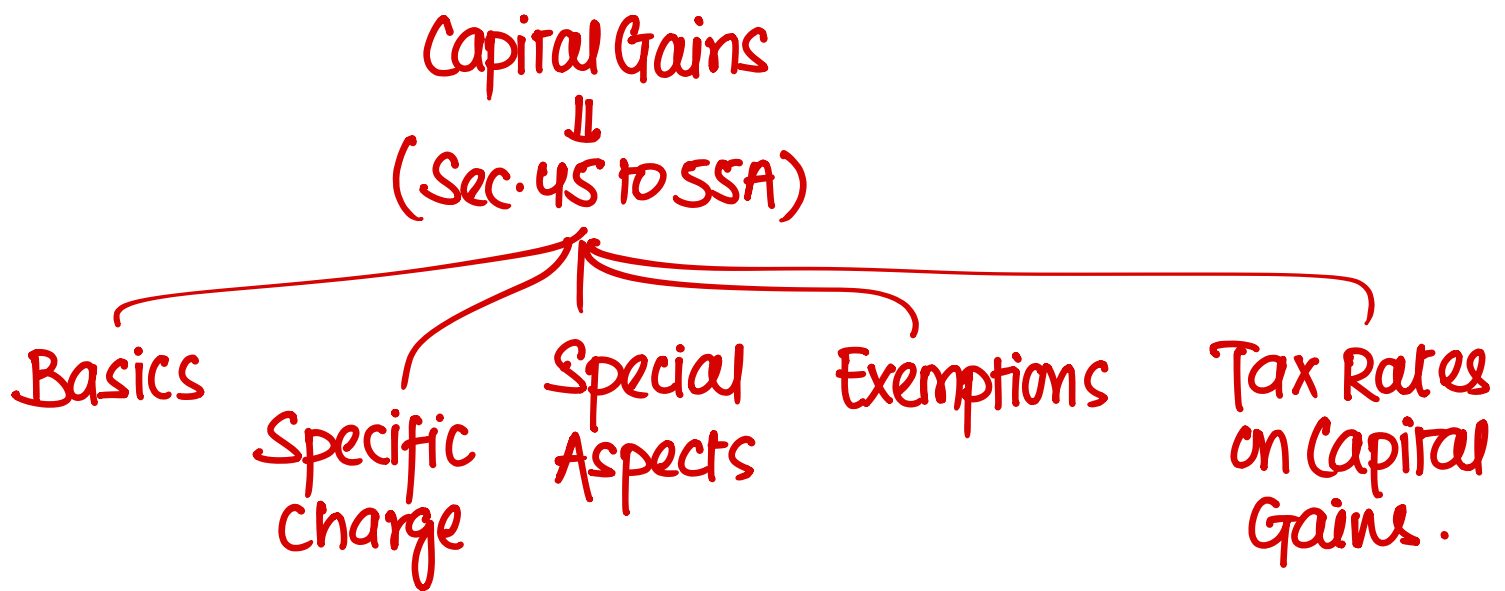
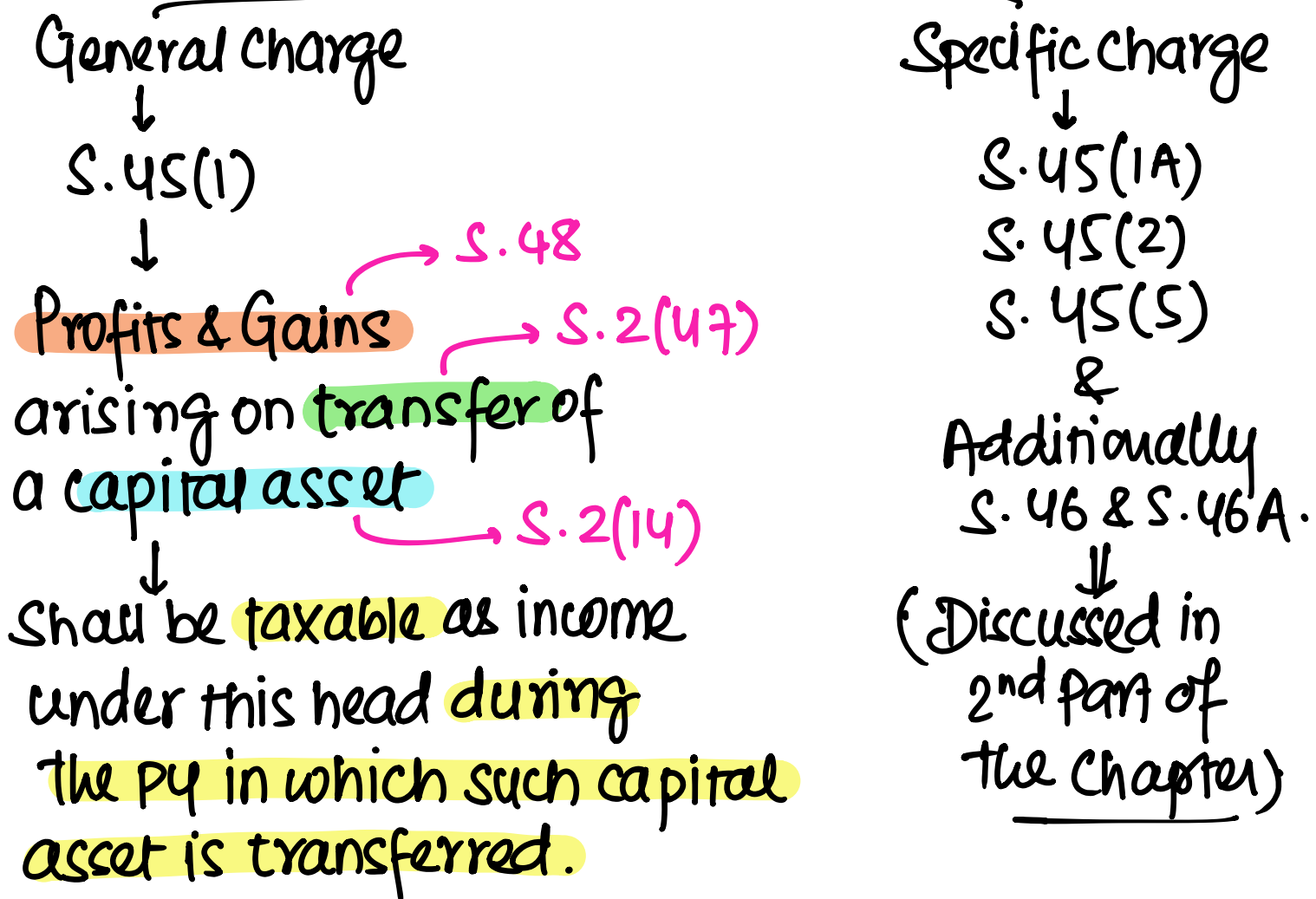




BASICS.

Sec. 45 - charging Section



Capital Asset - 2(14)



means: (a) asset / property of any kind

(b) shares & securities held by FII's

to be studied in CA final (c) ULIPs whose maturity proceeds are not exempt up to 10(10D).



does not include following assets:-

(a) Stock-in-trade → ∴ P & G - taxable w/h PGBP.
[if securities held by FII's as SIT - CA (✓)]

(b) Movable Personal Effects → ∴ value ↓ on use.

* PJDAASS ≠ Movable Personal effects

↳ (value ↑ over time) ∴ CA (✓)

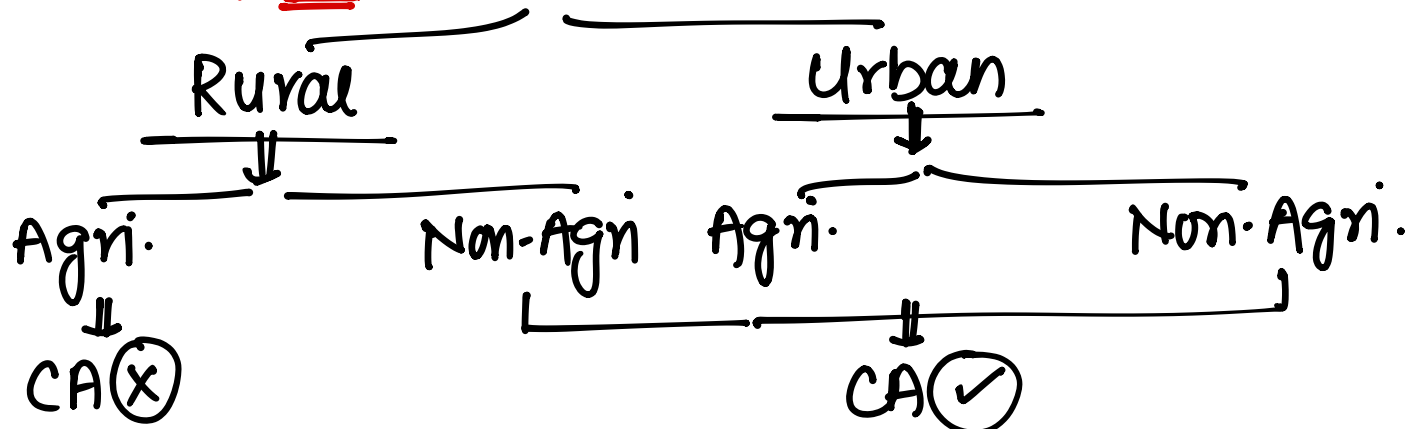
* Resi. Prop. in personal use ≠ Movable Personal effect

↳ (Immovable prop.) ∴ CA (✓)

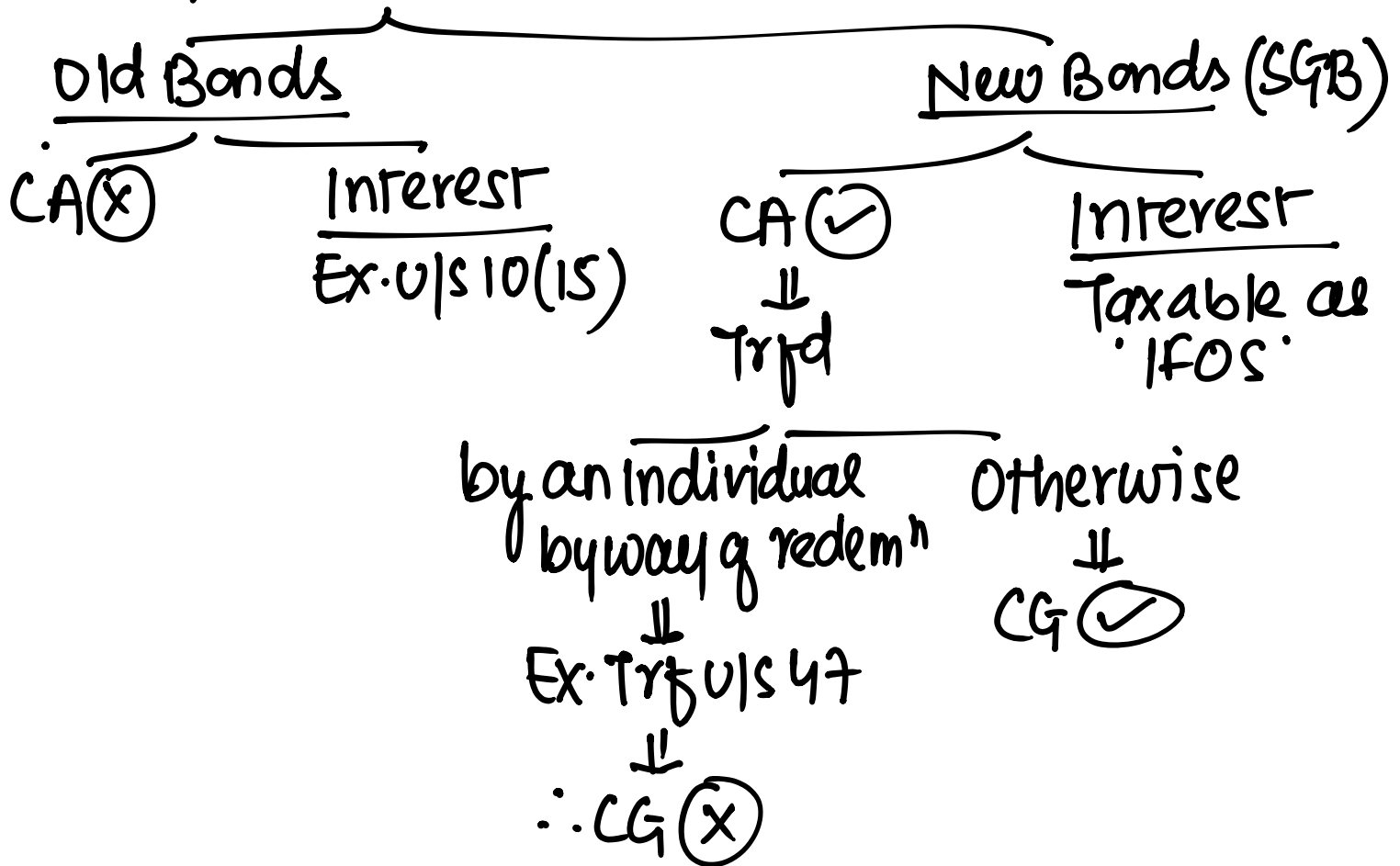
(c) Rural Agri. Land

↳ { ∴ Inc. from trf = Agri. Inc. Exempt }
up to 10(1)

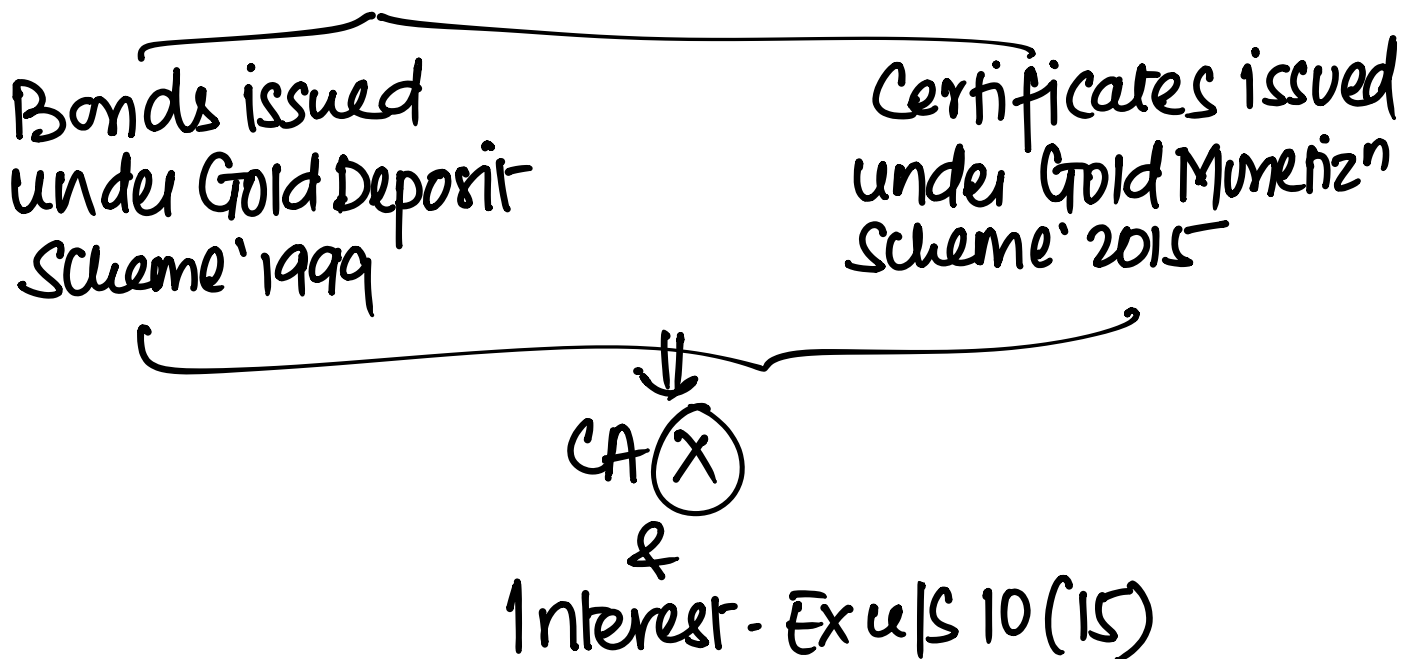
Note:- Land



(d) Gold Bonds



(e) Gold Deposit



(f) Special Bearer Bonds '1991.

Asset (Property)

Covered under the exclusions as above

↓
CA (X)
↓
∴ CG (X)

Any other Asset/Prop.

↓
CA (✓)

STCA
↓
2(42A)
↓

* If the POH of any CA is upto 36 mths.

LTCA
↓

2(29AA)
↓

Cap. Asset which is not a STCA is a LTCA.

* In case of:-

- ✓ Listed securities (other than units)
- ✓ Units of Eq. Ori. MF
- ✓ Units of UTI
- ✓ Zero Coupon Bonds

} If POH is upto 12 mths

* In case of:-

- ✓ Unlisted SHARES
- ✓ Immovable Properties

} If POH is upto 24 mths.

However, if the CA is trfd. on or after 23/7/24 then, in case of all CA now the POH is to be checked 24mths & not 36mths.

But, in case of listed securities

- * Units of EOMF
- * Units of UTI
- * ZCB

Still 12mths POH is to be checked.

POH :- Period of Holding means a period

Starting from
Dt. of Acqⁿ of CA

Ending on Dt. imm.
prec. to Dt. of Trf.

Eg: DOA
12/7/16

DOT
19/5/24
↓
18/5/24

POH (✓)

Explanation 1 to Sec. 2(42A) :-

① Shares in a liquidating company ⇒ POH ends on
Dt. of liquidⁿ

② Asset becomes the prop. of the assessee by way of modes specified u/s 49(1) ⇒ POH of such CA in the hands of the previous owner shall also be included in the POH of such CA in the hands of the assessee

③ SIT $\xrightarrow[\text{into}]{\text{Converted}}$ CA $\Rightarrow$ POH of CA shall commence from the date of its conversion

④ Bonus shares (unlisted) $\Rightarrow$ POH shall commence from its Date of Allotmt.
(listed) $\Rightarrow$ POH shall commence from the Date on which they are credited in the Demat A/c

⑤ Right Shares (unlisted) $\Rightarrow$ POH shall commence from its Date of Allotmt
(listed) $\Rightarrow$ POH shall commence from the Date

⑥ Right Entitlement or Right offer $\Rightarrow$ POH shall commence from Dt. of offer and end on the Dt. of renouncement

⑦ Pref. Share $\xrightarrow[\text{into}]{\text{Converted}}$ Equity Share $\Rightarrow$ POH of Pref. shares prior to conversion shall also be included in the POH of the Eq. Shares.

⑧ Bonds or Debent. $\xrightarrow[\text{into}]{\text{Converted}}$ Shares $\Rightarrow$ POH of Bonds/Deb. prior to conversion shall also be included in the POH of the Shares.

⑨ Shares/Securities issued $\Rightarrow$ POH of such shares or Securities shall commence under ESOP or Sweat Eq. Shares issued by the ER' from their Date of Allotmt.

$\Downarrow$
Treated as Perq. u/s
17(2)(vi)

STCG - 2(42B) :-

Cap. Gain arising on trf. of STCA is known as STCG.

LTCG - 2(29B) :-

Cap. Gain arising on trf. of LTCA is known as LTCG.

If the POH of a CA is (if trf. of CA was prior to 23/7/24)

upto <u>36m/24m/12m</u>	more than <u>36m/24m/12m</u>
$\Downarrow$	$\Downarrow$
STCA	LTCA.

If the POH of a CA is (if trf. of CA was on or after 23/7/24)

upto <u>24m/12m</u>	more than <u>24m/12m</u>
$\Downarrow$	$\Downarrow$
STCA	LTCA.

Transfer :-

ordinarily means

- Δ of ownership / possession of a CA
- from one person to another
- voluntarily
- for a consideration



As per Sec. 2(47); transfer includes :-

~~(a)~~ Sale, Exchange or Relinquishment of a CA.

~~(b)~~ Extinguishment of right in a CA.

~~(c)~~ Compulsory Acqⁿ of CA under any law

~~(d)~~ Conversion of CA into SIT

~~(e)~~ Maturity or Redemⁿ of ZCB.

~~(f)~~ Handing over the possession of an immovable property without trf. of legal ownership of such property (i.e. regⁿ of titl)

(g) Right to enjoy the ownership in any immovable property

↓
by becoming a

member in a Co-op. Society / HOP / BOI / CO

↳ legal owner of the immovable property

→ Trfd by the assessee

↓
Even if legal ownership of the immovable property is not trfd.

but still it is treated as trf. of Imm. Prop.

Note:-

- Auction Sale = Trf (✓)
- Temporary Transfer = Trf (✓)
of any CA
- Redempn of Pref. Sh. = Trf (✓)

CA

Trf

P&G Computed

✓

✓

✓

✓

x

x

x

✓

x

x

x

x

Exempt Transfer - Sec. 47:-

↳ To be discussed under the 3rd Part of the chapter i.e. "Special Aspects".

Taxability of Capital Gains:-

↓
PY in which Capital Asset is Trfd.



Exceptions

Sec. 45(1A)
Sec. 45(2)
Sec. 45(5) } CG is taxable during the PY diff. from the PY in which CA was trfd.

Computation of Profit & Gain on Trf. of CA

↓
Sec. 48

↓
Cap. Gains

STCG

FVC - Trf. Exp = NC

(-) COA

(-) COI

STCG / (STCL)

LTCG

FVC - Trf. Exp = NC

(-) 1 COA*

(-) 1 COI*

LTCG / (LTCL)

Imp

FA'24 Amendment :-

Indexation benefit shall not be available i.r.o. a CA which is LTCA & trfd. on or after 23/7/24.

Hence, where the CA is trfd. as LTCA prior to 23/7/24, the COA & COI shall be indexed.

In other words, if the CA is trfd.

Prior to 23/7/24
↓
COA & COI
↓
Indexⁿ ✓

On or after 23/7/24
↓
COA & COI
↓
Indexⁿ ✗

Summary Table for Indexⁿ :-

Type of LTCA	Indexation Benefit if trfd.	
	Prior to 23/7/24	On or after 23/7/24
* Bonds / Debentures	NO	NO
* Capital Indexed Bonds	YES	NO*

* Sovereign Gold Bonds	YES	NO*
* Depreciable Assets forming part of block	NO	NO
* Units of specified MF acq. on or after 1/4/23	NO	NO
* Market Linked Deb.	NO	NO
* listed Eq. sh. on which STT paid at the time of Acq ⁿ as well as trf. (LTCT U/S 112A)	NO	NO
* Units of EOMF or Units of Bus. Trust on which STT paid at the time of trf (LTCT U/S 112A)	NO	NO
* Any Other CA	YES	NO*

Imp. Note! -

Resi. Ind/HUF $\Rightarrow$ Imm. Prop.

Acq.
Prior to
23/7/24

Trfd.
on or after
23/7/24



Option to take benefit of indexⁿ
while computing tax on LTCG u/s 112



Accordingly, LTCG on trf. of such imm. prop. shall be computed

w/o indexⁿ

with indexⁿ

⇓
Taxed u/s 112 @
12.5%.

⇓
Taxed u/s 112 @
20%.

