

Particulars	₹
Full value of consideration (As per amendment the fair market value of capital asset would be higher of: FMV1-being the fair market value of capital assets transferred by way of slump sale & FMV2-being the fair market value of the consideration (monetary or non-monetary) received or accruing as a result of transfer by way of slump sale)	15,40,00,000
Less: Deemed cost of acquisition (Net worth is deemed to be the cost of acquisition) [Refer Working Note below]	8,70,00,000
Long-term capital gain [Since the Unit is held for more than 36 months]	6,70,00,000

Working Note: Net worth of Unit-RS

Particulars	₹
Cost of Land (Revaluation not to be considered)	90,00,000
WDV of other depreciable fixed assets as per the Income-tax Act, 1961	6,30,00,000
Other Assets (book value)	4,90,00,000
	12,10,00,000
Less: Liabilities	3,40,00,000
Net worth	8,70,00,000

Notes:

- In case of slump sale, net worth of the undertaking transferred shall be deemed to be the cost of acquisition and cost of improvement as per section 50B.
- "Net worth" of the undertaking shall be the aggregate value of total assets of the undertaking or division as reduced by the value of liabilities of such undertaking or division as appearing in the books of accounts.
However, any change in the value of assets on account of revaluation shall not be considered for this purpose.
- For calculating aggregate value of total assets of the undertaking or division in case of slump sale in case of depreciable assets, the written down value of block of assets determined in accordance with the provisions contained in section 43(6) of Income-tax Act, 1961 is to be considered and for all other assets, book value is to be considered.
- Since Unit RS is held by the assessee for more than 36 months, the capital gain arising from slump sale is a long-term capital gain.
- Indexation benefit is not available in case of slump sale.

Question 19

RTP May'22

Mr. Aditya is a proprietor of Star Stores having 2 units. On 1.4.2023, he has transferred Unit 2, which he started in 2004-05, by way of slump sale for a total consideration of ₹ 18 lakhs. The professional fees & brokerage paid for this transfer are ₹ 78,000. His Balance Sheet as on 31-03-2023 is as under:

Liabilities	₹	Assets	Unit 1 ₹	Unit 2 ₹	Total
Own Capital	20,50,000	Land	12,75,000	7,50,000	20,25,000



Revaluation reserve	2,50,000	Furniture	2,00,000	5,00,000	7,00,000
Bank Loan (70% for Unit 1)	8,50,000	Debtors	2,00,000	3,50,000	5,50,000
Trade Creditors (20% for Unit 2)	4,50,000	Patents	-	7,25,000	7,25,000
Unsecured Loan (30% for Unit 2)	4,00,000				
	40,00,000		16,75,000	23,25,000	40,00,000

Other Information:

- Land of Unit 2 was purchased at ₹ 5,00,000 in the year 2004 and revalued at ₹ 7,50,000 as on 31.3.2023.
- No individual value of any asset is considered in the transfer deed.
- Patents were acquired on 01-12-2021 on which no depreciation has been provided.
- Furniture of Unit 2 of ₹ 5,00,000 were purchased on 01-12-2022 on which no depreciation has been provided.
- Fair market value of capital asset transferred by way of slump sale of Unit 2 is ₹18,10,000.
Compute the capital gain for A.Y. 2024-25.

Answer:

As per section 50B, any profits and gains arising from the slump sale effected in the previous year shall be chargeable to income-tax as capital gains arising from the transfer of capital assets and shall be deemed to be the income of the previous year in which the transfer took place.

If the assessee owned and held the undertaking transferred under slump sale for more than 36 months before slump sale, the capital gain shall be deemed to be long-term capital gain. Indexation benefit is not available in case of slump sale as per section 50B(2).

Computation of capital gain on slump sale of Unit 2

Particulars	₹
Full value of consideration for slump sale of Unit 2 [Fair market value of capital asset transferred by way of slump sale (i.e., ₹ 18,10,000) or fair market value of the consideration received (value of the monetary consideration received i.e., ₹ 18,00,000) whichever is higher]	18,10,000
Less: Expenses on sale [professional fees & brokerage]	78,000
Net full value of consideration	17,32,000
Less: Cost of acquisition, being the net worth of Unit 2 (Note 1)	13,35,781
Long term capital gains arising on slump sale	3,96,219
(The capital gains is long-term as the Unit 2 is held for more than 36 months)	

Notes**Computation of net worth of Unit 2**

Particulars	₹
(1) Book value of non-depreciable assets	
(i) Land (Revaluation not to be considered)	5,00,000
(ii) Debtors	3,50,000
(2) Written down value of depreciable assets under section 43(6)	



(i) Furniture (See Note 2)		4,75,000
(ii) Patents (See Note 3)		4,75,781
Aggregate value of total assets		18,00,781
Less: Current liabilities of Unit 2		
Bank Loan [₹ 8,50,000 × 30%]	2,55,000	
Trade Creditors [₹ 4,50,000 × 20%]	90,000	
Unsecured Loan [₹ 4,00,000 × 30%]	1,20,000	4,65,000
Net worth of unit 2		13,35,781

