Practice Session 3

Topic : Income u/h Capital Gains

Q. 1 Aggarwal & Sons, HUF purchased a house property in the year 1950 for 50,000. On 31.10.2024, the HUF was totally partitioned and the aforesaid house property was given to Mr. Subhash Aggarwal a member of the family. Fair Market value of the house as on 31.10.2024 was 21,00,000. FMV of the house as on 1.4.2001 was 3,50,000. What will be the tax implications in the hands of Mr. Subhash Aggarwal and the HUF?

(MTP 3 Marks, Nov 21)

Sol. : 1

Tax implications in the hands of HUF

As per section 47, any distribution of capital assets on the total or partial partition of a HUF would not be regarded as transfer for the purpose of capital gains tax.

In this case, Aggarwal & Sons, HUF transferred the asset to Mr. Subhash Aggarwal, a member of HUF on total partition of the HUF. Hence, the transaction would not be regarded as transfer.

Tax implications in the hands of Mr. Subhash Aggarwal

If an immovable property is received by any person without consideration, the stamp duty value of such property would be taxed as the income of the recipient under section 56(2)(x), if it exceeds 50,000. However, it would not be taxable as income if the transfer is by way of a transfer, inter alia, on total or partial partition of a HUF.

In the give case, since Mr. Subhash Aggarwal received the house property on total partition of the HUF, it would not be taxable in his hand.

Q. 2 Mrs. Neha transferred 100 shares of ABC (P) Ltd. to M/s. XYZ Co. (P) Ltd. on 10.9.2024 for 3,00,000 when the market price was 5,00,000. The indexed cost of acquisition of shares for Mrs. Neha was computed at 4,30,000. The transfer was not subjected to securities transaction tax.

Determine the income chargeable to tax in the hands of Mrs. Neha and M/s. XYZ Co. (P) Ltd. because of the above said transaction.

(MTP 2 Marks, Nov'21)

Sol. : 2

Any movable property received for inadequate consideration by any person is chargeable to tax under section 56(2)(x), if the difference between aggregate Fair Market Value of the property and consideration exceeds 50,000.

Thus, share received by M/s XYZ (P) Ltd. from Mrs. Neha for inadequate consideration is chargeable to tax under section 56(2)(x) to the extent of 2,00,000.

As per section 50CA, since, the consideration is less than the fair market value of unquoted shares of ABC (P) Ltd., fair market value of shares of the company would

be deemed to be the full value of consideration. It is presumed that the shares of ABC (P) Ltd are unquoted shares.
The full value of consideration (5,00,000) less the indexed cost of acquisition (4,30,000) would result in a long term capital gains of 70,000 in the hands of Mrs. Neha.

Q. 3 Aarav converts his plot of land purchased in July, 2004 for ₹ 80,000 converted into stock-in-trade on 31" March, 2024. The fair market value as on 31.3.2024 was ₹ 3,00,000. The stock-in-trade was sold for ₹ 3,25,000 in the month of January, 2025. Find out the taxable income, if any, and if so under which head of income and for which Assessment Year?
Cost Inflation Index: 2004-05:113; F.Y. 2023-24: 348; F.Y. 2024-25: 363. (SM)

Sol. : 3
Conversion of a capital asset into stock-in-trade is a transfer within the meaning of section 2(47) in the previous year in which the asset is so converted. However, the capital gains will be charged to tax only in the year in which the stock-in-trade is sold.
The cost inflation index of the financial year in which the conversion took place should be considered for computing indexed cost of acquisition. Further, the fair market value on the date of conversion would be deemed to be the full value of consideration for transfer of the asset as per section 45(2). The sale price less the fair market value on the date of conversion would be treated as the business income of the year in which the stock-in-trade is sold.
Therefore, in this problem, both capital gains and business income would be charged to tax in the A.Y. 2025-26.

Particulars	₹	
Profits & Gains of Business or Profession		
Sale price of stock-in-trade	3,25,000	
Less: Fair market value on the date of conversion	3,00,000	
Capital Gains		25,000
Full value of consideration (Fair market value on the date of conversion)	3,00,000	
Less: Indexed cost of acquisition (80,000 × 348/113)	2,46,372	
Long-term Capital gain		53,628
Taxable income		78,628

Q. 4 Mr. Gyaanchand purchased 1200 shares of "A" limited at 130 per share on 26.02.1979. "A" limited issued him 600 bonus shares on 20.02.2005. The fair market value of these shares at Mumbai Stock Exchange as on 1.04.2001 was 900 per share and 2,000 per share as on 31.01.2018. On 07.07.2024 Mr. Gyaanchand sold all 1800 shares @ 2,400 per share at Mumbai Stock Exchange and securities transaction tax was paid. Compute capital gain chargeable to tax in the hands of Mr. Gyaanchand for the A.Y.2025-26.

(MTP 4 Marks, Oct'21)

Sol. : 4

Computation of capital gain of Mr. Gyaanchand for the A.Y.2025-26

Particulars	₹	₹
Capital Gains		
In respect of 600 shares (bonus shares)		
Full value of consideration [600 shares x 2,400 per share	14,40,000	
Less: Cost of acquisition [600 shares × 2,000]	12,00,000	2,40,000
Higher of (1) and (ii), below		
(1) Nil, being cost of acquisition		
(ii) Rs. 2,000 per share, being the lower of FMV as on 31.1.2018 - 2,000 per share		
Sale consideration - 2,400 per share		
In respect of 1,200 original shares		
Full value of consideration [1,200 shares x 2,400]	28,80,000	
Less: Cost of acquisition [1,200 shares x 2,000]	24,00,000	4,80,000
Higher of (1) and (ii), below		
(1) *900, being original cost of acquisition (130) or FMV as on 1.4.2001 (900), at the option of the assessee		
(ii) 2,000 per share, being the lower of		
FMV as on 31.1.2018-2,000 per share		
Sale consideration 2,400 per share		
Long term capital gain		

Q. 5 Mr. Raj is carrying on business of manufacture and sale of art-silk cloth. He purchased machinery worth 4 lacs on 1.5.2021 and insured it with United India Assurance Ltd against fire, flood, earthquake etc., The written down value of the asset as on 01.04.2024 was 1,87,850. The insurance policy contained a reinstatement clause requiring the insurance company to pay the value of the machinery, as on the date of fire etc., in case of destruction of loss. A fire broke out in August, 2024 causing extensive damage to the machinery of the assessee rendering them totally useless. The assessee company received a sum of 4 lacs from the insurance company on 15th March, 2025. Examine the issues arising on account on the transactions and their tax treatment. (Cost inflation index for financial year 2020-21 & 2024-25 are 301 and 363 respectively) (MTP 4 Marks, Nov'21)

Sol. : 5

As per section 45(1A), where any person receives any money or other assets under an insurance from an insurer on account of damage to or destruction of capital asset as a result of, inter alia, accidental fire then, any profits and gains arising from the receipt of such money or other assets, shall be chargeable to income tax under the head "Capital Gains" and shall be deemed to be the income of such person of the previous year in which such money or asset was received.

For the purpose of section 48, the money received or the market value of the asset shall be deemed to be the full value of the consideration accruing as a result of the transfer of such capital asset. Since the asset was destroyed and the money from the insurance company was received in the previous year, there will be a liability to compute capital gains in respect of the insurance moneys received by the assessee.