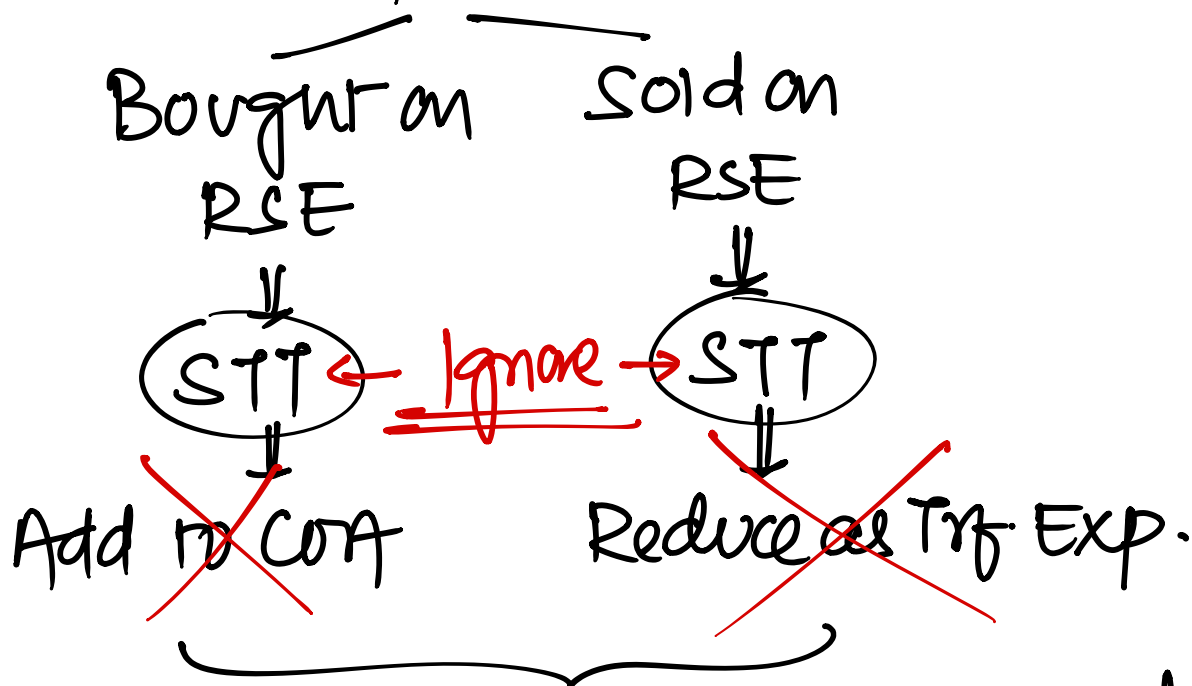
whichever is more beneficial
to the assessee

* It must be noted that the benefit of indexⁿ shall be available only while computing the tax liab. u/s 112 & not while computing income w/h CGT. Thus, for computing income w/h CGT, such LTCG shall be computed w/o giving indexⁿ benefit.

Proviso to Sec. 48.

No dedⁿ for STT shall be available while computing CG

$\therefore CA = \text{Shares / Securities}$



$\therefore$ No dedⁿ for STT is allowed while computing CG

FVC :- whole / full Amt. of consideration recd. / recbl. as a result of trf. of a CA.

Eg: Considerⁿ for Trf. = 20 lakhs

15 lakhs Recd. 5 lakhs Recbl.
↳ FVC (✓) 1st Instal 2nd Instal.

2.5 lakhs $\downarrow$ fvc ✓ 2.5 lakhs $\downarrow$ fvc ✓

$\therefore$ Entire 20 lakhs shall be taken as fvc.

Considerⁿ for Trg. of CA } $\left\{ \begin{array}{l} \text{Cash} \text{ ✓} \\ \text{kind} \text{ ✓} \end{array} \right\} \Rightarrow \text{Fvc} \text{ ✓}$

$\hookrightarrow$ Receipt of another asset as a considerⁿ
 $\downarrow$
FMV as on the dt. of Trg. = FCV.

⊕ Some specific cases where a Notional Amt. shall be taken as fvc (i.e. Deemed FVC)
 $\downarrow$
45(1A), 45(2), 45(5), 46(2), SDC, SDCA, SOD etc.
(To be studied in succeeding parts of this chapter)

Trf. Exps :- Exps. incurred wholly & exclusively in connection with tfg. of a CA.

Eg: Regn & Stamp Duty chgs., Brokerage & Comm., legal Exps etc.

may be incurred

before DOT ☒
as on DOT ☒
after DOT ☒

must be incurred by the transferor

Exps. of such nature incurred by the transferee shall be added to COA of such CA in his hands & shall not be treated as transfer exps. in the hands of the transferor

COI = Cap. Exp. incurred on or after 01/04/01 due to which value of CA ↑s.
↓
55(1)

* Normal exps. of current nature like Repairs etc. $\neq$ COI

($\because$ These exps. does not $\uparrow$ es the value of the CA)

$\therefore$ Needs to be Ignored.

Eg: Cost of Addition / Alteration / Extension etc.
 $=$ COI.

* Any COI incurred prior to 01/04/01 $\neq$ COI $\Rightarrow$ $\therefore$ Ignored

($\because$ In case of assets acq. prior to 01/04/01 the option to take FMV as on 01/04/01 as COA is available which generally covers all such COI which are incurred prior to 01/04/01)

* ICOI = COI $\times$ CII of Yr. of Trf.

CII of Yr. of Improvement.

$\rightarrow$ To be done only if CA is LTCA &

trf. of such CA is made prior to 23/7/24

Eq: Impr. 2016-17 = 2,00,000 (COI)

2024-25 = ?? (ICOI)
(CII-264)
(CII-363)

$$\therefore \text{ICOI} = 2,00,000 \times \frac{363}{264} = 2,75,000$$

COA = { Actual Cost = Purch Price (+) Purch related Exps. }

Option u/s SS(2)(b)

Normally

⇒ If CA was acq. prior to 01/04/01 :-

COA = (a) Actual cost
OR

(CA other than Imm. Prop.) (b) FMV as on 01/04/01

Higher

COA = (a) Actual cost
OR

(CA is Imm. Prop.)

(b) FMV as on 01/04/01
OR

lower

SDV as on 01/04/01 (if available)

XX
XX
↑

Higher

⇒ If CA (any CA incl. Imm. Prop.) was acquired on or after 01/04/01

↓
Option u/s 55(2)(b) not available

↓
∴ COA = Actual Cost.

Sec. 55(2)(a): -

↓
COA of Intangible Assets :-

- (★) 1.) G/W of any B/P
- 2.) Trade Mark / Brand name of any B/P
 - 3.) Any other Intangible Asset
 - 4.) Right to mfr. / Produce / Process any article / thing
 - 5.) Right to carry on any B/P
 - 6.) Tenancy Rights
 - 7.) Stage Carriage Permits
 - 8.) Loom Hours
 - 9.) Any other Right

If Self-Generated

↓
COA = Nil

If Acquired (Purch.)

↓
COA = Actual Cost -

* If the above assets were self-generated or acquired prior to 01/04/01

⇓

~~Option to take FMV as on 01/04/01 as
COA u/s 55(2)(b)~~

∴ COA shall be either Nil or Act. Cost
only even if They are self-gen. or acq.
prior to 01/04/01

* PDH to be checked for above assets
shall be

36 mths

⇓

if such CAs are
trfd. prior to
23/7/24

⇓

$\leq 36m = STCA$
(no Indexⁿ)

$> 36m = LTCA$
(Indexⁿ ✓)

24 mths

⇓

if such CAs are
trfd. on or after
23/7/24.

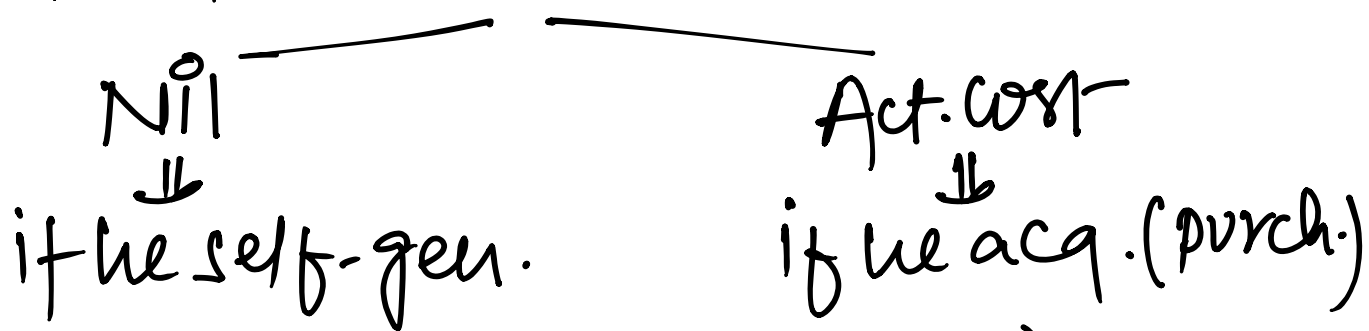
⇓

$\leq 24m = STCA$
(no Indexⁿ)

$> 24m = LTCA$
(no Indexⁿ)

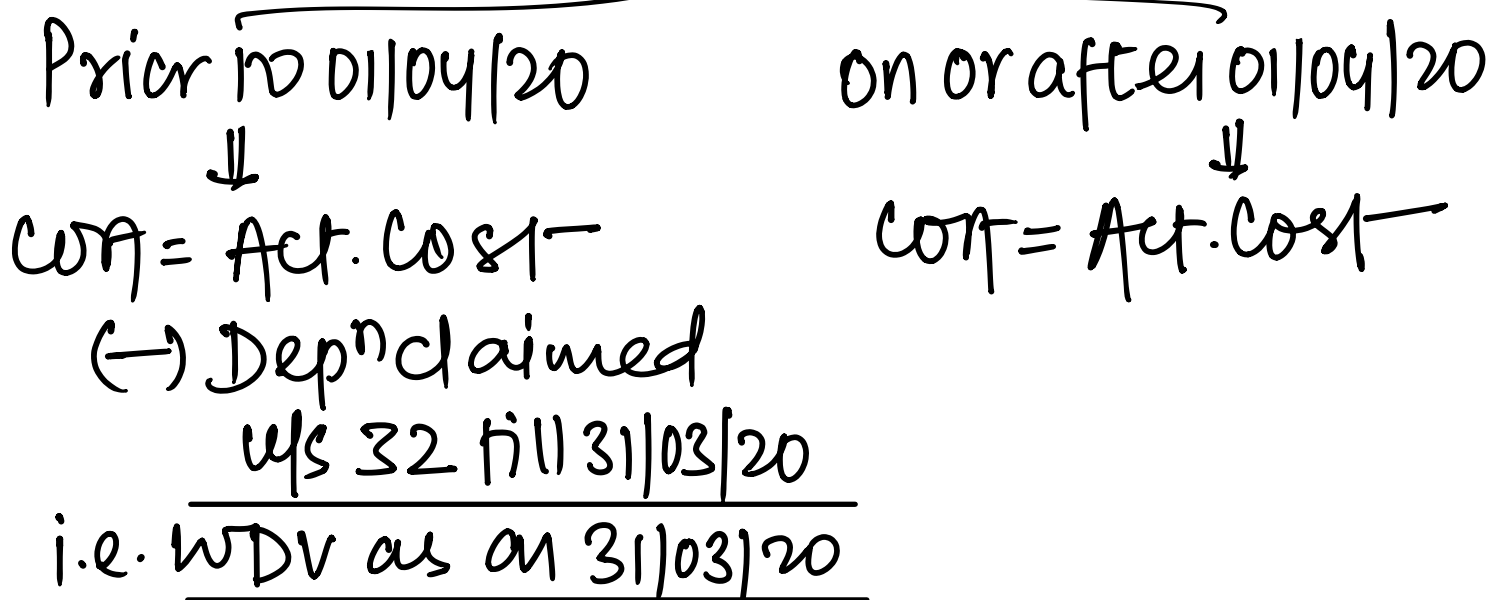
* In case where the above assets are acq. from previous owner by way of modes specified u/s 49(1). COA to the previous owner shall be taken as COA in the hands of the assessee.

COA to previous owner shall be :-



u/s 49(1) shall be taken as COA for the assessee.

★ In case of G/W of B/P acquired



* In the case of :-

- G/w of any B/P
- Any other Intangible Asset
- Right to mfr. | Produce | Process any article | thing
- Right to carry on any B/P
- Any other Right

COI = Nil
(Self-Gen. | Acquired)

* In the case of :-

- Trade mark | Brand name of any B/P
- Tenancy Rights
- Stage Carriage Permits
- Loom Hours

COI = Act. COI incurred
(Self Gen. | Acquired)

Summary :-

<u>Type of CA</u>	<u>COA</u>		<u>COI</u>	
	<u>Self-Gen</u>	<u>Acq.</u>	<u>Self Gen</u>	<u>Acq.</u>
1.) G/w of any B/P	Nil	AC	Nil	Nil
2.) Trademark or Brandname of any B/P	Nil	AC	ACOI	ACOI
3.) Any other Intangible Asset	Nil	AC	Nil	Nil
4.) Right to mfr. article/thing	Nil	AC	Nil	Nil
5.) Right to carry on any B/P	Nil	AC	Nil	Nil
6.) Tenancy Rights	Nil	AC	ACOI	ACOI
7.) Stage Carriage Permits	Nil	AC	ACOI	ACOI
8.) Loom Hours	Nil	AC	ACOI	ACOI
9.) Any other Right	Nil	AC	Nil	Nil

Sec. 55(2)(aa) :-

COA in case of financial Assets :-

(a) Shares Acquired (Purchased) :-

Prior to 01/04/01



COA = (a) Act. Cost -

OR

(b) FMV as on
01/04/01

Higher

on or after 01/04/01



COA = Act. Cost -

(b) Bonus shares allotted :-

Prior to 01/04/01



COA = (a) Act. Cost = Nil

OR

(b) FMV as on
01/04/01

Higher

on or after 01/04/01



COA = Act. Cost = Nil

Always Nil

Always FMV as on
01/04/01.

→ = CA (✓)

(c) Right Offer (Right Entitlement)



based on which the Shareholder
can acquire addl. shares at
a discounted price

↓
If the same is

Exercised

↓
gets converted into
Right shares.

↓
Covered in Pt. no. (d)
below.

Renounced

↓
= Relinquishment

∴ = Trf. ✓

↓
Cap. Gain to be
computed ✓

↓
FVC = Amt. Recd. on
Renouncement

SS(2)(aa) → COT = Nil

Gain/Loss ?? = Gain
Always

↓
Always STCG as
POH of Right offer

From Dt. of
Right offer

↓
Till Dt. of
Renouncement.

Certain No. of Days only
which would always
be < 36m or < 24m

If renounced (as the case may be)
prior to 23/7/24

If renounced
on or after 23/7/24

(d) Right Shares acquired: -

by shareholder
himself by
exercising right

by the person in
whose favour the
right was renounced

Prior to
01/04/01
↓

CoA = AC
or
FMV on
1/4/01

on or after
01/04/01
↓

CoA = AC

Prior to
01/04/01
↓

CoA = AC
or
FMV on
1/4/01

on or after
01/04/01
↓

CoA = AC

AC = Amt. Paid by
the Shareholder
to the Co. to
acq. the Right
Shares

AC = Amt. paid
to the Co.
(+)
Amt. paid
to Sharehold.
on Redemption

* In the case of shares (Acq. sh. | Bonus sh. | Right sh.)
↓
Check

24m POTH

↓
If such shares
are unlisted
(whether transf. prior
to 23/7/24 or on or after
23/7/24)

↓
≤ 24m - STCA (no Index)
> 24m - LTCA

12m POTH

↓
If such shares
are listed
(whether transf. prior
to 23/7/24 or on or after
23/7/24)

↓
≤ 12m - STCA
(no Index)
> 12m - LTCA

Indexⁿ (✓)
↓
If trfd. prior
to 23/7/24

Indexⁿ (✗)
↓
If trfd. on or
after 23/7/24

Indexⁿ (✓) Indexⁿ (✗)
↓ ↓
If trfd. prior to If trfd. on
23/7/24 or after
23/7/24

⊛ Further Indexⁿ shall
not be available
even if the listed
shares are LTCG &
trfd. prior to 23/7/24
if such shares are
listed Eq. Sh. covered
u/s 55(2)(ac) whose
LTCG is to be comput.
u/s 112A.

POH of Unlisted Shares

From Dt. of
Allotmtl.

Till the Dt.
imm. prec. to DOT

POH of listed Shares (other than Bonus)

From Dt. of
Purchase

Till Dt. of
Sale

POH of listed Bonus shares

From Dt. of
Debit to Demat
A/c

Till Dt. of
Sale

Sec. 55(2)(ac) :- (Discussion to be done w/s 112A)

COA in case of : * Listed Eq. Sh.

* Units of EOMF

* Units of BT.

Trfd. as LTCA through RSE
on or after 01/04/18
and

STT is paid at the time
of their trf. as well as acqⁿ
(in case of listed Eq. Sh)

If the above 3 Assets were Acquired

Prior to 01/02/18

On or After 01/02/18

$$\underline{COA = Act. Cost}$$

and also prior
to 01/04/01

but on or after
01/04/01

COA = (a) Act. Cost ↑ =XX
Higher OR
FMV on 1/4/01
OR
(b) FMV on 31/01/18 =XX
Lower OR
Selling Price ↓

COA = (a) Act. Cost XX ↑
OR
(b) FMV on 31/01/18 =XX
Lower OR
Selling Price ↓

(*) If the listed Eq. Shares were acquired as Bonus shares / Right shares, then also the COA shall be determined as shown above.

* Some Specific Cases where a Notional Amt. shall be taken as COA (i.e. Deemed COA)



49(1), 49(2), 49(2AA), 49(2AE), 49(4), 49(9), SO, SOA, SOB etc. (To be studied in details later on)



To be done only if CA is LTCA & trf. of
such CA is made prior to 23/7/24

Eg 1 : ACQⁿ 2016-17 = 10,00,000 (COA)
(CII-264)
2024-25 = ?? (1COA)
(CII-363)

$$\therefore \text{ICOA} = 10,00,000 \times \frac{363}{264} = 13,75,000$$

Eg 2: Acqⁿ 1997-98 = 200,000 (COA)
(CII - ??)

2024-25 = ?? (ICOA)
(C11-363)

$$\therefore \text{ICDA} = 2,00,000 \times \frac{363}{100} = 7,26,000$$

(CII 901-02)

* If shares of same co. are acquired in diff. lots on diff. dates @ diff. cost



Each lot = Separate CA ✓

* POH & COA of shares shall be determined on FIFO Basis (if few shares are sold out of the total no. of shares of that co.)

Eg: Shares of XYZ Ltd:-

100 sh - on 1/8/16 @ ₹50/sh

200 sh - on 9/9/18 @ ₹80/sh

300 sh - on 15/12/22 @ ₹105/sh

400 sh - on 7/7/24 @ ₹120/sh

Total = 1000 sh

↳ All shares sold on 20/7/24 for ₹115/sh



Consider each lot as separate CA

	<u>100 sh</u>	<u>200 sh</u>	<u>300 sh</u>	<u>400 sh</u>
DOA	1/8/16	9/9/18	15/12/22	7/7/24
DOT	20/7/24	20/7/24	20/7/24	20/7/24
POH	> 24m ∴ LTCA	> 24m ∴ LTCA	≤ 24m ∴ STCA	≤ 24m ∴ STCA
	↓	↓	↓	↓
	1 COA	1 COA	COA	COA
	↓	↓	↓	↓

$$\begin{aligned}
 (50 \times 100) \times \frac{363}{264} &= 6875 \\
 (80 \times 200) \times \frac{363}{280} &= 20,743 \\
 (105 \times 300) &= 31506 \\
 (120 \times 400) &= 48,000
 \end{aligned}$$

Frc(SP)	11,500	23000	34500	46000
	(100X115)	(200X115)	(300X115)	(400X115)
	4625	2257	3000	(2000)
	LTCG	LTCG	STCG	STCL
	6,882 LTCG		1000 STCG	

* If in the above example instead of all the shares only 750 shares were sold then we would have followed FIFO basis & the solution would have been as follows:-

	<u>100 sh</u>	<u>200 sh</u>	<u>300 sh</u>	<u>400 sh ^{150 sh}</u>
DOA	1/8/16	9/9/18	15/12/22	7/7/24
DOT	20/7/24	20/7/24	20/7/24	20/7/24
POH	> 24m	> 24m	≤ 24m	≤ 24m
	∴ LTCA	∴ LTCA	∴ STCA	∴ STCA
	↓	↓	↓	↓
	1 COA	1 COA	COA	COA
	↓	↓	↓	↓
	(50X100) × $\frac{363}{264}$	(80X200) × $\frac{363}{280}$	(105X300)	(120X150)
	= 6875	= 20,743	= 31506	= 18000

FVC(SP)	11,500	23000	34500	= 17250
	(100X115)	(200X115)	(300X115)	(150X115)
	4625	2257	3000	(750)
	LTCG	LTCG	STCG	STCL
	6,882 LTCG		2250 STCG	

Out of 1000 sh. Bal. 250 sh. are from the last lot of 400 sh. whenever these shares would be sold later on their COA shall be 120/sh & PCH shall be taken w.e.f. 7/7/24 onwards.

Solⁿ (11) Ms. Usha Individual. ROR PAN: _____
 PY: 24-25 AY: 25-26

Computation of Capital Gains

Particulars	1000 orig. Shares	100 Bonus Shares	1100 Bonus Shares
FVC (SP)	2,00,000 (200X1000)	20,000 (200X100)	2,20,000 (200X1100)
(-) Trf. Exp Brokerage @ 2%	(4000)	(400)	(4400)
NC	1,96,000	19,600	2,15,600
(-) COA	* (80,000)	* (8,000)	(Nil)

1,16,000

11,600

2,15,600

$$\text{Taxable LTCG} = \underline{\underline{3,43,200}}$$

* WN

1000 Orig. Sh.

DOA

Jan'96

DOTJan'25

> 24 mths

 $\therefore$ LTCA $\therefore$ COA

$$\begin{aligned} \uparrow \text{AC} &= (30 \times 1000) + 1\% \\ &= 30,300 \end{aligned}$$

OR

$$\begin{aligned} \text{FMV on } 1/4/01 &= (80 \times 1000) \\ &= 80,000 \end{aligned}$$

$$\therefore \text{COA} = 80,000$$

* Indexⁿ not available $\therefore$ Trf. made on or after 23/7/24.

100 Bonus Sh.

Aug'00

Jan'25

> 24 mths

 $\therefore$ LTCA

$$\uparrow \text{AC} = \text{Nil}$$

$$\begin{aligned} \text{FMV on } 1/4/01 &= (80 \times 100) \\ &= 8000 \end{aligned}$$

$$\therefore \text{COA} = 8000$$

* Indexⁿ not available $\therefore$ Trf. made on or after 23/7/24.

1100 Bonus Sh.

Feb'06

Jan'25

> 24 mths

 $\therefore$ LTCA

$$\text{AC} = \text{Nil}$$

COA

Specific charge

* Sec. 45(1A) :-

(Profits & Gains) arising on receipt of Ins. Claim

↓
Taxable as income
w/h 'CG'

↓
~~in the PY in which
the CA is damaged
or destroyed~~

↓
in the PY in which
the ins. claim is recd.

↓
due to damage/destruction
of a CA as a result of :-

→ Natural calamities

→ Riots or Civil Disturbance

→ Accidental Fire or
Explosion

→ Enemy Attack

(with or without
declaration of war)

* If cap. asset is damaged or destroyed but
no ins. claim is recd. ⇒ NO CG would arise

∴ 45(1A) (X)

* Ins. claim is recd. on damage/destruction of

Stock-in-Trade



45(1A) (X)



Depch. Asset
forming part
of Block of
Asset in BOP

Any other
Asset (CA)



45(1A) (✓)

Such Ins. Claim
shall be taxable
as deemed PGBP
Inc. u/s 41(1).

↓
45(1A) (X)

↓
Such Ins. Claim
shall be adj. from
the value of block
as deletions

↓
Ins. Claim so
recd. shall
be deemed
to be FVC
u/s 45(1A)
to compute
CG.

