

CHAPTER 3D: INCOME UNDER THE HEAD CAPITAL GAINS

Chargeability of capital Gains [Section 45(1)]

Any profits or gains arising from the transfer of a capital asset effected in the previous year shall be deemed to be the income of the previous year in which the transfer took place.

Capital assets Section 2(14)

“Capital asset” includes all assets Except

- i) any stock-in-trade
- ii) Personal movable effects. However, following personal movable assets shall be capital asset—
 - (a) jewellery;
 - (b) archaeological collections;
 - (c) drawings;
 - (d) paintings;
 - (e) sculptures; or
 - (f) any work of art.

iii) Rural Agriculture Land.

Meaning of Urban Area

- a) Any area (municipality, cantonment board etc) which has a population of 10,000 or more.
- b) In the following area within the distance measured aerially

| Shortest Distance | Population according to latest census |
|-------------------|---------------------------------------|
| Upto 2 Km | More than 10,000 but upto 1,00,000 |
| Upto 6 Km | More than 1,00,000 but upto 10,00,000 |
| Upto 8 Km | More than 10,00,000 |

- iv) Gold Deposit Bonds, 1999 or deposit certificate issued under the gold monetization scheme, 2015.

Types Of Capital Assets

Short-term capital asset = Capital asset held by an assessee for not more than 24 months, except in the following cases:

Short Term Upto 12 months

- (a) Shares Listed in Recognised Stock Exchange;
- (b) A unit of the Unit Trust of India or an equity oriented mutual fund;
- (c) A zero coupon bond
- (d) Any other security listed in a recognized stock exchange in India

Example 1

Identify which of the following is capital Asset

1. Yacht owned by Akshay Kumar
2. Gold watch owned by Ranbir Kapoor
3. MF Hussain Painting in Mukesh Ambani Guest room
4. Chartered Aircraft owned by Reliance ltd
5. Land owned by Reliance ltd.
6. Land owned by Shahrukh Khan
7. Jewellery held by Nita Ambani

Computation of Short term Capital Gains & Long Term Capital Gains [Section 48]

| Short Term Capital Gain | Amount | Long Term Capital Gain | Amount |
|---------------------------------|--------|-----------------------------|--------|
| Full Value Of Consideration | - | Full Value Of Consideration | - |
| Less: Transfer Expenses | - | Less: Transfer Expenses | - |
| Net Consideration | - | Net Consideration | - |
| Less: Cost Of Acquisition (COA) | - | Less: Indexed COA | - |
| Less: Cost of Improvement (COI) | - | Less: Indexed COI | - |
| Gain Before Exemption | - | Gain Before Exemption | - |
| Less Exemption Claimed | - | Less Exemption Claimed | - |
| STCG Taxable | - | LTCG Taxable | - |

- Expenditure incurred on transfer of asset is allowed as deduction. For example Brokerage on transfer of asset etc. However STT paid at the time of purchase as well as at the time of transfer of share shall be ignored.
- Land & Building are separate assets under capital gain. If land is purchased before 2 years and building has been constructed within 2 years then while calculating capital gain, we have to calculate separate capital gain for both assets. Being land is held for more than 24 months there shall be LTCG, whereas building is held for upto 24 months there shall be STCG.

Asset purchased before 01.04.2001

If any capital asset has been purchased or constructed before 01.04.2001, in that case cost of acquisition shall be Higher Of:

- a. Actual Cost of Acquisition.
- b. FMV as on 1/4/2001.

Note: In case of land and building, COA shall not exceed SDV as on 1/4/2001

- COI Shall be Considered only if incurred on/after 1/4/2001
- COI by Previous Owner shall also be Considered If incurred after 1/4/2001

Indexation Factor

| Year | C.I.I | Year | C.I.I | Year | C.I.I |
|---------|-------|---------|-------|---------|-------|
| 2001-02 | 100 | 2009-10 | 148 | 2017-18 | 272 |
| 2002-03 | 105 | 2010-11 | 167 | 2018-19 | 280 |
| 2003-04 | 109 | 2011-12 | 184 | 2019-20 | 289 |
| 2004-05 | 113 | 2012-13 | 200 | 2020-21 | 301 |
| 2005-06 | 117 | 2013-14 | 220 | 2021-22 | 317 |
| 2006-07 | 122 | 2014-15 | 240 | 2022-23 | 331 |
| 2007-08 | 129 | 2015-16 | 254 | 2023-24 | 348 |
| 2008-09 | 137 | 2016-17 | 264 | 2024-25 | 363 |

Example 2

Calculate Capital Gain for PY 24-25

1. Land and building purchased on 15/10/2010 for 50,00,000
2. Improvement cost incurred 10,00,000 on 15/11/2020
3. Land and Building transferred on 15/03/25 for 98,00,000
4. Brokerage paid on transfer @1% of sale value