Under section 45(1A) any profits and gains arising from receipt of insurance moneys is chargeable under the head "Capital gains". For the purpose of section 48, the moneys received shall be deemed to be the full value of the consideration accruing or arising. Under section 50 the capital gains in respect of depreciable assets had to be computed in the following manner (assuming it was the only asset in the block).

The computation of capital gain and tax implication is given below:

Full value of the consideration	₹4,00,000
Less: Written down value as on April 1st, 2024	₹1,87,850
Short term capital gains	₹2,12,150

Q. 6 Examine the taxability of capital gains in the following scenarios for the Assessment Year 2025-26, determine the taxable amount and rate of tax applicable:

(i) On 20th December, 2024 5,000 shares of AB Ltd., a listed company are sold by Mr. Wiwsu @500 per share and STT was paid at the time of sale of shares. These shares were acquired by him on 5th June, 2017 @ 425 per share by paying STT at the time of purchase. On 31st January, 2018, the shares of AB Ltd. were traded on a recognized stock exchange at the Fair Market Value of 450 per share.

(ii) Mr. Satish is the owner of a residential house which was purchased on 1st July, 2017 for 10,50,000. He sold the said house on 14th October, 2024 for 25,00,000. Valuation as per stamp valuation authorities was 45,00,000. He invested 15,00,000 in RECL Bonds on 20th March, 2025.

The Cost Inflation index for-

F.Y.	2017-18	272
F.Y.	2024-25	363

(MTP 2 Marks, Sep'22, PYP 4 Marks July 21)

Sol. : 6

(i)	Long-term capital gain on transfer of 5,000 shares of AB Ltd. [taxable u/s 112A @12.5% on amount exceeding 1,25,000]		
	Full value of consideration [5,000 x 500]		25,00,000
	Less: Cost of acquisition		
	Higher of		
	Cost of acquisition [5,000 x 425]	21,25,000	

	Lower of fair market value per share as on 31.1.2018 22,50,000	
	I.e., 450 per share and sale consideration i.e., 500 per share [5,000 x 450]	22,50,000
	Long term capital gain taxable u/s 112A	2,50,000
	Long-term capital gain exceeding 1.25 lakh i.e., 1,25,000 would be taxable @12.5%	
(ii)	Sale of residential house [long-term capital asset, since held for more than 24 months]	
a	20% with Indexation Benefits	
	Full value of consideration [stamp duty value, since it exceeds 110% of actual sale consideration]	45,00,000
	Less: Indexed Cost of acquisition (10,50,000 x 363/272]	14,01,287
		30,98,713
	Less: Deduction under section 54EC	15,00,000
	Since 15,00,000 is invested in RECL bonds on 20th March 2025 i.e.,	
	before six months from the date of transfer	
	Long-term capital gain	15,98,713
	Long-term capital gain taxable u/s 112 @ 20%	3,19,743
b	12.5% without Indexation Benefits	
	Full value of consideration [stamp duty value, since it exceeds 110% of actual sale consideration]	45,00,000
	Less: Cost of acquisition (Read Note)	10,50,000
		34,50,000
	Less: Deduction under section 54EC	15,00,000
	Since 15,00,000 is invested in RECL bonds on 20th March 2025 i.e.,	
	before six months from the date of transfer	
	Long-term capital gain	19,50,000
	Long-term capital gain taxable u/s 112 @ 12.5%	2,43,750

Hence 12.5% without Indexation Benefits is more beneficial for the Assessee.

Note:

(i) As transfer is after 23.07.2024, tax rates will be LTCG on equity shares 112A= 12.5%

(ii) When transfer takes place after 23.07.2024 Land or building or both if acquired before 23.7.2024 then the individual can choose between 12.5% without indexation or 20% with indexation benefit, whichever is more beneficial to the assessee.

Q. 7 Mr. Aryan, a resident individual aged 58 years, sells (unlisted) shares in a private sector company on May 17, 2024 for ₹10,00,000. The shares were bought on 01.08.2012 for a consideration of ₹2,00,000.

Mr Aryan paid ₹2,000 as brokerage on sale of shares.

Mr. Aryan deposited ₹5,00,000 in Capital Gain Account Scheme on 15.06.2025 (Before filing the return of income for the Assessment Year 2025-26).

On April 30, 2026 he withdraws 4,50,000 and purchases a residential house properly at Delhi on May 1, 2026 for 4,50,000.

Cost Inflation Index (CII) - F.Y. 2012-13-200, F.Y. 2024-25-363.

Ascertain -

(i) The amount of Capital Gain chargeable to tax for the A.Y. 2025-26.

(ii) Tax treatment (with mention of relevant assessment year) of the unutilized amount. (PYP 4 Marks Nov'23)

Sol. : 7

(i) **Computation of Capital Gains on sale of unlisted shares for A.Y.2025-26**

Particulars	₹
Net Sales Consideration [10,00,000-2,000]	9,98,000
Less: Indexed cost of acquisition [2,00,000 x 363/200]	3,63,000
	6,35,000
Less: Exemption u/s 54F	
Deposit in Capital Gains Accounts Scheme on or before the due date of filing return of income would be deemed to be cost of new asset.	
Accordingly, exemption u/s 54F would be 3,34,168 [₹5,00,000 × 6,35,000/*9,98,000]	3,18,136
Capital Gains chargeable to tax	3,16,864

Note: Since the sale is before 23.07.2024 indexation benefit will be allowed.

(ii) Tax treatment of unutilized amount in Capital Gains Accounts Scheme

The unutilized amount will be chargeable to tax as capital gains on proportionate basis in the previous year in which the 3 years period from the date of transfer expires. In this case, the 3 year period from 17.5.2024 expires on 16.5.2027. Consequently, the proportional capital gains on the unutilized amount will be taxable in the A.Y. 2028-29, relevant to the P.Y. 2027-28. The amount of capital gains for A.Y. 2028-29 would be 30,541 [3,16,864-2,86,323 (4,50,000 x 6,35,000/₹9,98,000).

EXAM INSIGHTS: Many examinees failed to compute the amount of exemption under section 54F correctly and the tax treatment of unutilized amount lying in Capital Gain Accounts Scheme.

Q. 8 Mr. Mithun purchased 100 equity shares of M/s Good money Co. Ltd. on 01-04-2007 at rate of 1,000 per share in public issue of the company by paying securities transaction tax.

Company allotted bonus shares in the ratio of 1:1 on 01.12.2023. He has also received dividend of 10 per share on 01.05.2024.

He has sold all the shares on 01.10.2024 at the rate of 4,000 per share through a recognized stock exchange and paid brokerage of 1% and securities transaction tax of 0.02%.

