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# CAPITAL GAINS

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## **Question 1:**

Ms Yuvika bought a vacant land for ₹ 80 lakhs in May 2005. Registration and other expenses were 10% of the cost of land. She constructed a residential building on the said land for ₹ 100 lakhs during the financial year 2007-08.

She entered into an agreement for sale of the above said residential house with Mr. Johar in April 2015. The sale consideration was fixed at ₹ 700 lakhs and on 23-4-2015, Ms Yuvika received ₹ 20 lakhs as advance in cash by executing an agreement. However, due to failure on part of Mr. Johar, the said negotiation could not materialise and hence, the said amount of advance was forfeited by Ms Yuvika.

Ms Yuvika, again entered into an agreement on 01.08.2024 for sale of this house at ₹ 810 lakhs. She received ₹ 80 lakhs as advance by RTGS. The stamp duty value on the date of agreement was ₹ 890 lakhs. The sale deed was executed and registered on 14-1-2025 for the agreed consideration. However, the State stamp valuation authority had revised the values, hence, the value of property for stamp duty purposes was ₹ 900 lakhs. Ms Yuvika paid 1% as brokerage on sale consideration received.

Subsequent to sale, Ms Yuvika made following investments:

- (i) Acquired two residential houses at Delhi and Chandigarh for ₹ 130 lakhs and ₹ 50 lakhs, respectively, on 31.1.2025 and 15.5.2025.
- (ii) Acquired a residential house at UK for ₹ 180 lakhs on 23.3.2025.
- (iii) Subscribed to NHAI capital gains bonds for ₹ 50 lakhs on 29-3-2025 and for ₹ 40 lakhs on 12-5-2025.

Compute the income under the head 'Capital Gains' of Ms Yuvika.

Cost Inflation Index:

F.Y. 2005-06 – 117; F.Y. 2007-08 – 129; F.Y. 2024-25 - 363.

**Answer 1:****COMPUTATION OF CAPITAL GAINS [PY 2024-25]**

	₹ (lakhs)
Full Value of Consideration ( <b>Actual SP–Note 1</b> )	810
<b>Less:</b> Transfer Expenses	- 8.10
Net Consideration	801.90
<b>Less:</b> Cost of Acquisition [88 L + 100 L]	- 188.00
(No indexation since transfer is on/after 23/7/24)	
Gross LTCG	613.90
<b>Less: Exempt u/s 54:</b>	- 130.00
↓ Amount of CG	613.90 L
↓ Cost of New Asset (CNA) / Deposit	<b>130 L</b>
	483.90
<b>Less: Exempt u/s 54EC:</b>	- 50.00
↓ Amount of CG	483.90 L
↓ Cost of New Asset (CNA)	90 L
↓ Maximum	<b>50 L</b>
Net LTCG	433.90

**Note 1:**

SDV as on the date of agreement ₹ 890 lakhs

SDV as on the date of registration ₹ 900 lakhs

As per sec.50C, if part or whole of the consideration is received by account payee cheque/draft/ECS on or before the agreement date then SDV on agreement date i.e. ₹ 890 lakhs should be considered.

As per sec. 50C, if the actual sale price is less than the SDV and if the **difference is not more than 10% of actual sale price** then **SDV is ignored.**

SDV	₹ 890 lakhs
Actual SP	₹ 810 lakhs
Difference	80 lakhs

&lt; 10% of Actual SP i.e. ₹ 81 lakhs

Since the difference is not more than 10%, SDV is ignored and the FVOC = Actual SP

**Question 2:**

Tani purchased a land at a cost of ₹35 lakhs in the financial year 2004-05 and held the same as her capital asset till 31 May, 2019. Tani started her real estate business on 18 June, 2019 and converted the said land into stock-in-trade of her business on the said date, when the fair market value of the land was ₹210 lakhs. She constructed 15 flats of equal size, quality and dimension. Cost of construction of each flat is ₹10 lakhs. Construction was completed in January, 2025. She sold 10 flats at ₹30 lakhs per flat in January, 2025. The remaining 5 flats were held in stock as on 31st March, 2025.