Example 3

Calculate Capital Gain for PY 24-25

1. Land and building purchased 5,00,000 on 01/04/95
2. FMV and SDV as on 01/04/2001 are 7,50,000 and 7,00,000 respectively
3. Improvement cost incurred 3,00,000 on 01/04/2010
4. On 01/11/24 it was sold for 1,25,00,000 and Transfer expenses @1%

Example 4

Calculate Capital Gain for PY 24-25

1. Land and building was purchased on 01/07/1997 for 10,00,000
2. Ground floor constructed on 01/11/1999 for 5,00,000
3. FMV and SDV as on 01/04/2001 are 19,00,000 and 16,00,000 respectively
4. First floor constructed on 01/04/2016 for 15,00,000
5. On 01/07/2024, House was sold for 1,50,00,000 @ 1% transfer expenses

Section 2(47) Meaning of Transfer

1. The sale, exchange or relinquishment of the asset.
2. The extinguishment of any rights therein. Extinguishment covers destruction of the assets. E.g. Termination of a lease; redemption of preference shares/debentures.
3. The compulsory acquisition of the asset by the govt.
4. Conversion of asset into stock-in-trade.
5. Possession of any immovable property in part performance of a contract.
6. Any transaction which has the effect of transferring, or enabling the enjoyment of, any immovable property. [it is by becoming a member in a co-operative society, company or other association of persons]
7. Maturity or redemption of zero coupon bond.

Section 47. What is not transfer

- (i) Gift, will or inheritance of property
- (ii) Distribution of capital assets on the partition of a Hindu Undivided Family.
- (iii) Conversion of bonds/debentures into shares of that company Notes:
 - a) COA of shares shall be COA of that part of debentures which is so converted.
 - b) POH of shares shall include POH of debentures.
- (iv) Conversion of preference shares into equity shares of that company. Notes:
 - a) COA of equity shares shall be COA of that part of preference shares which is so converted.
 - b) POH of equity shares shall include POH of preference shares.
- (v) Transfer of capital asset in a transaction of reverse mortgage.
Note: any amount received by senior citizen under this scheme is fully exempt.

Example 5

Calculate Capital Gain for PY 24-25

1. Jewellery purchased ₹15,00,000 on 01/04/2000
2. FMV as on 01/04/2001 is ₹14,00,000
3. Improvement cost incurred ₹5,00,000 on 01/04/2016
4. On 01/04/24 It was sold for ₹70,00,000

Illustration 1

Mr. X purchased house 01.04.2001 for ₹2,00,000 and incurred ₹3,00,000 on improvement on 01.07.2002 and it was received by his son Mr. Y on 01.07.2012 and Mr. Y incurred ₹4,00,000 on improvement 01.07.2014 and house was sold by him on 01.07.2024 for ₹100,00,000, in this case tax liability of Mr. Y shall be?

Illustration 2

Mr. X purchased one house property on 01.07.2002 for 2,00,000 and it was gifted to Mr. Y on 01.11.2020 and value for the purpose of charging stamp duty was 5,00,000 and subsequently the house property was sold by Mr. Y on 01.01.2025 for 25,00,000, in this case tax liability of Mr. Y shall be?

Section 49(1). Deemed cost of acquisition

In case the asset is acquired through a mode given in section 47 (Gift to relative or will) then cost of acquisition is cost to the previous owner. Previous owner is the person who acquires the asset by paying the price. Period of holding shall be computed from the date the previous owner acquires the asset.

Example 6

Calculate Capital Gain for PY 24-25

1. On 01/10/95, Mr. R purchased house property for 15,00,000
2. On 01/10/2000, he incurred improvement cost of 5,00,000
3. On 01/10/2020, he incurred improvement cost of 15,00,000
4. On 01/04/2022, property was gifted to Mr. K (son)
5. On 01/10/2023, he incurred improvement cost of 20,00,000
6. On 01/12/2024, property is sold by Mr. K for 1cr @ 2% transfer expense.
7. FMV and SDV on 01/04/2001 was 22,00,000 and 21,00,000 respectively.

Conversion of Asset into Stock-in-trade [Section 45(2)]

1. Conversion of capital asset into stock shall be deemed to be transfer and capital gain shall be arise in the year of such conversion.
2. For this purpose FMV on date of conversion shall be considered as full value of consideration.
3. Capital gain shall be taxable in the year in which such SIT is sold.

| Capital Gain | Amount | PGBP | Amount |
|------------------------|--------|------------------------|--------|
| FMV on conversion Date | - | Sale Value | - |
| Less: COA / ICOA | - | FMV on conversion date | - |
| Less: COI/ICOI | - | | |
| STCG/LTCG | - | PGBP | - |

Example 7

Calculate Capital Gain for PY 24-25

Jewellery was purchased for 10,00,000 on 01/07/2012

It was converted into Stock-in-Trade on 01/03/2024 (FMV = 19,00,000)

