% FLAT RATE
- ON/AFTER 23/7/24 → 20% FLAT RATE

LTCA (LTCG) (112A)

- BEFORE 23/7/24 → 10%

CAPITAL GAIN
LESS: EXEMPTION (MAX-1.25L)
BALANCE
x10%

- ON/AFTER 23/7/24 → 12.5%

CAPITAL GAIN
LESS: UNUTILIZED EXEMPTION (in 1.25L)
BALANCE
x12.5%

[NOTE: EXEMPTION SHOULD BE UTILIZED BASED ON FIFO METHOD]

SECTION 112

BEFORE 23/7/24
↓
20%
(with indexation Benefit)

ON/AFTER 23/7/24
↓
12.5%
(without indexation Benefit)

NOTE - INDEXATION Benefit is removed FROM ON/AFTER 23/7/24

SPECIAL CASE

In case of TRANSFER Land & Buildings

BEFORE 23/7/24
↓
PURCHASED MACHINERY (A)

IF MORE THAN 24 MONTHS
↓
LTCA

AFTER 23/7/24
↓
SOLD MACHINERY (A)

RESIDENT INDIVIDUAL/HUF HAS TWO OPTIONS → ONLY FOR THE PURPOSE OF TAX CALCULATION

(BUT, LTCG SHALL BE ALWAYS WITHOUT INDEXATION (ON/AFTER 23/7/24)

Others
↓
NO OPTION

LTCG with Indexation @ 20%

LTCG without Indexation @ 12.5%

WHICHEVER IS LOWER

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$\boxed{\text{50C}}$	FVOC
if SDV ≤ 110% of Actual consideration	Actual consideration
if SDV > 110% of Actual consideration	SDV

Determination of SDV

ADVANCE

- IN CASH → DATE OF Transfer
- OTHER THAN CASH → DATE OF Agreement
- NO ADVANCE → Date of Transfer

1 Non-Depreciable Asset

SALE CONSIDERATION (note 1)

LESS: EXPENSES ON TRANSFER (note 2)

NET SALE CONSIDERATION

LESS: COST OF ACQUISITION / Indexed COA (note 3)

LESS: COST OF IMPROVEMENT / Indexed COI (note 4)

(GROSS) CAPITAL GAIN [STCG / LTCG]

LESS: Deduction u/s 54 SERIES (note 5)

LTCG / STCG (NET)

NOTES:

1. FVOC
2. Expenses on Transfer
3. COA
4. COI
5. 54 SERIES

* FORFEITURE OF ADVANCE MONEY

BEFORE 1/4/2014 - REDUCED FROM COA (At the time of SAle)

ON/AFTER 1/4/2014 - TAXED UNDER 10S

7. CONVERSION OF CAPITAL ASSET INTO STOCK IN TRADE

CAPITAL ASSET → STOCK IN TRADE

NOTES:

1) NOT TAXABLE AT THE TIME OF CONVERSION

2) BUT, TAXABLE AT THE TIME OF ULTIMATE SALE (SIT) & COA = FMV AS ON CONVERSION

3) WHETHER LTCA/STCA BASED ON DATE OF CONVERSION

EX:

1/4/22 → PURCHASE OF CAPITAL ASSET

1/4/23

1/7/23 → DATE ON CONVERSION

1/4/24

20/5/24 → BEFORE AMENDMENT (DATE OF ULTIMATE SALE) (CASE I)

23/7/24

15/8/24 → ON/AFTER AMENDMENT (DATE OF ULTIMATE SALE) CASE II

1/4/25

HERE,

ULtimAte SAle (UNDER PGBP) = SALE PRICE [-] FMV as on Conversion

CAPITAL GAIN IS also Taxable at the time of Ultimate SAle = FMV as on CONVERSION [-] $\boxed{\text{Original cost At the Time of Purchase}}$

CASE I (Indexation AVAILABLE IF LTCG)

CASE II (Indexation Not AvailAble)

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5 BUYBACK (46A)

SPECIFIC SECURITIES (OTHER THAN Domestic Company
↓ IS TAXABLE
IN THE HANDS OF SHAREHOLDER

FVOC = BUYBACK AMOUNT
(-) COA = PURCHASE COST

LTCG / STCG – BASED ON PERIOD OF HOLDING

SHARES OF Domestic Company

- BEFORE 1-10-24 → EXEMPT 10 (34A)
- ON/AFTER 1-10-24 → DEEMED DIVIDEND ↓ (FVOC) UNDER 10S (&) UNDER CAPITAL GAINS CAN TAKE FVOC = Nil, COA = XX

