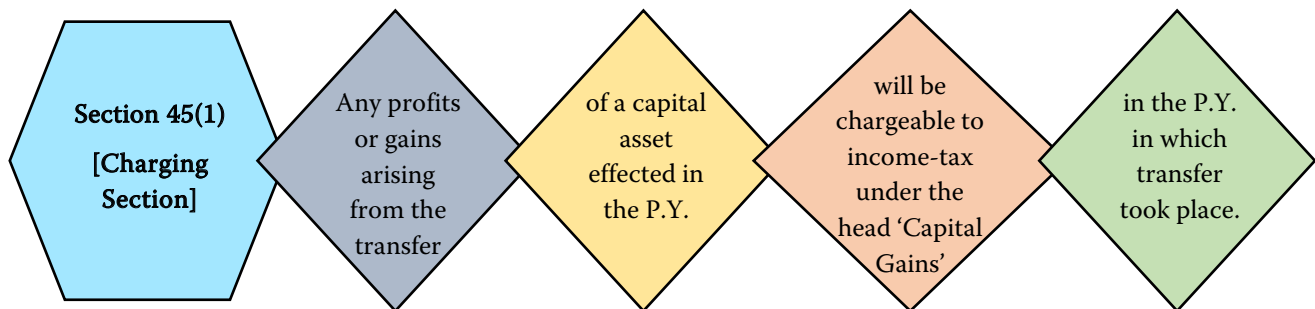
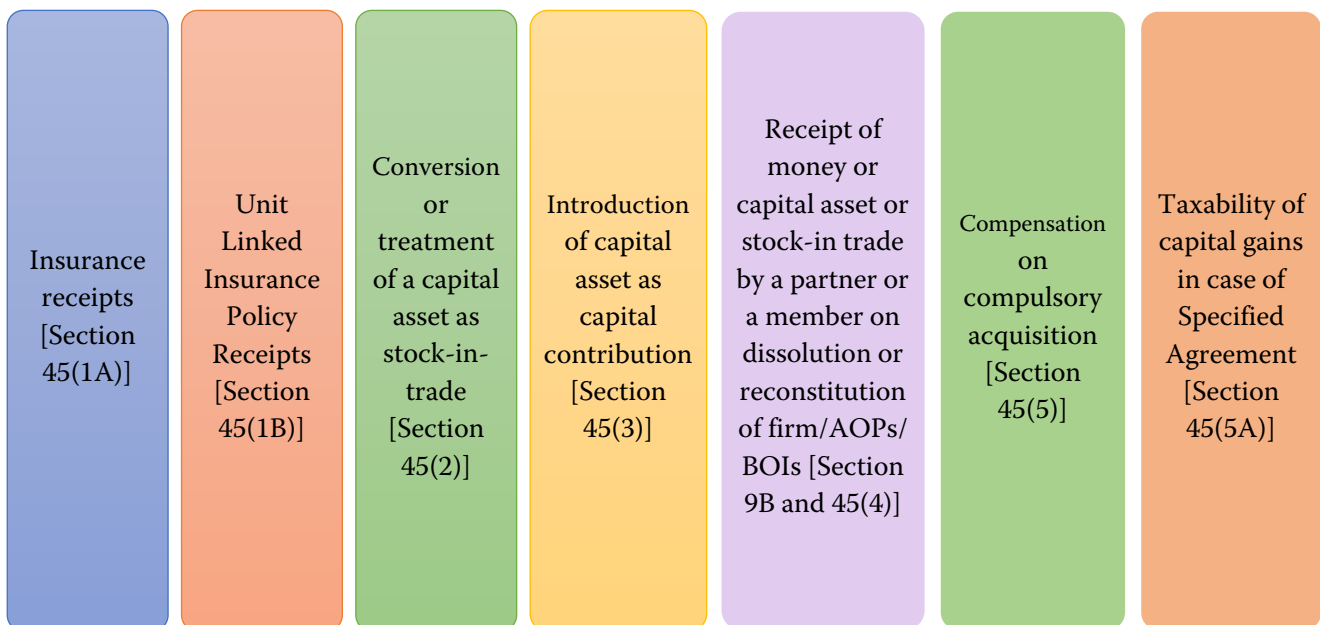


## CAPITAL GAINS

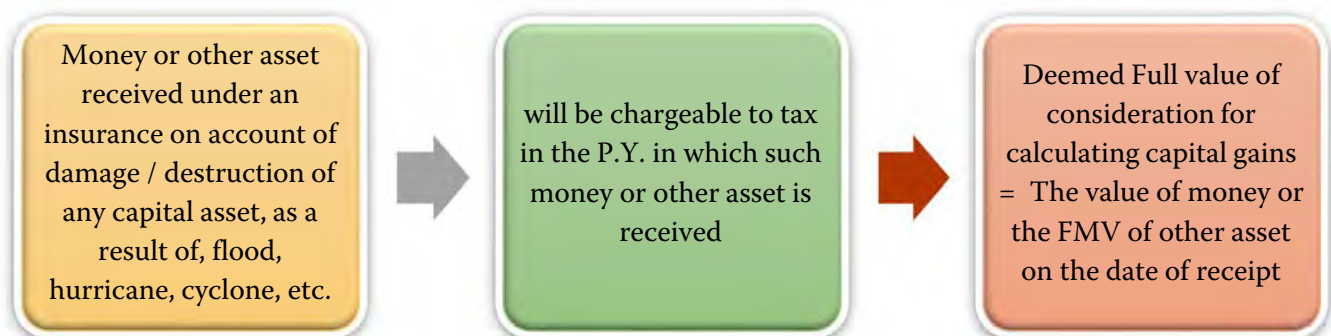


### Exceptions where capital gain is not taxable in the year of transfer



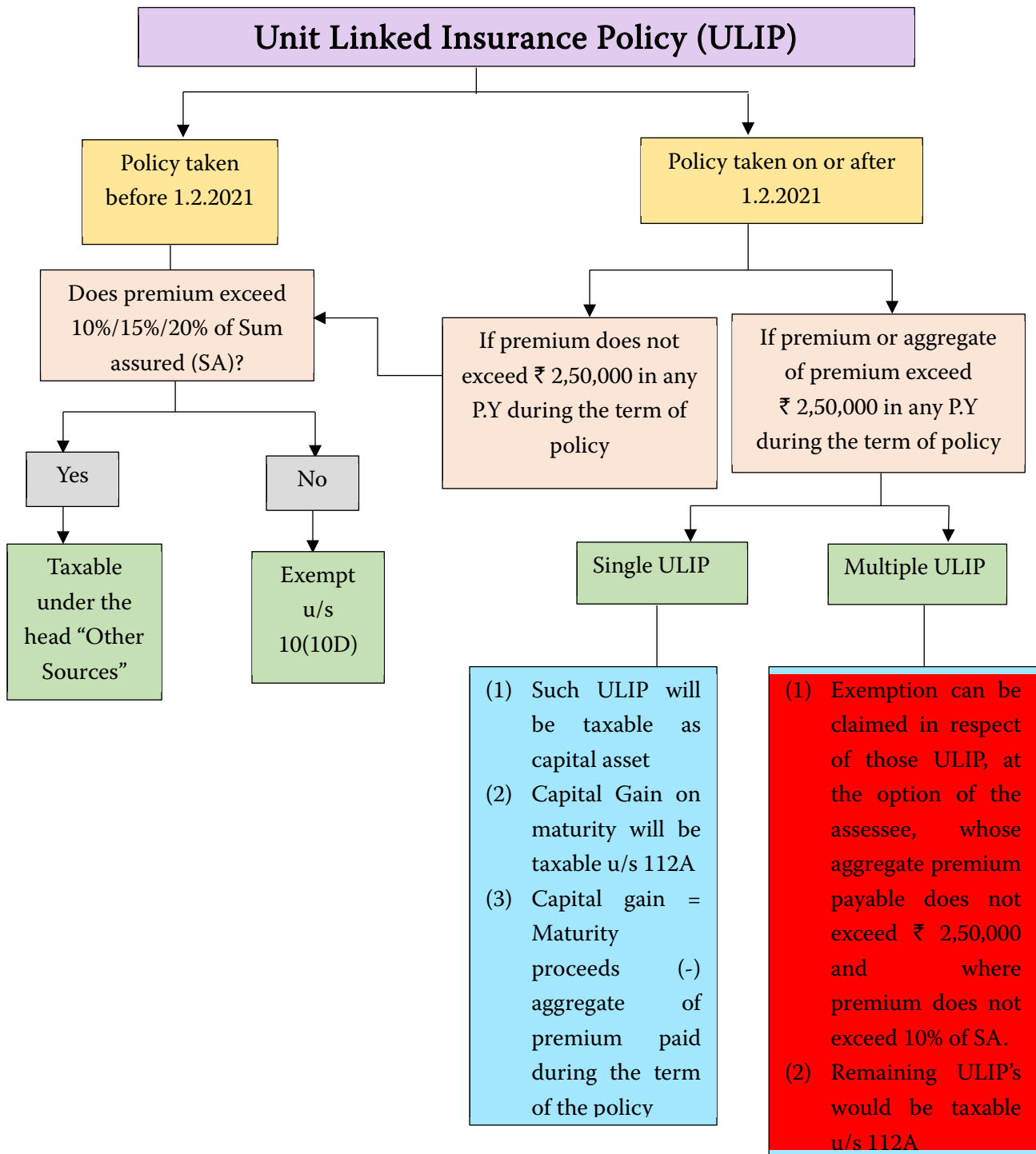
These exceptions are discussed here below:

