Lecture 1

Chapter 11 & 12

CAPITAL GAINS + **INCOME FROM OTHER SOURCES**

CAPITAL GAINS → Sec - 45 to 55A

INCOME FROM OTHER SOURCES → Section - 56 to 59

Section - 45(1) Charging section of Capital Gains

Any profits or gains arising from the transfer of a capital asset effected in the previous year shall, save as otherwise provided in Sections 54, 54B, 54D, 54E, 54EA, 54EB, 54F, 54G and 54H, be chargable to income-tax under the head "Capital gains", and shall be deemed to be the income of the previous year in which the transfer took place.

Analysis of Section 45(1)

Three Conditions must be satisfied for the Applicability of CG :-

1) Profit (or) Gains (i.e/income)
   Income include losses also

   \+

2) Transfer (Section 2(47))
3) CAPITAL ASSET (Section 2(14))

If all the 3 Conditions are satisfied then Such Income is to be chargeable to Tax under the head "CG"

In the p.y in which "Transfer took place"

By – CA VIVEK GABA SIR
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In section 45(1), Two Terms are most important

1) one is "TRANSFER"

2) 2nd is "CAPITAL ASSET"

Crux of Section - 45(1)

Income honi chahiye, Income Transfer se Honi chahiye, Transfer Capital Asset KA HONA chahiye.

↓

VO Income C.G मे Taxable होगी

↓

जिस Year मे Transfer करोगे, उस Year मे C.G मे Tax लगेगा

Consideration कब Receive होगा, it does't matter

Save as otherwise provided means Section 54 Series prevail on Section 45(1). It means any C.G is Exempt u/s 54 then such Income Not taxable as per Section 45(1) let's under stand with following cases

Particulars	45(1)	54 Series	Taxability
1) Income + T/F + Capital Asset	Covered	Not Covered	✓
2) Income + T/F + Capital Asset	Covered	Covered	× (Exempt since covered u/s 54)
3) Income + T/F + Not a Capital Asset	Not Covered	Not Covered	(C.G chapter not Apply)
4) Income + Not a T/F + Capital Asset	Not Covered	Not Covered	(C.G chapter not Apply)

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Example :-

Building purchase = 25/4/2009

Building Sale = 8/7/2024

Assume ⟶ Building is a Capital Asset & Sale is a T/F

Sale Consideration received as on the following dates :-

1) 15/9/2024 2) 15/2/2025 3) 8/7/2025

Determine the Taxability of CG ?

Solution :-

	Taxable year	Consideration Received (Date Not Relevant)	Taxability
Case 1	24-25	24-25	24-25
Case 2	24-25	24-25	24-25
Case 3	24-25	25-26	24-25

Section - 2(14) Capital Asset

Subclause (a)

Tangible / Intangible
Movable / Immoveable

Capital Asset means $\boxed{\text{property of Any kind}}$ held by an assessee, whether or Not connected with his business or profession is a Capital Asset.

But Does not include

1) Stock in Trade (Except Sub clause-b)

2) Personal Effects, that is to say movable property

other than :-

a) Jewellery; (All types of Jewellery except silver utensils)

b) archaeological collections; (old coins)

c) Drawing;

d) Paintings;

e) sculptures; or

f) any work of art (photography, Designing, etc)

Lecture 2

3) Agricultural land situated in India is not a CAPITAL ASSEST Except the Following 2 cases

a)

Any Municipality → Agriculture Land

Population of municipality 10,000 or more → Agriculture land is a Capital Asset

Crux → अगर Ag land किसी भी Municipality के अंदर है & Municipality की Population 10,000 (or) more है

b)

municipality Population 10,000 or more

~~Agriculture Land~~

Within 2 km > 10,000 - 1,00,000 = It is a Capital Asset *

Within 6 km > 1,00,000 – 10,00,000 = It is a Capital Asset

With in 8 km > 10,00,000 It is a Capital Asset

Beyond 8 km & Not Cover in any other municipality = Not a Capital Asset **

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* If is a Capital Asset = Agriculture land situated in urban Area.

** Not a Capital Asset = Agriculture land situated in Rural Area.

Important Note :— Agriculture land Situated in Foreign Country always Treated as Capital Asset

Examples :—

1) Punjab 8000 A.L = ✗

2) UP 10,000 A.L = ✓

3) UP 18,000 A.L = ✓

4) Bihar 40,000 ~~A.L~~ $\frac{1.5\text{km}}{8,00,000}$ = ✓

5) UP 40,000 ~~AL~~ $\frac{4\text{km}}{80,000}$ = ✗

6) Delhi 5,00,000 ~~A.L~~

7km — 15,00,000 = ✓

7) Japan 8,000 A.L = ✗

8) Punjab 8,00,000 A.L

9km — 12,00,000

1km — 9,000

HRY 40,000 = ✗

9) UP 10,00,000 ~~A.L~~

10km — 15,00,000

1.5km — 6,00,000 ✓

Delhi 50,000 = ✓

10) HRY 5,00,000 A.L

6km — 2,00,000 = ✓

1km — 10,000 = ✗

6.5km — 11,00,000 = ✓

✓ = Agriculture land situated in urban Area

X = Agriculture land situated in Rural Area

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4) Gold Deposit Bonds under the Gold Deposit scheme, 1999 or Deposit Certificate issued under the Gold monetisation Scheme, 2015 Notified by C.G.

Sub Clause B

Any security held by Foreign institutional Investor (FII) is ALWAYS treated as Capital Asset even if Security held as Stock in trade or held as investment.

Lecture 3

Sub Clause C

Any unit linked Insurance policy to which exemption under 10(10D) does not Apply:–

→ Any ULIP issued on or after 1/2/2021 to which exemption u/s 10(10D) doesnot apply on account of premium payable exceeding ₹2,50,000 for any previous year during the term of policy

→ In case, where premium is payable by a person for more than one ULIP on or after 1/2/2021 and aggregate premium payable on such ULIP more than ₹2,50,000 for any P.Y.

Section-2 (47) Transfer Definition

Transfer includes

→ sale

→ Exchange

→ Relinquishment of Asset (→ Surrender of Right)

→ Extinguishment of any right

→ Compulsory Acquisition of property under any law

→ Conversion of Capital Asset into stock in trade

→ Possession of Immovable property

→ Redemption of Zero Coupon Bond (→ Interest)

→ Allotment of property by Co-operative society to its member

Computation of Capital Gains

[Income + Transfer + Capital Asset]

→ If all above Condition are satisfied and Capital Gain Tax levied and Taxable under head Capital Gain.

→ Computation of Capital Gains is depend on whether SUCH ASSET is STCA (or) LTCG ?

Why Bifurcation is Required ?

→ Different Tax Rates for LT (or) ST

→ Different Computation method of Capital Gain

→ Different rules of CG Exemptions u/s 54

Section 2(42A) + 2(42B) + 2(29AA) + 2(29B)

Period of holding of Asset (POHA) Subject to Sec 50AA / 50

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CAPITAL ASSET

	Transfer Before 23/7/2024	Transfer on (or) after 23/7/24
Listed Security	12 M	12 M
Units of UTI	12 M	12 M
Units of Equity Oriented Mutual Fund	12 M	12 M
Zero Coupon Bond	12 M	12 M
land / Building or Both	24 M	24 M
Unlisted shares	24 M	24 M
Any other Capital Asset (other than Specified above)	36 M	24M

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* $\boxed{\text{Hold}}$

- Upto Specified Time limit → Capital Asset is S.T.C.A
- more than specified time limit → Capital Asset is L.T.C.A

Lecture 4

Period of Holding

STARTING from = Date of Acquisition

Ending To = Immediately preceding the date of its T/F

Example :-

1) Date of Acquisition = 18/10/2009

Date of Sale = 25/6/2024

Solution = POHA = 18/10/2009 – 24/6/2024

Asset = LTCA

CG Taxable = P.Y 24-25

2) Date of Acquisition = 15/9/2012

Date of Sale = 1/4/2025

POHA = 15/9/2012 – 31/3/2025

Asset = LTCA

CG Taxable = P.Y 25-26 (Since T/F on 1/4/25)

Name of Asset	Date of Purchase	Date of sale	Holding period limit	STCA / LTCA
Gold	25/6/2022	26/7/2024	24m	LTCA
Building	8/9/2021	15/12/2024	24m	LTCA
Unlisted Debenture	15/7/2021	10/7/2024	36 m	STCA
Personal Gold chain	8/6/2022	18/7/2024	34m	STCA
Personal mobile	15/9/2020	28/9/2024	—	—
Z.C.B	18/6/2024	28/10/2024	12m	STCA
Units of Debt oriented Mutual Fund	15/4/2024	20/7/2024	36 m	LTCA
Units of business Trust	15/4/2022	20/7/2024	36m	STCA
Old Coins	25/8/2021	25/7/2024	26m	LTCA

unlisted bonds	18/6/2021	22/7/2024	36m	LTCA
silver coins	17/7/2022	23/7/2024	24m	LTCA
Drawings	28/7/2022	23/7/2024	24m	STCA
unlisted shares	5/6/2022	28/7/2024	24m	LTCA

Important Note

Not withstanding anything contained in sec 2(42A), following Capital Asset shall be Treated Always SHORT TERM CAPITAL ASSET (irrespective of the Holding period)

1) Depreciable Asset u/s 50

2) units of Specified mutual fund acquired on or after 1/4/2023

3) Market linked debenture

4) unlisted bonds or unlisted debenture which is Transferred or redeemed on or after 23/7/24

Section 50AA

Crux Diagram

	Transfer BEFORE 23/7/24	Transfer on (or) after 23/7/24
→ listed security, units of UTI, ZCB, units of Equity oriented mutual fund	12m	12m
	No Impact	
→ Unlisted shares, land / Building	24m	24m
→ Depreciable Asset u/s 50	STCA	STCA
	Always STCA	
→ Units of Specified mutual Fund / Market linked Debenture	STCA	STCA
→ Unlisted Bonds | Unlisted Debenture	36M	STCA
→ Any Other CA (other than Specified above) Example - Gold, Silver, Drawing, Painting, units of Debt oriented mutual fund etc.	36m	24m

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Lecture 5

HOW TO COMPUTE CAPITAL GAINS

PART - I Capital Asset Acquired Before 23/7/2024 (i.e. upto 22/7/24)

and

Capital Asset Transferred Before 23/7/2024 (i.e upto 22/7/24)

SHORT TERM CAPITAL ASSET		LONG TERM CAPITAL ASSET	
Sale Price / FVOC =	XXXX	Sale Price / FVOC =	XXXX
(-) Expenditure on T/F =	XXXX	(-) Expenditure on T/F =	XXXX
NET SP/FVOC	XXXX	NET SP/FVOC	XXXX
(-) COA	(XXXX)	(-) ICOA	(XXXX)
(-) COI	(XXXX)	(-) ICOI	(XXXX)
STCG	XXXX	LTCG	XXXX

FVOC = Full value of Consideration
COA = Cost of Acquisition
COI = Cost of Improvement
ICOA = Indexed Cost of Acquisition
ICOI = Indexed Cost of Improvement
EOT = Expenditure on Transfer

Example :– Gold Purchase = 25/4/2021 = 8,00,000

Cost of Improvement

a) 8/6/2022 = 20,000

Gold sale = 5/4/2024 = 40,00,000

Computation of Capital Gain.

Solution :– Computation of Capital Gain For A.Y 25-26

Period of Holding = 25/4/21 – 4/4/2024

Nature of CA = STCA (since Hold upto 36months)

	Full Value of Consideration/Sale price	= 40,00,000
(–)	Expenditure on Transfer	= –
	Net Full Value of Consideration	= 40,00,000
(–)	Cost of Acquisition	= (8,00,000)
(–)	Cost of Improvement	= (20,000)
	Short Term Capital Gain	= 31,80,000

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Example-2

		PY		
Building Purchase	=	8/10/2004 (PY 04-05)	=	10,00,000
Building Repair work	=	15/11/2012 (PY 12-13)	=	50,000
Building sale	=	21/7/2024 (PY 24-25)	=	90,00,000

Compute CG ?

