

In this case, Aggarwal & Sons, HUF transferred the asset to Mr. Subhash Aggarwal, a member of HUF on total partition of the HUF. Hence, the transaction would not be regarded as transfer.

Tax implications in the hands of Mr. Subhash Aggarwal

If an immovable property is received by any person without consideration, the stamp duty value of such property would be taxed as the income of the recipient under section 56(2)(x), if it exceeds ₹50,000. However, it would not be taxable as income if the transfer is by way of a transfer, inter alia, on total or partial partition of a HUF.

In the give case, since Mr. Subhash Aggarwal received the house property on total partition of the HUF, it would not be taxable in his hand.

Question 4

MTP Nov'21

Mr. Raj is carrying on business of manufacture and sale of art-silk cloth. He purchased machinery worth ₹ 4 lacs on 1.5.2020 and insured it with United India Assurance Ltd against fire, flood, earthquake etc., The written down value of the asset as on 01.04.2023 was ₹ 1,87,850. The insurance policy contained a reinstatement clause requiring the insurance company to pay the value of the machinery, as on the date of fire etc., in case of destruction of loss. A fire broke out in August, 2023 causing extensive damage to the machinery of the assesses rendering them totally useless. The assesses company received a sum of ₹ 4 lacs from the insurance company on 15th March, 2024. Examine the issues arising on account on the transactions and their tax treatment.

4 Marks

Answer:

As per section 45(1A), where any person receives any money or other assets under an insurance from an insurer on account of damage to or destruction of capital asset as a result of, inter alia, accidental fire then, any profits and gains arising from the receipt of such money or other assets, shall be chargeable to income tax under the head "Capital Gains" and shall be deemed to be the income of such person of the previous year in which such money or asset was received.

For the purpose of section 48, the money received or the market value of the asset shall be deemed to be the full value of the consideration accruing as a result of the transfer of such capital asset. Since the asset was destroyed and the money from the insurance company was received in the previous year, there will be a liability to compute capital gains in respect of the insurance moneys received by the assessed.

Under section 45(1A) any profits and gains arising from receipt of insurance moneys is chargeable under the head "Capital gains". For the purpose of section 48, the moneys received shall be deemed to be the full value of the consideration accruing or arising. Under section 50 the capital gains in respect of depreciable assets had to be computed in the following manner (assuming it was the only asset in the block).

The computation of capital gain and tax implication is given below:

Full value of the consideration	₹ 4,00,000
Less: Written down value as on April 1st, 2023	₹ 1,87,850
Short term capital gains	₹ 2,12,150



Question 5

MTP Nov'21

Mrs. Neha transferred 100 shares of ABC (P) Ltd. to M/s. XYZ Co. (P) Ltd. on 10.9.2023 for ₹ 3,00,000 when the market price was ₹ 5,00,000. The indexed cost of acquisition of shares for Mrs. Neha was computed at ₹ 4,30,000. The transfer was not subjected to securities transaction tax. Determine the income chargeable to tax in the hands of Mrs. Neha and M/s. XYZ Co.(P) Ltd. because of the above said transaction. **2 Marks**

Answer:

Any movable property received for inadequate consideration by any person is chargeable to tax under section 56(2)(x), if the difference between aggregate Fair Market Value of the property and consideration exceeds ₹ 50,000.

Thus, share received by M/s XYZ (P) Ltd. from Mrs. Neha for inadequate consideration is chargeable to tax under section 56(2)(x) to the extent of ₹ 2,00,000.

As per section 50CA, since, the consideration is less than the fair market value of unquoted shares of ABC (P) Ltd., fair market value of shares of the company would be deemed to be the full value of consideration. It is presumed that the shares of ABC (P) Ltd are unquoted shares.

The full value of consideration (₹ 5,00,000) less the indexed cost of acquisition (₹ 4,30,000) would result in a long-term capital gains of ₹ 70,000 in the hands of Mrs. Neha.

Question 6

MTP April'21, PYP Nov'21

Calculate the amount chargeable to tax under the head 'Capital Gains' and also calculate tax on such gains for A.Y. 2024-25 from the following details provided by Mr. Naveen with respect to sale of certain securities during F.Y. 2023-24, assuming that the other incomes of Mr. Naveen exceed the maximum amount not chargeable to tax. (Ignore surcharge and cess): **7 Marks**

- (i) Sold 10,000 shares of Y Ltd. on 05-04-2023 @ ₹ 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
- (ii) Sold 1,000 units of AB Mutual Fund on 20-05-2023 @ ₹ 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 27-09-2023 @ ₹ 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:

2001-02	100
2016-17	264
2017-18	272
2020-21	301
2023-24	348



Answer:

Computation of amount chargeable to tax under the head "Capital Gains" in the hands of Mr. Naveen

