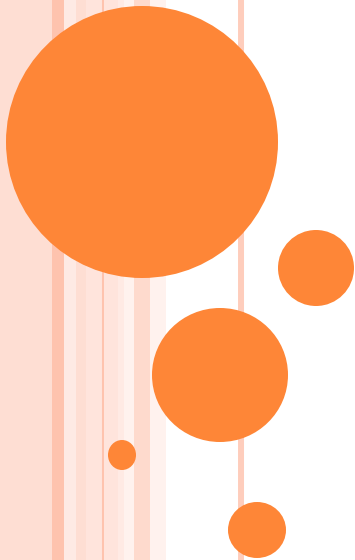


CAPITAL GAINS

**FOR DEPARTMENTAL EXAM, 2020
A.Y. 2019-20**

M. VEERABHAGU, ITO



STRUCTURE OF THE PRESENTATION

- **CHARGEABILITY;**
- **BASIC (AND RELEVANT) DEFINITIONS;**
- **FACTORS TO DETERMINE CAPITAL GAINS;**
- **COMPUTATION;**
- **DEDUCTIONS / EXEMPTIONS;**
- **CAPITAL GAIN ACCOUNT SCHEME;**
- **REFERENCE TO VALUATION OFFICER;**
- **TAX RATES;**
- **WORKSHOP WITH SIMPLE EXAMPLES.**



CHARGEABILITY – SEC. 45

- THERE SHOULD BE A CAPITAL ASSET;
- IT SHOULD BE TRANSFERRED (BY THE A) DURING THE PREVIOUS YEAR;
- THERE SHOULD BE PROFIT / GAIN AS A RESULT OF (SUCH) TRANSFER.
 - SUBJECT TO DEDUCTIONS U/S 54 TO 54H



CAPITAL ASSET – SEC. 2(14)

- **PROPERTY OF ANY KIND*;**
- **SECURITIES HELD BY FOREIGN INSTITUTIONAL INVESTOR IN ACCORDANCE WITH SEBI ACT, 1992.**

‘SECURITY’ INCLUDES SHARE OF STOCK, BONDS, DEBENTURES, ETC.

***HOWEVER, THE FOLLOWING ARE NOT –**



NOT CAPITAL ASSETS

THE FOLLOWING ARE NOT –

1. STOCK-IN-TRADE, RAW MATERIALS, ETC HELD FOR BUSINESS / PROFESSION;
2. MOVABLE PROPERTY HELD FOR PERSONAL USE – OTHER THAN JEWELLERY, COSTLY STONES, GOLD, SILVER, ETC, ARCHAEOLOGICAL COLLECTIONS, PAINTINGS, SCULPTURES AND THE LIKE;
3. SPECIFIED GOLD BONDS AND SPECIAL BEARER BONDS;
4. RURAL AGRICULTURAL LAND**;
5. DEPOSIT CERTIFICATES UNDER GOLD MONETISATION SCHEME, 2015.



RURAL AGRICULTURAL LAND

AGRICULTURAL LAND NOT SITUATED –

1. WITHIN MUNICIPALITY / CANTONMENT BOARD WITH NOT LESS THAN 10,000 POPULATION;
2. WITHIN THE FOLLOWING RANGE OF ANY MUNICIPALITY / CANTONMENT BOARD –
 - NOT MORE THAN 2 KM FROM SUCH AREA OF POPULATION BETWEEN 10,000 AND 1 LAKH;
 - NOT MORE THAN 6 KM FROM SUCH AREA OF POPULATION BETWEEN 1 LAKH AND 10 LAKHS;
 - NOT MORE THAN 8 KM FROM SUCH AREA OF POPULATION MORE THAN 10 LAKHS.



TYPE OF CAPITAL ASSETS

**BASED ON THE PERIOD OF HOLDING,
CAPITAL ASSETS ARE DIVIDED INTO
TWO SUCH AS -**

- SHORT TERM &**
- LONG TERM.**



LONG TERM CAPITAL ASSET – 2(29A)

**CAPITAL ASSET WHICH IS NOT A SHORT
TERM CAPITAL ASSET.**



SHORT TERM CAPITAL ASSET – 2(42A)

**HELD BY THE ASSESSEE FOR A PERIOD –
NOT MORE THAN 36 MONTHS.**

FOR THE FOLLOWING CA, IT IS 12 MONTHS -

- 1. EQUITY / PREFERENCE SHARES (LISTED);**
- 2. LISTED SECURITIES;**
- 3. UNITS OF UTI;**
- 4. UNITS OF EQUITY ORIENTED FUND;**
- 5. ZERO COUPON BOND.**

FOR THE FOLLOWING CA, IT IS 24 MONTHS –

- 1. UNLISTED SHARES;**
- 2. IMMOVABLE PROPERTY (LAND / BUILDING OR BOTH).**

GLOSSARY OF TERMS

- **Share of Stocks:** When you buy (share of) stocks, you become one of the owners of the company. Your fortunes rise and fall with that of the company. If the stocks of the company soar in value, your investment pays off high dividends, but if the stocks decrease in value, the investments are low paying.
- **Debentures** are more secure than stocks, in the sense that you are guaranteed payments with high interest rates. You are paid an interest on the money you lend the company until the maturity period, after which whatever you invested in the company is paid back to you. The interest is the profit you make from debentures.



GLOSSARY OF TERMS

- **Bonds** are more secure than debentures. In case of both, you are paid a guaranteed interest that does not change in value irrespective of the fortunes of the company. However, bonds are more secure than debentures, but carry a lower interest rate. The company provides collateral for the loan. Moreover, in case of liquidation, bondholders will be paid off before debenture holders.
- **Zero Coupon Bonds** are Bonds issued by Infrastructure Capital Company or Infrastructure capital fund or public sector company or scheduled bank on or after 01/06/2005. In case of ZCB there is no benefits before maturity or redemption and it is should be notified by the Government.



LTCA / STCA ?

Asset	Period of holding	Nature of Asset
Jewellery	From 1/07/2014 to 7/03/2019	
Listed Shares	From 7/07/2016 to 15/04/2018	
Shares in Y Pvt. Ltd.	From 7/07/2016 to 15/09/2018	
Residential house	From 17/07/1978 to 15/04/2018	
Units of UTI	From 15/05/2018 to 1/01/2019	
Zero coupon bonds	From 6/06/2018 to 11/11/2019	
Drawings	From 1/01/2010 to 12/12/2018	
Unlisted Shares	From 7/10/2016 to 15/09/2018	



LTCA / STCA ?