Compute his total income and tax liability for A.Y. 2025-26 if Mr. Mithun pays tax under default tax regime, assuming that he is having no income other than given above. Fair market value of shares of M/s Good money Co. Ltd. on 31.1.2018 is 2,000. (SM)

Sol. : 8

Computation of total income & tax liability of Mr. Mithun for A.Y. 2025-26

Particulars	₹
Long term capital gains on sale of original shares	
Gross sale consideration (100 x 4,000)	4,00,000
Less: Brokerage@1%	4,000
Net sale consideration	3,96,000
Less: Cost of acquisition (100 x 2,000) (Refer Note 1)	2,00,000
Long term capital gains	1,96,000
Short term capital gains on sale of bonus shares	
Gross sale consideration (100 x 4,000)	4,00,000
Less: Brokerage@1%	4,000
Net sale consideration	3,96,000
Less: Cost of acquisition of bonus shares [Nil as such shares are allotted after 1.04.2001]	NIL
Short term capital gains [Since bonus shares are held for less than 12 months before sale	3,96,000
Income from other sources	
Dividend received from M/s Good money Co. Ltd. is taxable in the hands of shareholders [200 shares x 10 per share]	2,000
Other income	8,00,000
Total Income	13,94,000

Tax Liability		
Tax on STCG u/s 111A 20% of 3,96,000		79,200
Tax on LTCG u/s 112A 12.5% of (1,96,000-1,25,000) since it is transferred on or after 23.7.2024		8,875
Tax on other income of 8,02,000		

₹3,00,000 to 7,00,000@5%	20,000	
₹7,00,000 to 8,02,000 @10%	10,200	30,200
		1,18,275

Notes:

(1) Cost of acquisition of such equity shares acquired before 1.2.2018 is higher of Cost of acquisition i.e., 1,000 per share and
lower of Fair market value of such asset i.e., 2,000 per share and Full value of consideration i.e., 4,000 per share.
Therefore, the cost of acquisition of original share is 2,000 per share.

(2) Securities transaction tax is not allowable as deduction.

Q. 9 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 2024. 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 31-03-2025 for 17,00,000 for self-occupation. On 01-03-2026, he sold such new residential house for 30,00,000.

Compute his capital gain for the A.Y. 2025-26 and 2026-27.

(Cost Inflation Index: 2001-02; 2005-06 and 2024-25 are, 100; 117 and 363)

(MTP 4 Marks, Nov'23)

Sol. : 9

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

When transfer takes place after 23.07.2024 Land or building or both if acquired before 23.7.2024 then the individual can choose between 12.5% without indexation or 20% with indexation benefit, whichever is more beneficial to the assessee.

(i) 20% with Indexation Benefits

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 363/117]	6,20,513
Long-term capital gain [Since the residential house is held for more than 24 months]	18,79,487
Less: Exemption under section 54	
Purchase of new residential house property on 31.3.2025 (i.e., within two years from the date of transfer of residential house)	17,00,000
Taxable long term capital gain	1,79,487
LTCG Tax	35,897

(ii) 12.5% without Indexation Benefits

Particulars	₹
Full value of consideration (Same as above)	25,00,000
Less: Cost of Acquisition	2,0,000
Long-term capital gain [Since the residential house is held for more than 24 months]	23,00,000
Less: Exemption under section 54	
Purchase of new residential house property on 31.3.2025 (i.e., within two years from the date of transfer of residential house)	17,00,000
Taxable long term capital gain	6,00,000
LTCG Tax	75,000

Hence 20% with indexation is more beneficial for the the Assessee.

Computation of capital gains in the hands of Mr. Kalyan for A.Y. 2026-27

Particulars	₹
Full value of consideration	30,00,000
Less: Cost of acquisition [As per section 54, if the new residential house purchased (i.e., on	
31.3.2025, in this case) is transferred within 3 years of its purchase (i.e., on 1.3.2026, 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., 18,79,487, 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

Q. 10 Determine the capital gains/loss on transfer of listed equity shares (STT paid both at the time of acquisition and transfer of shares) and units of equity oriented mutual fund (STT paid at the time of transfer of units) for the A.Y.2025-26 and tax, if any, payable thereon, in the following cases, assuming that these are the only transactions covered under section 112A during the P.Y.2024-25 in respect of these assessees:

(i) Mr. Shagun purchased 300 shares in A Ltd. on 20.5.2017 at a cost of 400 per share. He sold all the shares of A Ltd. on 31.5.2024 for 1200. The price at which these shares were traded in National Stock Exchange on 31.1.2018 is as follows-

Particulars	Amount in ₹
Highest Trading Price	700
Average Trading Price	680
Lowest Trading Price	660

(ii) Mr. Raj purchased 200 units of equity oriented fund, Fund A on 1.2.2017 at a cost of 550 per unit. The units were not listed at the time of purchase. Subsequently, units of Fund A were listed on 1.1.2018 on the National Stock Exchange. Mr. Raj sold all the units on 3.4.2024 for 900 each. The details relating to quoted price on National Stock Exchange and net asset value of the units are given hereunder:

Particulars	Fund A
	Amount in ₹
Highest Trading Price	750 (on 31.1.2018)
Average Trading Price	700 (on 31.1.2018)
Lowest Trading Price	650 (on 31.1.2018)
Net Asset Value on 31.1.2018	800

(MTP 4 Marks, Jul'24)

Sol. : 10

For the purpose of computation of long-term capital gains chargeable to tax under section 112A, the cost of acquisition in relation to the long-term capital asset, being an equity share in a company or a unit of an equity oriented fund or a unit of a business trust acquired before 1st February, 2018 shall be the higher of

(a) cost of acquisition of such asset, i.e., actual cost; and

(b) lower of

 (i) the fair market value of such asset as on 31.1.2018; and

 (ii) the full value of consideration received or accruing as a result of the transfer of the capital asset.

(i) The fair market value of listed equity shares as on 31.1.2018 is the highest price quoted on the recognized stock exchange as on that date.

Accordingly, long-term capital gain on transfer of STT paid listed equity shares by Mr. Shagun would be

determined as follows:

The FMV of shares of A Ltd. would be 700, being the highest price quoted on National Stock Exchange on 31.1.2018. The cost of acquisition of each equity share in A Ltd. would be 700, being higher of actual cost i.e., 400 and 700 (being the lower of FMV of 700 as on 31.1.2018 (i.e., the highest trading price) and actual sale consideration of 1,200). Thus, the long-term capital gain would be 1,50,000 i.e., (1,200-700) x 300 shares. The long-term capital gain of 25,000 (i.e., the amount in excess of 1,25,000) would be subject to tax@10% under section 112A (plus cess@4%), without benefit of indexation. The tax on capital gain @10.4% would be 2,600 (25,000 x 10.4%)

(ii) In the case of units listed on recognized stock exchange on the date of transfer, the FMV as on 31.1.2018 would be the highest trading price on recognized stock exchange as on 31.1.2018 (if units are listed on that date), else, it would be the net asset value as on 31.1.2018 (where units are unlisted on that date).

Accordingly, the FMV of units of Fund A as on 31.1.2018 would be 750 (being the highest trading price on 31.1.2018, since the units of Fund A are listed on that date).

The cost of acquisition of a unit of Fund A would be 750, being higher of actual cost i.e., 550 and 750 (being the lower of FMV of 750 as on 31.1.2018 and actual sale consideration of 900). Thus, the long-term capital gains on sale of units of Fund A would be 30,000 (₹900-750) x 200 units. Since the long term capital gains on sale of units of Fund A is 30,000, which is less than 1,25,000, the said sum is not chargeable to tax under section 112A.

Q. 11 Calculate the amount chargeable to tax under the head 'Capital Gains' and also calculate tax on such gains for A.Y. 2025-26 from the following details provided by Mr. Naveen with respect to sale of certain securities during F.Y. 2024-25 assuming that the other incomes of Mr. Naveen exceed the maximum amount not chargeable to tax. (Ignore surcharge and chess):

(i) Sold 10,000 shares of Y Ltd. on 05-04-2024 @ 650 per share Y Ltd. is a listed company. These shares were acquired by Mr. Naveen on 05-04-2017 @ 100 per share. STT was paid both at the time of acquisition as well as at the time of transfer of such shares which was affected through a recognized stock exchange.

