Tax Cracks

Capital Gains

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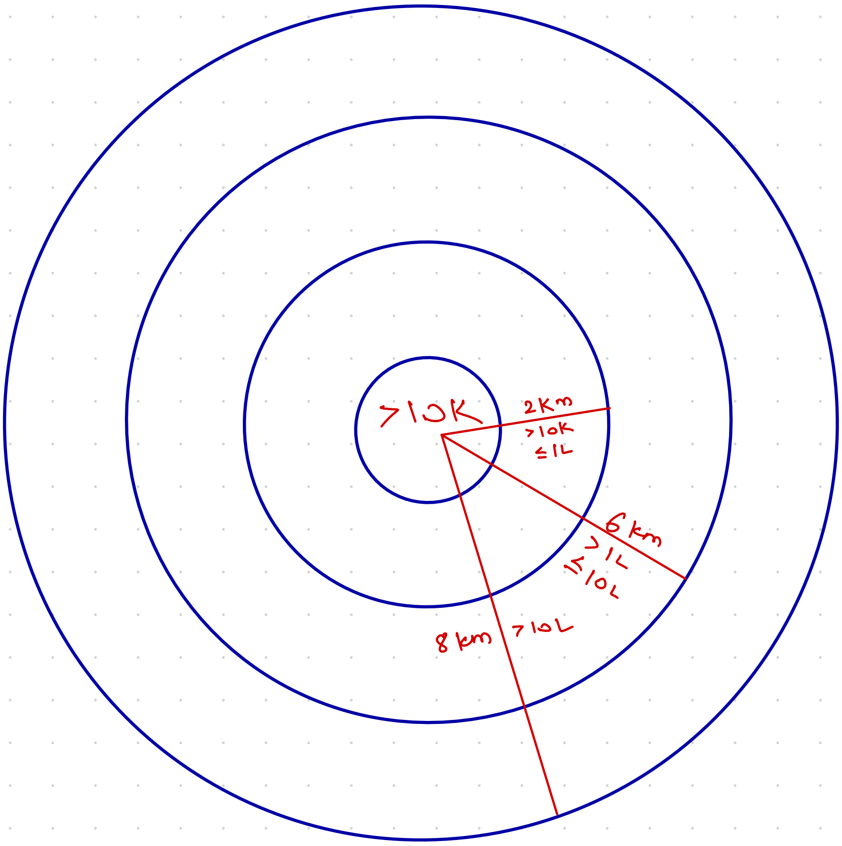
Tax Cracks

Capital Gains

Concept #1



Rural Agricultural Land

Urban Agricultural Land.

Expected as

Land A is situated → 5km
Population → 9,00,000
cost of acquisition → ₹5L
sale value → ₹40L

Land B is situated → 9 km
Population → 19,00,000
cost of acquisition → ₹10L
sale value → ₹40L

Calculate Capital Gains.

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Concept #2

Cost of acquisition of imm. property acq. prior to 1/4/01

Actual cost v/s FMV as on 1/4/01

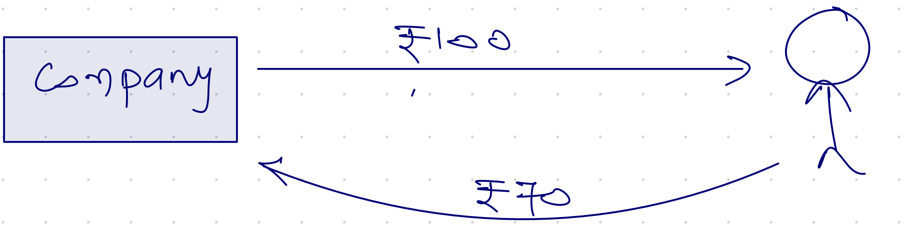
or

SDV as on 1/4/01

(a) (b)