Asset	Period of holding		Nature of Asset
Jewellery	From 1/07/2014 to 7/03/2019	more than 36 months	LTCA
Listed Shares	From 7/07/2016 to 15/04/2018	more than 12 months	LTCA
Shares in Y P. Ltd.	From 7/07/2016 to 15/09/2018	more than 24 months	LTCA
Residential house	From 17/07/1978 to 15/04/2018	more than 24 months	LTCA
Units of UTI	From 15/05/2018 to 1/01/2019	less than 12 months	STCA
Zero coupon bonds	From 6/06/2018 to 11/11/2019	more than 12 months	LTCA
Drawings	From 1/01/2010 to 12/12/2018	more than 36 months	LTCA
Unlisted Shares	From 7/10/2016 to 15/09/2018	less than 24 months	STCA

TRANSFER– SEC. 2(47)

TRANSFER INCLUDES –

- **SALE / EXCHANGE / RELINGUISHMENT;**
- **EXTINGUISHMENT OF RIGHTS;**
- **COMPULSORY ACQUISITION***;**
- **CONVERSION OF CA INTO SIT;**
- **MATURITY / REDEMPTION OF ZERO COUPON BONDS;**
- **ALLOWING POSSESSION IN PART PERFORMANCE OF THE CONTRACT (SEC. 53A OF TP ACT);**
- **ANY OTHER WHICH HAS THE EFFECT OF TRANSFER.**

***** WHAT IF, AGRI. LAND IS COMPULSORILY ACQUIRED ?**

HOWEVER, THE FOLLOWING ARE NOT –



NOT TRANSFER – SEC. 47

THE FOLLOWING ARE NOT –

- 1. DISTRIBUTION IN KIND BY COMPANY ON LIQUIDATION;**
- 2. DISTRIBUTION ON PARTITION OF HUF;**
- 3. TRANSFER UNDER GIFT / WILL;**
- 4. TRANSFER IN AMALGAMATION;**
- 5. TRANSFER OF ART, MANUSCRIPT, PAINTING, ETC TO UNIVERSITY / GOVERNMENT;**



NOT TRANSFER – SEC. 47

THE FOLLOWING ARE NOT –

- 6. CONVERSION OF BONDS OR DEBENTURES INTO SHARES;**
- 7. CONVERSION OF PREFERENCE SHARES INTO EQUITY SHARES;**
- 8. CONVERSION OF PROP. / P'SHIP TO COMPANY;**
- 9. TRANSACTION OF REVERSE MORTGAGE UNDER A GOVT. SCHEME ;**

.....



IMPORTANT FACTORS (IN COMPUTING CAPITAL GAINS)

- **FULL VALUE OF CONSIDERATION;**
- **FAIR MARKET VALUE / BOOK VALUE / VALUE ADOPTED BY STAMP VALUATION AUTHORITY;**
- **COST OF ACQUISITION / INDEXED COST OF ACQUISITION;**
- **COST OF IMPROVEMENT/ INDEXED COST OF IMPROVEMENT;**
- **COST TO THE PREVIOUS OWNER;**
- **W.D.V. / BLOCK;**
- **EXPENDITURE FOR TRANSFER.**



FULL VALUE OF CONSIDERATION

**CONSIDERATION RECEIVED / RECEIVABLE
BY THE TRANSFEROR IN LIEU OF CAPITAL
ASSETS TRANSFERRED.**

**IN THE CASE OF COMPULSORY ACQUISITION,
IT IS THE COMPENSATION RECEIVED.**

(What if enhanced later?*)

**IF IT IS RECEIVED IN KIND, FMV OF CA IS
THE CONSIDERATION.**



EXPENDITURE FOR TRANSFER

**EXPENDITURE INCURRED (BY THE
TRANSFEROR) WHOLLY AND
EXCLUSIVELY IN CONNECTION WITH
TRANSFER OF CAPITAL ASSETS.
E.G. BROKERAGE / COMMISSION.**



COST OF ACQUISITION

COST AT WHICH THE CAPITAL ASSET WAS ACQUIRED (ORIGINALLY) BY THE TRANSFEROR.

IT INCLUDES ANY CAPITAL EXPENDITURE MADE AT THE TIME OF ACQUISITION.

IN THE CASE OF DEPRECIABLE ASSETS, IT IS THE OP. WDV (+) PURCHASE (-) SALE DURING THE YR.

IF COVERED BY SEC.56(2)(vii) / (viiia) / (viiib) / (x)...



COST OF ACQUISITION –SEC. 49(1)

IF ACQUIRED –

ON PARTITION OF HUF (OR)

BY GIFT, GOODWILL, ETC., (OR)

BY SUCCESSION, INHERITANCE.. (OR)

ON LIQUIDATION OF COMPANY (OR)

ON CONVERSION OF PROP./FIRM INTO CO. (OR)

**ON CONVERSION OF SELF ACQUIRED
PROPERTY INTO HUF PROPERTY....**

- IT IS THE COST TO THE PREVIOUS OWNER.

WHAT ABOUT BONUS SHARES? RIGHT SHARES?

COST OF IMPROVEMENT – SEC. 55(1)(B)

ALL EXPENDITURE INCURRED IN MAKING ADDITION / ALTERATION TO THE CAPITAL ASSET BY THE ASSESSEE OR THE PREVIOUS OWNER.

HOWEVER, COST OF IMPROVEMENT INCURRED BEFORE 1.4.2001 SHALL BE IGNORED.



COMPUTATION OF CAPITAL GAINS - SEC. 48

SHORT TERM CAPITAL GAIN

FULL VALUE OF CONSIDERATION

LESS:

1. EXPENDITURE FOR TRANSFER

2. COST OF ACQUISITION

3. COST OF IMPROVEMENT

SHORT TERM CAPITAL GAIN

LESS:

DEDUCTION U/S 54B / 54D / 54G / 54GA

TAXABLE SHORT TERM CAPITAL GAIN



EXAMPLE 1

- Ms. A sold a building on 11.03.2019 for Rs.1 crore, which was acquired by her in January, 2018 for Rs.90 lakhs. She had paid 9 lakhs towards registration while acquiring the building. Rs.50,000 was spent by her towards commission at the time of sale. Find Capital Gains.

- Solution: (A.Y. 2019-20)

	Rs.
Full Value of Consideration	1,00,00,000
Less : Expenditure for transfer	<u>50,000</u>
Net Sale Consideration	99,50,000
Less: Cost of acquisition	<u>99,00,000</u>
Short Term Capital Gain	50,000



COMPUTATION OF CAPITAL GAINS - SEC. 48

LONG TERM CAPITAL GAIN

FULL VALUE OF CONSIDERATION

LESS:

1. EXPENDITURE FOR TRANSFER
2. INDEXED COST OF ACQUISITION
3. INDEXED COST OF IMPROVEMENT



LONG TERM CAPITAL GAIN

LESS: DEDUCTION

U/S 54 / 54B / 54D / 54 EC / 54EE / 54 F /
54G / 54GA / 54 GB

TAXABLE LONG TERM CAPITAL GAIN



INDEXED COST OF ACQUISITION / IMPROVEMENT (FOR LONG TERM)

Cost inflation index, in relation to a previous year, means such Index as the Central Govt. may, having regard to 75% of average rise in the Consumer Price Index (urban) for the immediately preceding previous year to such previous year, by notification in the Official Gazette, specify, in this behalf.