Written down value of furniture as 1.4.2023

Value of patents	₹
Cost as on 1.12.2022	5,00,000
Less: Depreciation @ 10% × 50% for Financial Year 2022-23	25,000
WDV as on 1.4.2023	4,75,000

Written down value of patents as 1.4.2023

Value of patents	₹
Cost as on 1.12.2021	7,25,000
Less: Depreciation @ 25% × 50% for Financial Year 2021-22	90,625
WDV as on 1.4.2022	6,34,375
Less: Depreciation @ 25% for Financial Year 2022-23	1,58,594
WDV as on 1.4.2023	4,75,781

Question 20

RTP Nov '23

Determine the capital gains/loss and tax liability in the following scenarios for the A.Y. 2024-25 assuming the assessee does not have any other source of income:

1. On 12th December, 2023, 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

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, 2023 for ₹ 24,50,000. Valuation as per stamp valuation authorities was ₹ 25,50,000 as on the date of sale. CII - 2021-22: 317; 2023-24: 348.

Answer:

	Particulars		Amount ₹
(i)	Long-term capital gain on transfer of 1,200 shares of X Ltd. [Taxable u/s 112A @10% on amount exceeding ₹ 1,00,000]		



	Full value of consideration [1,200 × ₹ 1,550]		18,60,000
	Less: Cost of acquisition		8,16,000
	Higher of		
	(i) Cost of acquisition [1,200 × ₹ 425]	5,10,000	
	(ii) Lower of fair market value of such shares as on 31.1.2018 and sale consideration [1,200 × 680]	8,16,000	
	Fair market value of listed equity shares as on 31.1.2018 [Highest price quoted on the recognized stock exchange i.e., ₹ 680 per share sale consideration ₹ 1,550 per share]		
	Long term capital gain taxable u/s 112A/ Total Income		10,44,000
(ii)	Tax on long-term capital gain exceeding ₹ 1 lakh i.e., ₹ 9,44,000 @10%		94,400
	Add: Health and Education Cess@4%		3,776
	Tax liability		98,176
	Tax liability (Rounded off)		98,180
	Since Mr. Vishal is a non-resident, benefit of unexhausted basic exemption limit would not be available to him.		
	Sale of residential house [Long-term capital asset, since held for more than 24 months]		
	Full value of consideration [Actual consideration, since stamp duty value does not exceeds 110% of actual sale consideration]		24,50,000
	Less: Indexed cost of acquisition [₹ 19,00,000 × 348/317]		20,85,804
	Long term capital gain/ Total Income		3,60,631
	Total Income (Rounded off)		3,64,196
	Long-term capital gain taxable u/s 112 @20% on ₹ 64,196 [₹ 3,64,196 - ₹ 3,00,000, being unexhausted basic exemption limit] (As per amendment in the new scheme the basic limit is increased to ₹ 3,00,000)		12,839
	Less: Rebate under section 87A [Since the total income does not exceed ₹ 5 lakhs]		12,500
			339
	Add: Health and Education Cess@4%		385
	Tax liability		14
	Tax liability (Rounded off)		400

Question 21

PYP July'21

Mr. Patel is a proprietor of Star Stores since 20-05-2021. He has transferred his shop by way of slump sale for a total consideration of ₹ 40 Lakh. The professional fees & brokerage paid for this sale are ₹ 80,000. His Balance Sheet as on 31-03-2024 is as under

Liabilities	₹	Assets	₹
Own Capital	10,50,000	Building	5,00,000
Bank Loan	5,00,000	Furniture	5,00,000
Trade Creditors	2,50,000	Debtors	2,00,000
Unsecured Loan	2,00,000	Other Assets	8,00,000



	20,00,000		20,00,000
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Other Information:

1. No individual value of any asset is considered in the transfer deed.
2. Other assets include trademarks valuing ₹ 2,00,000 as on 01-04-2023 on which no depreciation has been provided.
3. Furniture of ₹ 1,50,000 purchased on 05-11-2023 on which no depreciation has been provided.
4. Unsecured loan includes ₹ 50,000 as advance received from his wife, which she has agreed to waive off. Compute the capital gain for A.Y. 2024-25. **4 Marks**

Answer:**Computation of capital gains on slump sale of shop**

Particulars		₹
*Sale value		40,00,000
Less: Expenses on sale [professional fees & brokerage]		80,000
Net sale consideration		39,20,000
Less: Net worth (See Working Note below)		10,42,500
Short-term capital gain [Since shop is held for not more than 36 months immediately preceding the date of transfer]		28,77,500
Working Note:		
Computation of net worth of shop		
Building		5,00,000
Furniture	5,00,000	
Less: Depreciation on ₹1,50,000 @ 5%, being 50% of 10% since furniture is put to use for less than 180 days during the previous year	7,500	4,92,500
Debtors		2,00,000
Other assets	8,00,000	
Less: Depreciation on ₹ 2,00,000, being intangible asset @ 25%	50,000	7,50,000
Total assets		19,42,500
Less: Bank loan	5,00,000	
Trade creditors	2,50,000	
Unsecured loan ₹ 2,00,000 less ₹ 50,000, being the amount waived off by his wife	1,50,000	9,00,000
Net worth		10,42,500