### INSURANCE RECEIPTS [SECTION 45(1A)]

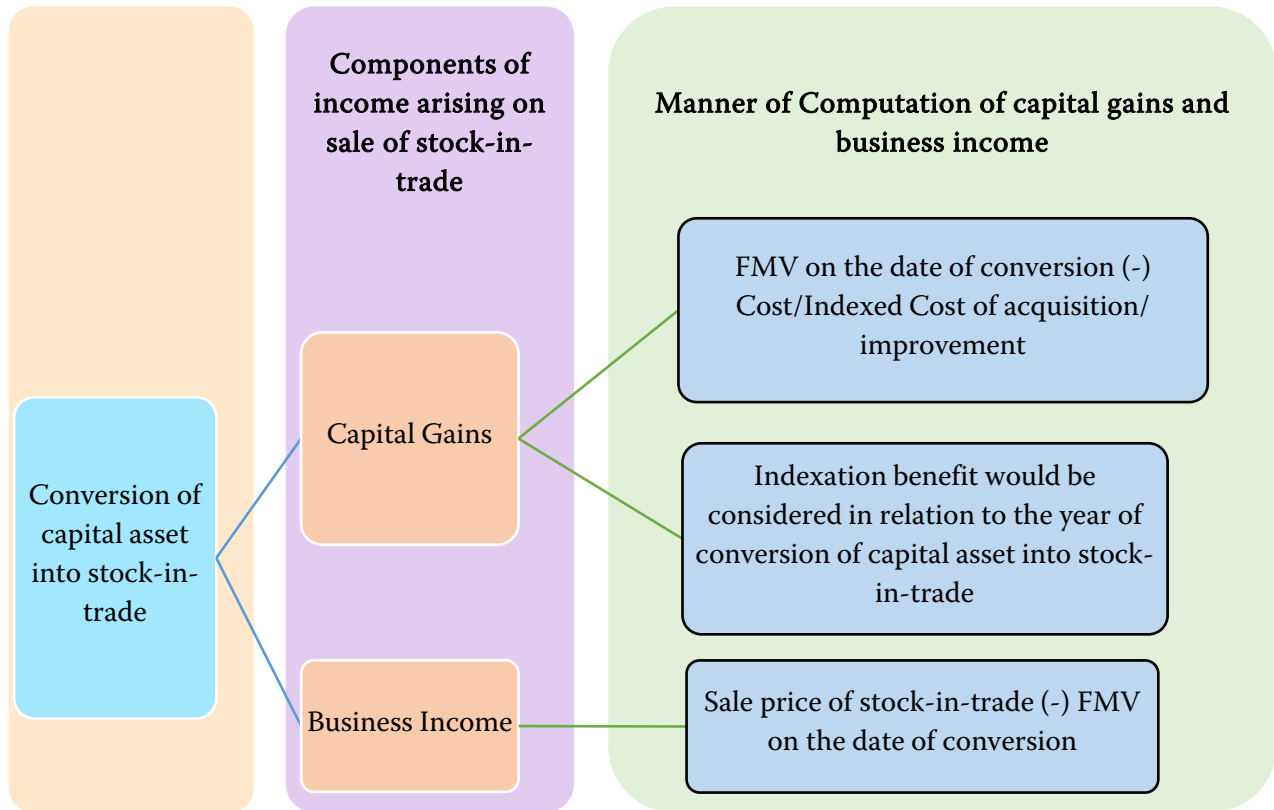




**UNIT LINKED INSURANCE POLICY RECEIPTS [SECTION 45(1B)]**

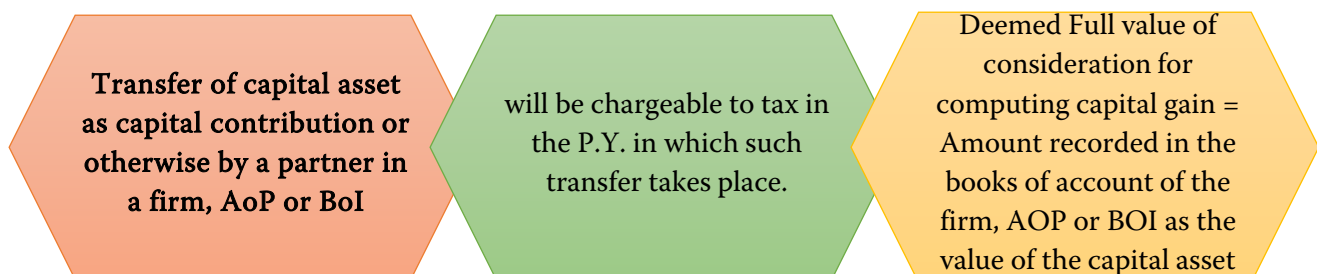


## CONVERSION OR TREATMENT OF A CAPITAL ASSET AS STOCK-IN-TRADE [SECTION 45(2)]



**Note** – Both Capital Gains and Business income are chargeable to tax in the year in which stock-in-trade is sold or otherwise transferred.

