Lecture 29

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Sec 56 2(x) is not applicable in following cases, money reced

i) By individual from any person for expenditure incurred on treatment of covid-19 related illness ~~of~~ for him or any family member.

ii) By family member of decased person within 12 month of ~~date~~ death (death due to covid-19)

a) From the employer of deceased person (without any limit)

b) from any other person or persons upto ₹ 10 lakh.

Note 1) Family means spouse, children, and dependent relative (parents, Brother, sisters)

2) Death should be ~~in~~ within 6 months from the date of testing covid positive.

2) Dividend

From Domestic co | From foreign co.

always taxable in hands of SH under IFOS and it is taxable as Normal tax rate (Slab rate)

Amalgmation and demerger

Sec 2(1B) Meaning of Amalgamation.

- Merger of one or more company with another company or merger of Two or more company to form one company

Conditions

1) all assets and liabilities of amalgmating company should be transfer to amalgamated co.

2) Share holder holding minimum 75% equity shares in amalgamating Co. should become shareholder of amalgamated Co.

- **taxation in Hands of amalgamating Company**

As per sec 47 Amalgmation is not treated as transfer so capital Gain not applicable.

- **Taxation in hands of amalgamated Company**

a) COA of Asset = COA of Amalgmating Co. ie previous owner

b) POH of Asset Held by Amalgamating Co & Amalgamated Co. ē both considered.

Taxation in Hands of Shareholder.

a) as per Sec 47 when shareholder recd shares of A'ed of Company in the scheme of A'ing

b) COA of Shares in A'ed Co. = COA of Shares in A'ing Co.

c) POH Shares held in A'ed Co. & A'ing Company both Considered

example

Mr. BABLU Purchased Shares of Idea limited, 1000 Shares @ ₹100 each in 2002. Idea ltd ~~Am~~ A'ed with VI ltd in 2022. and BABLU received 1200 Shares of VI. BABLU transfer all the Shares of VI on 10th Dec 2024 @ 300 per Share Calculate Capital Gain.

→ Part A) When BABLU received Shares of VI in exchange of Shares of Idea is not treated as transfer so Capital Gain is not applicable.

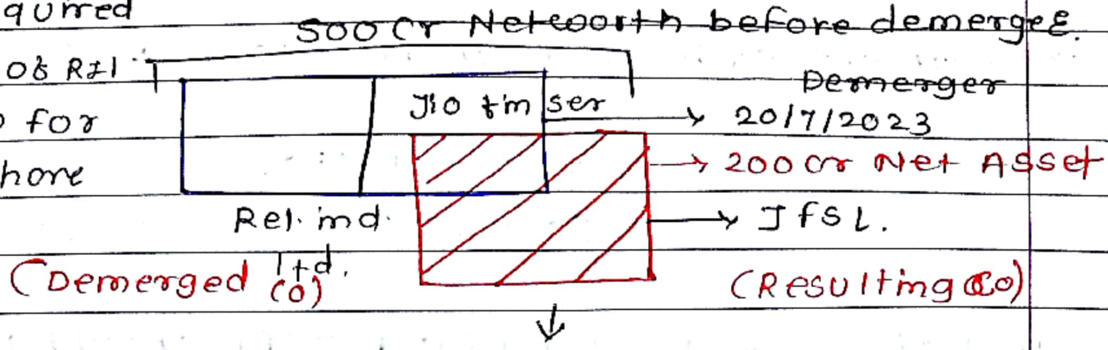
B) Computation of capital Gain on sale of Share of VI.

		(PY 24-25 AY 25-26)
FVOC (1200x300)		360000
- COA		
(1000 x 100)		(100000)
	LTCG	260000

Note assume Sec 112 A is N.A

demergeE.

Mr. BB Acquired
800 shores of RIL
on 16/7/20 for
500 per shore



MR BB got 800 shores
of JFSL on 20/7/23.

- **Meaning**

It means undertaking transferred by demerged company to resulting company and following conditions are satisfied.

a) all asset and liab of undertaking should be transfered to resulting co.

b) It should be transferred at Book value.

c) transfeE of undertaking on going Conceen basis

d) shoreholder's holding minimum 75% E shores of demerged Co. should become SH of resulting CO

e) SH of demerged company should receive shores from resulting co on proportinate Basis.