**(As per amendment The fair market value of capital asset would be higher of:*

FMV1- being the fair market value of capital assets transferred by way of slump sale & FMV2- being the fair market value of the consideration (monetary or non-monetary) received or accruing as a result of transfer by way of slump sale)

Question 22**PYP Nov'20**

Mr. Govind purchased 600 shares of "Y" limited at ₹ 130 per share on 26.02.1979. "Y" limited issued him, 1,200 bonus shares on 20.02.1984. The fair market value of these share at Mumbai Stock Exchange as on 1.04.2001 was ₹ 900 per share and ₹ 2,000 per share as on 31.01.2018. On 31.01.2022 he converted 1000 shares as his stock in trade. The shares were traded at Mumbai Stock Exchange on that date at a high of ₹ 2,200 per share and closed for the day at ₹ 2,100 per share. On 07.07.2023 Mr. Govind sold all 1800 shares @ ₹ 2,400 per share at Mumbai Stock Exchange and securities transaction tax was paid. Compute total income of Mr. Govind for the assessment-year 2024-25. **5 Marks**

Answer:

Computation of total income of Mr. Govind for the A.Y. 2024-25

	Particulars	₹	₹
I	Profits and gains of business and profession		
	Full value of consideration [1000 shares x ₹ 2,400 per share]	24,00,000	
	Less: FMV on the date of conversion (₹ 2,100 x 1000 shares) [See Note below]	21,00,000	3,00,000
II	Capital Gains		
	In respect of 800 shares held as capital asset up- to the date of sale		
	Full value of consideration [800 shares x ₹ 2,400 per share]	19,20,000	
	Less: Cost of acquisition [800 shares x ₹ 2,000] (See Working Note below)	16,00,000	3,20,000
	In respect of 1,000 shares converted into stock in trade on 31.1.2023 (Capital gains is taxable in the P.Y.2023-24, when the stock in trade is sold)		
	Full value of consideration [1000 shares x ₹ 2,100, being FMV on the date of conversion]	21,00,000	
	Less: Cost of acquisition [1000 shares x ₹ 2,000] (See Working Note below)	20,00,000	1,00,000
	Total Income		7,20,000
	Working Note - Cost of acquisition (per share)		
	Higher of (I) and (ii), below	2,000	
(I)	₹ 900 per share, being		
	In case of shares purchased - Original cost of acquisition (₹ 130) or FMV as on 1.4.2001 (₹ 900), at the option of the assesses		
	In case of bonus shares - FMV as on 1.4.2001 (Nil or ₹ 900, at the option of the assesses)		
(ii)	₹ 2,000 per share, being the lower of		
	FMV as on 31.1.2018 - ₹ 2,000 per share		
	Sale consideration - ₹ 2,400 per share		

Note -

Explanation to section 55(2) (ac) defines "fair market value" as the highest price of capital asset quoted on the stock exchange only for the purpose of the said clause (ac) i.e., to arrive at the FMV as on 31.1.2018 for computing cost of acquisition of shares.

However, the question states two prices on 31.1.2023, being the date of conversion of capital asset into stock in trade for which we have to consider the definition of "fair market value" as per section 2(22B). As per this definition, FMV refers to the price that the capital asset would ordinarily fetch on sale in the open market on the relevant date.

In the question, two prices are given on the relevant date i.e., the date of conversion of capital asset into stock in trade, namely, the highest price and the closing price. The above solution is given considering the closing price as the FMV as on 31.1.2023. Alternatively, highest price can also be considered as the FMV as on 31.1.2023. In such case, the total income of Mr. Govind would be computed in the following manner:



Alternate Answer

Computation of total income of Mr. Govind for the A.Y.2024-25

	Particulars	₹	₹
I	Profits and gains of business and profession		
	Full value of consideration [1000 shares x ₹ 2,400 per share]	24,00,000	
	Less: FMV on the date of conversion (₹ 2,200 x 1000 shares) [See Note above]	22,00,000	2,00,000
II	Capital Gains		
	In respect of 800 shares held as capital asset up to the date of sale		
	Full value of consideration [800 shares x ₹ 2,400 per share]	19,20,000	
	Less: Cost of acquisition [800 shares x ₹ 2,000] (See Working Note below)	16,00,000	3,20,000
	In respect of 1,000 shares converted into stock in trade on 31.1.2023 (Capital gains is taxable in the P.Y.2023-24, when the stock in trade is sold)		2,00,000
	Full value of consideration [1000 shares x ₹ 2,200, being FMV on the date of conversion] [See Note above]	22,00,000	
	Less: Cost of acquisition [1000 shares x ₹ 2,000] (See Working Note below)	20,00,000	
	Total Income		7,20,000
	Working Note - Cost of acquisition (per share)		
	Higher of (I) and (ii), below	2,000	
(I)	₹ 900 per share, being		
	In case of shares purchased - Original cost of acquisition (₹ 130) or FMV as on 1.4.2001 (₹ 900), at the option of the assessee		
	In case of bonus shares - FMV as on 1.4.2001 (Nil or ₹ 900, at the option of the assessee)		
(ii)	₹2,000 per share, being the lower of		
	FMV as on 31.1.2018 - ₹ 2,000 per share		
	Sale consideration - ₹ 2,400 per share		