Solution :-

Computation of Capital Gain For A.Y 25-26

Period of Holding = 8/10/2004 – 20/7/2024

Nature of CA = LTCA (since Hold more than 24 months)

Full Value of Consideration/Sale price	=	90,00,000
(–) Expenditure on Transfer	=	–
Net Full Value of Consideration	=	90,00,000
(–) Indexed Cost of Acquisition		
$\frac{10,00,000}{113} \times 363$	=	(32,12,389)
(–) Indexed Cost of Improvement		
$\frac{50,000}{200} \times 363$	=	(90,750)
Long Term Capital Gain	=	56,96,861

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Example-3

Gold Purchase = 25|1|2007 = 20,00,000

Improvement

1) = 8|12|2011 = 20,000

2) = 8|2|2015 = 20,000

Gold sale = 25|3|2024 = 80,00,000

EOT = 5,00,000

Solution :-

Computation of Capital Gain For A.Y 24-25

Period of Holding = 21/1/2007 – 24/3/2024

Nature of CA = LTCA (Since Hold more than 36 months)

	Full Value of Consideration/Sale price	= 80,00,000
(–)	Expenditure on Transfer	= (5,00,000)
	Net Full Value of Consideration	= 75,00,000
(–)	Indexed Cost of Acquisition	
	$\frac{20,00,000}{112} \times 348$	= (57,04,918)
(–)	Indexed Cost of Improvement	
	1) $\frac{20000}{184} \times 348$	= (37,286)
	2) $\frac{20,000}{240} \times 348$	= (29,000)
	Long Term Capital Gain	17,28,256

H.W

1) Building purchase = 8/3/2005 = 18,00,000

Improvement

1) 8/7/2012 = 20,000
2) 5/1/2013 = 10,000

Sale = 8/7/2024 = 40,00,000

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Solution :-

Computation of Capital Gain for A.Y 24-25

Period of Holding = 8/3/2005 – 7/7/2024

Nature of CA = LTCA (since Hold more than 24 months)

	Full value of Consideration/Sale price	= 40,00,000
(–)	Expenditure on Transfer	= –
	Net Full value of Consideration	= 40,00,000
(–)	Indexed Cost of Acquisition	
	$\frac{18,00,000}{113} \times 363$	= (57,82,300)
(–)	Indexed Cost of Improvement	
	1) $\frac{20000}{200} \times 363$	= (36,300)
	2) $\frac{10,000}{200} \times 363$	= (18,150)
	Long Term Capital loss	= (18,36,750)

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2) Gold Purchase = 15/12/2010 = 15,00,000

Improvement

8/3/2016 = 50,000

Sale = 25/3/2024 = 70,00,000

EOT = 5,00,000

Solution :-

Computation of Capital Gain For A.Y 24-25

Period of Holding = 5/12/2010 – 24/3/2024

Nature of CA = LTCA (Since Hold more than 36 months)

Full Value of Consideration/Sale price	=	70,00,000
(–) Expenditure on Transfer	=	5,00,000
Net Full Value of Consideration	=	65,00,000
(–) Indexed Cost of Acquisition		
$\frac{15,00,000}{167} \times 348$	=	(31,25,748)
(–) Indexed Cost of Improvement		
$\frac{50,000}{254} \times 348$	=	(68,503)
Long Term Capital Gain	=	33,05,749

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Lecture 6

Determination of COA & COI in certain cases [Section 55]

1) Intangible Asset
2) Shares & Securities

} Will discuss later

* 3) Any other Capital Asset [Except above 2 CA]

* Any other Capital Asset

- **Land or Building or Both**
  - Acquire Before 1/4/2001
    - Purchase Price or
      - i) FMV as on 1/4/2001 or
      - ii) SDV as on 1/4/2001 — less
    - Higher — COA
  - Acquire on or After 1/4/2001
    - ↓ Purchase price is COA
- **Other Capital Asset (Other than L & B)**
  Ex:– Gold, Drawing etc.
  - Acquire Before 1/4/2001
    - Purchase Price or FMV as on 1/4/01
    - Higher — COA
  - Acquire on or after 1/4/2001
    - Purchase Price → COA

↓

By – CA VIVEK GABA SIR
9643036663 (only WhatsApp)

How to Convert CoA into ICoA ?

If Capital Asset Acquired Before 1/4/01

$$ICoA = \frac{COA \text{ (determined above)}}{100 \text{ (Index Rate of 01-02)}} \times \text{Index Rate of Year of T/F}$$

If Capital Asset Acquired on (or) after 1/4/01

$$ICoA = \frac{\text{Purchase Price}}{\text{Index Rate of Year of Acquisition}} \times \text{Index Rate of Year of T/F}$$

Cost of Improvement

COI

- Incurred Before 1/4/2001 → IGNORED in All Cases
- Incurred on (or) after 1/4/01 → Actual Expenditure Incurred

How to Convert ICoI ?

— NA —

$$\frac{\text{Expenditure incurred}}{\text{Index Rate of year of Expenditure Incurred}} \times \text{Index Rate of Year of T/F}$$

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Example

12,00,000

Higher

Building Purchase = 8/7/1990 = 10,00,000

FMV as on 1/4/2001 = 14,00,000

lower → 12,00,000

SDV as on 1/4/2001 = 12,00,000

Building Repair on Following dates

→ 25/3/1996 = 10000 ✗

→ 8/3/2001 = 15,000 ✗

→ 25/9/2016 = 20,000 ✓

Mr. VG Agree to Sell Such Building to Mr. PG for ₹ 90,00,000

Agreement to Sell on 8/11/2021

Buyer Pay advance to Mr. VG on 25/11/2021

VG Give Possession of Building on = 8/1/2024 ✓

Registry of building done = 8/7/2024

Compute CG ?

Solution :- **Computation of Capital Gain For A.Y 24-25**

Period of Holding = 8/7/1990 – 7/1/2024

Nature of CA = LTCA (since Hold more than 24 months)

	Full Value of Consideration / Sale price	=	90,00,000
(–)	Expenditure on Transfer	=	—
	Net Full Value of Consideration	=	90,00,000
(–)	Indexed Cost of Acquisition		
	$\frac{12,00,000}{100} \times 348$	=	(41,76,000)
(–)	Indexed Cost of Improvement		
	$\frac{20,000}{264} \times 348$	=	(26,363)
	Long Term Capital Gain		47,97,637

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Example -2

Building purchase = 8/7/2001 = 20,00,000

FMV as on 1/4/2001 = 24,00,000

SDV as on 1/4/2001 = 26,00,000

Agreement to sell = 8/9/2022 for ₹ 80,00,000

Possession & Registration on = 25/6/2024

Here is the details of Improvements

→ 8/2/2002 = 10,000

→ 5/1/2016 = 10,000

EOT = 5,00,000

C.G ?

Computation of Capital Gain for A.Y 25-26

Period of Holding = 8/7/2001 – 24/6/2024

Nature of CA = LTCA (since Hold more than 24 months)

	Full value of Consideration/Sale price	= 80,00,000
(–)	Expenditure on Transfer	= (5,00,000)
	Net Full value of Consideration	= 75,00,000
(–)	Indexed Cost of Acquisition $\frac{20,00,000}{100} \times 363$	= (72,60,000)
(–)	Indexed Cost of Improvement	
	1) $\frac{10000}{100} \times 363$	= (36,300)
	2) $\frac{10,000}{254} \times 363$	= (14,291)
	Long Term Capital Gain	1,89,409

Tax Rates in case of LTCG & STCG IF CA T/F Before 23/7/24

1) LTCG

Under section 112A (Normally shares etc) = upto 1,25,000 = Nill
More than 1,25,000 = 10% on Excess value

Under section 112 [Eg - L&B, Gold, Drawing etc] = 20% × LTCG after Indexation

STCG

Under Section 111A = 15% × STCG
(Ex - shares etc)

Normal STCG other than u/s 111A (Ex - L&B, Gold, Drawing etc) = Normal slab Rate Apply

Building purchase = 40,00,000 on 8/11/2021

Building sale = 50,00,000 on 8/6/2024

Other Income (PGBP) = 1,00,000

Compute Total Income & Final Tax liability if Mr. VG opt Default Tax Regime u/s 115BAC

(Age = 32 Years)

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Solution :-

Computation of Capital Gain For A.Y 25-26

Period of Holding = 8/11/2021 – 7/6/2024

Nature of CA = LTCA (Since Hold more than 24 months)

	Full value of Consideration/Sale price	= 50,00,000
(–)	Expenditure on Transfer	= —
	Net Full value of Consideration	= 50,00,000
(–)	Indexed Cost of Acquisition	
	$\frac{40,00,000}{317} \times 363$	= 45,80,441.6
	Long Term Capital Gain	= 4,19,558.40

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Computation of Tax liability

PGBP = 1,00,000 ——— Tax = Nill (Since income less than 3L)

LTCG u/s 112 = 4,19,560 ⟶ Tax

(4,19,560 − 2,00,000) × 20%

= 43,912

(unexhausted Exemption limit)

Total Income 5,19,560

(−) Rebate u/s 87A = (25,000)

18,912

+ 4% cess 756.48

19,668.48

Final Tax 19,670 /-

H.W

Building Purchase = 8/7/2022 = 42,00,000

Sale = 15/7/2024 = 48,00,000

Other income = 1,60,000 (PGBP)

Mr. VG (R) – Age – 40 years

Scheme :– Default scheme

Computation of Capital Gain For A.Y 25-26

Period of Holding = 8/7/2022 – 14/7/2024

Nature of CA = LTCA (since Hold more than 24 months)

	Full Value of Consideration/Sale price	= 48,00,000
(–)	Expenditure on Transfer	= —
	Net Full Value of Consideration	= 48,00,000
(–)	Indexed Cost of Acquisition $\frac{42,00,000}{331} \times 363$	= 46,06,042
	Long Term Capital Gain U/S 112	= 1,93,958

Computation of Tax liability

Other income 1,60,000 ⟶ Tax Nill

LTCG

(1,93,958 − 1,40,000) X 20% = 10,791.60

(−) Rebate u/s 87A = (10,791.60)

Nill

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2. LTCG 112A = 1,40,000
LTCG 112 = 2,00,000
STCG u/s 111A = 1,20,000
OI (Normal Income) = Nill

Mr. VG (R) - Age - 31 Years
Scheme - Normal scheme

Solution :- Tax liability

		Tax
1) LTCG u/s 112 (2,00,000 - 2,00,000) X 20% (un exhausted Exemption limit)	=	Nill
2) LTCG u/s 112A (1,40,000 - 1,25,000 - 15,000) X 10% 1,25,000 ↓ Exemption limit u/s 112A 15,000 ↓ unexhausted Exemption limit	=	Nill
3) STCG u/s 111A (1,20,000 - 35,000) X 15% 35,000: unexhausted Exemption limit	=	12,750

Tax	12,750
(-) Rebate u/s 87A (Since TI upto 5L)	12,500
	250
+ 4% Cess	10
Final Tax	260

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Lecture 7

Example :– LTCG u/s 112 = 1,00,000
STCG u/s 111A = 1,50,000
lottery = 1,00,000
OI (Normal Income) = 20,000
Find Tax = Default scheme

Solution :–

Tax liability		Tax
1) Other Income (Normal Income) Tax on 20000 (Since TI upto 3L)	=	Nill
2) LTCG u/s 112 (1,00,000 − 1,00,000) X 20% (un exhausted Exemption limit)	=	Nill
3) STCG u/s 111A (1,50,000 − 1,50,000) X 15% unexhausted Exemption limit	=	Nill
4) lottery (100000 X 30%)	=	30,000
	=	30,000
Rebate u/s 87A	=	25,000
	Tax	5,000
+4% cess	=	200
Final Tax	=	5,200

