

Topic: Income from Capital Gain & IFOS

Total Marks: 37 Marks

Time Allowed: 65 minutes

Answers:

Part-A Multiple Choice Questions

[Total 12 Marks]

1. Answer : B

2. Answer : C

3. Answer : B

Case Scenario

Question	Answer	Remarks
1	(c)	Sales consideration 1500000
		Less: COA 220000
		Less: COI 235000
		Less: Amount forfeited 60000
		985000
		Indexation benefit not available
2	(a)	Total rights shares = $1000 \times \frac{2}{5} = 400$ Half rights shares = 200 Profit = 200 shares * (280-160-30) = 18,000
3	(d)	Gain on Original shares = 1000 shares * 300-75 = 2,25,000 (LT) Gain on rights shares = 200 shares * 300-160 = 28,000 (ST) Gain on renounce shares = 200 * 30 = 6000 (ST)

Part- B Descriptive Questions

[Total 25 Marks]

Solution 1:

Computation of capital gains on slump sale for A.Y. 2026-27

Particulars	₹
Full value of consideration [Higher of (i) FMV of capital assets on 1.4.2025 of ₹35 lakhs or (ii) FMV of Monetary consideration received of ₹40 lakhs]	40,00,000
Less: Expenses for transfer	<u>1,50,000</u>
	38,50,000
Less: Net worth (See Note below)	<u>21,90,000</u>

Particulars		₹
Long-term capital gain, since the business is held for more than 36 months		16,60,000
Note - Computation of net worth		
Building ¹		18,00,000
Machinery ² [₹5,00,000 – ₹50,000, being the amount allowed as 100% as deduction u/s 35AD]		4,50,000
Debtors		5,00,000
Other assets (₹3,60,000 – ₹60,000, being the amount of self-generated goodwill)		<u>3,00,000</u>
Total assets		30,50,000
Less: Bank Loan (₹5,00,000 – ₹2,00,000, being loan for personal purpose)	3,00,000	
Unsecured Loan (₹2,50,000 – ₹1,00,000, being the amount payable for purchase of ornaments of his wife)	1,50,000	
Creditors	<u>4,10,000</u>	<u>8,60,000</u>
Net worth		21,90,000

Solution 2:**Computation of taxable income of Ms. Singh for A. Y. 2026-27**

Particulars		₹	₹
Income from house property			
Gross Annual Value [Higher of expected Rent & Actual Rent]			3,00,000
Expected Rent (lower of Fair Rent and Standard Rent)		2,50,000	
Actual Rent		3,00,000	
Less: Municipal taxes paid by Mr. Singh during the year (including arrears) [₹35,000+₹1,50,000]	—		<u>1,85,000</u>
Net Annual value (NAV)			1,15,000
Less: deduction under section 24			
(a) 30% of NAV		34,500	
(b) Interest on loan borrowed for major repairs		1,50,000	1,84,500
			(69,500)
Arrears of rent taxable under section 25A		30,000	
Less: deduction @30%		9,000	21,000
			(48,500)
Capital Gains			
Full value of consideration		25,00,000	
As per section 50C, the full value of consideration would be the higher of (Note 1)			
Actual consideration		₹25,00,000	
Stamp Duty Value [₹3,38,000/13%]		₹26,00,000	

¹ Assuming Balance Sheet values represent the written down value of building as per section 43(6)(c).² Assuming Balance Sheet values represent the written down value of machinery as per section 43(6)(c).

Particulars		₹	₹
Less: Cost of acquisition As per section 49(1), cost of acquisition of the residential house gifted by Mr. Singh's father to Mr. Singh would be a cost for which Mr. Singh's father acquired the asset	—	1,25,000	
		23,75,000	
Less: Exemption under section 54 (₹8,00,000 + ₹7,00,000) Purchase of residential house within the stipulated time (within one year before or two years after the date sale had effected the necessary modification to make it as one house, the assessee would be entitled to exemption under section 54 in respect of investment in both the flats, despite the fact that they were purchased by separate sale deeds.	—	15,00,000	
Exemption under section 54EC		8,75,000	
Investment in bonds of NHAI within six months from the date of transfer. Where the payment for bonds has been made within the 6 month period, exemption under section 54EC would be available.			
Long-term capital gains			Nil
Total Income			Nil

Notes:

1. Since SDV is not more than 110% of consideration, so consideration is treated as FVOC.
2. Loss from HP to be C/F ₹48500.

Solution 3:

Name of the Assessee: Mrs. Harini Rao

Previous Year: 2025-26

Assessment Year: 2026-27

Computation of Gross Total Income

Particulars	₹	₹
Salary: ₹12000 x 12 (after standard deduction of 75k u/s 16)		69,000
Income from Other Sources		
(i) Cash Gift from close friend is taxable	1,50,000	
(ii) Gift of jewellery is taxable ("Jewellery" is included in the definition of property u/s 56(2)(x) & FMV exceeds ₹50,000)	3,00,000	
(iii) Gifts received from her two friends are exempt as it's received on the occasion of marriage	NIL	
(iv) Gift from her father's sister is exempt as the donor is covered in the definition of 'relative'.	NIL	
(v) Gift from her husband's friend is taxable	21,000	
(vi) Gift from her family friend is taxable	25,000	
(vii) Gift from her brother's mother-in-law is taxable as the donor is not covered in the definition of 'relative'	11,000	

Particulars	₹	₹
(viii) Gift from her sister-in-law (husband's sister is exempt as the donor is covered in the definition of 'relative')	NIL	5,07,000
Gross Total Income		5,76,000

Solution 4:**Computation of total income of Mr. Aryan for A.Y. 2026-27**

Particulars		₹	₹
I	Salaries		
	Salary from Nishchay Ltd. [₹90,000 x 12]	10,80,000	
	Less: Deduction under section 16 - Standard deduction upto ₹75,000	75,000	10,05,000
II	Capital Gains		
	On buy back of equity shares of Alpha Ltd.		
	Consideration received on buy back of shares	Nil	
	Less: Cost of acquisition	20,00,000	
	Higher of		
	- Actual cost of acquisition of ₹20 lakhs [10,000 shares @ ₹200 per share]		
	- Lower of FMV as on 31.1.2018 i.e., ₹19 lakhs and full value of consideration i.e., Nil		
	Long term capital loss on buy back of shares	(20,00,000)	
	On sale of plot		
	Sale consideration	70,00,000	
	Less: Brokerage @1%	70,000	
	Net sale consideration	69,30,000	
	Less: Cost of acquisition [Indexation benefit is not available on transfer which took place on or after 23.7.2024]	22,00,000	
		47,30,000	
	Less: Exemption under section 54F	27,30,159	
	Amount invested in residential house within 2 years would qualify for exemption against long term capital gain arising from transfer of plot. Since the amount invested is less than the net consideration, proportionate capital gains is exempt [₹47,30,000 x ₹40,00,000/₹69,30,000]		
	Long term capital gain on transfer of plot	19,99,841	Nil
	Less: Set off of long term capital loss on buy back of original shares against long term capital gain on transfer of plot to the extent of	19,99,841	
	Balance long term capital loss of ₹159 on buy back of original shares is to be carried forward to A.Y. 2027-28		
III	Income from Other Sources		
	Dividend on buy back of shares [10,000 x 250]		25,00,000

Particulars	₹	₹
Total Income		35,05,000