Note -

It is possible to take a view that since no STT was paid on the date of conversion of capital asset, being listed shares into stock in trade, capital gains have to be computed u/s 112 and not 112A. If this view is taken, the total income of Mr. Govind would, accordingly, be computed in the following manner:

Computation of total income of Mr. Govind for the A.Y.2024-25

	Particulars	₹	₹
I	Profits and gains of business and profession		
	Full value of consideration [1000 shares x ₹ 2,400 per share]	24,00,000	



	Less: FMV on the date of conversion (₹ 2,100 × 1000 shares] [See Note below]	21,00,000	3,00,000
II	Capital Gains		
	In respect of 800 shares held as capital asset up- to the date of sale		
	Full value of consideration [800 shares × ₹ 2,400 per share]	19,20,000	
	Less: Indexed cost of acquisition [800 shares × ₹ 900 × 348/100] (See Working Notes 1 and 2 below)	25,05,600	
	In respect of 1,000 shares converted into stock in trade on 31.1.2023 (Capital gains is taxable in the P.Y.2023-24, when the stock in trade is sold)	(5,85,600)	
	Full value of consideration [1000 shares × ₹ 2,100, being FMV on the date of conversion]	21,00,000	
	Less: Cost of acquisition [1000 shares × ₹ 900 × 331/100] (See Working Notes 1 and 2 below)]	29,79,000	
		(8,79,000)	
	Long-term capital loss to be carried forward = (5,85,600) + (8,79,000) =	(14,64,600)	
	Total Income		3,00,000

Working Note -		
1. Cost of acquisition (per share)		
Higher of (I) and (ii), below i.e., ₹ 900 per share		
(I)	₹ 900 per share, being the FMV as on 1.4.2001	
(ii)	In case of shares purchased - Original cost of acquisition (₹ 130)	
	In case of bonus shares - Nil	
2.	In case of 800 shares sold during the year, the CII of F.Y.2023-24 i.e., 348 has to be considered to calculate indexed cost of acquisition. In case of 1000 shares converted into stock in trade on 31.1.2023, the CII of the year of conversion, i.e., F.Y.2022-23 i.e., 331 has to be considered to compute the indexed cost of acquisition.	

Note -

Explanation to section 55(2) (ac) defines "fair market value" as the highest price of capital asset quoted on the stock exchange only for the purpose of the said clause (ac) i.e., to arrive at the FMV as on 31.1.2018 for computing cost of acquisition of shares.

However, the question states two prices on 31.1.2023, being the date of conversion of capital asset into stock in trade for which we have to consider the definition of "fair r market value" as per section 2(22B). As per this definition, FMV refers to the price that. The capital asset would ordinarily fetch on sale in the open market on the relevant date. In the question, two



prices are given on the relevant date i.e., the date of conversion of capital asset into stock in trade, namely, the highest price and the closing price. The above solution is given considering the closing price as the FMV as on 31.1.2023. Alternatively, highest price can also be considered as the FMV as on 31.1.2023. In such case, the total income of Mr. Govind would be computed in the following manner:

Alternate Answer

	Particulars	₹	₹
I	Profits and gains of business and profession		
	Full value of consideration [1000 shares x ₹ 2,400 per share]	24,00,000	
	Less: FMV on the date of conversion (₹ 2,200 x 1000 shares) [See Note above]	22,00,000	2,00,000
II	Capital Gains		
	In respect of 800 shares held as capital asset up- to the date of sale		
	Full value of consideration [800 shares x ₹ 2,400 per share]	19,20,000	
	Less: Indexed cost of acquisition [800 shares x ₹ 900 x 348/100] (See Working Notes 1 and 2 below)	25,05,600	
	In respect of 1,000 shares converted into stock in trade on 31.1.2019 (Capital gains is taxable in the P.Y.2019-20, when the stock in trade is sold)	(5,85,600)	
	Full value of consideration [1000 shares x ₹ 2,200, being FMV on the date of conversion]	21,00,000	
	Less: Cost of acquisition [1000 shares x ₹ 900 x 331/100] (See Working Notes 1 and 2 below)]	29,79,000	
	Long-term capital loss to be carried forward = (5,85,600) + (8,79,000) =	(8,79,000)	
		(14,64,600)	
	Total Income		2,00,000