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Most Important point

Treatement of unexhausted Exemption limit / Balance Exemption limit / Deficiency in exemption limit

Exemption limit (like 2,50,000 / 3,00,000 / 5,00,000 as the Case may be)

Ist use → In Normal Income

IF limit Not exhausted then you can use in the following special Income Subject to Condition

1) Assessee must be Resident

+

2) Individual (OR) HUF

↓

IF both Conditions are satisfied then unexhausted Exemption limit may be

→ LTCG u/s 112
(OR)
→ LTCG u/s 112A
(OR)
→ STCG u/s 111A

→ use as per more beneficial to assessee

→ जहा use करनेसे Tax कम से कम आता।

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Building purchase = 20,00,000 5/8/2001

Building sale = 90,00,000 8/11/2024

PGBP = 40,00,000

Compute Total Income & Final Tax liability

Solution :– Computation of Total Income

Salary	=	Nill
HP	=	Nill
PGBP	=	40,00,000
CG	=	70,00,000
(90,00,000 – 20,00,000)		
OS	=	Nill
GTI / TI		1,10,000,00

Tax on Total Income

Tax on 40,00,000 = 8,90,000
(Default scheme)

Tax on LTCG u/s 112

1) $(90,00,000 - 20,00,000) \times 12.50\% = 8,75,000$

2) $\left(90,00,000 - \frac{20,00,000}{100} \times 363\right) \times 20\% = 3,48,000$ 3,48,000

less

Tax	12,38,000
+ Surcharge @ 15%	1,85,700
	14,23,700
+ 4% cess	56,948
Final Tax	14,80,648

H.W | Default Scheme

I) Building purchase 8/11/2004 = 18,00,000

Building sale 25/9/2024 = 90,00,000

CG to be Included while Computing TI ? & Tax liability

Solution :- Computation of Total Income

9000,000 − 18,00,000 = 72,00,000

Computation of Tax

1) 72,00,000 X 12.50% = 9,00,000

2) $\left(90,00,000 - \frac{18,00,000}{113} \times 363\right) \times 20\% = 6,43,540$

lower

	6,43,540
+ Surcharge @ 10%	64,354
	7,07,893.8
+ 4% cess	28315.752
Final Tax	7,36,210
	(Round off)

2) Building Purchase = 5/11/2001 = 18,00,000

Building sale = 8/12/2024 = 90,00,000

PGBP = 60,00,000

Compute Total Income & Tax ?

Solution :-

Computation of Total Income

CG	72,00,000
(72,00,000 − 18,00,000)	
PGBP	60,00,000
TI	1 32,00,000

Computation of Total Income

Tax on 60,00,000	14,90,000

Tax on LTCG u/s 112

1) (72,00,000) × 12.50% = 9,00,000

2) $\left(90,00,000 - \frac{18,00,000}{100} \times 363\right) \times 20\%$ = 493200 lower

	4,93,200
Tax	19,83,200
+ Surcharge @ 15%	2,97,480
	22,80,680
+4% cess	91,227.2
Final Tax	23,71,910
	(Round off)

3) Building Purchase = 8/12/2006 = 20,00,000

Building Sale = 25/10/2024 = 1,20,00,000

PGBP = 60,00,000

Compute Total Income / Tax ?

Solution :-

Computation of Total Income

CG	72,00,000
(1,20,00,000 − 20,00,000)	
PGBP	1,00,00,000
IT	1 72,00,000

Computation of Total Income

Tax on 60,00,000 — 14,90,000

Tax on LTCG u/s 112

1) (1,00,00,000) × 12.50% = 12,50,000

2) $\left(1{,}20{,}00{,}000 - \frac{20{,}00{,}000}{122} \times 363\right) \times 20\%$ = 12,09,836

lower — 12,09,836

Tax — 26,99,836

+ Surcharge @ 15% — 404,975.4

1,24,192.456

+4% cess

Final Tax — 32,29,000

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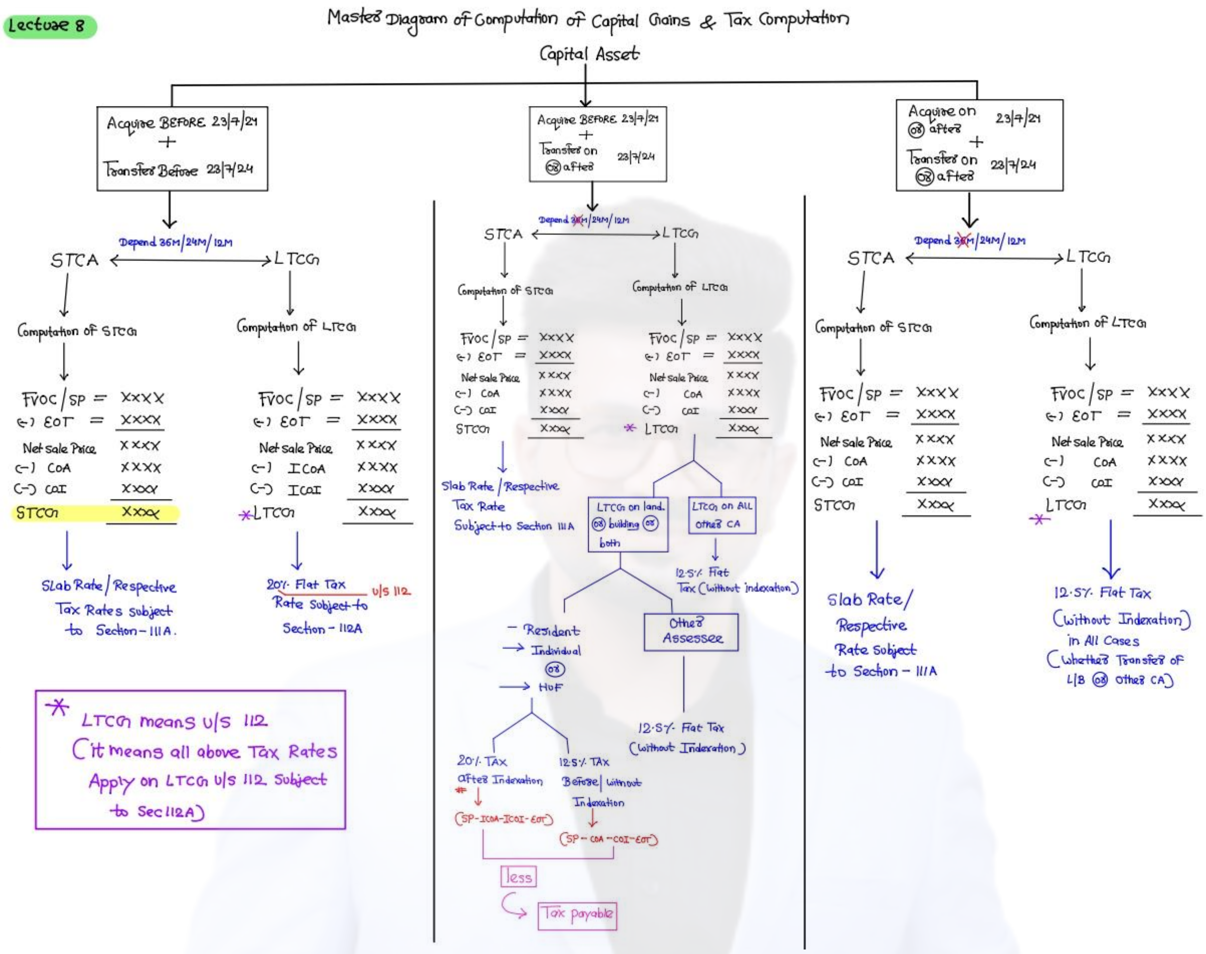
Lecture 8



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Example

Mr. VG Purchase 3 Capital Assets	COI	Sale
1) Gold Purchase 25/6/1998 = 10,00,000 FMV 1/4/2001 = 8,00,000	a) 5/3/2001 = 10,000 15/4/2010 = 20,000	Gold Sale = 28/7/24 = 70,00,000
2) Building Purchase 8/7/2000 = 15,00,000 FMV 1/4/2001 = 15,00,000	—	Building = 25/9/24 = 80,00,000
3) land Purchase 25/7/2024 = 40,00,000	—	land = 5/12/2024 = 41,00,000

Compute Capital Gain & Tax liability

Mr. VG – (R) – Age – 32 Years – Default scheme

Computation of Total Income

LTCG = 59,80,000

LTCG = 60,00,000

STCG = 1,00,000

Total Income 1,20,80,000

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Solution :-

Computation of Capital Gain

1)

	Full Value of Consideration/Sale price	=	70,00,000
(–)	Expenditure on Transfer	=	—
	Net Full Value of Consideration	=	70,00,000
(–)	Cost of Acquisition	=	10,00,000
(–)	Cost of Improvement	=	20,000
	Long Term Capital Gain	=	59,80,000

2)

	Full Value of Consideration/Sale price	=	80,00,000
(–)	Expenditure on Transfer	=	—
	Net Full Value of Consideration	=	80,00,000
(–)	Cost of Acquisition	=	20,00,000
	Long Term Capital Gain	=	60,00,000

3) Full value of Consideration/Sale price = 41,00,000

(–) Expenditure on Transfer = —

Net Full value of Consideration = 41,00,000

(–) Cost of Acquisition = 40,00,000

Short Term Capital Gain = 1,00,000

Computation of Tax

1) Tax on STCG = Nill (Since Income less than 3L)

Unexhausted Exemption limit = 2,00,000

2) Tax on LTCG and Gold

59,80,000 X 12.5% = 7,47,500

3) Tax on LTCG on Building

1) 60,00,000 × 12.50% = 7,50,000

2) (7,40,000 − 2,00,000) × 20% = 1,08,000

(80,00,000 − 72,60,000)

↓

Unexhausted

less = 1,08,000

Tax	8,55,500
+ Surcharge 15%	1,28,325
(Since Income > 1C8)	9,83,825
+ 4% cess	39,353
	10,23,180/-

H.w

Mr VG has Following Assets :-

Name of Asset	Date of Purchase	Value of Purchase	Cost of Improvement	Date of Sale	Value of Sale
Gold	25/6/2001	15,00,000	—	28/6/2024	70,00,000
Building	8/4/2000	10,00,000 FMV = 9,00,000 1/4/2001	25/3/2001 = 10000 5/2/2002 = 10,000	28/11/2024	90,00,000
land	25/6/2010	40,00,000	–	23/7/2024	1,40,00,000
Building	25/7/2004	10,00,000	–	18/7/2024	70,00,000

Note :- 1) All cases are independent

2) Assume there is No unexhausted Exemption limit

3) Assessee is Individual (Resident in India) Except part-3 (i.e land case)

D

Computation of Capital Gain

Full value of Consideration/Sale price	=	70,00,000
(–) Expenditure on Transfer	=	–
Net Full value of Consideration	=	70,00,000
(–) Indexed Cost of Acquisition	=	54,45,000
$\frac{15,00,000}{100} \times 363$		
Long Term Capital Gain		15,55,000

Computation of Tax

Tax on long term capital Gain	Tax
15,55,000 X 20%	3,11,000
+ 4% Cess	12,440
	3,23,440

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Computation of Capital Gain

2)

Full value of Consideration/Sale price	=	90,00,000
(–) Expenditure on Transfer	=	–
Net Full value of Consideration	=	90,00,000
(–) Cost of Acquisition	=	(10,00,000)
(–) Cost of Improvement	=	(10,000)
Long Term Capital Gain		79,90,000

Tax on LTCG on Building

1) $79{,}90{,}000 \times 12.50\% = 9{,}98{,}750$ — less

2) $90{,}00{,}000 - 36{,}66{,}300 \times 20\% = 10{,}66{,}740$

1) $\left(\frac{1000000}{100} \times 363\right) = 3630000$

2) $\left(\frac{10000}{100} \times 363\right) = 36300$

Tax	9,98,750
+ Surcharge 10%	99,875
	10,98,625
+ 4% cess	43,945
	11,42,570/–

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3) **Computation of Capital Gain**

