
INCOME FROM CAPITAL GAIN

Basis of Charge – Section 45(1)

Any profits or gains arising from the transfer of a capital asset effected in the previous year, shall be chargeable to income-tax under the head 'Capital Gains'

It shall be deemed to be the income of the previous year in which the transfer took place unless such gain is exempt u/s 54, 54B, 54D, 54EC, 54F, 54G, 54GA.

Definition of Capital Asset – Section 2(14)

It means property of any kind held by the assessee, whether or not connected with his business or profession, but does not include:

- 1) Stock in trade
- 2) Personal effects i.e. movable property (including wearing apparel and furniture), held for personal use by the assessee or any member of his family dependant on him. However, following assets are treated as capital assets:
 - i. Jewellery,
It includes ornaments made of gold, silver or platinum or any other precious metal, precious or semi-precious stones
 - ii. Archaeological collections
 - iii. Drawings
 - iv. Paintings
 - v. Sculptures or
 - vi. Any work of art
- 3) Agricultural land in India which is not situated in Urban area i.e. rural agricultural land
Rural agricultural land means an agricultural land in India
 - if situated in any area which is comprised within the jurisdiction of a municipality and its population should be less than 10000 or
 - Situated atleast 8 km away from the limits of municipality.
- 4) Gold Deposits Bonds issued under Gold Deposit Scheme, 1999

Transfer of Capital Assets - Section 2(47)

Transfer in relation to capital asset includes:

- i. Sale, exchange or relinquishment of the asset
- ii. Extinguishment of any rights therein
- iii. Compulsory acquisition thereof under any law
- iv. In a case where the asset is converted by the owner thereof into stock in trade, such conversion
- v. The maturity or redemption of zero coupon bonds
- vi. Any transaction involving the allowing of the possession of any immovable property in part performance of a contract referred in section 53A of the Transfer of Property Act' 1882
- vii. Allotment under a house building scheme of society, company or other association

Types of Capital Assets and Capital Gains

Long Term Capital Asset- Sec 2(29A) – It means a capital assets which is not short term capital asset. i.e. Capital Asset is held by an assessee for more than 12/36 months, as the case may be.

Long Term Capital Gain- Sec 2(29B) – Gain arising on the transfer of Long term Capital Assets is Long Term Capital Gain

Short Term Capital Asset- Sec 2(42A)- A capital asset held by an assessee for not more than 36 months immediately preceding the date of its transfer.

However, the following assets shall be treated as short-term capital assets if they are held for not more than 12 months immediately preceding the date of transfer.

- i. Equity or preference shares held in a company
- ii. Any other security listed in a recognized stock exchange in India
- iii. Units of UTI or Mutual Fund
- iv. Zero Coupon Bonds
Zero coupon bonds means notified bond issued by any infrastructure capital company or public sector company or schedule bank in respect of which no benefit is receivable before maturity.

Short Term Capital Gain- Sec 2(42B) – Gain arising on the transfer of Short term Capital Assets is Short Term Capital Gain

Transactions not regarded as transfer [Section 47]

There shall be no capital gain on the following transactions:

- i. Distribution of its assets by the company on liquidation not regarded as transfer in the hands of the company [Sec 46]
- ii. Distribution of its assets on total or partial partition of HUF
- iii. Transfer of Capital Asset under a Gift, Will or an irrevocable trust
- iv. Transfer of an asset by a holding company to subsidiary company or vice versa provided the subsidiary company is a wholly owned subsidiary and the transferee company is an Indian Company
- v. Transfer in a scheme of amalgamation of capital asset by the amalgamating company to the amalgamated company, if the amalgamated company is an Indian Company
- vi. Transfer of shares held in a Indian Company by the amalgamating foreign company to the amalgamated foreign company provided atleast 25% of the shareholders of amalgamating company continues to remain the shareholders of amalgamated company and such a transfer does not attract capital tax in the country in which such amalgamating company is incorporated.
- vii. Transfer under scheme of amalgamation, capital asset by the banking company to the banking institution
- viii. any transfer of a capital asset by the demerged company to the resulting company, if the resulting company is an Indian company;
- ix. any transfer in a demerger, of a capital asset, being a share or shares held in an Indian company, by the demerged foreign company to the resulting foreign company, if the shareholders holding not less than 75% in value of the shares of the demerged foreign company continue to remain shareholders of the resulting foreign company and such transfer does not attract tax on capital gains in the country, in which the demerged foreign company is incorporated
- x. any transfer in a business reorganisation, of a capital asset by the predecessor co-operative bank to the successor co-operative bank;
- xi. any transfer by a shareholder, in a business reorganisation, of a capital asset being a share or shares held by him in the predecessor co-operative bank if the transfer is made in consideration of the allotment to him of any share or shares in the successor co-operative bank.
- xii. any transfer or issue of shares by the resulting company, in a scheme of demerger to the shareholders of the demerged company if the transfer or issue is made in consideration of demerger of the undertaking