## INTRODUCTION OF CAPITAL ASSET AS CAPITAL CONTRIBUTION [SECTION 45(3)]



**TAX IMPLICATIONS ON RECEIPT OF MONEY OR CAPITAL ASSET OR STOCK-IN TRADE BY A PARTNER OR A MEMBER ON DISSOLUTION OR RECONSTITUTION OF FIRM/AOP/BOI [SECTION 9B AND 45(4)]****I. IN CASE OF DISSOLUTION OF FIRM/AOP/BOI**

Particulars	Assets received by a partner/member from Firm/ AoP or BoI on dissolution		
	Stock in trade	Money	Capital Asset
Implications of section 9B	√	×	√
Deemed transfer in the hands of the firm/AOP/BOI and taxable in the year in which asset is received by partner/ member	√	×	√
Full value of consideration	FMV of the stock in trade on the date of receipt by partner or member shall be deemed to be full value of consideration	×	FMV of the capital asset on the date of receipt by partner or member shall be deemed to be full value of consideration
Chargeability under which head	PGBP	×	Capital Gains
Implications of section 45(4)	×	×	×

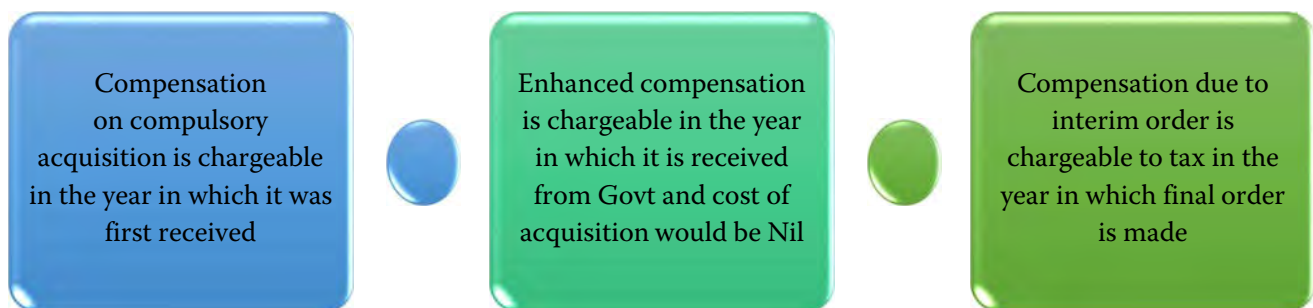
**II. IN CASE OF RECONSTITUTION OF FIRM/AOP/BOI**

Particulars	Assets received by a partner/member from Firm/ AoP or BoI on reconstitution		
	Stock in trade	Money	Capital Asset
Implications of section 9B	√	×	√
Deemed transfer in the hands of the firm/AOP/BOI and taxable in the year in which asset is received by partner/ member	√	×	√
Full value of consideration	FMV of the stock in trade on the date of receipt by partner or member shall be deemed to be full value of consideration	×	FMV of the capital asset on the date of receipt by partner or member shall be deemed to be full value of consideration
Chargeability under which head	PGBP	×	Capital Gains
Implications of section 45(4)	×	√	√
Deemed income in hands of firm/AOP/BOI, where partner or member receives money or capital asset or both on reconstitution	×	Money received (+) FMV of Capital Asset (-) Balance in capital a/c of partner in the books of the firm on the date of reconstitution	

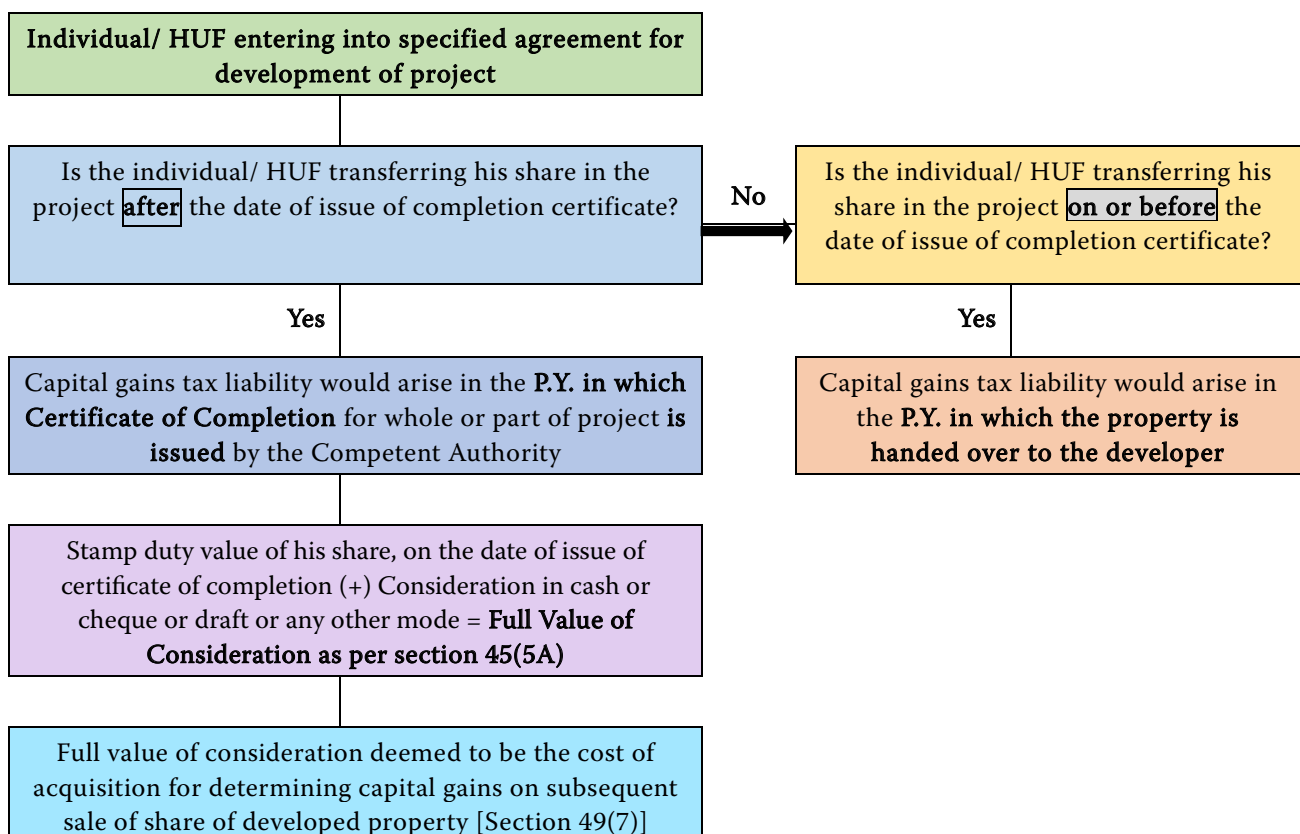


		(to be calculated without taking into A/c the ↑ in the capital A/c of the Partner due to - - revaluation of any asset (or) - self-generated goodwill (or) - any other self-generated asset)
Chargeability under which head	×	Capital Gains