On 31-01-2018, the shares of Y Ltd. were traded on a recognized stock exchange as under:

Highest price-300 per share

Average price-290 per share

Lowest price-280 per share

(ii) Sold 1,000 units of AB Mutual Fund on 20-05-2024@50 per unit

AB Mutual Fund is an equity oriented fund. These units were acquired by Mr. Naveen on 10-03-2017 @ 10 per unit. STT was paid only at the time of transfer of such units. On 31-01-2018, the Net Asset Value of the units of AB Mutual Fund was 55 per unit. The units of AB Mutual Fund were not listed on the stock exchange as on 31.1.2018. Zunit. The units of AB Mutual Fund were not I

(iii) Sold 100 shares of C Ltd. on 27-09-2024 @ 200 per share.

C Ltd. is an unlisted company. These shares were issued by the company as bonus shares on 30-09-1997. The

Fair Market Value of these shares as on 01-04-2001 was 50 per share.

Cost Inflation Index for various financial years are as under (MTP 7 Marks, Apr 21, PYP 6 Marks Nov 19)

2001-02	100
2016-17	264
1017-18	272
2020-21	301
2024-25	363

Sol. : 11

Computation of amount chargeable to tax under the head "Capital Gains" in the hands of Mr. Naveen

	Particulars		₹
(i)	Sale of 10,000 shares of Y Ltd. on 5.4.2024 @ 650 per share		
	Sales consideration (10,000x650		65,00,000
	Less: Cost of acquisition Higher of:	₹	30,00,000
	-Actual cost (10,000 x100)	10,00,000	
	-Lower of:	30,00,000	
	• ₹30,00,000 (300 x 10,000), being fair market value as on 31.1.2018 (Highest price of the shares traded on 31.1.2018); and • 65,00,000, being full value of consideration on transfer Long-term capital gain under section 112A [Since shares held for more than 12 months and STT is paid both at the time of purchase and sale. Benefit of indexation is, however, not available on LTCG taxable u/s 112A].		35,00,000
(ii)	Sale of 1,000 units of AB Mutual Fund on 20.5.2024 @ 50 per unit		
	Sale consideration (1,000x50)		50,000
	Less: Cost of acquisition - Higher of -		50,000
	-Actual cost (1,000x10	10,000	
	-Lower of:	50,000	
	* ₹55,000 (55 x 1,000), FMV, being Net Asset Value as on 31.1.2018; and * ₹50,000, being full value of consideration on transfer Long-term capital gain under section 112A [Since shares are held for more than 12 months and STT is paid at the time of sale]		Nil
(iii)	Sale of 100 shares of C Ltd. on 27.9.2024 @ 200 per share		
	Sale consideration (100x200)		20,000
	Less: Cost of acquisition [100 x 50 (being FMV on 1.4.2001) (No indexation as transfer is after 23.07.2024)		5,000
	Long-term capital gain under section 112 [Since shares are unlisted and held for more than 24 months]		15,000

Computation of tax on such capital gains for A.Y. 2024-25

Particulars	₹
Tax under section 112A @ 10% on long-term capital gains of 34,00,000 [LTCG of 35,00,000 (-) ₹ 1,00,000] arising on sale of shares of Y Ltd.	3,40,000
Tax under section 112 @ 20% on long-term capital gains of 2,600 arising on sale of unlisted shares of C Ltd	520
Total tax payable	3,40,520

EXAM INSIGHTS: This question requires computation of "Capital Gains" on transfer of listed shares of A Ltd., units of B Mutual Fund and unlisted shares of C Ltd. However, many examinees could not correctly compute the cost of acquisition of 10,000 listed shares of A Ltd.

Q. 12 Mr. Ramesh entered into an agreement with Mr. Vivitzu to sell a plot on 5.4.2024 for 45 lakhs. He received an advance of 15 lakhs from him on the date of agreement by account payee cheque. Transfer took place on 10-9-2024. The valuation determined by the stamp valuation authority on the date of agreement and transfer was 49 lakhs and 53 lakhs, respectively.

Mr. Vivitzu has sold this plot to Ms. Babli on 21-3-2025 for 55 lakhs.

The valuation as per stamp valuation authority was 54 lakhs on 21-3-2025. Discuss the tax consequences of above, in the hands of Mr. Ramesh and Mr. Vivitzu. Also, compute the capital gain in the hands of Mr. Vivitzu.

Note: None of the parties viz Mr. Ramesh, Mr. Vivitzu & Ms. Babli are related to each other; the transactions are between outsiders. (MTP 7 Marks, Apr 23, RTP Nov 22)

Sol. : 12

I.	Tax consequences in the hands of Mr. Ramesh
	As per section 50C, 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. In a case 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 through such other electronic mode as may be prescribed, on or before the date of agreement.

	In this case, since 15 lakhs is received through account payee cheque on the date of agreement, stamp duty value on the date of agreement would be considered for determining the full value of consideration. Accordingly, in this case, capital gains would be computed in the hands of Mr. Ramesh, for A.Y.2025-26, taking the actual consideration of 45 lakh of plot as the full value of consideration arising on transfer of such plot, since the stamp duty value on the date of agreement does not exceed 110% of the actual consideration. Note- If it is assumed that Mr. Ramesh is a property dealer, the income would be taxable as his business income under section 43CA
II.	Tax consequences in the hands of Mr. Vivitzu
	In case, immovable property is received for inadequate consideration, the difference between the stamp duty value and actual consideration would be taxable under section 56(2)(x) in the hands of the recipient, if such difference exceeds the higher of 50,000 or 10% of actual sales consideration. In a case 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 paid by way of account payee cheque/bank draft or by way of ECS through bank account or through such other electronic mode as may be prescribed, on or before the date of agreement. In this case, since 15 lakhs is paid through account payee cheque on the date of agreement, stamp duty value on the date of agreement would be considered. Therefore, nothing would be taxable in the hands of Mr. Vivitzu under the head "Income from Other Sources" in A.Y.2025-26 since the difference between stamp duty value on the date of agreement and actual consideration does not exceed 4,50,000, being the higher of 50,000 and 10% of consideration. At the time of subsequent sale of property by Mr. Vivitzu to Ms. Babli (on 21.3.2025), short-term capital gains would arise in the hands of Mr. Vivitzu in A.Y.2025-26, since the property is held by him for less than 24 months.

