D. NAGESH

HOW SECTION 32 & SECTION 50 WILL BE APPLICABLE IN THE CASE OF SAME BLOCK OF ASSETS ……………………..?????

Incase of block of assets, depreciation u/s 32 can be claimed on WDV as computed u/s 43(6) provided as on the last day of the previous year, the following two conditions are need to fulfill:-

1) There must be atleast one asset in the block and
2) There must be some value for the block on which prescribed % can be applied.

In case of block of assets, WDV will be computed u/s 43(6) as the aggregate of WDV value of all the assets falling within that block of assets at the beginning of the previous year & adjusted by –

a) The increases by the actual cost of any asset falling within that block acquired during the previous year,
b) The reduction of the ' Moneys Payable' in respect of any asset in the block is sold, discarded, demolished or destroyed together with scrap value if any.

However in the case of **CIT vs. KASTURI & SONS LTD [1999] 103 TAXMAN 342 (SC)** it was held that the expression ' Moneys Payable' has to be interpreted only as actual money payable in cash or by cheque / draft and not any other thing or benefit which can be converted in money.

As per section 50, the excess of full value of consideration received or accruing as a result of the transfer of any capital asset falling within the block of assets during the previous year over -

1) Expenditure incurred wholly & exclusively in connection with such transfer ,
2) The WDV of the block of assets at the beginning of the previous year,
3) The actual cost of any asset falling within the block of assets acquired during the previous year,

Shall be deemed to be the capital gains arising from the transfer of short term capital assets.

Where any one or both the above mentioned requirements are not satisfied on the transfer of any asset from the block the provisions of section 32 ceases to apply and automatically the provisions of section 50 becomes applicable.

But let's understand by an example how both section 32 & section 50 will be applicable in case of same block of assets….

Opening WDV consisting one asset Rs.10000, Purchased one asset for Rs. 30000 belonging to same block of asset and both the assets are exchanged against TWO assets belonging to same block of assets for Rs. 50000.

Now, by applying provisions of section 43(6) the closing WDV will be as follows-

WDV at the beginning of the year	Rs.10000
Add: Actual cost of asset purchased during the year	Rs.30000
Less: 'Moneys Payable' in respect of any asset in the block is sold, discarded, demolished or destroyed together with scrap value if any	**NIL**
{CIT vs. KASTURI & SONS LTD [1999] 103 TAXMAN 342 (SC)}	
WDV at the end of the year	Rs.40000

The above block of assets is satisfying both the conditions in order to claim Depreciation u/s 32.

However the word "Transfer" is defined u/s 2(47)(i) which include Sale, **exchange** or relinquishments of capital asset and by exchange of asset the full value of consideration exceeds the WDV at the beginning of the year as well as the actual cost of asset acquired during the year.

Therefore the provisions of section 50 will be applicable and short term capital gain is calculated as follows-

Full value of consideration	Rs. 50000
Less: Expenses on transfer	NIL
Less: WDV at the Beginning of the year	Rs. 10000
Less: Actual cost of Asset Acquired during the year	Rs. 30000
Short term capital gain	Rs. 10000