### COMPENSATION ON COMPULSORY ACQUISITION [SECTION 45(5)]

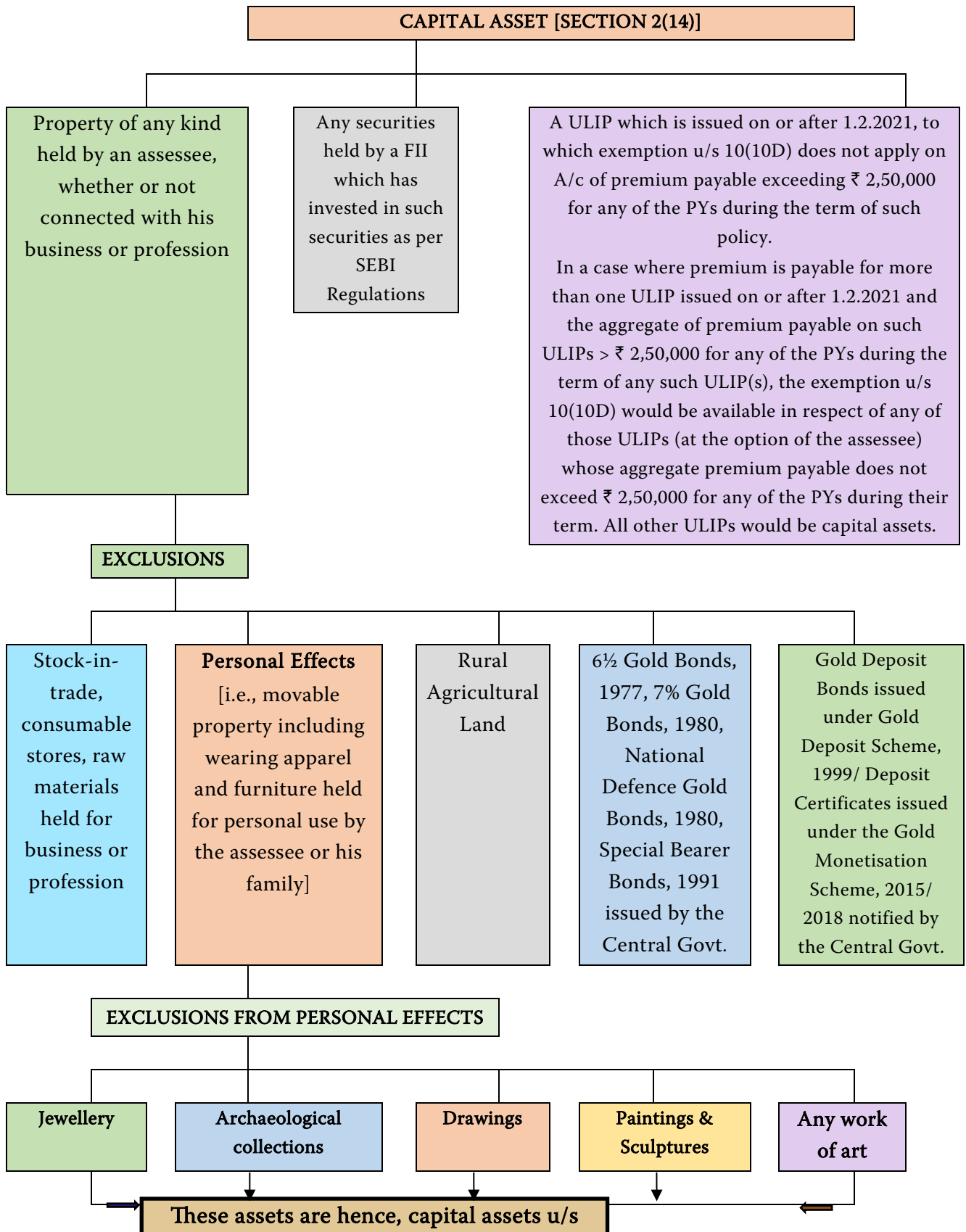


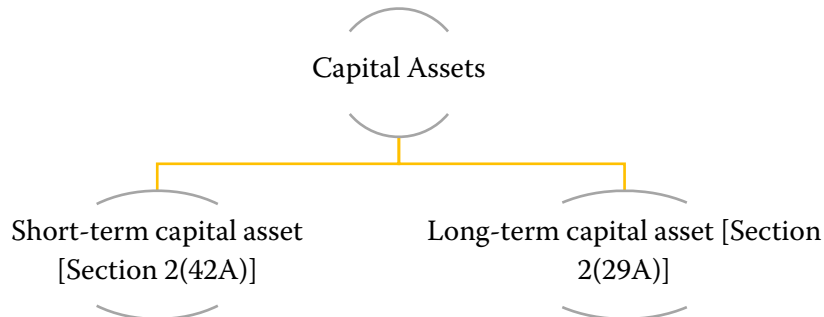
### TAXABILITY OF CAPITAL GAINS IN CASE OF SPECIFIED AGREEMENT [SECTION 45(5A)]





**MEANING OF CAPITAL ASSET [SECTION 2(14)]**



**TYPE OF CAPITAL ASSET BASED ON PERIOD OF HOLDING****PERIOD OF HOLDING**

STCA, if held for ≤ 12 month	<ul style="list-style-type: none"> <li>• Security (other than unit) listed in a recognized stock exchange</li> <li>• Unit of equity oriented fund/ unit of UTI</li> <li>• Zero Coupon bond</li> </ul>
LTCA, if held for > 12 months	
STCA, if held for ≤ 24 month	<ul style="list-style-type: none"> <li>• Unlisted shares</li> <li>• Land or building or both</li> <li>• Other capital assets</li> </ul>
LTCA, if held for > 24 months	

**Note** – Capital gains arising from transfer of units of a specified mutual fund acquired on or after 1.4.2023 and market linked debentures would always be deemed as arising from transfer of short-term capital assets irrespective of the period of holding of such assets. This is provided in section 50AA.

**MEANING OF TRANSFER [SECTION 2(47)]**

Transfer in relation to a capital asset includes the following types of transactions

- Sale, exchange or relinquishment of the asset
- Extinguishment of any rights therein
- Compulsory acquisition thereof under any law
- Conversion of a capital asset into stock-in-trade of a business
- Maturity or redemption of a zero coupon bond
- Possession of an immovable property in consideration of part-performance of a contract referred to in section 53A of the Transfer of Property Act, 1882.
- Transactions which have the effect of transferring or enabling the enjoyment of an immovable property.

**Transactions not regarded as transfer [Section 47]: Some Examples**

- Any distribution of capital assets on the total or partial partition of a HUF
- Any transfer of capital asset under a gift or will or an irrevocable trust by an individual or HUF
- Any transfer of capital asset by a holding company to its 100% subsidiary Indian company or by a subsidiary company to its 100% holding Indian company
- Any transfer or issue of shares by the resulting company, in a scheme of demerger to the shareholders of the demerged company
- Any transfer by a shareholder in a scheme of amalgamation of shares held by him in the amalgamating company
- Any transfer by an individual of sovereign gold bonds issued by RBI by way of redemption
- Any transfer of a capital asset, being conversion of gold into Electronic Gold Receipt issued by a Vault Manager, or conversion of Electronic Gold Receipt into gold.
- Any transfer by way of conversion of bonds, debentures, debenture stock, deposit certificates of a company, into shares or debentures of that company.
- Any transfer by way of conversion of preference shares of a company into equity shares of that company
- Any transfer of a capital asset in a transaction of reverse mortgage under a scheme made and notified by the CG

**MODE OF COMPUTATION OF CAPITAL GAINS [SECTION 48]****Computation of Short-term capital gains**

Particulars	Amt (₹)	Amt (₹)
Full value of consideration received or accruing as a result of transfer	xxx	
<b>Less:</b> Expenditure incurred wholly and exclusively in connection with such transfer (for e.g., brokerage on sale) <b>However, cost of acquisition of the asset or the cost of improvement thereto would not include the deductions claimed in respect of interest u/s 24(b) or under the provisions of Chapter VI-A</b> <i>Note: Deduction on account of STT paid will not be allowed</i>	xxx	
<b>Net Sale Consideration</b>		xxx
<b>Less:</b> Cost of acquisition	xxx	
Cost of improvement	xxx	xxx
<b>Short-term capital gain (STCG)</b>		xxx
<b>Less:</b> Exemptions		xxx
<b>Short-term capital gain chargeable to tax</b>		xxx