She invested ₹50 lakhs in bonds issued by National Highway Authority of India on 31st March, 2025 and another ₹50 lakhs in bonds of Rural Electrification Corporation Ltd. in April, 2025.

Compute the amount of capital gain and business income in the hands of Tani arising from the above transactions for AY 2025-26. Cost Inflation Index: FY 2004-05: 113; FY 2019-20: 289; FY 2024-25: 363.

**Answer 2:****COMPUTATION OF CAPITAL GAINS [PY 2024-25]**

	₹ (lakhs)
Full Value of Consideration <b>(FMV on the date of conversion)</b>	2,10,00,000
<u>Less:</u> Transfer Expenses	—
Net Consideration	2,10,00,000
<u>Less:</u> Indexed Cost of Acquisition	
[ 35 lakhs x $\frac{289}{113}$ ] Trf. Pur.	- 89,51,327
	1,20,48,673
Gross LTCG taxable in PY 2024-25 [₹1,20,48,673 x 2/3]	80,32,449
<b>Less: Exempt u/s 54EC:</b>	- 50,00,000
↓ Amount of CG	80,32,448
↓ Cost of New Asset (CNA)	1,00,00,000
↓ Maximum	<b>50,00,000</b>
Net LTCG	30,32,449

**COMPUTATION OF BUSINESS INCOME [PY 2024-25]**

Particulars	₹
Sale price of flats [10 x ₹30 lakhs]	3,00,00,000
<u>Less:</u> FMV on the date of conversion [₹210 L x 2/3]	1,40,00,000
<u>Less:</u> Cost of construction of flats [10 x ₹10 lakhs]	1,00,00,000
Taxable Business income	60,00,000

**Notes:**

- (1) Normally, capital gains is taxable in the year of transfer. However, as per section 45(2), the capital gains arising from the transfer by way of conversion of capital assets into stock-in-trade will be chargeable to tax only in the year in which the stock-in-trade is sold.
- (2) In case of conversion of capital asset into stock-in-trade and subsequent sale of stock-in-trade, the period of 6 months is to be reckoned from the date of sale of stock-in-trade for the purpose of exemption under section 54EC [CBDT Circular No.791 dated 2.6.2000]. In this case, since the investment in bonds of NHAI has been made within 6 months of sale of flats, the same qualifies for exemption under section 54EC.

**Question 3:**

Calculate the amount chargeable to tax under the head 'Capital Gains' and also calculate tax on such gains for A.Y. 2025-26 from the following details provided by Mr. Naveen with respect to sale of certain securities during F.Y. 2024-25, assuming that the other incomes of Mr. Naveen exceed the maximum amount not chargeable to tax. (Ignore surcharge and cess):

- (i) Sold 10,000 shares of Y Ltd. on 05-04-2024 @ ₹ 650 per share. Y Ltd. is a listed company. These shares were acquired by Mr. Naveen on 05-04-2016 @ ₹ 100 per share. STT was paid both at the time of acquisition as well as at the time of transfer of such shares which was affected through a recognized stock exchange. On 31-01-2018, the shares of Y Ltd. were traded on a recognized stock exchange as under: Highest price - ₹ 300 per share, Average price - ₹ 290 per share Lowest price - ₹ 280 per share

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- (ii) Sold 1,000 units of AB Mutual Fund on 20-05-2024 @ ₹ 50 per unit. AB Mutual Fund is an equity-oriented fund. These units were acquired by Mr. Naveen on 10-03-2017 @ ₹ 10 per unit. STT was paid only at the time of transfer of such units. On 31-01-2018, the Net Asset Value of the units of AB Mutual Fund was ₹ 55 per unit. The units of AB Mutual Fund were not listed on the stock exchange as on 31.1.2018.
- (iii) Sold 100 shares of C Ltd. on 27-09-2024 @ ₹ 200 per share. C Ltd. is an unlisted company. These shares were issued by the company as bonus shares on 30-09-1997. The Fair Market Value of these shares as on 01-04-2001 was ₹ 50 per share.