Full Value of Consideration/Sale price	=	1,40,00,000
(–) Expenditure on Transfer	=	–
Net Full Value of Consideration	=	1,40,00,000
(–) Cost of Acquisition	=	(40,00,000)
Long Term Capital Gain		1,00,00,000

Tax on LTCG on Building

1,00,00,000 X 12.5% =		12,50,000
	+ Surcharge 10%	1,25,000
		13,75,000
	+ 4% cess	55,000
		14,30,000

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Computation of Capital Gain

4)

Full value of Consideration/Sale price	=	70,00,000
(–) Expenditure on Transfer	=	–
Net Full value of Consideration	=	70,00,000
(–) Cost of Acquisition $\left(\frac{10,00,000}{113} \times 363\right)$	=	(32,12,389.38)
Long Term Capital Gain		37,87,611

Tax on LTCG on Building

37,87,611 X 20% = 7,57,522.2

+4% cess 30,300.88

7,87,820

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Lecture 9

Section - 50C

Full Value of Consideration in Certain Cases

Applicability = land or Building or Land & Building

Provision Applicability

	Particulars	50C Apply or Not	Sale Consideration for Capital Gains
1)	SDV is less than Actual Sale Price	✗	A.S.P is SC
2)	SDV is Equal to Actual Sale price	✗	A.S.P is SC
3)	SDV is less than 110% of A.SP	✗	A.S.P is SC
4)	SDV is Equal to 110% of ASP	✗	A.S.P is SC
5)	SDV is more than 110% of A.S.P	✓	SDV is Deemed as SC

Example

	Actual Sale price	SDV	SDC Apply (or) Not	SC for CG
1)	80,00,000	76,00,000	×	80,00,000
2)	80,00,000	80,00,000	×	80,00,000
3)	80,00,000	84,00,000	×	80,00,000
4)	80,00,000	88,00,000	×	80,00,000
5)	80,00,000	90,00,000	✓	90,00,000

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Example :-

8,00,000

Sale = 25/12/2024 = 74,00,000

SDV on 25/12/2024 = 87,00,000

Compute :- CG & Tax u/s 112

1/4/01 FMV = 9,00,000

1/4/01 SDV = 8,40,000

Assessee → No exhausted exemption limit

Assume is Individual / Resident

CoI = 1) 5/3/2001 = 40,000

2) 8/6/2009 = 50,000

Period of Holding : 25/10/2000 – 24/12/2024

Nature of Asset : LTCA.

FVOC/SP	:	87,00,000
(−) COA / (−) ICOA	:	(8,40,000) / (30,49,200)
(−) COI / (−) ICOI	:	(–) / (1,45,200)
		(50,000) / (1,22,635)
(=) CG w/o Indexation / (=) CG w/ Indexation	:	78,10,000 / 53,82,965

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∴ C.G. w/o Indexation = 78,10,000

(x) 12.5%

(=) 9,76,250

C.G. w/ indexation = 53,82,965

(x) 20%

(=) 10,76,593

LESSER : 9,76,250

(+) Surcharge @10%	97,625
(=) Tax	10,73,875
(+) 4% HEC	42,955
(=) Final Tax payable	11,16,830

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Imp Point

SDV on the DOA and SDV on the Date of Registration is not same then SDV on the Date of agreement is to be taken into Consideration, if Buyer pay full or part Payment on (or) before the Date of Agreement through A/c Payee cheque, A/c payee Draft, Electronic clearing system (i.e online mode)

If All above Condition are satisfied then SDV on the Date of Agreement would Considered otherwise the SDV on the Date of Registration is to be taken into Consideration

Example 1:

Answer

Date of Agree.	SDV. on DOA	Date of Reg.	S.D.V. on D.O.R	Actual S.P.	Adv. Payment	Sale cons. for CG.
18/11/23	80,00,000	19/4/24	90,00,000	75,00,000	50,000 cash (18/11/23)	90,00,000
15/7/22	70,00,000	20/6/24	75,00,000	65,00,000	50,000 NEFT (16/7/22)	75,00,000
18/8/23	80,00,000	25/10/24	90,00,000	70,00,000	1,00,000 A/c. Payee cheque (17/8/23)	80,00,000
18/12/22	80,00,000	8/4/24	78,00,000	71,00,000	5,00,000 CROSS CHEQUE (17/12/22)	80,00,000

Example 2:

Building : Purchased : 25/4/1999 : 6,00,000.

F.M.V as on 1/4/01 = 8,00,000.

S.D.V. as on 1/4/01 = 12,00,000.

COI : 25/1/2001 : 10,000

8/1/2011 : 20,000.

DOA : 25/12/2022 : 80,00,000.

SDV on 25/12/2022 : 89,00,000.

Date of Possession : 8/01/2024.

SDV on 8/1/2024 : 95,00,000

Date of Regn : 8/9/24

SDV. on 8/9/24 : 99,00,000

Buyer pay ₹ 20,00,000 through A/c. Payee Cheque on 24/12/2022.

Compute Cap. Gain & Tax u/s 112:
(Assume no unexhausted Exemption limit
& Resident INDVIDUAL:

Period of Holding: 25/4/1999 – 7/01/2024
LTCA
Assesse: Resident Individual.

Computation of Capital Gain in A.Y. 2024-25:

FVOC / SP	89,00,000
(–) ICOA $\left[\frac{800000 \times 348}{100}\right]$	(27,84,000)
(–) ICOI	(–)
$\left[\frac{20,000 \times 348}{167}\right]$	(41,676)
Capital Gain:	60,74,324

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Computation of Tax Liability on LTCA

LTCA	60,74,324
(x) 20%	
(=) Tax	12,14,864
(+) 10% Surcharge	1,21,486
(=) Tax	13,36,350
(+) 4% HEC	53,454
(=) Final Tax payable	13,89,804

Lecture 10

Important point

If Assessee claims that
(FMV < SDV)

2 option

1) Go with valuation officer

2) Appeal to Court

1) Value determined by Specified Authority > SDV = SDV Deemed as Sale Consideration

2) Value determined by Specified Authority < A.S.P = A.S.P Deemed as Sale Consideration

3) Value determined by Specified Authority is less than SDV and Equal to or more than A.S.P = Value Determined by Specified Authority Deemed as Sale Consideration

Section - 50D

If FVOC/SP is not ascertainable (or) Can't be determined in case of transfer of Capital Asset then FMV Shall be deemed as Sale Consideration for C.G

Section - 50CA

Applicability = ONLY ON "unlisted shares"

PROVISION = If sale price is less than FMV, than FMV Deemed as Sale price

Example

Mr. VG sale 1000 shares of VG Pvt ltd to Mr. PG @ 800/- per share.
FMV of such share ₹ 1150 per share.
Compute C.G in hands of Mr. VG if Mr VG CoA of such share ₹350 per share.

Solution :-

SP = 11,50,000
(1000x1150)

CoA = 3,50,000
(1000x350)

8,00,000 C.G

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Section 51 Advance money Forfited

Tax Treatment of Advance money Forfeited on Failure of Negotiation For Transfer of Capital Asset

If Advance was received and forfeited "Before 1/4/2014"

↓

Advance forfeited to be deducted while Computing "Cost of Acquisition" for Computing "Capital Gaining"

↓

Taxability is Postponed till the year of T/F of CA

If Advance was received and forfeited "on or after 1/4/2014"

↓

Advance forfeited to be Taxable under head Other head under section 56.

↓

Taxability arise in the same P.Y in which Advance money forfeited.

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Lecture 11

What if Seller Default ?

Seller → Buyer: Property - AOS

After Default Pay ₹ 60L (Double of Advance)

Buyer → Seller: Pay Advance

let say - 30 lakh

Assume = Seller Default

Question Arise = What will be the treatment of ₹ 30L income ?

Answer :- As per H.C Judgement ₹ 30L will be taxable under head Capital Gains. in the hands of Buyer

Right to get property is a CA, Buyer Relinquish his right & relinquishment is a T/F. Hence Capital Gain will arise

	SP =	60,00,000
(-)	COA =	30,00,000
	CG	30,00,000

Section 45 (1A) + 45(2) + 45(5) + 45(5A) + 45(1)

Generally, If following 3 Conditions are satisfied, then Capital Gain will be chargeable to TAX :-

1) Income
+
2) Transfer
+
3) Capital Asset

If All above Conditions are satisfied then, Capital Gains shall be chargeable to Tax in the year in which Transfer Took place.

$\boxed{\text{CRUX}}$

Jaha Transfer, Vaha Taxable

Except Following 4 Cases :-

1) Section 45(1A)	3) Section 45(5)
2) Section 45(2)	4) Section 45(5A)

Taxable किसी Alag साल मे,
Taxable किसी Alag साल मे.

Lecture 12 Imp

Particulars	US(1A)	US(2)	US(5)	US(5A)
Title/ Heading	Capital Gains on Insurance claim Received on Destruction of Capital Asset	Conversion of Capital Asset into Stock in Trade	Capital Gains on Compulsory Acquisition	Joint Development Agreement
Year of Transfer	Date of Destruction of Capital Asset	Year of Conversion of Capital into Stock in Trade	Year of Compulsory Acquisition	Year of possession of Immovable Property.
Indexation upto	Year of Transfer (If transfer before 23/7/24)	Year of Transfer (If transfer before 23/7/24)	Year of Transfer (If Transfer before 23/7/24)	Year of Transfer (If Transfer before 23/7/24)
Period of Holding	Immediately Preceding the Date of Transfer (i.e. Date of Destruction)	Immediately Preceding the Date of Transfer (i.e. Date of Conversion)	Immediately Preceding the Date of Transfer	Immediately Preceding the Date of Transfer (i.e. possession)
FVOC / SP	Insurance claim Received + FMV of the asset received (If Available)	PGBP SP of SIT = xxx (-) FMV of CA on the Doc = xxx PGBP xxx	Compensation Received	SDV of Constructed Area belong to Assessee + Cash (if any)

		Capital Gain SP = FMV of the DOC (−) COA / ICOA = XXX (−) COI / ICOI = XXX CG XXX	1) Original Compensation Taxable in the PY in which Ist Installment is Received 2) Enhanced Compensation → By Interim order Taxable in the PY in which FINAL order is made → By final order → Taxable in the P.Y in which Received by the Assessee	
Year of Taxable	When Insurance claim Received	When SIT Sold	(Sale price and Year of Taxable same)	When Completion Certificate issued

Section 45(2)

Gold Ring

(Held as Investment)

↓

Purchase = 10,000 (Year 2002)

Convert into SIT

VG Jewellers → SIT → Gold Ring Sale → Sale

FMV of Gold ring = 1,00,000

Sale 2,00,000

Capital Gain

↓

SP = 1,00,000

CoA = 10,000

CG = 90,000

PGBP

↓

SP = 2,00,000

CoA = 1,00,000

CG = 1,00,000

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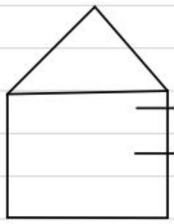
Lecture 12

Example :- Section 45(5) *



→ Purchase 25/6/1990 = 4,00,000

→ FMV 1/4/2001 = 10,00,000

SDV 1/4/2001 = 12,00,000

Govt Compulsory Acquire Such property on 28/11/2021 and decide ₹ 90,00,000 as Compensation.
₹ 40 Lakh Received out of 90 lakh on 5/12/2021 and Balance Amount (₹ 50 lakh) Received on 8/6/2022. Mr. VG Appeal to High Court For enhanced Compensation High Court passed Interim order — 15/12/2022 of ₹ 40,00,000 (₹ 10 lakh Received on same date & 30 Lakh on 15/4/2023) Finally High Court passed Final order on 8/7/2024 of ₹ 90,00,000 (40 lakh already Received due to Interim order & 50 Lakh Enhanced by Final order)

Break up of ₹ 50L Received

→ 20,00,000 8/11/24
→ 10,00,000 5/3/25
→ 20,00,000 8/1/2026

Compute CG on above Transaction

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Solution :- Computation of Capital Gain

1) Capital Gains on original Compensation

Taxable in P.Y 2021-22 (1st Installment Received of original Compensation)

Sale price = 90,00,000

(-) ICOA

$\frac{10,00,000}{100} \times 317$ = 31,70,000

LTCG u/s 112 58,30,000

2) Capital Gain on Enhanced Compensation

By Interim order (Taxable in the P.Y 24-25 since FO is made)

SP = 40,00,000
Cost = Nill
40,00,000 LTCG

By Final order (Taxable in the PY in which Received by Assessee)

PY 24-25	PY 25-26
SP = 30,00,000 (20L + 10L)	SP = 20,00,000
Cost = Nill	Cost = Nill
LTCG 30,00,000	LTCG 20,00,000

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* Section 45(5) apply on all types of Capital Asset except Capital Asset Covered under Section 10(37)

Section 10(37)

Exemption in respect of Capital Gains of URBAN AGRICULTURE LAND

→ Exemption is available only if All the below mentioned Condition are Satisfied

1) Assessee must be an Individual (or) HUF

2) T/F is of Agriculture land Situated in URBAN AREA

3) Land is used for Agricultural purpose during the Period of 2 year Immediately preceding the date of Transfer by HUF (or) Individual (or) Parent of Individual.