Indexed Cost of Acquisition

$$\text{Cost of Acquisition of Capital Asset} \times \frac{\text{Cost inflation index (of financial year in which asset transferred)}}{\text{Cost inflation index (of the 1st financial year in which asset held by Assessee) or (of financial year 2001-02), whichever is later}}$$

Indexed Cost of Improvement

$$\text{Cost of Improvement} \times \frac{\text{Cost inflation index (of financial year in which asset transferred)}}{\text{Cost inflation index (of financial years in which improvement has taken place by Assessee or/and Previous Owner)}}$$



EXAMPLE 2

Mr.X received a house in May, 2010 by way of gift from Mr. G who had purchased the same in April, 1989 for Rs. 45,000. Cost of improvement incurred by Mr.G was Rs.1,05,000 in March, 2000 and Rs. 2,74,000 in June, 2008. FMV of the house as on 1-4-2001 was Rs.9,14,000. Mr. X sold the house in June, 2018 for Rs.40 lakhs. Brokerage Rs.20,000. Find CG.

○ Solution:	(A.Y. 2019-20)	Rs.
	Full Value of Consideration	40,00,000
Less :	Expenditure for transfer	<u>20,000</u>
	Net Sale Consideration	39,80,000
Less :	Indexed Cost of Acquisition	
	9,14,000 * 280/100	25,59,200
Less :	Indexed Cost of Improvement	
	2,74,000 * 280/137	<u>5,60,000</u>
	Long Term Capital Gain	8,60,800

Note:

1. Cost to the pre. owner shall be the cost of the A if it by gift, etc.;
2. If acquired before 1.4.2001, higher of Cost or FMV will be the Cost;
3. Cost of Improvement before 1.4.2001, shall be ignored.
4. If indexation benefit to be given for period of holding of Pre.owner?
Manjula P Saha case (Mumbai HC)

EXAMPLE 3

- Mr. Y bought a land in May, 2000 for Rs.2.5lakhs. FMV as on 1.4.2001 was Rs. 3.5 lakhs. He constructed a building thereon by spending Rs. 4.2 lakhs in FY 2002-03. Again, he constructed one more floor in 2007-08 and spent Rs. 6.45 lakhs. He sold the building in January, 2019 for Rs. 58 lakhs. Find Capital Gains.

- Solution: (A.Y. 2019-20)

	Rs.
Full Value of Consideration	58,00,000
Less : Indexed Cost of Acquisition	
3,50,000 * 280/100	9,80,000
Indexed Cost of Improvement (1)	
4,20,000 * 280/105	11,20,000
Indexed Cost of Improvement (2)	
6,45,000 * 280/129	<u>14,00,000</u>
Long Term Capital Gain	<u>23,00,000</u>



EXAMPLES WHERE P.Y. MAY BE DIFFERENT FROM THE YEAR IN WHICH TRANSFER TAKES PLACE

- INSURANCE COMPENSATION ON DESTRUCTION / DAMAGE OF CAPITAL ASSET – SEC. 45(1A)
- CONVERSION OF CAPITAL ASSET INTO STOCK-IN-TRADE – SEC. 45(2)
- ON COMPULSORY ACQUISITION OF CAPITAL ASSET – SEC. 45(5)
- IN THE CASE OF JOINT DEVELOPMENT AGREEMENT – SEC. 45(5A)



EXAMPLE 4

Mr. B bought a house for Rs. 15 lakhs in April, 2012. It was destroyed by fire in May, 2017. He received an amount of Rs.40 lakhs from the insurance company in December, 2018. Find CG.

<u>Solution:</u>	(A.Y. 2019-20)	Rs.
Full Value of Consideration		40,00,000
Less : Indexed Cost of Acquisition		
15,00,000 * 272/200		<u>40,80,000</u>
Long Term Capital Loss		80,000

Note:

Though transfer happened in P.Y. 2017-18, as compensation was received in P.Y. 2018-19, it is taxable in A.Y. 2019-20 only. But indexation up to the date of transfer only.



EXAMPLE 5

- Mr. B became a partner in a firm on 12.12.2018. He transferred his capital asset as capital contribution to the firm on that day. The capital asset was acquired by him on 11.4.2007 for Rs. 12 lakhs and Rs.90,000 was spent towards registration. The firm recorded the value at Rs. 33 lakhs, whereas FMV, as on 12.12.2018, was Rs.32 lakhs. Find Capital Gains.

<u>Solution:</u>	(A.Y. 2019-20)	Rs.
Full Value of Consideration		33,00,000
Less : Indexed Cost of Acquisition		
12,90,000 * 280/129		<u>28,00,000</u>
Long Term Capital Gain		5,00,000



EXAMPLE 6

- Mr. X had purchased some jewellery in May, 2000 for Rs. 4.5 lakhs; F.M.V. as on 1.4.2001 was Rs. 5 lakhs. He started jewellery business in September, 2017 and brought this jewellery as stock of the business. FMV then was Rs. 24 lakhs. This was sold in April, 2018 for Rs. 27 lakhs. Compute Capital Gains. Will there be any other income?

<u>Solution:</u>	(A.Y. 2019-20)	Rs.
Full Value of Consideration**		24,00,000
Less : Indexed Cost of Acquisition		
5,00,000 * 272/100		<u>13,60,000</u>
Long Term Capital Gain		10,40,000

Note: Though transfer happened in P.Y. 2017-18, as it was finally sold (to third party) in P.Y. 2018-19, it is taxable in A.Y. 2019-20 only. But indexation up to the date of transfer (first) only.

Business Income = Rs.27,00,000 – Rs.24,00,000 = Rs.3,00,000.

EXAMPLE 7

- Ms. S had purchased a piece of land in 2001 for Rs. 4 lakhs. It was compulsorily acquired by Govt. in March, 2016 and a compensation of Rs. 10 lakhs was determined. The same was received by her in June, 2017. On appeal, the jurisdictional High Court enhanced the compensation to Rs.12 lakhs, which was received by her in March, 2020. She had spent Rs. 75,000 as legal expenses. Find Capital Gains in the relevant A.Ys.

<u>Solution:</u>	(A.Y. 2018-19)	Rs.
Full Value of Consideration**		10,00,000
Less : Indexed Cost of Acquisition		
4,00,000 * 254/100		<u>10,16,000</u>
Long Term Capital <u>Loss</u>		16,000

Note: Though transfer happened in P.Y. 2015-16, as compensation was received in P.Y. 2017-18, it is taxable in A.Y. 2018-19 only. But indexation up to the date of transfer only.

The enhanced compensation is taxable in the year of receipt.



EXAMPLE 7

- For enhanced compensation received in March, 2020.....

○ <u>Solution:</u>	(A.Y. 2020-21)	Rs.
	Full Value of Consideration**	2,00,000
	Less : Expenditure for transfer	<u>75,000</u>
	Long Term Capital Gain	1,25.000

Note: For enhanced compensation, there is no cost; only the expenditure will be deducted.

What if reduced on further appeal?



SECTION 45(5A)

- Section 45(5A) is inserted w.e.f. AY 2018-19 to provide that in the case of Indl. or HUF, who enters into agreement for development of a project, CG shall be chargeable to tax as income of the PY in which certificate of completion is issued by the competent authority.
- Stamp duty value of his share, being land or building or both, in the project on the date of certificate as increased by any monetary consideration received, shall be the full value of consideration as a result of the transfer of the capital asset.
- This is not applicable to assessee who transfers his share before issue of completion certificate.



