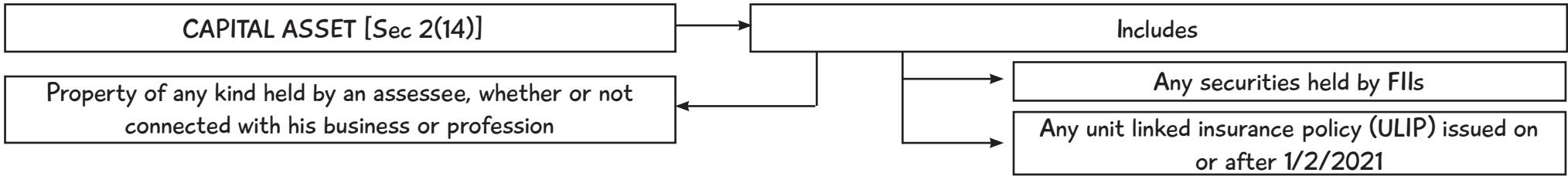


7 CAPITAL GAINS

Section 45(1) - Any profit and gains from TRANSFER of CAPITAL ASSET shall be chargeable under the head CG in the PY in which transfer took place



Exclusions (Not a Capital Asset)

- Stock in trade consumable stores or RM held for the purpose of the B/P
- Personal effects 3 [movable property (inc wearing apparel & furniture) held for personal use by assessee or any family member]
- Rural Agricultural Land (Other than urban agricultural land)
- 6.5% Gold Bonds / 7% Gold Bonds / National Defence Gold Bonds issued by CG
- Special Bearer Bonds
- Gold Deposit Bonds, 1999 or deposit certificates issued under the Gold Monetisation Scheme, 2015

Even though personal – treated as CA & CG applicable

- Silver Utensils – NO CG
- Gold bars, silver bars used for Puja –CG applicable
- TV, Car, Mobile – NO CG

Urban area
Any area which has a population of 10k or more (A)

Shortest distance from area referred in point (A)	Population according to last census
Upto 2 km	>10k upto 1L
Upto 6 km	>1L upto 10L
Upto 8 km	>10L

Jewellery	Drawing
Painting	Sculptures
Archeological collection	Any other work of art

18


1


Definition of Transfer

1. Sale, exchange or relinquishment of the asset
2. Extinguishment of any rights therein
3. Compulsory acquisition thereof under any law
4. Conversion of capital asset into stock in trade
5. Allowing the possession of any immovable property to be taken or retained in part performance of a contract
6. Any transaction (like becoming a member of, or acquiring shares in a co-operative society) which has the effect of enabling the enjoyment of immovable property
7. Redemption of ZCB

i) if assets are required prior to 23/7/24

Period of holding : A summary

 **STCA, if held for ≤ 12 month**
LTCA, if held for > 12 months

- Security (other than unit) listed in a recognized stock exchange
- Unit of equity oriented fund/ unit of UTI
- Zero Coupon bond 

STCA, if held for ≤ 24 month
LTCA, if held for > 24 months

- Unlisted shares
- Land or building or both

STCA, if held for ≤ 36 month
LTCA, if held for > 36 months

- Unit of debt oriented fund
- Unlisted securities other than shares
- Other capital assets

ii) if assets are acquired on or after 23/7/2024.

STCA, if held for ≤ 12 month
LTCA, if held for > 12 months

- Security (other than unit) listed in a recognized stock exchange
- Unit of equity oriented fund/ unit of UTI
- Zero Coupon bond

Period of holding → 24 months in case of all the Other assets.