Cost Inflation Index for various financial years are as under:

2001-02	100
2016-17	264
2017-18	272
2020-21	301
2024-25	363

**Answer 3:**

**COMPUTATION OF CAPITAL GAINS [Sec. 112A] [Shares of Y Ltd.]**

	Amt.
FVOC (SP) (10,000 x ₹ 650)	65,00,000
Less: COA* (10,000 x ₹ 300)	- 30,00,000
LTCG	35,00,000
*COA	
↓ FMV (31/1/18) – Highest Trading Price	300
↓ SP	650
↑ Lower	300
↑ Actual Cost	100
Higher (COA)	300

**COMPUTATION OF CAPITAL GAINS [Sec. 112A] [Units of MF]**

	Amt.
FVOC (SP) (1,000 x ₹ 50)	50,000
<u>Less: COA*</u> (1,000 x ₹ 50)	- 50,000
LTCG	Nil
*COA	
↓ NAV (31/1/18)	55
↓ SP	50
↑ Lower	50
↑ Actual Cost	10
Higher (COA)	50

**COMPUTATION OF CAPITAL GAINS [Unlisted shares of C Ltd.]**

	₹
Full Value of Consideration (100 shares x SP ₹200)	20,000
<u>Less: Transfer Expenses</u>	—
Net Consideration	20,000
<u>Less: Cost of Acquisition [50 x 100 shares]</u> [FMV as on 1/4/2001 – No Index as trf after 23/7/24]	(5,000)
Long Term Capital Gains	15,000

**→ Tax payable:**

Tax on LTCG u/s 112A = <b>10%</b> of (35 lakhs – <b>1 lakh</b> )	3,40,000
Tax on LTCG u/s 112 = <b>12.5%</b> of 15,000	1,875
Total Tax Payable	3,41,875

**Question 4:**

Mr. Riyaan owned a residential house in Noida. It was acquired on 09.09.2015 for ₹ 30,00,000. He sold it for ₹ 1,57,00,000 on 07.01.2022.

Mr. Riyaan utilized the sale proceeds of the above property to acquire a residential house in Panchkula for ₹ 2,05,00,000 on 20.07.2022. The said house property was sold on 31.10.2024 for ₹ 3,25,00,000 and he purchased another residential house in Delhi for ₹ 2,57,00,000 on 02.03.2025.

Calculate capital gains chargeable to tax for the assessment year 2022-23 and 2025-26. All workings should form part of your answer: Cost inflation index for various financial years are as under:

2015-16	254
2021-22	317
2022-23	331
2024-25	363

**Answer 4:**

**COMPUTATION OF CAPITAL GAINS [PY 2021-22]  
(Sale of Noida House)**

	₹
Full Value of Consideration	1,57,00,000
<u>Less:</u> Transfer Expenses	—
Net Consideration	1,57,00,000
<u>Less:</u> Indexed Cost of Acquisition	(37,44,094)
$\left[ 30 \text{ lakhs} \times \frac{317}{254} \right] \begin{matrix} \text{Trf.} \\ \text{Pur.} \end{matrix}$	
Gross LTCG	1,19,55,906
<b>Less: Exempt u/s 54:</b>	- 1,19,55,906
↓ Amount of CG	1,19,55,906
↓ Cost of New Asset (CNA)	2,05,00,000
Net LTCG	Nil

**COMPUTATION OF CAPITAL GAINS [PY 2024-25]  
(Sale of Panchkula House)**

	₹
Full Value of Consideration	3,25,00,000
<u>Less:</u> Transfer Expenses	—
Net Consideration	3,25,00,000
<u>Less:</u> <b>Reduced</b> Cost of Acquisition	(85,44,094)
(205 lakhs - 1,19,55,906)	
(No Indexation as transfer on/after 23/7/24)	
Gross LTCG	2,39,55,906
<b>Less: Exempt u/s 54:</b>	- 2,39,55,906
↓ Amount of CG	2,39,55,906
↓ Cost of New Asset (CNA)	2,57,00,000
Net LTCG	Nil

**Question 5:**

Determine the capital gains/loss and tax liability as per old tax regime in the following scenarios for the A.Y. 2025-26 assuming the assessee does not have any other source of income:

- (i) On 12th December, 2024, 1,200 shares of X Ltd., a listed company are sold by Mr. Vishal, a non-resident, @ ₹ 1,550 per share and STT was paid at the time of sale of shares. These shares were acquired by him on 25th May, 2017 @ ₹ 425 per share by paying STT at the time of purchase. The price at which these shares were traded in National Stock Exchange on 31st January, 2018 is as follows –

