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computation of capital gain

PY 24-25 AY 25-26

Particulars	Amt
Full value of consideration	3700000
(-) Transfer expense (2%)	(74000)
Net consideration	3626000
(-) Index cost of acquisition $350000 \times \frac{363}{109}$	(1165596)
(-) Index cost of improvement $200000 \times \frac{363}{113}$	(642478)
capital Gain	1817926

sec 112 :- Tax Rates in case of LTCG

a) If Asset transfer before 23/7/24 — 20%
b) If Asset transfered on or after 23/7/24 — 12.5%

Note (Imp) :- If following conditions are satisfied the Tax on LTCG shall be 12.5% without indexation or 20% with indexation whichever is lower.

a) Assesse should be Resident Individual / HUF
b) Asset should be immovable property
c) such Asset acquired before 23/7/24
d) such Asset transfered on or after 23/7/24

Ex2 :- Miss Avani acquired a House Property on 10/7/2005 for ₹ 500000. she has incurred improvement cost on such property in PY 12-13 for ₹ 200000. She transfered such property on 10/12/25 for ₹ 5000000. Her income from other sources is ₹ 10,00,000 calculate Tax liability of Ms Avani as per Default tax regime U/s 115BAC

Note 1 :- CG with Index

FVOC 5000000

(–) ICOA

$500000 \times \frac{376 \ (25-26)}{117 \ (05-06)}$ (1606838)

(–) ICOI

$200000 \times \frac{376 \ (25-26)}{200 \ (12-13)}$ (376000)

3017162

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Ms. Avani PY 25-26 AY 26-27

capital Gain		
Full value of consideration	5000000	
(-) transfer expense	-	
Net consideration	5000000	
(-) cost of Acquisition	(500000)	
(-) cost of Improvement	(200000)	
LTCG		4300000
other income		1000000
GTI/NTI		5300000

Calculation of tax liability

(i) Tax on LTCG

a) 12.5% without Index (4300000×12.5%) 537500

b) 20% with index (3017162×20%) 603432

(Note 1) 537500

(ii) Tax on Balance income

upto 400000	—	—
>400000 upto 800000	5%	20000
>800000 upto 1000000	10%	20000
		577500
Add:- surcharge @ 10%		57750
		635250
Add:- HEC @ 4%		25410
		660660

LTCA	Transfer before 23/7/24	Transfer on or after 23/7/24
While calculation of capital gain	Index Benefit available	Index Benefit Not available
While calculation of Tax liability on LTCG u/s 112	Tax Rate :- 20%	Tax Rate :- 12.5% Resident Individual + Immovable property + Acquired before 23/7/24 (i) 12.5% without Index (ii) 20% with Index

Particulars	₹	₹
Full value of consideration		1250000
(-) Transfer expense		
Net consideration		
(-) cost of acquisition		1600000
(-) cost of improvement		

Sec 45(2) - Conversion of capital Asset into stock in Trade.

Normally year of Tax is equal to year of transfer but in case of conversion of capital Asset into stock in trade transfer took place in the year of conversion. However the tax is paid in the year in which the stock in trade is sold. In this case, income is divided in 2 parts.

Computation of capital Gain

FVOC (FMV on date of conversion)	xxx
− Transfer expenses	(xxx)
Net consideration	xxx
− COA / ICOA	(xxx)
− COI / ICOI	(xx)
STCG / LTCG	xxx

PGBP

Sale value of stock	xxx
(−) FMV of capital Asset on sale of conversion	(xxx)
PGBP	xxx

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Mr X PY 25-26 AY 26-27

Particulars	₹
Full value of consideration (FMV on conversion)	550000
(-) Index cost of Acquisition	
$60000 \times \frac{348\ (23\text{-}24)}{113\ (04\text{-}05)}$	(184778)
LTCG	365222

PY 25-26 AY 26-27

PGBP	₹
SP of stock	600000
(-) FMV on conversion	(550000)
PGBP	50000

Imp

Note :- If stock in trade is sold in part then capital gain is also taxable in part.

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Plot of land	PCH → Conversion into STI	→ 15 flats cl. stk
1982-83	01/04/2010 (Transfer year)	15 flats sold
cost :- 1000000	PY 10-11	@ 20 lakhs per flat (cost of sales per flat)
FMV 1/4/1 :- 930000	FMV :- 15000000	(PY 25-26)

Computation of capital Gain

		₹
FVOC (FMV on date of conversion)		15000000
(–) Transfer expenses		—
Net consideration		15000000
(–) Index cost of acquisition		
(i) cost	$\boxed{1000000} \times \frac{167\ (10\text{-}11)}{100\ (01\text{-}02)}$	(1670000)
(ii) FMV 1/4/1	930000	
Gross LTCG		13330000

∴ Capital gain taxable in PY 25-26 (AY 26-27)

$$13330000 \times \frac{15 \text{ flats}}{20 \text{ flats}} = 9997500 \text{ LTCG}$$

PY 25-26 AY 26-27

PGBP

SP of stock (15 flats × 20 lakhs)	30000000
(–) FMV of Plot on the conversion $\left(150 \text{ lakhs} \times \frac{15 \text{ flats}}{20 \text{ flats}}\right)$	(11250000)
(–) cost of construction (8 lakhs × 15 flats)	(12000000)
PGBP	6750000

Note 1:- As per sec 45(2), in case of conversion of capital Asset into stock in trade, transfer took place in the year of conversion but the capital gain is taxable in the year in which the stock is sold. In the present question Preeti sold 15 flats in PY [25-26], so proportional capital gain taxable is PY [25-26]

2b If any Asset acquired before 1/4/2001 then COA shall be Actual cost or FMV as on 1/4/2001 whichever is higher. In the present qn Actual cost is 10,00,000 i.e higher than FMV 1/4/2001 i.e 9,30,000. so we have to consider ₹ 10,00,000.

Sec 45(5):- Compulsory acquisition of Capital Asset

Normally year of Tax is equal to year of transfer but in case of compulsory acquisition of capital Asset, transfer is took place in the year in which the Asset is compulsorily acquired but capital gain is taxable in the year in which compensation is received.

Part A:- For Initial compensation

Computation of CG

FVOC	Initial compensation
(-) Transfer exp.	(xx)
Net consideration	xx
(-) COA / ICOA	(xx)
(-) COI / ICOI	(xx)
ST/LTCG	xxx

Part B:- For additional compensation

Computation of CG

	₹
FVOC	Additional comp.
(-) legal charges / litigation charges	(xx)
ST/LTCG	xxx

— Compensation received in Installment —

A) Initial compensation :- If it is received in installment then total initial compensation taxable in the year in which 1st installment is received.

B) Enhanced / Additional compensation → If it is received in installment then it is taxable as and when received.

Note:- If Interest is received on late compensation then such Interest is taxable under [IFOS] in the year in which it is received.

Taxable Amt = Interest Received × 50%. [50% standard deduction u/s 57]

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Mr Naveen PY 25-26, AY 26-27

Computation of capital gain on Initial compensation

Full value of consideration (Initial compensation)	1400000
(-) Transfer expense	-
Net consideration	1400000
(-) Index cost of Acquisition $\left[200000 \times \frac{148}{100}\right]$	(296000)
LTCG	1104000