COMPUTATION OF CAPITAL GAINS – DEPRECIABLE ASSETS - SEC. 50

SHORT TERM CAPITAL GAIN

FULL VALUE OF CONSIDERATION

LESS:

- 1. EXPENDITURE FOR TRANSFER**
- 2. COST OF ACQUISITION DURING
THE YEAR WITHIN THE BLOCK**
- 3. OPENING W.D.V.**

SHORT TERM CAPITAL GAIN



EXAMPLE 8

- M/s. ABC & Co. own six machines, put in use for business. The depreciation on these machines is charged @15%. WDV of these machines as on 1st April, 2017 was Rs. 8,25,000. Three machines were sold on 10th June, 2017 for Rs. 16,00,000. A new plant was bought for Rs. 7,50,000 on 30th November, 2017. You are required to determine the depreciation and the capital gains. What will be your answer, if the new machine was bought for Rs. 8,50,000?

<u>Solution:</u>	(A.Y. 2018-19)	Rs.
Full Value of Consideration**		16,00,000
Less : Cost of Acquisition*	7,50,000	
Opening WDV	<u>8,25,000</u>	<u>15,75,000</u>
Short Term Capital <u>Gain</u>		25,000

Note:

If sale value is more than the combined value of Op. WDV and purchases during the year, it will be STCG only and therefore you can start with FVC.



EXAMPLE 8

- M/s. ABC & Co. own six machines, put in use for business. The depreciation on these machines is charged @15%. WDV of these machines as on 1st April, 2017 was Rs. 8,25,000. Three machines were sold on 10th June, 2017 for Rs. 16,00,000. A new plant was bought for Rs. 7,50,000 on 30th November, 2017. You are required to determine the depreciation and the capital gains. What will be your answer, if the new machine was bought for Rs. 8,50,000?

○ <u>Solution:</u>	(A.Y. 2018-19)	Rs.
Opening WDV		8,25,000
Add: Purchases during the yr. within the block		7,50,000
Less: Sales during the yr. within the block		<u>16,00,000</u>
Closing WDV before depreciation		(-) 25,000

Means, this is STCG.

Note:

Conditions for allowing depreciation.



EXAMPLE 8

- M/s. ABC & Co. own six machines, put in use for business. The depreciation on these machines is charged @15%. WDV of these machines as on 1st April, 2017 was Rs. 8,25,000. Three machines were sold on 10th June, 2017 for Rs. 16,00,000. A new plant was bought for Rs. 7,50,000 on 30th November, 2017. You are required to determine the depreciation and the capital gains. What will be your answer, if the new machine was bought for Rs. 8,50,000?

○ <u>Solution:</u>	(A.Y. 2018-19)	Rs.
Opening WDV		8,25,000
Add: Purchases during the yr. within the block		8,50,000
Less: Sales during the yr. within the block		<u>16,00,000</u>
Closing WDV before depreciation		25,000
Less: Depreciation @15% / 2		<u>1,875</u>
Closing WDV after depreciation		23,125

Note:

1. Conditions for allowing depreciation.
2. If sale value is less than the combined value of Op. WDV and purchases during the year, depreciation is to be allowed if block of assets is in existence; if it is not in existence, it will be STCL and therefore you can start with FVC.

SECTION 50 B

CAPITAL GAIN ARISING FROM SLUMP SALE OF CAPITAL ASSET, BEING ONE OR MORE UNDERTAKINGS OWNED OR HELD BY THE A FOR MORE THAN 36 MONTHS IS LTCG; OTHERWISE IT IS STCG.

NETWORTH OF THE UNDERTAKING(S) TRANSFERRED SHALL DEEMED TO BE THE COST OF ACQUISITION.

THE BENEFIT OF INDEXATION IS NOT AVAILABLE.



EXAMPLE 9

The balance sheet of Mr. X as on 31-3-2018 is as under:

Liabilities	Amount	Assets	Amount
Paid up capital	35,00,000	<u>Software division</u>	
Reserve & Surplus	15,0,000	Building	25,00,000
		Debtors	10,00,000
<u>Creditors</u>		Stock	5,00,000
Software division	15,00,000		
Cement division	20,00,000	<u>Cement division</u>	
		Building	20,00,000
		Debtors	15,00,000
		Stock	<u>10,00,000</u>
	<u>85,00,000</u>		85,00,000

On 1-4-2018, Mr. X decides to sell the Cement division for Rs.60,00,000 which was set up on 1-04-12. The Building transferred in the slump sale belongs to 10% block. The WDV as on 1-4-18 of 10% block is Rs.50,00,000. All the buildings belonging to Cement Division was purchased on 18/12/16 for Rs.30,00,000. Determine tax treatment.

EXAMPLE 9

Solution: Period of holding 15/6/12 to 1/6/18 : LTCA

LTCL for AY 19-20

		Amount
Full value of consideration		60,00,000
Less : Cost of Acquisition		
Value of Assets :	51,86,500	
Debtors :	15,00,000	
Stock :	10,00,000	
Building :	26,86,500	
(30,00,000 – 5% depreciation for p/y 16/17 – 10% depreciation for p/y 17/18)		
Less :		
Value of liabilities	Creditors	<u>20,00,000</u>
Long Term Capital Gains		28,13,500



SECTION 50 C

IF THE CA TRANSFERRED IS LAND OR BUILDING OR BOTH AND WHERE SALE CONSIDERATION IS LESS THAN THE STAMP DUTY VALUE, THE LATTER WILL BE THE FVC.

PROVIDED, IF AN AGREEMENT IS MADE EARLIER, WHERE THE STAMP DUTY VALUE IS LESS ON THAT DATE, THE VALUE ON THAT DATE IS TO BE TAKEN (Condition)**

PROVIDED ALSO ... (Tolerance**)**



EXAMPLE 10

Mr. Y had purchased a house property in June, 2001 for Rs.5 lakhs. It was sold to Ms. T in March, 2019 for Rs.21 lakhs, whereas the stamp duty value was Rs.23 lakhs. Compute Capital Gains. What if, the stamp duty value was Rs.22 lakhs?

<u>Solution:</u>	(A.Y. 2019-20)	Rs.
Full Value of Consideration**		23,00,000
Less : Indexed Cost of Acquisition		
5,00,000 * 280/100		<u>14,00,000</u>
Long Term Capital <u>Gain</u>		9,00,000

Please note the amendment from A.Y. 2021-22.



EXAMPLE 11

- Mr. V had purchased a house property in May, 2015 for Rs.38.10 lakhs. He entered into an agreement with Mr. K in April, 2018 to sell the property for Rs. 40 lakhs and an amount of Rs. 2 lakhs was received by cheque as advance. The property was sold in August, 2018. Stamp Duty value in April, 2018 was Rs. 43 lakhs and it was Rs. 47 lakhs in August, 2018. Compute Capital Gains.