Concept #3

Redemption of Zero Coupon Bond



FVOC
(-) COA

Concept #4

Period of holding

- **Acquired prior to 23/7/2024**
  - **12**
    - Z → ZCB
    - U → Units of Eq. oriented units.
    - S → Listed securities
  - **24**
    - Unlisted shares
    - L / B / Both
  - **36**
    - Other Assets
- **Acquired on / after 23/7/2024**
  - **12**
    - Z → ZCB
    - U → Units of Eq. oriented units.
    - S → Listed securities
  - **24**
    - Other Assets
  - ~~**36**~~

Concept #5

- Land & Building → consider both assets separately

2 separate computations	Single computation
→ Sale considn	→ Sale considn
→ Cost of Acquisition	→ Cost of Acquisition
Given separately in the Qs.	NOT Given separately in the Qs.

Concept #6

STT paid on sale / purchase of shares

↓

Never take a deduction

concept #7

Compulsory acquisition

↓

In case of delay in payment → A'ee receives interest

↓

Taxable under IFOS ✓ → in the year of receipt

↓

Claim 50% flat deduction in IFOS.

Concept # 8

Interconnection of sec 45(2) & sec 54EC

45(2) → conversion of Capital Asset into SIT.

54EC → Investment in Bonds.

↳ sell → LB / Both

↳ Reinvest → specified Bonds

↳ Max Dedⁿ → ₹ 50 Lakhs.

↳ Time → ≤ 6 months from the date of transfer

↓

6 months will not start from date of conversion but from the date when SIT is sold.

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Concept #9

Sec 45(2)

→ In case of conversion of Cap. Asset into SIT, calculate Capital Gain on the date of conversion & PAY CG tax when SIT is actually sold.

→ If SIT is sold → only 40%. → Pay CG → 40%.

→ <u>Method of solving</u>

1) Calculate CG as if 100% is sold ✓

↓

Then on CG answer → apply 40%.

↓

& Pay 40% in the year of sale of SIT.

$\boxed{\text{V Imp}}$ In case of any exemption → Apply 40% before reducing exemption

<u>Example</u>

①

FVOC	1L
(-) COA	(60K)
	40K
(-) Exempⁿ	(10K)
CG	30K
40%	$\boxed{12K}$

✗ ✗

②

FVOC	1L
(-) COA	(60K)
	40K
40%	16K
(-) Exempⁿ	(10k)
CG	$\boxed{6K}$

✓ ✓

Concept # 10

Sec 50C

Transfer of immovable Property

Actual Consider^n OR SDV ↑

SDV on which date?

- Date of Agreement
- Date of Registration. ✓

Date of Agreement ↓

If on the date of agreement
↓
If buyer has made any payment of advance in

- A/C payee cheque.
- D.D.
- Any other electronic payment method.

Cash ✗	Crossed Cheque ✗

Actual consideration → ₹ 20L

SDV → ₹1cr

I have to approach → valuation officer.

↓

Fair Mkt value

- #1
  ₹ 30L
  [FMV]
  ₹20L or ₹30L ↑
  ↓
  $\boxed{FVOC = 30L}$
- #2
  ₹ 1.20cr.
  [FMV]
  ↑ ₹ 20L or ₹1cr
  ↓
  $\boxed{FVOC = 1cr.}$

III

V.O. → 21L

A.C. v/s VO
20L 21L

$\boxed{FVOC = 21L}$

Concept # 11

Sec 46A → Buy Back of shares of Domestic company

Company → shares issued ₹100/share → SH

SH → ₹70/share → Company (Buy Back)

FVOC = 100 → Deemed Dividend → IFOS ✓ ↳100

(-) COA = (70)

30

FVOC → Nil
(-) COA → (70)
Cap loss (70)

TAX RATES

LONG TERM

Sec 112A

Assets Transferred

- Listed Equity shares.
- Units of Eq. oriented funds.
- Units of business trust (discussed in final)