NOTE – Land & Building are two separate capital assets. If land is acquired before 2 years and building is constructed within 2 years – we need to calculate separate CG for Land and Building.
 Land – LTCG & Building – STCG

Second Proviso to Section 48 – Indexation benefit

Indexation benefit is applicable only in case of **LTCA**. And **NO STCA**
 Cost of acquisition and Cost of Improvement should be indexed

Section 48 - Computation of CG

Particulars	Rs
Full Value of Consideration	XXX
(-) Transfer Expenses	(XXX)
Net consideration	XXX
(-) Cost of acquisition	(XX)
(-) Cost of Improvement	(XX)
Capital Gains (LT / ST)	XXX



Types of capital assets

Short Term Capital Asset (STCA)

Long Term Capital Asset (LTCA)

Asset acquired before 1/4/2001
 COA = Actual cost OR FMV as on 1/4/01, Whichever is Higher

$$ICOA = COA \times \frac{CII \text{ for the year of TRANSFER}}{CII \text{ for the year in which asset held by the assessee or for AY 01-02, whichever is later}}$$

Improvement before 1/4/2001
IGNORE

$$ICOI = COI \times \frac{CII \text{ for the year of TRANSFER}}{CII \text{ for the year in which improvement to the asset took place}}$$

CII - Cost Inflation Index

First proviso to Sec 48 – CG in case of NR

1. Assessee is a NR (inc F Co)
2. Asset should be shares / Deb of Indian Company
3. Such asset was acquired in foreign currency by way of purchase / re-investment then
CG shall be calculated in foreign currency and after it shall be reconverted into Indian currency

(Question to be practiced in the lec)



Sale Consideration = Avg of TTBR and TTSR = Date of **TRANSFER**
 Expenses = Avg of TTBR and TTSR = Date of **TRANSFER**
 COA = Avg of TTBR and TTSR = Date of **ACQUISITION**
 CG in Indian Currency = TTBR = Date of **TRANSFER**

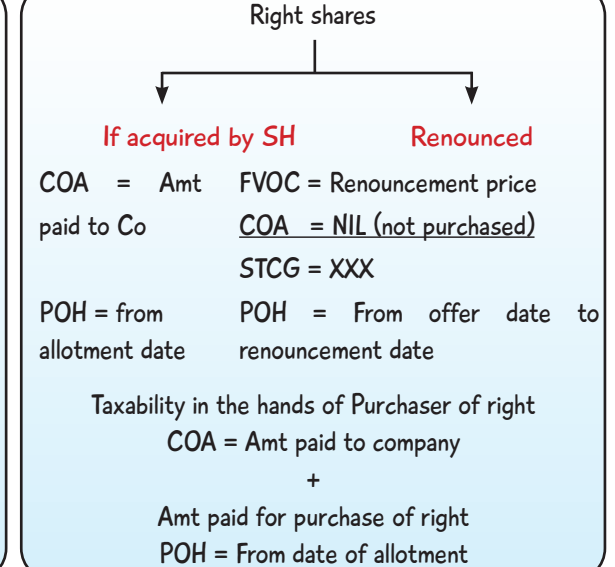
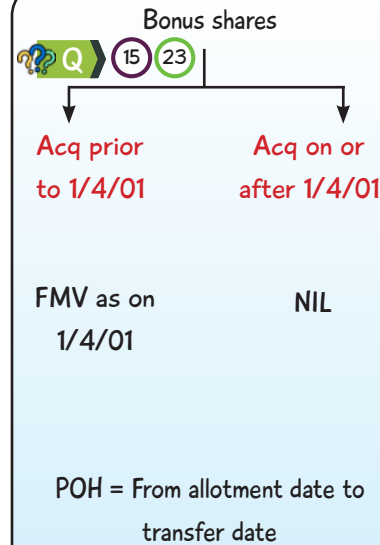
Seventh proviso to Sec 48

STT paid on sale / purchase of shares / unit shall not be allowed under CG

Cost of acquisition

In case of

- Goodwill of business & profession
 - Trademark
 - Brand name
 - Right to manufacture/produce /process any article or things (patent & copyright)
 - Right to carry on any business /profession
 - Tenancy right
 - Loom hours
 - Route permits
- COA = Self generated - NIL
 COA = Purchased = Purchase price



Asset acquired before 1/4/01 = COA or FMV as on 1/4/01, Higher

Asset acquired after 1/4/01 = COA

If a capital asset is **LAND / BUILDING / BOTH** – FMV as on 1/04/2001 shall **NOT** exceed SDV as on 1/04/2001.
 Formula is **HIGHER OF** [COA or (FMV or SDV as on 1/04/2001, whichever is lower)]