Particulars	Amount in ₹
Highest Trading Price	680
Average Trading Price	610
Lowest Trading Price	540

- (ii) Mr. Kabir, a resident aged 45 years, is the owner of residential house which was purchased on 1st August, 2021 for ₹ 19,00,000. He sold the said house on 25th September, 2024 for ₹ 27,50,000. Valuation as per stamp valuation authorities was ₹ 28,50,000 as on the date of sale.  
CII – 2021-22: 317; 2024-25: 363

**Answer 5:**

→ **Mr. Vishal:**

**COMPUTATION OF CAPITAL GAINS [Sec. 112A] [Shares of X Ltd.]**

	Amt.
FVOC (SP) (1,200 x ₹ 1,550)	18,60,000
Less: COA* (1,200 x ₹ 680)	- 8,16,000
<b>LTCG</b>	<b>10,44,000</b>
*COA	
↓ FMV (31/1/18) – Highest Trading Price	680
↓ SP	1,550
↑ Lower	680
↑ Actual Cost	425
<b>Higher (COA)</b>	<b>680</b>

→ **Tax payable:**

Tax on LTCG u/s 112A = <b>12.5%</b> of (10,44,000 – <b>1,25,000</b> ) Add: HEC @4%	1,14,875 + 4,595
Tax Payable	1,19,470

Since the assessee is **Non-resident**, benefit of **unexhausted basic exemption** is **not allowed**.

→ **Mr. Kabir****COMPUTATION OF CAPITAL GAINS and TAX PAYABLE**

	<b>With Indexation</b>	<b>Without Indexation</b>
FVOC (Actual SP) Since difference between SDV and Actual SP is within limit of 10%, we take FVOC as the Actual Sale Price. <u>Less:</u> Cost of Acquisition	27,50,000  - 21,75,710 (19L x 363/317)	27,50,000  - 19,00,000 (No Index)
LTCG <u>Less: Unexhausted Basic Ex..</u>	5,74,290 - 2,50,000	8,50,000 - 2,50,000
	3,24,290	6,00,000
Tax on above  Add: HEC@4%	64,858 <b>(@20%)</b> + 2,594	75,000 <b>(@12.5%)</b> + 3,000
Tax Payable (rounded off)	<b>67,450</b>	78,000

Since tax payable on LTCG (with Indexation) is less, the assessee **should opt for indexation**. Accordingly, his tax liability will be ₹ 67,450.

**Question 6:**

PQR Limited has two units – one engaged in manufacture of computer hardware and the other involved in developing software. As a restructuring drive, the company has decided to sell its software unit as a going concern by way of slump sale for ₹385 lacs to a new company called S Limited, in which it holds 74% equity shares. The balance sheet of PQR limited as on 31st March 2025, being the date on which software unit has been transferred, is given here under -

Balance Sheet as on 31.3.2025 (₹ in lacs)

Liabilities	₹	Assets	₹
Paid up Share Capital	300	<u>Fixed Assets</u>	
General Reserve	150	Hardware unit	170
Share premium	50	Software unit	200
Revaluation Reserve	120	<u>Debtors</u>	
<u>Current Liabilities</u>		Hardware unit	140
Hardware unit	40	Software unit	110
Software unit	90	<u>Inventories</u>	
		Hardware unit	95
		Software unit	35
	750		750

**Additional information:**

- (i) The Software unit is in existence since May, 2015.
  - (ii) Fixed assets of Software unit includes land which was purchased at ₹40 lacs in the year 2008 and revalued at ₹60 lacs as on March 31, 2025. The stamp duty value on 31.3.2025 is ₹55 lakhs.
  - (iii) Other Fixed assets of software unit are reflected at 140 lakhs (₹ 200 lakhs less ₹ 60 lakhs, being the value of land) which represents written down value of depreciable assets as per books of account. However, the written down value of these assets under section 43(6) of the Income-tax Act, 1961 is ₹ 90 lakhs.
- (a) Ascertain the tax liability, which would arise from slump sale to PQR Limited, assuming it does not opt for sec. 115BAA.
  - (b) What would be your advice as a tax-consultant to make the restructuring plan of the company more tax-savvy, without changing the amount of sale consideration?

