

consideration for the purpose of computation of capital gains. The FMV of unlisted shares shall be calculated in such manner as may be prescribed.

Example

Mr. X transfers 1000 shares in A Ltd. on June 28, 2017 to Mr. Y for a consideration of Rs. 940000 (FMV of shares as on the date of transfer is Rs. 10 Lakhs). These shares were purchased by Mr. X on July 19, 2016 for Rs. 7 Lakhs. find out the tax consequences of the above transaction in the following two cases :-

Shares of A Ltd are not quoted on any stock exchange in India. Shares of A Ltd are regularly quoted on BSE/NSE but Mr. X has transferred the shares to Mr. Y privately and not through stock exchanges. Section 50CA is applicable only in case of unlisted shares. In case of ~~un~~listed shares, Section 50CA does not apply and the actual consideration received has to be taken as full value of consideration.

Computation of Capital Gains in the hands of Mr. X:

Particular	CASE-1	CASE-2
	Unlisted Shares	Listed Shares
Full value of consideration	10,00,000	9,40,000
Cost of acquisition	(700000)	(700000)

Remarks

Mr. Y has acquired shares of A Ltd for Rs. 9,40,000 whereas their FMV is Rs. 10,00,000. The difference of Rs. 60000 shall be taxable as gift in the hands of Mr. Y u/s 56(2)(x) regardless of the fact whether of the fact whether shares of A Ltd. are listed or not.

➤ Section 10(37) : Exemption in respect of capital gains in case of urban agricultural Land

Exemption is available if **all** the below mentioned **conditions** are **satisfied**.

Assessee is an **individual or HUF**.

Transfer is of an **agricultural land** situated in **urban area**.

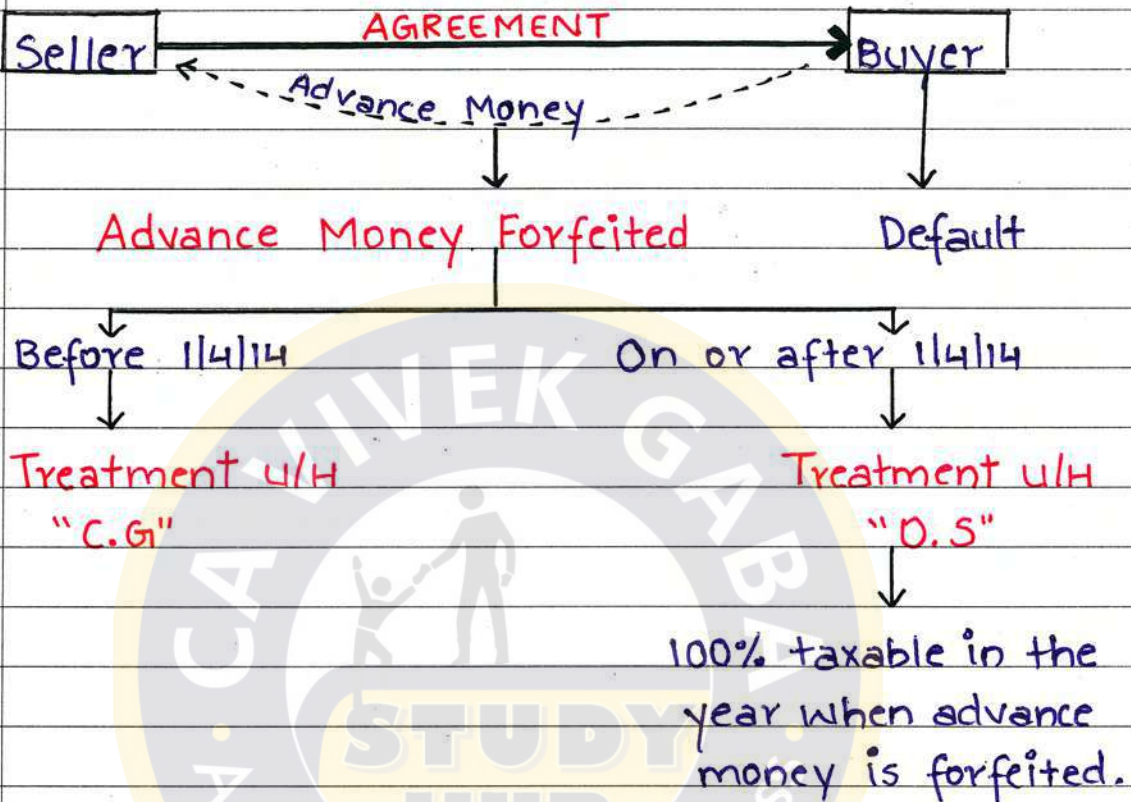
and the land is used for agricultural purposes during the period of **2 year** immediately **preceeding the date of transfer** by HUF or individual or a parent of the individual

transfer takes place by compulsory acquisition under any law and the consideration is determined or approved by central government or RBI

Original as well as **enhanced** compensation are **exempt**.

