

Example 1:- Mr. BB purchase gold in PY 12-13 for 13 crore.
 On 16/3/26 he sold such gold for ₹ 40.05 crores.
 Transfer expenses is ₹ 0.05 crore. On 28/06/26 he has purchased a residential house property in Mumbai for ₹ 28 crores. He does not own more than 1 HP on the date of transfer of gold. On 30/3/28 he has transferred Mumbai HP for ₹ 34 crores.
 Discuss Tax treatment.

Mr. BB

PY 25-26 AY 26-27

Computation of Capital gain on sale of gold.

FVOC	400500000
(-) Transfer	500000
Net consideration	400000000
(-) COA	130000000
Gross LTC	270000000
less:- Exemption u/s 54F	
LTCG x CNA	
Net consideration	
$270000000 \times \frac{100000000}{400000000}$	(67500000)
Net LTCG	202500000

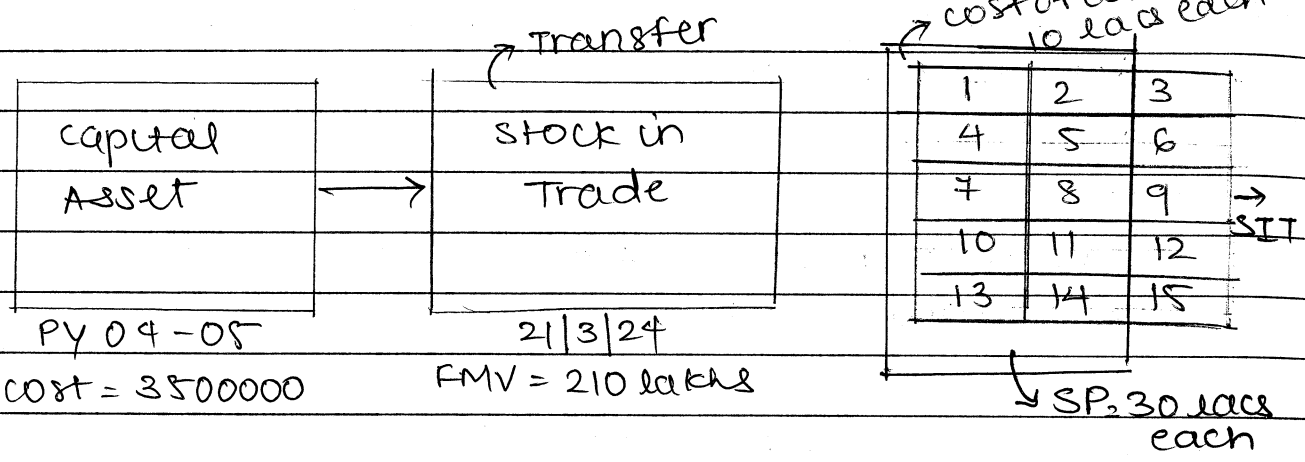
Sec	Assessee	Transferred Amount	Capital gain on transfer Per Asset
54	Individual HUF	Residential House Property	LTCG
54B	Individual HUF	urban Agriculture land (used 2 years)	ST/LT
54D	All	Industrial L&B Compulsory Acquisition [used 2 years]	ST/LT
54EC	All	Immovable property	LTCG
54F	Individual HUF	Any LTCA (except RHP)	LTCG

Asset to be acquired	Time limit	CAGS	Am't of exemption	Lock in Period
1 RHP in India [LTCC upto 2 cr - 2HP] [Max. 10 cr for New HP]	-1+2+3	Yes	(i) CA (ii) CNA/ Deposit	3 years (Reduced cost)
Urban / Rural Agriculture land	+ 2	"	"	"
Industrial L & B	+ 3	"	"	"
RAI / RECL / PFCL / IRFEL / HUDCO / JREDA	+ (6 months to 1 year)	No	(Max. 50 Lacs)	5 years [Full cost]
1 RHP in India [Max 10 cr for New HP]	-1+2+3 (20-10)	Yes	LTCC CNA NC	3 years [Full cost]

(54, 54B, 54D, 54EC, 54F)

Note: As per sec 54H, In all the exemptions, time period for acquiring New Asset is considered from the date of transfer if Asset is compulsorily acquired and time limit is calculated from the date on which compensation is received.