LTCL / STCL = (XX) ← GIVEN SETOFF BENEFIT → BUT ONLY INTRA HEAD

4 SLUMP SALE 50B

HIGHER OF
1) FVOC
2) FMV OF ALL ASSETS

	XX
Less: Expenses on Transfer	(XX)
NET SALE CONSIDERATION	XX

LESS: COA & COI
↓
NET WORTH OF THE UNDERTAKING

→ [WDV OF Depreciable Assets (Excluding Depreciation in Year of SALE) + OTHER Assets (BOOK VALUE) + Self Generated [Nil]]
[–] LIABILITIES

CG

[NOTE: THE AMENDMENT OF PERIOD OF HOLDING FROM 36m to 24m CATEGORY IS NOT APPLICABLE TO THIS SECTION 50B
↓
REFER PERIOD OF HOLDING TABLE

[SO IT MEANS 36m IS APPLICABLE]

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8 EXEMPTIONS UNDER 54 SERIES

CGAS = CAPITAL GAIN ACCOUNT SCHEME

54 [ONCE IN A LIFETIME]

SALE OF HP → GROSS CG ON SALE → INVEST IN Another HP [MAX Exemption = 10CR]

EXEMPTION AVAILABLE ONLY IF, within ROI u/s 139(1) (OR) Deposit the amount eligible for exemption in CGAS

BUT SHALL BE UTILIZED WITHIN

- IF PURCHASE → WITHIN 2 YEARS
- IF CONSTRUCTION → WITHIN 3 YEARS

FAILED TO UTILIZE WITHIN SPECIFIED LIMIT → BALANCE UNUTILIZED EXEMPTION REVERSED → SUBTRACTED From COA at the time of SALE of new HP

PURCHASE:

- CAN BE MAX 2HP → IF GROSS CG ON SALE ≤ 2CR
- MAX 1HP → IF GROSS CG ON SALE IS > 2CR

CAN'T BE SOLD WITHIN 3 YEARS FROM PURCHASE → NOT SATISFIED → SUBTRACTED From COA at the time of SALE of new HP

54F [ONCE IN A LIFETIME]

SALE OF ASSET (OTHER THAN HP) → GROSS CG ON SALE → INVEST IN HP [MAX Exemption = 10CR]

[ASSESSEE SHOULD HAVE ONLY 1 HP (MAX) AT THE OF CLAIM EXEMPTION U/S 54F]

EXEMPTION:

$$ABC = \text{GROSS CG ON SALE} \times \frac{\text{Amt invested} - [\text{MAX } 10\text{CR}]}{\text{TOTAL COST OF HP}}$$

CAN'T INVEST IN ANOTHER HP WITHIN

- IF PURCHASE → WITHIN 2 YEARS
- IF CONSTRUCTION → WITHIN 3 YEARS

FROM DATE OF CLAIMING EXEMPTION U/S 54F

EXEMPTION AVAILABLE ONLY IF, within ROI u/s 139(1) (OR) Deposit the amount eligible for exemption in CGAS = ABC

BUT SHALL BE UTILIZED WITHIN

- IF PURCHASE → WITHIN 2 YEARS
- IF CONSTRUCTION → WITHIN 3 YEARS

FAILED TO UTILIZE WITHIN SPECIFIED LIMIT → BALANCE UNUTILIZED EXEMPTION REVERSED → SUBTRACTED From COA at the time of SALE of new HP

54EC

TRANSFER OF ANY ASSET → FOR CONSIDERATION → INVEST IN SPECIFIC BONDS [EX: NHAI, RECL, PFC, IRFC] BONDS (WITHIN 6 months)

MAX exemption = 50 LAKHS

→ SHALL NOT SELL/LOANS/CONVERSION WITHIN 5 YEARS

→ IF NOT SATISFIED → TAXABLE SEPARATELY (IN IMMEDIATE P.Y)

54H

IN CASE OF COMPLUSORY ACQUISTION

THE INVESTMENT TIME LIMIT STARTS FROM RECEIPT OF COMPENSATION INSTEAD OF DATE OF COMPLUSORY ACQUISTION

URBAN AGRICULTURAL LAND

- Exemption u/s 10[37] → COMPLUSORY ACQUISTION → FULLY EXEMPT
- SHALL BE USED FOR ≥ 2 YEARS
- 54B → Normal SALE → Exemption if Invest in Another Agricultural land (URBAN/RURAL)

LOCK IN PERIOD 3 YEARS → NOT SATISFIED

- NEW RURAL SOLD → NO TAX TREATMENT
- NEW URBAN SOLD → SUBTRACTED From COA at the time of SALE of new URBAN AGRICULTURAL LAND