Cost of improvement = COI is a capex incurred by the assessee in making any additions / improvement to the capital asset

Goodwill / business / Trademark / Patent / Copyright = **NIL**

After 1/4/2001 = Actual cost of Improvement

Prior to 1/4/2001 = **NIL (Ignore)**

General Rule = Section 45(1) = CG is chargeable to tax in the year of transfer

4 exceptions (1-4) to the general rule = covered in next slide



1. Sec 45(2) – Conversion of Capital asset into stock in trade



1. Conversion of capital asset into stock in trade is considered as transfer and CG ARISES where an assessee converts CA into SIT.

2. TAX IN THE YEAR OF SALE OF SIT

3. Capital Gains

FVOC (FMV on date of conversion) = XXX
 (-) Cost of acquisition = (XX)
 STCG / LTCG = XXX

4. PGBP

Sale price of stock in trade = XXX
 (-) FMV on date of conversion = (XX)
 PGBP = XXX

1. FMV is relevant and Amt recorded in BOA is irrelevant
2. If any part of SIT is sold (say 40%) = Only part CG shall arise in the year in which part SIT is sold (only 40% CG to be paid). Compute as if 100% CG to be paid and then apply %.
3. **CBDT circular** = Section 54EC = 6 months shall start from the date of sale of SIT and not from the date of conversion

Conversion of SIT into Capital asset

1. PGBP = FMV of inventory as on date on which it is converted into Capital asset
2. If such converted Cap Asset is sold
 COA = FMV as mentioned above (as tax already paid) POH = from date of conversion

2. Sec 45(5) – Compensation on compulsory acquisition

1. Capital asset belonging to a person is taken over by the CG by way of compulsory acquisition. Consideration = determined by CG

2. TAX IN THE YEAR IN WHICH COMPENSATION IS RECEIVED

3. Initial Compensation:

FVOC (Initial Comp) = XXX
 COA / ICOA = (XX)
 COI / ICOI = (XX)
 STCG / LTCG = XXX

If Initial compensation is ST = Enhanced will also be ST

4. Enhanced compensation:

FVOC (enhanced compensation) = XXX
 (-) Litigation expenses = (XX)
 STCG / LTCG = XXX

5. Person may go to the court for enhanced compensation = if court agrees and grants additional compensation = such additional amount shall be taxable as CG in the year of receipt and not in the year of court order

6. If compensation is received in instalments.

- i. **Initial compensation** - Fully Taxable in the year in which first instalment is received
- ii. **Enhanced compensation** - Taxable as and when received

Note - Any interest received on late compensation = Taxable under IFOS in year of receipt & 50% deduction allowed u/s 57

3. Sec 45(1A) – Insurance claims for damage or destruction of capital asset

1. On destruction of capital asset – assessee receives compensation in the form of money or any other asset
2. **Destruction** = Natural calamities, riot, fire etc
3. **Destruction** = Transfer
4. **TAX IN THE YEAR IN WHICH INSURANCE COMPENSATION IS RECEIVED**
5. What if assessee did not receive any compensation? – **NO CAPITAL GAINS**
6. **Computation:**

FVOC [Money / FMV of asset]	=	XXX
(-) COA / ICOA	=	(XX)
(-) COI / ICOI	=	(XX)
STCG / LTSG	=	XXX

5. Section 45(3) – Transfer of capital asset by Partner to Partnership Firm

1. **Capital Gains** = in the hands of Partner
2. **FVOC** = Amt recorded in books of Firm
3. **If immovable property** = SDV or amt recorded in books, whichever is **HIGHER** to be consider as FVOC
4. **Year of CG** = Year transfer