	Particulars	₹
(i)	<u>Sale of 10,000 shares of Y Ltd. on 5.4.2023 @ 650 per share</u> Sales consideration (10,000 × ₹ 650)	65,00,000
	Less: Cost of acquisition Higher of:	₹ 30,00,000
	- Actual cost (10,000 × ₹ 100)	10,00,000
	- Lower of: 30,00,000	
	• ₹ 30,00,000 (₹ 300 × 10,000), being fair market value as on 31.1.2018 (Highest price of the shares traded on 31.1.2018); and	
	• ₹ 65,00,000, being full value of consideration on transfer	
	Long-term capital gain under section 112A [Since shares held for more than 12 months and STT is paid both at the time of purchase and sale. Benefit of indexation is, however, not available on LTCG taxable u/s 112A].	35,00,000
(ii)	<u>Sale of 1,000 units of AB Mutual Fund on 20.5.2023 @ ₹ 50 per unit</u> Sale consideration (1,000 × ₹ 50)	50,000
	Less: Cost of acquisition - Higher of -	50,000
	- Actual cost (1,000 × ₹ 10) 10,000	
	- Lower of: 50,000	
	• ₹ 55,000 (₹ 55 × 1,000), FMV, being Net Asset Value as on 31.1.2018; and	
	• ₹ 50,000, being full value of consideration on transfer	
	Long-term capital gain under section 112A [Since shares are held for more than 12 months and STT is paid at the time of sale]	Nil
(iii)	<u>Sale of 100 shares of C Ltd. on 27.9.2023 @ 200 per share</u>	
)	Sale consideration (100 × ₹ 200)	20,000
	Less: Indexed Cost of acquisition [100 × ₹ 50 (being FMV on 1.4.2001) × 348/100] 646	17,400
	Long-term capital gain under section 112 [Since shares are unlisted and held for more than 24 months]	2,600

Computation of tax on such capital gains for A.Y. 2024-25

Particulars	₹
Tax under section 112A @ 10% on long-term capital gains of ₹ 34,00,000 [LTCG of ₹ 35,00,000 (-) ₹ 1,00,000] arising on sale of shares of Y Ltd.	3,40,000
Tax under section 112 @ 20% on long-term capital gains of ₹ 2,600 arising on sale of unlisted shares of C Ltd.	520
Total tax payable	3,40,520



Question 7

MTP April'21, PYP Nov'21

Mr. Yusuf bought a vacant land for ₹ 80 lakhs in March 2009. Registration and other expenses were 10% of the cost of land. He constructed a residential building on the said land for ₹ 100 lakhs during the financial year 2010-11.

He entered into an agreement for sale of the above said residential house with Mr. John (not a relative) in July 2023. The sale consideration was fixed at ₹ 600 lakhs and on the date of agreement, Mr. Yusuf received ₹ 20 lakhs as advance in cash. The stamp duty value on that date was ₹ 620 lakhs.

The sale deed was executed and registered on 10-2-2024 for the agreed consideration. However, the State stamp valuation authority had revised the values, hence, the value of property for stamp duty purposes was

₹ 650 lakhs. Mr. Yusuf paid 1% as brokerage on sale consideration received. Subsequent to sale, Mr. Yusuf made following investments:

- (i) Acquired a residential house at Delhi for ₹ 80 lakhs.
- (ii) Acquired a residential house at London for ₹ 40 lakhs.
- (iii) Subscribed to NHAI bond: ₹ 45 lakhs on 29-5-2024 and ₹ 15 lakhs on 12-7-2024.

Compute the income chargeable under the head "Capital Gains" for A.Y. 2024-25. The choice of exemption must be in the manner most beneficial to the assessee.

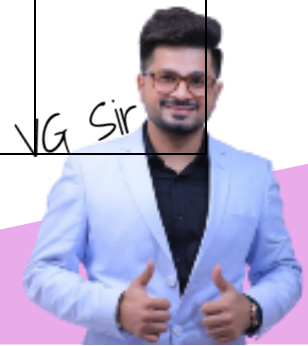
Cost Inflation Index:

F.Y. 2008-09	137
F.Y. 2010-11	167
F.Y. 2023-24	348

Answer:

Computation of income chargeable under the head "Capital Gains" for A.Y. 2024-25

Particulars	₹ (in lakhs)	₹ (in lakhs)
Capital Gains on sale of residential building		
Actual sale consideration ₹ 600 lakhs		
Value adopted by Stamp Valuation Authority ₹ 650 lakhs		
Gross Sale consideration		650.00
[Where the actual sale consideration is less than the value adopted by the Stamp Valuation Authority for the purpose of charging stamp duty, and such stamp duty value exceeds 105% (110%) of the actual sale consideration, then, the value adopted by the Stamp Valuation Authority shall be taken to be the full value of consideration as per section 50C.		600.00
<i>(As per amendment in section 50C if SDV is not more than 110% of the consideration, then Consideration shall be treated as Full Value of Consideration)</i>		
In a case where the date of agreement is different from the date of registration, stamp duty value on the date of agreement can be considered provided the whole or part of the consideration is paid by way of account payee cheque/bank draft or by way of ECS through bank		



account or through any other prescribed electronics mode on or before the date of agreement. In this case, since advance of ₹20 lakh is received in cash on the date of agreement, stamp duty value on the date of registration has to be considered. Since stamp duty value on the date of registration exceeds 105% (110%) of the actual consideration, such stamp duty value on the date of registration would be taken as full value of consideration]		6.00
Less: Brokerage@1% of sale consideration (1% of ₹ ₹600 lakhs)		
Net Sale consideration		644.00
		594
Less: Indexed cost of acquisition		
- Cost of vacant land, ₹ Rs 80 lakhs, plus registration and other expenses i.e., ₹ Rs 8 lakhs, being 10% of cost of land [₹ 88 lakhs × 348/137]		
	223.53	
-Construction cost of residential building (₹Rs 100 lakhs × 348/167)	208.38	431.91
Long-term capital gains before exemption		182.05
		162.09
Less: Exemption under section 54		80.00
Since the amount of capital gain does not exceed ₹ Rs 2 crore, the capital gain arising on transfer of a long-term residential property shall not be chargeable to tax to the extent such capital gain is invested in the purchase of two residential house property in India one year before or two years after the date of transfer of original asset, at the option of the assessee. However, in the present case, the exemption would be available only in respect of the residential house acquired at Delhi and not in respect of the residential house in London since the residential house property should be purchased or constructed in India		
Less: Exemption under section 54EC		50.00
Amount deposited in capital gains bonds of NHAI within six months from the date of transfer (i.e., on or before 09.08.2020) would qualify for exemption, to the maximum extent of ₹50 lakhs. Therefore, in the present case, exemption can be availed only to the extent of ₹50 lakh out of ₹ 60 lakhs, even if the both the investments are made on or before 09.08.2024 (i.e., within six months from the date of transfer).		
Long term capital gains chargeable to tax		52.05
		32.09