4) Transfer take place by way of Compulsory Acquisition under any law and Consideration is determined by CG or RBI

↓

IF All above Conditions are satisfied then original as well as Enhanced (or) Capital Gains whether STCG (or) LTCG is Fully Exempt.

Lecture 13

Income From other Source – start

Section – 47 + Sec – 56(2) (x) [Capital Gain + other source]

Section 47 Certain Transaction Not Regarded as Transfer

1) Partition of HUF

2) Gift is not a T/F

3) Asset T/F by amalgamating co to Amalgamated Company
(If Amalgamated Co must be an indian co)

4) Asset T/F by Holding company to Subsidiary Company
(if subsidiary company is an indian co.)

5) Asset T/f by subsidiary co to holding co
(if holding company is an indian co.)

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Lecture 14

Taxability of GST u/s 56(2)(x) : OTHER SOURCES

Applicability :- Gift Received by ANY PERSON

GIFT

- Monetary Form
  - Cash
  - Cheque
  - Draft
  - other money form

  ↓

  Aggregate value
  - Upto ₹ 50000 → Exempt from "TAX"
  - More Than ₹ 50,000 → Whole value shall be chargeable to TAX in the hands of Recipient under head Other Sources
- Non-Monetary Form (in kind) — on next page

Example

1) Mr. VG Received ₹40,000 each from his 3 Friends on his birthday. Compute taxable amount?

Ans :- 1,20,000 Deemed as Income from other source

2) Mr. VG Received ₹40,000 Cash Gift from Mr. Rohan on 18/7/24 and ₹ 15,000 Cross cheque from Mr. Bittu Compute Taxable portion.

Ans :- ₹55,000 Taxable under head other source in hands of Mr. VG.

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GIFT

- **Monetory Form** — on Previous page
- **Non-Monetory Form (in kind)**
  - **Movable Property**
    - Without consideration → Aggregate fair market value
      - upto 50,000 → Exempt
      - more than 50,000 → Whole FMV shall be chargable to Tax under head other source
    - Inadequate Consideration → Difference Between Aggregate (FMV - Actual Sale price)
      - upto ₹ 50,000 → Exempt from TAX
      - more than 50,000 → Whole Difference is to be chargeable to TAX under head other Source
  - **Immovable Property**
    - Without Consideration → Single Transaction SDV
      - upto 50,000 → Exempt from TAX
      - more than 50,000 → Whole SDV shall be chargeable to TAX under head Other Source
    - Inadequate Consideration
      - Two Condition must be satisfied
        1) Difference between SDV & ASP more than ₹ 50,000
        +
        2) SDV > 110% of ASP
        → Whole difference is to chargeable to TAX under head other source
      - If any one or both Condition not satisfied → Exempt from TAX (No Taxability under head other source)

Example 1

Mr. VG Received Gold as Gift from Mr. VG FMV of Such Gold ₹ 55,000 Compute Taxable Position ?

Solution :- 55,000 - Income under head other source

Example 2

Mr. VG Sold Gold Ring to Mr. VG ₹ 20,000, and FMV of Such Gold Ring ₹ 1,40,000

Solution :- (1,40,000 - 20,000) = 1,20,000 Deemed as income from other source

Example :-

1) Mr. VG Received one Flat from Mr. PG. SDV of Such Flat ₹ 60,000 Compute Taxable Amount under head other source

Solution :- 60,000 Taxable under head other source

2) Mr. VG Sold Flat to Mr. PG @ 60,00,000 and SDV of the such Flat ₹ 65,00,000 Compute taxable in hands of Mr. VG under head other source

Solution :- Nill Taxable Since SDV ≤ 110% of ASP

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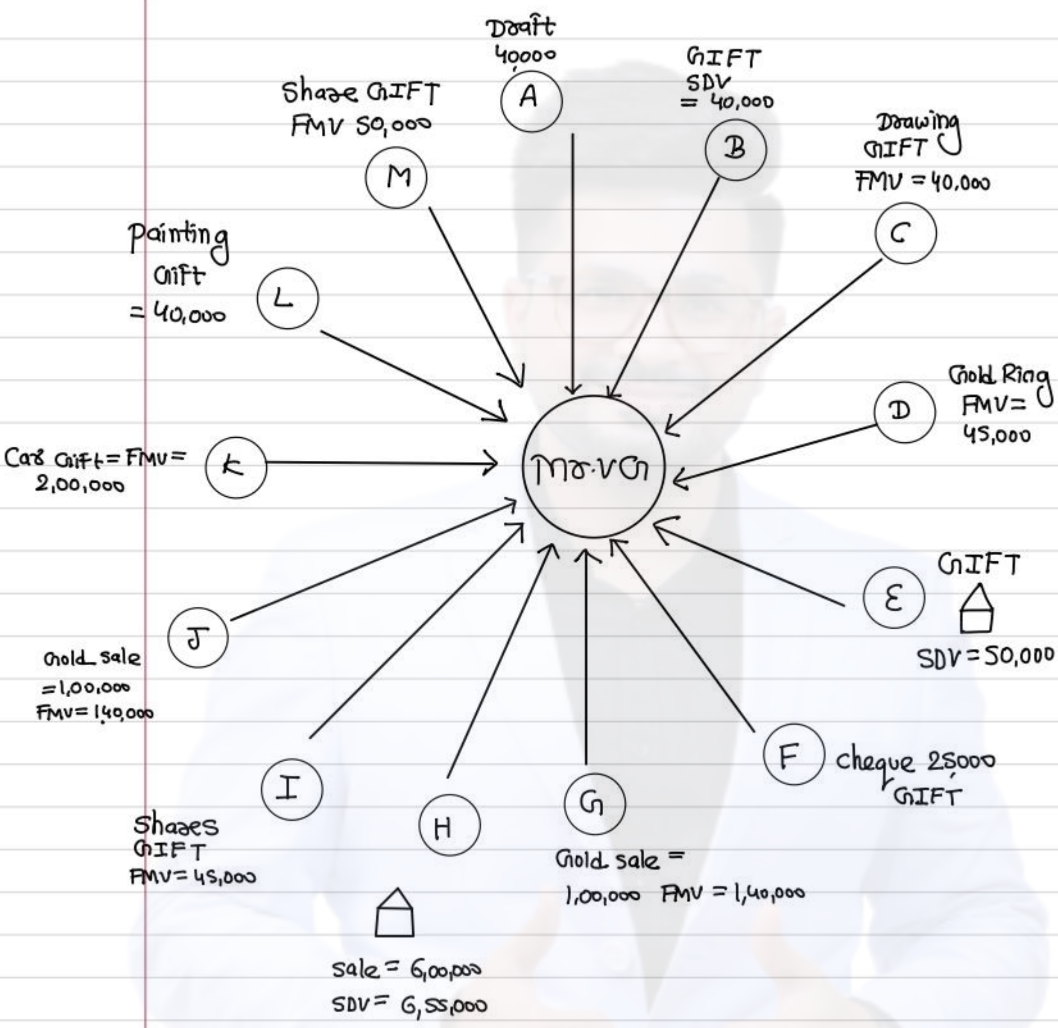
Definition of property under Income other source

Property is a Capital Asset of Assessee Namely :-

1) Immovable property being land or building or both
2) Shares & Security
3) Jewellery
4) Archaeological Collections
5) Drawings
6) Paintings
7) Sculptures
8) Any work of Art
9) Bullion
10) Virtual Digital Asset (Bitcoins)



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Solution :–

Money	Movable Property without Consideration	Movable Property Inadequate Consideration	Immovable Property without Consideration	Immovable Property Inadequate Consideration
40,000	40,000	40,000	~~40,000~~	~~55,000~~
25,000	45,000	40,000	~~50,000~~	
	45,000			
	40,000			
	50,000			
65,000	2,20,000	80,000		

Ans = 3,65,000

By – CA VIVEK GABA SIR
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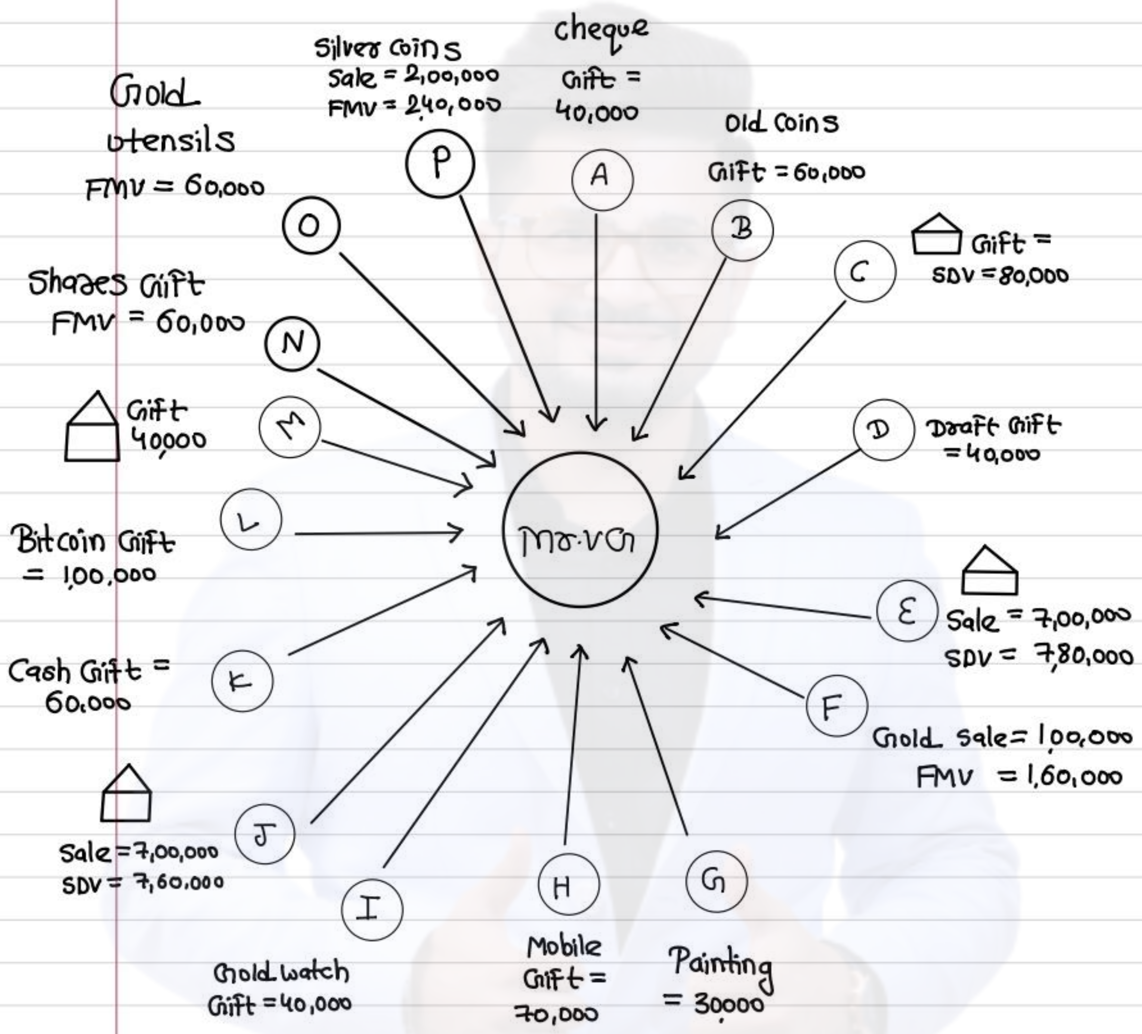
H.W



