Capital Gains

All Last Day Questions – Sept 25 / Dec 25 / Jan 26

Super Revision Series -

https://www.youtube.com/playlist?list=PLpJVh7Fa6YKb0ZYpfyLaIlggsTTzJN5Am

Question 1

Mr. Pratap, a proprietor has transferred his unit RS to Mr. Raj by way of Slump Sale on December 7, 2023. The summarised Balance Sheet of Mr. Pratap as on that date is given below:

Liabilities	Amount (₹ In lacs)	Assets	Amount (₹ In lacs)
Own Capital	1,850	Fixed Assets:	
Accumulated P & L balance	870	Unit PT	250
Liabilities:		Unit QL	170
Unit PT	190	Unit RS	950
Unit QL	260	Other Assets:	
Unit RS	340	Unit PT	790
		Unit QL	860
		Unit RS	490
Total	3,510	Total	3,510

Other information:

(i) Slump sale consideration on transfer of Unit RS was ₹ 1540 lacs.

(ii) Fixed Assets of Unit RS includes land which was purchased at ₹ 90 lacs in the year 2013 and was revalued at ₹ 180 lacs.

(iii) Other fixed assets are reflected at ₹ 770 lacs, (i.e., ₹ 950 lacs less value of land) which represents written down value of those assets as per books. The written down value of these assets is ₹ 630 lacs as per Income- tax Act, 1961.

(iv) Unit RS was set up by Mr. Pratap in December, 2011.

Compute the Capital Gains arising in the hands of Mr. Pratap from slump sale of Unit RS for Assessment year 2019-20. Note: Cost Inflation Indices for the financial year 2011-12 and financial year 2023-24 are 184 and 348, respectively.(RTP May '19, PYP 10 Marks ,May 18)

Answer

Computation of capital gain on slump sale of Unit RS for A.Y. 2024 -25

Particulars	₹
Full value of consideration **(The fair market value of capital asset would be higher of: FMV1- being the fair market value of capital assets transferred by way of slump sale&** FMV2- being the fair market value of the consideration (monetary or non- monetary) received or accruing as a result of transfer by way of slump sale)	15,40,00,000
Less: Deemed cost of acquisition (Net worth is deemed to be the cost of acquisition) [Refer Working Note below]	8,70,00,000
Long-term capital gain [Since the Unit is held for more than 36 months]	6,70,00,000

Working Note: Net worth of Unit-RS

Particulars	₹
Cost of Land (Revaluation not to be considered)	90,00,000
WDV of other depreciable fixed assets as per the Income-tax Act, 1961	6,30,00,000
Other Assets (book value)	4,90,00,000
	12,10,00,000
Less: Liabilities	3,40,00,000
Net worth	8,70,00,000

Notes:

(1) In case of slump sale, net worth of the undertaking transferred shall be deemed to be the cost of acquisition and cost of improvement as per section 50B.

(2) "Net worth" of the undertaking shall be the aggregate value of total assets of the undertaking or division as reduced by the value of liabilities of such undertaking or division as appearing in the books of accounts. However, any change in the value of assets on account of revaluation shall not be considered for this purpose.

(3) For calculating aggregate value of total assets of the undertaking or division in case of slump sale in case of depreciable assets, the written down value of block of assets determined in accordance with the provisions contained in section 43(6) of Income-tax Act, 1961 is to be considered and for all other assets, book value is to be considered.

(4) Since Unit RS is held by the assessee for more than 36 months, the capital gain arising from slump sale is a long-term capital gain.

(5) Indexation benefit is not available in case of slump sale

Question 2

Alex ltd. purchased 5,000 equity shares of ₹ 10 each at ₹150 per share through recognized stock exchange on 11th June, 2016. The company sold all these shares on 15th October, 2024 for ₹ 700 per share.