4. Sec 45(5A) – Capital gains in case of special agreement  

1. **Applicability** = Individual / HUF
2. **Nature** = Assessee entered into a specified agreement for development of project- CG on transfer of Land / Building / both = Taxable as CG
3. **TAX IN THE YEAR IN WHICH CERTIFICATE OF COMPLETION FOR PART OR WHOLE PROJECT IS RECEIVED**
4. **Year of transfer** = Year in which asset is handed over to developer
5. **Year of tax** = Year in which CC is issued by competent authority
6. **FVOC** = SDV on the date of issue of CC of his share in project + consideration received in cash
7. If assessee transfers his share in project on or before date of issue of CC = CG will be taxable in the year in which asset handed over by developer

6. Sec 45(4) – Transfer of capital asset by firm to partner

1. **Capital Gains** = in the hands of Firm
2. **FVOC** = FMV on the date of transfer
3. **Year of CG** = Year of transfer

Section 50C – FVOC = Stamp duty Value

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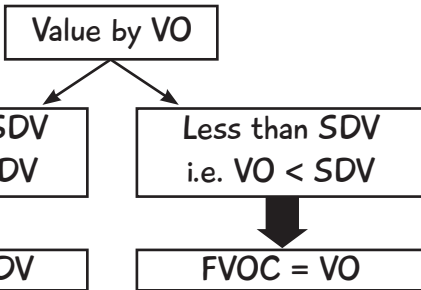
In case of Land / Building / both

General Rule:

1. IF $SC < SDV$ (assessed by stamp valuation authority) THEN, $FVOC = SDV$
Exception (110%) [marginal difference chalega]
2. IF $SDV \leq 110\% SC$, THEN, $FVOC = SC$
3. IF $SDV > 110\% SC$, THEN, $FVOC = SDV$



Q 28



Mantra = Value cannot be more than SDV

Q 19

SDV ON WHICH DATE TO BE CONSIDERED?

Usually SDV on the date of registration is considered but, under this section – if date of agreement and registration are not the same – then assessee can take SDV on the date of agreement
IF assessee has received consideration / part thereof upto the date of agreement in ac payee cheque / DD, use of electronic clearing system through bank account or any other mode

Sec 51 – Advance money forfeited Q 21



1. If advance money / token money / earnest money is forfeited
 1. BEFORE 1/4/2014 – Reduce it from COA (before indexation)
 2. AFTER 1/4/2014 – Charged to tax under IFOS
2. If advance money is forfeited by previous owner (say father) – after his death property got transferred to his son. Will his son pay tax on the amount forfeited by his father? NO

Section 50CA – FVOC = FMV of unlisted shares

In case of unlisted shares

- IF $SC < FMV$ THEN, $FVOC = FMV$

Section 50D – Sale Consideration is not determinable / cannot be determined

FVOC = FMV on the date of transfer

Sec 47 – Certain transactions not regarded as transfer – No CG

Q 6 7 8 24 33

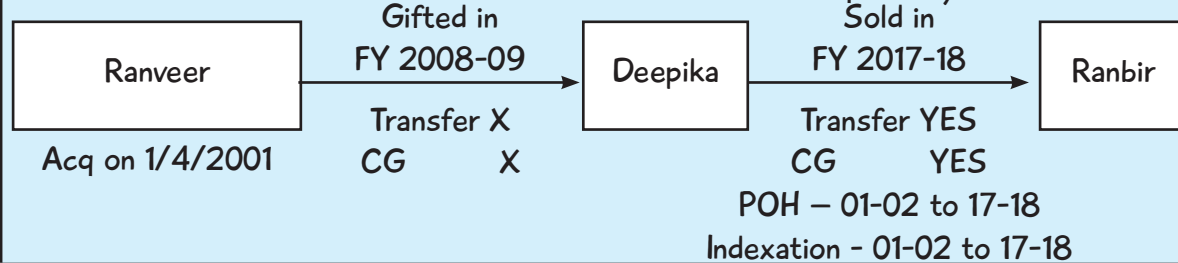
1. Any distribution of capital assets on the total or partial partition of a HUF
2. Any transfer of a capital asset under a gift or will or an irrevocable trust
Exception – It does not involve gift of capital asset being shares / debentures / warrants allotted by company to employees under ESOPs or any other scheme
3. Any transfer of capital asset by a holding company to its subsidiary company OR subsidiary company to its 100% holding company
Condition 1 – Holding company holds 100% shareholding of subsidiary company
Condition 2 – Transferee company should be Indian Company
Condition 3 - This exemption is not allowed if capital asset is transferred as stock-in-trade (SIT) < 8 years
4. Transfer of capital asset by amalgamating company to amalgamated Indian company, in a scheme of amalgamation