Particulars	₹
Full value of consideration (Since actual consideration of 55 lakh is higher than stamp duty value of 54 lakh)	55 lakh
Less: Cost of acquisition	45 lakh
Short-term capital gains	10 lakh

Q. 13 Mr. Riyaan owned a residential house in Noida. It was acquired on 09.09.2014 for 30,00,000. He sold it for 1,57,00,000 on 07.01.2022.
Mr. Riyaan utilized the sale proceeds of the above property to acquire a residential house in Panchkula for 2,05,00,000 on 20.07.2022. The said house property was sold on 31.10.2024 and he purchased another residential house in Delhi for 2,57,00,000 on 02.03.2025. The property at Panchkula was sold for 3,25,00,000.
Calculate capital gains chargeable to tax for the assessment year 2022-23 and 2025-26. All workings should form part of your answer: Cost inflation index for various financial years are as under:

(MTP 7 Marks, Sep'23, PYP 6 Marks May'19)

2014-15	240
2021-22	317
2022-23	331
2024-25	363

Sol. : 13

Computation of capital gains chargeable to tax for A.Y. 2022-23

Particulars	₹
Full value of consideration received on sale of residential house in Noida	1,57,00,000
Less: Indexed cost of acquisition [30,00,000 x 317/240)	39,62,500
Long-term capital gain	1,17,37,500
Less: Exemption under section 54	
Purchase of new residential house property at Panchkula for 2,05,00,000 on 20.7.2022 i.e., within two years from the date of transfer of residential house in Noida; exemption restricted to long term capital gain, since cost of new house exceeds long-term capital gain	1,17,37,500
Taxable long term capital gain	Nil

Computation of capital gains chargeable to tax for A.Y. 2025-26

Full value of consideration received on sale of residential house at Panchkula	3,25,00,000
Less: Cost of acquisition ((2,05,00,000-1,17,37,500)	87,62,500
	2,37,37,500
Less: Exemption under section 54	2,37,37,500
Taxable long term capital gain	Nil

Q. 14 Mr. Patel is a proprietor of Star Stores since 20-05-2022. He has transferred his shop by way of slump sale for a total consideration of 40 Lakh. The professional fees &

brokerage paid for this sale are 80,000. His Balance Sheet as on 31-03-2025 is as under

Liabilities	₹	Assets	₹
Own Capital	10,50,000	Building	5,00,000
Bank Loan	5,00,000	Furniture	5,00,000
Trade Creditors	2,50,000	Debtors	2,00,000
Unsecured Loan	2,00,000	Other Assets	8,00,000
	20,00,000		20,00,000

Other Information:

1. No individual value of any asset is considered in the transfer deed.
2. Other assets include trademarks valuing 2,00,000 as on 01-04-2024 on which no depreciation has been provided.
3. Furniture of 1,50,000 purchased on 05-11-2024 on which no depreciation has been provided.
4. Unsecured loan includes 50,000 as advance received from his wife, which she has agreed to waive off.

Compute the capital gain for A.Y. 2025-26. (PYP 4 Marks, Jul'21)

Sol. : 14

Computation of capital gains on slump sale of shop

Particulars		₹
FVC		40,00,000
Less: Expenses on sale (professional fees & brokerage]		80,000
Net sale consideration		39,20,000
Less: Net worth (See Working Note below)		10,42,500
Short-term capital gain [Since shop is held for not more than 36 months immediately preceding the date of transfer]		28,77,500
Working Note:		
Computation of net worth of shop		
Building		5,00,000
Furniture	5,00,000	
Less: Deprecation on 1,50,000 @ 5%, being 50% of 10% since furniture is put to use for less than 180 days during the previous year	7,500	4,92,500
Debtors		2,00,000
Other assets	8,00,000	

Less: Deprecation on 2,00,000, being intangible asset @ 25%	50,000	7,50,000
Total assets		19,42,500
Less: Bank loan	5,00,000	
Trade creditors	2,50,000	
Unsecured loan 2,00,000 less 50,000, being the amount waived off by his wife	1,50,000	9,00,000
Net worth		10,42,500

Q. 15 Mr. Surinder furnishes the following particulars for the previous year ending 31.03.2025. He had a Residential House, inherited from his father in December 2009, the Fair Market Value of which on 01.04.2001 is 13 lakhs. In the year 2013-2014, further construction and improvements costing of 10 lakhs. The House was originally purchased by his father on 01.03.2000 for 10 Lakhs. On 10.05.2024, the House was sold for 75 Lakhs. Expenditure in connection with transfer is 50,000. On 20.12.2024, he purchased a Residential House for 12 lakhs and he does not own any other house. Compute the taxable Capital Gain for the assessment year 2025-26. (Cost Inflation Index: F.Y. 2013-14-220, F.Y.2024-25-363, F.Y. 2009-10 148 and F.Y. 2001-02-100) (PYP 4 Marks, May'24)

Sol. : 15

Computation of Taxable Capital Gains for A.Y.2025-26

Particulars	₹
Full Value of Consideration	75,00,000
Less: Expenditure in connection with transfer	50,000
Net Sales Consideration	74,50,000
Less: Indexed cost of acquisition 13,00,000 (higher of actual cost to the previous owner of 10 lakhs and Fair market value as on 1.4.2001 of 13 lakhs) × 363/100]	47,19,000
Less: Indexed cost of improvements [10 lakhs × 363/220]	16,50,000
	10,81,000
Less: Exemption u/s 54-in respect of residential house purchased on 20.12.2024 of Rs 12L	10,81,000
Taxable Long Term Capital Gains	NIL

Note The above answer is on the basis of the view expressed by Bombay High Court in CIT v. Manjula J. Shah 16 Taxman 42, wherein it was held that Indexed cost of acquisition in case of gifted asset has to be computed with reference to the year in which the previous owner first held the asset and not the year in which the assessee became the owner of the asset.

Alternative answer is possible on basis of the plain reading of the provisions of section 48 wherein the indexed cost of acquisition would be determined by taking the Cost Inflation Index (CII) for the year in which the asset is first held by the assessee i.e. F.Y.2009-10. In such a case, the Indexed cost of acquisition would 31,88,514 (13,00,000 × 363/148) and taxable long term capital gains would be ₹ 14,11,486.

Q. 16 Mrs. Harshita purchased a land at a cost of 35 lakhs in the F.Y. 2004-05 and held the same as her capital asset till 20th March, 2024.
She started her real estate business on 21st March, 2024 and converted the said land into stock-in-trade of her business on the said date, when the fair market value of the land was 210 lakhs.
She constructed 15 flats of equal size, quality and dimension. Cost of construction of each flat is 10 lakhs. Construction was completed in February, 2025. She sold 10 flats at 30 lakhs per flat in March, 2025. The remaining 5 flats were held in stock as on 31st March, 2025.
She invested 50 lakhs in bonds issued by National Highways Authority of India on 31st March, 2024 and another 50 lakhs in bonds of Rural Electrification Corporation Ltd. in April, 2025.
Compute the amount of chargeable capital gain and business income in the hands of Mrs. Harshita arising from the above transactions for A.Y. 2025-26 indicating clearly the reasons for treatment for each item.
[Cost Inflation Index: F.Y. 2004-05: 113; F.Y. 2023-24: 348; F.Y. 2024-25: 363). (SM)

Sol. : 16

Computation of capital gains and business income of Harshita for A.Y. 2025-26

Particulars	₹
Business Income	
Sale price of flats [10×30 lakhs]	3,00,00,000
Less: Cost of flats	
Fair market value of land on the date of conversion [210 lacs × 2/3]	1,40,00,000
Cost of construction of flats [10×10 lakhs]	1,00,00,000
Business income chargeable to tax for A.Y.2025-26	60,00,000
Capital Gains	
Fair market value of land on the date of conversion deemed as the full value of consideration for the purposes of section 45(2)	2,10,00,000
Less: Indexed cost of acquisition [35,00,000 × 348/113]	1,07,78,761
	1,02,21,239
Proportionate capital gains arising during A.Y. 2025-26 [1,02,21,239 x 2/3]	68,14,159
Less: Exemption under section 54EC	50,00,000
Capital gains chargeable to tax for A.Y.2025-26	18,14,159

Notes:

(1) The conversion of a capital asset into stock-in-trade is treated as a transfer under section 2(47). It would be treated as a transfer in the year in which the capital asset is converted into stock-in-trade (i.e., P.Y.2023-24, in this case).