Example:-

Imm. Prop.
(Cap. Asset)
(DOA-11/11/14)
(PY 14-15)

↓
COA = 10,00,000

COI (16-17)
1,00,000

→ = Trf

→ Damaged
or
Destroyed
due to N/R/F/E
(15/12/19)
(PY 19-20)

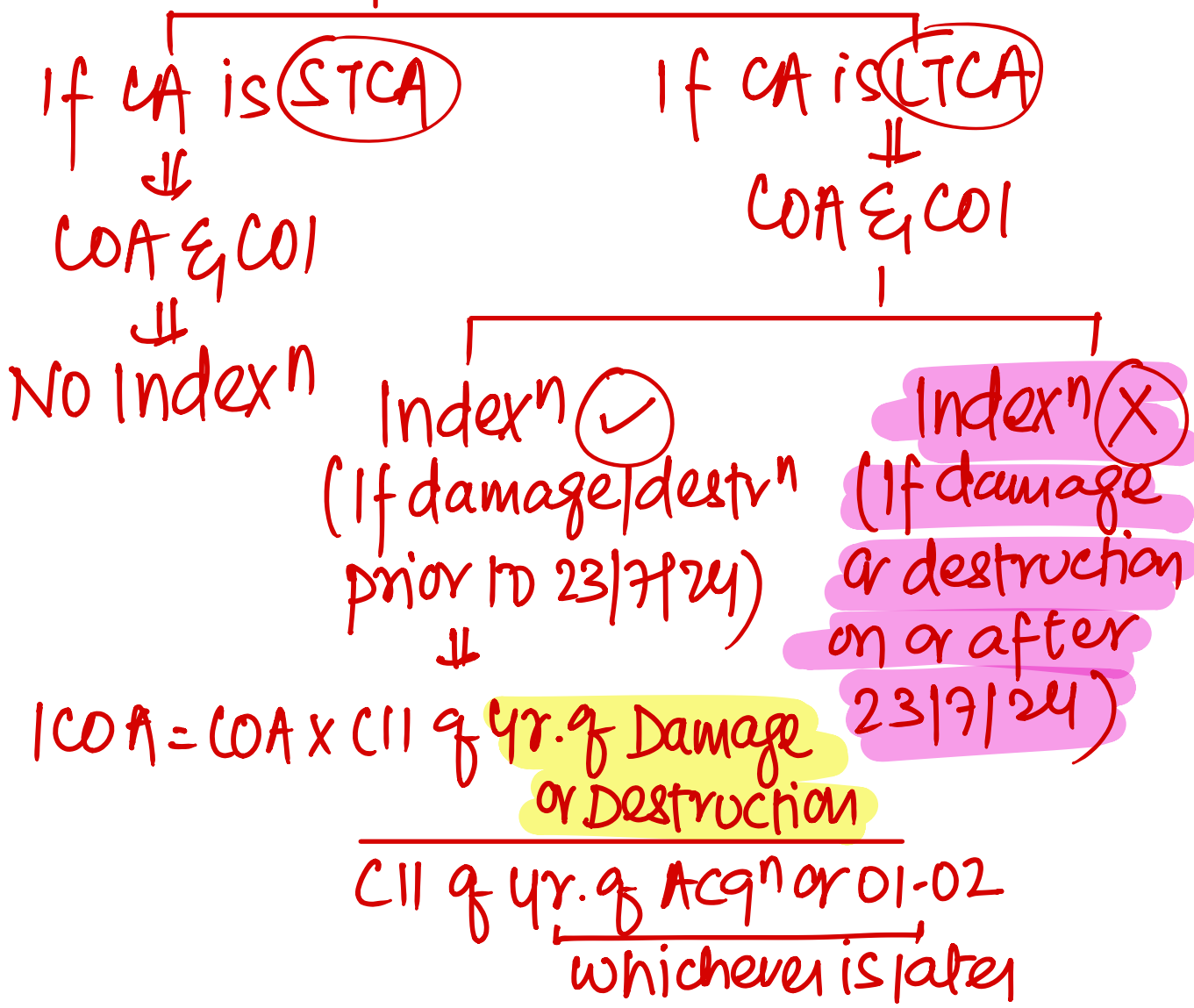
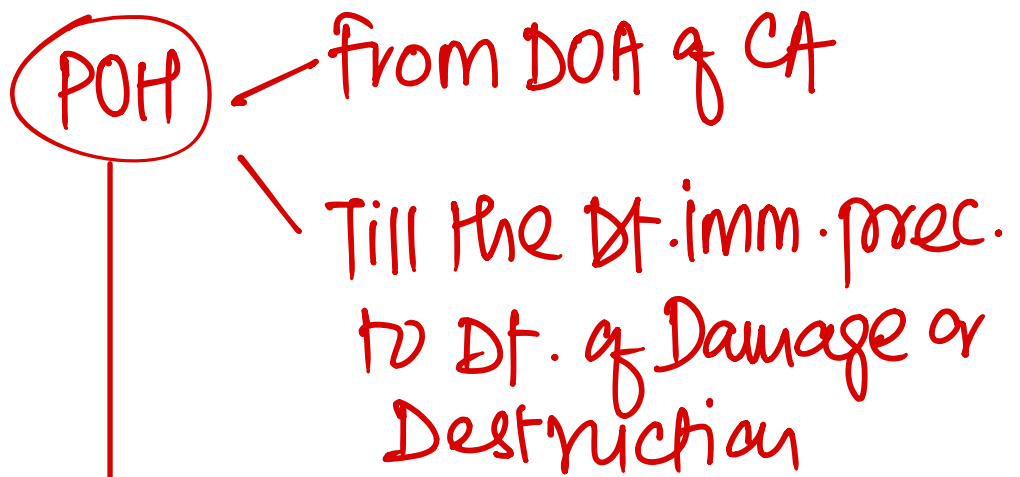
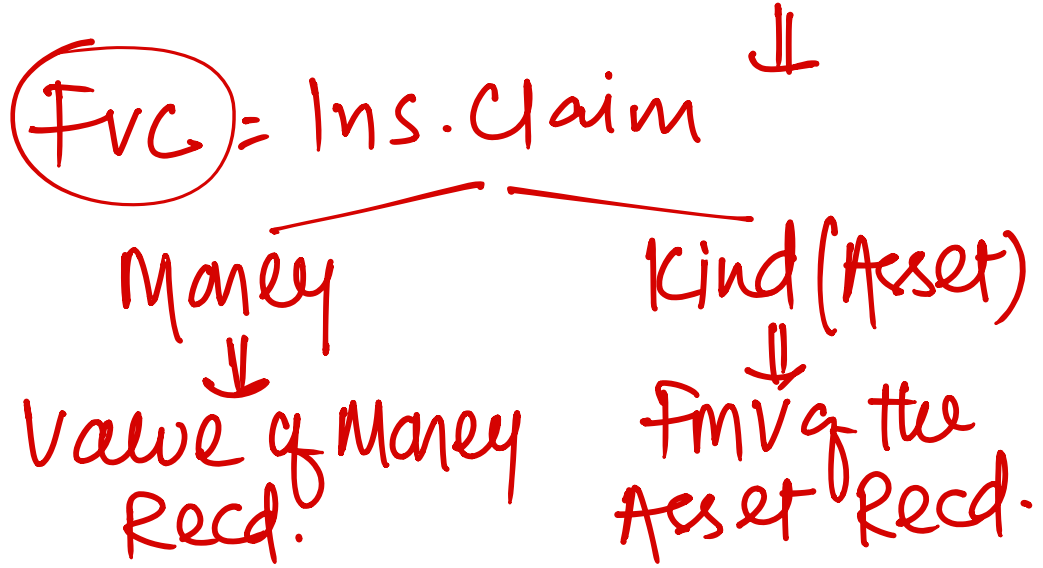
↓
~~FMV = 25,00,000~~
Ignore

→ Ins. Claim
Recd.
12/8/24
(PY 24-25)

↓
Claim = 24,00,000

↓
Since the claim
is recd. in the
PY 24-25, CG
u/s 45(1A)
shall be taxed
during PY 24-25

↓
Computation of CG
shall be done in the
following manner:-



$$|COI| = COI \times CII \text{ of Yr. of Damage or Destruction}$$

CII of Yr. of Improvement.

∴ In the above example LTCG to be computed & taxed in PY 24-25

Yr. of Rec. of Ins. Claim

POH = 1/11/14 to 14/12/19
 $> 24m$ (✓)

$$FVC = \text{Ins. Claim Amt.} = 24,00,000$$

(-) Trf. Exp

$$= \text{Nil}$$

NC

$$= 24,00,000$$

$$(-) COA \left(10,00,000 \times \frac{289}{240} \right)$$

$$= (12,04,167)$$

$$(-) COI \left(1,00,000 \times \frac{289}{264} \right)$$

$$= (1,09,470)$$

$$\text{Taxable LTCG} = \underline{10,86,363}$$

* Note :-

Indexⁿ in COA & COI is done ∵ the damage or destruction (i.e. trf.) took place prior to 23/7/24.

* Sec. 45(2):-

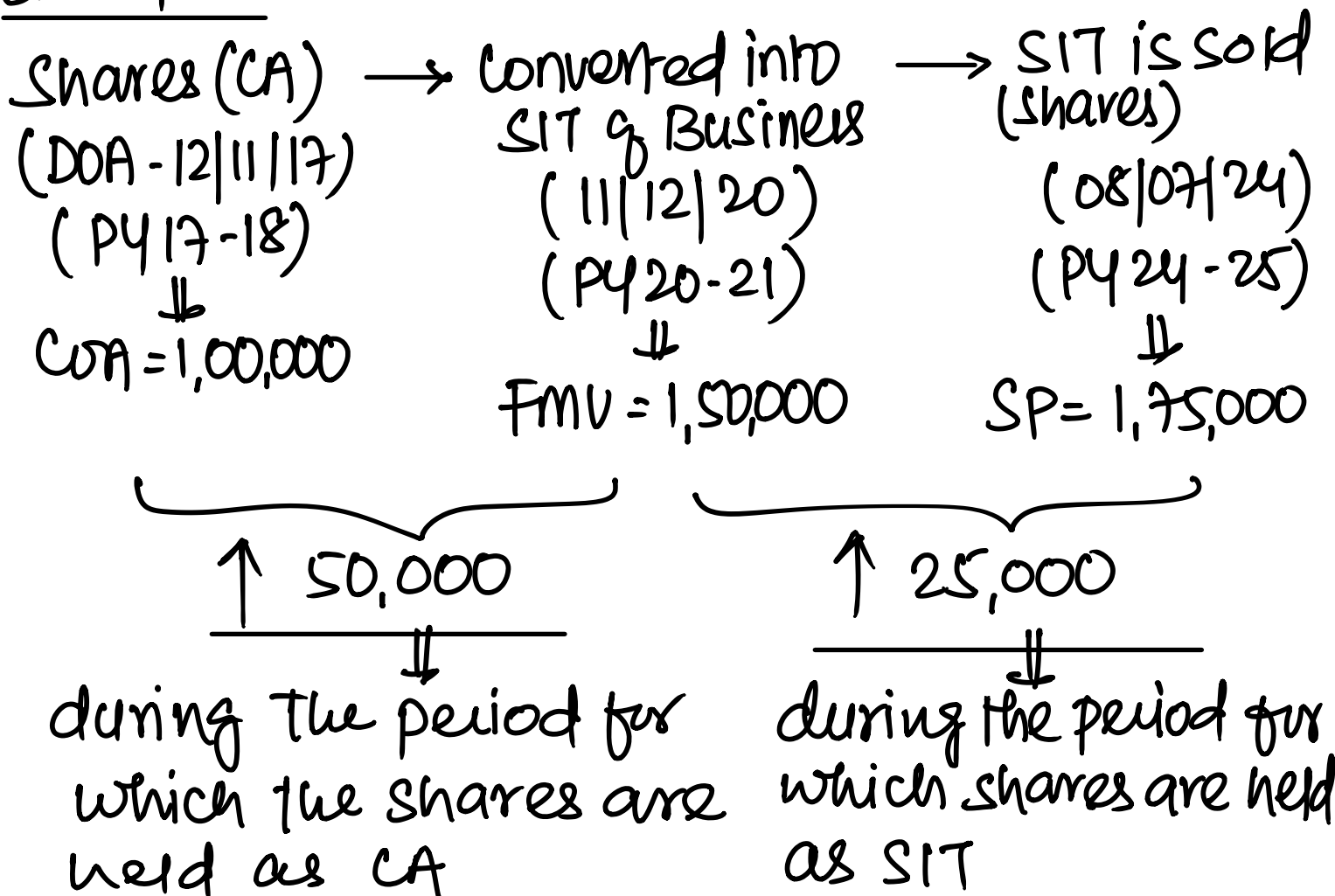
Profits & Gains arising on conversion of a CA into SIT

Taxable as Income
w/h 'CG'

~~in the PY in which the
CA is converted into SIT~~

in the PY in which the
SIT is sold

Example:-



↓
To be taxed w/h CG

↓
To be taxed w/h PGBP

∴ In the PY in which shares are sold as SIT
CG u/s 45(2) shall be computed & charged
to tax along with PGBP Income

PGBP Income

SP of SIT = 1,75,000

(-) COST of SIT = (1,50,000)
(FMV as on the
Dt. of Conv.)

25,000

∴ Conversion
took place
prior to 23/7/24

CG u/s 45(2)

FVC = FMV as on the
Dt. of Conv. = 1,50,000

(-) Trf. Exp = Nil

NC = 1,50,000

(-) ICA
(1,00,000 × $\frac{301}{272}$) = (1,10,662)

(-) ICI = (Nil)

Taxable (TCG) 39,338

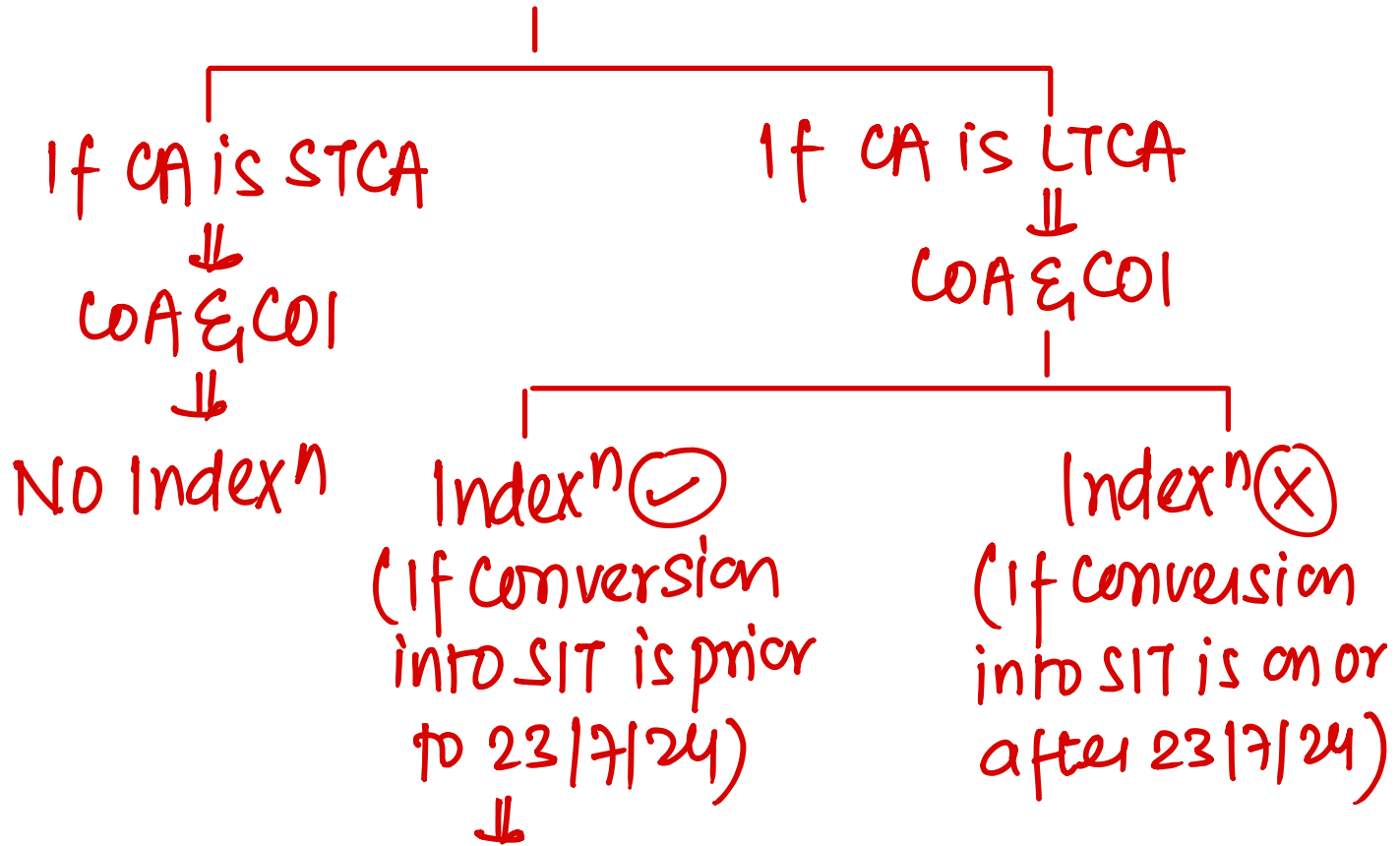
POH = 12/11/17 to 10/12/20
→ 24 mths

To Compute the
CG u/s 45(2)

* FVC = FMV as on Dt. of Conv.

* POH - From Dt. of Acqⁿ of CA

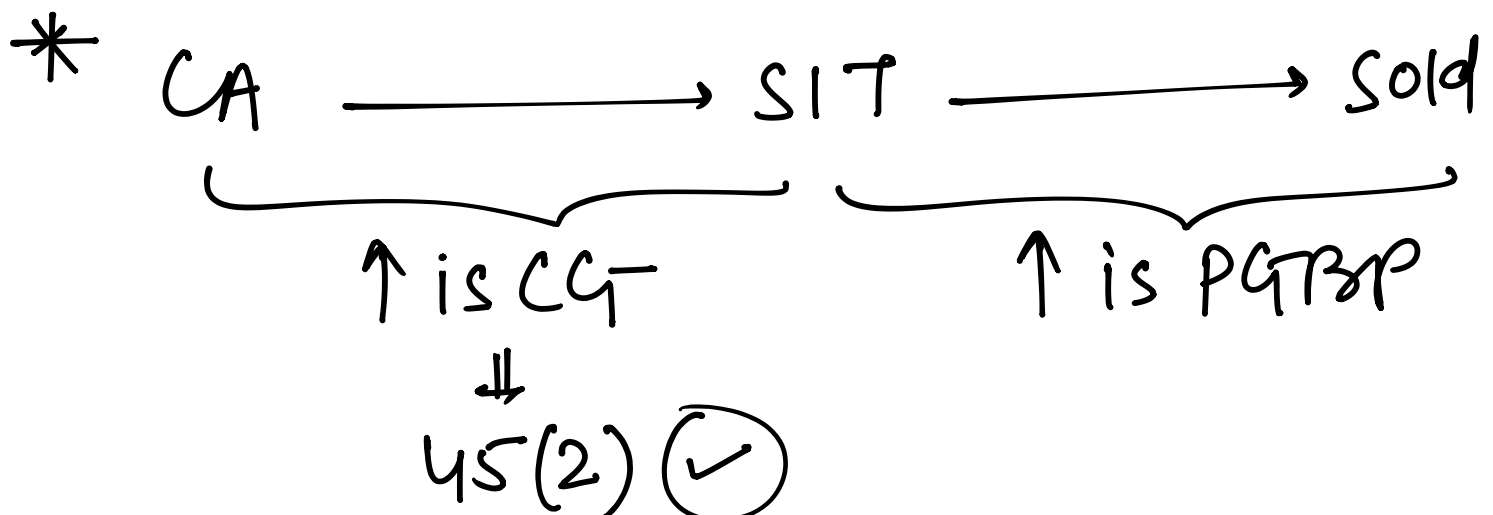
Till the Dt. imm. prec. to
Dt. of Conv. of CA into SIT

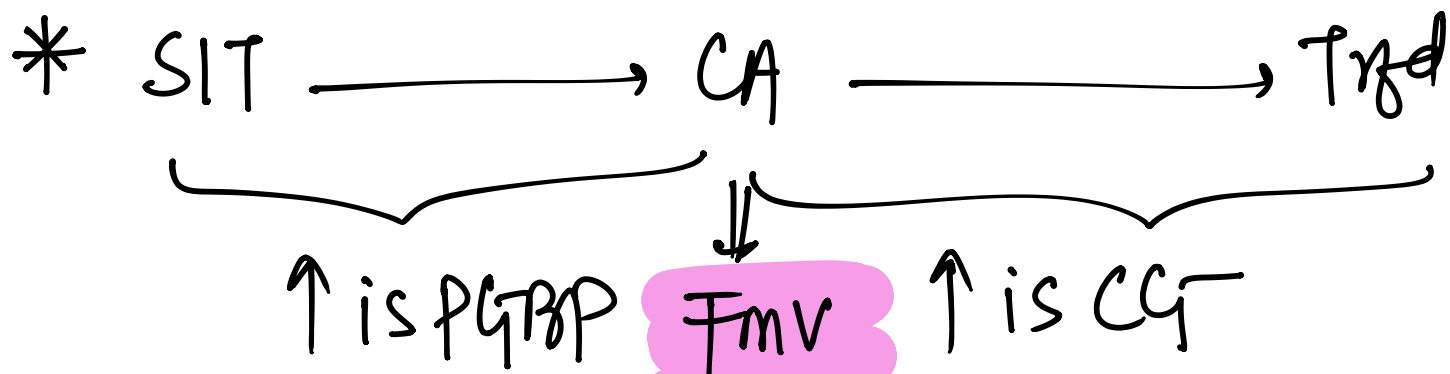


$$\rightarrow ICOA = COA \times \frac{\text{CII of Yr. of Conv. of CA into SIT}}{\text{CII of Yr. of Acqⁿ or 01-02}}$$

whichever is later

$$\rightarrow ICOI = COI \times \frac{\text{CII of Yr. of Conv. of CA into SIT}}{\text{CII of Yr. of Improvemt.}}$$





Taxable ← as PGBP Inc as per specific chg. u/s 28

↓
In the PY in which SIT is converted into CA

↓
PGBP Inc.

FMV as on Dt. of Conv
(-) Cost of SIT

Deemed to be COA of CA u/s 49(9) & to be reduced while computing CGT on trf. of such asset as CA later on.

↓
Cap. Gain

↓
Taxable in the PY in which CA is Trfd.

↓
COA = 49(9) = FMV as on DOC

POH of such CA

Start from
Dt. of conv. of
SIT into CA

Till the Dt.
imm. prec. to
Dt. of Trf.