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- xiii. any transfer by a shareholder, in a scheme of amalgamation, of a capital asset being a share or shares held by him in the amalgamating company, if the transfer is made in consideration of the allotment to him of any share or shares in the amalgamated company, and the amalgamated company is an Indian company
- xiv. any transfer of a capital asset, being notified bonds/GDRs of an Indian Company or bonds/shares of a public sector company purchased in foreign currency made outside India by a non-resident to another non-resident;
- xv. any transfer of a capital asset, being any work of art, archaeological, scientific or art collection, book, manuscript, drawing, painting, photograph or print, to the Government or a University or the National Museum, National Art Gallery, National Archives or any such other public museum or institution
- xvi. any transfer by way of conversion of bonds or debentures, debenture-stock or deposit certificates in any form, of a company into shares or debentures of that company
- xvii. any transfer of a capital asset, being land of a sick industrial company, made under a scheme prepared and sanctioned under section 18 of the Sick Industrial Companies (Special Provisions) Act, 1985 (1 of 1986) where such sick industrial company is being managed by its workers' co-operative
- xviii. Transfer of capital assets on conversion of a firm into company if
- a. All assets/liabilities of firm become the assets/liabilities of the company
 - b. All partners become shareholder in the ratio of their capital account
 - c. Partner receives only shares as consideration
 - d. Partners have at least 50% voting power for at least 5 years
- xix. Transfer of capital assets by a private company or a unlisted public company to LLP or any transfer of shares held in the company by a shareholder as a result of conversion of the company if
- a. All assets/liabilities of company become the assets/liabilities of the LLP
 - b. All shareholders of the company become partners of LLP and their capital contribution and profit sharing ratio are in the same proportion as their shareholding
 - c. Shareholder receives only share in profit and capital contribution in LLP
 - d. Profit sharing ratio of shareholders shall not be less than 50% for 5 years
 - e. Total sales, turnover or gross receipts does not exceed Rs. 60 Lakhs in any of the 3 preceding financial years
- xx. Transfer of Capital asset on conversion of sole proprietary concern into a company
- a. All assets/liabilities of sole-proprietary concern become the assets/liabilities of the company
 - b. Sole proprietor receives only shares as consideration
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- c. Sole proprietor have at least 50% voting power in the company for at least 5 years
- xxi. Any transfer of capital asset in a transaction of reverse mortgage scheme.
As per Section 10(43), any loan amount received whether in lump sum or in installment under reverse mortgage scheme shall not be included in total income.

Computation of Capital Gains [Section 48]**Short Term Capital Gains**

Full Value of Consideration	-----
Less: a. Cost of Acquisition (COA)	-----
b. Cost of Improvement (COI)	-----
c. Expenditure incurred wholly or exclusively in connection with such transfer	----- _____
Short Term Capital Gain	_____

Long Term Capital Gains

Full Value of Consideration	-----
Less: a. Indexed Cost of Acquisition (ICOA)	-----
b. Indexed Cost of Improvement (ICOI)	-----
c. Expenditure incurred wholly or exclusively in connection with such transfer	----- _____
Long Term Capital Gain	_____

Indexed COA means:

COA X Cost inflation index (CII) for the year in which asset is transferred

CII for the first year in which asset was held by the assessee.

Or

CII of the year beginning on 1-4-1981 whichever is later.

Indexed COI means:

COI X CII for the year in which asset is transferred
CII for year in which improvement take place

Full Value of Consideration: means Sale Consideration received/accrued on transfer

Cost of Acquisition: means the amount which the assessee has paid or incurred for acquisition of the asset.

Assets acquired before 1-04-1981: if assessee has acquired any capital asset before 01-04-81, in such cases, cost of acquisition shall be price at which it was purchased or its fair market value, at the option of the assessee.

Other Points:

- However, if there is any cost of improvement before 01-04-81, it shall be ignored in all cases.
- No deduction shall be allowed in respect of any sum paid on account of Securities Transaction Tax.
- No indexation is allowed in case of bond or debenture (except capital indexed bonds).