Capital gain is **exempt** irrespective of the fact that they are **short-term or long term**.

➤ Section 51 Advance Money Forfeited



➤ Section 50B Slump Sale

Meaning Transfer of one or more undertaking as a result of lump sum consideration without values being assigned to assets and liabilities and if any value is assigned, then it is only for determining the payment for stamp duty.

Section 50B

Capital Gain is taxable when slump sale is affected. Nature of Capital Gain depends on period of holding of undertaking transferred. If undertaking held for more than 36 months, Capital Gain is long term

Remarks

- capital gain, else short term capital gain.
- **Nothing** shall be **taxable** under head PGBP
- COA and COI = Net worth of undertaking
- **Net worth** = Value of total assets (-) Value of total liabilities.
- **Revaluation** of assets shall **not** to be **considered** while computing Net worth.
- Benefit of **indexation** is **not available**
- Value of **non-depreciable** asset shall be taken at **book values**.
- Value of **depreciable asset** shall be taken at **WDV** as per 43(6)
- Transferor can carry forward unabsorbed depreciation and losses. **# Sale Price = FMV of the undertaking** **TF**

→ Section 10(38) + 111A + 112 + Proviso to 112 + 55(2) (ac) + Finance Act

Now deleted → आत्मा - Sec. 112A

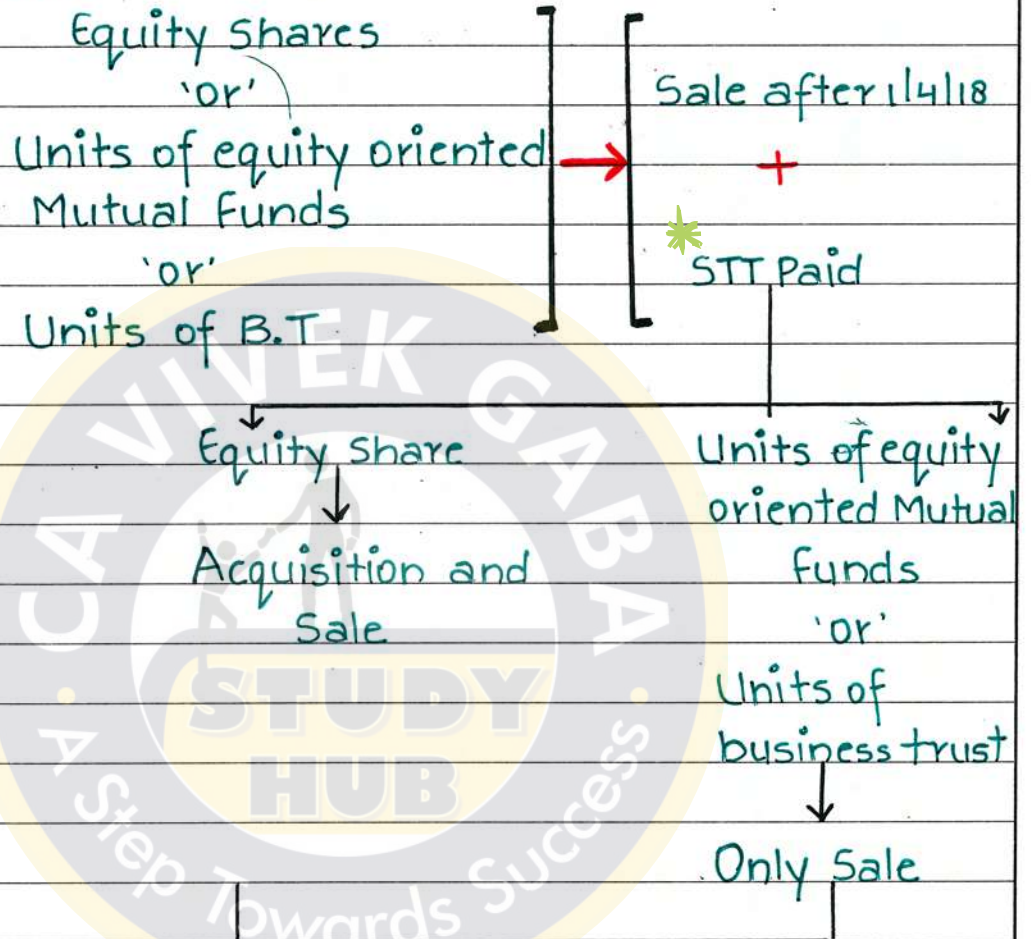
Section 10(38) and 112A

Old Law (before 1.4.18) Section - 10(38)	New Law (w.e.f 1.4.18) Section 112A