(2) As per section 45(2), the capital gains arising from the transfer by way of conversion of capital assets into stock-in-trade will be chargeable to tax only in the year in which the stock-in-trade is sold.

(3) The indexation benefit for computing indexed cost of acquisition would, however, be available only up to the year of conversion of capital asset into stock-in-trade (i.e., P.Y.2023-24) and not up to the year of sale of stock-in-trade (i.e., P.Y.2024-25).

(4) For the purpose of computing capital gains in such cases, the fair market value of the capital asset on the date on which it was converted into stock-in-trade shall be deemed to be the full value of consideration received or accruing as a result of the transfer of the capital asset.
In this case, since only 2/3rd of the stock-in-trade (10 flats out of 15 flats) is sold in the P.Y.2024-25, only proportionate capital gains (i.e., 2/3rd) would be chargeable to tax in the A.Y.2025-26.

(5) On sale of such stock-in-trade, business income would arise. The business income chargeable to tax would be the difference between the price at which the stock-in-trade is sold and the fair market value on the date of conversion of the capital asset into stock-in-trade.

(6) In case of conversion of capital asset into stock-in-trade and subsequent sale of stock-in-trade, the period of 6 months is to be reckoned from the date of sale of stock-in-trade for the purpose of exemption under section 54EC [CBDT Circular No.791 dated 2.6.2000). In this case, since the investment in bonds of NHAI has been made within 6 months of sale of flats, the same qualifies for exemption under section 54EC. With respect to long-term capital gains arising on land or building or both in any financial year, the maximum deduction under section 54EC would be 50 lakhs, whether the investment in bonds of NHAI or RECL are made in the same financial year or next financial year or partly in the same financial year and partly in the next financial year.
Therefore, even though investment of 50 lakhs has been made in bonds of NHAI during the P.Y. 2024-25 and investment of 50 lakhs has been made in bonds of RECL during the P.Y. 2025-26, both within the stipulated six month period, the maximum deduction allowable for A.Y. 2025-26, in respect of long-term capital gain arising on sale of long-term capital asset(s) during the P.Y. 2024-25, is only 50 lakhs.

Q. 17 Mr. Aditya is a proprietor of Star Stores having 2 units. On 1.4.2024, he has transferred Unit 2, which he started in 2004-05, by way of slump sale for a total consideration of 18 lakhs. The professional fees & brokerage paid for this transfer are 78,000. His Balance Sheet as on 31-03-2024 is as under:

Liabilities	₹	Assets	Unit 1 ₹	Unit 2 ₹	Total

Own Capital	20,50,000	Land	12,75,000	7,50,000	20,25,000
Revaluation reserve	2,50,000	Furniture	2,00,000	5,00,000	7,00,000
Bank Loan (70% for Unit 1)	8,50,000	Debtors	2,00,000	3,50,000	5,50,000
Trade Creditors (20% for Unit 2)	4,50,000	Patents	-	7,25,000	7,25,000
Unsecured Loan (30% for Unit 2)	4,00,000				
	40,00,000		16,75,000	23,25,000	40,00,000

Other Information:

1. Land of Unit 2 was purchased at 5,00,000 in the year 2005 and revalued at 7,50,000 as on 31.3.2024.
2. No individual value of any asset is considered in the transfer deed.
3. Patents were acquired on 01-12-2022 on which no depreciation has been provided.
4. Furniture of Unit 2 of 5,00,000 were purchased on 01-12-2023 on which no depreciation has been provided.
5. Fair market value of capital asset transferred by way of slump sale of Unit 2 is 18,10,000. Compute the capital gain for A.Y. 2025-26. (RTP May'22)

Sol. : 17

As per section 50B, any profits and gains arising from the slump sale effected in the previous year shall be chargeable to income-tax as capital gains arising from the transfer of capital assets and shall be deemed to be the income of the previous year in which the transfer took place.

If the assessee owned and held the undertaking transferred under slump sale for more than 36 months before slump sale, the capital gain shall be deemed to be long-term capital gain. Indexation benefit is not available in case of slump sale as per section 50B(2).

Computation of capital gain on slump sale of Unit 2

Particulars	₹
Full value of consideration for slump sale of Unit 2 [Fair market value of capital asset transferred by way of slump sale (i.e., 18,10,000) or fair market value of the consideration received (value of the monetary consideration received i.e., 18,00,000) whichever is higher]	18,10,000
Less: Expenses on sale [professional fees & brokerage]	78,000
Net full value of consideration	17,32,000
Less: Cost of acquisition, being the net worth of Unit 2 (Note 1)	13,35,781
Long term capital gains arising on slump sale	3,96,219

(The capital gains is long-term as the Unit 2 is held for more than 36 months)	

Notes

1. Computation of net worth of Unit 2

Particulars		₹
(1) Book value of non-depreciable assets		
(i) Land (Revaluation not to be considered		5,00,000
(ii) Debtors		3,50,000
(2) Written down value of depreciable assets under section 43(6)		
(i) Furniture (See Note 2)		4,75,000
(ii) Patents (See Note 3)		4,75,781
Aggregate value of total assets		18,00,781
Less: Current liabilities of Unit 2		
Bank Loan [8,50,000 x 30%]	2,55,000	
Trade Creditors [4,50,000 x 20%]	90,000	
Unsecured Loan [4,00,000 x 30%]	1,20,000	4,65,000
Net worth of unit 2		13,35,781

2. Written down value of furniture as on 1.4.2024

Value of patents	₹
Cost as on 1.12.2023	5,00,000
Less: Depreciation @ 10% x 50% for Financial Year 2023-24	25,000
WDV as on 1.4.2024	4,75,000

3. Written down value of patents as on 1.4.2024

Value of patents	₹
Cost as on 1.12.2022	7,25,000
Less: Depreciation @ 25% x 50% for Financial Year 2022-23	90,625
WDV as on 1.4.2023	6,34,375
Less: Depreciation@25% for Financial Year 2023-24	1,58,594
WDV as on 1.4.2024	4,75,781

Q. 18 Determine the capital gains/loss and tax liability in the following scenarios for the A.Y. 2024-25 assuming the assessee does not have any other source of income:

(i) On 12th 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 31 January, 2018 is as follows -

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

(ii) Mr. Kabir, a resident aged 45 years, is the owner of residential house which was purchased on 1st August, 2021 for 19,00,000. He sold the said house on 25th September, 2024 for 24,50,000. Valuation as per stamp valuation authorities was 25,50,000 as on the date of sale. CII-2021-22: 317; 2024-25: 363 (RTP Nov'23)

Sol. : 18

	Particulars		Amount in ₹
(i)	Long-term capital gain on transfer of 1,200 shares of X Ltd. [Taxable u/s 112A @12.5% on amount exceeding 1,25,000]		
	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 ×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 1.25 lakh I.e., 9,19,000 @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.		
(ii)	Sale of residential house [Long-term capital asset, since held for more than 24 months]		
	(i) 20% with indexation benefits		
	Full value of consideration [Actual consideration, since stamp duty value does not exceeds 110% of actual sale consideration]		24,50,000
	Less: Indexed cost of acquisition [19,00,000 × 363/317]		21,75,710
	Long term capital gain/Total Income		2,74,290
	Long-term capital gain taxable u/s 112 @20% on NILU 2,74,290-₹3,00,000, being unexhausted basic exemption limit]		NIL
	(ii) 12.5% with indexation benefits		
	Full value of consideration		24,50,000
	Less: cost of acquisition		19,00,000
	Long term capital gain/Total Income		5,50,000
	Long-term capital gain taxable u/s 112 @12.5% on 2,50,000 [5,50,000-3,00,000, being unexhausted basic exemption limit]		31,250
	Hence 20% with indexation is more beneficial for the the Assessee		

Q. 19 Mrs. Yuvika bought a vacant land for 80 lakhs in May 2005. Registration and other expenses were 10% of the cost of land. She constructed a residential building on the said land for 100 lakhs during the financial year 2007-08.