In above cases – CG will calculated in the hands of person who further sells it: COA = Cost to the previous owner

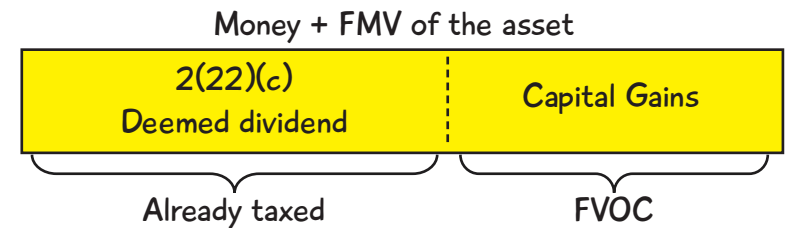
COI = incurred by previous owner + present owner

POH = POH of previous owner

Indexation available from the date when the asset was first acquired by the A'ee



COA of **current asset (EGR/gold)** received on conversion = cost of earlier asset (gold/EGR) which is so converted. **-Sec. 49(10)** POH of earlier asset (gold/EGR) shall also include the period for which current asset (EGR/gold) held by the assessee. **Sec. 2(42A)**



- Transfer of capital asset by the Demerged Co to the Resulting INDIAN company, in a scheme of demerger
- Transfer/ issue of shares by resulting co, in a scheme of demerger
- Transfer of shares by a shareholder in a scheme of amalgamation, of share held by him in the amalgamating company [47(vii)] Condition = Amalgamated Co is Indian Company
- Transfer of RDB outside India by a NR to another NR
- Transfer of Government Security outside India by NR to another NR
- Redemption of sovereign gold bonds by Individual issued by RBI
- Transfer of capital asset being any work of art, archeological / scientific / art collection, book manuscript, drawing, painting / photograph / print TO the Govt, University, museum, national art gallery, national archives or any other public museum or institution notified by the Central Government
- Transfer on conversion of bonds or debentures etc. into shares or debentures
- Conversion of preference shares into equity shares
- Transfer of capital asset by reverse mortgage – CG arises when the bank / any institution further transfers the asset
- Conversion of Gold into Electronic Gold Receipt (EGR) issued by a Vault Manager, or conversion of Electronic Gold Receipt into Gold. [Sec. 47(viid)]

Capital gains on distribution of assets by companies in liquidation [Section 46]

On liquidation – assets are distributed to its SHs.



- In the hands of liquidated company** – Not regarded as transfer in the hands of Company. Note – Assets to be distributed to SHs. If liquidator sells the cap asset resulting in and distributes the funds collected – Co will be liable for CG
- In the hands of SHs** – SHs receive money / other assets from the Co. CG to be charged on the money received / FMV of the assets received.
 - Distribution attributable to accumulated profits – Deemed Dividend u/s 2(22)(c)
 - Other cases – Computation of **FVOC**

Money received	XXX
(+) FMV of assets	XXX
(-) Deemed dividend	(XX)
FVOC	XXX
 - If SHs sells that asset further – **FVOC = Actual consideration received**
COA = FMV on the date of distribution

Capital gains on buyback of shares or specified securities [section 46a]

- In case of shares (other than shares of domestic companies) OR specified securities (ESOP etc)
 - a. In the hands of Company – NO Tax
 - b. In the hands of shareholders – As per Section 46A, a capital gain is applicable in hands of shareholder. Computation is as under:

FVOC (buy back price)	XXX
(-) COA / ICOA	(XX)
STCG / LTCG	XXX

 POH=Date of acquisition till date of buy back
- In case of shares of domestic company (listed as well as unlisted)