Tax Rate

10% 1] 22/7/24 → 5L
12.5% 2] 22/9/24 → 2L
7L (-) 1.25L → 5.75L
5L 10%
75K 12.5%

Asset transferred

↳ Before 23/7/24 → 10% in excess of ₹ 1.25L
↳ on or after 23/7/24 → 12.5% in excess of ₹ 1.25L

Conditions

1] STT should be paid ✓
2] Chapter VI-A deduction → Not allowed.
3] Rebate u/s 87A → Not allowable

$\boxed{\text{No Indexation}}$

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Section 112

Assets transferred

Assets other than sec 112A

Rate of Tax

↳ $\boxed{\text{Transfer prior to 23/7/2024}}$
↓
$\boxed{20\%}$ with indexation.

↳ $\boxed{\text{Transfer on/after 23/7/2024}}$

- Land/building/both acquired before 23/7/2024 & sold on/after 23/7/2024
  → Individual/HUF (Residents)
  - 20% with indexation
  - 12.5% without indexation

  → other than Individual/HUF
  ↓
  12.5% without indexation
- Land/Building/Both acquired on/after 23/7/24 & sold on/after 23/7/24.
  ↓
  12.5% without indexation
- Other assets either acquired prior/on/after 23/7/2024 & sold on/after 23/7/24
  ↓
  12.5% without indexation

Conditions

1] Chapter VI-A deduction → ✗
2] Rebate u/s 87A → ✓
3] Basic Exemption Limit ↳ ✗
↓
only Unexhausted BEL.

SHORT TERM

Section 111A

Assets Transferred

- Listed Equity shares.
- Units of Eq. oriented funds.
- Units of business trust (discussed in final)

Tax Rate

Asset transferred

↳ Before 23/7/24 → 15%.
↳ on or after 23/7/24 → 20%.

Conditions

1] Chapter VI-A deduction → ✗
2] Rebate u/s 87A → ✓
3] Basic Exemption Limit
↳ ✗
↓
only Unexhausted BEL.

Normal Rates

Assets transferred

Assets other than sec 111A

Tax Rates

Normal rates applicable to respective Assessee.

eg. Individual → slab rate.
Company → 30%.

Concept of unexhausted Basic Exemption limit.

If Total income - other than sec 112A, sec 112, sec 111A
↓
less than the BEL

Not Appl
↓
✗ NR ✗

↓
Remaining Unexhausted limit can be utilized against sec 112A, 112, 111A.
↓
what if we have all the 3 types of incomes → then unexhausted limit will be utilized against which income first?

112A? 112? 111A?

Income which attracts Highest Rate of Tax

Example → Individual (44 yrs) → Normal scheme

Basic Exemption limit → 2.5L.

- IFOS → 2L
- 112 → 5L

BEL will be first utilized against IFOS

∴ 2.5L - 2L
↓
50,000 → Unexhausted BEL
↓
can be utilized against
↓
112 i.e. 5L

∴ Income as per 112 → 5L - 50K → 4.5L
IFOS → Nil

Concept #13

Shares acquired prior to 1/2/18 → Listed shares

Shares	Bonus shares / Right shares
Acqd → 7/7/15 Sold → 24/4/25 Revalue cost on 31/1/18 → yes	Acqd → 7/7/15 → Bonus issued Sold → 24/4/25 Revalue cost on 31/1/18 → yes → Nil or FMV ↑
Acqd → 1/4/94 Sold → 24/4/25 CoA ↓ First reval^n → 1/4/01 ↓ Then reval^n → 31/1/18	Acqd → 1/4/94 → Bonus issued Sold → 24/4/25 CoA ↓ First reval^n → 1/4/01 → Nil or FMV 1/4/01 ↑ ↓ Then reval^n → 31/1/18 → FMV 1/4/01 OR FMV 31/1/18 ↑
Acqd → 3/2/23 Sold → 25/3/25 No revaluation of cost required.	Acqd → 3/2/23 → Bonus issued Sold → 25/3/25 No revaluation of cost required. → CoA → Nil

31/1/18 → Highest value

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