SabKarLenge

Capital Gain
Revision class Notes

Note:- Please Refer it with Revision video of Yash sir

Capital Gain - sec 45 - Charging Section

- Transfer of Capital Asset
  - Transfer defn
  - Cap Asset
- Year of Transfer → Tax
  - Conver.
  - Dis.
  - Comp.
  - JDA
- LT/ST.
- Calculate CG.
  - FVOC
    - Sec 50C
    - Sec 50D
  - COA
    - dep Asset
    - Gift - Sec 47
    - Right shares
    - Bonus shares → Sec 112A.
    - Advance money.

Tax Rates Cap Gain
- Sec 112A.

Special Cases of Transfer
- demat form
- Slump Sale
- Transfer between firm & partner
  - 45(4)
  - 9B
- ULIP.

- Sec 54 Series CG Exemption
- Sec 47 Transactions not regarded as Transfer

Case Scenario 1

Mr. Manoj (aged 45 years) is a resident Indian who has the following life insurance policies, some of which are ULIPs. The details of such policies are given hereunder:

Particulars	A -10%	B -10%	C (ULIP)	D (ULIP)	E (ULIP)	F (ULIP)
Date of issue	1.4.2015	1.4.2016	1.2.2021	1.1.2021	1.3.2021	1.4.2021
Annual premium	₹ 50,000 UP	₹ 40,000 LIP	₹ 1,00,000	₹ 3,00,000	₹ 1,40,000	₹ 2,50,000
Date when premium falls due every year	1st April	1st April	1st Feb	1st Jan 10%	1st March	1st April
Date of maturity	31.3.2023	31.3.2023	31.1.2030	31.12.2029	28.2.2030	31.3.2030
Consideration received on maturity (including bonus)	₹ 7,00,000 60,000 ×10%	₹ 4,00,000 4,00,000 - 2,80,000 = 1,20,000	₹ 11,00,000 11,00,000 - 9,00,000 = 2,00,000	₹ 32,00,000 10%	₹ 17,00,000 17,00,000 - 12,60,000 = 4,40,000	₹ 28,00,000 28,00,000 - 22,50,000 = 5,50,000
Sum assured	₹ 6,00,000	₹ 3,50,000 ×10% 35000	₹ 10,00,000	₹ 30,00,000	₹ 15,00,000	₹ 25,00,000

C & E

F

During the P.Y.2022-23, Mr. Manoj has earned dividend income of ₹ 12 lakh from shares of Indian companies and long-term capital gains (computed) of ₹ 5 lakhs on sale of land. He deposited ₹ 1,50,000 in National Pension Scheme (Tier-I account) of Government. Mr. Manoj does not opt for section 115BAC.

12 lakh. Dividend

IFOS

Slab - land LTCG

1,50,000 - NPS → 80CCD

Notes:

ULIP is considered as Equity Oriented Fund

→ ULIP Taxable at 10% in excess of 1,00,000 u/s 112A → Short term 111A + 15%

→ ULIP - Taxable under CG. LIP - Taxable under IFOS

→ 10/15/20% → Deduction u/s 80C is allowed only upto this amount.

→ ULIP issued before 1/2/21 → Taxable under IFOS as it is not a Capital Asset

→ While Computing 10/15/20% → we take 10/15/20% of Sum Assured

→ While Computing CG u/s 45(1B), we take Maturity proceeds (-) Prem. paid till now.

On the basis of the facts given above, choose the most appropriate answer to Q.1 to Q.5below, based on the provisions of the Income-tax Act, 1961 -

1. Which are the life insurance policies (excluding ULIPs) in respect of which Mr. Manoj would be eligible for exemption under section 10(10D) in respect of maturity proceeds and what is the quantum of deduction which would be available under section 80C in respect of premium paid on such policies for A.Y.2023-24? Assume that Mr. Manoj does not have any ULIPs only for the purpose of answering this MCQ.

   (a) A and B; ₹ 90,000 Maturity exempt → 10(10)A.

   (b) A and B; ₹ 85,000 80C → ded^n within milege.

   (c) Only A; ₹ 50,000 40.