Such Stock-in-trade was sold on 16/07/2024 for 23,00,000

Example 8

Calculate Capital Gain for PY 24-25

Land was purchased on 01/10/10 for 75,00,000
 It was converted into Stock-in-Trade on 01/11/2023 (FMV = 1,80,00,000)
 On 01/11/2024, 20 flats constructed @ cost of 15,00,000 each
 On 01/03/2025, 15 flats sold @ 40,00,000 each
 On 01/05/2025, 5 flats are sold for 42,00,000 each

Example 9

Calculate Capital Gain for PY 24-25

Mr. X is a dealer of residential flats has 100 flats held as stock in trade

On 01/10/2021, it was converted into capital asset (i.e. put to use for personal purpose of Mr. X)

Cost of such flat was 50,00,000 and FMV on date of conversion is 60,00,000

On 01/03/2025, Mr. X sold this flat for 95,00,000

Illustration 3

Mr. X purchased Gold on 01.10.1991 for ₹2,00,000 and its fair market value on 01.04.2001 is 3,00,000 and he converted it into stock-in-trade on 01.10.2009 and market value of the gold on the date of conversion was ₹11,00,000 and subsequently half of the stock-in-trade was sold on 01.10.2021 for 6,50,000 and balance half was sold on 01.10.2024 for ₹7,50,000. Compute his total income for various year

Illustration 4

A is the owner of a car. On 1-4-2023, he starts a business of purchase and sale of motor car He treats the above car as part of the stock-in-trade of his new business. He sells the same on 31-3-2024 and gets a profit of 1 lakh. Discuss the tax implication in his hands under the head “Capital gains”.

Treatment of Insurance claim received

If any capital asset is destroyed due to fire, flood, earthquake, riot, civil disturbance etc and insurance claim is received, then capital gain is applicable and shall be calculated as follows

| Particulars | Destruction of CA [Section 45(1A)] |
|--------------------|------------------------------------|
| Sale Consideration | Insurance Compensation |
| Deemed Transfer | In The PY of Destruction |
| Taxability | PY of Receipt of Money |

Example 10

Calculate Capital Gain for PY 24-25

On 16/07/2012 Jewellery purchased for 10,00,000

Jewellery of FMV 25,00,000 was destroyed due to fire broke out on 15/03/2024

Insurance claim was filed on 16/03/2024

On 15/04/2024, Insurance claim of 24,50,000 was received

Example 11

Calculate Capital Gain for PY 24-25

Car was purchased 15,00,000 on 01/07/2020

On 15/03/2024 , Car destroyed . FMV = 5,00,000 and WDV of car = 3,90,000

Claim filed on 16/03/2024

Insurance claim 5,90,000 received on 01/04/2024.

Treatment Of Advance Money Forfeited

| | |
|-----------------------------|---|
| Forfeited Before 1.4.2014 | Reduced from Original COA before Indexation |
| Forfeited on/after 1.4.2014 | Taxable u/h IFOS u/s 56(2)(ix) |

Transfer of capital asset to Firm

If any partner transfers capital asset to the firm as a capital contribution or otherwise, then capital gain shall be arise in the hands of such partner and shall be dealt as follows:

| Particulars | Capital Contribution By Partner [Section 45(3)] |
|--------------------|---|
| Sale Consideration | Value of CA recorded in Firm books. |
| Deemed Transfer | Year of contribution |
| Taxability | PY in which CA is givento firm |

Illustration 5

Mr. X and Mr. Y are two partners of a firm X & Co. On 01.01.2025, Mr. Z joins the firm and brings shares in a company as his capital contribution. Fair market value of these shares on 01.01.2025 is ₹5,00,000 where as Amount credited in Mr. Z's account in the firm is ₹4,00,000. Assuming that cost of acquisition in 2007-08 of these shares was ₹48,000, find out the Amount of chargeable capital gain for the assessment year 2025-26 in the hands of Mr. Z

No Indexation In Following Cases

1. Zero Coupon Bonds
2. Debentures/ Bonds
3. Slump Sale [Section 50B]
4. Depreciable Assets
5. Long term capital assets specified u/s 112A. [AY 2019-20].