Note: Since the residential house property was held by Mr. Yusuf for more than 24 months immediately preceding the date of its transfer, the resultant gain is a long-term capital gain.



Question 8

MTP May'20

Mr. Ramesh sold a house plot to Mrs Vikas for ₹ 45 lakhs on 10-9-2023. The valuation determined by the stamp valuation authority was ₹ 53 lakhs. Mr. Vikas has sold this plot to Ms. Bali on 21-3-2024 for ₹ 55 lakhs. The valuation as per stamp valuation authority was ₹ 54 lakhs on 21-3-2024.

Discuss the tax consequences of above, in the hands of each one of them, visa, Mr. Ramesh, Mr. Vikas & compute the capital gain in the hands of Mr. Vikas.

Note: None of the party's visa Mr. Ramesh, Mr. Vikas & Ms. Bali are related to each other; the transactions are between outside ₹

7 Marks

Answer:

I	<u>Tax consequences in the hands of Mr. Ramesh</u>									
	<p>As per section 50C, the stamp duty value of immovable property, being land or building or both, would be deemed to be the full value of consideration arising on transfer of such property, if the same is higher than actual consideration. However, where the stamp duty value does not exceed 105% (110%) of the sale consideration received or accruing as a result of transfer, the consideration so received or accruing shall be deemed to be the full value of the consideration. Accordingly, in this case, capital gains would be computed in the hands of Mr. Ramesh, for A.Y.2024-25, taking the stamp duty value of ₹ 53 lakh of house plot as the full value of consideration arising on transfer of such house plot, since the same exceeds 105% (110%) of the actual consideration of ₹ 45 lakhs.</p> <p>Note - If it is assumed that Mr. Ramesh is a property dealer, the income would be taxable as his business income under section 43CA</p> <p><i>(As per amendment in section 50C if SDV is not more than 110% of the consideration, then Consideration shall be treated as Full Value of Consideration)</i></p>									
II	<u>Tax consequences in the hands of Mr. Vikas</u>									
	<p>In case, immovable property is received for inadequate consideration, the difference between the stamp duty value and actual consideration would be taxable under section 56(2)(x) in the hands of the recipient, if such difference exceeds the higher of ₹ 50,000 or 5% of actual sales consideration.</p> <p>Therefore, in this case, ₹ 8 lakhs (₹ 53 lakhs - ₹ 45 lakh) would be taxable in the hands of Mr. Vikas under the head "Income from Other Sources" in A.Y.2024-25 since the difference exceeds ₹2,25,000, being the higher of ₹50,000 and 5% of consideration.</p> <p>At the time of subsequent sale of property by Mr. Vikas to Ms. Bali (on 21.3.2024), short- term capital gains would arise in the hands of Mr. Vikas in A.Y.2024-25, since the property is held by him for less than 24 months.</p>									
	<table border="1"> <thead> <tr> <th data-bbox="185 1603 1225 1641">Particulars</th> <th data-bbox="1232 1603 1500 1641">₹</th> </tr> </thead> <tbody> <tr> <td data-bbox="185 1650 1225 1720">Full value of consideration (Since actual consideration of ₹55 lakhs is higher than stamp duty value of ₹54 lakh)</td> <td data-bbox="1232 1650 1500 1720">55 lakh</td> </tr> <tr> <td data-bbox="185 1729 1225 1798">Less: Cost of acquisition (Value taken into account for the purpose of section 56(2)(x)2</td> <td data-bbox="1232 1729 1500 1798">53 lakh</td> </tr> <tr> <td data-bbox="185 1807 1225 1821">Short-term capital gains</td> <td data-bbox="1232 1807 1500 1821">2 lakh</td> </tr> </tbody> </table>	Particulars	₹	Full value of consideration (Since actual consideration of ₹55 lakhs is higher than stamp duty value of ₹54 lakh)	55 lakh	Less: Cost of acquisition (Value taken into account for the purpose of section 56(2)(x)2	53 lakh	Short-term capital gains	2 lakh	
Particulars	₹									
Full value of consideration (Since actual consideration of ₹55 lakhs is higher than stamp duty value of ₹54 lakh)	55 lakh									
Less: Cost of acquisition (Value taken into account for the purpose of section 56(2)(x)2	53 lakh									
Short-term capital gains	2 lakh									



Question 9

Mr. Sarthe entered into an agreement with Mr. Jaikumar to sell his residential house located at Kanpur on 16.08.2023 for ₹ 80,00,000.

The sale proceeds were to be paid in the following manner:

- (i) 20% through account payee bank draft on the date of agreement.
- (ii) 60% on the date of the possession of the property.
- (iii) Balance after the completion of the registration of the title of the property.