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Solution :—

Money	Movable Property without Consideration	Movable Property Inadequate Consideration	Immovable Property without Consideration	Immovable Property Inadequate Consideration
40,000	60,000	60,000	80,000	80,000
40,000	60,000	40,000		
60,000	1,00,000			
	40,000			
	30,000			
	60,000			
140,000	3,50,000	1,00,000	80,000	80,000

Ans :— 7,50,000

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Lecture 15

CRUX of Taxability of GIFT

CRUX 1

Gift Taxable in the hands of Recipient if he satisfied all the following Conditions :-

1) GIFT property की Definition मे Cover होना चाहिए

+

2) Gift की value ₹ 50,000 से ज्यादा होनी चाहिए

+

3) Gift Exceptions मे Cover नहीं होना चाहिए

+

4) Gift Receiver के हाथ मे Capital Asset होना चाहिए

↓

If all Above Condition are satisfied then whole value shall be chargeable to Tax in hands of Receiver.

CRUX 2

Concept of Aggregate under Taxation of Gift

1) money wale money से Aggregate होंगे

2) Movable property without Consideration वाले without Consideration से Aggregate होंगे

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3) movable property Inadequate Consideration वाले Inadequate Consideration से Aggregate होंगे

But point 1,2,3 आपस मे Aggregate नही होंगे।

4) Immovable property without Consideration वाले without Consideration से भी Aggregate नहीं होंगे

5) Immovable property inadequate Consideration वाले Inadequate Consideration सेभी Aggregate नहीं होंगे

Immovable मे single-single Transaction Check होगी

1, 2, 3, 4, 5 आपस मे Aggregate नही होगी

Non Applicability of sec 56 (2) (x)

a) Gift Received from any relative on any occasion

* Relative means :—

(i) spouse of the individual; (Husband, wife)

(ii) brother or sister of the individual;

(iii) brother or sister of the spouse of the individual; (Sala, Sali, Devar, Jeth, Nanad)

(iv) brother or sister of either of the parents of the individual;

(v) any lineal ascendant or descendant of the individual;

(vi) any lineal ascendant or descendant of the spouse of the individual;

(vii) spouse of any of the persons referred in (i) to (vi) above.

Mummy, Papa, Dada, Dadi, Nana, nani, Son, Daughter, Grand son, Grand daughter

Mama, masi, Bua, chacha, Tau

(Saas, sasur, adopted child if any Step child)

Following are not Covered under Definition of Relative :-

1) Cousin

2) Children of brother (or) Sister of individual

3) Deemed Wife Deemed Husband

b) On the occasion of marriage of any individual

c) Under a will (or) by way of inheritance

d) In Contemplation of Death

e) From any local Authority

f) From any Fund, Foundation, university, Colleges, educational institute, hospitals, Trust, etc.

g) by way of transaction not regarded as Transfer U/s 47

h) Amount Received by a member of Family of Deceased Person (If Death Due to Covid 19)

→ From the employer of the deceased employee

→ From any other person upto 10L

Capital Gain link with other source (Taxation of GIFT)

D

Sale

X → Y → Z

X	Y	Z
CoA = 10,00,000	70,00,000 SDV = 75,00,000	90,00,000 SDV = 1,05,00,000
		1,40,00,000 SDV = 1,62,00,000

	O/S = Nill	OS = 15,00,000
SP = 70,00,000	SP = 1,05,00,000	SP = 1,62,00,000
CoA = 10,00,000	CoA = 70,00,000	CoA = 1,05,00,000
CG 60,00,000	CG 35,00,000	CG 57,00,000

OS = 22,00,000
Cost = 1,62,00,000

2)

X $\xrightarrow{\text{Gold Sale}}$ Y ⟶ Z ⟶

CoA = 10,00,000

7000,000
SDV = 75,00,000

90,00,000
SDV = 1,05,00,000

1,40,00,000
SDV = 1,62,00,000

Seller = CG ?
Buyer = cost ?
Buyer = OS ?

→

SP = 70,00,000
CoA = 10,00,000
CG = 60,00,000

Other source = 5,00,000

SP = 90,00,000 / 75,00,000
CoA = 15,00,000

Other source = 15,00,000

SP = 140,00,000
CoA = 1,05,00,000
35,00,000

OS = 22,00,000
Cost = 1,62,00,000

Cost of Acquisition + Taxation of Gift

1) If buyer के हाथ मे other source मे Taxability हो चुकी है then जब Buyer property को Aage sale करेगा तो उसकी cost बनेगी FMV (or) SDV as the case may be. अगर Buyer के हाथ मे OS मे taxability नही हुई तो Actual purchase price ही cost बनेगी।

Hw

$$X \xrightarrow{80,00,000} Y \xrightarrow{1,10,00,000} Z \xrightarrow{1,60,00,000} P \xrightarrow{2,20,00,000} Q$$

CoA = 20,00,000

SDV = 90,00,000 SDV = 20,00,000 SDV = 1,90,00,000 SDV = 2,35,00,000

Solution :-

	OS = 10L	OS = Nill
SP = 90,00,000	SP = 1,10,00,000	SP = 1,90,00,000
CoA = 20,00,000	CoA = 90,00,000	CoA = 1,10,00,000
70,00,000	20,00,000	80,00,000

OS = 30,00,000 Cost = 2,20,00,000

SP = 2,20,00,000
CoA = 1,90,00,000
CG = 30,00,000

Lecture 16

Balance Part of Income from other sources

Section 56(1) charging section

1) If any Income is not chargeable to tax under any other 4 heads of Income then such Income is to be chargeable to tax u/h OS.

2) This is Residuary head of income

Section - 56(2) Income chargeable to Tax under head "Other Sources"

Following Income shall be chargeable to Tax Income under head "Other Source"

* 1) Dividend Income (Including Deemed Dividend), whether shares hold as Investment or SIT.

** 2) Casual Income (betting, gambling, lottery, online gaming, crossword puzzle etc)

3) Consideration or Compensation Received due to termination or modification of any Contract (if not taxable u/s PGBP)

4) Advance money forfeited on or after 1/4/14

*** 5) Interest on Compensation (whether original or enhanced)

**** 6) Family Pension Received

7) Guest lecture salary

8) Income From sub-letting of HP.

9) Interest on security (or) Other than security (Debenture, bonds, loans etc.

10) Income From letting out of land (or) furnishing items.

11) Gift Received

12) Sum Received including the amount allocated by way of Bonus under a life insurance other than ULIP

13) Any other Income if not chargeable to tax under any 4 heads of Income

* Computation of Taxable dividend

Dividend Received (Whether Interim (or) final)	-	xxxxx
(-) # Deduction	=	xxxx
Taxable Dividend		xxxx

#

1) No Deduction allowed From Dividend Income

Except Interest Expenditure

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2) Quantum of Deduction :-

1) Actual Interest paid

or

2) 20% of Total Dividend

LESS

Example :- Mr VG invested in the following Co and received Dividend as follows :-

1)	ONGC Ltd	Final	80,000
2)	TATA steel	Final	1,20,000
3)	GAIL Ltd	Interim	40,000
4)	IRCTC Ltd	Final	60,000
5)	RIL Ltd	Interim	90,000
6)	Coal India ltd	Final	1,40,000
			5,30,000

→ Interest Expenditure incurred to earn above dividend ₹ 1,02,000

→ Other Expenditure incurred to earn above dividend ₹ 80,000

Compute Taxable Dividend

Solution :– Total Dividend Received = 5,30,000

(–) Int Exp Incurred

1,02,000 (or) 5,30,000 x 20% (1,06,000) = 1,02,000

$\underbrace{\text{1,02,000 (or) 5,30,000}}_{\text{Less}}$

(–) Other Expences Incurred = Not Allowed

Taxable Dividend 4,28,000

What will be your ans if total int Paid is ₹ 1,40,000

Taxable Dividend = (5,30,000 – 1,06,000) = 4,24,000

** Casual Income

Section -115BB

Income From lottery, betting, gambling, Crossword, Puzzle, Horse Racing etc.

→ Tax Rate = 30% Flat
(Without any exemption limit)

→ No Expenditure allowed as deduction from such income

→ No Deduction u/c VI-A
(Sec-80C to 80U)

→ Unexhausted Exemption limit Can't used

→ Rebate u/s 87A is available

Sec -115BBJ

Income From online money gaming

Same

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*** Interest on Compensation

Interest on Compensation (original or Enhanced) = xxxx

(−) Deduction @ 50% of Interest = xxxx

Taxable xxxx

**** Family Pension Taxability

Normal Regime

Family Pension Received = xxxx

(−) Deduction = $\frac{1}{3}$rd of Family Pension Received or ₹15,000 P.a less

Taxable xxxx

Default Regime

Family Pension Received = xxxx

(−) Deduction = $\frac{1}{3}$rd of Family Pension Received or ₹25,000 P.a less

Taxable xxxx

Example :— Family pension Received = 90,000

Taxable

Normal Regime = $90000 \times \frac{1}{3} = 30{,}000$ or $15{,}000$

less

$90000 - 15000 = 75000$

Default Regime = $90000 \times \frac{1}{3} = 30{,}000$ or $25{,}000$

less

$90000 - 25000 = 65000$

Section-10

Following Income are exempt

1) Income by way of interest on money standing to his NRE A/C is Exempt

2) Value of scholarship granted to meet the cost of Education would be exempt.

3) Daily Allowance Received by MP/MLA.

4) Interest on post office Saving Bank A/c is Exempt upto following limits.

1) 3500 in case of individual A/c

2) 7000 in case of Joint A/c

5) Interest on Gold deposit Bond (or) Deposit Certificate

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(CG) **Section 50B SLUMP SALE**

↳ Sale for a Lump sum Consideration

SLUMP SALE – means T/F of one (or) more undertaking as a result of Lumpsum Consideration without value being assigned to asset and liabilities of any individual Assets Except for stamp duty Purchase.

Key Points

1) Capital Gains is taxable when slump sale is affected

2) Nature of CG depend on period of holding of undertaking T/F. If undertaking is held for more than 36 months, the entire CG is LTCG. otherwise STCG.

3) Nothing shall be taxable under head PGBP, even if SIT is sold.

4) COA & COI = * Net worth of undertaking

* Networth = Value of Total Asset (-) Value of Total liabilities

5) Revaluation of Asset won't be Considered while calculating Networth.

6) Benefit of Indexation is not Available

7) Value of non-depreciable asset shall be taken at Book value

8) Value of Depreciation Asset shall be taken at WDV

9) Value of Self-generated Goodwill of business (or) profession shall be taken as Nill.

10) In case of CA where the 100% Expenditure allowed u/s 35AD is to be taken as Nil.

11) What will be SP/ FVOC ?