## Computation of Long-term Capital Gains

Particulars	Amt (₹)	Amt (₹)
Full value of consideration received or accruing as a result of transfer	xxx	
<i>Less:</i> Expenditure incurred wholly and exclusively in connection with such transfer (for e.g., brokerage on sale) However, cost of acquisition of the asset or the cost of improvement thereto would not include the deductions claimed in respect of interest u/s 24(b) or under the provisions of Chapter VI-A <i>(Note: Deduction on account of STT paid will not be allowed)</i>	xxx	
<b>Net Sale Consideration</b>		<b>xxx</b>
<i>Less:</i> Indexed cost of acquisition (ICOA) if transfer takes place before 23.07.2024	xxx	
Cost of acquisition × $\frac{\text{CII for the year in which the asset is transferred}}{\text{CII for the year in which the asset was first held by the assessee or P.Y. 2001-02, whichever is later}}$		
	No Indexation if transfer takes place on or after 23/07/2024	
<i>Note: Benefit of indexation will, however, not be available in respect of LTCG taxable u/s 112A and LTCG from transfer of bonds or debentures (other than capital indexed bonds issued by the Government and sovereign gold bonds issued by RBI)</i>		
<i>Less:</i> Indexed cost of improvement (ICOI)	xxx	xxx
Cost of improvement × $\frac{\text{CII for the year in which the asset is transferred}}{\text{CII for the year in which the improvement took place}}$		
Long-term capital gains (LTCG)		xxx
<i>Less:</i> Exemptions		xxx
<b>Long-term capital gains chargeable to tax</b>		<b>xxx</b>

## COST OF ACQUISITION [SECTION 55]

Sl. No.	Nature of asset	Cost of acquisition
1	<b>Goodwill of business or profession</b> , trademark, brand name or any other intangible asset etc., - Self generated - Acquired from previous owner However, in case of capital asset, being goodwill of a business or profession, in respect of which depreciation u/s 32(1) has been obtained by the assessee in any P.Y. (upto P.Y.2019-20)	Nil Purchase price Purchase price as reduced by the total amount of depreciation obtained by the assessee under section 32(1).



	<p>- became the property of the assessee by way of distribution of assets on total or partial partition of HUF, under a gift or will, by succession, inheritance, distribution of assets on liquidation of a company, etc. and previous owner has acquired it by purchase</p> <p>However, in case of capital asset, being goodwill of a business or profession which was acquired by the previous owner by purchase and in respect of which depreciation u/s 32(1) has been obtained by the assessee in any P.Y. (upto P.Y.2019-20)</p> <p>The cost of improvement of such assets would be Nil.</p>	<p>Purchase price for such previous owner</p> <p>Purchase price as reduced by the total amount of depreciation obtained by the assessee under section 32(1).</p>
<p><b>2. Bonus shares</b></p>	<p>If bonus shares are allotted before 1.4.2001</p> <p>If bonus shares are allotted on or after 1.4.2001</p>	<p>FMV on 1.4.2001</p> <p>Nil</p>
	<p>Bonus shares allotted before 1.2.2018, on which STT has been paid at the time of transfer</p>	<p>The higher of –</p> <p>(i) Actual cost of acquisition (i.e., Nil, in case of bonus shares allotted on or after 1.4.2001; and FMV on 1.4.2001, in case of bonus shares allotted before 1.4.2001)</p> <p>(ii) Lower of –</p> <p>(a) FMV as on 31.1.2018; and</p> <p>(b) Actual sale consideration</p>
<p><b>3. Rights Shares</b></p>		
	<p>Original shares (which forms the basis of entitlement of rights shares)</p>	<p>Amount actually paid for acquiring the original shares</p>
	<p>Rights shares subscribed for by the assessee</p>	<p>Amount actually paid for acquiring the rights shares</p>
	<p>Rights entitlement (which is renounced by the assessee in favour of a person)</p>	<p>Nil</p>
	<p>Rights shares which are purchased by the person in whose favour the assessee has renounced the rights entitlement</p>	<p>Purchase price paid to the renouncer of rights entitlement as well as the amount paid to the Co. which has allotted the rights shares.</p>
<p><b>4. Long term capital assets</b> being,</p>	<p>- <b>equity shares</b> in a company on which STT is paid both at the time of purchase and transfer or</p>	<p>Cost of acquisition shall be the higher of -</p> <p>(i) cost of acquisition of such asset; and</p> <p>(ii) lower of</p>



	- <b>unit of equity oriented fund</b> on which STT is paid at the time of transfer. <b>acquired before 1st February, 2018</b>	- the FMV of such asset on 31.1.2018; and - the full value of consideration received or accruing as a result of the transfer of the capital asset.
5.	<b>Any other capital asset</b> Where such capital asset became the property of the assessee before 1.4.2001	Cost of the asset to the assessee, or FMV as on 1.4.2001, at the option of the assessee. However, in case of capital asset being land or building, FMV as on 1.4.2001 shall not exceed stamp duty value as on 1.4.2001.
	Where capital assets became the property of the assessee by way of distribution of assets on total or partial partition of HUF, under a gift or will, by succession, inheritance, distribution of assets on liquidation of a company, etc. and the capital asset became the property of the previous owner before 1.4.2001.	Cost to the previous owner or FMV as on 1.4.2001, at the option of the assessee. However, in case of capital asset being land or building, FMV as on 1.4.2001 shall not exceed stamp duty value as on 1.4.2001.
	<i>The provisions contained in (5) above shall also apply to the assets mentioned in (2), (3) and (4) above.</i>	
6.	Cost of the property in the hands of previous owner <b>cannot be ascertained</b>	The FMV on the date on which the capital asset become the property of the previous owner would be considered as cost of acquisition.

### COST OF IMPROVEMENT OF CERTAIN ASSETS [SECTION 55]

Sl. No.	Nature of asset	Cost of improvement
1	Goodwill or any other intangible asset of a business, right to manufacture, produce or process any article or thing, right to carry on any business or profession or any other right.	Nil
2	Where the capital asset became the property of the previous owner or the assessee before 1-4-2001	All expenditure of a capital nature incurred in making any addition or alteration to the capital asset on or after 1.4.2001 by the previous owner or the assessee.
3	In relation to any other capital asset	All capital expenditure incurred in making additions or alterations to the capital asset on or after 1.4.2001 – - by the assessee after it became his property; and - by the previous owner [in a case where the assessee acquired the property by modes specified in section 49(1)].



Note - However, cost of improvement does not include any expenditure which is deductible in computing the income chargeable under the head "Income from house property", "Profits and gains of business or profession" or "Income from other sources". Routine expenses on repairs and maintenance do not form part of cost of improvement.