Q 6
Pg 93



Computation of Capital Gain

FVOC (FMV on date of TRF)	21000000
(-) Transfer expense	-
Net consideration	21000000
(-) $3500000 \times \frac{348 (23-24)}{113 (04-05)}$	(10778761)
Gross LTCG	10221239

LTCG taxable in FY 25-26 (AY 26-27)

$10221239 \times \frac{10 \text{ Flats}}{15 \text{ Flats}}$	6814159
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less = Exemption u/s 54EC

(i) LTCG	6814159	
(ii) Cost of Bonds (Max 50 lacs)	5000000	(5000000)
		<u>NET LTCG</u>
		1814159

PUBP		
SP of flat (10 flats x 30 lac)		30000000
(-) FMV of plot ($\frac{210 \text{ lac} \times 10 \text{ flats}}{15 \text{ flats}}$)		(14000000)
(-) Cost of construction (10 flats x 10 lakhs)		(10000000)
	PUBP	<u>6000000</u>

Note = In case of conversion of Capital Asset into SIT transfer took place in the year of conversion but here it is paid in the year in which SIT is sold.
 In the present question since stock is sold ^{in trade} proportionally so capital gain is also taxable proportionately.

Note 2: For the purpose of sec 54EC exemption, time limit of 6 months calculated from the date when stock in Trade sold.



Sec 112A :- LTCG on transfer of Equity shares, Equity oriented mutual fund, unit of Business Trust.

LTCG on transfer of above Asset shall taxable :-

(i) 10% transfer took place before 23/7/24

(ii) 12.5% If transfer took place on or after 23/7/24

→ EXCESS OF ₹ 1,25,000

Conditions :-

- a) STT (Security Transaction Tax) paid on Acquisition and transfer of Equity shares.
- b) STT paid on transfer of Equity oriented unit or unit of Business Trust.

Notes :-

↓ Rebate u/s 87A not available against long term capital gain u/s 112A

- 2) Index benefit not available in case of sec 112A when transfer took place before 23/7/24.

Ex :- Mr Kammo (Age 52 years) is a Resident individual. From following information compute tax liability. (Assume Assessee opted out from sec 115BAC)

Income from PGBP	310000
LTCG u/s 112A	180000
GTI/NTI	490000

computation of Tax liability

(i) Tax on LTCG u/s 112A @ 12.5%
 in excess of 125000
 (180000 - 125000) 55000 x 12.5% = 6875

(ii) Bal Income Tax
 upto 250000 → 0%
 > 250000 upto 310000 5% 3000
 9875

(-) Rebate u/s 87A (3000)
 ↓ (i) Tax 3000
 ↓ (ii) 12500 12500
 6875
 Add: HEC 4% 275
 Net tax liability 7150

Sec 55 - Cost of Acquisition
 If sec 112A apply and shares/unit acquired before 1/2/2018, COA shall be higher of step 1 and step 2.

↑ Step 1: Cost of Acquisition xxx
 ↓ Step 2: Lower of
 (i) FMV on 31/1/18 xxx
 (ii) FVOC xx
 xxx
 xxx

FMV as on 31/11/2018

In case of listed shares/unit on 31/11/2018

→ FMV is equal to highest price quoted 31/11/2018 in recognised stock exchange if there is no trading on 31/11/2018, highest price of the last trading session

In case of shares or unit not listed on 31/11/2018

In case of unit

In case of shares

↓
FMV = NAV ON 31/11/18
(Net Asset Value)

↓
FMV = COA × Index of PY 17-18 (272)
Index of year of acquisition

Note

- 1) sec 112A is applicable in case of equity shares if it is listed at the time of sale and STT paid at the time of acquisition and sale.
- 2) sec 112A is applicable in case of Equity oriented Mutual fund unit and unit of Business Trust even if it is listed or unlisted but STT should be paid at the time of sale.
- 3) Equity oriented Mutual fund means mutual fund company invest 65% or more out of investible fund in listed equity shares of domestic company.

Sec 111A - STCG in case of Equity shares / Equity Oriented Mutual funds, units of Business Trust

In case of STCG on above assets shall be taxable.

- a) 15%. If transfer took place before 23/7/24
- b) 20%. If transfer took place on or after 23/7/24

Condition :- STT shall be paid at the time of sale.

— Common Notes for Sec 112A and 111A —

1) STT not allowed under the head capital gain. STT paid at the time of sale it is not treated as transfer expenses. If STT paid at the time of purchase, it is not included in the COA.

2) Sale transaction took place recognised stock exchange located in International Financial Service Center (IFSC) consideration is received in foreign currency. Benefit of Sec 112A and Sec 111A available even if STT is not paid (STT not applicable in IFSC).



Tax Rates under Capital Gain (Other than 112A & 111A)

LTCG u/s 112

STCG

Transfer took
place before

Transfer took place
on or after 23/7/24

Normal Tax
Rate

23/7/24

(Slab Rate)



Tax Rate = 12.5%

Tax Rate = 20%



Exception

- (i) Assessee = Resident Individual / HUF
- (ii) Asset :- Immovable property
- (iii) Asset acquired before 23/7/24
- (iv) Asset transferred on or after 23/7/24



Tax Rate = a) 20% with Index

b) 12.5% without Index ↓

whichever is lower