   (d) Only A; ₹ 85,000 50,000 + 35000 = 85000

2. Which are the ULIPs in respect of which Mr. Manoj would be eligible for exemption under section 10(10D) in respect of maturity proceeds? Choose the option most beneficial to Mr. Manoj.

   (a) Only C and E

   (b) Only F

   (c) Only C, D and E

   (d) Only D and F

3. Considering the option chosen in MCQ 2 above, what would be the capital gains computed under section 45(1B) in the hands of Mr. Manoj for A.Y.2030-31? Assume that, for the purpose of this MCQ, no consideration was received prior to the maturity date in case of any ULIP.

   (a) ₹ 11,40,000

   (b) ₹ 10,50,000

   (c) ₹ 5,50,000

   (d) ₹ 6,40,000

4. What is Mr. Manoj's tax liability for A.Y.2023-24?

   (a) ₹ 2,21,000

   (b) ₹ 2,36,600

   (c) ₹ 2,58,440

Dividend - 12,00,000
Land - LTCG - 5,00,000
LIP Maturity - 1,20,000
18,20,000
- Ded^n 80C
80C - LIP. pre (1,50,000)
NPS - 80CCD(1B) - (50,000)
16,20,000

5,00,000 × 20% 1,00,000 + 11,20,000 148500
= 2,48,500 + 4% Cess
= 258440

80CCE:
80C + 80CCD(1)
+ 80CCC
= 1,50,000

150

80CCD(1B)
= 50,000

(d) ₹ 2,74,040

5. What would be the total tax deductible under section 194DA during the P.Y.2022-23 on payment of maturity proceeds of life insurance policies to Mr. Manoj?

(a) ₹ 3,500

(b) ₹ 6,000

(c) ₹ 20,000

(d) ₹ 55,000

For LIP - B

4,00,000
-2,80,000
1,20,000

TDS u/s 194DA = 1,20,000 x 5%
= 6000

X & Co. Prem. 9B & 45(4)

Reconstitution

Case Scenario 1

Mr. Prem is a partner in two firms X & Co., Mumbai and Y & Co., Delhi. X & Co. has four partners, including Prem, who share profits and losses equally. Mr. Prem resigned from X & Co. on 1.4.2022. On the said date, the capital balance of each of the partners stood at ₹ 32 lakhs. In order to settle the dues of Mr. Prem, the firm revalues its land for the first time since purchase; the valuer also valued self-generated goodwill at ₹ 70 lakhs. The firm has the following capital assets, whose details are as follows.

X & Co.
Reconstitution
9B & 45(4)

	Particulars of Assets	Date of purchase	Cost of acquisition (book value)	Value as on 1.4.2022 as per Valuation Report (Rule 11U)	
1.	Land at Pune	21.1.2013	₹ 15 lakhs	₹ 50 lakhs	= 35 lakh
2.	Land at Nagpur	18.4.2015	₹ 25.4 lakhs	₹ 45 lakhs	
3.	Land at Mumbai	14.5.2013	₹ 88 lakhs	₹ 250 lakhs	= 162 lakh
4.	Self-generated goodwill			₹ 70 lakhs	= 70 lakh
					267

In April, 2022, X & Co. gave Land at Nagpur and ₹ 15 lakh money to Mr. Prem to settle his capital balance.

9B

The firm Y & Co. dissolved on 1.3.2023 and distributed its land at Chandigarh, Mohali and Gurgaon on the same date to its three partners, Prem, Akshay and Aarav, respectively, who were sharing profits and losses equally. The particulars of these lands are given hereunder –

Y & Co.
dissolution
See 9B

	Particulars of Assets	Date of purchase	Cost of acquisition (book value)	Value as per Valuation Report as on 1.3.2023 (Rule 11U)	
1.	Land at Chandigarh (given to Prem)	3.7.2011	₹ 18.4 lakhs	₹ 62 lakhs	$\frac{18.4}{184} \times 331 = 33.1$
2.	Land at Mohali (given to Akshay)	15.9.2015	₹ 15.24 lakhs	₹ 59 lakhs	$\frac{15.24}{254} \times 331 = 19.86$
3.	Land at Gurgaon (given to Aarav)	27.2.2011	₹ 16.7 lakhs	₹ 70 lakhs	$\frac{16.7}{167} \times 331 = 33.1$
				191	86.06

FVOE = 191
- COA = 86.06
104.94 = LTCG u/s 9B

Y & Co.