Compulsory Acquisition of Capital Asset [Section 45(5)]

| Full value Of Consideration | Compensation Fixed |
|-----------------------------|--|
| Taxability | Year in which initial compensation is received. If compensation is received in installments, then also Entire Capital Gain on Total Compensation is taxable in PY of receipt of 1st Instalment |
| Transfer | Year In which asset is compulsorily acquired. |
| Indexation | Shall be done upto the year of transfer |
| Enhanced compensation | Taxable in the year of receipt after deducting litigation expenses. |

Example 12

Calculate Capital Gain for various PY

1. On 01/10/2016, Land was purchased for 40,00,000
2. On 01/05/2022, it was compulsorily acquired by Govt. and compensation was fixed at 1,90,00,000
3. On 01/05/2023, Initial compensation received 1Cr.
4. On 01/11/2023, suit was filed against UP-Govt
5. On 01/05/2024, Balance compensation received 90,00,000
6. On 01/05/2025, Enhanced compensation 25,00,000 received with litigation expense of 5,00,000

Illustration 6

Mr. X (Date of birth 01.10.1946) has purchased one house on 01.04.1995 for ₹4,00,000 and incurred 2,00,000 on its improvement on 01.10.1998. Its market value on 01.04.2001 was ₹3,00,000. This house was acquired by the Government on 01.10.2014 and the compensation fixed was ₹50,00,000 and the Government has paid half of the compensation on 01.10.2024 and balance half on 01.10.2025. The assessee has filed an appeal for increasing the compensation and the court has given decision on 31.03.2026 directing the Government to pay additional compensation of 5,00,000. The Government has paid half of the Amount on 01.04.2027 and balance half on 01.04.2028. He has invested 72,000 in NSC in previous year 2024-25. Compute assessee's total income for the assessment year 2025-26 and also capital gains for various year

Illustration 7

Mr.X purchased one house on 01.07.1997 for ₹2,00,000 and incurred ₹1,00,000 on its improvement in 1998-99 and its market value as on 01.04.2001 is ₹2,50,000. She incurred ₹2,00,000 on its improvement in 2012-13 and the house was acquired by the Government on 01.07.2015 and compensation fixed is 60,00,000 and half of the Amount was paid by the Government on 01.01.2025 and balance half on 01.01.2026. She has also received interest of ₹2,00,000 in previous year 2024- 25 from the Government for delay in

payment of compensation. Income under the head Business/ Profession was ₹20,03,990. Compute total income of Mr X for the Assessment Year 2025-26.

Capital Gain In Case Of Specified Agreement [Section (45(5A)]

| | |
|---------------|--|
| Transaction | Cap. Gain on Transfer of L&B or Both under Specified Agreement |
| Applicable to | Individual & HUF |
| Taxability | Year In which completion certificate is received |
| Transfer | Date of handing over the possession to real estate developer |
| FVC | SDV of share in project as on date of receiving completion certificate as increased by money consideration(if any) |

Consequences of Transfer before Date of Issue of Completion Certificate: Benefit u/s 45(5A) is not available if the assessee transfers his share in a project on/before the issue of the completion certificate to any person.

In such case, CG shall arise in the year of such transfer.

In such case, section 45(5A) will not apply and FVC shall be as per S.50C.

Example 13

Calculate Capital Gain for PY 24-25

1. Mr. J purchased land for 15,00,000 on 2010
2. Mr. X (Real estate developer) entered into Joint development agreement with Mr.J on 2022
3. 50 flats was constructed (30 flats for Mr. X and 20 flats to Mr.J)
4. Mr. X paid 5,00,000 to Mr.J at the time of taking possession of land
5. Land possession was hand over on 15/07/2022
6. Flats construction completed on 15/07/24 and completion certificate received.

FVC In Case Of Transfer Of Land or building or Both [Section 50C]

In case of land or building or both, If SDV exceeds 110% of sales consideration then SDV shall be considered as FVC.

| If SDV exceeds 110% Of Sales Consideration | |
|--|----------------------------------|
| Yes | NO |
| FVC = SDV | FVC = Actual Sales Consideration |

Example 14

Calculate Full Value of consideration (FVC) as per Section 50C

1. Sale value = 95,00,000 and SDV = 1,05,00,000
2. Sale value = 74,00,000 and SDV = 80,00,000

3. Sale value = 82,00,000 and SDV = 90,20,000

If the Date of agreement and date of registration is different and advance has been received by specified mode at the time of agreement

| Yes | NO |
|--|---|
| SDV as on the 'agreement date' shall be considered | SDV as on the 'registration date' shall be Considered |

Where assessee claims that SDV is more than the FMV of immovable property and such SDV is not disputed in any appeal then A.O may revert the case to valuation officer and FVC shall be determined as follows:

| Value adopted by Valuation officer | FVC |
|---|--|
| Exceeds SDV | SDV i.e. Valuation Officer value is ignored. |
| Doesn't exceed SDV But Exceed Actual Sale Value | Value adopted by Valuation officer |
| Is less than Actual Sale Value | Actual Sales Consideration |

Example 15

Calculate Capital Gain for PY 24-25

- Mr.X purchased land on 01/04/1996 for 6,00,000
- FMV and SDV as on 01/04/2001 are 5,00,000 and 7,00,000 respectively
- On 01/04/2023, Building was constructed for 50,00,000
- On 01/07/2024, agreement to sale this land and building for 2Cr. And received advance of 10,00,000 through crossed cheque (SDV = 2.05cr)
- On 01/10/2024, title transfer to buyer and received balance consideration of 1,90,00,000 through NEFT (SDV = 2.40cr)
- Brokerage @1% of sale value