<u>Solution:</u>	(A.Y. 2019-20)	Rs.
Full Value of Consideration**		43,00,000
Less : Indexed Cost of Acquisition		
38,10,000 * 280/254		<u>42,00,000</u>
Long Term Capital <u>Gain</u>		1,00,000

**What if the advance is received by cash?
Or no advance is received?**



SECTION 50 D

IF THE VALUE OF CONSIDERATION IS NOT ASCERTAINABLE (CANNOT BE DETERMINED), FMV OF THE CA TRANSFERRED AS ON THE DATE OF TRANSFER WILL BE FVC.



SECTION 51

IF ADVANCE MONEY IS RECEIVED AND RETAINED, IT MUST BE REDUCED FROM THE COST, PROVIDED, THE SAME IS NOT INCLUDED IN THE TOTAL INCOME OF THE A AS PER 56(2)(x).



EXAMPLE 12

- Ms. C had purchased a house property in February, 2003 for Rs. 3 lakhs. She entered into an agreement with Mr. K in April, 2012 to sell the property for Rs. 14 lakhs and an amount of Rs. 90,000 was received as advance. As Mr. K did not purchase Ms. C forfeited the advance. Subsequently, the property was sold to Ms. T in March, 2019 for Rs.27 lakhs. Compute Capital Gains.

<u>Solution:</u>	(A.Y. 2019-20)	Rs.
Full Value of Consideration		27,00,000
Less : Indexed Cost of Acquisition		
2,10,000 * 280/105		<u>5,60,000</u>
Long Term Capital <u>Gain</u>		21,40,000

If advance is received (and forfeited) on or after 1st April, 2014?



DEDUCTIONS

- **54 (ONLY FOR LONG TERM)**
- **54B (FOR BOTH LONG & SHORT TERM)**
- **54D (FOR BOTH LONG & SHORT TERM)**
- **54EC (ONLY FOR LONG TERM)**
- **54EE (ONLY FOR LONG TERM)**
- **54F (ONLY FOR LONG TERM)**
- **54G (FOR BOTH LONG & SHORT TERM)**
- **54GA (FOR BOTH LONG & SHORT TERM)**
- **54GB (ONLY FOR LONG TERM)**



DEDUCTION U/S 54 (ONLY FOR LT)

ELIGIBLE ASSESSEE : INDIVIDUAL / HUF

ASSET TRANSFERRED : RES. H.P.

ASSET TO BE ACQUIRED: ONE RES. H.P.**

**TIME LIMIT FOR PURCHASE: 1 YR BEFORE OR
2 YRS AFTER TRFR.**

FOR CONSTRUCTION: WITHIN 3 YRS AFTER TRFR.

AMOUNT OF DEDN: INVESTMENT IN NEW ASSET.

CAPITAL GAIN ACCOUNT SCHEME: YES.

**WITHDRAWAL OF DEDUCTION: YES, IF THE NEW ASSET IS
TRANSFERRED WITHIN 3 YEARS (OF ITS ACQUISITION).**

**** Please note the amendment from A.Y. 2020-21.**



EXAMPLE 13

- Mr. A had purchased a house property in June, 2008 for Rs.10 lakhs. Registration expenses Rs. 96,000. It was sold to Ms. B in January, 2019 for Rs.49 lakhs. Mr. A purchased another house in July, 2019 for Rs.30 lakhs. Compute Capital Gains.

○ <u>Solution:</u>	(A.Y. 2019-20)	Rs.
Full Value of Consideration		49,00,000
Less : Indexed Cost of Acquisition		
10,96,000 * 280/137		<u>22,40,000</u>
Long Term Capital Gain		26,60,000
Less: Deduction u/s 54		
Investment in new house Rs. 30 L .. Restricted to CG		<u>26,60,000</u>
Balance LTCG		NIL



DEDUCTION U/S 54B

ELIGIBLE ASSESSEE : INDIVIDUAL / HUF

ASSET TRANSFERRED: AGRL. LAND

ASSET TO BE ACQUIRED: AGRL. LAND

TIME LIMIT FOR PURCHASE: WITHIN 2 YRS

FROM TRFR.

AMOUNT OF DEDN: INVESTMENT IN NEW ASSET.

CAPITAL GAIN ACCOUNT SCHEME: YES.

WITHDRAWAL OF DEDUCTION : YES, IF THE NEW ASSET IS TRANSFERRED WITHIN 3 YEARS (OF ITS ACQUISITION).



EXAMPLE 14

- Mr. X sold his urban agricultural land for Rs.75 lakhs in December, 2018, which was purchased by him in 2000 for Rs.1.8 lakhs (FMV as on 1.4.2001 was Rs. 2 lakhs). Transfer expenses: Rs.40,000. In May, 2019, he purchased another agricultural land for Rs. 25 lakhs and deposited Rs. 40 lakhs in Capital Gain Account Scheme. Compute Capital Gains.

<u>Solution:</u>	(A.Y. 2019-20)	Rs.
Full Value of Consideration		75,00,000
Less: Transfer expenses		<u>40,000</u>
Net Sale Consideration		74,60,000
Less : Indexed Cost of Acquisition		
2,00,000 * 280/100		<u>5,60,000</u>
Long Term Capital Gain		69,00,000
Less: Deduction u/s 54B		
Investment in agrl. land and deposit in CGAS		<u>65,00,000</u>
Balance LTCG		4,00,000



DEDUCTION U/S 54D

ELIGIBLE ASSESSEE : ALL

ASSET TRANSFERRED: COMPULSORY ACQN. OF LAND / BLDG. OF INDUSTRIAL U/T

ASSET TO BE ACQUIRED: LAND / BLDG. FOR SHIFTING OF INDUSTRIAL U/T.

TIME LIMIT: WITHIN 3 YRS FROM RECEIPT OF COMPENSATION.

AMOUNT OF DEDN: INVESTMENT IN NEW ASSET.

CAPITAL GAIN ACCOUNT SCHEME: YES.

WITHDRAWAL OF DEDUCTION : YES, IF THE NEW ASSET IS TRANSFERRED WITHIN 3 YEARS (OF ITS ACQUISITION).

Prepared by M. Veerabhagu, ITO, Chennai.



DEDUCTION U/S 54EC (ONLY FOR LT)

ELIGIBLE ASSESSEE

:ALL

ASSET TRANSFERRED

:LAND / BLDG./BOTH

ASSET TO BE ACQUIRED : NHAI / REC/OTHER BONDS

TIME LIMIT : WITHIN 6 MONTHS FROM TRFR.

AMOUNT OF DEDN: INVESTMENT (MAX. 50 LAKHS).

WITHDRAWAL OF DEDUCTION: YES, IF REDEEMED

WITHIN 5 YEARS / LOAN TAKEN ON ITS SECURITY.



EXAMPLE 15

- Mr. Y sold his house property for Rs.99 lakhs in March, 2019, which was purchased by him in April, 2001 for Rs.11 lakhs. In June, 2019, he purchased a house for Rs. 23 lakhs and he invested Rs. 45 lakhs in NHAI bonds. Find Capital Gains.