TRANSFER OF DEPRECIABLE ASSETS : TAX CONSEQUENCES

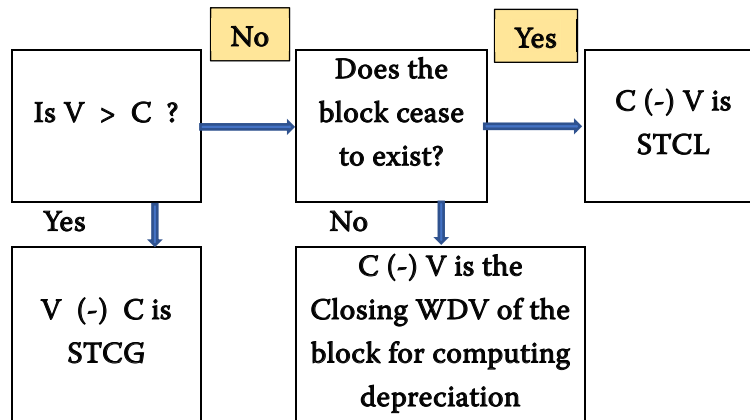
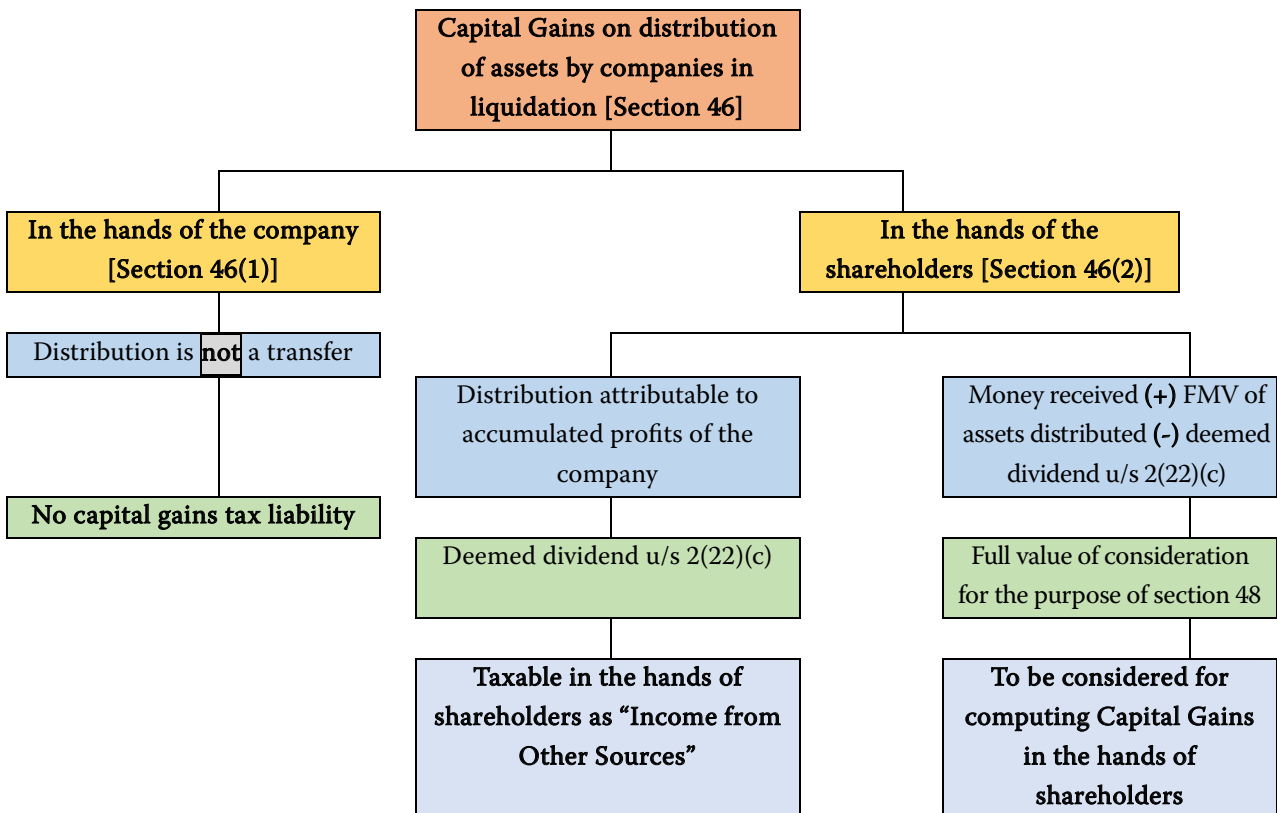


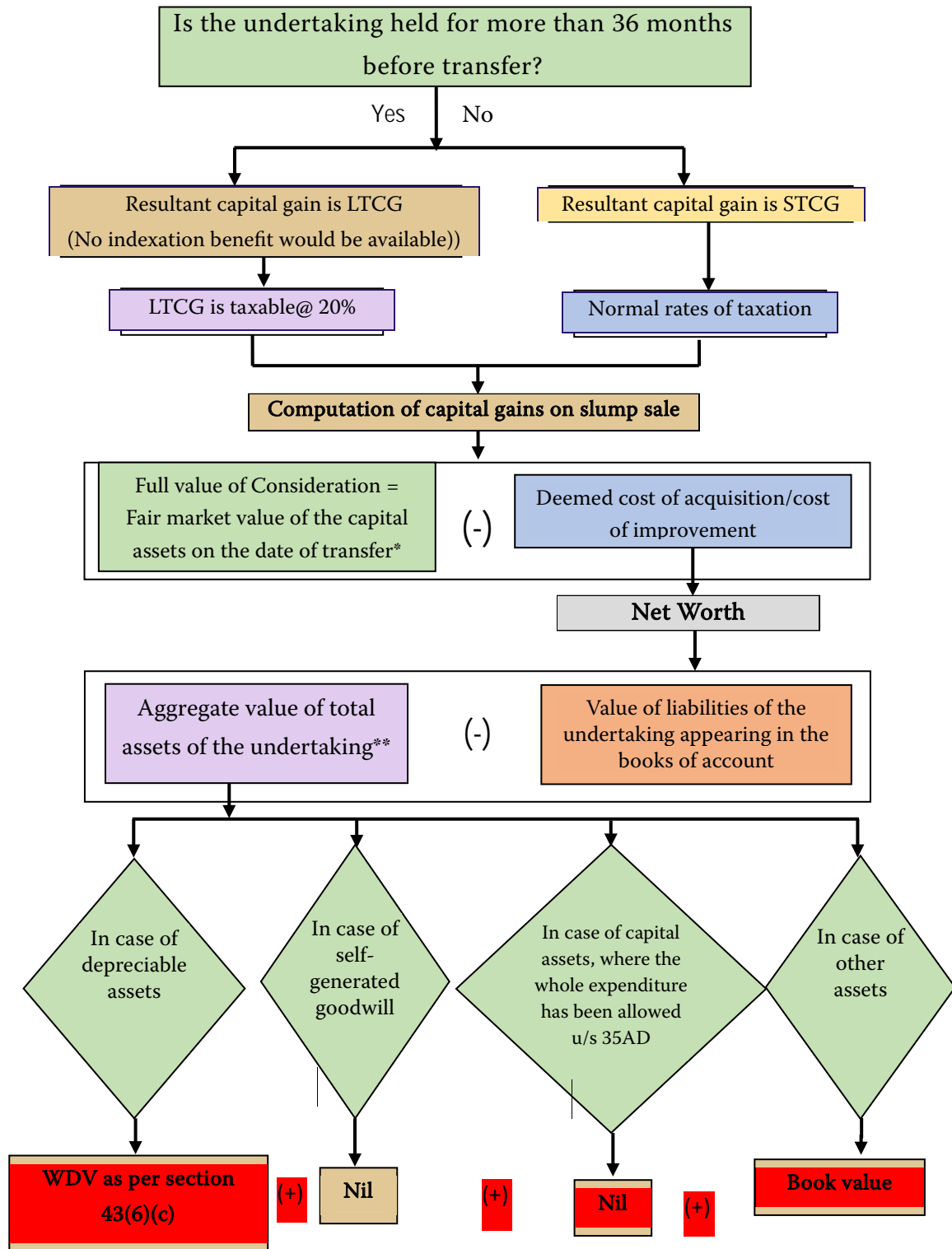
Table with 2 columns: V = Full value of consideration; C = Opening WDV of Block (+) Actual Cost of Asset acquired in the Block during the P.Y. (+) Expenses in connection with transfer of asset

CAPITAL GAINS ON DISTRIBUTION OF ASSETS BY COMPANIES IN LIQUIDATION [SECTION 46]