Working Note -

1. Cost of acquisition (per share)	
Higher of (I) and (ii), below i.e., ₹ 900 per share	
(I)	₹ 900 per share, being the FMV as on 1.4.2001
(ii)	In case of shares purchased - Original cost of acquisition (₹130)
	In case of bonus shares - Nil
2.	In case of 800 shares sold during the year, the CII of F.Y.2023-24 i.e., 348 has to be considered to calculate indexed cost of acquisition. In case of 1000 shares converted into stock in trade on 31.1.2023, the CII of the year of conversion, i.e., F.Y.2022-23 i.e., 331 has to be considered to compute the indexed cost of acquisition.



Question 23

PYP Nov'18

Mr. Subramani sold a house plot to Mrs. Vimala for ₹ 45 lakhs on 12-5-2023. The valuation determined by the stamp valuation authority was ₹ 53 lakhs. Discuss the tax consequences of above, in the hands of each one of them, visa, Mr. Subramani & Mrs. Vimala. Mrs. Vimala has sold this plot to Ms. Padmaja on 21-3-2024 for ₹ 55 lakhs. The valuation as per stamp valuation authority remains the same at ₹ 53 lakhs. Compute the capital gains arising on sale of the house plot by Mrs. Vimala.

Note: None of the party's visa Mr. Subramani, Mrs. Vimala & Ms. Padmaja are related to each other; the transactions are between outsiders.

6 Marks

Answer:

(I)	Tax consequences in the hands of Mr. Subramani	
	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.	
	(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)	
	Accordingly, in this case, capital gains would be computed in the hands of Mr. Subramani, 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 is higher than the actual consideration of ₹ 45 lakh.	
	Note - If it is assumed that Mr. Subramani is a property dealer, the income would be taxable as his business income under section 43CA 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 ₹ 50,000.	
	Therefore, in this case, ₹ 8 lakh (₹ 53 lakh - ₹ 45 lakh) would be taxable in the hands of Mrs. Vimala under the head "Income from Other Sources" in A.Y.2024-25.	
	At the time of subsequent sale of property by Mrs. Vimala to Mrs. Padmaja (on 21.3.2024), short-term capital gains would arise in the hands of Mrs. Vimala in A.Y.2024-25, since the property is held by her for less than 24 months.	
	Particulars	
	Full value of consideration (Since actual consideration of ₹ 55 lakh is higher than stamp duty value of ₹ 53 lakh)	55 lakh
	Less: Cost of acquisition (Value taken into account for the purpose of section 56(2)(x))	53 lakh
	1	
	Short-term capital gains	2 lakh

Question 24

PYP Dec '21

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 26.12.2023. On such date, Stamp duty value of shopping mall was ₹ 4,14,00,000. Subsequently on 18.03.2024, she sold her 15% share in shopping mall to Mr. Ketav in consideration of ₹ 65,00,000.

She has also purchased a house on 09.05.2023 in consideration of ₹ 46,00,000 and occupied for own residence. Punjab National Bank has sanctioned a loan of ₹ 35,50,000 (80% of stamp value) at the interest rate of 12% per annum on 01.05.2023 and disbursement was made on 01.06.2023. She does not own any other residential house on the date of sanction of loan. Principal amount of ₹ 1,30,000 was paid during the financial



year 2023-24.

Cost Inflation Indices: 2023-24: 348, 2012-13: 200

Compute total income of Ms. Mishika for the assessment year 2024 -25 assuming that she has not opted for the provisions under section 115BAC.

7 Marks

Answer:

Computation of total income of Ms. Mishika for the A.Y. 2024 -25

Particulars	Amount (₹)	Amount (₹)
Income from house property [Self-occupied]		Nil
Net Annual Value	Nil	
Less: Interest on housing loan of ₹ 3,55,000 [₹ 35,50,000 × 12% × 10/12 months] restricted to ₹ 2,00,000/-	2,00,000	
	(2,00,000)	
Less: Set-off of loss against long-term capital gains	2,00,000	
Long-term capital gains on transfer of land under specified agreement Since Ms. Mishika transferred her share in the project after issue of completion certificate, capital gains on transfer of land handed over to developer under specified agreement in the P.Y. 2020-21 would be taxable in the previous year 2023-24, being the year in which certificate of completion is issued as per section 45(5A). Accordingly, capital gain arising in respect of land would be- Full value of consideration, being 20% share in shopping mall [Stamp duty value on the date of issue of completion certificate (₹ 4,14,00,000 × 20%)]		82,80,000
Less: Indexed of cost of acquisition [₹ 15,00,000 × 348/200]	26,10,000	
Long-term capital gain		56,70,000
Less: Deduction under section 54F		
Deduction in respect of amount invested for purchase of a residential house acquired within one year prior to date of transfer would be allowable proportionately, since amount invested is less than the net consideration. Accordingly, deduction would be ₹ 29,05,180 (₹ 56,70,000 × ₹46,00,000 / ₹ 82,80,000)	31,50,000	
Long-term capital gains		25,20,000
Less: Set-off of loss from house property [It is beneficial to set-off loss from house property against long-term capital gains, since in case of Ms. Mishika total income comprises of LTCG taxable@20% and STCG taxable at normal slab rates; and she can claim deduction of ₹ 2,80,000 under Chapter VI-A against STCG of ₹ 2,90,000. Moreover, the remaining STCG would also not be taxable since it would be below the basic exemption limit]	2,00,000	
		23,20,000