FVOC / SP = FMV - 1 (or) FMV - 2 — Higher

FMV - 1 → FMV of the undertaking T/F

FMV - 2 → FMV of the asset T/F

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Lecture 17

Tax Rates on LTCG or STCG (sec-112 + 112A + 111A + Finance Act)

Long Term Capital Gains

LTCG u/s 112A

Applicable on T/F of only 3 Specified Securities

1) Listed Equity shares
2) units of Equity oriented mutual fund
3) units of Business Trust

Condition for Applicability of 112A

1) T/F on or after 1/4/2018
+
2)
- Equity shares → STT Paid on Purchase & Sale
- → units of Equity oriented MF
- → units of Business Trust → STT paid only on Sale

Transfer Before 28/7/2024

LTCG upto 1,25,000 = Nill

LTCG more than 1,25,000 = 10% of Excess Value

Transfer on or after 28/7/2024

LTCG upto 1,25,000 = Nill

LTCG more than 1,25,000 = 12.5% of Excess Value

Total limit of Exemption in a FY = ₹ 1,25,000

→ use where more beneficial to Assessee

LTCG u/s 112

जो Capital Gains 112A में नही आयेगा वो LTCG 112 में आयेगा

(Already discussed Earlier in Master diagram)

Short Term Capital Gain

STCG u/s 111A

Transfer of 3 Specified Securities

→ listed E.S
→ units of Eq. oriented Fund
→ units of Business Trust

- Transfer Before 23/7/24 → 15% of STCG
- Transfer with effect from 23/7/24 → 20% on STCG

Important point

1) In case of Resident Individual, HUF, STCG u/s 111A reduced by unexhausted Exemption limit and Balance STCG Taxable @ 15% or 20% as the case may be
2) No Deduction u/s VI-A (ie. 80C to 80U)

Other STCG

जो STCG 111A में नही आयेगा

→ Normal Tax Rates

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Important points

1) In case of Resident individual, HuF, LTCG shall be reduced by unexhausted Basic Exemption limit and Balance LTCG shall be taxed @ 10% (or) 12.5% as the Case may be.

2) No Deduction u/c VI-A (i.e. 80C to 80U) and No Rebate u/s 87A Can be claimed in respect of LTCG u/s 112A.

3) No Indexation Available for Computation of LTCG u/s 112A

Computation of LTCG u/s 112A as per the following manner.

Sale Price	=	xxxx
(-) EOT	=	xxxx
Net Sale price		xxxx
* (-) CoA	=	xxxx
LTCG u/s 112A		xxxx

* Cost of Acquisition

1) Higher of a) and b)

a) Actual Cost of Acquisition

(or)

b) lower of (i) and (ii)

i) Sale price of shares

(or)

ii) FMV of on 31/1/2018

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Example

1) LTCG u/s 112A = 4,00,000 (T/F before 23/7/24)

→ (4,00,000 − 1,25,000) × 10% = 27,500

	27,500
+4% cess	1,100
	28,600

2) LTCG u/s 112A = 6,00,000 (T/F on or after 23/7/24)

→ (6,00,000 − 1,25,000) × 12.5% = 59,375

	59,375
+4% cess	2,375
	61,750

3) LTCG u/s 112A = 1,00,000 (T/F on 18/7/24)

→ Nill

4) LTCG u/s 112A = 1,50,000 (T/F on 25/7/24)

→ (1,50,000 − 1,25,000) × 12.5% = 3,125

	3,125
+4% cess	125
	3,250

5) LTCG u/s 112A = 50,000 (T/F on 16/7/24)
LTCG u/s 112A = 1,50,000 (T/F on 28/7/24)

→ $(50{,}000 \times 10\%) + (1{,}50{,}000 - 1{,}25{,}000) \times 12.5\%$

$= 5000 + 3125$

$= 8125$
+4% cess 325
8,450

6) LTCG u/s 112A = 1,00,000 (T/F on 5/7/24)
LTCG u/s 112A = 80,000 (T/F on 5/8/24)

→ $(1{,}00{,}000 - 45{,}000) \times 10\% + (80{,}000 - 80{,}000) \times 12.5\% =$

5500 + Nill

= 5500
+ 4% cess 220
5720

7) LTCG u/s 112A = 1,00,000 (T/F on 8/7/24)

STCG u/s 111A = 1,00,000 (T/F on 25/7/24)

→ (1,00,000 − 1,00,000) × 10% + 1,00,000 × 20%

Nill + 20,000

= 20000

(−) 87A Rebate 20000

Nill

8) LTCG u/s 112A = 1,50,000 (T/F on 25/7/24)

STCG u/s 111A = 1,50,000 (T/F on 8/6/24)

→ (1,50,000 − 1,25,000) × 12.5% + 1,50,000 × 15% =

3,125 + 22,500 = 25,500

(−) 87A Rebate 22,500

only for 111A Tax 3,125

+4% cess 125

3250

Note :- 1) Ignore unexhausted Exemption limit

2) Consider Rebate u/s 87 A Applicability

3) Mr. VG − Resident − 32 yrs − Default scheme

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Lecture 18 **CRUX of Section - 54** Page no : 11.71

Section 54

Section 54, 54B, 54D, 54EC

Sale Price of Specified Asset	= xxxx
(-) EOT	= xxxx
Net S.C	xxxx
(-) COA / ICOA	xxxx
(-) COI / ICOI	xxxx
Eligible Capital Gain (may be ST / LT)	xxxx

↓

Capital Gains shall be Exempt If invested in Specified Capital Asset within specified time limit

↓

Amount of Exemption

Invested Amount ≥ Capital Gains

= 100% CG Exempt

Invested Amount < Capital Gains

= Amount invested is exempt

Maximum Exemption u/s 54

If CG upto ₹ 2 cr = max 2 R.H in india

If CG more than ₹ 2 cr = max 1 R.H in India (Subject to ₹ 10 cr)

maximum Exemption u/s 54B / 54D = No limit

maximum exemption u/s 54EC = max ₹ 50 L

Section 54F

Sale price of Specified Asset	= xxxx
(-) EOT	= xxxx
Net Sale price	xxxx
(-) ICOA / COA	xxxx
(-) ICOI / COI	xxxx
Capital Gains	xxxx

↓

Capital Gains Shall be exempt only "Net Sale Consideration" is to be Invested.

↓

Amount of exemption

1) Amount Invested ≥ Net Sale Consideration

= 100% CG Shall be exempt

2) Amount Invested < Net Sale Price

↓

Proportionate C.G is to be Exempt

$$\frac{\text{Capital Gains}}{\text{Net Sale price}} \times \text{Amount Invested (Subject to ₹ 10 cr)}$$

max 10 cr तक की Investment की Exemption मिल सकती है

Exemption of Capital Gains [Sections 54 to 54F]

S. No.	Particulars	Section 54	Section 54B	Section 54D	Section 54EC	Section 54F
1	Eligible Assessee	Individual/ HUF	Individual/ HUF	Any assessee	Any assessee	Individual/ HUF
2	Asset transferred	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.
3	Other Conditions	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.
4	Qualifying asset i.e., asset in which capital gains has to be invested	One Residential House situated in India / Two residential houses in India, at the option of the assessee, where capital gains does not exceed ₹ 2 crore	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. (Redeemable after 5 years)	One Residential House situated in **India**
5	Time limit for purchase/ construction	Purchase within 1 year before or 2 years after the date of transfer (or) 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 (or) Construct within 3 years after the date of transfer
6	Amount of Exemption	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 crore, the amount exceeding ₹ 10 crore would not be taken into account for exemption. The maximum exemption that can be claimed by the assessee is₹ 10 crore.	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 specified 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 FY or subsequent FY or both.	Cost of new Residential House ≥ 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 new residential house exceeds ₹ 10 crore, the amount exceeding ₹ 10 crore would not be taken into account for exemption.

Sec 54

[1]	[2]	[3]	[4]	[5]
S.No.	LTCG computed	Cost of new residential house	Amount in column [3] or ₹ 10 crore, whichever is lower	Exempt LTCG [Lower of column [2] and column [4]]
[1]	₹ 7 crore	₹ 12 crore	₹ 10 crore	₹ 7 crore
[2]	₹ 12 crore	₹ 14 crore	₹ 10 crore	₹ 10 crore
[3]	₹ 11 crore	₹ 9 crore	₹ 9 crore	₹ 9 crore
[4]	₹ 15 crore	₹ 13 crore	₹ 10 crore	₹ 10 crore

Mr. Cee purchased a residential house on July 20, 2022 for ₹ 10,00,000 and made some additions to the house incurring ₹ 2,00,000 in August 2022. He sold the house property in April 2024 for ₹ 20,00,000. Out of the sale proceeds, he spent ₹ 5,00,000 to purchase another house property in September 2024.

What is the amount of capital gains taxable in the hands of Mr. Cee for the A.Y.2025-26?

SOLUTION

The house is sold before 24 months from the date of purchase. Hence, the house is a short-term capital asset and no benefit of indexation would be available.

Particulars	₹
Sale consideration	20,00,000
Less: Cost of acquisition	10,00,000
Cost of improvement	2,00,000
Short-term capital gains	8,00,000

Note - The exemption of capital gains under section 54 is available only in case of long-term capital asset. As the house is short-term capital asset, Mr. Cee cannot claim exemption under section 54. Thus, the amount of taxable short-term capital gains is ₹ 8,00,000.

[1]		[2]	[3]	[4]	[5]
	Net Consider-ation	LTCG computed	Cost of new residential house	Amount in column [3] or ₹ 10 crores, whichever is lower	Exempt LTCG
[1]	₹ 15 crore	₹ 7.5 crore	₹ 12 crore	₹ 10 crore	₹ 7.5 crore x 10/15 = ₹ 5 crore
[2]	₹ 20 crore	₹ 12 crore	₹ 15 crore	₹ 10 crore	₹ 12 crore x 10/20 = ₹ 6 crore
[3]	₹ 16 crore	₹ 12 crore	₹ 8 crore	₹ 8 crore	₹ 12 crore x 8/16 = ₹ 6 crore
[4]	₹ 10 crore	₹ 6 crore	₹ 10 crore	₹ 10 crore	₹ 6 crore x 10/10 = ₹ 6 crore
[5]	₹ 12 crore	₹ 6 crore	₹ 12 crore	₹ 10 crore	₹ 6 crore x 10/12 = ₹ 5 crore

$\frac{7.5}{15} \times 10$

COA & COI of Intangible Asset

Self-Generated	Acquired
COA = Nill	Purchase price

CoI must be Nill

option to take FMV as on 1/4/2001 is Not Available in Case of Intangible Asset.

Shares & securities

COA

1) Original share = Purchase Price

2) Bonus shares = Nill

3) Right share = 1) Right offer accepted by Existing Share holder
CoA = Price Paid to the Company.

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2) Renouncement the Right

1) Person who Renounce the Right

COA = Nill

2) Person who purchase the right

Price Paid to Person who Renounce the Right + Price Paid to CO For Acquire the share

If any share issue / Acquire before 1/4/2001

COA = Purchase price or 1/4/2001 FMV

Higher

Indexation benefit Not available

→ In case of any Bonds or Debentures

Except

1) Capital Index Bonds
2) Sovereign Gold Bonds

It means Indexation Available (If Transfer before 23/7/24)

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Important Note

→ STT is not Allowed as deduction if shares held as investment

Section 46A Buy Back of shares + Deemed Dividend

1) The Sum paid by a domestic Company for purchase of its own shares shall be treated as dividend in the hands of shareholders, who received payment from such buy-back of shares and shall be charged to income-tax at applicable.

2) No Deduction for expenses shall be available against such dividend income while determining the income from other source. The cost of acquisition of the shares which have been brought back would generate a Capital loss in the hands of the share holder.