Mr. Jaikumar was handed over the possession of the property on 15.12.2023 and the registration process was completed on 14.01.2024.

He paid the sale proceeds as per the sale agreement. The value determined by the Stamp Duty Authority on 16.08.2023 was ₹ 90,00,000 whereas on 14.01.2024 it was ₹ 91,50,000.

Mr. Sarthe had acquired the property on 01.04.2001 for ₹ 20,00,000. After recovering the sale proceeds from Jaikumar, he purchased another residential house property for ₹ 20,00,000 on 24.3.2024. Compute the income under the head "Capital Gains" for the Assessment Year 2024-

25. Cost Inflation Index for Financial Year(s) 2001-02- 100; 2023-24 - 348

7 Marks

Answer:

Computation of income chargeable under the head "Capital Gains" for A.Y. 2024 -25

Particulars	₹
Capital Gains on sale of residential house	
Actual sale consideration ₹ 80 lakhs	
Value adopted by Stamp Valuation Authority ₹ 90 lakhs	
Full value of sale consideration [Higher of the above]	90,00,000
[As per section 50C, where the actual sale consideration declared by the assessed on the date is less than the value adopted by the Stamp Valuation Authority for the purpose of charging stamp duty, and such stamp duty value exceeds 105% (110%) of the actual sale consideration then, the value adopted by the Stamp Valuation Authority shall be taken to be the full value of consideration. In a case where the date of agreement is different from the date of registration, stamp duty value on the date of agreement can be considered provided the whole or part of the consideration is paid by way of account payee cheque/bank draft or by way of ECS through bank account on or before the date of agreement. In this case, since 20% of ₹ 80 lakhs is paid through account payee bank draft on the date of agreement, stamp duty value on the date of agreement can be adopted as the full value of consideration]	
Less: Indexed cost of acquisition of residential house	
[₹ 20 lakhs x 348/100]	69,60,000
Long-term capital gains [Since the residential house property was held by Mr. Sarthe for more than 24 months immediately preceding the date of its transfer]	20,40,000
Less: Exemption u/s 54	20,00,000



The capital gain arising on transfer of a long-term residential property shall not be chargeable to tax to the extent such capital gain is invested in the purchase of one residential house property in India within one year before or two years after the date of transfer of original asset.

Long term capital gains chargeable to tax

40,000

(As per amendment in section 50C if SDV is not more than 110% of the consideration, then Consideration shall be treated as Full Value of Consideration)

Question 10

MTP March'19

On 29.12.2023, Mr. Gaurav (a bank employee) received ₹7,00,000 towards interest on enhanced compensation from State Government in respect of compulsory acquisition of his land effected during the financial year 2019-20.

Out of this interest, ₹2,00,000 relates to the financial year 2020-21; ₹3,45,000 to the financial year 2021-22; and ₹1,55,000 to the financial year 2022-23.

How much of interest on enhanced compensation would be chargeable to tax for the assessment year 2024-25?

2 Marks

Answer:

Section 145B provides that interest received by the assessee on enhanced compensation shall be deemed to be the income of the assessee of the year in which it is received, irrespective of the method of accounting followed by the assessee and irrespective of the financial year to which it relates.

Section 56(2)(viii) states that such income shall be taxable as „Income from other sources“.

50% of such income shall be allowed as deduction by virtue of section 57(iv) and no other deduction shall be permissible from such Income.

Computation of interest on enhanced compensation taxable as “Income from other sources” for the A.Y 2024-25:

Particulars	₹
Interest on enhanced compensation taxable under section 56(2)(viii)	7,00,000
Less: Deduction under section 57(iv) (50% × ₹7,00,000)	3,50,000
Taxable interest on enhanced compensation	3,50,000

Question 11

MTP March '23 & Aug '18

Mr. Shiva purchased a house property on February 15, 1979 for ₹ 3,24,000. In addition, he has also paid stamp duty value @10% on the stamp duty value of ₹ 3,50,000.

In April, 2009, Mr. Shiva entered into an agreement with Mr. Mohan for sale of such property for ₹ 14,35,000 and received an amount of ₹ 1,11,000 as advance. However, the sale consideration did not materialize and Mr. Shiva forfeited the advance. In May 2016, he again entered into an agreement for sale of said house for ₹ 20,25,000 to Ms. Deepshikha and received



₹ 1,51,000 as advance. However, as Ms. Deepshikha did not pay the balance amount, Mr. Shiva forfeited the advance. In August, 2015, Mr. Shiva constructed the first floor by incurring a cost of ₹ 3,90,000.

On November 15, 2023, Mr. Shiva entered into an agreement with Mr. Manish for sale of such house for ₹ 30,50,000 and received an amount of ₹ 1,50,000 as advance through an account payee cheque. Mr. Manish paid the balance entire sum and Mr. Shiva transferred the house to Mr. Manish on February 20, 2024. Mr. Shiva has paid the brokerage @1% of sale consideration to the broker.

On April 1, 2001, fair market value of the house property was ₹ 11,85,000 and Stamp duty value was ₹ 10,70,000. Further, the Valuation as per Stamp duty Authority of such house on 15th November, 2023 was ₹ 39,00,000 and on 20th February, 2024 was ₹ 41,00,000.