If the CA is

STCA

↓
COA v/s yr (9)
& col (if any)

↓
Indexⁿ (X)

LTCA

↓
COA v/s yr (9)
& col (if any)

↓
Indexⁿ (✓)

↓
If CA is trfd.
prior to 23/7/24

↓
Indexⁿ (X)

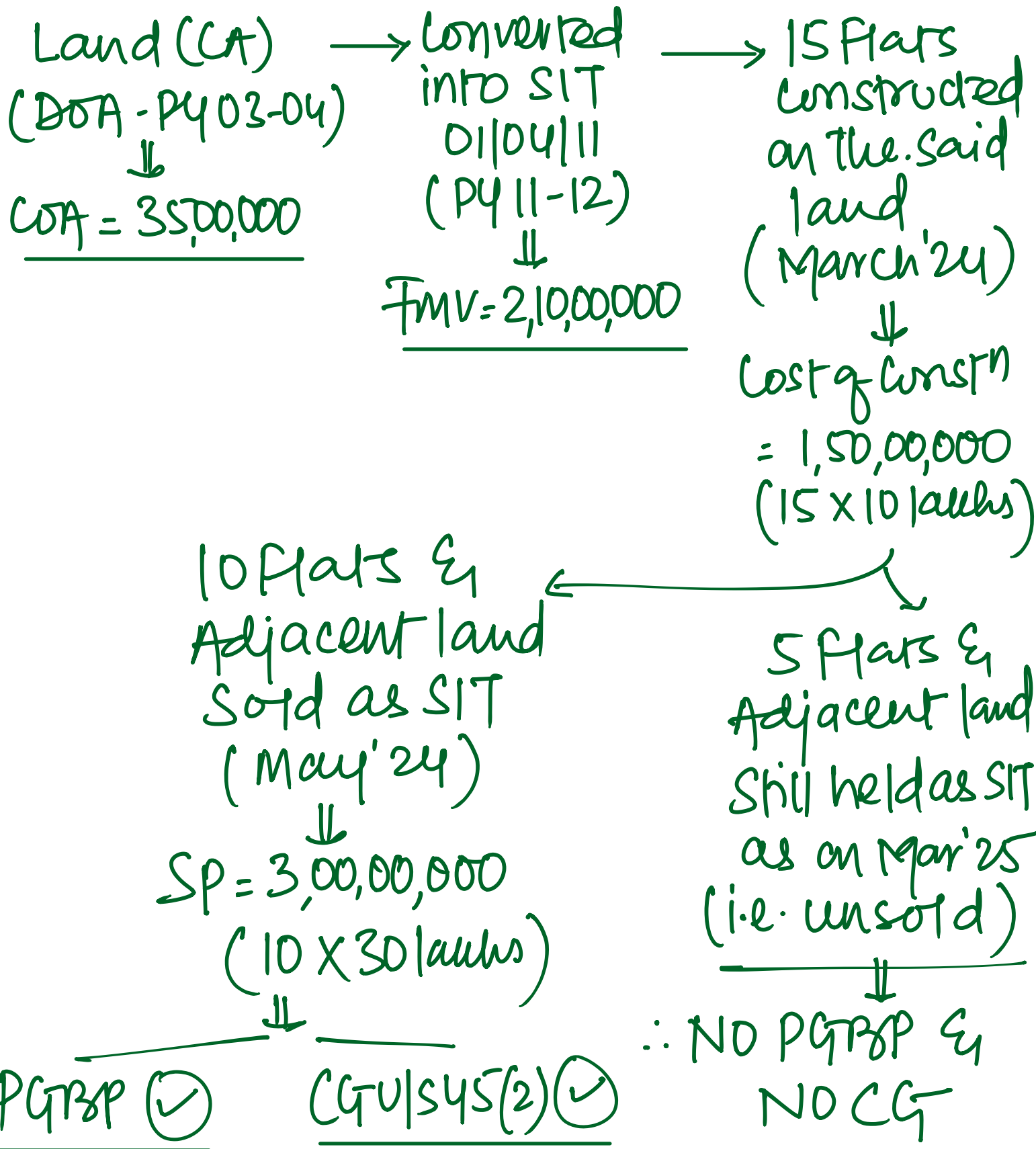
↓
If CA is trfd.
on or after 23/7/24

→ $ICOA = COA \times CII$ of yr. of Trf.

CII of yr. of conv. of
SIT into CA

→ $|COI| = COI \times \frac{CII \text{ of yr. of Trf.}}{CII \text{ of yr. of Improv.}}$

Solⁿ. (2) Facts in the question:—



Ms. Harshita Individual-ROR PAN: _____

PY: 2024-25

AY: 2025-26

PGBP Income



SP of SIT = 3,00,00,000
(land & Flats)
(10 flats x 30 aulhs)

(-) Cost of:-

Flats (10 flats x 10 aulhs)
= (1,00,00,000)

land (210 aulhs x 10)
↓
15
(FMR as on
The Dt. of Conv.) = (1,40,00,000)

60,00,000

CG u/s 45(2)



FVC = FMR as on Dt. of Conv.
= 2,10,00,000

(-) Trf. Exp = (Nil)

NC = 2,10,00,000

(-) ICA = (59,08,257)
(35 aulhs x $\frac{184}{109}$)

(-) ICI = (Nil)

∴ LTCG = 1,50,91,743

Taxable in PY 24-25

= 1,50,91,743 x $\frac{10}{15}$

= 1,00,61,163

To be taxed
when 5 flats
& Adjacent land
would be sold
later on ↓

$$(-) \text{ Ex. v/s 54EC} = (\text{Nil})$$

$$\therefore \text{Taxable LTCG} = \underline{1,00,61,163}$$

$$1,50,91,743 \times \frac{5}{15} \\ = \underline{50,30,581}$$

$\therefore$ Inv. in Noti. Bonds not made within 6 mths. from Dt. of sale of SIT. Hence, no exempⁿ shall be available v/s 54EC i.r.o. inv. in Noti. Bonds out of the taxable LTCG v/s 45(2) during the PY 24-25.

$$\therefore \text{Taxable PGBP Inc.} = 60,00,000$$

$$\text{Taxable LTCG v/s 45(2)} = 1,00,61,162$$

in PY 24-25 i.e. AY 25-26.

* Sec. 45(5) :-

Profits & Gains arising on Compulsory Acquisition of a CA under any law

Taxable as income
u/h 'CG'

~~in the PY in which the
CA is compulsorily Acquired~~

in the PY in which the amt.
of compensation or part thereof
is recd. for the 1st time

Example :- W1 (13-14)
2,00,000

Imm. Prop. (CA)
(DOA - 18/12/09)
(PY 09-10)

COA = 10,00,000

Compulsory Acqⁿ
12/11/22
(PY 22-23)

~~FMV = 30,00,000~~

Initial
Compensation
28,00,000

Recd
18,00,000

Recbl.
10,00,000

02/12/24
(PY 24-25)

∴ Initial Compensⁿ or Part thereof
is recd. for the 1st time in PY 24-25
∴ CG u/s 45(5) to be computed &
taxed in the PY 24-25

POH

If CA is STCA

$$\Downarrow$$

$$\omega_A \in \omega_I$$

↓
No indexⁿ

If CA is LTCA

$$\omega_A \in \omega_I$$

Indexⁿ (✓)

↓
(If compl. acq'n
of CA was prior
to 23/7/24)

Indexⁿ (X)

(If compl. acq'n
of CA was on or
after 23/7/24)

$$\rightarrow ICA = CA \times \text{CII of Yr. of Compl. Agn}$$

CII of Yr. of Acqⁿ or 01-02

whichever is later

→ $\|C\| = \|C\| \times \text{CII of } \text{Yr. of Compl. Acq}^n$

CII of Yr. of Improvement

Hence, the solution to above example shall be as follows:—

FVC = Full Amt. of Initial Compensⁿ = 28,00,000

(-) Trf. Exps

= Nil

NC

= 28,00,000

(-) COA $(10,00,000 \times \frac{331}{148})$

= (22,36,486)

(-) COI $(20,00,000 \times \frac{331}{220})$

= (3,00,909)

Taxable LTCG 2,62,605

* Indexⁿ benefit is availed in COA & COI since the compl. acqⁿ (i.e. trf. took place prior to 23/7/24)

* If the assessee is not happy with the amt. of Initial Compensation.

↓

Files a case in the court to ↑ the amt. of initial compensation

↓

Final court judgement - Amt. of Initial Compⁿ is ↑ed

↓

Assessee gets Addl. (Extra) Compensⁿ also known as Enhanced Compensⁿ

↓
Shall be taxable as income w/h 'CG'
in the PY in which the final judgement
of the court is delivered & it is received

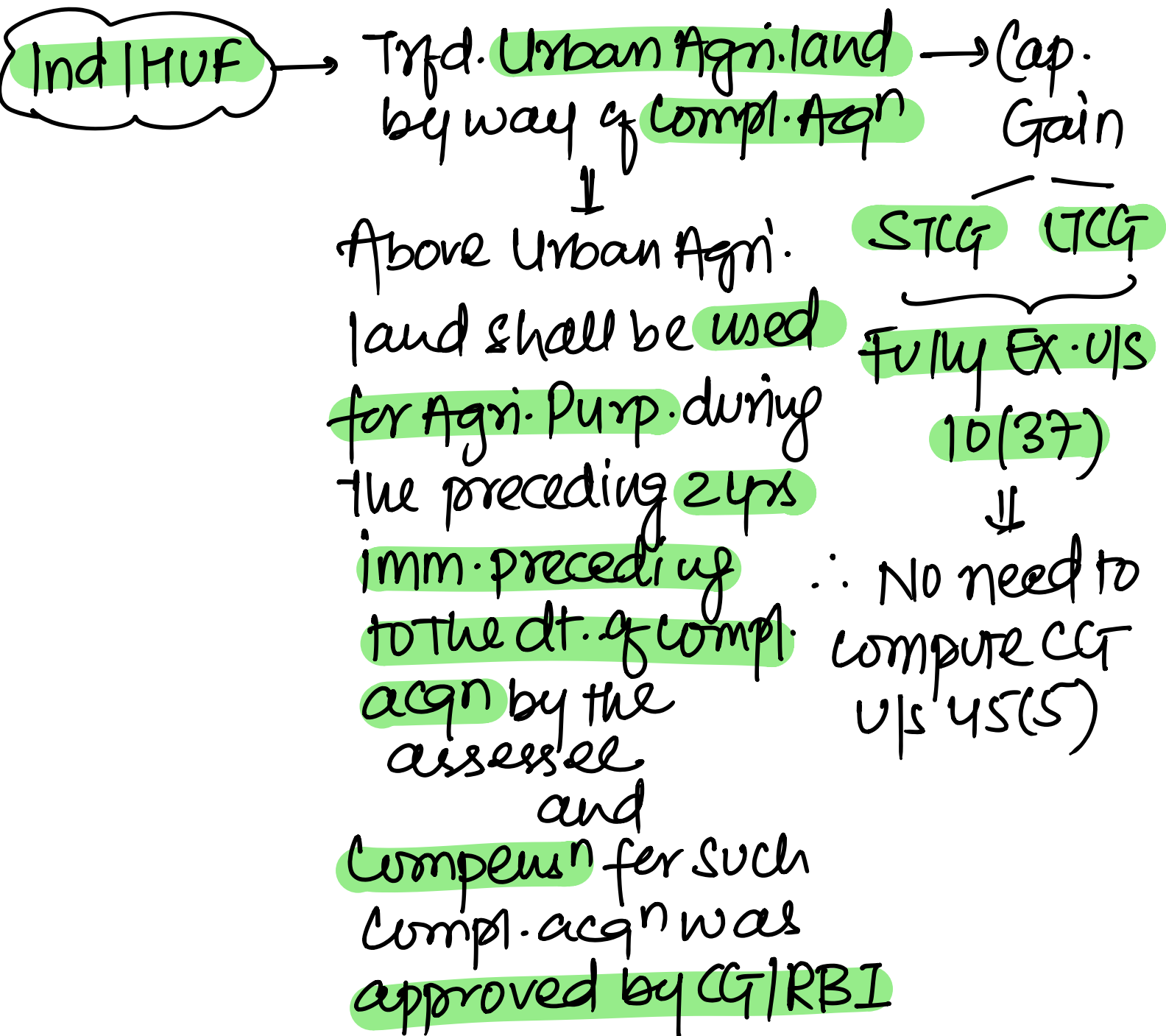
↓
Dedⁿ for litigation chgs. shall
be available. However, no dedⁿ
for COA & COI shall be available

↓
Balance Amt. of Addl./Enhanced Compⁿ
is taxable w/s 45(5) w/h CG

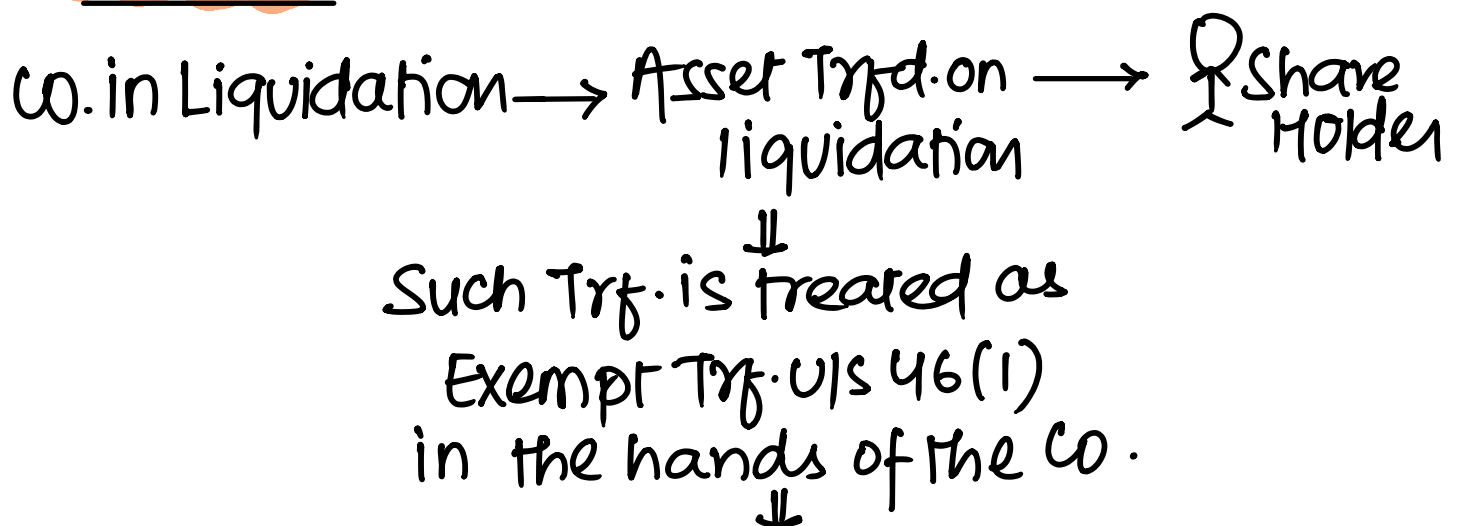
↓
Nature of CG shall be same as that of
Original CG computed on the basis of
Initial Compensation

NOTE:- If the amt. of initial compensⁿ is
red due to interim judgement of the
court, then the same would not be
taxed on receipt basis. However, its
taxability is confirmed during the
PY in which the final judgement of
the court is delivered.

* Sec. 10(37) :-



* Sec. 46 :-



∴ No CG to be
Computed & Taxed

* Note:- If the asset (CA) is trfd. by such co.
to any other person ⇒ ~~Ex. Trf. U/S 46(1)~~

∴ CG ✓

Co. in liquidation → Distribution on Liquidation → Shareholder

↓
Cash XX
FMV of the
Assets Recd
(as on Dt. of
Distribution) XX
Total Distribⁿ XX

To the extent of Acc. Profits
as on the Dt. of Liquidⁿ

↓
Treated as Deemed Div.
U/S 2(22)(c)

↓
IFOS ✓

Excess Distribution
(Deemed to be FVC
for Trf. of shares in
liquidating co. as
such shares are
surrendered by the
shareholder in the
event of liquidⁿ)

↓
∴ Cap. Gains would
be computed & taxed
in the hands of the

Shareholders up 46(2)
for Trf. of Shares in
liquidating Co.

POH of Shares in liq. Co.

Starts from
Dt. of Allotmt.
or Purch.

Ends on Dt. of
liquidation

If shares are

STCA

COA of Shares

No Indexⁿ

LTCA

COA of Shares

Indexⁿ ✓

(If liquidⁿ takes
place prior to
23/7/24)

Indexⁿ ✗

(If liquidⁿ takes
place on or after
23/7/24)

$$ICOA = COA \times \frac{\text{CII of Yr. of Liquid}^n}{\text{CII of Yr. of Acq}^n}$$

* Note:- The assets recd. on liquidⁿ by the SH
are later on trfd. by him.

CL to be computed ✓

COA of such Asset = FMV as on the Dt. of distribution which was considered u/s 46(2).

POH of such Asset starts from Dt. of Distⁿ of such asset to SH
Till the Dt. imm. prec. to its Dt. of Trf.

If the CA is

STCA

LTCA

COA & COI of such Asset

COA & COI of such Asset

No Indexⁿ

Indexⁿ ✓

(If such Asset was Trfd. prior to 23/7/24)

Indexⁿ ✗

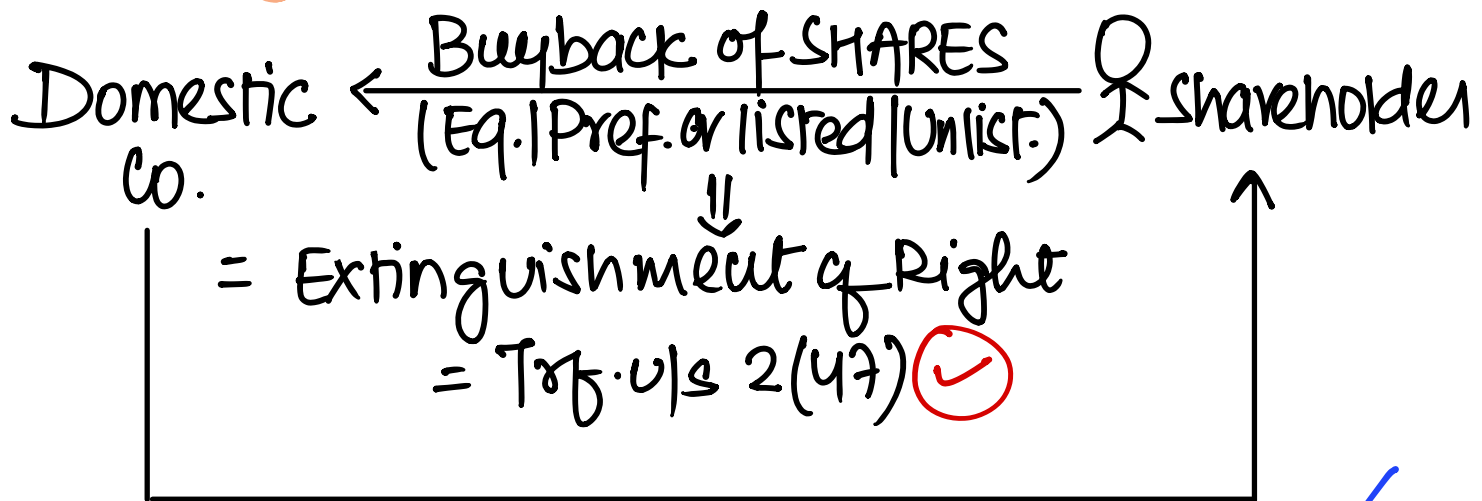
(If such asset was Trfd. on or after 23/7/24)

$$\rightarrow \text{ICOA} = \text{COA} \times \frac{\text{CII of yr. of Trf.}}{\text{CII of yr. of Distn of such asset to Sh. Holder}}$$

CII of yr. of Distn of such asset to Sh. Holder

$$\rightarrow \text{ICOI} = \text{COI} \times \frac{\text{CII of yr. of Trf.}}{\text{CII of yr. of Impr.}}$$

* Sec. 46A :-



Buyback Price = ~~FVC for Trf. of sh. & CG~~

Domestic Co. is liable to pay Tax u/s 115QA @ 20% plus SC-12% plus HEC-4% i.e. effective tax rate 23.296%

Fully Ex. u/s 10(34A) in the hands of the Shareholder

~~to be computed & taxed u/s 46A~~

$\Downarrow$
Sec. 46A-N.A.

$\Downarrow$
Hence, 46A CG NOT computed & taxed in the hands of The Shareholder

upto 30/09/24

$\Downarrow$

FA'24 Amendment

$\Downarrow$

W.e.f. 01/10/24 & onwards

Sec. 115QA has been withdrawn



Domestic Co. is no more liable to pay tax on such BB Price

Accordingly, the exemption available to the SH u/s 10(34A) shall no more be available



Such BB Price shall now be taxed u/h IFOS as Deemed Dividend u/s 2(22)(f) without allowing any Dedⁿ therefrom u/h 'IFOS'.



Further CGT u/s 46A shall also be computed & FVC shall be taken as Nil and Dedⁿ for COA of shares bought back shall be allowed which would now result into

Capital loss

STCL

↓
To be s/o against
STCG as well as
LTCG

LTCG

↓
To be s/o only
against LTCG

Domestic
Company

← Securities (except shares) → Security Holder
Buy Back
= Exting. of Right = Trf. of 2(47) ✓

Buy Back Price

Domestic Co. is not
liable to pay tax
u/s 115QA

(∵ 115QA is not applicable)

No Exemption u/s 10(34A)
shall be available in
the hands of sec. holder

↓
CG u/s 46A to be
computed for trf. of
securities under buy
back ↓

BB Price to be treated
as FVC to compute
CG u/s 46A.

Company Other than Domestic Co.

Shares | Securities
Buy Back

Shareholder
OR
Sec. Holder

= Extng. of Right

= Trf. u/s 2(47) ✓

Buy Back Price

Company is not liable
to pay tax u/s 115QA

(∵ 115QA is not applicable)

No Exemption u/s 10(34A)
shall be available in
the hands of Shareholder
or Security Holder

CG u/s 46A to be
computed for trf. of
Shares | Securities
under Buy Back

BB Price to be treated
as FVC to compute
CG u/s 46A.

Special Aspects

* Sec. 50 :- CG on trf. of Depreciable Asset forming part of Block of Assets of B/P

	$\Downarrow$ <u>Block</u>		
	<u>Assets</u>	<u>Value</u>	<u>Remarks</u>
Block does not cease to exist	✓	✓	Dep ⁿ u/s 32
	✓	X	STCG u/s 50
Block ceases to exist	X	✓	STCL u/s 50
	X	X	STCG u/s 50

No individuality (identity) of the assets in the block i.e. the moment the asset becomes the part of the block its identity is lost.

∴ POH of each asset becomes irrelevant & must be ignored

Further, POH of the entire block cannot be determined as the block comprises of many assets of same type having same rate of depⁿ & in that event it becomes difficult to assign a specific POH to the block also

Any gain/loss arising on trf. of assets from the block is therefore treated as short-term gain/loss.

Benefit of Indexation is completely ignored in such cases ($\because$ POH of each asset not be considered & POH of entire block cannot be determined. Hence, type of assets in the block cannot be LTCA. Moreover, Sec. 50 specifically treats the resulting gain or loss as short-term only & therefore also indexⁿ benefit cannot be taken).

* Sec. 50A: - CG on trf. of Depreciable Asset on which Depreciation is claimed u/s 32(1)(i) on SLM Basis



if such asset (CA) is trfd. (sold)



CG to be computed & charged to tax under this head only when the Sale considerⁿ is more than the WDV as well as the Act. cost of such Asset.

↓

Eg: Asset acquired for Power Busin.
during PY 20-21 for ₹ 100 lakhs
Depn rate @ 10%. [as per Appendix
1A to Rule 5(1A)] is sold during
the PY 24-25 for:-

(a) 45 lakhs (b) 60 lakhs

(c) 80 lakhs (c) 105 lakhs

AC of the Asset = 100 lakhs

(-) Depn for PY 20-21 = (10 lakhs)

WDV on 1/4/21 90 lakhs

(-) Depn for PY 21-22 (10 lakhs)

WDV on 1/4/22 80 lakhs

(-) Depn for PY 22-23 (10 lakhs)

WDV on 1/4/23 70 lakhs

(-) Depn for PY 23-24 (10 lakhs)

WDV on 1/4/24 60 lakhs

Depn for PY 24-25 ⇒ NOT Allowed

∴ The asset is sold
during the PY 24-25

During the PY 24-25, the asset is sold for:-

(a) 45 lakhs (i.e. SP < WDV as well as < AC) :-

→ Diff. btwn. WDV & SP i.e. 60 lakhs (-) 45 lakhs
= ₹ 15 lakhs

↓
Terminal Depⁿ u/s 32(1)(iii)
Allowed in the PY 24-25

(b) 60 lakhs (i.e. SP = WDV but < AC) :-

→ No Effect to be given

(c) 80 lakhs (SP > WDV but < AC) :-

→ Diff. btwn SP & WDV

i.e. 80 lakhs (-) 60 lakhs = 20 lakhs
OR

AC (-) WDV i.e.