Tax treatment in Hands of demerged Company (RIL)

as peE sec 47 demerger is not treated as transfeE so capital Gain NA in Hands of RIL

Tax treatment of in Hands of resulting Co (JSFL)

1) COA of Asset = COA of RIL ltd.
Cost to previous owner

2) POH of asset held by RIL & JSFL should be considered

example

Mr. BB acquired 800 Shares of RIL. ltd on 16/07/20 for ₹ 500 per share. Mr. BB got 800 shares of ~~JSFL~~ JFSL on 23/07/23 due to the demerger.

COA Share of JFSL =

COA of Shares in RIL × Net Asset transferred in Demerger / Net worth of Demerged co just before Demerger.

400000 × 200 Cr / 500 Cr = 160000

÷ No. of Shares 800

200 per share

COA of Shares of RIL

Total Cost − cost of resulting Company Shares

400000 − 160000

= 240000

÷ 800 No of Shares

300 ⟶ per share (RIL)

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Note

POH of Shares in JFSL shall be Considered form the Date on which mr. BB acquired shares RIL.

Taxtion of Buy Back

(Buy Back upto 30/9/24)

In Hands of Company

Sec u/s 115QA

Buy Back Price	–	issue Price

Company Require to pay within 14 days from date of Buy Back @ 20% + 12% + 4% HEC
(surcharg always)

eff = ~~23.9~~ 23.296 %.

In Hands of SH

exempt u/s 10(34A)

No tax treatment

example

BB Ltd issued 10000 shares @ 40 Per share (fully) on 19/7/2020 Company B.B 1500 shares @ 350 per share on 16/9/24

In hands of Co.

(BB Price − IP)

(350 − 40)

310 × 500 shares : 465000 × 23.296 %.

≈ 108326.

In Hands of SH

exempt U/S 10(34A)

★★★

Taxation of Buy Back w.e.f 1/12/24

In Hands of company → NO Tax Treatment

In Hands of Shareholder → Total Buy Back price ; Capital Gain

Total Buy Back price → Treated as Deemed Dividend u/s 2(22)(F) → Taxable under IFOS in the year of Buy Back

Capital Gain

Calⁿ of CG	₹
FVOC	Always Nil
(−) COA	(xxxx)
STCL/LTCL	xxx

example

Mr. BB acquired 1000 shares of BB Virtuals ltd. ₹ 50 per share during PY 20-21. BB VL buyback 300 shares @ ₹ 120 per share on 10/12/24. Mr. BB Sold 700 shares on 15/07/2025 @ ₹ 200 per share. Discuss Tax treatment in hands of mr. BB.

Solⁿ

a) During PY 24-25 ₹ 36000 (300 shares x 120) is treated as deemed dividend in hands of mr BB u/s 2(22)(f) & it is taxable under IFOS.

b) Computation of capital Gain on Buy Back

Particulars	₹
Full value of consideration	Always Nill
- COA of Shares (300 Shares x ₹ 50)	(15000)
LTCL	(15000)

c) Computation of capital Gain on sale of ₹ 700 Shares

Particulars	₹
FVOC (700 Shares x 200)	140000
- COA of Shares (700 Shares x ₹ 50)	35000
LTCG	105000
less: LTCL of last year	(15000)
Net LTCG Taxable in AY 26-27	90000

★ Taxation of Liquidation

Katora Put Ltd ltd.

B/S as on date of liqu^n 15/7/23

S.C (A:B:C:D:E)	500000	Assets 22,00000
Rfs	15,00,000	
liab	200000	
	2200000	22,00,000

Shares of company by 5 SH b/s i.e ABCDE & Acquired by SH's on 19/7/19 for 100000 Per SH

on 15/7/23 company goes into liquidation & distribution Assets ~~into~~ SH's on 15/12/24 as follows

Cash 250000
Asset (fmv) 450000

~~PAE~~

Part A :- In this case co. distribute Asset of total ₹ 3500,000 ie (700000 x 5) SH on accumulated profit of Company is ₹ 1500,000 on the date of liquidation So ₹ 1500,000 is treated as deemed dividend u/s 2(22) c and taxable in hands of SH so ₹ 300,000 is taxable ~~in~~ as dividend in hands of each SH under IFOS in PY 24-25 (in the year of distribution)

Part B :-

Computation of capital Gain in Hands of shareholder say MR. A

	Mr. A	₹
FVOC		
	Asset (FMV)	4500,000
	Money	2500,000
		700,000
	(−) Deemed Dividend	300000
		400000
(−) ICOA 100000		
[POH : 19/7/29 till 15/7/23)		
Transfer		
100000 x 348 (23-24) / 289 (19-20)		(120415)
	LTCG	279585

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