<u>Solution:</u>	(A.Y. 2019-20)	Rs.
Full Value of Consideration		99,00,000
Less : Indexed Cost of Acquisition		
11,00,000 * 280/100		<u>30,80,000</u>
Long Term Capital Gain		68,20,000
Less: Dedn. u/s 54 – Invst. In H.P.	23,00,000	
Dedn. u/s 54EC – Invst. In Bonds	45,00,000	<u>68,00,000</u>
Balance LTCG		20,000



DEDUCTION U/S 54EE (ONLY FOR LT)

- ELIGIBLE ASSESSEE : ALL**
- ASSET TRANSFERRED: ANY LTCA**
- ASSET TO BE ACQUIRED: UNITS OF NOTIFIED FUNDS.**
- TIME LIMIT : WITHIN 6 MONTHS FROM TRFR.**
- AMOUNT OF DEDN: INVESTMENT (MAX. 50 LAKHS).**
- WITHDRAWAL OF DEDUCTION: YES, IF REDEEMED WITHIN 5 YEARS / LOAN TAKEN ON ITS SECURITY.**



DEDUCTION U/S 54F (ONLY FOR LT)

ELIGIBLE ASSESSEE : INDIVIDUAL / HUF

ASSET TRANSFERRED : ANY LTCA EXCEPT RES. H.P.

ASSET TO BE ACQUIRED: ONE RES. H.P.

**CONDITION, IF ANY: YES, A SHOULD NOT OWN MORE THAN 1 RES. H.P.
(ON THE DATE OF TRFR. OTHER THAN NEW ASSET)**

TIME LIMIT FOR PURCHASE: 1 YR BEFORE OR 2 YRS AFTER TRFR.

FOR CONSTRUCTION: WITHIN 3 YRS AFTER TRFR.

AMOUNT OF DEDN: CG X INVT. IN NEW ASSET /NSC

CAPITAL GAIN ACCOUNT SCHEME: YES.

WITHDRAWAL OF DEDUCTION: YES,

- 1. IF THE NEW ASSET IS TRANSFERRED WITHIN 3 YEARS (OF ITS ACQUISITION).**
- 2. ANOTHER RES. H.P. IS PURCHASED WITHIN 2 YRS FROM TRANSFER OF ORIGINAL CA**
- 3. ANOTHER RES. H.P. IS CONSTRUCTED WITHIN 3 YRS FROM TRANSFER OF ORIGINAL CA.**



EXAMPLE 16

- Ms. S sold some jewellery for Rs.71 lakhs in January, 2019, which was purchased by her in May, 2001 for Rs.2.5 lakhs. In April, 2019, she purchased a house for Rs. 63 lakhs. Transfer expenses Rs. 1 lakh. Find Capital Gains.

<u>Solution:</u>	(A.Y. 2019-20)	Rs.
Full Value of Consideration		71,00,000
Less: Transfer expenses		<u>1,00,000</u>
Net Sale Consideration		70,00,000
Less : Indexed Cost of Acquisition		
$2,50,000 * 280/100$		<u>7,00,000</u>
Long Term Capital Gain		63,00,000
Less: Dedn. u/s 54F (Invst. x LTCG / NSC)		
$63,00,000 * 63,00,000/70,00,000$		<u>56,70,000</u>
Balance LTCG		6,30,000



DEDUCTION U/S 54G

ELIGIBLE ASSESSEE : ALL

**ASSET TRANSFERRED: LAND / BLDG. / P & M TO
SHIFT INDUSTRIAL U/T FROM URBAN TO
RURAL**

**ASSET TO BE ACQUIRED: LAND / BLDG. / P & M TO
SHIFT INDUSTRIAL U/T TO RURAL**

**TIME LIMIT: 1 YR BEFORE OR
WITHIN 3 YRS FROM TRFR.**

AMOUNT OF DEDN: INVESTMENT IN NEW ASSET.

CAPITAL GAIN ACCOUNT SCHEME: YES.

**WITHDRAWAL : YES, IF THE NEW ASSET IS
TRANSFERRED WITHIN 3 YEARS (OF ITS
ACQUISITION).**



DEDUCTION U/S 54GA

ELIGIBLE ASSESSEE : ALL

**ASSET TRANSFERRED: LAND / BLDG. / P & M TO
SHIFT INDUSTRIAL U/T FROM URBAN TO SEZ**

**ASSET TO BE ACQUIRED: LAND / BLDG. / P & M TO
SHIFT INDUSTRIAL U/T TO SEZ**

TIME LIMIT: 1 YR BEFORE OR

WITHIN 3 YRS FROM TRFR.

AMOUNT OF DEDN: INVESTMENT IN NEW ASSET.

CAPITAL GAIN ACCOUNT SCHEME: YES.

**WITHDRAWAL : YES, IF THE NEW ASSET IS
TRANSFERRED WITHIN 3 YEARS (OF ITS
ACQUISITION).**



DEDUCTION U/S 54GB (ONLY FOR LT)

ELIGIBLE ASSESSEE : INDIVIDUAL / HUF

ASSET TRANSFERRED : RES. PROPERTY (HOUSE / LAND)

ASSET TO BE ACQUIRED: SUBSCRIPTION IN EQUITY SHARES OF ELIGIBLE COMPANY (WHICH SHOULD UTILISE THE AMOUNT FOR PURCHASE OF P & M EXCEPT VEHICLE, COMPUTER OR SOFTWARE)

W.E.F. 1.4.17, IT CAN BE ELIGIBLE START UP ALSO

(WHICH SHOULD UTILISE THE AMOUNT FOR PURCHASE OF P & M INCLUDING COMPUTER & SOFTWARE)

TIME LIMIT: FOR THE ASSESSEE: BEFORE DUE DATE u/s 139(1)

FOR THE COMPANY: 1 YEAR FROM THE DATE OF INVESTMENT

AMOUNT OF DEDN: CG X INVESTMENT IN NEW ASSET /NSC

CAPITAL GAIN ACCOUNT SCHEME: YES.

WITHDRAWAL : YES, IF EQUITY SHARES IN COMPANY IS TRANSFERRED WITHIN 5 YEARS* (OF ITS ACQUISITION).

(* 3 YEARS (IF COMPUTER / SOFTWARE BY START UP)



NON-UTILISATION OF FUNDS IN CAPITAL GAIN ACCOUNT SCHEME

- **IF THE AMOUNT DEPOSITED IN CAPITAL GAIN ACCOUNT SCHEME IS NOT UTILISED (WHOLLY OR PARTLY) FOR THE SPECIFIED PURPOSE WITHIN THE SPECIFIED TIME, THEN THE EXEMPTION CLAIMED ON UNTILISED AMOUNT AS CAPITAL GAIN IN THE PREVIOUS YEAR, IN WHICH THE SPECIFIED TIME EXPIRES.**



EXAMPLE 17

- Mr. G had sold a house property in March, 2017 for Rs.55 lakhs. LTCG was calculated at Rs. 36 lakhs. He deposited Rs.40 lakhs in CG A/c scheme in July, 2017. However, it is not utilised (for the purpose for which it was deposited) till now and is withdrawn now. Discuss.