The price at which these shares were traded in recognized stock exchange on 31st January, 2018 is as follows:

Highest Trading Price ₹ 500

Lowest Trading Price ₹ 400

Determine the tax liability of Alex ltd. assuming:

1) Sale is through RSE
2) Sale is not through RSE

Answer

IF SALE IS THROUGH RSE:

In this case, equity shares are purchased through RSE and also sold through RSE. This means, STT is paid at the time of purchase as well as sale. Hence, capital gains is computed as per the provisions of **Sec. 112A.**

COMPUTATION OF CAPITAL GAINS [EQUITY SHARES]

	Amt.
FVOC (SP) (5,000 x 700) Less: COA* (5,000 x 500)	35,00,000 - 25,00,000
LTCG	10,00,000
*COA	
FMV (31/1/18) **Highest Trading Price**	500
SP	700
Lower	500
Actual Cost	150
Higher (COA)	500

STATEMENT OF TAX

	STCG 111A	LTCG u/s 112A	LTCG	Winnings	Balance
Taxable Income	**Nil**	**10,00,000**	**Nil**	**Nil**	**Nil**
Tax on above	Nil	1,09,375	Nil	Nil	Nil
		12.5% of (10L-**1.25L**)			
		1,09,375			
Add: Surcharge		Nil			
		1,09,375			
Add: HEC @ 4%		+ 4,375			
TAX LIABILITY		**1,13,750**			

➔ IF SALE IS NOT THROUGH RSE:

In this case, equity shares are purchased through RSE but not sold through RSE. This means, STT is paid only at the time of purchase and not at the time of sale. Hence, capital gains is not computed as per the provisions of Sec. 112A.

COMPUTATION OF CAPITAL GAINS

	₹
Full Value of Cons.. (5,000 x 700) Less: Cost of Acquisition (5,000 x 150)	35,00,000 (7,50,000)
LTCG	27,50,000
Tax on above	**12.5%**
Tax Liability	3,43,750

STATEMENT OF TAX

	STCG 111A	LTCG 112A	LTCG (Others)	Winnings	Balance
Taxable Income	**Nil**	**Nil**	**27,50,000**	**Nil**	**Nil**
Tax on above	Nil	Nil	3,43,750	Nil	Nil
Add: Surcharge			Nil		
Add: HEC @ 4%			+ 13,750		
TAX LIABILITY			**3,57,500**		

Question 3

Mr. Shiva purchased a house property on February 15, 1979 for ₹ 3,24,000. In addition, he has also paid stamp duty 10% on the stamp duty value of *3.50,000.

In April, 2008, Mr. Shiva entered into an agreement with Mr. Mohan for sale of such property for ₹ 14,35,000 and received an amount of ₹ 1,11,000 as advance. However, the sale consideration did not materialize and Mr. Shiva forfeited the advance. In May 2015, he again entered into an agreement for sale of said house for ₹ 20,25,000 to Ms. Deepshikha and received ₹ 1,51,000 as advance. However, as Ms. Deepshikha did not pay the balance amount, Mr. Shiva forfeited the advance. In August, 2015, Mr. Shiva constructed the first floor by incurring a cost of ₹ 3,90,000.

On November 15, 2024, Mr. Shiva entered into an agreement with Mr. Manish for sale of such house for ₹ 30,50,000 and received an amount of ₹ 1,50,000 as advance through an account payee cheque. Mr. Manish paid the balance entire sum and Mr. Shiva transferred the house to Mr. Manish on February 20, 2025. Mr. Shiva has paid the brokerage @1% of sale consideration to the broker.

On April 1, 2001, fair market value of the house property was ₹ 11,85,000 and Stamp duty value was ₹ 10,70,000. Further, the Valuation as per Stamp duty Authority of such house on 15th November, 2024 was ₹ 39,00,000 and on 20th February, 2025 was ₹ 41,00,000.

Compute the capital gains in the hands of Mr. Shiva for A.Y.2025-26. Also, compute the tax liability under section 112, assuming that the basic exemption limit has been fully exhausted against other income.