Compute the capital gains in the hands of Mr. Shiva for A.Y. 2023 -24. CII for F.Y. 2001-02: 100; F.Y. 2008- 09: 137; F.Y. 2016-17: 264; F.Y. 2022-23: 331

7 Marks

Answer:

Computation of Capital gains in the hands of Mr. Shiva for A.Y. 2024-25

Particulars	Amount (₹)	Amount (₹)
Actual sale consideration	30,50,000	
Valuation as per Stamp duty Authority on the date of agreement	39,00,000	
(Where the actual sale consideration is less than the value adopted by the Stamp Valuation Authority for the purpose of charging stamp duty, and such stamp duty value exceeds 110% of the actual sale consideration then, the value adopted by the Stamp Valuation Authority shall be taken to be the full value of consideration as per section 50C. However, where the date of agreement is different from the date of registration, stamp duty value on the date of agreement can be considered, provided the whole or part of the consideration is received by way of account payee cheque/bank draft or by way of ECS through bank account or such other electronic mode as may be prescribed on or before the date of agreement. In the present case, since part of the payment is made by account payee cheque on the date of agreement, the stamp duty value on the date of agreement would be considered as full value of consideration)		
Deemed Full value of consideration [Since stamp duty value on the date of agreement exceeds 110% of the actual consideration, stamp duty value would be deemed as Full Value of Consideration]		39,00,000
Less: Expenses on transfer (Brokerage @1% of ₹ 30,50,000)		30,500
Net sale consideration		38,69,500



Less: Indexed cost of acquisition (Note 1)	33,37,320	
Less: Indexed cost of improvement (Note 2)	5,14,091	38,51,411
Long term capital gain		18,089

Notes:**Computation of indexed cost of acquisition**

Particulars	Amount (₹)	Amount (₹)
Cost of acquisition,		10,70,000
Being the higher of		
(i) lower of Fair market value i.e., ₹ 11,85,000 and Stamp duty value i.e., ₹ 10,70,000, on April 1, 2001	10,70,000	
(ii) Actual cost of acquisition (₹ 3,24,000 + ₹ 35,000, being stamp duty @10% of ₹ 3,50,000	3,59,000	
Less: Advance money taken from Mr. Mohan and forfeited		1,11,000
Cost of acquisition for indexation		9,59,000
Indexed cost of acquisition (₹ 9,59,000 × 348/100)		33,37,320

Computation of indexed cost of improvement

Particulars	Amount (₹)
Cost of construction of first floor in August, 2016	3,90,000
Indexed cost of improvement (₹ 3,90,000 × 348/264)	5,14,091

Where advance money has been received by the assessee, and retained by him, as a result of failure of the negotiations, section 51 will apply. The advance retained by the assessee will go to reduce the cost of acquisition. Indexation is to be done on the cost of acquisition so arrived at after reducing the advance money forfeited [i.e. ₹ 10,70,000 - ₹ 1,11,000 (being the advance money forfeited during the P.Y.2009-10) = ₹ 9,59,000]. However, where the advance money is forfeited during the previous year 2015-16 or thereafter, the amount forfeited would be taxable under the head "Income from Other Sources" and such amount will not be deducted from the cost of acquisition of such asset while calculating capital gains. Hence, ₹ 1,51,000, being the advance received from Ms. Deepshikha and retained by him, would have been taxable under the head "Income from other sources" in the hands of Mr. Shiva in A.Y.2017-18.

Question 12**MTP April 22**

Mr. Ramesh, a builder, entered into an agreement on 1.4.2021 with Mr. Vikas to transfer 4th Floor in Tower A of a new project for ₹ 1,50,00,000. He received ₹ 25 lakhs as advance in cash on 1.4.2021. Transfer is by way of first time allotment. The stamp duty value of such floor on that date was ₹ 1,70,00,000. The sale deed was executed and registered on 15.6.2021 for the agreed consideration. However, the stamp duty value on that date was ₹ 1,75,00,000. Discuss the tax consequences of above, in the hands of Mr. Ramesh and Mr. Vikas.

7 Marks

(AY have not been changed so as to satisfy all conditions of sec 43CA)



Answer:

I	<p>Tax consequences in the hands of Mr. Ramesh</p> <p>As per section 43CA, where the consideration received or accruing is less than the stamp duty value of an asset (other than capital asset), being land or building or both and such stamp duty value exceeds 110% of the consideration received or accruing, then the stamp duty value shall be deemed to be the full value of the consideration.</p> <p>However, where the date of agreement is different from the date of registration, stamp duty value on the date of agreement can be considered provided whole or part of the considered is received by way of account payee cheque/ bank draft/ ECS or through any other prescribed modes on or before the date of agreement.</p> <p>Further, in case of transfer of an asset, being a residential unit, if the stamp duty value of the residential unit does not exceed 120% of the consideration received or accruing, then, such consideration shall be deemed to be the full value of consideration for the purpose of computing profits and gains from transfer of such asset, subject to the satisfaction of following conditions</p> <ul style="list-style-type: none"> (i) The transfer of residential unit takes place during the period between 12.11.2020 and 30.6.2021 (ii) Such transfer is by way of first time allotment of the residential unit to any person (iii) The consideration received or accruing as a result of such transfer \leq ₹ 2 crores <p>Accordingly, in this case, since ₹ 25 lakhs is received by cash on the date of agreement, stamp duty value on the date of registration is to be considered. Since such stamp duty value (₹ 1.75 crores) does not exceed 120% of the consideration received (₹ 1.50 crores), business income would be computed in the hands of Mr. Ramesh, for A.Y.2022-23, taking sale consideration of ₹ 1,50,00,000 as the full value of consideration arising on transfer.</p>
II	<p>Tax consequences in the hands of Mr. Vikas</p> <p>In case, immovable property is received for inadequate consideration, the difference between the stamp duty value and actual consideration would be taxable under section 56(2)(x) in the hands of the recipient, if such difference exceeds the higher of ₹ 50,000 or 10% of actual sales consideration. However, in case the property is a residential unit and conditions of section 43CA are satisfied, the difference would be taxable if such difference exceeds the higher of ₹ 50,000 or 20% of actual sales consideration.</p> <p>In this case, no income would be taxable in the hands of Mr. Vikas under the head "Income from Other Sources" in A.Y.2022-23 since the difference of ₹25,00,000 does not exceed ₹30,00,000, being the higher of ₹50,000 and 20% of consideration.</p>