The entered into an agreement for sale of the above said residential house with Mr. Johar (not a relative) in April 2015. The sale consideration was fixed at 700 lakhs and on 23-4-2015, Mrs. Yuvika received 20 lakhs as advance in cash by executing an agreement. However, due to failure on part of Mr. Johar, the said negotiation could not materialise and hence, the said amount of advance was forfeited by Mrs. Yuvika.

Mrs. Yuvika, again entered into an agreement on 01.05.2024 for sale of this house at 810 lakhs. She received 80 lakhs as advance by RTGS. The stamp duty value on the date of agreement was 890 lakhs. The sale deed was executed and registered on 14-07-2024 for the agreed consideration. However, the State stamp valuation authority had revised the values, hence, the value of property for stamp duty purposes was 900 lakhs. Mrs. Yuvika paid 1% as brokerage on sale consideration received.

Subsequent to sale, Mrs. Yuvika made following acquisition/investments:

(i) Acquired two residential houses at Delhi and Chandigarh for 130 lakhs and 50 lakhs, respectively, on 31.1.2025 and 15.5.2025
(ii) Acquired a residential house at UK for 180 lakhs on 23.3.2025.
(iii) Subscribed to NHAI capital gains bond (approved under section 54EC) for 50 lakhs on 30-11-2024 and for 40 lakhs on 9-1-2025.

Compute the income chargeable under the head 'Capital Gains' of Mrs. Yuvika for A.Y.2025-26. The choice of exemption must be in the manner most beneficial to the assessee.

Cost Inflation Index: F.Y. 2005-06-117; F.Y. 2007-08-129; F.Y. 2024-25-363. (SM)

Sol. : 19

Computation of income chargeable under the head "Capital Gains" of Mrs. Yuvika for A.Y.2025-26

Particulars	Rs. (in lakhs)	Rs. (in lakhs)
Capital Gains on sale of residential building		
Actual sale consideration Rs.810 lakhs		
Value adopted by Stamp Valuation Authority Rs.890 lakhs		
[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 through prescribed electronic modes on or before the date of agreement.		
In this case, since advance of Rs. 80 lakh is received by RTGS, i.e., one of the prescribed modes, stamp duty value on the date of agreement can be adopted as the full value of consideration. However, in the present case since stamp duty value on the date of agreement does not exceed 110% of the actual consideration, actual sale consideration would be taken as the full value of consideration)		

Gross Sale consideration (actual consideration, since stamp duty value on the date of agreement does not exceed 110% of the actual consideration)		810.00
Less: Brokerage @1% of sale consideration (1% of Rs. 810 lakhs)		8.10
Net Sale consideration		801.90
Less: Indexed cost of acquisition		
Cost of vacant land, Rs. 80 lakhs, plus registration and other expenses i.e., Rs. 8 lakhs, being 10% of cost of land [88 lakhs x 363/117]	273.03	
Construction cost of residential building (100 lakhs x 363/129)	281.40	554.43
Long-term capital gains		247.47
Since the residential house property was held by Mrs. Yuvika for more than 24 months immediately preceding the date of its transfer, the resultant gain is a long-term capital gain]		
Less: Exemption under section 54		130.00
Where long-term capital gains exceed Rs. 2 crore, the capital gain arising on transfer of a long-term residential property shall not be chargeable to tax to the extent such capital gain is invested in the purchase of one residential house property in India, one year before or two years after the date of transfer of original asset. Therefore, in the present case, the exemption would be available only in respect of the one residential house acquired in India and not in respect of the residential house in UK. It would be more beneficial for her to claim the cost of acquisition of residential house at Delhi, i.e., Rs. 130 lakhs as exemption.		
Less: Exemption under section 54EC		50.00
Amount invested in capital gains bonds of NHAI within six months after the date of transfer (i.e., on or before 13.1.2025), of long-term capital asset, being land or building or both, would qualify for exemption, to the maximum extent of Rs. 50 lakhs, whether such investment is made in the current financial year or subsequent financial year. Therefore, In the present case, exemption can be availed only to the extent of Rs. 50 lakh out of Rs. 90 lakhs, even if the both		

the investments are made on or before 13.1.2025(i.e., within six months after the date of transfer).		
Long term capital gains chargeable to tax		67.47

Note: Advance of 20 lakhs received from Mr. Johar, would have been chargeable to tax under the head "Income from other sources", in the A.Y. 2016-17, as per section 56(2)(ix), since the same was forfeited on or after 01.4.2014 as a result of failure of negotiation. Hence, the same should not be deducted while computing indexed cost of acquisition.

Q. 20 Mr. Shiva purchased a house property on February 15, 1979 for 3,24,000. In addition, he has also paid stamp duty value @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 1,51,000as 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 (SM, MTP 7 Marks, Mar'23 & Aug'18,)

Sol. : 20

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

Particulars	Amount ₹	Amount ₹
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	13,49,000
Long term capital gain		25,20,500

Computation of tax liability u/s 112

Particulars		Amount (₹)
On LTCG of 25,20,500 × 12.5%		3,15,063
Add: Health and Education cess @4%		12,603
On LTCG with indexation benefit		
Net Sale consideration	38,69,500	3,27,666
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 ₹	Amount ₹
Cost of acquisition,		10,70,000
Being the higher of		
(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.

Q. 21 Mr. Sarthak entered into an agreement with Mr. Jaikumar to sell his residential house located at Kanpur on 16.08.2024 for 1,50,00,000.

The sale proceeds were to be paid in the following manner:

(i) 20% through account payee bank draft on the date of agreement.

(ii) 60% on the date of the possession of the property.

(iii) Balance after the completion of the registration of the title to the property.

Mr. Jaikumar was handed over the possession of the property on 15.12.2024 and the registration process was completed on 14.01.2025. He paid the sale proceeds as per the sale agreement.

The value determined by the Stamp Duty Authority-

(a) on 16.08.2024 was ₹1,70,00,000;

(b) on 15.12.2024 was ₹1,71,00,000; and

(c) on 14.01.2025 was ₹1,71,50,000.