Short-term capital gains Sale of 15% share in shopping mall [short-term capital asset, since held for not more than 24 months]		
Net Sales consideration		65,00,000
Less: Cost of acquisition, being the full value of consideration taxable on transfer of land [₹ 4,14,00,000 × 15%]	62,10,000	
Short-term capital gains		2,90,000
Gross Total Income		26,10,000
Less: Deductions under Chapter VI-A (allowable against short-term capital gains of ₹ 2,90,000)		
Deduction under section 80C - repayment of principal amount of housing loan	1,30,000	
Deduction under section 80EEA - Ms. Mishika would be eligible for deduction of interest on housing loan (₹ 3,55,000 - ₹ 2,00,000 = ₹ 1,55,000) to the extent of ₹ 1,50,000, since stamp duty value of the house does not exceed ₹ 45,00,000 [being ₹ 44,37,500 (₹ 35,50,000 × 100/80)] and she does not own any other residential house on the date of sanction of loan.	1,50,000	2,80,000
Total Income		23,30,000
Total Income (rounded off)		23,30,000

Note -

As per section 45(5A), any capital gains arising from the transfer of a capital asset, being land or building or both, under a specified agreement, is chargeable to income-tax as income of the previous year in which the certificate of completion is issued by the competent authority. In the above solution, the CII of F.Y.2023-24 has been considered on the basis of parity, since, as per section 45(5A), it is the stamp duty value of the developed property (shopping mall, in this case) on the date of issue of certificate of completion (26.12.2023), which is deemed as the full value of consideration for transfer of land handed over to the developer.

Alternate view -

The definition of transfer, inter alia, includes any arrangement or transaction where any rights are handed over in execution of part performance of contract, even though the legal title has not been transferred. Hence, in case of 'specified agreement(s)', 'transfer' takes place at the time when the owner of the immovable property hands over the same to the developer i.e., in F.Y.2020-21 in this case. As per the plain reading of definition of 'indexed cost of acquisition', the CII of the year in which the asset (land, in this case) is transferred has to be considered. Accordingly, as per this interpretation, CII of F.Y. 2020-21 i.e., 301 can be considered for computing indexed cost of acquisition. If the CII of F.Y.2020-21 is considered on the basis of this line of reasoning, the figures of long-term capital gains and total income would accordingly change. However, the CII of F.Y.2020-21 has not been given in the question for the purpose of making such computation.



Question 25

PYP May'22

Mr. Sarthak is a member of HUF. It consists of himself, his wife Juhi and his major son Arjun and his minor daughter Aditi. Mr. Sarthak transferred his house property acquired through his personal income to the HUF without any consideration. On 01-10-2023, HUF is partitioned and such property being divided equally. Net annual value of the property for the Previous Year 2023-24 is ₹ 1,00,000. Determine the tax implications.

4 Marks

Answer:

	₹
Since Mr. Sarthak, who is a member of the HUF, transfers the house property acquired by him out of his personal income to the HUF without any consideration, the income from such property would continue to be included in his total income upto the date of partition. Accordingly, income from such property for six months upto the date of partition i.e., 30.9.2023 ($6/12 \times ₹ 70,000$ [Net Annual Value of ₹ 1,00,000 less deduction under section 24(a) @30%]) would be included in the total income of Mr. Sarthak.	35,000
Since the HUF was partitioned on 1.10.2023, the income derived from such converted house property as is received by Mr. Sarthak's spouse, Juhi, on attrition will be deemed to arise to Mr. Sarthak from house property transferred indirectly by him to her and consequently, such income would also be included in the total income of Mr. Sarthak. Accordingly, Mr. Sarthak's share (25%) and Juhi's share (25%) would be included in the total income of Mr. Sarthak.	
Sarthak's Share [25% of ₹ 35,000 ($₹ 70,000 \times 6/12$)]	8,750
Juhi's Share [25% of ₹ 35,000] included in the total income of Sarthak	8,750
Income from house property includible in the income of Mr. Sarthak	52,500
25% share of Sarthak's minor daughter, Aditi, i.e., ₹ 8,750, being 25% of ₹ 35,000, would be included in the total income of Mr. Sarthak or Juhi, whosoever's total income, before including Aditi's income, is higher. Such parent shall be entitled to an exemption of ₹ 1,500 under section 10(32).	
25% share of Sarthak's major son, Arjun, i.e., ₹ 8,750, being 25% of ₹ 35,000, would be included in Arjun's total income.	
Distribution of house property on partition of HUF is not a transfer for levy of capital gains tax.	