Illustration 8

- Mr. X who transferred his land and building on 10.02.2025, furnishes the following information:
- Net consideration received 35,00,000.
- Value adopted by stamp valuation authority, which was contested by Mr. X 50,00,000.
- Value ascertained by Valuation Officer on reference by the Assessing Officer 52,00,000.
- This land was distributed to Mr. X on the partial partition of his HUF on 01.04.2001. Fair market value of the land as on 01.04.2001 was 1,60,000.
- A residential building was constructed on the above land by Mr. X at a cost of 3,50,000 (construction completed on 01.12.2012) during the financial year 2013-14

Illustration 9

What will be your answer in above question if value adopted by valuation officer is 45,00,000

| COA Of Self Generated Assets | | |
|---|-----|-----|
| | COA | COI |
| Brand name & Trademark associated with the business or profession | Nil | NA |
| Tenancy rights | Nil | NA |
| Goodwill of a business or profession | Nil | Nil |
| Right to manufacture, produce or process any article or thing, for a consideration (Patent) | Nil | Nil |
| Right to carry on any business or profession | Nil | Nil |

| | COA | COI |
|---|-----|-----|
| Brand name & Trademark associated with the business or profession | Nil | NA |
| Tenancy rights | Nil | NA |
| Goodwill of a business or profession | Nil | Nil |
| Right to manufacture, produce or process any article or thing, for a consideration (Patent) | Nil | Nil |
| Right to carry on any business or profession | Nil | Nil |

Note :

- i. If the asset is purchased then purchase price is the COA.
- ii. In case of goodwill of a business or profession on which depreciation is claimed upto PY 2019-20, the COA of such goodwill would be purchase price as reduced by the total amount of depreciation (upto P.Y.19-20)
- iii. FMV as on 1-4-2001 is ignored.

| Capital Gain In Case Of Slump Sale [Section 50B] | |
|--|--|
| FVC | Higher of: Sales Consideration Received OR FMV of capital Asset transferred |
| COA | Net worth of unit. However, if any asset has been revalued, then such revaluation shall be ignored |

When whole unit is sold at lumpsum without valuing each asset individually is termed as slump Sale.

| | |
|-----|--|
| FVC | Higher of: Sales Consideration Received OR FMV of capital Asset transferred |
| COA | Net worth of unit. However, if any asset has been revalued, then such revaluation shall be ignored |

Notes:

1. Net Worth = Total Assets – outside Liabilities
2. If any upward revaluation of asset has been done, then such revaluation shall be ignored.
3. If Net worth is negative then consider it as zero.
4. If stock is transferred in slump sale, then PGBP income shall be arise.
5. If unit is sold after holding for more than 24 months, then capital gain shall be long term capital gain otherwise short-term capital gain. However, no indexation benefit shall be available even in the case of long-term capital gain.

Illustration 10

Mr. A is a proprietor of ABC Enterprises having 2 units started on 01.04.2014. He transferred on 01.04.2024 his unit 1 by way of slump sale for a total consideration of 90 Lacs whereas FMV of capital assets on the date of transfer is 92 Lacs. The expenses incurred for this transfer were 1,30,000/-. His Balance Sheet as on 31.03.2024 is as under:

| Liabilities | Amount | Assets | Unit 1 | Unit 2 | Total |
|--|-----------|--------------|-----------|----------|-----------|
| Share Capital | 42,00,000 | Building | 30,00,000 | 8,00,000 | 38,00,000 |
| Revaluation reserve Of building (unit 1) | 12,00,000 | Machinery | 10,00,000 | 4,00,000 | 14,00,000 |
| Bank Loan (70% for unit 1) | 8,00,000 | Debtors | 6,00,000 | 1,40,000 | 7,40,000 |
| Trade Creditors (25% for unit 1) | 6,20,000 | Other Assets | 7,00,000 | 1,80,000 | 8,80,000 |

Compute the capital gain for the assessment year 2025-26.

Capital Gain In Case Of Depreciable Asset

1. All the assets of the block are transferred:
In case all the assets in any block are transferred during the previous year then the block shall cease to exist and no depreciation will be allowed. It can happen in the following two cases:
 - STCG u/s 50 When Sale price > Block Value
 - STCL u/s 50 When Sale price < Block Value
2. Part of block is sold and the sale consideration of assets exceed block Value
STCG u/s 50 When Sale price > Block Value

Capital Gain In Case Of Sale Of Share

- A. In case of **original shares**, cost of acquisition shall be the actual cost but if it was purchased before 1/4/2001, cost of acquisition shall be the actual cost or FMV as on 01.04.2001, whichever is higher.
- B. In case of **bonus shares**, cost of acquisition shall be nil but if bonus shares are issued before 01.04.2001, COA = FMV on 1/4/2001
- C. In case of **right shares**, cost of acquisition shall be the amount for which such shares have been purchased.
- D. If right to purchase right shares has been **renounced**, amount received shall be considered to be short term capital gains.
- E. **Cost of acquisition for the right renouncee** shall be the amount paid to the person renouncing the right and amount paid to the company.