CII for F.Y. 2001-02: 100; F.Y. 2008-09: 137; F.Y, 2015-16: 254; F.Y. 2024-25: 363

Answer

Computation of Capital gains in the hands of Mr. Shiva for A.Y. 2025-26

Particulars	Amount (Rs.)	Amount (Rs.)
Actual sale consideration	30,50,000	
Valuation as per Stamp duty Authority on the date of agreement	39,00,000	

(Where the actual sale consideration is less than the value adopted by the Stamp Valuation Authority for the purpose of charging stamp duty, and such stamp duty value exceeds 110% of the actual sale consideration then, the value adopted by the Stamp Valuation Authority shall be taken to be the full value of consideration as per section 50C.		
However, where the date of agreement is different from the date of registration, stamp duty value on the date of agreement can be considered, provided the whole or part of the consideration is received by way of account payee cheque/bank draft or by way of ECS through bank account or such other electronic mode as may be prescribed on or before the date of agreement. In the present case, since part of the payment is made by account payee cheque on the date of agreement, the stamp duty value on the date of agreement would be considered as full value of consideration) Deemed Full value of consideration [Since stamp duty value on the date of agreement exceeds 110% of the actual consideration, stamp duty value would be deemed as Full Value of Consideration]		**39,00,000**
Less: Expenses on transfer (Brokerage @1% of ₹ 30,50,000)		30,500
Net sale consideration		**38,69,500**
Less: Cost of acquisition **(Note 1)**	9,59,000	

Less: Cost of improvement	3,90,000	
Long term capital gain		**25,20,500**

Computation of tax liability u/s 112

Particulars		Amount (Rs.)
On LTCG of 25,20,500 x 12.5% Add: Health and Education cess @4%		3,15,063 12,603
		3,27,666
On LTCG with indexation benefit		
Net Sale consideration	38,69,500	
Less Indexed cost of acquisition (₹ 9,59,000 x 363/100)	34,81,170	
Less: Indexed cost of Improvement [₹ 3,90,000 x 363/254]	5,57,362	
Long-term capital loss	(1,69,032)	
Since the computation results in a long term capital loss, if indexation benefit is given, the tax u/s 112 would be Nil. However, this computation is only for determining tax liability, the said loss can neither be set-off nor carried forward.		

Notes:

(1) Computation of cost of acquisition

Particulars	Amount (Rs.)	Amount (Rs.)
Cost of acquisition, Being the higher of		10,70,000
(i) lower of Fair market value i.e. ₹ 11,85,000 and Stamp duty value i.e., ₹ 10,70,000, on April 1, 2001	10,70,000	
(ii) Actual cost of acquisition (₹ 3,24,000+ 35,000, being stamp duty @10% of ₹ 3,50,000)	3,59,000	
Less: Advance money. taken from Mr. Mohan and forfeited		1,11,000
Cost of acquisition		**9,59,000**

(2) Where advance money has been received by the assessee, and retained by him, as a result of failure of the negotiations, section 51 will apply. The advance retained by the assessee will go to reduce the cost of acquisition. Accordingly, cost of acquisition after reducing the advance money forfeited would be ₹ 9,59,000 [i.e. ₹ 10,70,000 ₹ 1,11,000 (being the advance money forfeited during the P.Y. 2008-09)). However, where the advance money is forfeited during the previous year 2014-15 or thereafter, the amount forfeited would be taxable under the head "Income from Other Sources and such amount will not be deducted from the cost of acquisition of such asset. while calculating capital gains. Hence, ₹ 1,51,000, being the advance received from Ms. Deepshikha and retained by him, would have been taxable under the head "Income from other sources" in the hands of Mr. Shiva in A.Y.2016 17.

Question 4

Mr. Kalyan has a residential house property which was acquired on 12-08-2005 for ₹ 2,00,000. The property is sold for ₹ 22,00,000 in December 2023. The sub-registrar refused to register the documents for the said value, as according to him, stamp duty value based on State Government guidelines was ₹ 28,00,000. Mr. Kalyan preferred an appeal to the revenue divisional officer who fixed the value of the house ₹ 25,00,000. He acquired another residential house on 31 -03-2024 for ₹ 17,00;000 for self- occupation. On 01-03-2025, he sold such new residential house for ₹ 30,00,000.