○ <u>Solution:</u> (i)	(A.Y. 2017-18)	Rs.
Long Term Capital Gain		36,00,000
Less : Deduction u/s 54		
Deposit in CG A/c Rs. 40 lakhs restricted to		<u>36,00,000</u>
Taxable Long Term Capital Gain		NIL

○ <u>Solution:</u>	(A.Y. 2020-21)	Rs.
Long Term Capital Gain		36,00,000

(Only the amount of deduction allowed earlier will be withdrawn in the year in which the 3 year period from the date of transfer is over)

What about the partial withdrawal?



EXTENSION OF TIME LIMIT TO ACQUIRE NEW ASSET – SEC. 54 H

IF TRANSFER OF CAPITAL ASSET IS BY COMPULSORY ACQUISITION (UNDER ANY LAW), THEN TIME LIMIT FOR ACQUIRING NEW ASSET AND / OR DEPOSITING IN CAPITAL GAIN ACCOUNT SCHEME SHALL BE COMPUTED FROM THE DATE OF RECEIPT COMPENSATION AND NOT FROM DATE OF TRANSFER (I.E. COMPULSORY ACQUISITION).



REFERENCE TO VALUATION OFFICER – SEC. 55A

TO ASCERTAIN FMV OF THE CAPITAL ASSET, THE AO MAY REFER THE VALUATION OF THE CA TO THE VALUATION OFFICER, IF HE IS OF THE OPINION THAT -

- 1. THE VALUE CLAIMED BY THE A (IN ACCORDANCE WITH REGISTERED VALUER) IS AT VARIANCE WITH FMV; (or)**
- 2. FMV EXCEEDS Rs.25000 (OR) 15% OF THE VALUE CLAIMED BY THE A (NOT IN ACCORDANCE WITH REGISTERED VALUER) (or)**
- 3. IT IS NECESSARY TO MAKE SUCH REFERENCE HAVING REGARD TO NATURE OF THE ASSET AND RELEVANT CIRCUMSTANCES.**



EXAMPLE 18

- Mr. X had purchased a house property in April, 2018 for Rs.55 lakhs. It was sold to Ms. S in March, 2019 for Rs.57 lakhs, whereas the stamp duty value was Rs.62 lakhs. On reference by the AO, the Valuation Officer ascertained the value at Rs.60 lakhs. Compute Capital Gains. What if, the value determined by the VO was (i) Rs.72 lakhs? (ii) Rs.56 lakhs?

○ <u>Solution:</u>	(A.Y. 2019-20)	Rs.
Full Value of Consideration**		60,00,000
Less : Cost of Acquisition		<u>55,00,000</u>
Short Term Capital Gain		5,00,000

****Please note the amendment from A.Y. 2021-22.**



EXAMPLE 18

- (i) If the value determined by the VO was Rs.72 lakhs?

○ <u>Solution:</u>	(A.Y. 2019-20)	Rs.
Full Value of Consideration**		62,00,000
Less : Cost of Acquisition		<u>55,00,000</u>
Short Term Capital Gain		10,00,000

- (ii) If the value determined by the VO was Rs.56 lakhs?

○ <u>Solution:</u>	(A.Y. 2019-20)	Rs.
Full Value of Consideration**		57,00,000
Less : Cost of Acquisition		<u>55,00,000</u>
Short Term Capital Gain		2,00,000

****Please note the amendment from A.Y. 2021-22.**



TAX RATES

On Transfer Of	Short Term Capital Gain	Long Term Capital Gain
Equity Shares, Units of Equity Oriented Funds, Units of Business Trust	15% U/S 111A	Exempt upto Rs.1 lakhs of LTCG; 10% on the excess u/s 112A
Listed Securities, Bonds, Units of Debt Oriented Funds, Units of ZCB		10% (without indexation) 20% (with indexation)
Any other	Normal rate of tax	20%



LTCG ON EQUITY SHARES & UNITS OF EQUITY ORIENTED FUNDS

- Till F.Y. 2017-18 (A.Y. 2018-19), LTCG on transfer of such capital assets (which were held for more than 12 months) and where STT was paid were exempt u/s.10(38).
- From F.Y. 2018-19 (A.Y. 2019-20), such LTCG exceeding Rs. 1 lakh will be taxed at the rate of 10% (without indexation).
- However, LTCG accrued upto 31.01.2018* is exempt.



TAXABILITY OF EQUITY SHARES/ UNITS FROM A.Y. 2019-20

Purchase	Sale	Tax Implication
Before 31/01/2018	Before 31/01/2018	Long Term Capital gains are exempt under section 10(38)
Before 31/01/2018	After 31/01/2018 but before 01/04/2018	Long Term Capital gains are exempt under section 10(38)
Before 31/01/2018	On or after 01/04/2018	<ul style="list-style-type: none"> • Long Term Capital gains are taxable. • But long term capital gains upto 31/01/2018 are exempt. • Capital gains to be computed in the manner stated below.
After 31/01/2018	After 31/01/2018	<ul style="list-style-type: none"> • Long Term Capital gains are taxable • Capital gains to be computed in the manner stated below.

Prepared by M. Veerabhagu, ITO, DTRTL, Chennai.

DETERMINATION OF COST OF ACQUISITION EQUITY SHARES & UNITS ACQUIRED BEFORE 31.01.2018

The Cost of Acquisition will be higher of:

- Actual Cost of Acquisition **AND**
- Lower of Fair Market Value (FMV)* of such asset as on 31/01/2018 **OR** Sale value of such asset

*FMV, in case of listed shares or units will be the highest value on recognised stock exchange of such share or unit on 31/01/2018. If there is no trading on 31/01/2018, then FMV will be the highest value on recognised stock exchange on day immediately preceding 31/01/2018 on which it has been traded.



LET US UNDERSTAND

Particulars		Case 1	Case 2	Case 3	Case 4
Actual Cost on 01/01/2017	A	100	100	100	100
FMV as on 31/01/2018	B	200	200	50	200
Sale Value on 01/04/2018	C	250	150	150	50
Cost of Acquisition as per above method	D	200	150	100	100
Capital Gain / (Loss)	(C-D)	50	0	50	(50)

MORE EXAMPLES

Prepared by M. Veerabhagu, ITO, DTRTI,
Chennai.



EXAMPLE 19

Ms. S sold 1,500 shares of ABC Ltd. at a cost of Rs.300 per share in March, 2019. She had bought 1000 shares in September, 2000 @ Rs.40 per share. The company allotted one bonus share for every two shares in March, 2006. FMV of the shares of ABC Ltd. as on April 1, 2001 was Rs.50. Compute capital gains.

<u>Solution:</u>	(A.Y. 2019-20)	Rs.
Full Value of Consideration (1500*300)		4,50,000
Less : Indexed Cost of Acquisition**		
50,000 * 280/100		<u>1,40,000</u>
Long Term Capital Gain		3,10,000

**** 1. As shares were acquired, cost or FMV as on 1.4.2001, should be taken. On which indexation benefit is to be given.**

2. Cost of Bonus shares is Nil, if the same was allotted on or after 1.4.2001. What if, it is allotted before 1.4.2001?



EXAMPLE 20

- Mr A had purchased 1000 Shares of A Ltd on 01-01-10 @ Rs.14.80 per share. The Company had announced right issue in the ratio of 1:1 in June 2018 of shares of paid up value of Rs.10/- at a premium of Rs.30/- per share. Mr. A had applied for the right issue and was allotted the right shares in July, 2018. Mr. A sold all the shares on 15-03-2019 @ Rs.200/- per share. Compute CG.