<ul style="list-style-type: none"> • Long term CG on E.S or units of equity oriented mutual funds or units of business trust. 	<p>Now 10(38) deleted</p> <p>↓</p> <p>New section - 112A inserted with limit on exemption any after exemption taxability arises.</p>
<p>↓</p> <p>STT Paid</p> <p>↓</p> <p>100% Exempt</p>	

Remarks

→ Section - 112A Tax on LTCG in certain cases :-

LTCG on :



If both the conditions are satisfied.

YES

- Upto ₹ 1 Lakh (LTCG) (exempt)
- More than ₹ 1 Lakh (Excess portion taxable @ 10% u/s 112A) without indexation

NO

Taxable whole portion u/s 112 with indexation

→ How to Compute Capital Gain

	Sale Consideration	=	xxx
(-)	Exp. on transfer	=	xxx
	Net sale consideration		xxx
(-)	COA		xxx
		LTCG	xxxx

Higher of (a) and (b)

(a) Actual cost of acquisition

(If purchase before 11/4/01 = P.P
 'or' → Higher
 FMV

(If purchase after 11/4/01 = P.P

(b) Lower of

(i) Sale Consideration

(ii) FMV as on 31/1/2018

- NOTE:**
- More than 1 Lakh taxable @ 10%
 - Deduction u/s VI-A not allowed
 - No rebate u/s 87A
 - In case of Resident Ind/HUF benefit of unexhausted slab rate is available.

Example: Mr. A acquired the equity shares on 12/1/99 of XYZ Ltd. for ₹ 1000000. FMV of these shares on 11/1/01 is 1100000 and FMV as on 31/1/18 is ₹ 2200000. Mr. A sold these shares in stock exchange on 15 May 2018 for :-

Case - I = 2500000

Case - II = 1900000

Case - III = 800000

Sol. I	Sale Consideration = 2500000	* 10 Lac	11 Lac	} H
- COA	= 2200000	11 Lac	11 Lac	
* LTCG	300000	25 Lac	22 Lac	

Tax = 11 Lac = Nil, 2 Lac = 10% = 20,000

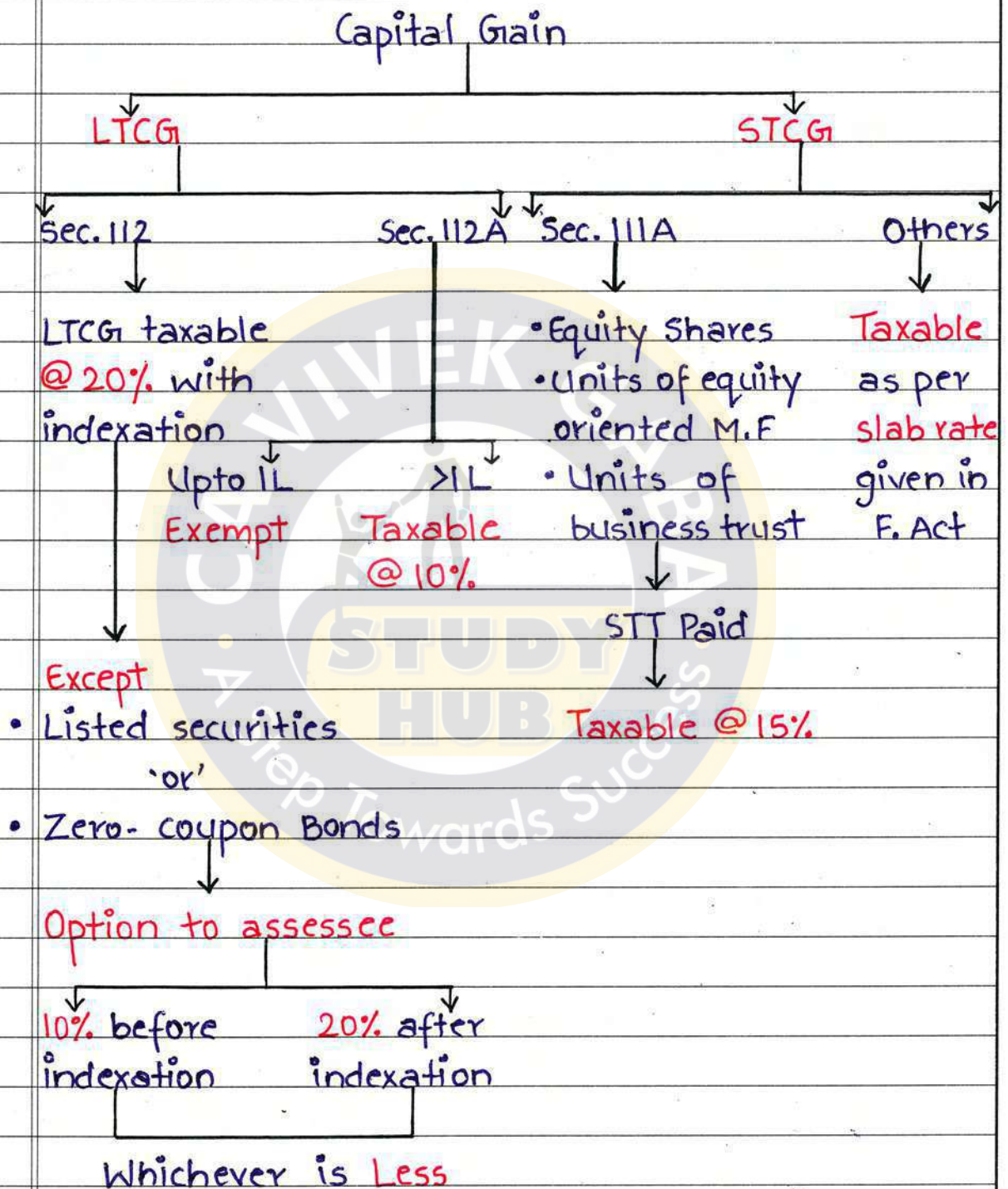
Sol. II	Sale Consideration = 1900000	* 10 Lac	11 Lac	} H
- COA	= 1900000	11 Lac	11 Lac	
* LTCG	-	19 Lac	19 Lac	