Treated as dividends in the hands of Shareholders

- In the hands of Company
- TDS @ 194 to be deducted

In the hands of Shareholder

- Taxable under IFOS as DIVIDEND
- Buy-back is treated as extinguishment of rights and thus, CG to be applicable

Full value of consideration (-) cost of acquisition	Nil Actual cost
Capital Loss	(xxx) ↓ set-off possible

Example	
100 shares bought in 2020	@Rs. 40/- per share
Total cost of acquisition	Rs. 4000/-
20 shares bought back in 2024	@Rs. 60/- per share
Income taxable as deemed dividend	Rs. 1200/-
Capital loss on such buyback (Rs.40 *20)	Rs. 800/-
50 Shares sold in 2025	@Rs. 70 per share
Capital Gain (3500-2000)	Rs. 1500
Chargeable capital gain after set off	Rs. 700

Sec 50B – Slump sale

Slump sale means assessee transfers the entire undertaking / division for LUMPSUM consideration without assigning value / selling price of individual asset

FVOC = REFER NOTE (Note) = XXX
 Transfer expenses = Actual = (XX)
 COA = Net worth of undertaking = XXX

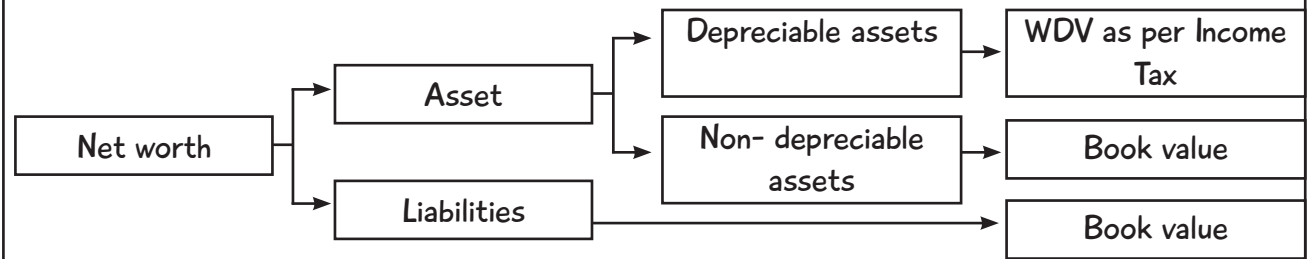


NO INDEXATION

CG = can be LTCG (undertaking held for > 3 years) or STCG (<= 3 years)

Important Notes –

- Revaluation to be ignored (If revaluation reserve is given in B/S – adjust the asset value)
- Asset includes stock in trade – will there be any tax under PGBP? NO
- For computing Net worth – If asset (on which deduction u/s 35AD was claimed) - is transferred = Value shall be NIL
- If Net worth is negative then COA = NIL



NOTE

FVOC = FMV

What is FMV?

FMV 1 or FMV 2 – Whichever is higher

FMV 1 – FMV of the assets transferred (on the date of slump sale)

FMV 2 – FMV of consideration received (monetary + non monetary)



Exemption u/s 54

Sec	Applicable	Original asset transferred	Re-invested in	Time for re-investment	Conditions on new assets	Exemption	Deposit scheme
54	Individual & HUF	Long term residential house property	Residential HP Where $CG > 2Cr$ = only 1 RHP in India Where $CG \leq 2Cr$ = Option to acquire / construct 2 RHP in India	Purchase 1 yr before or within 2 yrs or Construct within 3 yrs from transfer date of original asset	The RHP ie the re-investment <u>should not</u> be sold for <u>3 yrs</u> from its purchase / construction. If he does so – Reduce exemption amount from COA of new asset Amt deposited in CGAS – but not utilized = Unutilized amount is taxable as LTCG during the year in which period of 3 years expires	Capital gain or re-investment whichever is lower ↓ Max Exemption ↓ ₹10cr.	Applicable. Assessee may temporarily deposit amt in bank under the scheme on or before due date of filing ROI
<p>Note: If assessee has exercised the option to purchase 2 residential houses in India then he shall not be entitled to exercise this option again in the subsequent years</p>							
54B	Individual & HUF	Agricultural land situated in urban area should be used for agri purpose atleast 2 yr prior to sale	Agriculture land in urban/ rural area	Purchase within 2 yrs from date of transfer	Not to be sold for <u>3 yrs</u> from its purchase. If he does so – Reduce exemption amount from COA of new asset Unutilized amt in CGAS will be taxable in the PY in which 2 years period expires	Capital gain or re-investment whichever is lower	Applicable
54D	Any Assessee	Land & building forming part of industrial undertaking - been compulsorily acquired	Land & Building forming part of new industrial undertaking	Purchase within 3 years from date of receipt of compensation	Land & Building should not be sold for <u>3 yrs</u> from its purchase Consequences of default – similar to Sec 54 and Sec 54B	Capital gain or re-investment whichever is lower	Applicable