100 lakhs (-) 60 lakhs = 40 lakhs

↓
lower

20 lakhs = Bal. chg. u/s 41(2)

Taxable w/h PGRP
in the PY 24-25

(d) 105 lakhs (SP > WDV as well as > AC) :-

→ Diff. btwn SP & WDV

i.e. 105 lakhs (-) 60 lakhs = 45 lakhs

OR

AC (-) WDV i.e.

100 lakhs (-) 60 lakhs = 40 lakhs

↓
lower

401a u/s = Bal. chg. u/s 41(2)
Taxable w/h PGRBP
in the PY 24-25

Diff. btwn. SP & AC i.e. STa u/s

↓
Taxable w/h 'CG'

In other words, AC of such Asset shall be taken as COA & if based on the POH of such asset if it is LTCA, then such COA shall also be indexed (provided the trf. took place prior to 23/7/24)

* Sec. 50AA:- Computation of CG in case of:-

- (a) Market Linked Debentures
- (b) Units of Specified MF acquired on or after 1/4/23

* FA'24 → (c) Unlisted Bonds / Debentures
trfd. on or after 23/7/24

Sec. 50AA has overriding effect inspite of any-thing contained u/s 2(42A) which defines STCA

↓
i.e. Ignore the POH of such CAs

↓
CG arising on trf. of above 3 assets shall

be treated as STCG

↳ Taxable @ Normal Rates

⇓

Computation of CG :-

FVC	XX
(-) Trf. Exp	(XX)
NC	XX
(-) COA	(XX)
STCG	XX

NO Indexⁿ
∴ PDI to be Ignored

* NO Dedⁿ i.r.o. STT while computing the CG

↳ Can not be LTCG

∴ PDI to be Ignored & Hence, Such CA can not be treated as LTCA.

Note:- Market Linked Debentures :-

⇓

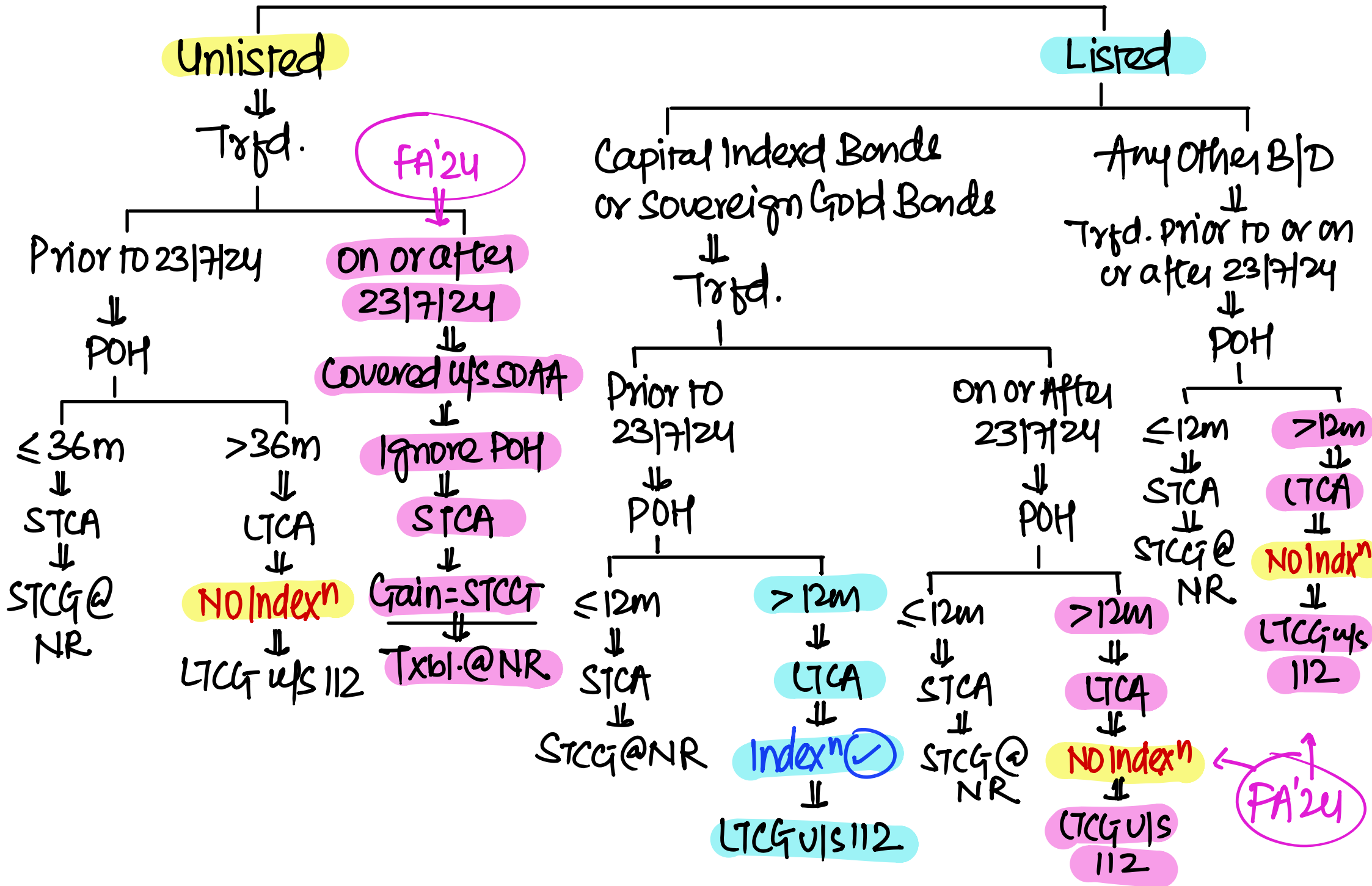
underlying principal component in the form of debt security and returns are linked to market returns on other underlying securities or indices

Note:- Units of Specified MF :-

⇓

MF where $\leq 35\%$ of total proceeds invested in Equity shares of Domestic Companies.

Bonds | Debentures



* Sec. 50B: - CG in case of Slump Sale

↓
Sec. 2(42C)

↓
Taxable during the
PY in which slump
sale has taken place

means trf. of any business
unit/division/undertaking by
any means (i.e. sale, exchg.,
relinq., compl. acqⁿ etc.) as a
going concern for a lumpsum
consideration without assigning
individual values to assets &
liabilities in such trf.

Entire Business Unit/Division/Undertaking = CA
↓

FVC = (a) FMV 1 = FMV of the CA txd. by way of
slump sale as on the dt. of
such sale
OR

(b) FMV 2 = FMV of the Considerⁿ (monetary
as well as non-monetary) recd.
or recd. on slump sale

↓
Higher of
(a) & (b)

↑
B/s imm. prior to Dt. of Slump Sale

COA = Net Worth of the Business Unit/Division/
Undertaking

Assets

(-)

O/S Liabilities

* Depcb'l Assets = ~~Book Value~~

→ WDV as per
IT Act (✓)

Book Value (✓)

* Assets whose AC is allowed
u/s 35AD, 35etc = ~~Book Value~~

→ Nil (✓)

* Goodwill

Self valued

Acquired

~~Book Value~~

Nil (✓)

Prior to
01/04/20

↓

Act. Cost -

(-) Depⁿ u/s 32

till 31/03/20

WDV as on 31/03/20 (✓)

on or after
01/04/20

↓

Act. Cost - (✓)

* Other Assets = Book Value (✓)

Note: - Ignore the effect of revaluation (if any)
given for any asset i.e. revaluation
effect to be eliminated (Adjusted)

POH of Business Unit / Division / Undertaking

From Dt. on
which it is setup

Till the Dt. imm.
prec. to Dt. of Slump
Sale

≤ 36 mth - STCA - NO Indexⁿ in COA (NW)
 > 36 mths - LTCA - NO Indexⁿ in COA (NW)
allowed

(Whether slump sale
takes place prior to
or on or after 23/7/24)

24 mth POH - N.A. u/s
50B

However, resultant CGT
shall be treated as LTCG
& Taxable u/s 112

@ 20%

If Slump Sale took place
prior to 23/7/24

@ 12.5%

If Slump Sale took
place on or after
23/7/24

* Sec. 50C :-

Assessee $\rightarrow$ Trfd. Imm. Prop. (L/B/L&B)
Sale considerⁿ < SDV
and

$(SDV - \text{Sale Consi.}) > 10\% \text{ of Sale Consi.}$

⇓

~~FVC = Sale Considerⁿ~~

SDV shall be deemed to be FVC

If Dt. of Sale Agreement $\neq$ Dt. of Regⁿ

⇓

SDV = XX

⇓

SDV = XX

⇓
considered for sec. SDC
if the sale considerⁿ
or any part thereof is
recd. on or before the
Dt. of Sale Agreement by
way of presc. modes

⇓

Otherwise

Story No. 1: - If the assessee accepts the SDV adopted by the Registratⁿ Authorities

⇓

Such SDV is > Sale Consi.
and

$(SDV - \text{Sale Consi.}) > 10\% \text{ of Sale Consi.}$

⇓

$FVC = SDV$ so accepted by the assessee

Story NO. 2:- If the assessee has not accepted the SDV adopted by the Registrⁿ Authorities as the same is challenged by him in the court

↓
SDV so challenged cannot be considered for sec. SOC

⇓
SDV finally decided by the court shall be considered for Sec. SOC

↓
SDV decided by the court > Sale Considerⁿ and

$\left(\text{SDV decided by the court} - \text{Sale Consi} \right) > 10\% \text{ of Sale Consi.}$

⇓
 $FVC = SDV$ decided by the court

Story NO. 3:- Assessee has neither accepted the SDV adopted by the Registrⁿ Authorities nor he has challenged it in the court—

↓

Assessee makes an Applicⁿ to
the AO that SDV is $>$ FMV of the
Imm. Prop

On receipt of such Applicⁿ, the AO
refers the valuation of such Imm.
prop. to Deptmt.'s Valⁿ officer (VO)

If the VO's Value

$<$ SDV

VO's value to be taken
as FVC (if it is more than
Sale Considerⁿ)

* However, if VO's value is
less than Sale Considerⁿ
also then such Sale Consi.
shall only be taken as FVC

$\geq$ SDV

SDV to be taken
as FVC

VO's value even if
higher than the
SDV cannot be
taken as FVC as
Sec. 50C allows
only SDV to be
taken as FVC &
not any higher
amt. other than
such SDV.

Note:- (*) If Sale Considerⁿ > SDV - SOC (X)
FVC = Sale Considerⁿ

(*) If SDV > Sale Considerⁿ
but (SDV - Sale Consi.) ≤ 10% of Sale Consi.

↳ SOC (X)
FVC = Sale Considerⁿ

Note:-

(★) If Imm. Prop. was held by the Assessee as

Cap. Asset

SDV > Considerⁿ ✓
and

(SDV - Consi.) > 10% of Consi. ✓

↓
SOC ✓

↓
FVC = SDV ✓

Stock-in-Trade

SDV > Considerⁿ ✓
and (PGBP)

(SDV - Consi.) > 10% of Consi. ✓

↓
SOC (X)

↓
FVC = ~~Considerⁿ~~
(PGBP)

43CA ✓

↓
SDV

Sec. 50CA:-

Assessee → Trfd. Shares 'other than Quoted Shares'

↳ not actively traded in the market because of which no quote (MP) is available for such shares

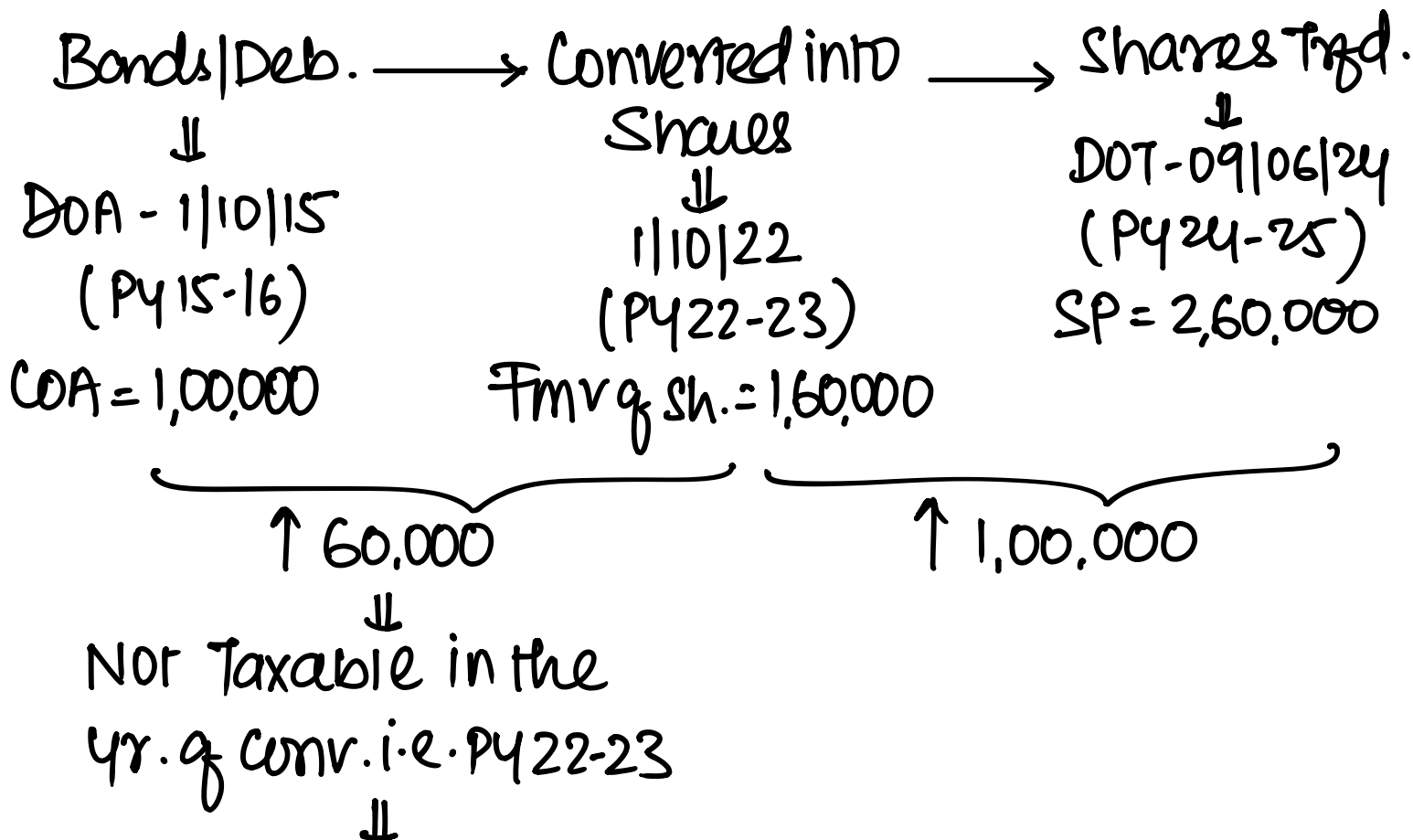


Considerⁿ < FMV of such shares determined as per pres. valⁿ rules.



FVC = ~~Considerⁿ~~ FMV as above shall be deemed to be FVC.

Conversion of Bonds/Debentures into Shares:-



∴ Conv. of B/D into Sh
is treated as exempt-
Trf. u/s 47

* On Trf. of Shares (recd. on conv. of B/D) during
the PY 24-25, Cap. Gain would be charged
to tax which would be computed in the foll.
manner: -

$$\begin{array}{rcl} \text{FVC (SP of shares)} & & = 2,60,000 \\ (-) \text{Trf. Exp} & & = \text{Nil} \\ \hline \text{NC} & & = 2,60,000 \end{array}$$

(-) COA of Shares (recd. on conv. of B/D)

Sec. 49(2A)

COA of Aeqⁿ of B/D converted into
shares shall be deemed to be
COA of such shares

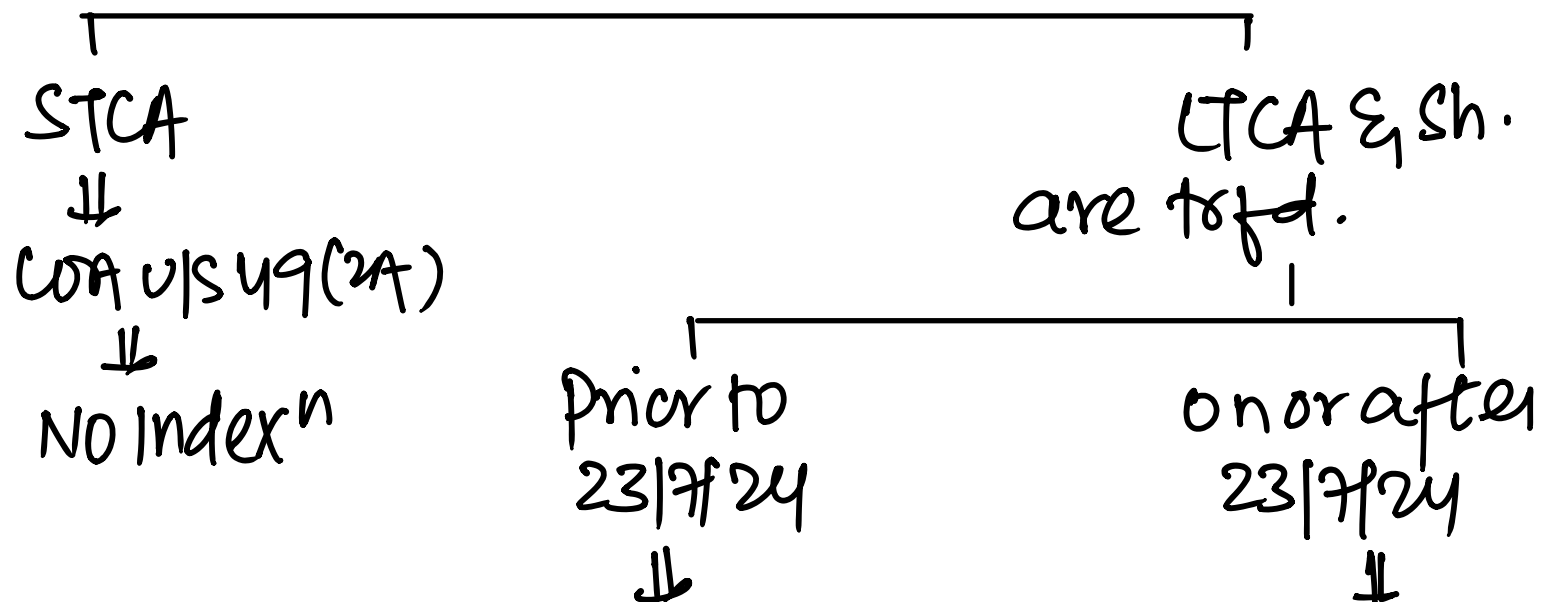
(∴ The gain of 60,000 for the period
prior to Dt. of Conv. also realised
on trf. of shares & the same needs
to be taxed when it is realised

that is the reason why it was not
taxed earlier in the yr. of conversion) → Trf. was
Ex. u/s 47

Gain of 60,000 plus Gain of 1,00,000 both would be taxed when realised i.e. on trf. of shares & for this CWA of shares (recd. on conv. of B/D) is taken as per sec. 49(2A) i.e. CWA of B/D conv. into such shares = ₹1,00,000

POH of such shares shall also incl. the POH of B/D prior to Dt. of Conv. ($\because$ Both 60,000 gain as well as 1,00,000 gain is charged to tax by taxing CWA as per sec. 49(2A)).

$\therefore$ **POH** $\leftarrow$ From Dt. of Acqⁿ of ~~shares~~ B/D
 11/10/15
 Till the Dt. imm. prec. to DDT of sh.
 8/6/24
 If shares are



COA v/s 49(2A)

Indexⁿ ✓

↓

$$ICOA = COA \times \frac{CI \text{ of Yr. of Trf. of Shares (24-25)}}{CI \text{ of Yr. of Acqⁿ of B/D (15-16) 49(2A)}$$

∴ Cap. Gain :-

FVC (SP of Sh.)

= 2,60,000

(-) Trf. Exp

= (Nil)

NC

= 2,60,000

(-) ICOA

= (1,42,913)

$(1,00,000 \times \frac{363}{254})$

Taxable LTCG

1,17,087

↓

POH: 1/10/15 to 8/6/24

↓

> 24m ∴ LTCG

Indexⁿ taken

∴ Sh. were trfd.

prior to 23/7/24.

Conversion of Pref. Shares into Equity Shares:-

Same treatment as discussed above
in the case of conv. of BID into Shares

COA of Pref. Sh. converted into Eq. Sh. shall
be deemed to be COA of Eq. Sh. as per
Sec. 49(2AE) instead of 49(2A).

(*) Sec. 51:- Adv. Money recd. & forfeited
in the course of negotiations
for trf. of a CA but the
negotiations did not result
into actual trf.

recd. & forfeited
prior to 01.04.14



* Sec. 56(2)(ix) u/h
IFOS - Not Taxed

* Sec. 51 (✓)

↳ To be adj.
out of the COA of the
CA in the hands of assessee
at the time of trf. of such CA
by such assessee.

recd. & forfeited
on or after 01.04.14.



* Sec. 56(2)(ix) u/h
IFOS - Taxable (✓)

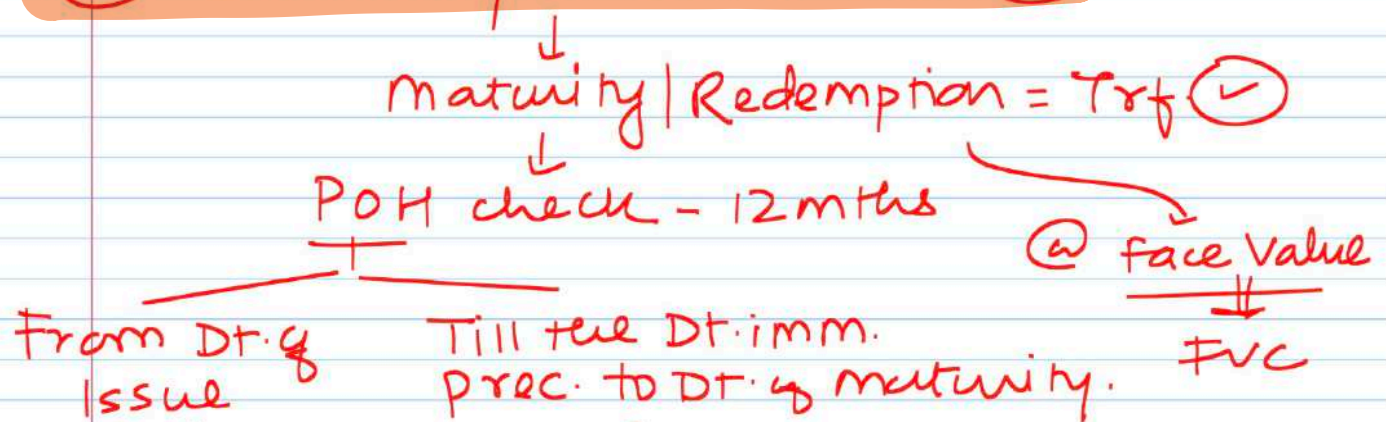
* Sec. 51 (x)

i.e. NO Adj. in COA
of the CA.

* Adv. Money Recd. & forfeited by Previous owner shall not be adj. out of the COA of the CA in the hands of the Assessee.

* 1st Adj. the Adv. Money out of the COA & only after that remaining COA shall be indexed.

* Zero Coupon Bonds = CA ✓



It is based on above POH ZCBs

STCA
↓
COA = Issue Price
↓
Indexⁿ (x)

LTCA
↓
COA = Issue Price
↓
Indexⁿ (x)

(∵ No Indexⁿ benefits available for Bonds or Deb. other than SGBs & Cap. Index Bonds)

* SOD :- Considerⁿ for Trf. of CA cannot be ascertained / Determined

↓
FMV of such CA can be taken as FVC.