SabKarLenge

In addition, Prem and Akshay were given money of ₹ 8 lakhs and ₹ 11 lakhs, respectively on 1st March, 2023.

Cost Inflation Index is as follows: F.Y.2010-11– 167; F.Y.2011-12 – 184; F.Y.2012-13 – 200; F.Y.2013-14 – 220; F.Y.2014-15 – 240; F.Y.2015-16 – 254 and F.Y.2022-23 – 331.

Solution. Tax U/s 9B :-

X & Co.

FVOC = 45 lakh

COA.

$\frac{25.4}{254} \times 331$ = 33.1 lakhs.

LTCG . 11.9 lakh.

Tax = 247520

LTCG U/s 112

20% + 4% cess

Y & Co.

FVOC - 191

I COA - 86.06

LTCG = 104.94

20% + 12% + 4%

= 24, 44,683

X & Co. - 45(4)

A = B = 15,00,000

+C = 45,00,000

-D = 36,28,120 (32,00,000 + 428120)

23,71,880 → Cap Gain Y&Co. → sec 45(4)

2Cr - 50lac = 1.5Cr / 6 (25 lac) (9B)

Prem ko 60 lakh Rupees payable the.

45,00,000

\- 25,40,000

19,60,000 → Fayda. Book profit

\- 2,47,520 → Cap Gain 9B

17,12,480 → puri firm ko fayda hua hai

/ 4

= 4,28,120 → distributed to all 4 partners

Smart Notes CA Yash Khandelwal

23,71,880 → 35 : 162 : 70

Land at Pune 23,71,880 × $\frac{35}{267}$ = 3,10,921

Land at Mumbai: 23,71,880 × $\frac{162}{267}$ = 14,39,118

+ long term Cap Gain = 17,50,039

Self gen. goodwill: 23,71,880 × $\frac{70}{267}$ = 6,21,841 ⟶ Short Term Cap Gain

If sold at future date (Assumed FVOC)	Pune	Mumbai	Self Gen Goodwill
	70	280	90
−	3,10,921	14,39,118	6,21,841
Actual FVOC	66,89,079	2,65,60,882	83,78,159
− ICOA = (Assumed)	40,00,000	1,20,00,000	0
	26,89,079	1,45,60,882	83,78,159

FVOC and ICOA are assumed for examples

		Indexation	Rebate	deduction VI-A
LTCG	Sec 112 →	Allowed ✓	✓	×
LTCG	Sec 112A	×	Not allowed ×	×
STCG	Sec 111A	×	✓	×
STCG	Normal	×	✓	Allowed ✓

Section 47

Amalgamating Co. → Amalgamated Co. → Transfer by Shareholder of Shares

Amalgamating Foreign Co. → Amalgamated foreign Co.

Banking Co. → Banking Inst.

Demerged Co. → Resulting Co.

Demerged foreign Co. → Resulting Foreign Co. → Issue of Shares by Resulting co.

Predecessor Co-op Bank → Successor Co-op Bank → Transfer by Shareholder of pred. co-op Bank

Amendment:
Capital Assets includes Bullion depository Receipts with underlying Bullion.

$\underbrace{\text{NR} \longrightarrow \text{NR}}_{\text{outside India}}$

Transfer by NR of Capital Assets on RSE located in IFSC

Original fund $\xrightarrow[\text{Capital Asset}]{\text{relocation of}}$ Resulting Fund → Amendment

→ Any transfer by Shareholder or unitholder in this.

Amendment → Original fund me Residents ka Investment 5% se exceed nahi karna chaiye at the time of Transfer of Cap. Asset to Resultant fund.

→ One Public sector company → Another public sector company

→ Government → National Art museum

→ conversion of Bonds, debentures, debenture stock → Shares or debentures of that co.

Firm → Company

AOP/BOI $\xrightarrow{\text{RSE}}$ Company → membership rights ⇄ trading & clearing rights

→ Sole properitorship ⟶ Company

→ Reverse mortgage

→ Consolidating scheme & mutual fund ⟶ EOF + EOF = EOF
BOF + DOF = DOF

→ Company ⟶ LLP