Question 13

PYP July 21, MTP Sep'22

i. Examine the taxability of capital gains in the following scenarios for the Assessment Year 2024-25, determine the taxable amount and rate of tax applicable:

On 20th December, 2023 5,000 shares of AB Ltd., a listed company are sold by Mr. Kumar @ 500 per share and STT was paid at the time of sale of shares. These shares were acquired by him on 5th June, 2017 @ ₹ 425 per share by paying STT at the time of purchase. On 31st January, 2018, the shares of AB Ltd. were traded on a recognized stock exchange at the Fair Market Value of ₹ 450 per share. (MTP 2Marks Sep'22)



ii. Mr. Satish is the owner of a residential house which was purchased on 1st July, 2017 for ₹ 10,50,000. He sold the said house on 14th October, 2023 for ₹ 25,00,000. Valuation as per stamp valuation authorities was

₹ 45,00,000. He invested ₹ 15,00,000 in RECL Bonds on 20th March, 2024.

The Cost Inflation index for-

F.Y.	2017-18	272
F.Y.	2023-24	348

4 Marks & 2 Marks

Answer:

(i)	Long-term capital gain on transfer of 5,000 shares of AB Ltd. [taxable u/s 112A @10% on amount exceeding ₹ 1,00,000]	
	Full value of consideration [5,000 × ₹ 500]	25,00,000
	Less: Cost of acquisition	
	Higher of	
	Cost of acquisition [5,000 × ₹ 425]	21,25,000
	Lower of fair market value per share as on 31.1.2018 22,50,000	
	i.e., ₹ 450 per share and sale consideration i.e., ₹ 500 per share [5,000 × ₹ 450]	22,50,000
	Long term capital gain taxable u/s 112A	2,50,000
	Long-term capital gain exceeding ₹ 1 lakh i.e., ₹ 1,50,000 would be taxable @10%	
(ii)	Sale of residential house [long-term capital asset, since held for more than 24 months]	
	Full value of consideration [stamp duty value, since it exceeds 110% of actual sale consideration]	45,00,000
	Less: Indexed cost of acquisition [₹ 10,50,000 × 348/272]	13,43,382
		31,56,618
	Less: Deduction under section 54EC	15,00,000
	Since ₹ 15,00,000 is invested in RECL bonds on 20th March 2024 i.e., before six months from the date of transfer	
	Long-term capital gain taxable u/s 112 @ 20%	16,56,618

Question 14

RTP Nov'18, MTP Oct'19

Mr. Suresh entered into an agreement with Mr. Mukesh to sell his residential house located at New Delhi on 25.05.2023 for ₹ 80,00,000. Mr. Mukesh was handed over the possession of the property on 15.12.2023 and the registration process was completed on 14.02.2024.

Mr. Mukesh had paid the sale proceeds in the following manner;

- 25% through account payee bank draft on the date of agreement.
- 50% on the date of the possession of the property.
- Balance after the completion of the registration of the title of the property.

The value determined by the Stamp Duty Authority on 25.05.2023 was ₹ 92,00,000 whereas on 14.02.2024 it was ₹ 94,50,000.



Mr. Suresh had acquired the property on 01.04.2003 for ₹ 21,00,000. After recovering the sale proceeds from Mukesh, he purchased another residential house property in Kanpur for ₹ 22,00,000.

Cost Inflation Index for Financial Year(s)

2003-04 109

2023-24 348

Compute the capital gain arising in the hands of Mr. Suresh for the Assessment Year 2022-23.

7 Marks

Answer:

Computation of Capital Gain of Mr. Suresh for A.Y. 2024-25

Particulars	₹
Capital Gains on sale of residential house	
Actual sale consideration ₹ 80 lakhs	
Value adopted by Stamp Valuation Authority ₹ 92 lakhs	
[As per section 50C, where the actual sale consideration is less than the value adopted by the Stamp Valuation Authority for the purpose of charging stamp duty and such stamp duty value exceeds 110% of the actual sale consideration, then, the value adopted by the Stamp Valuation Authority shall be taken to be the full value of consideration. In a case where the date of agreement is different from the date of registration, stamp duty value on the date of agreement can be considered provided the whole or part of the consideration is paid by way of account payee cheque/bank draft or by way of ECS through bank account or through such other electronic mode as may be prescribed, on or before the date of agreement. In this case, since 25% of ₹ 80 lakhs is paid through account payee bank draft on the date of agreement, stamp duty value on the date of agreement can be adopted as the full value of consideration]	
Full value of consideration [Stamp duty value on the date of agreement, since it exceeds 110% of the actual sale consideration]	92,00,000
Less: Indexed cost of acquisition of residential house	
[₹ 21 lakhs × 348/109]	67,04,587
Long-term capital gains [Since the residential house property was held by Mr. Suresh for more than 24 months immediately preceding the date of its transfer]	24,95,413
Less: Exemption under section 54	22,00,000
The capital gain arising on transfer of a long-term residential property shall not be chargeable to tax to the extent such capital gain is invested in the purchase of residential house property in India within one year before or two years after the date of transfer of original asset.	
Long-term capital gains chargeable to tax	2,95,413

Question 15

RTP Nov 22, MTP April'23

Mr. Ramesh entered into an agreement with Mr. Vikas to sell a plot on 5.4.2023 for ₹ 45 lakhs. He received an advance of ₹ 15 lakhs from him on the date of agreement by account payee cheque.