**Answer 6:**

(a)

**COMPUTATION OF CAPITAL GAINS [Sec. 50B]**

**[Slump Sale of Software Unit]**

FVOC (SP) (Note)		385 L
↑ Lumpsum Consideration	385 L	
↑ <b>FMV as per Rule 11UAE – Note 1</b>	250 L	
Less: Trf. Expenses		-
		385 L
Less: Cost of undertaking ( <b>Net Worth – Note 2</b> )		- 185 L
LTCG		200 L

The above capital gains is long term as the software unit started in May 2015 and it is transferred on 31<sup>st</sup> March, 2025.

**Note 1: FMV as per Rule 11UAE:**

FMV of Jewellery, Artistic Work, Shares and Securities	Nil
SDV of Immovable Property [Land]	55 L
Book Value of Other Assets (Other FA 140 L + Drs. 110 L + Inventories 35 L)	285 L
Less: Book Value of Outside Liabilities	(90 L)
	250 L

**Note 2: Net Worth [Cost of undertaking]:**

WDV of Depreciable assets as per I.Tax	90 L
Book Value of Other Assets	
- Land	40 L
- Stock	110 L
- Other Assets	35 L
Less: Book Value of Outside Liabilities	(90 L)
	185 L

(b) **TAX ADVICE:**

- (i) Transfer of any capital asset by a holding company to its 100% Indian subsidiary company is exempt from capital gains under section 47(iv). Hence, PQR Limited should try to acquire the remaining 26% equity shares in S Limited then make the slump sale in the above said manner, in which case the slump sale shall be exempt from tax. For this exemption, PQR Limited will have to keep such 100% holding in S Limited for a period of 8 years from the date of slump sale, otherwise the amount exempt would be deemed to be income chargeable under the head "Capital Gains" of the previous year in which such transfer took place.
- (ii) Alternatively, if acquisition of 26% share is not feasible, PQR Limited may think about demerger plan of Software Unit to get benefit of exemption u/s 47(vib) of Income-tax Act, 1961.

**Question 7:**

Ms. Mishika has entered into an agreement with M/s CVM Build Limited on 25.04.2020 in which she agrees to allow such Company to develop a shopping mall on land owned by her in New Delhi. She purchased such land on 05.05.2012 for ₹ 15,00,000. In consideration, M/s CVM Build Limited will provide 20% share in shopping mall to Mishika. The certificate of completion of shopping mall was issued by authority as on 26.12.2024. On such date, Stamp duty value of shopping mall was ₹ 4,14,00,000. Subsequently on 18.03.2025, she sold her 15% share in shopping mall to Mr. Ketav in consideration of ₹ 65,00,000. Cost Inflation Indices: 2024-25: 363, 2020-21: 301, 2012-13: 200  
Compute the chargeable capital gains for the assessment year 2025-26.



**Answer 8:**

(i)

**Sale of shares of Berkley Ltd. by PQR to LMN on 1.4.2010:**

Since LMN Ltd. is an Indian company which holds 100% of shares of PQR Ltd., the transfer of capital asset, namely, shares of Berkley Ltd., by PQR Ltd. to LMN Ltd. would not be treated as a transfer u/s 47. Hence, no capital gains tax would have been attracted on such transfer in the hands of PQR Ltd.

(ii)

**Disinvestment by LMN Ltd. of 7% shares in PQR Ltd in Nov.24:**

As per section 47A(1), where a holding company ceases to hold 100% of shares of the subsidiary company before the expiry of a period of eight years from the date of transfer of capital asset, the amount of capital gains exempted at the time of transfer would be deemed to be income chargeable under the head "Capital gains" of the previous year in which such transfer took place. However, in this case, the above deeming provision would not apply because the eight-year period from the date of transfer expires on 31.3.2018 and the disinvestment by LMN Ltd. of 7% shares held in PQR Ltd. was in November, 2024.

(iii)

**Sale of shares of Berkley Ltd. by LMN Ltd. in February 2025:**

This transaction would attract capital gains tax in the hands of LMN Ltd. for the PY.2024-25. The capital gains would be long-term, since the period of holding is more than 24 months.