Compute his capital gain for the A.Y. 2024-25 and 2025-26. (Cost Inflation Index: 2001-02; 2005- 06 and 2023-24 are, 100; 117 and 348) (MTP 4 Marks Oct '23)

Answer

Computation of capital gain in the hands of Mr. Kalyan for A.Y. 2024-25

Particulars	₹
Full value of consideration	25,00,000
[As per section 50C, in case the actual sale consideration (i.e., ₹ 22 lakhs, in this case) is less than the stamp duty value (i.e., ₹ 28 lakhs, in this case) assessed by the stamp valuation authority (Sub-registrar, in this case), the stamp duty value shall be deemed as the full value of consideration if it exceeds 110% of the sale consideration However, if assessee has preferred an appeal to the Valuation Officer (i.e., revenue divisional officer, in this case) and the Valuation Officer has fixed the value of the house (i.e., ₹ 25 lakh, in this case) less than stamp duty value (i.e., ₹ 28 lakh, in this case), such value determined by the Valuation Officer shall be deemed as the full value of consideration.]	
Less: Indexed cost of acquisition [₹ 2,00,000 x 348/117]	5,94,872
Long-term capital gain [Since the residential house is held for more than 24 months]	19,05,128
Less: Exemption under section 54	
Purchase of new residential house property on 31.3.2024 (i.e., within two years	
from the date of transfer of residential house)	17,00,000
Taxable long term capital gain	2,05,128

Computation of capital gains in the hands of Mr. Kalyan for A.Y. 2025-26

Particulars	₹
Full value of consideration Less: Cost of acquisition [As per section 54, if the new residential house purchased (i.e., on 31.3.2024, in this case) is transferred within 3 years of its	30,00,000
purchase (i.e., on 1.3.2025, in this case), and the cost of acquisition of the new house (i.e., ₹ 17 lakhs, in this case) is lower than the long-term capital gain (i.e., ₹ 19,34,188, in this case), the cost of acquisition of such new residential house shall be taken as Nil, while computing capital gains on sale of the new residential house]	Nil
Short term capital gain [Since the residential house is held for a period less than 24 months]	30,00,000

Question 5

Determine the capital gains/loss and tax liability in the following scenarios for the PY 24-25 assuming the assessees does not have any other source of income:

On 12 December 2024 1,200 shares of X Ltd., a listed company are sold by Mr. Vishal, a non- resident, @ ₹ 1,550 per share and STT was paid at the time of sale of shares. These shares were acquired by him on 25th May, 2017 @ ₹ 425 per share by paying STT at the time of purchase. The price at which these shares were traded in National Stock Exchange on 31st January, 2018 is as follows –

Particulars	Amount in ₹
Highest Trading Price	680
Average Trading Price	610
Lowest Trading Price	540

Answer

	Particulars		Amount ₹
(i)	Long-term capital gain on transfer of 1,200 shares of X Ltd. [Taxable u/s 112A @10% on amount exceeding ₹ 1,00,000]		
	Full value of consideration [1,200 x ₹ 1,550]		18,60,000
	Less: Cost of acquisition		8,16,000
	Higher of		
	(i) Cost of acquisition [1,200 x ₹ 425]	5,10,000	
	(ii) Lower of fair market value of such shares as on 31.1.2018 and sale consideration [1,200 x 680]	8,16,000	
	Fair market value of listed equity shares as on 31.1.2018 [Highest price quoted on the recognized stock exchange i.e., ₹ 680 per share sale consideration ₹ 1,550 per share		
	Long term capital gain taxable u/s 112A/ Total Income		10,44,000
	Tax on long-term capital gain exceeding ₹ 1.25L i.e., ₹ 9.19L @ 12.5%		1,14,875
	Add: Health and Education Cess@4%		4,595
	Tax liability		1,19,470
	Tax liability (Rounded off)		1,19,470
	Since Mr. Vishal is a non-resident, benefit of unexhausted basic exemption limit would not be available to him.		