Tax = -

Sol. III	Sale Consideration = 800000	* 10 Lac	11 Lac	} H
- COA	= 1100000	11 Lac	11 Lac	
LTCG	(300000)	8 Lac	8 Lac	

Tax = -

➤ Tax Rates in case of Capital Gains



- NOTES**
- Chapter VI-A Deduction (80C to 80U)
 - Not allowed from LTCG and STCG.
 - Balance exemption limit can be used in case of LTCG

Remarks

and STCG.

•> Section 10(37A) Property Transfer under the Land Pooling Scheme.

Any income chargeable under the head "Capital Gains" in respect of transfer of a specified capital asset arising to an assessee, being an individual or a Hindu undivided family who was the owner of such specified capital asset as on the 2nd day of June, 2014 and transfers that specified capital asset under the Land Pooling Scheme (here in referred to as "the Scheme") covered under the Andhra Pradesh Capital city Land Pooling Scheme (Formulation and Implementation) Rules, 2016 made under the provisions of the Andhra Pradesh Capital region Development Authority Act, 2014 (Andhra Pradesh Act 11 of 2014) and the rules, regulations and scheme made under the said Act.

Explanation - For the purpose of this clause, "Specified capital asset" means -

- (a.) The Land or building or both owned by the assessee as on the 2nd day of June, 2014 and which has been transferred under the scheme ; or
- (b.) The Land pooling ownership certificate issued under the scheme to the assessee in respect of land and building or both referred to in clause (a); or

(c) The reconstituted plot or land, as the case may be received by the assessee in lieu of land or building or both referred to in clause (a) in accordance with the scheme, if such plot or land, as the case may be so received is transferred within two years from the end of the financial year in which the possession of such plot or land was handed over to him ;]

➤ Section -47 Transaction not regarded as Transfer.

- **Distribution** on partition
- Transfer under **gift**, will irrevocable or **irrevocable trust**.
- In amalgamation, by amalgamating company (**Indian co.**)
- Transfer of capital asset by **holding company** to **subsidiary** company if holding company has entire share capital of subsidiary company and **subsidiary** company is an **Indian company**
(Capital asset shall not be transferred as stock in trade i.e. if capital asset is transferred as stock in trade then the same is taxable and not exempt.)
- Transfer of capital asset by **Subsidiary company** to **holding** company if holding company has entire share capital of subsidiary company and **holding** company is an **Indian company**
(Capital asset shall not be transferred as stock in trade i.e if capital asset is transferred as stock in trade then the same is taxable and not exempt.)

Remarks