* SS(3) :- Cost at which CA was acq. by the Previous owner ⇒ Not Known.

↓
FMV as on the Dt. of Acqⁿ by the Previous owner } can be taken as cost of prev. owner.

* Sec. 47 :-

① HUF $\frac{601(15-16)}{40,000}$

Cap. Asset
(DoA: 11/11/11)
(PY 11-12)
COA = 1,00,000

→ Trfd. on Partition to Member
(DOT: 13/12/18)
(PY 18-19)
FMV = 1,50,000

→ CA Trfd. by member
(DOT: 09/06/24)
(PY 24-25)
SP = 2,40,000

↑ 50,000 ↑ 90,000

→ PY 18-19 / AY 19-20
NO CG taxable for HUF
∴ Trf of CA on Partition = Ex. Trf. u/s 47.

↓
Not Taxable in the hands of HUF because
Trf. of CA by HUF on its partition is an exempt
Trf. u/s 47.

However, such gain of 50,000 shall be realised
by the member at the time when he would
trf. the asset later on. Hence, the same should
be taxable in his hands. And, in order to
charge such gain in his hands, as per sec.
49(1) COA of CA in the hands of previous owner
i.e. HUF shall be deemed to be COA in the
hands of the assessee i.e. Member. Also,
any COI incurred by the previous owner
i.e. HUF shall also be deemed to be COI
in the hands of the assessee i.e. member
as per sec. 49(1).

Further, the POH of the CA in the hands of previous
owner shall also be included in the POH of
CA in the hands of the assessee.

Based on the above POH if the CA is a LTCA
then COA & COI of such CA shall also be
indexed (provided that the assessee has

trfd. the CA prior to 23/7/24).

However, the benefit of indexation shall be available only for the POH of CA in the hands of the assessee.

But, as per the judgement of the Hon'ble Bombay HC in the case of Manipalaben J. Shah, Benefit of Indexⁿ shall be available w.e.f. the Dt. on which the previous owner acq. the CA for the first time.

Now applying the above provision in the given example, the CG shall be computed in the following manner:—

PY 18-19 / AY 19-20.

↳ NO CG in the hands of HUF

∴ HUF has trfd. the CA on its partition which is treated as Exempt. Trf. u/s 47.

PY 24-25 / AY 25-26:—

CG would be computed & taxed in the hands of the member in the following manner:—

FVC (SP)	= 2,40,000
(-) Trf. Exps	= Nil

NC

$$\begin{aligned} \rightarrow \text{ICOA} & \left(1,00,000 \times \frac{363}{280} \right) \xrightarrow{(24-25)} = 2,40,000 \\ & \xrightarrow{(18-19)} = (1,29,643) \\ \rightarrow \text{ILOI} & \left(40,000 \times \frac{363}{254} \right) = (57,165) \\ \text{Taxable LTCG} & \quad \quad \quad \underline{\underline{53,192}} \end{aligned}$$

POH: ~~13/12/18~~ to 08/06/24
|||||

> 24 mths $\therefore$ CA is LTCA.

* Indexⁿ benefit is availed $\therefore$ the CA was held prior to 23/7/24.

Also, it is granted w.e.f. the PY in which the CA was acq. by the assessee (member) for the 1st time. However, if the decision of Hon'ble Bombay HC in the case of Manjulaaben J. Shah would have been applied, then the ICOA would have been $1,00,000 \times \frac{363}{184} \xrightarrow{(24-25)} \xrightarrow{(11-12)}$
 $= \underline{\underline{197283}}$

and Taxable LTCG would have been (14,448)

Solⁿ. ① Mr. Ram Individual - ROR

PAN: _____

PY: ~~23-24~~ 24-25

Ay: ~~24-25~~ 25-26

Computation of Long - term Capital Gain :-

FVC (Sale consider ⁿ)	2,00,00,000
(-) Trf. Exp	-
NC	2,00,00,000
(-) ICOA (WN-2)	(41,62,844)
(-) ICDI	(Nil)

LTCG

* WN-1:- POH, Type of CA & Nature of CG:-

1,58,37,156

CA = Imm. Prop.

Acq. by Ramdev HUF in 1961 → Trfd. on its partition to Ram in PY 03-04 → Sold by Ram in May '24 (PY ~~23-24~~ 24-25)

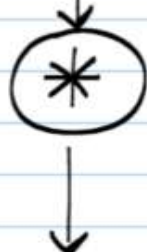
POH of Imm. Prop. in the hands of Ramdev HUF (Prev. owner) (+)

POH of Imm. Prop. in the hands of Ram (Assessee)

Total POH of Imm. Prop. > 24 mths

∴ Imm. Prop = LTCA

& LTCG to be computed



As per Expl-1 to Sec. 2(42A) if the assessee has acq. the cap asset on partition of HUF i.e. a mode sp. u/s 49(1); then the period of holding of such cap. asset in the hands of previous owner shall also be incl. in the POH of such cap. asset in the hands of assessee.

* WN2:- COA & I COA:-

COA of Imm. Prop. in the hands of Ramdev HUF

$$= \text{Actual Cost} = 1,00,000/2 = 50,000$$

OR

$$\text{FMV as on 01.04.01} = 25,00,000/2 = 12,50,000$$

↑ Option
vs 55(2)(b)

$$\therefore \text{COA of Imm. Prop. in the hands of Ram (Assessee)} = \text{COA of Imm. Prop. in the hands of Ramdev HUF (Prev. owner)} = 12,50,000$$

As per Sec. 49(1); if the assessee has acq. the cap. asset on partition of HUF i.e. a mode sp. u/s 49(1); then COA of such cap. asset in the hands of previous owner shall be deemed to be COA of such cap. asset in the hands of assessee.

$$\begin{aligned} \therefore \text{I COA} &= \text{COA} \times \frac{\text{Trf. yr. CII}}{\text{Acq. yr. CII}} = 12,50,000 \times \frac{363 (24-25)}{109 (03-04)} \\ &= \cancel{12,50,000 \times \frac{363 (24-25)}{109 (03-04)}} = 41,62,844 \end{aligned}$$

* 'Index' is granted w.e.f. the PY in which the cap. asset was first held by the assessee.

However, if the judgement Hon'ble Bombay HC in the case of CIT vs Manjulaaben J Shah would have been applied; then the benefit of index would have been granted w.e.f. the PY in which the cap. asset was first held by the previous owner and in such case the I COA would have been ₹ ~~41,62,844~~ 363 (24-25)

$$45,37,500$$

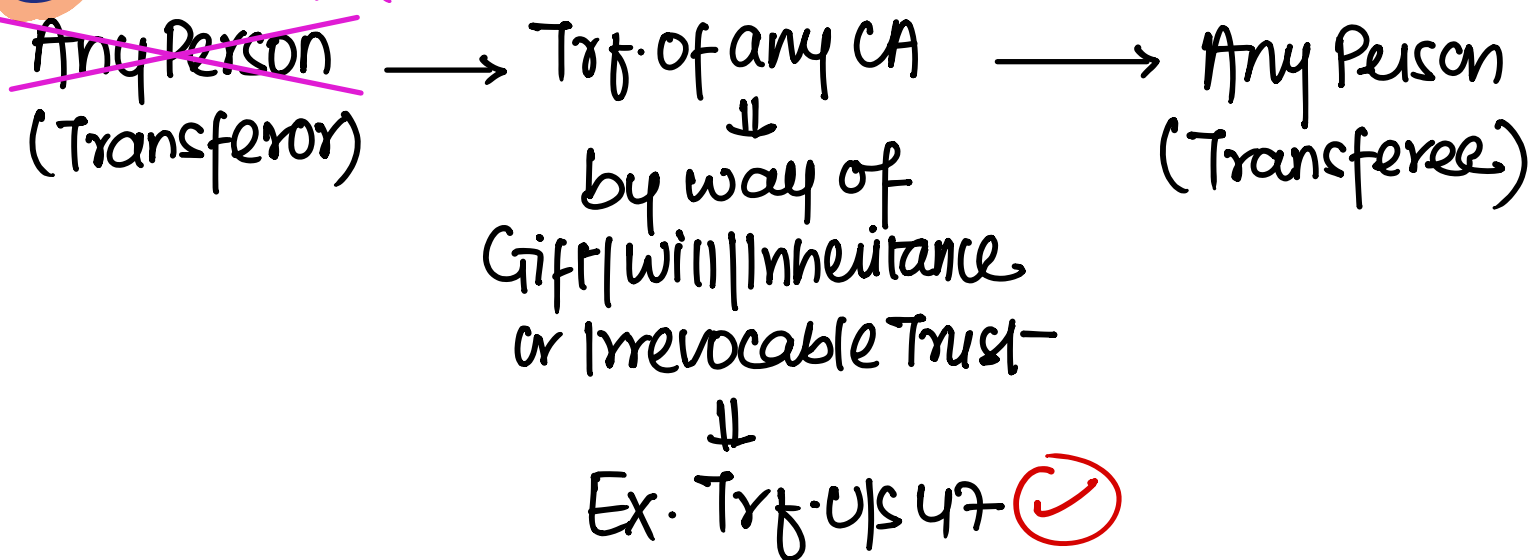
$$\left\{ 12,50,000 \times \frac{363 (24-25)}{100 (01-02)} \right\}$$

& resulting LTCG would have been

~~₹ 1,12,50,000~~

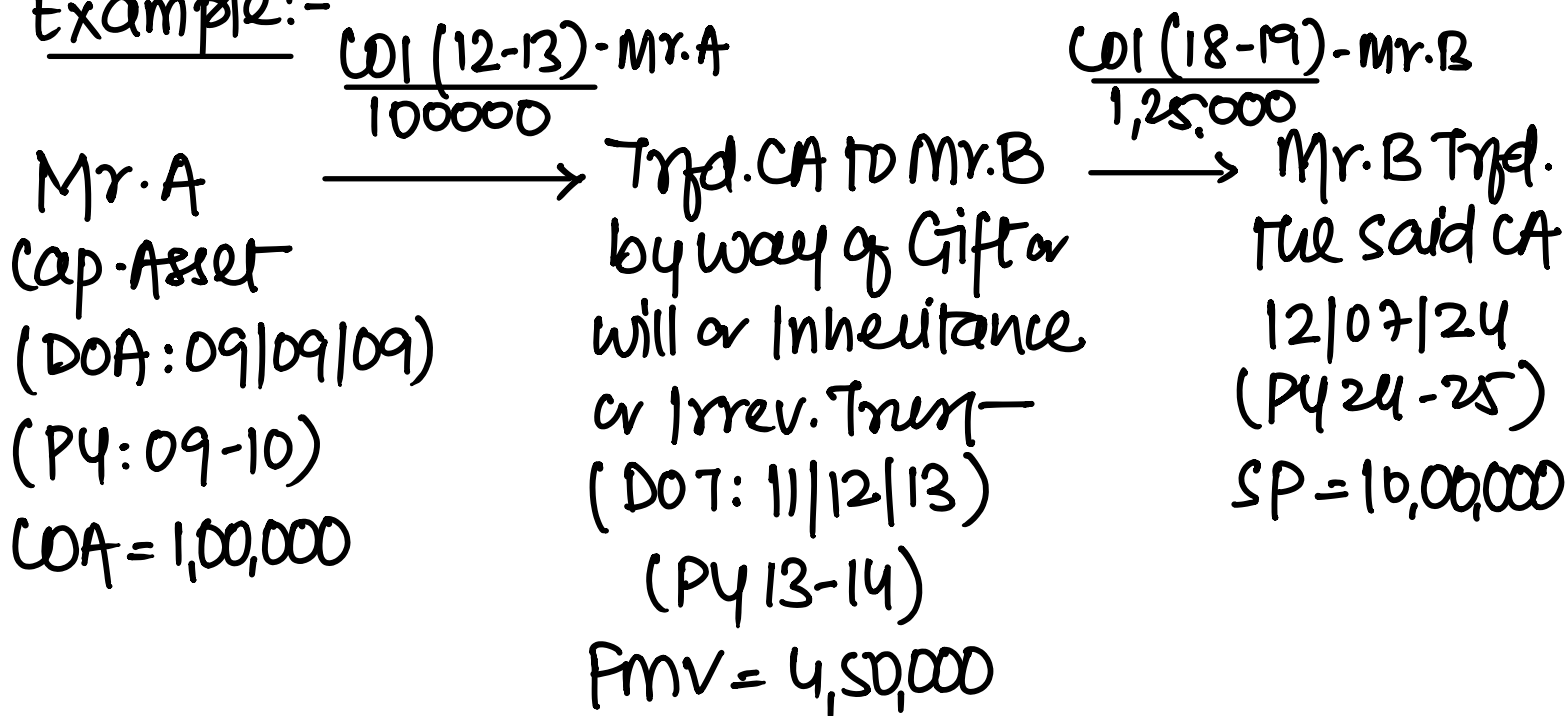
$$₹ 1,54,62,500$$

② Ind/HUF (FA'24 Amendment)



Note:- upto PY 23-24 trf. of any CA by way of Gift | Will | Inheritance or Irrevocable Trust— by any person was treated as Ex. Trf. U/s 47.

Example:-



PY 13-14 / AY 14-15:-

Trf. made by Mr. A to Mr. B by way of Gift or Will or Inheritance or Irrev. Trust is an Ex. Trf. U/s 47

∴ NO CG would be computed & Taxed in the hands of Mr. A.

PY 24-25 / AY 25-26 :-

Mr. B has sold the said CA. Hence, CG to be computed & taxed in the hands of Mr. B in the following manner :-

$$\begin{array}{rcl} \text{FVC (SP)} & & = 10,00,000 \\ (-) \text{Trf. Exp} & & = \text{Nil} \\ \hline \text{NC} & & = 10,00,000 \end{array}$$

$$\begin{array}{rcl} (-) \text{COA} \left(1,00,000 \times \frac{363}{220} \right) & \begin{array}{l} \rightarrow (24-25) \\ \rightarrow (13-14) \end{array} & = (1,65,000) \\ \text{Cost to Prev. owner} & & \\ \text{u/s 49(1)} & & \end{array}$$

$$\begin{array}{rcl} (-) \text{LOI} & & \\ \text{Mr. A} \left(1,00,000 \times \frac{363}{200} \right) & = & 1,81,500 \\ \text{COI of Prev. owner} & & \\ \text{also treated as cost} & & \\ \text{for assessee u/s 49(1)} & & \end{array}$$

$$\begin{array}{rcl} \text{Mr. B} \left(1,25,000 \times \frac{363}{280} \right) & = & 1,62,054 \\ \text{Taxable LTCG} & & \underline{\underline{4,91,446}} \end{array}$$

POH: ~~11/12/13~~ to 11/07/24
09/09/09

$> 24m \therefore CA = LTCA$ i.e. Gift tax.

In case of CA acq. by way of modes speci. u/s 49(1) POH of the CA in the hands of the previous owner shall also be included in the POH of CA in the hands of the assessee.

* In the above case, if the decision of Hon'ble Bombay HC in the case of Manipalaben J. Shah would have been applied, then the LTCG would have been

$$\left(1,00,000 \times \frac{363}{148} \right) \rightarrow 24-25 = 2,45,270 \text{ \& the}$$

resulting LTCG would have been 4,11,176.

Solⁿ (6) Mr. Y

Individual - ROR

PAN: _____

PY: ~~2024~~ 24-25

AY: ~~2025~~ 25-26

Computation of long-term Capital Gain :-

Particulars	(₹)
FVC (WN.2)	77,50,000
(-) <u>Transfer Exps.</u>	
1% Brokerage (1% of 73,75,000)	(73,750)
NC	76,76,250
(-) COA (WN.3)	(1,82,907)
(-) COI (WN.4)	(4,35,083)
Taxable LTCG	<u>70,58,260</u>

WN.1:- POH, Type of CA & Nature of CG:-

Cap. Asset = Imm. Prop.

$\downarrow$
 Mr. X $\rightarrow$ Gifted to $\rightarrow$ Mr. Y $\rightarrow$ Sold to $\rightarrow$ Mr. C
 01.04.95 15.05.07 11/7/24
 (95-96) (07-08) (24-25)

POH of CA in the hands of Mr. X (Prev. owner) (+) POH of CA in the hands of Mr. Y (Assessee)

Total POH > 24 mths.

$\therefore$ CA is LTCA & LTCG to be computed



As per Expl. 1 to Sec. 2(42A); the POH of CA in the hands of Prev. owner shall also be included in POH of such CA in the hands of Assessee if the Assessee has acquired the CA by way of gift i.e. a mode specified u/s 49(1).

WN.2 :- FVC

Sale Considerⁿ < SDV
 73,75,000 < 82,00,000

(and)

SDV Sale Consi Diff Sale Consi
 (82,00,000 - 73,75,000) = 8,25,000 > 10% of 73,75,000
 = 7,37,500

$\downarrow$
Sec. 50C (✓)

FVC = Sale Considerⁿ = 73,75,000 (X)
 = SDV = 82,00,000 (✓)

(*) But; the VO's Value 77,50,000 is < SDV 82,00,000

$\therefore$ FVC = SDV = 82,00,000 (X)

(*) = VO's Value = 77,50,000 (✓)

WN.3 :- COA & ICOA :-

COA of Cap. Asset in the hands of Mr. X (Prev. owner)

$$= \text{Act. Cost} = 95,000$$

OR

$$\text{FMV as on 01.04.01} = 1,15,000$$

↑ option w/s 55(2)(b)

$$\therefore \text{COA of CA in the hands of Mr. X} = \text{COA of CA in the hands of Mr. Y} = 1,15,000$$

As per Sec. 49(1), COA of Cap. Asset in the hands of prev. owner shall be deemed to be COA in the hands of Assessee as he has acquired the asset by way of gift i.e. a made sp. w/s 49(1)

less:- Advance money recd. & forfeited by Assessee adj. w/s 51 = (50,000)

$$\underline{\underline{65,000}}$$

Adv. money recd. & forfeited by the previous owner ₹ 10,000 shall not be adj. w/s 51 from the COA of Assessee. Hence, the same is ignored.

$$\therefore \text{ICOA} = 65,000 \times \frac{363}{129} \times \frac{(2017-2008)}{(2017-2008)} = \boxed{1,82,907}$$

Indexⁿ benefit is granted w.e.f. the PY in which cap. asset was first held by the assessee.

However, if the decision of Honble Bombay HC in the case of CIT v/s Manjulaaben J Shah would have been applied then the benefit of indexⁿ would have been granted w.e.f. the PY in which such cap. asset was first held by the previous owner.

And in such case; ICOA would have been

$$₹ \frac{235950}{100} \left[65000 \times \frac{363}{100} \times \frac{(2017-2002)}{(2017-2002)} \right] \& \text{ the resulting LTCG would have been ₹ } 70,05,217$$

WN.4:- COI & I COI

As per sec. 49(1); any COI incurred by the previous owner on or after 01.04.01 shall also be taken as cost in the hands of the assessee and allowed as dedⁿ to him while computing his Cap. Gains.

∴ COI incurred by Mr. X during :-

* PY 99-00 = ₹ 25,000 - Ignored

* PY 04-05 = ₹ 40,000 (✓)

$$\text{ICOI} = 40,000 \times \frac{363}{113} \left(\frac{24-25}{04-05} \right)$$

$$= 128495$$

COI incurred by Mr. Y during :-

PY 09-10 = ₹ 1,25,000 (✓)

$$\text{ICOI} = 125,000 \times \frac{363}{148} \left(\frac{24-25}{09-10} \right)$$

$$= 306588$$

$$= 4,35,083$$

Solⁿ (13) Mr. Dee Individual-ROR

PAN: _____

PY: ~~2020~~ 24-25

AY: ~~2020~~ 25-26

Computation of long-term Capital Gain :-

Particulars	(₹)
FVC (Sale Consider ⁿ)	12,00,000
(-) Transfer Exps. NC	-
	12,00,000
(-) I COA (WN.2)	(7,15,401)
(-) I COI (WN.3)	(6,22,664)
	(13,38,065)
Long-Term Cap. Loss =	(138065)

WN.1:- PDH, Type of CA & Nature of CG :-

Cap. Asset = Imm. Prop.

↓
Mr. Kay → Gifted to → Mr. Dee → Sold to → XXX
10.04.92 Jan '09 10.05.24
(92-93) (08-09) (24-25)

POH of CA in the hands of Mr. Kay (Prev. owner) (+) POH of CA in the hands of Mr. Dee (Assessee)

Total PDH > 24 mths.

∴ CA is LTCA & LTCG to be computed



As per Expl. 1 to Sec. 2(42A); the PDH of CA in the hands of Prev. owner shall also be included in PDH of such CA in the hands of Assessee if the Assessee has acquired the CA by way of gift i.e. a mode specified u/s 49(1).

WN.2:- COA & LCOA :-

COA of Cap. Asset in the hands of Mr. Kay

= Act. Cost

OR

FMV as on 01.04.01

= 65,000

= 2,70,000

↑ option u/s 55(2)(b)

∴ COA of CA in the hands of Mr. Kay = COA of CA in the hands of Mr. Dee = 2,70,000

As per Sec. 49(1), COA of Cap. Asset in the hands of prev. owner shall be deemed to be COA in the hands of Assessee as he has acquired the asset by way of gift i.e. a mode sp. u/s 49(1)

Adv. money recd. & forfeited by the previous owner ₹ 60,000 shall not be adj. u/s 51 from the COA of Assessee. Hence, the same is ignored.

$$\therefore \text{ICOA} = 2,70,000 \times \frac{363}{137} \left(\frac{24-25}{08-09} \right) = \boxed{7,15,401}$$

Indexⁿ benefit is granted w.e.f. the PY in which cap. asset was first held by the assessee.

However, if the decision of Honble Bombay HC in the case of CIT v/s Manjula ben J Shah would have been applied then the benefit of indexⁿ would have been granted w.e.f. the PY in which such cap. asset was first held by the previous owner.

And in such case; ICOA would have been ₹ ~~9,80,100~~ $\left[2,70,000 \times \frac{363}{100} \left(\frac{24-25}{01-02} \right) \right]$ & the resulting LTC L would have been ₹ ~~(57,524)~~ (402764)

WN.3:- COI & ICOI

As per sec. 49(1); any COI incurred by the previous owner on or after 01.04.01 shall also be taken as cost in the hands of the assessee and allowed as dedⁿ to him while computing his cap. Gains.

$\therefore$ COI incurred by Mr. Kay during the

$$\text{PY } 08-09 = ₹ 2,35,000 \quad (\checkmark)$$

$$\therefore \text{ICOI} = 235000 \times \frac{363}{137} \left(\frac{24-25}{08-09} \right) = \boxed{6,22,664}$$

* Till PY23-24, transfer of shares recd. under ESOP by way of Gift or Irr. Trust by any person was not treated as Ex. Trf. u/s 47. Accordingly, CG was computed & charged to tax in case of such trf.

* FA'24 Amendment:-

Trf. of shares recd. under ESOP by Ind/HUF by way of Gift | Will | Inheritance | Irrevoc. Trust is also treated as exempt trf. u/s 47 and accordingly no CG would be computed & charged to tax in such case.

→ SEC. 49(2AA)

(*) Also, COA of shares recd. under ESOP shall be their FMV as on the Dt. of Exercise of Option which was considered to compute the Taxable Value of Perq. u/s 17(2)(vi) w/h IFS. Hence, when such shares are later on trfd. (sold) then to compute the CG on trf. of such shares the COA

vs 49(2AA) as above to be considered.