Transfer took place on 10-9-2023. The valuation determined by the stamp valuation authority on the date of agreement and transfer was ₹ 49 lakhs and ₹ 53 lakhs, respectively.

Mr. Vikas has sold this plot to Ms. Babli on 21-3-2024 for ₹ 55 lakhs.

The valuation as per stamp valuation authority was ₹ 54 lakhs on 21-3-2024.

Discuss the tax consequences of above, in the hands of Mr. Ramesh and Mr. Vikas. Also, compute the capital gain in the hands of Mr. Vikas.

Note: None of the parties viz Mr. Ramesh, Mr. Vikas & Ms. Babli are related to each other; the transactions are between outsiders. 7 Marks

Answer:

I.	Tax consequences in the hands of Mr. Ramesh
	<p>As per section 50C, where the actual sale consideration is less than the value adopted by the Stamp Valuation Authority for the purpose of charging stamp duty, and such stamp duty value exceeds 110% of the actual sale consideration, then, the value adopted by the Stamp Valuation Authority shall be taken to be the full value of consideration.</p> <p>In a case where the date of agreement is different from the date of registration, stamp duty value on the date of agreement can be considered provided the whole or part of the consideration is received by way of account payee cheque/bank draft or by way of ECS through bank account or through such other electronic mode as may be prescribed, on or before the date of agreement.</p> <p>In this case, since ₹ 15 lakhs is received through account payee cheque on the date of agreement, stamp duty value on the date of agreement would be considered for determining the full value of consideration.</p> <p>Accordingly, in this case, capital gains would be computed in the hands of Mr. Ramesh, for A.Y.2024-25, taking the actual consideration of ₹ 45 lakh of plot as the full value of consideration arising on transfer of such plot, since the stamp duty value on the date of agreement does not exceed 110% of the actual consideration.</p> <p>Note - If it is assumed that Mr. Ramesh is a property dealer, the income would be taxable as his business income under section 43CA</p>
II	Tax consequences in the hands of Mr. Vikas
	<p>In case, immovable property is received for inadequate consideration, the difference between the stamp duty value and actual consideration would be taxable under section 56(2)(x) in the hands of the recipient, if such difference exceeds the higher of ₹ 50,000 or 10% of actual sales consideration.</p> <p>In a case where the date of agreement is different from the date of registration, stamp duty value on the date of agreement can be considered provided the whole or part of the consideration is paid by way of account payee cheque/bank draft or by way of ECS through bank account or through such other electronic mode as may be prescribed, on or before the date of agreement.</p> <p>In this case, since ₹ 15 lakhs is paid through account payee cheque on the date of agreement, stamp duty value on the date of agreement would be considered.</p> <p>Therefore, nothing would be taxable in the hands of Mr. Vikas under the head "Income from Other Sources" in A.Y.2024-25 since the difference between stamp duty value on the date of agreement and actual consideration does not exceed ₹ 4,50,000, being the higher of ₹ 50,000 and 10% of consideration.</p>



At the time of subsequent sale of property by Mr. Vikas to Ms. Babli (on 21.3.2024), short-term capital gains would arise in the hands of Mr. Vikas in A.Y.2024-25, since the property is held by him for less than 24 months.	
Particulars	₹
Full value of consideration (Since actual consideration of ₹ 55 lakh is higher than stamp duty value of ₹ 54 lakh)	55 lakh
Less: Cost of acquisition	45 lakh
Short-term capital gains	10 lakh

Question 16

PYP May'19, MTP Sep '23

Mr. Riyaan owned a residential house in Noida. It was acquired on 09.09.2014 for ₹ 30,00,000. He sold it for ₹ 1,57,00,000 on 07.01.2021.

Mr. Riyaan utilized the sale proceeds of the above property to acquire a residential house in Panchkula for ₹ 2,05,00,000 on 20.07.2021. The said house property was sold on 31.10.2023 and he purchased another residential house in Delhi for ₹ 2,57,00,000 on 02.03.2024. The property at Panchkula was sold for ₹ 3,25,00,000.

Calculate capital gains chargeable to tax for the assessment year 2021-22 and 2024-25. All workings should form part of your answer: Cost inflation index for various financial years are as under:

2014-15	-	240
2020-21	-	301

2021-22	-	317
2023-24	-	348

7 Marks, 6 Marks

Answer:

Computation of capital gains chargeable to tax for A.Y. 2021-22

Particulars	₹
Full value of consideration received on sale of residential house in Noida	1,57,00,000
Less: Indexed cost of acquisition [₹ 30,00,000 × 301/240]	37,62,500
Long-term capital gain	1,19,37,500
Less: Exemption under section 54	
Purchase of new residential house property at Panchkula for ₹ 2,05,00,000 on 20.7.2021 i.e., within two years from the date of transfer of residential house in Noida; exemption restricted to long term capital gain, since cost of new house exceeds long-term capital gain	1,19,37,500
Taxable long term capital gain	Nil