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

CRUX

Buy Back price = Deemed Dividend

Cost of purchase = Capital loss

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CAPITAL GAINS SARANSH

CAPITAL GAINS ON BUYBACK OF SHARES OR SPECIFIED SECURITIES [SECTION 46A]

(1)	(2)		(3)	(4)
Taxability in the hands of	**Buyback of shares by domestic companies**		**Buyback of shares by a company, other than a domestic company**	**Buyback of specified securities by any company**
	Buy back effected before 1.10.2024	**Buy back effected on or after 1.10.2024**		
Company	Subject to additional income-tax@23.296%.	Not subject to tax in the hands of the company.	Not subject to tax in the hands of the company.	Not subject to tax in the hands of the company.
Shareholder/ holder of specified securities	Income arising to shareholder exempt under section 10(34A)	Income arising to shareholder would be treated as dividend and no deduction would be available against such dividend. Consequently, value of consideration received by shareholder on buyback would be Nil.	Income arising to shareholder taxable as capital gains u/s 46A.	Income arising to holder of specified securities taxable as capital gains u/s 46A.

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SARANSH **INCOME FROM OTHER SOURCES**

SUM RECEIVED, INCLUDING THE AMOUNT ALLOCATED BY WAY OF BONUS, UNDER A LIFE INSURANCE POLICY (LIP) OTHER THAN UNDER A ULIP AND KEYMAN INSURANCE POLICY, WHICH IS NOT EXEMPT UNDER SECTION 10(10D)

LIP

- **Policy taken before 1.4.2023**
  - Does premium exceed 10%/15%/20% of Sum Assured (SA)?
    - **Yes** → Taxable under the head "Other Sources"
    - **No** → Exempt u/s 10(10D)
- **Policy taken on or after 1.4.2023**
  - If premium does not exceed ₹ 5,00,000 in any P.Y during the term of policy → Does premium exceed 10%/15%/20% of Sum Assured (SA)?
  - If premium or aggregate of premium exceed ₹ 5,00,000 in any P.Y during the term of policy
    - **Single LIP**
      (1) Such LIP will be taxable as Income from Other Sources
      (2) Income = Maturity proceeds (-) aggregate of premium paid during the term of the policy
    - **Multiple LIP**
      (1) Exemption can be claimed in respect of those LIP, at the option of the assessee, whose aggregate premium payable does not exceed ₹ 5,00,000 and where premium does not exceed 10% of SA.
      (2) Remaining LIP's would be taxable as income from Other Sources

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5.3 INCOMES CHARGEABLE UNDER THIS HEAD [SECTION 56]

(i) The income chargeable only under the head 'Income from other sources'

(1) Dividend income [Section 56(2)(i)]

Dividend income is always taxable under the head "Income from other sources". The term 'dividend' as used in the Act has a wider scope and meaning than under the general law.

Deemed dividend [Sections 2(22)(a) to (f)]:

According to section 2(22), the following receipts are deemed to be dividend:

(a) Distribution of accumulated profits, entailing the release of company's assets - Any distribution of accumulated profits, whether capitalised or not, by a company to its shareholders is dividend if it entails the release of all or any part of its assets.

Note: If accumulated profits are distributed in cash, it is dividend in the hands of the shareholders. Where accumulated profits are distributed in kind, for example by delivery of shares etc. entailing the release of company's assets, the market value of such shares on the date of such distribution is deemed as dividend in the hands of the shareholder.

(b) Distribution of debentures, deposit certificates to shareholders and bonus shares to preference shareholders - Any distribution to its shareholders by a company of debentures, debenture stock or deposit certificate in any form, whether with or without interest, and any distribution of bonus shares to preference shareholders to the extent to which the company possesses accumulated profits, whether capitalised or not, will be deemed as dividend.

The market value of such bonus shares is deemed as dividend in the hands of the preference shareholder.

In the case of debentures, debenture stock etc., their value is to be taken at the market rate and if there is no market rate they should be valued according to accepted principles of valuation.

Note: Bonus shares given to equity shareholders are not treated as dividend.

(c) **Distribution on liquidation** - Any distribution made to the shareholders of a company on its liquidation, to the extent to which the distribution is attributable to the accumulated profits of the company immediately before its liquidation, whether capitalised or not, is deemed to be dividend income.

Note: Any distribution made out of the profits of the company after the date of the liquidation cannot amount to dividend. It is a repayment towards capital.

(d) **Distribution on reduction of capital** - Any distribution to its shareholders by a company on the reduction of its capital to the extent to which the company possessed accumulated profits, whether capitalised or not, shall be deemed to be dividend.

(e) **Advance or loan by a closely held company to its shareholder** - Any payment by a company in which the public are not substantially interested, of any sum by way of advance or loan to any shareholder who is the beneficial owner of 10% or more of the equity capital of the company will be deemed to be dividend to the extent of the accumulated profits. If the loan is not covered by the accumulated profits, it is not deemed to be dividend.

Advance or loan by a closely held company to a specified concern - Any payment by a company in which the public are not substantially interested, to any concern (i.e. HUF/Firm/AOP/BOI/Company) in which a shareholder, having the beneficial ownership of atleast 10% of the equity shares is a member or a partner and in which he has a substantial interest (i.e. atleast 20% share of the income of the concern) will be deemed to be dividend.

Also, any payments by such a closely held company on behalf of, or for the individual benefit of any such shareholder will also be deemed to be dividend. However, in both cases the ceiling limit of dividend is to the extent of accumulated profits.

Exceptions: The following payments or loan given would not be deemed as dividend:

(i) **Loan granted in the ordinary course of business -** If the loan

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is granted in the ordinary course of its business and lending of money is a substantial part of the company's business, the loan or advance to a shareholder or to the specified concern is not deemed to be dividend.

(ii) **Dividend paid is set off against the deemed dividend** - Where a loan had been treated as dividend and subsequently, the company declares and distributes dividend to all its shareholders including the borrowing shareholder, and the dividend so paid is set off by the company against the previous borrowing, the adjusted amount will not be again treated as a dividend.

Note: Subsequent repayment of loan or charge of interest at market rate does not make any difference in the applicability of section 2(22)(e).

(f) ***Amount received by shareholder on buy-back of shares by domestic companies:*** *In case of buyback of shares (whether listed or unlisted) before 1.10.2024 by a domestic companys, additional income-tax@20% (plus surcharge @12% and cess@4%) is leviable in the hands of the company[1]. Consequently, the income arising to the shareholders in respect of such buyback of shares by the domestic company is exempt under section 10(34A).*

However, in case of buyback of shares (whether listed or unlisted) on or after 1.10.2024 by a domestic company,, any sum paid by the domestic company for purchase of its own shares would be deemed as dividend in the hands of shareholders and shall be charged to income-tax at applicable tax rates. No deduction for expenses would be available against such dividend income while determining the income from other sources.

Below here is the example to understand the provisions of section 46A and section 2(22)(f):

No. of shares of A Ltd. bought in 2020 By Mr. B @₹ 40 per share	*100 shares*
Total cost of acquisition	*₹ 4,000 (100 x ₹ 40)*
No. of shares bought back in November 2024 by A Ltd. @₹ 60 per share	*20 shares*

Income taxable as deemed dividend u/s 2(22)(f) [₹ 60 per share x 20 shares]	*₹ 1,200*
Long-term capital loss on such buyback as per section 46A (Value of consideration - COA) (Nil - ₹ 40 x 20) [Such LTCL can be set-off against other LTCG or it can be carried forward to the next year for set-off against other LTCG]	*₹ 800*
No. of shares sold in December 2025 by Mr. B @ ₹ 70 per share	*50 Shares*
Long-term capital Gain (₹ 70 x 50 – ₹ 40 x 50)	*₹ 1,500*
Chargeable long-term capital gain in P.Y. 2025-26 after set-off of long-term capital loss [₹ 1,500 – ₹ 800] would be	*₹ 700*

Exceptions: The following do not constitute "dividend" –

(i) Distribution in respect of non-participating shares issued for full cash consideration – Any distribution made in accordance with (c) or (d) in respect of any share issued for full cash consideration and the holder of such share is not entitled to participate in the surplus asset in the event of liquidation.

(ii) Payment on buy back of shares – Any payment made by a company on purchase of its own shares ***upto 30th September, 2024***, from a shareholder in accordance with the provisions of section 77A of the Companies Act, 1956[2];

(iii) Distribution of shares to the shareholders on demerger by the resulting company - Any distribution of shares on demerger by the resulting companies to the shareholders of the demerged company (whether or not there is a reduction of capital in the demerged company).

Meaning of "accumulated profits"

Accumulated profits in point (a), (b), (d) and (e) above include all profits of the company up to the date of distribution or payment of dividend.

Accumulated profits in point (c) include all profits of the company up to the date of liquidation whether capitalised or not.

[2] Now section 58 of the Companies Act, 2013

In the case of an amalgamated company, the accumulated profits, whether capitalized or not, of the amalgamating company on the date of amalgamation shall be included in the accumulated profits, whether capitalized or not or loss, as the case may be, of the amalgamated company.

Clarification regarding trade advance not to be treated as deemed dividend under section 2(22)(e) – [Circular No. 19/2017, dated 12.06.2017]

Section 2(22)(e) provides that "dividend" includes any payment by a company in which public are not substantially interested, of any sum by way of **advance or loan** to a shareholder who is the beneficial owner of shares holding not less than 10% of the voting power, or to any concern in which such shareholder is a member or a partner and in which he has a substantial interest or any payment by any such company on behalf, or for the individual benefit, of any such shareholder, to the extent to which the company in either case possesses accumulated profits.

The CBDT observed that some Courts in the recent past have held that trade advances in the nature of commercial transactions would not fall within the ambit of the provisions of section 2(22)(e) and such views have attained finality.

In view of the above, the CBDT has, vide this circular, clarified that it is a settled position that trade advances, which are in the nature of commercial transactions, would not fall within the ambit of the word 'advance' in section 2(22)(e) and therefore, the same would not to be treated as deemed dividend.

Basis of charge of dividend [Section 8]

Dividend declared or distributed or paid by a company is deemed to be the income of the shareholder in the previous year in which it is so declared or distributed or paid, as the case may be.

Deemed dividend u/s 2(22)(a)/(b)/(c)/(d) – Distribution by a company which is deemed as dividend u/s 2(22)(a)/(b)/(c)/(d) would be the income of the previous year in which it is so distributed.

Deemed dividend u/s 2(22)(e) – Payment of advance or loan to a shareholder or a concern, as the case may be, which is deemed as dividend u/s 2(22)(e) will be the income of the previous year in which it is so paid.

Interim dividend – Interim dividend would be deemed to be the income of the previous year in which such dividend id unconditionally made available by the company to the members who is entitled to it.

Tax rate on dividend income - Any income by way of dividends received by a resident from a company, whether domestic or foreign, is taxable in the hands of a resident shareholder at normal rates of tax.

ILLUSTRATION 1

Rahul, a resident Indian, holding 28% of equity shares in a company, took a loan of ₹ 5,00,000 from the same company. On the date of granting the loan, the company had accumulated profit of ₹ 4,00,000. The company is engaged in some manufacturing activity.

(i) Is the amount of loan taxable as deemed dividend, if the company is a company in which the public are substantially interested?

(ii) What would be your answer, if the lending company is a private limited company (i.e. which is not a company in which the public are substantially interested)?

SOLUTION

Any payment by a company, other than a company in which the public are substantially interested, of any sum by way of advance or loan to an equity shareholder, being a person who is the beneficial owner of shares holding not less than 10% of the voting power, is deemed as dividend under section 2(22)(e), to the extent the company possesses accumulated profits.

(i) The provisions of section 2(22)(e), however, will not apply where the loan is given by a company in which public are substantially interested. In such a case, the loan would not be taxable as deemed dividend.

(ii) However, if the loan is taken from a private company (i.e., a company in which the public are not substantially interested), which is a not a company where lending of money is a substantial part of the business of the company, the provisions of section 2(22)(e) would be attracted. In this case, since the company is a manufacturing company and not a lending company and Rahul holds more than 10% of the equity shares in the company, the provisions of section 2(22)(e) would be attracted.

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