The cost of acquisition to PQR Ltd. in the year 1992 (i.e., ₹ 7 lakhs) or the FMV as on 1.4.2001 (₹ 32 lakhs), whichever is higher, would be deemed as the cost of acquisition in the hands of LMN Ltd.

**COMPUTATION OF CAPITAL GAINS (for LMN Ltd.)**

Particulars	₹
Full Value of Consideration (SP)	95,00,000
Less: Cost of acquisition (No Indexation as transfer on/after 23/7/24)	- 32,00,000
Long-term Capital Gains	63,00,000

**Question 9:**

Mr. Sanjay is a resident in India aged 55 years. He had an impressive investment portfolio in various mutual funds. He redeemed his entire mutual fund investment portfolio and bought a villa in Lonavala for ₹ 2.00 crores to spend rest of his life there. The details of mutual funds are as under –

S. No.	Type of mutual fund	Date of investment	Date of redemption	Amount invested (in ₹ lakhs)	Amount redeemed (in ₹ lakhs)
1	BLR growth fund	03.04.2020	05.08.2024	120	140
2	ABC Strategic fund	04.05.2023	02.02.2025	46	50
3	ABD Midcap fund	02.12.2023	05.07.2024	115	118
4	SBA Growth fund	08.11.2021	12.12.2024	110	120

The funds stated at 1 and 2 have invested 30% of their proceeds in equity shares of domestic companies.

The funds stated at 3 and 4 have invested 70% of their proceeds in equity shares of domestic companies.

STT is paid at the time of acquisition and redemption of mutual fund, wherever applicable.

You are required to compute the capital gains chargeable to tax in the hands of Mr. Sanjay for A.Y. 2025-26. CII: 2020-21: 301; 2021-22: 317; 2022-23: 331; 2024-25: 363.

**Answer 9:**

**COMPUTATION OF CAPITAL GAINS [BLR Growth Fund]  
[< 65% Equity – Debt fund] – Sec.112**

	₹
Full Value of Consideration	1,40,00,000
<u>Less:</u> Transfer Expenses	—
Net Consideration	1,40,00,000
<u>Less:</u> Cost of Acquisition	- 1,20,00,000
(No Indexation as transfer is on/after 23/7/24)	
Gross LTCG	20,00,000
<b><u>Less: Exemption u/s 54E:</u></b> [fully exempt as the net consideration of 1.4 crores is fully invested in villa at Lonavala]	- 20,00,000
Net LTCG	Nil

**COMPUTATION OF CAPITAL GAINS [ABC Strategic Fund]  
[<= 35% Equity– Pur. on/after 1/4/23 – Sp. MF] – Sec.50AA**

	₹
Full Value of Consideration	50,00,000
<u>Less:</u> Transfer Expenses	—
Net Consideration	50,00,000
<u>Less:</u> Cost of Acquisition	- 46,00,000
Always STCG [Slab Rates]	4,00,000

**COMPUTATION OF CAPITAL GAINS [ABD Midcap Fund]  
[>= 65% Equity – EOF] – Sec.111A**

	₹
Full Value of Consideration	1,18,00,000
<u>Less:</u> Transfer Expenses	—
Net Consideration	1,18,00,000
<u>Less:</u> Cost of Acquisition	- 1,15,00,000
STCG [15% Tax]	3,00,000

**COMPUTATION OF CAPITAL GAINS [SBA Growth Fund]**

**[>= 65% Equity – EOF] – Sec.112A**

	₹
Full Value of Consideration	1,20,00,000
<u>Less: Transfer Expenses</u>	—
Net Consideration	1,20,00,000
<u>Less: Cost of Acquisition [Indexation not allowed]</u>	- 1,10,00,000
Gross LTCG	10,00,000
<b><u>Less: Exemption u/s 54F:</u></b>	<b>- 5,00,000</b>
<b>Gross LTCG (10 L) x CNA (2 cr. – 1.4 cr.) / NC (1.2 cr)</b>	
Net LTCG (Ex upto 1.25 L and Balance 12.5% Tax)	5,00,000

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