Transfer of Equity Shares or Equity oriented units or units of business trust

LTCG u/s 112A

1. LTCG on transfer of equity shares or equity oriented units or units of business trust, in excess of ₹ 1,25,000 shall be taxable at the rates specified below if following conditions are satisfied:
 - a) STT is paid at the time of acquisition and transfer of equity shares
 - b) STT is paid at the time of transfer of equity oriented units or units of business trust.

| Transfer date | Rate |
|-----------------|-------|
| Upto 22/7/2024 | 10% |
| W.e.f 23/7/2024 | 12.5% |

2. Cost of Acquisition in case of Capital Gains u/s 112A

As per section 55(2) (ac), In case of equity shares or units of equity oriented mutual funds or units of business trust which have been sold w.e.f. 01.04.2018 onwards, cost of acquisition shall be higher of:

- a. Cost of acquisition
 - b. Lower of
 - i. Fair market value of such asset on 31.01.2018 (Highest Quoted Price)
 - ii. Actual sale value.
3. Deduction u/s 80C to 80U and Rebate u/s 87A shall not be allowed in respect of CG u/s 112A.

STCG u/s 111A

1. STCG on transfer of equity shares or equity oriented units or units of business trust shall be taxable at the rates specified below if STT is paid at the time of transfer of such assets:

| Transfer date | Rate |
|-----------------|------|
| Upto 22/7/2024 | 15% |
| W.e.f 23/7/2024 | 20% |

2. Deduction u/s 80C to 80U and Rebate u/s 87A shall not be allowed in respect of CG u/s 112A.

Example 16

Calculate Capital Gain

1. Mr. X is existing shareholder of A Ltd.
2. A Ltd. Offer to buy 1000 right shares @50 each (FMV of share= 80 each)
3. X Renounce right to Y for 10 per share (All share rights was transferred)

Example 17

Calculate Capital Gain for PY 24-25

1. On 01/04/1999, 100 shares were purchased @50 per share
2. 100 bonus shares were received on 01/04/2000
3. 200 bonus shares were received on 01/04/2005
4. On 01/04/2010, received 400 right shares options @500 per share out of which 100 shares were renounced @75 per share and rest were Purchased
5. On 01/11/2023, 500 fresh shares were acquired at 700 per share
6. On 01/07/2024, all shares are sold @900 each

Example 18

Calculate Capital Gain for PY 24-25

1. 1000 shares of A Ltd. Was purchased on 01/07/2016 @500 per share
2. 500 bonus shares were allotted on 01/04/2019
3. FMV as on 31/01/2018 was 750 per share
4. All shares are sold on 01/07/24 @1250 per share
 - (a) Shares sold through Recognized stock exchange and STT was paid both at the time of acquisition and transfer
 - (b) Shares sold privately (i.e. not on recognized stock exchange)

Illustration 11

Mr. X purchased 100 equity shares in ABC Ltd. on 01.10.1995 @₹10 per share. The company has issued 100 bonus shares on 01.10.1998 and market value of the shares on 01.04.2001 was 7 per share. The company has again issued 100 bonus shares on 01.10.2013. The company has offered 100 right shares on 01.04.2020 @₹140 per share though the market value is 250 per share. Mr. X purchased half of the shares and remaining half were renounced by him in favour of his friend Mr. Y. He has charged 20 per share from Mr. Y for renouncing the right. All the shares were sold by Mr. X and Mr. Y @ 300 per share on 01.01.2025. Mr. X has income under the head house property ₹2,20,000 and has causal income ₹50,000 and has invested 1,00,000 in NSC. Mr. Y has income under the head house property ₹3,50,000 and has invested ₹30,000 in NSC. Compute total income of Mr. X and Mr. Y

Illustration 12

Mr. X purchases 1,000 equity shares in X Ltd. at a cost of 15 per share (brokerage 1%) in January 1998. She gets 100 bonus shares in August of ₹2000. She again gets 1100 bonus shares by virtue of her holding on February 2006. Fair market value of the shares of X Ltd. On April 1, 2001 is 25. In January 2025, she transfers all her shares @₹120 per share (brokerage 2%). (market value on 31-01-2018 is 70 per share) Compute the capital gains taxable in the hands of Mr X

- X Ltd. is an unlisted company and securities transaction tax was not applicable at the time of sale.
- X Ltd. is a listed company and the shares are sold in a recognized stock exchange and securities transaction tax was paid at the time of sale.