Exemption u/s 54

Sec	Applicable	Original asset transferred	Re-invested in	Time for re-investment	Conditions on new assets	Exemption	Deposit scheme
54EC	Any Assessee	Long term capital asset being land/ building or both	In bonds of NHAI, REC, Power Finance corp Ltd, Indian Railways finance	6 months from the date of transfer of original asset	Not to be sold for <u>5 yrs</u> from purchase. No loan should be taken for 5 yrs against security of these bonds. Assessee is allowed to purchase bonds max of Rs 50 lakhs	Capital gain or re-investment whichever is lower	Not Applicable
54F	Individual & HUF	Any long term capital asset other than R.H.P. assessee On the date of transfer = Assessee should not own more than 1 R.H.P.	RHP only in India	Purchase 1 yr before or within 2 yrs or construct within 3 yrs from transfer date of original asset	Not to be sold for 3 yrs from its purchase. Assessee should not buy another house for 2 yrs or construct another for 3 yrs from date of transfer of original capital asset. If new CA is transferred within 3 years = exempted CG will be taxable in PY of transfer of new asset and treated as LTCG	If entire net consideration is invested then exemption is equal to capital gain. If part of the consideration is invested then proportionate capital gain is exempted: Max Dedⁿ → 10Cr.	Applicable
					<p>Exemption = $LTCG * \frac{\text{Amount invested in new residential house}}{\text{Net sale consideration}}$</p> <p>How much % of net sale consideration is actually invested by the assessee? – Utna exemption milega</p>		



LONG TERM

TAX RATES

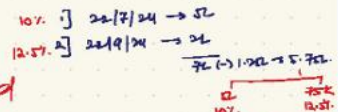
SHORT TERM

Sec 112 A

Assets Transferred

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

Tax Rate



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

No Indexation

Section 112

Assets transferred

Assets other than sec 112A

Rate of Tax

- ↳ Transfer prior to 23/7/2024 → 20% with indexation.

- ↳ Transfer on/after 23/7/2024.

- Land/building/bath 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/Bath acquired on/after 23/7/24 & sold on/after 23/7/24.

12.5% without indexation

- Other assets either acquired prior or/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.

Section 111A

Assets Transferred

- Listed Equity shares.
- Units of Eq. oriented funds.
- Unit 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 → NOT APPL. less than the BEL → X NR X

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 (44.40) → Normal scheme Basic Exemption limit → 2.5L.

- 1Fos → 2L
- 112 → 5L

BEL will be first utilized against 1Fos

∴ 2.5L - 2L = 50,000 → Unexhausted BEL can be utilized against 112 i.e. 5L ∴ Income as per 112 → 5L - 50K → 4.5L 1Fos → Nil

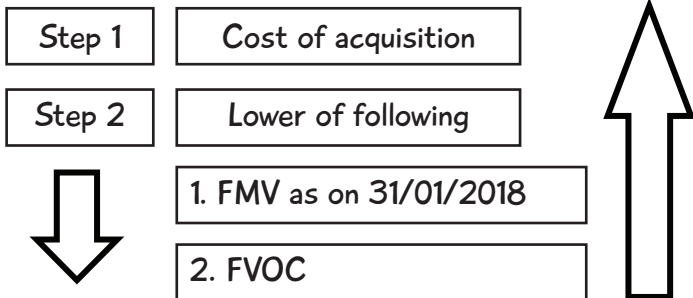
Section 55 – Cost of Acquisition – Applicable in case of Sec 112A