Question 26

MTP March'19

Mrs. Harsha purchased a land at a cost of Rs.45 lakhs in the financial year 2012-13 and held the same as her capital asset till 31st March, 2022. She started her real estate business on 1st April, 2022 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 Rs.225 lakhs.

She constructed 15 flats of equal size, quality and dimension. Cost of construction of each flat is Rs.15 lakhs. Construction was completed in January, 2024. She sold 10 flats at Rs.40 lakhs per flat in 20th March, 2024. The remaining 5 flats were held in stock as on 31st March, 2024. She invested Rs.50 lakhs in bonds issued by National Highways Authority of India on 31st March, 2024 and another Rs.50 lakhs in bonds of Rural Electrification Corporation Ltd. in April, 2024. Compute the amount of chargeable capital gain and business income in the hands of Mrs. Harsha arising from the above transactions for Assessment Year 2024-25 indicating clearly the



reasons for treatment for each item. [Cost Inflation Index: FY 2012-13: 200; FY 2022-23: 331; FY 2023-24: 348].

7

Marks

Answer:

Computation of capital gains and business income of Harsha for A.Y. 2024-25

Particulars	Rs.
Capital Gains	
Fair market value of land on the date of conversion deemed as the full value of consideration for the purposes of section 45(2)	2,25,00,000
Less: Indexed cost of acquisition [Rs.45,00,000 × 331/200]	74,47,500
	1,50,52,500
Proportionate capital gains arising during A.Y.2019-20 [Rs. 1,50,52,500× 2/3]	1,00,35,000
Less: Exemption under section 54EC	50,00,000
Capital gains chargeable to tax for A.Y.2024-25	50,35,000
Business Income	
Sale price of flats [10 × Rs.40 lakhs]	4,00,00,000
Less: Cost of flats	
Fair market value of land on the date of conversion [Rs.225 lacs × 2/3]	1,50,00,000
Cost of construction of flats [10 × Rs.15 lakhs]	1,50,00,000
Business income chargeable to tax for A.Y.2024-25	1,00,00,000

Notes:

- The conversion of a capital asset into stock-in-trade is treated as a transfer under section 2(47). It would be treated as a transfer in the year in which the capital asset is converted into stock-in-trade.
- 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.
- The indexation benefit for computing indexed cost of acquisition would, however, be available only up to the year of conversion of capital asset into stock-in-trade and not up to the year of sale of stock-in-trade.
- For the purpose of computing capital gains in such cases, the fair market value of the capital asset on the date on which it was converted into stock-in-trade shall be deemed to be the full value of consideration received or accruing as a result of the transfer of the capital asset. In this case, since only 2/3rd of the stock-in-trade (10 flats out of 15 flats) is sold in the P.Y.2023-24, only proportionate capital gains (i.e., 2/3rd) would be chargeable to tax in the A.Y.2024-25.
- On sale of such stock-in-trade, business income would arise. The business income chargeable to tax would be the difference between the price at which the stock-in-trade is sold and the fair market value on the date of conversion of the capital asset into stock-in-trade.
- 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. With respect to long-term capital gains arising on



land or building or both in any financial year, the maximum deduction under section 54EC would be Rs.50 lakhs, whether the investment in bonds of NHAI or RECL are made in the same financial year or next financial year or partly in the same financial year and partly in the next financial year.

Therefore, even though investment of Rs.50 lakhs has been made in bonds of NHAI during the P.Y.2023-24 and investment of Rs.50 lakhs has been made in bonds of RECL during the P.Y.2024-25, both within the stipulated six-month period, the maximum deduction allowable for A.Y.2024-25, in respect of long-term capital gain arising on sale of long-term capital asset(s) during the P.Y. 2023-24, is only Rs.50 lakhs.

Question 27

MTP Sept'24

Mr. Ashish entered into an agreement with Mr. Dhaval to sell his residential house located at Navi Mumbai 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. Dhaval 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. Ashish had acquired the property on 01.04.2001 for ` 20,00,000. After recovering the sale proceeds from Dhaval, he purchased another residential house property in Kanpur for ` 15,00,000. 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

5 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 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 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]		
		69,60,000



Less: Indexed cost of acquisition of residential house [` 20 lakhs x 348/100]	
Long-term capital gains [Since the residential house property was held by Mr. Ashish for more than 24 months immediately preceding the date of its transfer]	20,40,000
Less: Exemption under section 54	15,00,000
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	5,40,000

Question 28

MTP Sept'24

Determine the capital gains/loss on transfer of listed equity shares (STT paid both at the time of acquisition and transfer of shares) and units of equity oriented mutual fund (STT paid at the time of transfer of units) for the A.Y.2024-25 and tax, if any, payable thereon, in the following cases, assuming that these are the only transactions covered under section 112A during the P.Y.2023-24 in respect of these assesses:

1. Mr. Shagun purchased 300 shares in A Ltd. on 20.5.2017 at a cost of ` 400 per share. He sold all the shares of A Ltd. on 31.5.2023 for ` 1200. The price at which these shares were traded in National Stock Exchange on 31.1.2018 is as follows -

Particulars	Amount in `
Highest Trading Price	700
Average Trading Price	680
Lowest Trading Price	660

2. Mr. Raj purchased 200 units of equity oriented fund, Fund A on 1.2.2017 at a cost of ` 550 per unit. The units were not listed at the time of purchase. Subsequently, units of Fund A were listed on 1.1.2018 on the National Stock Exchange. Mr. Raj sold all the units on 3.4.2023 for ` 900 each. The details relating to quoted price on National Stock Exchange and net asset value of the units are given hereunder:

Particulars	Fund A
	Amount in `
Highest Trading Price	750 (on 31.1.2018)
Average Trading Price	700 (on 31.1.2018)
Lowest Trading Price	650 (on 31.1.2018)
Net Asset Value on 31.1.2018	800

4 Marks**Answer:**

For the purpose of computation of long-term capital gains chargeable to tax under section 112A, the cost of acquisition in relation to the long-term capital asset, being an equity share in a company or a unit of an equity-oriented fund or a unit of a business trust acquired before 1st February, 2018 shall be the higher of

- cost of acquisition of such asset, i.e., actual cost; and
- lower of
 - the fair market value of such asset as on 31.1.2018; and



(ii) the full value of consideration received or accruing as a result of the transfer of the capital asset.

(i) The fair market value of listed equity shares as on 31.1.2018 is the highest price quoted on the recognized stock exchange as on that date.

Accordingly, long-term capital gain on transfer of STT paid listed equity shares by Mr. Shagun would be determined as follows:

The FMV of shares of A Ltd. would be ₹ 700, being the highest price quoted on National Stock Exchange on 31.1.2018. The cost of acquisition of each equity share in A Ltd. would be ₹ 700, being higher of actual cost i.e., ₹ 400 and ₹ 700 [being the lower of FMV of ₹ 700 as on 31.1.2018 (i.e., the highest trading price) and actual sale consideration of ₹ 1,200]. Thus, the long-term capital gain would be ₹ 1,50,000 i.e., $(₹ 1,200 - ₹ 700) \times 300$ shares. The long-term capital gain of ₹ 50,000 (i.e., the amount in excess of ₹ 1,00,000) would be subject to tax @10% under section 112A (plus cess@4%), without benefit of indexation. The tax on capital gain @10.4% would be ₹ 5,200 ($₹ 50,000 \times 10.4\%$)

(ii) In the case of units listed on recognized stock exchange on the date of transfer, the FMV as on 31.1.2018 would be the highest trading price on recognized stock exchange as on 31.1.2018 (if units are listed on that date), else, it would be the net asset value as on 31.1.2018 (where units are unlisted on that date).

Accordingly, the FMV of units of Fund A as on 31.1.2018 would be ₹ 750 (being the highest trading price on 31.1.2018, since the units of Fund A are listed on that date).

The cost of acquisition of a unit of Fund A would be ₹ 750, being higher of actual cost i.e., ₹ 550 and ₹ 750 (being the lower of FMV of ₹ 750 as on 31.1.2018 and actual sale consideration of ₹ 900). Thus, the long-term capital gains on sale of units of Fund A would be ₹ 30,000 $(₹ 900 - ₹ 750) \times 200$ units. Since the long term capital gains on sale of units of Fund A is ₹ 30,000, which is less than ₹ 1,00,000, the said sum is not chargeable to tax under section 112A.

Question 29

PYQ Nov'23

Mr. Aryan, a resident individual aged 58 years, sells (unlisted) shares in a private sector company on May 17, 2022 for ₹ 10,00,000. The shares were bought on 01.08.2012 for a consideration of ₹ 2,00,000. Mr. Aryan paid ₹ 2,000 as brokerage on sale of shares.

Mr. Aryan deposited ₹ 5,00,000 in Capital Gain Account Scheme on 15.06.2023 (Before filing the return of income for the Assessment Year 2023-24).

On April 30, 2024 he withdraws ₹ 4,50,000 and purchases a residential house properly at Delhi on May 1, 2024 for ₹ 4,50,000.

Cost Inflation Index (CII) - F.Y. 2012-13 - 200, F.Y. 2022-23 - 331.

Ascertain -

i. The amount of Capital Gain chargeable to tax for the A.Y. 2023-24.

ii. Tax treatment (with mention of relevant assessment year) of the unutilized amount. **4 Marks**

Answer:

(i) Computation of Capital Gains on sale of unlisted shares for A.Y.2023-24

Particulars	₹
Net Sales Consideration [₹ 10,00,000 - ₹ 2,000]	9,98,000