Illustration 13

A Ltd. has issued 1,00,000 shares of ₹10 each and the company goes into liquidation on 01.10.2024 and distributable asset of the company are valued at ₹8 lakh. The company's accumulated profits on the date of liquidation are ₹3.5 lakhs which are included in ₹8 lakhs. Mr. X has purchased 100 shares in this company on 01.10.1998 for ₹10 each and market value of the shares on 01.04.2001 is ₹12 per share. Compute dividends in the hands of Mr. X and also capital gains

Conversion of Debentures

If debenture is converted into equity shares then such conversion shall not be considered as transfer and hence no capital gain shall arise. However, when such equity share received at the time of conversion is transferred then capital gain shall arise. For this purpose, COA of equity share shall be taken as cost of debenture and also period of holding of debenture shall be considered in period of holding of Equity shares.

Example 19

Calculate Capital Gain for PY 24-25

1. On 01/10/2020, 1000 10% debentures were purchased @₹500 per debenture
2. On 01/10/2023, they were converted into equity shares and received 4 shares for every debenture
3. On 31/12/2024, shares are sold @₹750 per share

Illustration 14

Mr. X has purchased 100 debentures in ABC Ltd. on 01.10.2002 @₹300 per debentures and subsequently these debentures were converted into shares on 01.10.2017 and 3 shares were issued for each debenture. The assessee has sold all the shares on 01.04.2024 @₹750 per share and market value as on 31-01-2018 500 per share. Compute capital gains for the assessment year 2025-26 in the following situations:

- a) STT not paid
- b) STT Paid

Capital Gain on Redemption of Zero Coupon Bonds

- Redemption of zero-coupon bond shall be treated as transfer.
- Amount received at the time of redemption shall be considered as FVC.
- No indexation benefit is available even if ZCB transferred are Long term.

Example 19

Calculate Capital Gain for PY 24-25

Purchased 1,000 Zero coupon bond at ₹25/- per bond on 01/07/2014

They were redeemed on 01/07/24 (Redemption value is ₹100 per bond)

Exemptions

| | S. 54 | S.54B | S.54D |
|-----------------------------|--|---|---|
| Asset Transferred | LT – Residential House Property | Agriculture land (Urban) | L/B – Industrial Undertaking Compulsory Acquired |
| Assessee | Individual / HUF | Individual / HUF | Any Assessee |
| Investment | New Residential House Property (Note 1) | New Agriculture Land(Urban/Rural) | New Land /Buildingfor Industrial Undertaking |
| Time Limit for Invest. | Purchase – within 1 yr before or within 2 yearsfrom transfer date Construct – within 3 years from Transfer Date | Within 2 years from Transfer Date | Within 3 years from Date of Receipt of compensation |
| Quantum Of Exemption | Lower of: Amount Invested Capital Gain Rs. 10 Crore | Lower of Amount Invested Capital Gain | Lower of Amount Invested Capital Gain |
| Lock in period of new asset | 3 Years. Otherwise, LTCGexempted earlier shall be reduced from COA of New Asset | Same as Sec. 54 | Same as Sec. 54 |
| CGAS | Available | Available | Available |

Other Exemptions

| | S.54 EC | S.54F |
|------------------------|---|---|
| Asset Transferred | LT – Land/Building | Any LT Capital Asset Except Residential House Property |
| Assessee | Any Assessee | Individual / HUF |
| Investment | Specified Bonds | New RHP |
| Time Limit for Invest. | Within 6 months from the transfer date | Same as S.54 |
| Quantum Of Exemption | Lower of: <ul style="list-style-type: none"> Amount Invested Capital Gain Subject to Max = 50 Lacs | Lower of: <ul style="list-style-type: none"> $\frac{LTCG \times \text{Amount Invested (Max 10 Crore)}}{\text{Net Consideration}}$ LTCG |

| | | |
|-----------------------------|---|---|
| Additional Condition | Not Applicable | 1. Assessee should not own more than one RHP on the date of Transfer Of LTCA |
| | | 2. Should not purchase any other house within 2 years or construct within 3 years after date of transfer of original Asset. |
| Lock in period of new asset | 5 Years. Otherwise, LTCG exempted earlier shall be Taxable in the year in which the asset is sold or converted into money | 3 Years. Otherwise, LTCG exempted earlier shall be Taxable in the year in which the asset is sold |
| CGAS | Not Available | Available |

Notes: If LTCG is upto 2 crore, then assessee can claim exemption u/s 54 for 2 house property. In other cases he can only purchase one house for claiming exemption under this section.