Computation of capital gains chargeable to tax for A.Y. 2024-25

Particulars	₹
Full value of consideration received on sale of residential house at Panchkula	3,25,00,000



Less: Indexed cost of acquisition [As per section 54, if the new residential house purchased (i.e., on 20.7.2021, in this case) is transferred within 3 years of its purchase (i.e., on 31.10.2023, in this case), and the cost of acquisition of the new house (i.e., ₹ 2,05,00,000) is higher than the long-term capital gain (i.e., ₹ 1,19,37,500,) then, the cost of acquisition of such new residential house shall be reduced by long term capital gain exempted earlier, while computing capital gains on sale of the new residential house] [₹85,62,500 (₹ 2,05,00,000 - ₹ 1,19,37,500) × 348/317]	93,99,842
Long-term capital gain [Since the residential house is held for more than 24 months]	2,31,00,158
Less: Exemption under section 54	
Purchase of new residential house property in Delhi for ₹ 2,57,00,000 on 2.3.2024 i.e., within two years from 31.10.2023, being the date of transfer of residential house at Panchkula; exemption restricted to long term capital gain, since cost of new house exceeds long-term capital gains	2,31,00,158
Taxable long term capital gain	Nil

Question 17

MTP Oct '23

Mr. Kalyan has a residential house property which was acquired on 12-08-2005 for ₹ 2,00,000. The property is sold for ₹ 22,00,000 in December 2023. The sub-registrar refused to register the documents for the said value, as according to him, stamp duty value based on State Government guidelines was ₹ 28,00,000. Mr. Kalyan preferred an appeal to the revenue divisional officer who fixed the value of the house ₹ 25,00,000. He acquired another residential house on 31-03-2024 for ₹ 17,00,000 for self-occupation. On 01-03-2025, he sold such new residential house for ₹ 30,00,000. Compute his capital gain for the A.Y. 2024-25 and 2025-26. (Cost Inflation Index: 2001-02; 2005-06 and 2023-24 are, 100; 117 and 348)

4 Marks

Answer:

Computation of capital gain in the hands of Mr. Kalyan for A.Y. 2024-25

Particulars	₹
Full value of consideration	25,00,000
[As per section 50C, in case the actual sale consideration (i.e., ₹ 22 lakhs, in this case) is less than the stamp duty value (i.e., ₹ 28 lakhs, in this case) assessed by the stamp valuation authority (Sub-registrar, in this case), the stamp duty value shall be deemed as the full value of consideration if it exceeds 110% of the sale consideration. However, if assesses has preferred an appeal to the Valuation Officer (i.e., revenue divisional officer, in this case) and the Valuation Officer has fixed the value of the house (i.e., ₹ 25 lakh, in this case) less than stamp duty value (i.e., ₹ 28 lakh, in this case), such value determined by the Valuation Officer shall be deemed as the full value of consideration.]	
Less: Indexed cost of acquisition [₹ 2,00,000 × 348/117]	5,94,872
Long-term capital gain [Since the residential house is held for more than 24 months]	19,05,128
Less: Exemption under section 54	



Purchase of new residential house property on 31.3.2024 (i.e., within two years from the date of transfer of residential house)	17,00,000
Taxable long term capital gain	2,05,128

Computation of capital gains in the hands of Mr. Kalyan for A.Y. 2025-26

Particulars	₹
Full value of consideration	30,00,000
Less: Cost of acquisition [As per section 54, if the new residential house purchased (i.e., on 31.3.2024, in this case) is transferred within 3 years of its purchase (i.e., on 1.3.2025, in this case), and the cost of acquisition of the new house (i.e., ₹ 17 lakhs, in this case) is lower than the long-term capital gain (i.e., ₹ 19,34,188, in this case), the cost of acquisition of such new residential house shall be taken as Nil, while computing capital gains on sale of the new residential house]	Nil
Short term capital gain [Since the residential house is held for a period less than 24 months]	30,00,000

Question 18

PYP May 18, RTP May'19

Mr. Pratap, a proprietor has transferred his unit RS to Mr. Raj by way of Slump Sale on December 7, 2023. The summarized Balance Sheet of Mr. Pratap as on that date is given below:

Liabilities	Amount (₹ In lacs)	Assets	Amount (₹ In lacs)
Own Capital	1,850	Fixed Assets:	
Accumulated P & L balance	870	Unit PT	250
Liabilities:		Unit QL	170
Unit PT	190	Unit RS	950
Unit QL	260	Other Assets:	
Unit RS	340	Unit PT	790
		Unit QL	860
		Unit RS	490
Total	3,510	Total	3,510

Other information:

- Slump sale consideration on transfer of Unit RS was ₹ 1540 lacs.
- Fixed Assets of Unit RS includes land which was purchased at ₹ 90 lacs in the year 2013 and was revalued at ₹ 180 lacs.
- Other fixed assets are reflected at ₹ 770 lacs, (i.e., ₹ 950 lacs less value of land) which represents written down value of those assets as per books. The written down value of these assets is ₹ 630 lacs as per Income-tax Act, 1961.
- Unit RS was set up by Mr. Pratap in December, 2011.

Compute the Capital Gains arising in the hands of Mr. Pratap from slump sale of Unit RS for Assessment year 2019-20. Note: Cost Inflation Indices for the financial year 2011-12 and financial year 2023-24 are 184 and 348, respectively.

10 Marks

Answer:

Computation of capital gain on slump sale of Unit RS for A.Y. 2024 -25