Examples for reference

In case of equity shares or unit of equity oriented fund referred to in Section 112A acquired before 1/2/2018

Higher of Step 1 and 2



Amendment is applicable from 1/4/2018

Prior to amendment = Section 10(38) exemption

Logic – to be discussed in the lecture

Scenario 1 – An equity share is acquired on 1st of January, 2017 at Rs 100, its fair market value is Rs 200 on 31st of January, 2018 and it is sold on 1st of April, 2020 at Rs 250. As the actual cost of acquisition is less than the fair market value as on 31st of January, 2018, the fair market value of Rs 200 will be taken as the cost of acquisition and the long-term capital gain will be Rs 50 (Rs 250 – Rs 200).

Scenario 2 – An equity share is acquired on 1st of January, 2017 at Rs 100, its fair market value is Rs 200 on 31st of January, 2018 and it is sold on 1st of April, 2020 at Rs 150. In this case, the actual cost of acquisition is less than the fair market value as on 31st of January, 2018. However, the sale value is also less than the fair market value as on 31st of January, 2018. Accordingly, the sale value of Rs 150 will be taken as the cost of acquisition and the long-term capital gain will be NIL (Rs 150 – Rs 150).

Scenario 3 – An equity share is acquired on 1st of January, 2017 at Rs 100, its fair market value is Rs 50 on 31st of January, 2018 and it is sold on 1st of April, 2020 at Rs 150. In this case, the fair market value as on 31st of January, 2018 is less than the actual cost of acquisition, and therefore, the actual cost of Rs 100 will be taken as actual cost of acquisition and the long-term capital gain will be Rs 50 (Rs 150 – Rs 100).

Scenario 4 – An equity share is acquired on 1st of January, 2017 at Rs 100, its fair market value is Rs 200 on 31st of January, 2018 and it is sold on 1st of April, 2020 at Rs 50. In this case, the actual cost of acquisition is less than the fair market value as on 31st of January, 2018. The sale value is less than the fair market value as on 31st of January, 2018 and also the actual cost of acquisition. Therefore, the actual cost of Rs 100 will be taken as the cost of acquisition in this case. Hence, the long-term capital loss will be Rs 50 (Rs 50 – Rs 100) in this case.

Computation of capital gains in case of market linked debentures (section 50AA)

(1) Transfer of unit of a Specified Mutual Fund or Market Linked Debenture: Section 50AA provides for the computation of capital gains in case of transfer of unit(s) of

- a Specified Mutual Fund acquired on or after 14.2023 or
- a Market Linked Debenture.

Section 50AA will have an over-riding effect in spite of anything contained in section 2(42A) which defines a short-term capital asset. Accordingly, capital gain arising from the transfer or redemption or maturity of unit of a Specified Mutual Fund acquired on or after 14.2023 or Market Linked Debenture would be deemed to be short term capital gains and chargeable to tax at normal rate of tax.

➤ **Computation of Capital Gains**

FVOC	Amt received as a result of transfer/redemption/maturity
(-) COA	(-) Actual
(-) Expenditure incurred	(-) Actual
CG	xxxx

➤ **No deduction of Security Transaction Tax**

Meaning of certain terms:

S No.	Term	Meaning
(i)	Market Linked Debenture	A security (i) which has an underlying principal component in the form of debt security, and (ii) where the returns are linked to market returns on other underlying securities or indices. It includes any security classified or regulated as a market linked debenture by the SEBI.
(ii)	Specified Mutual Fund	A Mutual Fund where not more than 35% of its total proceeds is invested in the equity shares of domestic companies. However, the percentage of equity shareholding held in respect of the Specified Mutual Fund shall be computed with reference to the annual average of the daily closing figures.