**CAPITAL GAINS ON SLUMP SALE OF AN UNDERTAKING [SECTION 50B]**



\* Higher of FMV1 and FMV2

\*\*Ignore revaluation effect

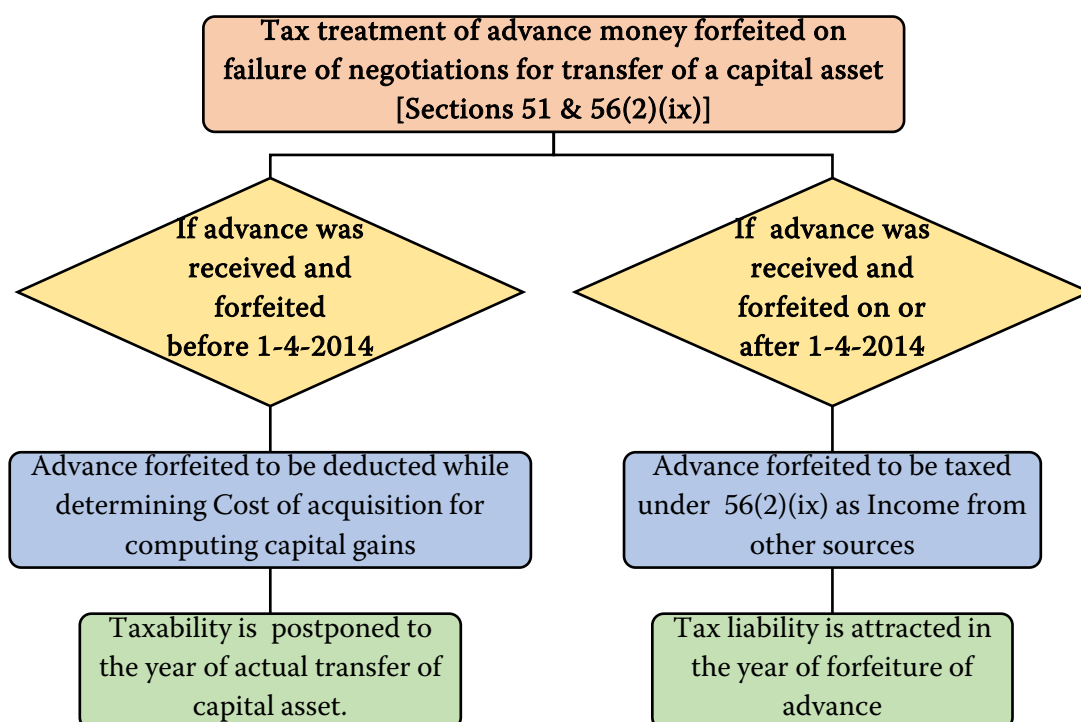


## COMPUTATION OF CAPITAL GAINS ON SALE OF LAND OR BUILDING OR BOTH [SECTION 50C]

Sl. No.	Condition	Deemed Sale Consideration
1.	<b>Stamp Duty Value &gt; Actual Consideration</b> If Stamp Duty Value > <b>110%</b> of actual consideration If Stamp Duty Value ≤ <b>110%</b> of actual sale consideration	Stamp Duty Value Actual sale consideration
2.	Actual Consideration > Stamp Duty Value	Actual Sale Consideration
Where the Assessing Officer refers the valuation to a Valuation Officer, on the assessee's claim that the stamp duty value exceeds the FMV of the property on the date of transfer and the stamp duty value has not been disputed in any appeal or revision or no reference has been made before any other authority, court or High Court.		
3.	Value ascertained by Valuation Officer > Stamp Duty Value	Stamp Duty Value
4.	Value ascertained by Valuation Officer < Stamp Duty Value	Value ascertained by Valuation Officer

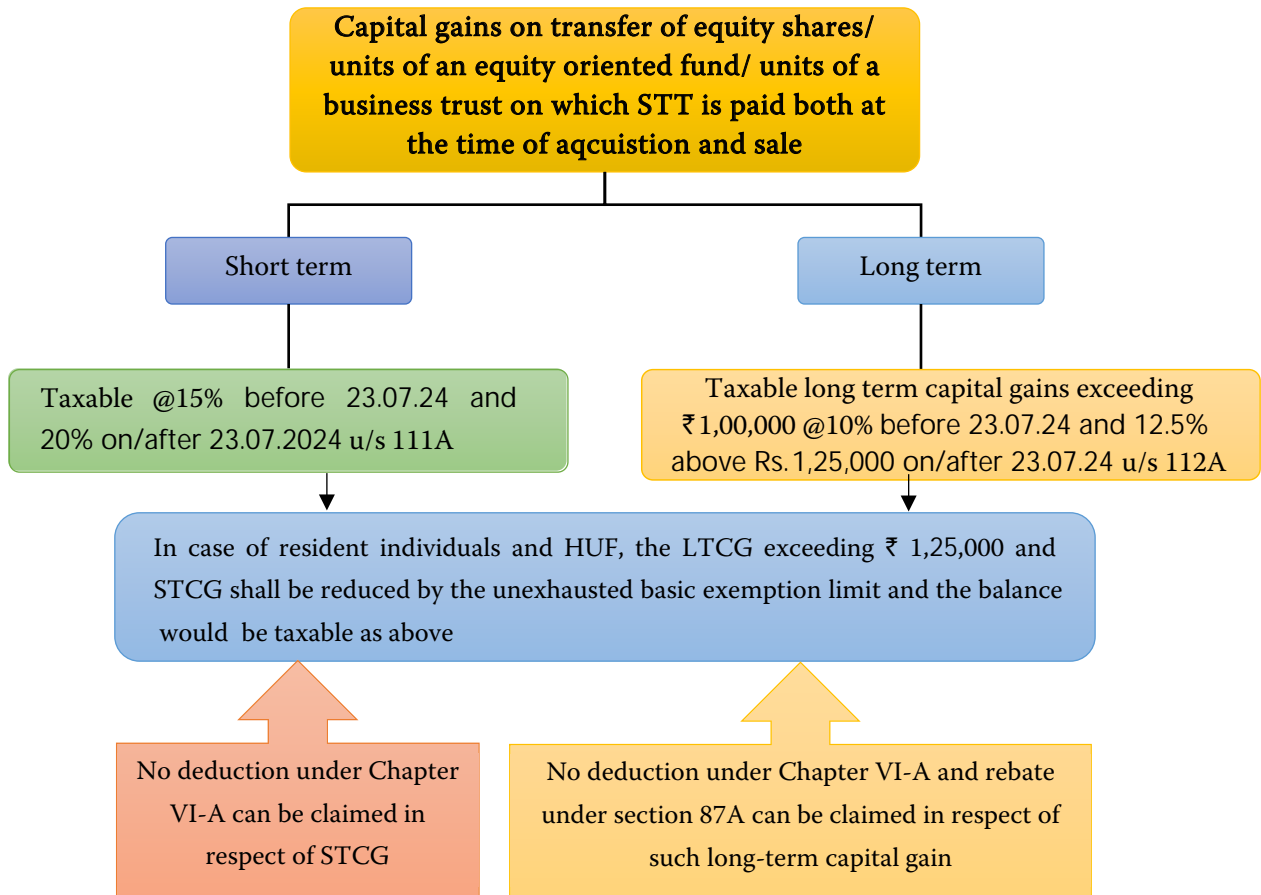
**Note** – If the date of agreement is different from the date of transfer, stamp duty value on the date of agreement can be considered, if whole or part of the consideration is received by way of account payee cheque/bank draft or ECS or prescribed electronic modes (IMPS, UPI, RTGS, NEFT, Net banking, debit card, credit card or BHIM Aadhar Pay) on or before the date of agreement. Otherwise, stamp duty value on the date of transfer has to be considered.