Mr. Sarthak had acquired the residential house at Kanpur on 01.04.2001 for 30,00,000. After recovering the sale proceeds from Jaikumar, he purchased two

residential house properties, one in Kanpur for 20,00,000 on 24.3.2025 and another in Delhi for 35,00,000 on 28.5.2025.
Compute the income chargeable under the head "Capital Gains" of Mr. Sarthak for the Assessment Year 2025-26.
Cost Inflation Index for Financial Year(s): 2001-02-100; 2024-25-363 (SM) (Same concepts different figures
RTP May 24, MTP 7 Marks Oct'19, MTP Aug 24, MTP 6 Marks, Oct'22, RTP Nov'18)

Sol. : 21

Computation of income chargeable under the head "Capital Gains" of Mr. Sarthak for A.Y. 2025-26

Particulars		₹
Capital Gains on sale of residential house		
Actual sale consideration	₹1,50,00,000	
Value adopted by Stamp Valuation Authority on the date of agreement	₹1,70,00,000	
[As per section 50C, 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. In a case 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 paid by way of account payee cheque/bank draft or by way of ECS through bank account or through such other electronic mode as may be prescribed, on or before the date of agreement. In this case, since 20% of 150 lakhs is paid through account payee bank draft on the date of agreement, stamp duty value on the date of agreement would be considered for determining the full value of consideration]		
Full value of sale consideration (Stamp duty value on the date of agreement, since it exceeds 110% of the actual sale consideration]		1,70,00,000
Less: Cost of acquisition of residential house		30,00,000
Long-term capital gains [Since the residential house property was held by Mr. Sarthak for more than 24 months immediately preceding the date of its transfer]		1,40,00,000
Less: Exemption u/s 54		55,00,000

Since, long-term capital gains does not exceed 2 crore, he would be eligible for exemption in respect of both the residential house properties purchased in India. The capital gain arising on transfer of a long-term residential property shall not be chargeable to tax to the extent such capital gain is invested in the purchase of these residential house properties in India within one year before or two years after the date of transfer of original asset. Thus, he would be eligible for exemption of 55,00,000 being 20,00,000 and 35,00,000 invested on acquisition of residential house property in Kanpur and Delhi, respectively.	
Long term capital gains chargeable to tax	85,00,000

Note: It may be noted that since Sarthak has transferred residential house property on or after 23.7.2024 which was acquired before the said date, he can opt to pay tax @20% on LTCG (computed with indexation) or 12.5% on LTCG (computed without indexation) whichever is beneficial to him.

Q. 22 Mr. Asif bought a vacant land for 80 lakhs in March 2005. Registration and other expenses were 10% of the cost of land. He constructed a residential building on the said land for financial year 2006-07. 100 lakhs during the

He entered into an agreement for sale of the above said residential house with Mr. Hari (not a relative) on 1 July 2024. The sale consideration was fixed at 600 lakhs and on the date of agreement, Mr. Asif received 20 lakhs as advance in cash. The stamp duty value on that date was 620 lakhs.

The sale deed was executed and registered on 20-7-2024 for the agreed consideration. However, the State stamp valuation authority had revised the values, hence, the value of property for stamp duty purposes was 670 lakhs. Mr. Asif paid 1% as brokerage on sale consideration received.

Subsequent to sale, Mr. Asif made investments in NHAI bond: 45 lakhs on 29-10-2024 and 15 lakhs on 12-12-2024

Compute the Capital Gain chargeable to tax for A.Y. 2024-25. Cost Inflation index:

F.Y. 2004-05 113

F.Y. 2006-07 122

F.Y. 2024-25 363 (MTP 4 Marks Nov'24

Sol. : 22

Computation of income chargeable under the head "Capital Gains" for A.Y.2025-26

Particulars	Rs. (in lakhs)	Rs. (in lakhs)
Capital Gains on sale of residential building		
Actual sale consideration 600 lakhs		

Value adopted by Stamp Valuation Authority 670 lakhs		
Full Value of Consideration		670.00
[In case the actual sale consideration declared by the assessee is less than the value adopted by the Stamp Valuation Authority for the purpose of charging stamp duty, then, the value adopted by the Stamp Valuation Authority shall be taken to be the full value of consideration as per section 50C. In a case 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 paid by way of account payee cheque/bank draft or by way of ECS through bank account on or before the date of agreement. However, where the stamp duty value does not exceed 110% of the sale consideration received or accruing as a result of the transfer, the consideration so received or accruing shall be deemed to be the full value of the consideration. In this case, since advance of 20 lakh is paid by cash, stamp duty value of 620 lakhs on the date of agreement cannot be adopted as the full value of consideration and stamp duty value on the date of registration would be considered. However, since stamp duty value on the date of registration exceeds 110% of the actual consideration, stamp duty value on the date of registration would be the full value of consideration]		
Less: Brokerage@1% of sales consideration (1% of 600 lakhs)		6.00
Net Sale consideration		664.00
Less: Indexed cost of acquisition -Cost of vacant land, 80 lakhs, plus registration and other expenses i.e., 8 lakhs, being 10% of cost of land [88 lakhs x 363/113]	282.69	
-Construction cost of residential building (100 lakhs x 363/122)	297.54	580.23
Long-term capital gains before exemption		83.77
Less: Exemption under section 54EC		50.00

Amount deposited in capital gains bonds of NHAI within six months from the date of transfer (i.e., on or before 20.01.2025) would qualify for exemption, to the maximum extent of 50 lakhs. Therefore, in the present case, exemption can be availed only to the extent of 50 lakh out of 60 lakhs, even if the both the investments are made on or before 20.01.2025 (i.e., within six months from the date of transfer).		
Long Term Capital Gains [Since it was held for more than 24 months]		33.77

Q. 23 Mr. Soham, a builder, entered into an agreement on 1.4.2024 with Mr. Aman to transfer 4th Floor in Tower A of a new project for 1,50,00,000. He received 25 lakhs as advance in cash on 1.4.2024. The stamp duty value of such floor on that date was 1,70,00,000. The sale deed was executed and registered on 15.6.2024 for the agreed consideration. However, the stamp duty value on that date was 1,75,00,000. Discuss the tax consequences of above, in the hands of Mr. Soham and Mr. Aman.

(MTP 5 Marks Dec'24) (MTP 7 Marks, May/22)

Sol. : 24

I	Tax consequences in the hands of Mr. Soham
	As per section 43CA, where the consideration received or accruing is less than the stamp duty value of an asset (other than capital asset), being land or building or both and such stamp duty value exceeds 110% of the consideration received or accruing, then the stamp duty value shall be deemed to be the full value of the consideration. 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 whole or part of the considered is received by way of account payee cheque/bank draft/ECS or through any other prescribed modes on or before the date of agreement. In this case, since 25 lakhs is received by cash on the date of agreement, stamp duty value on the date of registration is to be considered. Since such stamp duty value (1.75 crores) exceed 110% of the consideration received (1.50 crores), business income would be computed in the hands of Mr. Soham, for A.Y.2025-26, taking sale consideration of 1,75,00,000 as the full value of consideration arising on transfer.
II	Tax consequences in the hands of Mr. Aman

	In case, immovable property is received for inadequate consideration, the difference between the stamp duty value and actual consideration would be taxable under section 56(2)(x) in the hands of the recipient, if such difference exceeds the higher of 50,000 and 10% of actual sales consideration. Where the date of agreement is different from the date of registration, stamp duty value on the date of agreement can be considered provided whole or part of the considered is received by way of account payee cheque/ bank draft/ ECS or through any other prescribed modes on or before the date of agreement. In this case, since 25 lakhs is received by cash on the date of agreement, stamp duty value on the date of registration is to be considered. Accordingly, 25,00,000 would be taxable in the hands of Mr. Aman under the head "Income from Other Sources" in A.Y.2025-26 since the difference of 25,00,000 exceed 15,00,000, being the higher of 50,000 and 15,00,000 (10% of consideration).