Sol.ⁿ ④ Computation of Taxable Value of Perquisite vs 17(2)(vi) in the hands of Mr. X for PY 24-25 / AY 25-26 :-

FMV of shares of ABC Ltd 3,00,000
on acquisition on 04.04.24

less: Amt. Recovered from Mr. X (80,000)

Taxable Value of Prg. 2,20,000

① If the above shares are sold by Mr. X on ^{05.05.24} ~~04.04.24~~ ⇒ CG would arise in the hands of Mr. X which would be computed in the following manner:-

FVC = FMV as on Date of Sale 9,00,000
vs SOCA (∵ Sale consi. is < FMV)

less: Transfer Exps. —

NC

9,00,000

less:- COA vs 49(2AA)

FMV on Acquisition taken for
valuing Prg. vs 17(2)(vi) (3,00,000)

Taxable STCG

6,00,000

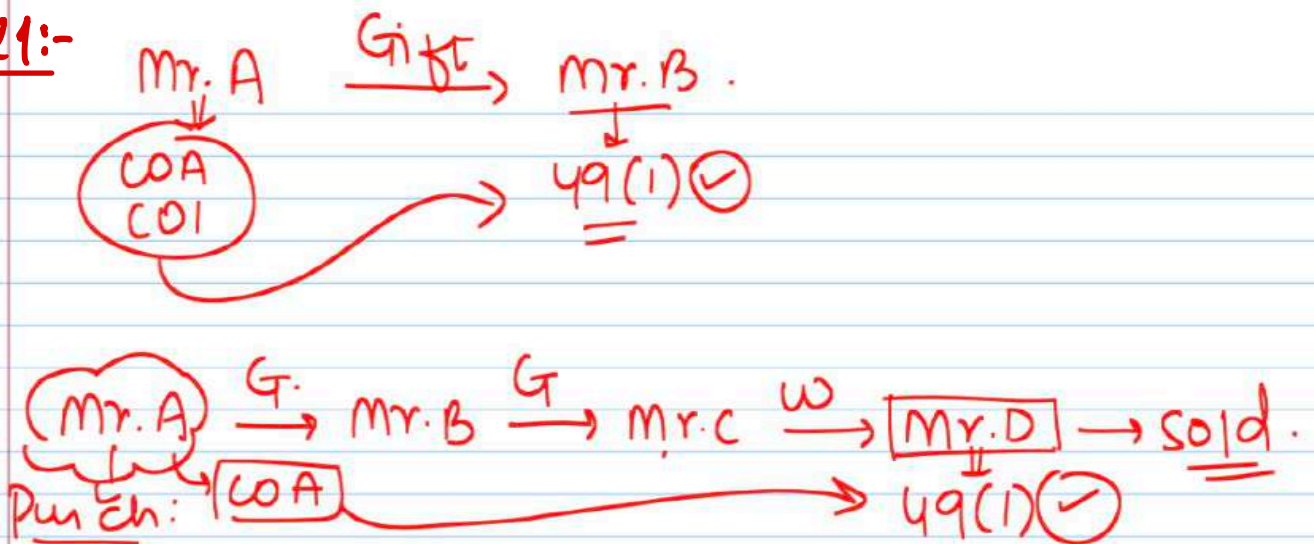
[∵ PDH: 04.04.24 to 04.05.24 < 24 mths]

③ If Mr. X would have trfd. the above shares by way of gift or will on 05.05.24, then as per the recent amendment by FA'24 trf. of such shares by an ind/HUF by way of gift or will or inheritance or irrevocable trust on or after 01.04.24 shall also be treated as an exempt trf. u/s 47 & Hence, no CGT would be computed & taxed in such cases.

∴ Taxable CGT in the hands of Mr. X shall be Nil.

* Imp. Notes:-

→ Note 1:-

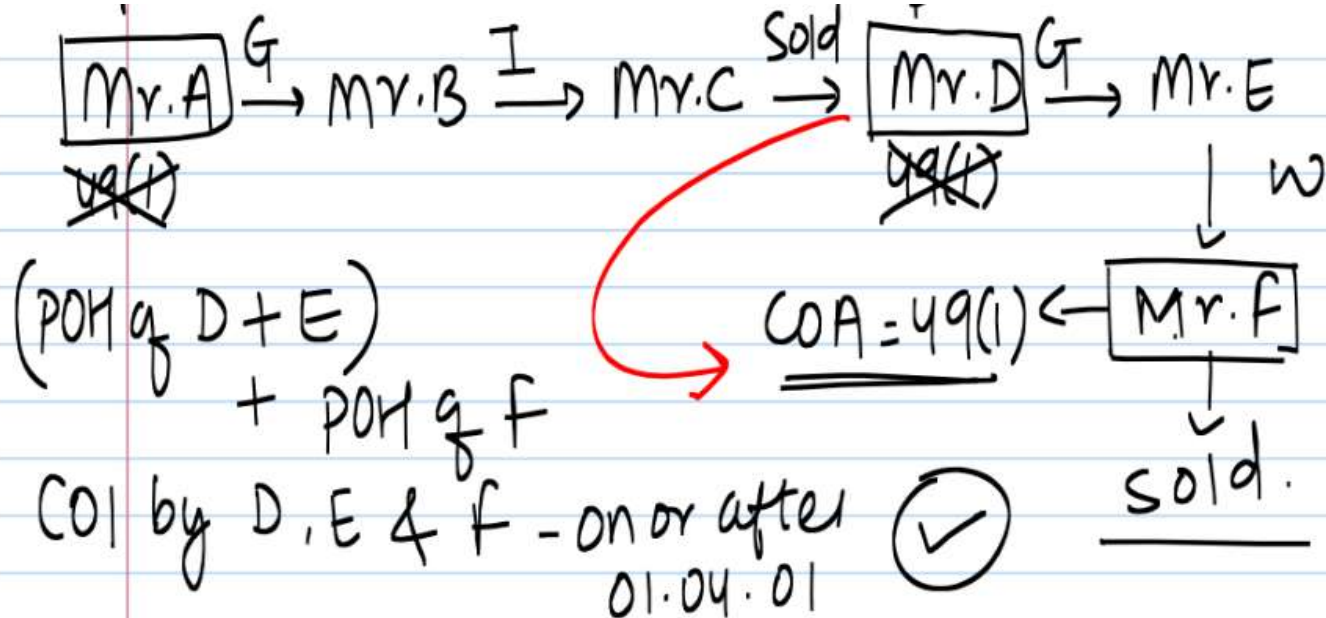


That PO who acq. the CA by way of any mode other than 49(1)

$$(POH A + POH B + POH C) + POH D \quad \checkmark$$

COI by A, B, C $\rightarrow$ considered ✓

$\hookrightarrow$ (on or after 01.04.01)



(*) If Asset recd. on liquidⁿ by SH; is later on transf. by such SH; then: -

$\Downarrow$
 CG would be computed for SH ✓

$\Downarrow$
 COA of such asset shall be taken as per

Sec. 55(2) (b)
 i.e. FMV as on Distⁿ

$\Downarrow$
 if SH is assessed
 u/s 46(2) ✓

Sec. 49(1)
 i.e. Cost to Prev.
 Owner (i.e. Liq. Co.)

$\Downarrow$
 if SH is not assessed
 u/s 46(2)

Any 1 of these 2 options.

(*)



member.
(= Relative)

Trfd. a

Self. Acq. Prop.
(CA)

HUF

56(2)(x) - NA.

Sec. 47 (✓)

w/o Adeq. Conn.

CG (X)

* Till the time
holds the
said Asset

Income

clubbed w/ s 64(2) (✓)

* If the said
asset is trfd.
by HUF.

Cap. Gains for HUF (✓)

* COA = ?? = 49(1) (✓)
i.e. cost to Q memb.
(PO)

manipula (✓)
↓
Indexⁿ for
POH & PO (✓)

* POH & PO (✓)

* Indexⁿ for own POH
only.

3

SGTB = CA ✓
Trfd. by way of

Listed on RSE
(∴ Listed securities)

Redemⁿ / maturity

Exempt Trf. u/s 47 ✓
(for individuals only)

Cap. Gain ✗

Any other case

Taxable Trf. ✓

Cap. Gain ✓

* POH: From dt. of Acqⁿ
Till the dt. imm. prec.
to DOT.

≤ 12m = STCA

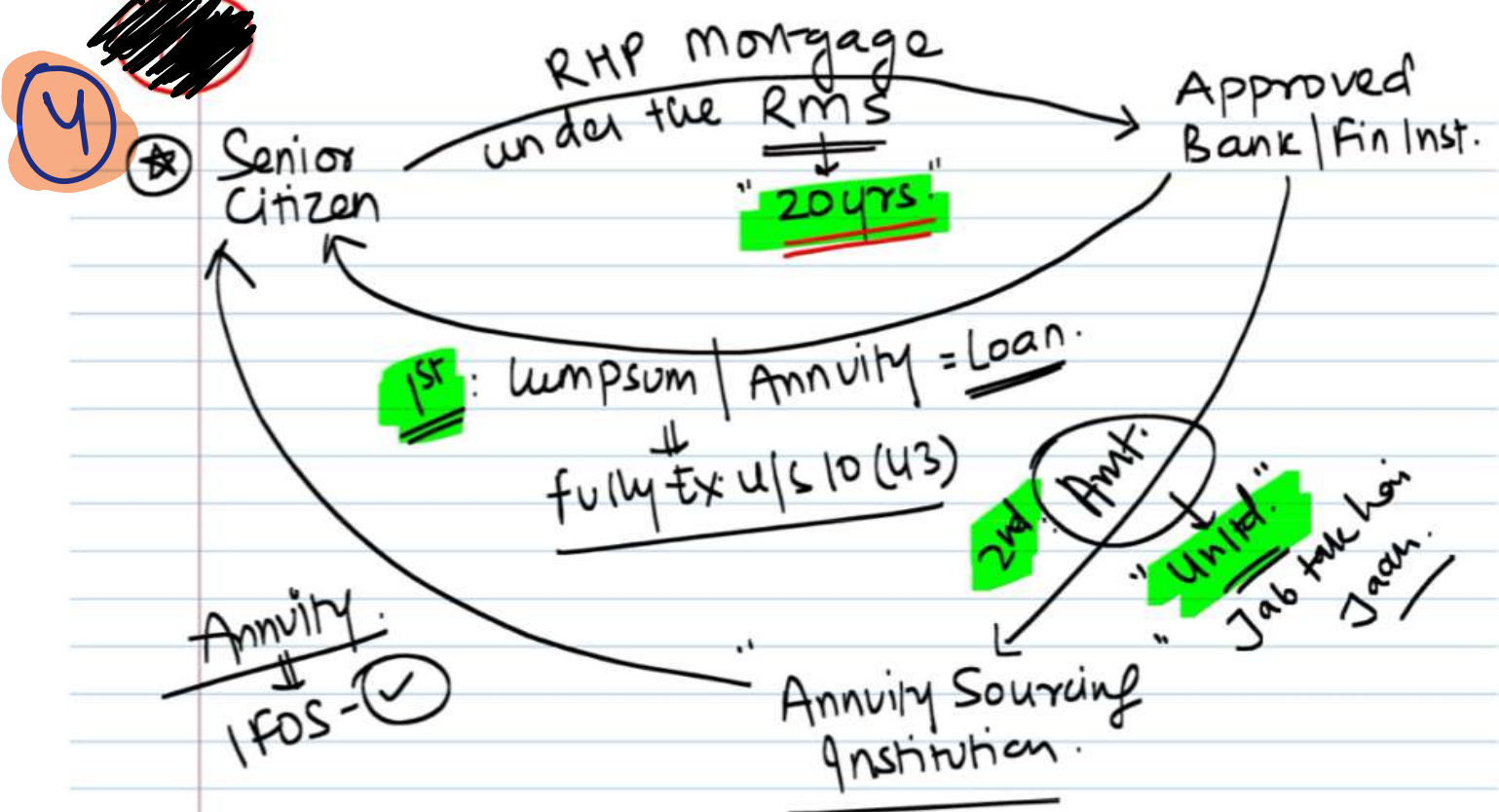
COA-Indexⁿ ✗

> 12m = LTCA

COA-Indexⁿ ✓

No Indexⁿ shall be
available if SGTB is LTCA
& trfd. on or after 23/7/24.

[For SGTBs & Cap. Ind.
Bonds Indexⁿ ✓
For Other Bonds &
Deb.-Indexⁿ ✗]



- # If a lineation (trf) of RHP is done in the RMS 1st / 2nd optⁿ ⇒ EX. Trf. u/s 47 ✓
- # If in 1st optⁿ 20 yrs over ⇒ a lineation (trf) of RHP ⇒ EX. Trf. u/s 47 (X) | CG ✓ taxable for SC.

5

Gold → Converted into → Electronic Gold Receipt (EGR)

↓

Exempt Trf. u/s 47 ✓

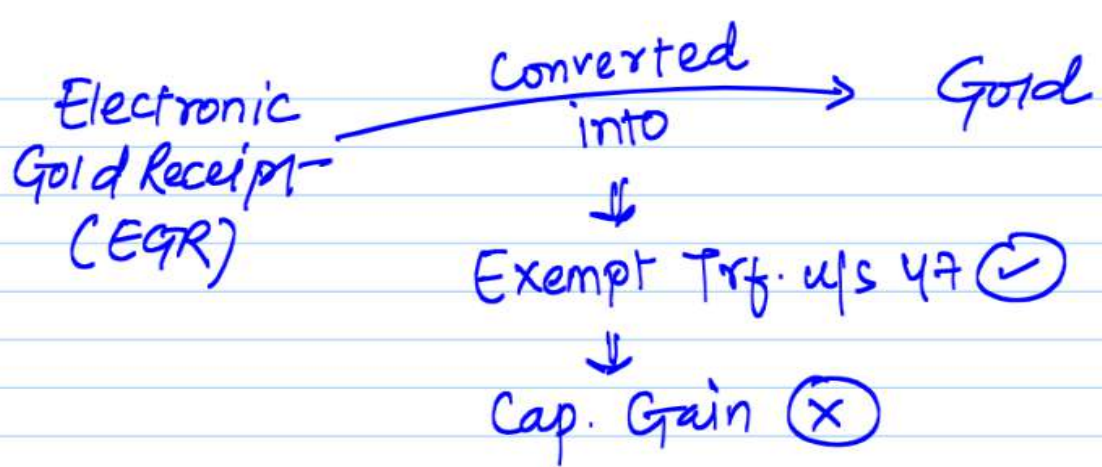
↓

Cap. Gain (X)

* COA of EGR = Cost of Gold in the hands of the person in whose name EGR is issued.

u/s 49(10)

* POH of EGR shall also include the POH of gold prior to its conversion into EGR



(*) COA of Gold u/s 49(10) = Cost of EGR in the hands of such person

(*) POH of Gold shall also include the POH of EGR prior to its conversion into Gold

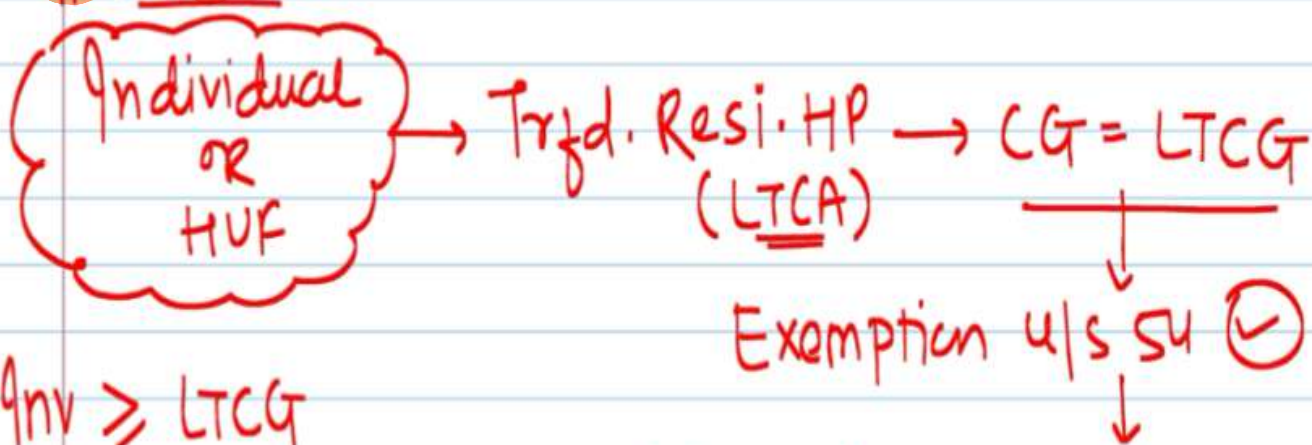
(*) Sec. 49(4) :-

COA of Cap. Asset acquired by the assessee i.r.o. which provisions of Sec. 56(2)(X) are invoked & he is charged to tax u/h IFOs. $\Rightarrow$ SDV / FMV of such Capital asset which is taken into account for Sec. 56(2)(X).

(*) POH of previous owner shall not be taken into consideration i.e. not to be included in the POH of Capital asset in the hands of the assessee (current owner).

(*) Benefit of indexation, if any would be available only for the POH of Capital asset in the hands of the assessee (current owner)

Sec. 54:-



* $Q_{inv} \geq LTCG$

↳ Full LTCG Ex ✓

(a) LTCG = XX

* $Q_{inv} < LTCG$

↳ Amt. Q_{inv} Ex ✓

(b) Investment = XX

Purchase of any 1 RHP in India

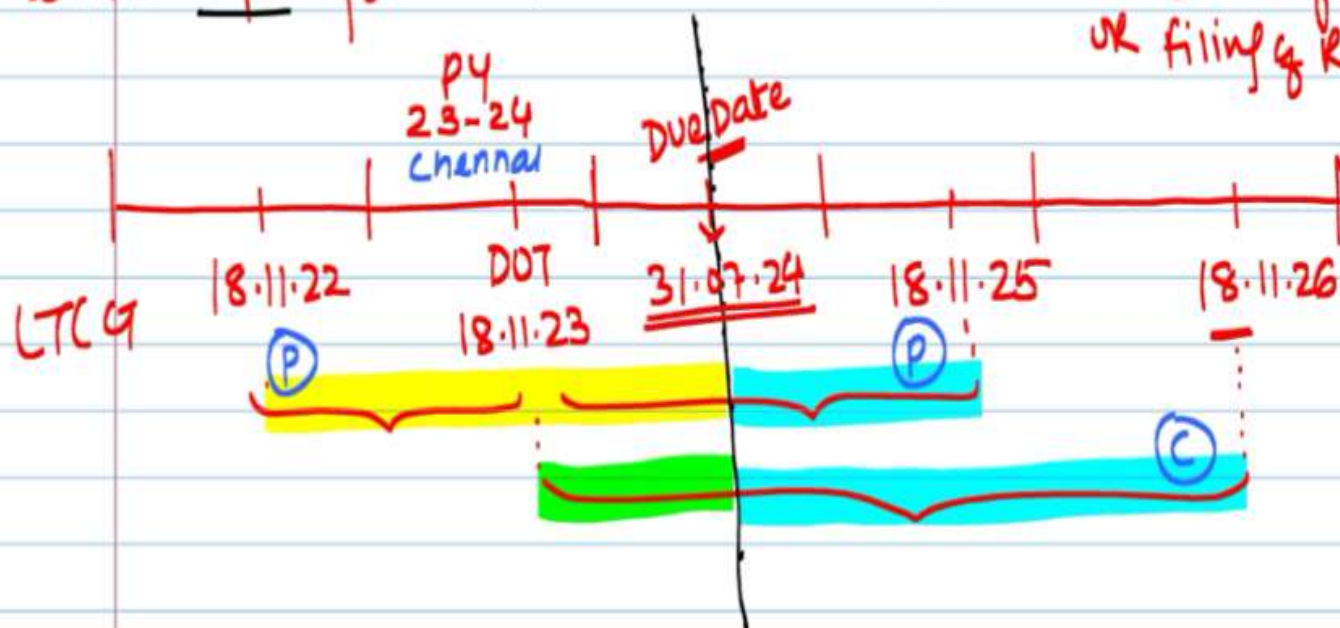
within 1 yr - backward
within 2 yrs - forward

OR Construction of any 1 RHP in India

within 3 yrs - fwd.

OR Deposit in CGDA/C

on or before:
Due Dt. of ROI
OR filing of ROI



* Amt. Deposited in CGD A/c $\Rightarrow$ Ex. u/s 54 (✓)

Misutilised
i.e. used for purp. other
than Plc of RHP.

↓
Amt. Misutilised
= Deemed LTCG

↓
In the PY in which
it is misutilised

Remaining unutilised
after the expiry of 3 yrs
from DOT

↓
Amt. Remaining unutilised
= Deemed LTCG

↓
In the PY in which
period of 3 yrs has expired

* Inv. in New RHP $\Rightarrow$ Ex. u/s 54 (✓)

↓
lock-in-period = 3 yrs from its Dt. of Acq.
or Dt. of Constn.

↓
If above RHP is trfd. within 3 yrs time
then LTCG Exempted u/s 54 shall be Revoked.

↓
CG of New RHP shall be computed on its trf. (✓)

→ COA of New RHP

(→) Ex. u/s 54

Remaining COA of
New RHP

XX

(XX)

(XX)

Allowed
while comp.
CG.

★ If Amt. of LTCG on trf. of RHP

↓
≤ 2 Crores

↓
Option: Inv. in 2 RHPs (✓)
(Once in a life-time)

★ FA'23

Max. ₹10 cr. can be invested in Purch/Constn of New RHP and also max. ₹10 cr. can be deposited in CGD A/c

Solⁿ: (14) Mr. Cee Individual-ROR PAN: _____
PY: 24-25 AY: 25-26

Computation of Long-term Capital Gains:-

FVC (Sale Proceeds)	20,00,000
(-) Trf. Exps.	-
NC	20,00,000

(-) ILDA $(10,00,000 \times \frac{363}{254}) = (14,29,134)$ (~~10,00,000~~)

(-) LOI $(2,00,000 \times \frac{363}{254}) = (2,85,827)$ (~~2,00,000~~)

Gross LTCG

(POH: 20.07.15 to April '24) > 24 months.
2,85,039

(-) Exemption u/s 54:-

(a) Gross LTCG = 2,85,039
~~2,85,039~~

OR
(b) Inv. in purch. of New RHP (Sep'22) = 5,00,000 (2,85,039)
~~(5,00,000)~~

Taxable LTCG

Nil

Sec. 54B :-

Individual
OR
HUF

Trfd. Urban Agri.
Land (STCA/LTCA)

used for agn.
pump. for at least
24x imm. prior
to its trf.

CG = STCG/LTCG

Exemption u/s 54B (✓)

(a) STCG/LTCG = XX

OR

(b) Investment = XX

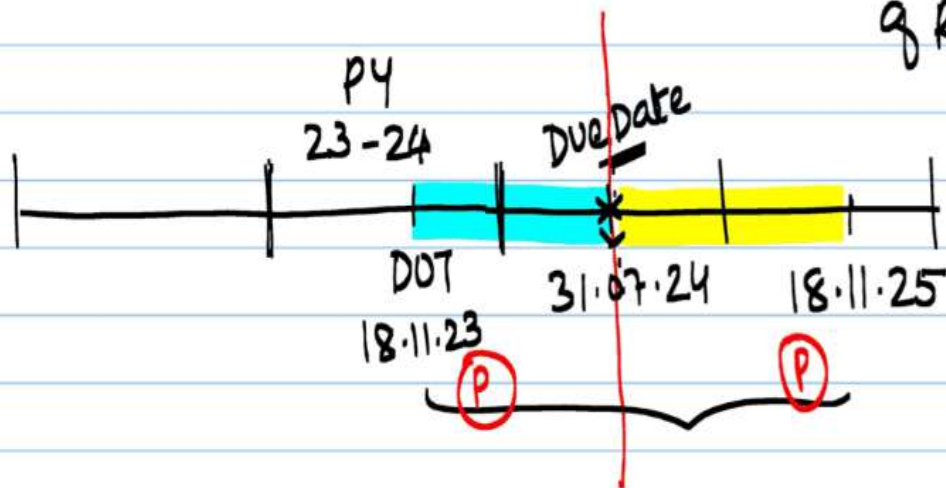
Purchase of any (R/U)
Agri. Land in India

within 24x - forward

Deposit in
CGDA/C

on or before:

Due Dt. of ROI
OR Act. Dt. of Filing
of ROI



* Amt. Deposited in CGD A/c $\Rightarrow$ Ex. up to 54 (✓)

Misutilised
i.e. used for purp. other
than purch of Agri. land

↓
Amt. Misutilised
= Deemed STCG/LTCG

↓
In the PY in which
it is misutilised

Remaining unutilised
after the expiry of 2 yrs
from DOT

↓
Amt. Remaining unutilised
= Deemed STCG/LTCG

↓
In the PY in which
period of 2 yrs has expired

* Inv. in Urban Agri. Land $\Rightarrow$ Ex. up to 54 B (✓)

New Rural
Agri. land
trfd within 3 yrs
 $\rightarrow$ NO
Revocation

lock-in-period = 3 yrs from its Dt. of Acq.