## ADVANCE MONEY RECEIVED AND FORFEITED UPTO 31.3.2014





## TAX ON CAPITAL GAINS IN RESPECT OF EQUITY SHARES/ UNITS OF AN EQUITY ORIENTED FUND/ UNITS OF A BUSINESS TRUST



## TAX ON LONG-TERM CAPITAL GAINS [SECTION 112]

	Person	Rate of tax	Particulars	
1.	<b>Resident persons, other than companies</b>		In case of transfer of listed securities (other than units) and Zero Coupon Bonds, LTCG would be taxable at the lower of the following rates – (transfer before 23/07/24) (1) 10% without indexation benefit; and (2) 20% with indexation benefit.	
	Resident Individuals and HUF	12.5%		Unexhausted basic exemption limit can be exhausted against LTCG taxable u/s 112
	Resident AOPs and BOIs	12.5%		Unexhausted basic exemption limit cannot be adjusted against LTCG taxable u/s 112
	Resident Firms and LLPs	12.5%		
2.	<b>Domestic companies</b>	12.5%		
3.	<b>Non-corporate non-residents and foreign companies</b>	12.5%	Capital assets, other than unlisted securities or shares of closely held companies	
		12.5%	Unlisted securities or shares of closely held companies (without benefit of indexation or foreign currency fluctuation)	

**EXEMPTION OF CAPITAL GAINS [SECTIONS 54 TO 54GA]**

S. No.	Particulars	Section 54	Section 54B	Section 54D	Section 54EC	Section 54F	Section 54G	Section 54GA
1	<b>Eligible Assessee</b>	Individual/HUF	Individual/HUF	Any assessee	Any assessee	Individual/HUF	Any assessee	Any assessee
2	<b>Asset transferred</b>	Residential House (LTCA)	Urban Agricultural Land	Land & building forming part of an industrial undertaking	Land or building or both (LTCA)	Any LTCA other than Residential House	Machinery, plant, building or land or any right in building or land used for the business of an industrial undertaking situated in an urban area	Machinery, plant, building or land or any right in building or land used for the business of an industrial undertaking situated in an urban area
3	<b>Other Conditions</b>	Income from such house should be chargeable under the head "Income from house property"	Land should be used for agricultural purposes by assessee or his parents or HUF for 2 years immediately preceding the date of transfer	Land & building have been used for business of undertaking for at least 2 years immediately preceding the date of transfer. The transfer should be by way of compulsory acquisition of the industrial undertaking	-	Assessee should not own more than one residential house on the date of transfer. He should not purchase within 2 years or construct within 3 years after the date of transfer, another residential house.	<b>Shifting</b> of the industrial undertaking <b>from an urban area to any other area other than an urban area</b>	<b>Shifting</b> of the industrial undertaking <b>from an urban area to any SEZ</b>
4	<b>Qualifying asset i.e., asset in which capital gains has to be</b>	One Residential House situated in India/Two residential houses in	Land for being used for agricultural purpose (Urban/Rural)	Land or Building or right in land or building	Bonds of NHAI or RECL or any other bond notified by C.G.	One Residential House situated in India	Purchase new plant and machinery, acquisition of building or land or	Purchase new plant and machinery, acquisition of building or land or

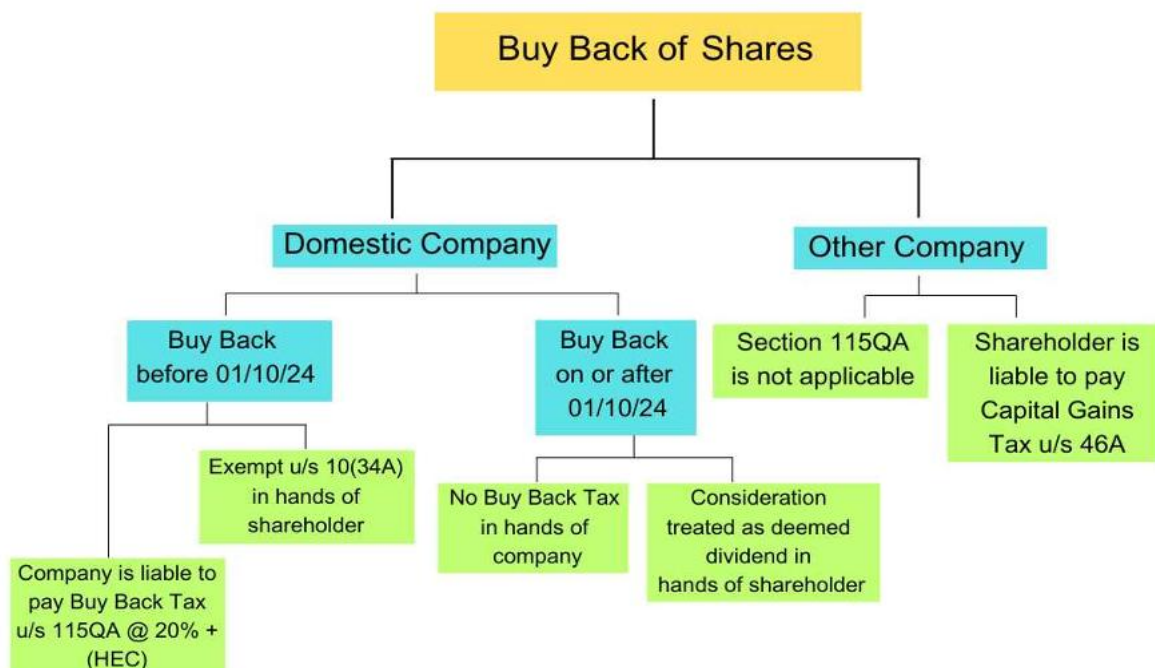


	<b>invested</b>	India, at the option of the assessee, where capital gains do <b>not</b> exceed ₹ 2 crores			(Redeemable after 5 years)		construction of building for the purposes of business of the industrial undertaking, shifting of original asset and incurred expenses	construction of building for the purposes of business of the industrial undertaking, shifting of original asset and incurred expenses
5	<b>Time limit for purchase/construction</b>	Purchase within 1 year before or 2 years after the date of transfer <b>(or)</b> construct within 3 years after the date of transfer	Purchase within a period of 2 years after the date of transfer	Purchase/construct within 3 years after the date of transfer, for shifting or re-establishing the existing undertaking or setting up a new industrial undertaking.	Purchase within a period of 6 months after the date of transfer	Purchase within 1 year before or 2 years after the date of transfer <b>(or)</b> Construct within 3 years after the date of transfer	Purchase within 1 year before or 3 years after the date of transfer	Purchase within 1 year before or 3 years after the date of transfer
6	<b>Amount of Exemption</b>	Cost of new Residential House or two houses, as the case may be or Capital Gain, whichever is lower, is exempt. However, if the cost of new residential house exceeds ₹ 10 crores, the amount exceeding ₹ 10 crores would not	Cost of new Agricultural Land or Capital Gain, whichever is lower, is exempt	Cost of new asset or Capital Gain, whichever is lower.	Capital Gain or amount invested in bonds, whichever is lower. Maximum permissible investment out of capital gains arising in any financial year is ₹ 50 lakhs, whether such investment is made in the current	Cost of new Residential House $\geq$ Net sale consideration of original asset, entire Capital gain is exempt. Cost of new Residential House $<$ Net sale consideration of original asset, proportionate capital gain is exempt. However, if the cost of	Cost of new assets plus expenses incurred for shifting or Capital Gain (STCG or LTCG), whichever is lower, is exempt	Cost of new assets plus expenses incurred for shifting or Capital Gain (STCG or LTCG), whichever is lower, is exempt



be taken into account for exemption. The maximum exemption that can be claimed by the assessee is ₹ 10 crores.				FY or subsequent FY or both.	new residential house exceeds ₹ 10 crores, the amount exceeding ₹ 10 crores would not be taken into account for exemption.
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### Capital Gain on "Buy Back" of own shares or other specified securities [Sec 46A]



Consequently, as per section 46A, value of consideration received by a shareholder on buy back of shares by a domestic company would be Nil and the difference between the cost of acquisition and the value of consideration received by the shareholder will result into capital loss. The same can be set off and carried forward as per the applicable set-off & carry forward provisions of the Act. If it is long-term capital loss, it can be set-off only against long-term capital gains. If it is a short-term capital loss, it can set-off against both long term capital gains and short term capital gains.