○ Solution: (A.Y. 2019-20) Rs.

LTCG: Full Value of Consideration (1000*200) 2,00,000

Less : Indexed Cost of Acquisition

14,800 * 280/148 28,000

Long Term Capital Gain 1,72,000

STCG: Full Value of Consideration (1000*200) 2,00,000

Less : Cost of Acquisition (1000*40) 40,000

Short Term Capital Gain 1,60,000



EXAMPLE 21

- Mr. D holds 1000 shares in a company, acquired in 2001-02 at a cost of Rs. 75,000. He was offered right shares by the company in July, 2018 at Rs.160 per share, in the ratio of 2 for every 5 held. He retains 50% of the right shares and renounces the balance in favour of Mr. E for Rs. 30 per share in August, 2018. Mr. D sold all his shares at the rate of Rs.320 per share on 2.1.2019. Compute CG.

Solution: (Mr. D) (A.Y. 2019-20) Rs.

LTCG: Full Value of Consideration (1000*320)	3,20,000
Less : Indexed Cost of Acquisition	
75,000 * 280/100	<u>2,10,000</u>
Long Term Capital Gain	1,10,000
STCG: Full Value of Consideration (200*320)	64,000
Less : Cost of Acquisition (200*160)	<u>32,000</u>
Short Term Capital Gain	32,000
Again, STCG on renouncement 200*30	<u>6,000</u>
Total Short Term Capital Gain	38,000



EXAMPLE 22

- In the previous question (Eg. 19) if Mr. E sells all his shares in March, 2019 at Rs. 310 per share, what will be his capital gains?

- Solution: (Mr. E) (A.Y. 2019-20) Rs.

<u>STCG</u> : Full Value of Consideration (200*310)	62,000
Less : Cost of Acquisition (200*190)	<u>38,000</u>
Short Term Capital <u>Gain</u>	24,000



EXAMPLE 23

Nirmal has a HP acquired in Aug.2009 for Rs.6,00,000. He used the house for his own resi. purpose. In May, 2012 he spent on reconstruction of house of Rs.3,00,000. In 5.6.2018, he brought office goods worth Rs.1,00,000 at home to be delivered to a nearby party . On that day accidental fire took place and damaged the HP, furniture worth Rs.5,00,000 and stock. Insurance claim received on 18/08/2018 – 1. for the house Rs.1,00,000 in cash & a new house allotted to him (fair market value of which is Rs.44,00,000 on 18/08/2018); 2. for house-hold furniture Rs.2,00,000; and 3. for stock Rs.80,000. Compute CG.

○ <u>Solution:</u> (A.Y. 2019-20)	Rs.
<u>LTCG</u> : Full Value of Consideration	45,00,000
Less : Indexed Cost of Acquisition $6,00,000 * 280/148$	11,35,135
Indexed Cost of Improvement $3,00,000 * 280/200$	<u>4,20,000</u>
Long Term Capital Gain	29,44,865

For Stock: Compensation received on loss of stock shall be liable to tax u/s 28. In the given case, loss of Rs.20,000 (1,00,000 – 80,000) shall be allowed under **PGBP**.

For Furniture: No capital gain liability arises as furniture is a personal asset of the assessee and hence **not** a capital asset.

EXAMPLE 24

Mr.A has 4,000 shares of X (P) Ltd. acquired in 1993 for Rs.20 each. On 1/05/2007, he converted 2,000 shares into SIT. On that date, FMV of the share was Rs.30 each. On 17/02/2019, he sold all shares for Rs.225 each. Brokerage incurred 2%. FMV of the shares as on 01-04-2001 was Rs.16/-. Discuss.

○ Solution: A.Y. 2019-20

Particulars	Category A		Category B	
	Details	Amount	Details	Amount
Sale consideration	2,000 × 30 =	60,000	2,000 × 225 =	4,50,000
<i>Less:</i> Expenses on transfer		<u>Nil</u>	2% of 4,50,000 =	<u>9,000</u>
Net Sale Consideration		60,000		4,41,000
<i>Less:</i> Indexed cost of acquisition				
	2,000 × 16 × 129/100	<u>41,280</u>	2000 × 16 × 280/100	<u>89,600</u>
Long Term Capital Gain		18,720		3,51,400



EXAMPLE 24

○ **Solution:** A.Y. 2019-20

Particulars	Details	Amount
Sale consideration	2,000×225 =	4,50,000
<i>Less:</i> Expenses on transfer	2% of 4,50,000 =	<u>9,000</u>
Net Sale Consideration		4,41,000
<i>Less:</i> Cost of goods sold	2000×30	<u>60,000</u>
Profits & Gains of Business / Profession		3,81,000



EXAMPLE 25

X Ltd. has several undertakings carrying on several businesses. During the year 2018-19, the company sold one of its undertakings (as it was continuously generating loss since last 5 years) for a lump sum value of Rs.300 lakhs without assigning value to individual asset and liabilities. Book value of sundry assets and liabilities of the undertaking as on the date of sale is as under:

<u>Items</u>	<u>Book Value</u>	<u>Market Value</u>
Land	Rs.50 lakhs (Value for the purpose of stamp duty Rs.70 lakhs)	Rs.100 lakhs
Machinery	Rs.70 lakhs (WDV as per IT Act Rs.60 lakhs)	Rs.100 lakhs
Furniture	Rs.50 lakhs (WDV as per IT Act Rs.90 lakhs)	Rs.75 lakhs
Stock	Rs.30 lakhs	Rs. 35 lakhs
Debtors	Rs.40 lakhs	Rs.40 lakhs
Creditors	Rs.50 lakhs	

Brokerage on transfer paid @ 5%. Compute capital gain.



EXAMPLE 25

○ Solution: (A.Y. 2019-20) Rs.

Since the undertaking is owned by the cofor more than 3 years the gain on transfer shall be liable to long term*. Calculation of cost of acqn.

Land Book value of non-depreciable assets	Rs.50 lakhs	
Stock Book value of non-depreciable assets	Rs.30 lakhs	
Debtors Book value of non-depreciable assets	Rs.40 lakhs	
Machinery WDV as per I.T. Act	Rs.60 lakhs	
Furniture WDV as per I.T. Act	<u>Rs.90lakhs</u>	Rs.270 lakhs
Value of liabilities Creditors Book Value		<u>Rs.50 lakhs</u>
Net worth (cost of acquisition)		<u>Rs.220 lakhs</u>
<u>LTCG</u>: Full Value of Consideration		3,00,00,000
Less : Expenses on transfer 5% of Rs. 3 crores		<u>15,00,000</u>
Net sale consideration		2,85,00,000
Cost of Acquisition*		<u>2,20,00,000</u>
Long Term Capital Gain		65,00,000

* Still no indexation benefit.





Questions?

THANK YOU.

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