CAPITAL GAINS A/C SCHEME (CGAS):

- If Investment is not made before Due Date of filing of ROI, then to claim exemption assessee can deposit the amount in CGAS if not invested for the specified purpose.
- Such deposit in CGAS should be made before filing ROI or before Due Date of filing ROI, whichever is earlier.
- If amount deposited is not utilized for specified purpose within stipulated period, then unutilized amount shall be taxed as capital gain of PY in which specified period expires.
- If Individual dies before stipulated period, unutilized amount is not taxable in the hands of legal heirs of deceased individual

Illustration 15

Mr. X purchased one residential house on 01-07-2001 for ₹2,00,000 and it was sold by him on 01-07-2023 for 100 lakhs and he purchased one house in 01-07-2025 for ₹20,00,000. He sold this house on 01-07-2026 for ₹22,00,000. Compute capital gains for various year

Illustration 16

Mr. X purchased one house on 01.04.2001 for 2,00,000 and sold the house on 01.07.2024 for ₹70,00,000 and purchased one house on 01.09.2024 for 12,00,000 and it was sold by him on 01.01.2025 for ₹15,00,000. He is aged 82 year Compute his income and tax liability for assessment year 2025-26.

Illustration 17

Mr. X Purchased one residential house on 01.04.2001 for ₹2,00,000 and it was sold by him on 01.07.2023 for ₹50,00,000 and he purchased a new house on 01.09.2024 for 55,00,000 and this house was sold by him on 01.07.2025 for ₹56,00,000. Compute his tax liability for AY 2024-25 and also capital gains for all the year

Illustration 18

Mr. X purchased agricultural land on 01.10.2002 for ₹3,00,000 and it was being used for agricultural purposes by him. It was sold on 01.01.2025 for 50,00,000. The assessee has purchased one agricultural land in the rural area on 10.01.2024 for ₹10,00,000 and this land was sold by him on 11.09.2025 for ₹11,00,000 and has invested 30,000 in National Saving Certificate. He is aged about 86 year
Compute his tax liability for assessment year 2025-26.
Presume the land was purchased in the urban area instead of rural area.

Illustration 19

Mr. X has an agricultural land (costing ₹6 lakh) in Lucknow and has been using it for agricultural purposes since 01.04.2004 till 01.08.2014 when the Government took over compulsory acquisition of this land. A compensation of ₹10 lakh was settled. The compensation was received by Mr. X on 01.07.2024. Compute the Amount of capital gains taxable in the hands of Mr. X.

Illustration 20

Will your answer be different if the land belonged to ABC Ltd. and not Mr. X and compensation on compulsory acquisition was received by the company? Explain.

Illustration 21

Mr. X has one industrial undertaking in panki industrial area and the building which is being used for industrial purposes was purchased on 01.10.2007. Since then it was being used for industrial purpose and was purchased for ₹23,00,000 and its w.d.v. as on 01.04.2015 is ₹10,38,000. This building was acquired by the Government on 01.01.2020 and compensation fixed was ₹25,00,000. Entire payment was released by the Government on 01.07.2024. The assessee has purchased one building for the purpose of industrial undertaking in Dada Nagar Industrial Area on 01.01.2024 for ₹6,00,000. Compute his tax liability for assessment year 2025-26.

Illustration 22

Mr. X purchased agricultural land in the urban area on 01.04.2001 for 3,00,000. It was being used for agricultural purposes since then and was sold by the assessee on 01.07.2024 for ₹1,23,00,000. He made following investments:
Bonds of National Bank for Agriculture and Rural Development on 01.10.2024 for 1,50,000 which are redeemable after 5 year
He purchased agricultural land on 01.11.2024 for 2,00,000.
He has invested 75,000 on 01.12.2024 in the bonds of National Highway Authority of India redeemable after five year

He sold the bonds of National Highway Authority of India on 15.04.2025 for 3,00,000. Compute his capital gains for various years and also tax liability for assessment year 2026-27

Illustration 23

Mr. X purchased gold on 01.04.1991 for ₹3,00,000 and its market value on 01.04.2001 is 2,00,000. This gold was sold by him on 01.01.2025 for ₹35,00,000 and selling expenses are 37,000. He has purchased one house on 01.05.2024 for 4,00,000 because he did not have any house in his name and he deposited ₹3,00,000 in capital gain account scheme on 30.09.2025. Mr. X is also engaged in a business and he has turnover of his business ₹1,05,00,000 and cost of goods sold 100,00,000 and other expenses ₹5,10,000. He has withdrawn ₹2,00,000 from capital gain account scheme on 01.01.2025 and constructed 1st floor of the house which was purchased by him on 01.05.2024. Remaining Amount in the capital gain account scheme was unutilized. Compute assessee's tax liability for assessment year 2025-26 and capital gains for various year

Illustration 24

Mr. X sold gold for ₹5,50,000 on 01.10.2024 which had been acquired by him in October, 2004 for 55,000. He wants to utilize the said Amount of sale consideration for purchase or construction of a new residential house. He already owns one residential house at the time of sale of the gold on 01.10.2024. He has deposited ₹4,00,000 under the capital gains deposit scheme with a specified bank on 30.04.2025. Ascertain the capital gains taxable in Mr. X's hands for assessment year 2025-26 and advise him as to what further action he has to take to avail the exemption