↓
If above Land is trfd. within 3 yrs time
then CG Exempted up to 54 B shall be Revoked.
(ST/LT) ↓

CG of New ^{Urban} Agri. Land shall be computed on its trf (✓)

$\rightarrow$ COA of New Urban Agri. land xx

$\rightarrow$ Ex. up to 54 B (xx)

Remaining COA of
New Urban Agri. land

(xx)

$\rightarrow$ Allowed
while comp.
CG.

Sec. 54D

only by way of compulsory Acqⁿ

Any Person

Trfd. land or Bldg. used for Indl. purp. for at least 24% (STCA/LTCA)

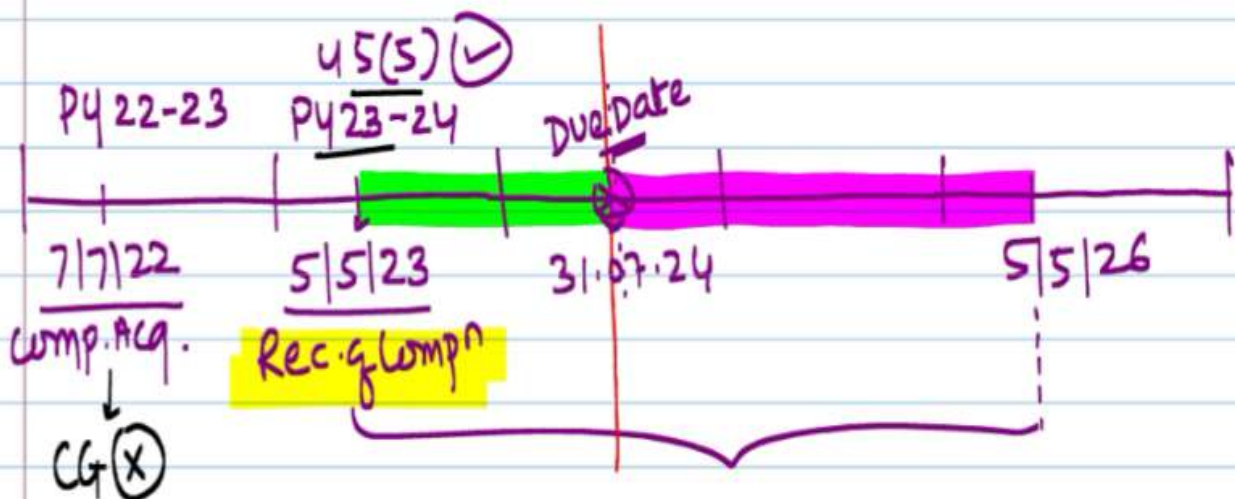
CG = STCG/LTCG
45(5)
Exempt w/s 54D (✓)

(a) STCG/LTCG = XX
OR
(b) Investment = XX

Purchase of L/B for Indl. purpose
↓
within 34% from Dt. of rec. of compⁿ

OR
Construction of Bldg. for Indl. purp.
↓
within 34% from Dt. of rec. of compⁿ

OR
Deposit in CGDA/C
↓
on or before:
Due Dt. of RoI
OR filing of RoI



* Amt. Deposited in CGD A/c $\Rightarrow$ Ex. w/s SUD (✓)

Misutilised
i.e. used for pump. other
than Plc of L/B for Indl.
Pump.

Amt. Misutilised
 $\Downarrow$
= Deemed STCG/LTCG

$\Downarrow$
In the PY in which
it is misutilised

Remaining unutilised
after the expiry of 3 yrs
from Dt. of Rec. of comp'n

$\Downarrow$
Amt. Remaining unutilised
= Deemed STCG/LTCG

$\Downarrow$
In the PY in which
period of 3 yrs has expired

* Inv. in New L/B for
Indl. Pump $\Rightarrow$ Ex. w/s SUD (✓)

$\Downarrow$
lock-in-period = 3 yrs from its Dt. of Acq.
or Dt. of const'n.

$\Downarrow$
If such New L/B is trfd. within 3 yrs time
then CG Exempted w/s SUD shall be Revoked.

$\Downarrow$
CG of such New L/B shall be computed on its trf (✓)

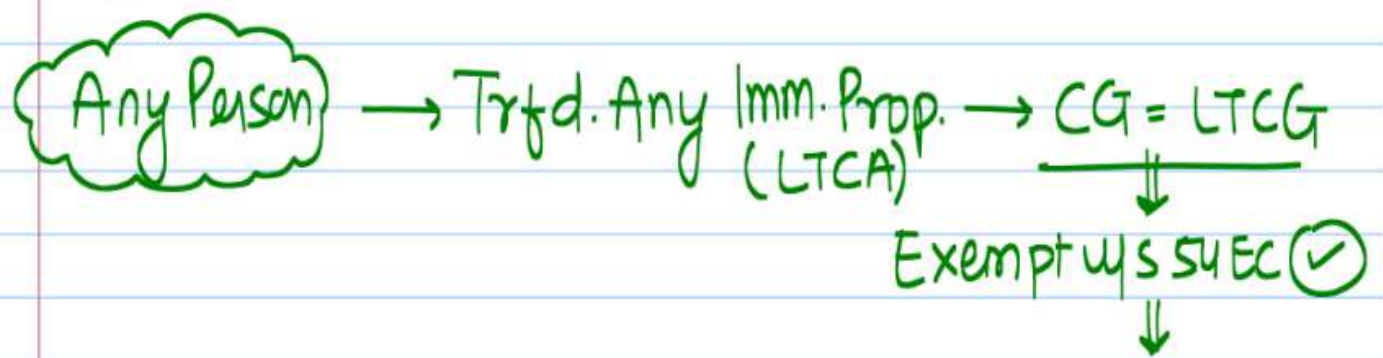
COA of such New L/B XX
 $\rightarrow$ Ex. w/s SUD (XX)

Remaining COA of
such New L/B

(XX)

$\rightarrow$ Allowed
while comp.
CG.

Sec. 54EC:-



(a) LTCG = XX
OR
(b) Investment = XX ↓

← Purchase of Notified Bonds ↓

NHAI | RECL | PFC | IRFC

↓
within 6mths - forward ↓

→ Deposit in
CGDA/C ↓

Not Applicable

Total Inv. in Bonds in the PY in
which Imm. Prop. is trfd. & in the imm.
following PY cannot be more than 50 Lakhs.

* Min. lock-in-Period of Notified Bonds.

→ 5yrs. ↓

If such Bonds are

Trfd. or kept as security against loan converted into money

then, LTCG Ex. w/s SUEC shall be Revoked in the year of such default.

Amt. Ex. w/s SUEC

→ Deemed LTCG (✓)

Solⁿ: (15) Mr. Roy Individual - ROR PAN: _____

PY 24-25 AY 25-26

Computation of long-term Cap. Gains:-

FVC ($\because$ SDV > Unri. & Diff. btwn. SDV 72,00,000

Unri. is > 10% of Unri.

Hence, SDV is taken as FVC w/s SOC

(-) Trf. Exp: 2% Brokerage on 65,00,000 (1,30,000)

NC

70,70,000

(-) ICA: $(2400000 \times \frac{363}{129}) = (67,53,488)$ (~~24,00,000~~)

GROSS LTCG

~~100,53,488~~
3,16,512

Ques:- Ex. w/s 54:-

3,16,512

(a) Gross LTCG
OR

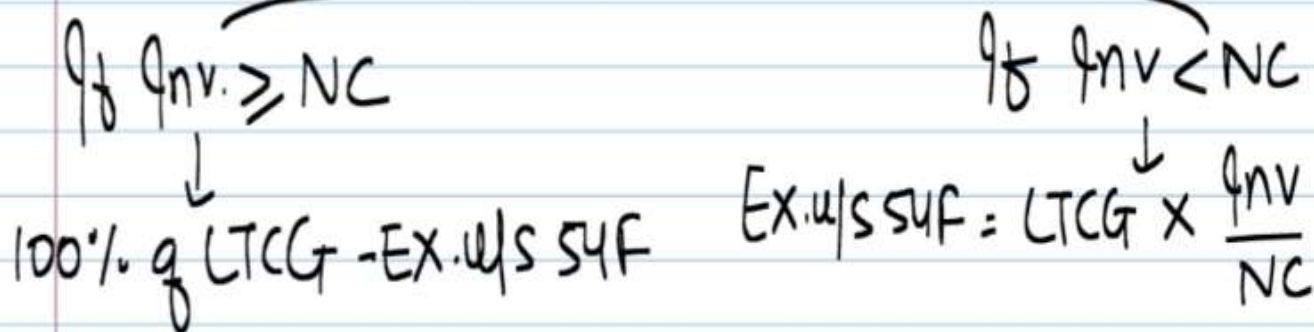
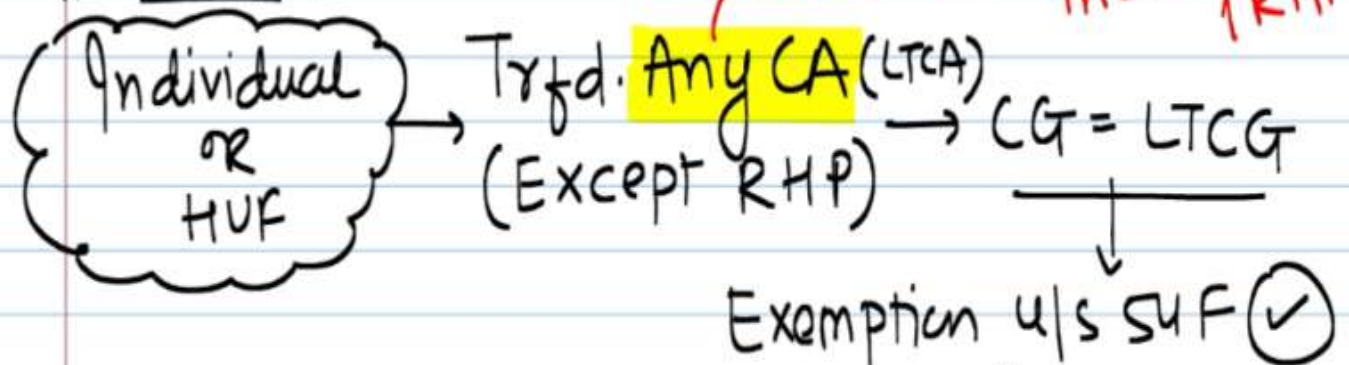
(b) Inv. in Purch of
Kolkata RHP & CGD 11,00,000
A/c Dep. for this RHP (7L+4L) (3,16,512)
Balance LTCG Nil

(-) Exempt w/s 54EC:-

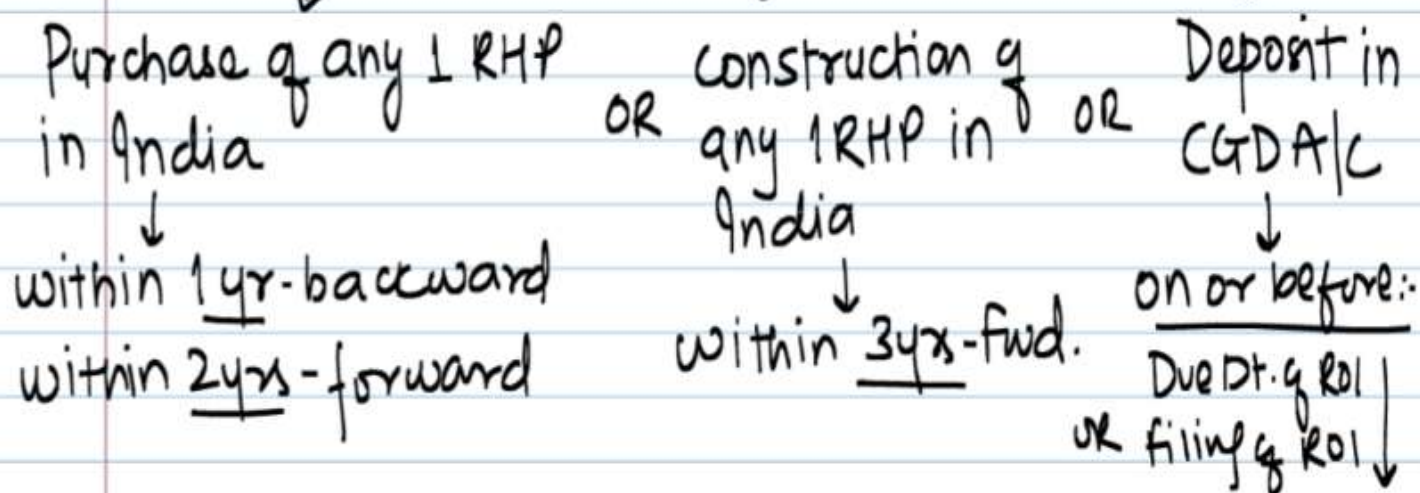
Bal LTCG Nil
OR
Inv. in Noti. Bonds
of RECL 3,00,000 (Nil)
Taxable LTCG Nil

54EC(X) Inv. in Noti. Bonds of RECL after 6 months
from DOT of RHP - 5,00,000 on 15/6/25 - (X)
54(X) Dep. in CGD A/c after the due dt. of filing
Roi - 9,00,000 on 11/11/25 - (X)

Sec. 54F :-



NC of Any CA → Investment for Ex. u/s 54F



Deposit in CGDA/C :-

Net Considerⁿ = 1,00,000 LTCG = 60,000

Amnt. Dep. in CGDA/C = 80,000 Ex. u/s 54F = 48,000

Amt. Misutilised from CGD A/c = 10,000 Deemed LTCG = 6,000

Amt. Utilised from CGD A/c to P/c RHP = 60,000 Ex. u/s 54F. = 36,000

Amt remaining Unutilised in CGD A/c on expiry of = 10,000 Deemed LTCG = 6,000
3yrs from DOT of Any CA

(★) If New RHP (^{COA} 60,000) trfd within 3yrs from its DOA or Dt. of compl. of constn

OR

(★) If another RHP is purch within 2yrs from DOT of Any CA

OR

(★) If another RHP is const. within 3yrs from DOT of Any CA

↓
LTCG Ex. u/s 54F ⇒ Revoked ✓

↓
Taxable as Deemed LTCG in the PY in which default is committed

(★) FA'23:- Max. 10cr. can be invested in purchase or construction of New RHP and also Max. 10cr. can be deposited in CGD A/c

Soln (10)

	5000 Gifted Shares (LTCA)	2000 Bonus Shares (LTCA)	3000 Purch Shares (LTCA)
	01.06.00 30.05.23 ↓ POH > 24m	21.07.05 30.05.23 ↓ POH > 24m	01.02.04 30.05.23 ↓ POH > 24m
FVC	25,00,000	10,00,000	15,00,000
(→) Trg. Exp.	(1,00,000)	(40,000)	(60,000)
NC	24,00,000	9,60,000	14,40,000
(→) ICA	(8,70,000)	(Nil)	(11,97,248)
LTCG	15,30,000	9,60,000	2,42,752
Inv. in RHP (37,00,000)	24,00,000	9,60,000	3,40,000 (Bal. fig.)
(→) Ex. w/s s/f	(15,30,000)	(9,60,000)	(57,317)
	Nil	Nil	185,435

Taxable LTCG

1,85,435

% of LTCG to NC Rank

2nd

100%
1st

3rd

	2 CA 1	1 CA 2	3 CA 3	Total
NC	100	100	100	300
↓ Inv.	100	100	70	270
LTCG	80	100	40	220
↓ Ex. w/s s/f	80	100	28	(198)
	220 (-)	(208)	(12)	22

Tax Rates on CG

STCG on Trf. of STCA being:-

- * Listed Eq. Shares
- * Units of FOMF
- * Units of Busi. Trust



Trfd. on or after 1/10/04
through a Recog. Stock Exch.
on which STT is paid (on Trf.)



(Also known as STT paid STCG)



Taxable u/s 111A

@ 15%.



if trf. took place
prior to 23/7/24

FA'24 Amendment.

@ 20%.



if trf. took place
on or after 23/7/24



Note:- If the trf. of any of the above
3 STCAs took place on a RSE
in IFSC where the transactions
take place in foreign currency
& STT is not charged still the
STCG shall be covered u/s 111A.

LTCG arising on Trf. of LTCA being :-

* Listed Eq. Shares (STT Paid on Acqⁿ)

* Units of EOMF

* Units of Busi. Trust



Trfd. on or after 1/04/2018
through a Recog. Stock Exch.
on which STT is paid (on Trf.)



(Also known as STT paid LTCG)



Taxable u/s 112A



If Trf. took place
upto 23/7/24



upto 1,00,000 - Nil Tax

FA'24 Amendment.

If Trf. Took Place
on or after 23/7/24



upto 1,25,000 - Nil Tax

Any Other Cap. Asset



Taxable u/s 112



LTCG in Excess
of 1,00,000 @ 10%

LTCG in Excess
of 1,25,000 @ 12.5%.

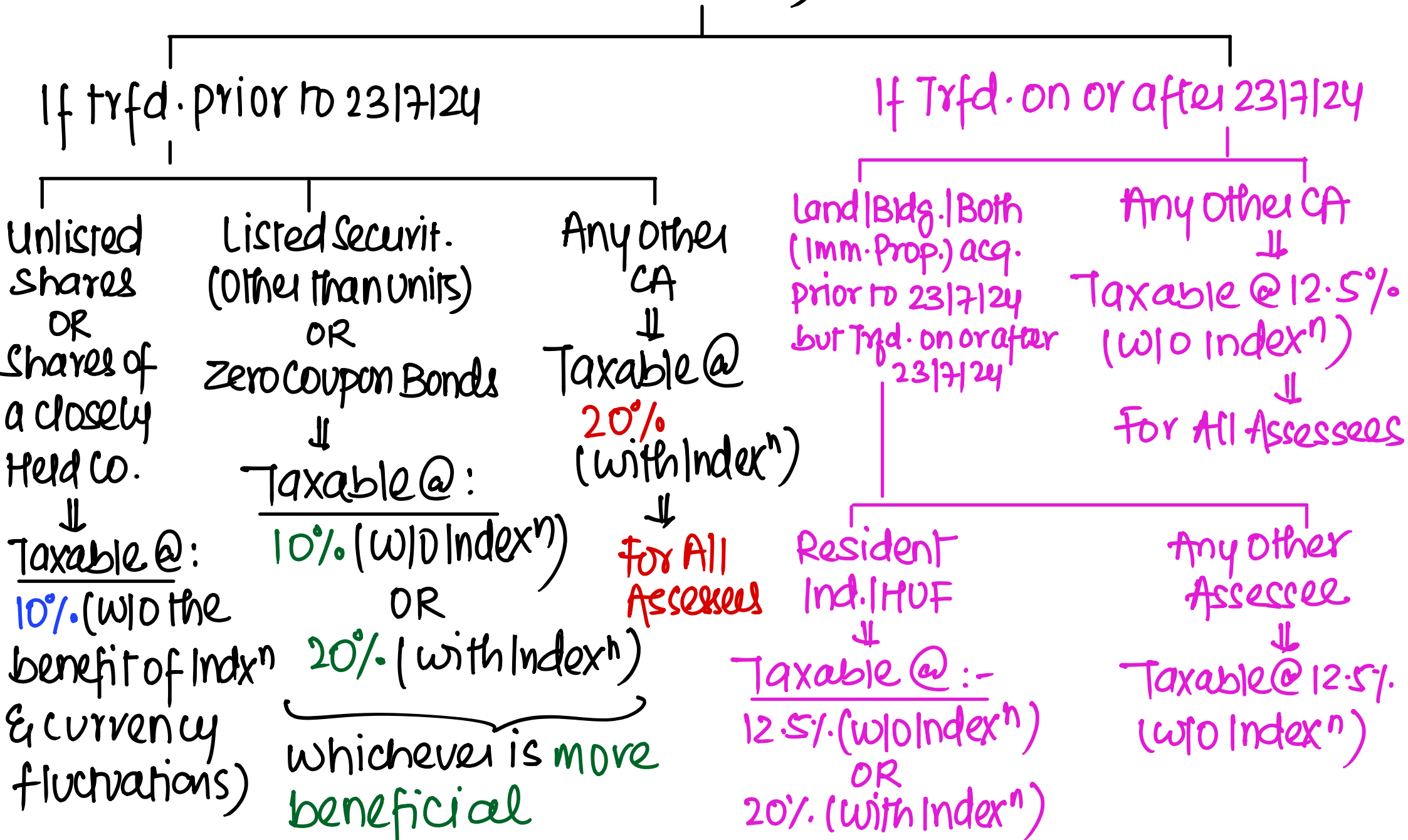
Note:- Total Exemption of such LTCG during the PY 24-25 shall not be more than 1,25,000.

Note:- LTCG u/s 112A shall be computed without giving any benefit of Indexⁿ (whether tf. took place prior to or on or after 23/7/24)

Note:- COA of the CA shall be determined as per sec. 55(2)(ac)

Note:- If the tf. of any of the above 3 LTCAs took place on a RSE in IFSC where the transactions take place in foreign currency & STT is not charged still the LTCG shall be covered u/s 112A.

*** LTCG on Trf. of Any Other CA**
(covered u/s 112)



For Non-Corp.
NR & Foreign
Companies

OR
20% (with
Indexⁿ)
For All Other
Assesseees

↓
For All Types of
Assesseees

whichever is more
beneficial

* Imp. Notes (Appli. for STCG U/S 111A and LTCG U/S 112 & 112A) :-

- ① Deductions U/C VI-A not available from STCG U/S 111A & LTCG U/S 112 or 112A.
- ② Adjustment of unexhausted Basic Exemption Limit is available to Resi. Ind/HUF from STCG U/S 111A & LTCG U/S 112 or 112A
- ③ Higher Rate of surcharge @ 25% & 37% not applicable in case of STCG U/S 111A & LTCG U/S 112 or 112A
- ④ Rebate U/S 87A shall not be available for Tax on LTCG U/S 112A.

Summary Table:-

Income	Tax Rate	Rate of surchg.	HEC	S/o of losses	Ded ⁿ u/c VI-A	Adj. of UEBEL	Rebate u/s 87A
u/s 111A	15% ↳ 20% w.e.f. 23/7/24	10% 15% 25% 37%	4%	✓	X	✓	✓
u/s 112	10% or 20% ↳ 12.5% w.e.f. 23/7/24	10% 15% 25% 37%	4%	✓	X	✓	✓
u/s 112A	upto 1L-0% EXCESS-10% ↳ upto 1.25L-0% } w.e.f. 23/7/24 Excess-12.5% }	10% 15% 25% 37%	4%	✓	X	✓	X
u/s 115BB or 115BBJ	30%	10% 15% 25% 37%	4%	X	X	X	✓
u/s 115BBE	60%	10% 15% 25% 37%	4%	X	X	X	X
Dividend Income	Normal Rate	10% 15% 25% 37%	4%	✓	✓	-N.A.-	✓
Other Incomes	Normal Rate	10% 15% 25% 37%	4%	✓	✓	-N.A.-	✓

* Important Note:- Above rates of surcharge are applicable only if the Total Income exceeds specified limits.
However, in case of Income specified u/s 115BBE; Surcharge @ 25% shall always be applicable irrespective of the amount of Total Income.