Cost of acquisition [Sec 55]

Type of Capital Asset	Cost of acquisition to the assessee
Goodwill of a business, tenancy rights, route permits, loom hours, right to carry on business, patents, copyrights or trademark	If purchased – Purchase Price If Self generated – COA shall be Nil Option of FMV on 01-04-1981 not allowed (COI for goodwill of a business, right to carry on business or manufacture any article – Nil)
Right Shares Bonus Shares	COA - Amount actually paid COA – Nil (FMV as on 1-4-81 allowed)
Capital asset becoming property of the assessee by any of the modes specified in Section 49(1) i.e gift, will etc..	COA of previous owner or FMV as on 01-04-1981 if previous owner acquired before 01-04-1981
Capital asset becoming the property of the assessee on distribution by the company on liquidation	FMV of the asset as on the date of distribution
Share/Stock of company becoming property of assessee by consolidation, conversion etc of share/ stock	COA of corresponding shares or stock which has been converted/ consolidated etc.

Cost of Acquisition with reference to certain modes of acquisition [Sec 49]

Mode of acquisition of Capital asset	Cost of acquisition(COA) to the assessee- [Sec 49]	Period of holding (POH) – [Expln to Sec 2(42A)]
Transactions referred to(ii) to (v), (vii), (viii), (x), (xviii) to (xx) of Sec 47 (described above)	COA to previous owner	POH of previous owner is also included
Shares of amalgamated company in amalgamation	CAO of shares of amalgamating company	POH shall include period prior to amalgamation
Shares or debentures on conversion of debentures or debentures stock	Cost of corresponding debentures or debenture stock	POH shall not include period prior to conversion
COA of sweat equity shares	FMV as taken for value of perquisites	POH shall be reckoned from the date of allotment/transfer
COA of right of partner on conversion of company to LLP	COA of shares in company	-----
COA of shares of resulting company on demerger	Given below (*1)	POH shall include period prior to demerger
COA of property received as gift as per Sec 56(2)(vii)	Value as per Sec 56(2)(vii)	

*1 COA of shares in demerged company X Net book value of the assets trf in demerger
Net worth of demerged co before demerger

Computation of capital gain in case of depreciable assets [Sec 50]

In case of depreciable assets, COA and COI is aggregate of

- i. WDV of the block of assets at the beginning of the year and
- ii. Actual cost of any asset falling within that block acquired during the year

There can be short term capital gain from the transfer of depreciable assets in following cases:

- i. **When entire block of depreciable asset is transferred:** Difference between the full value of consideration and COA/COI shall be short term capital gain or loss, as the case may be.
- ii. **When part of the block of depreciable asset is transferred:** There can be short term capital gain if full value of consideration exceeds COA/COI.

As per Sec 50A, COA in case of depreciable assets of electricity companies shall be the actual cost at which such was acquired.

Computation of capital gain in case of slump sale [Sec 50B]

As per Sec 2(42C), 'Slump Sale' means the transfer of one or more undertakings for a lump sum consideration without determining the values of the individual assets and liabilities.

Profits from slump shall be LTCG if the undertaking is owned by the assessee for more than 36 months, else STCG.

COA and COI for the purpose of slump sale - > Net worth of the undertaking transferred.

Net worth of the undertaking shall be the aggregate value of total assets as reduced by the value of liabilities as appearing in the books of account.

Aggregate value of total assets shall be:

- | | | | |
|------|--|----|------------|
| i. | In case of depreciable assets | -> | WDV |
| ii. | In case of capital assets, the whole of the expenditure of which is allowed u/s 35AD | -> | NIL |
| iii. | In case of other Assets | -> | Book Value |

Other points:

- CA report certifying that the net worth has been computed correctly, to be attached with return of income
- No benefit of indexation allowed in case of slump sale.
- Revaluation of asset shall be ignored

Computation of capital gain in real estate transactions [Section 50C]

In case of transfer of immovable property, if value determined by “Stamp Valuation Authority” (SVA) for payment of stamp duty is more than sale consideration declared by the assessee then the value assessed by the SVA shall be treated as full value of consideration for the purpose of capital gains.

In short, in case of transfer of immovable property, full value of consideration for the purpose of capital gains shall be higher of:

- i. Sale consideration declared by the assessee
- ii. Value determined by the SVA for the purpose of stamp duty

However, where the assessee claims before any Assessing Officer that the value assessed by the SVA is higher than the FMV of such immovable property (and the value so assessed by the SVA has not been disputed in any appeal before any authority or court) then the Assessing Officer may refer the valuation of capital assets to the valuation officer. In such cases sale consideration shall be lower of the following:

- i. Value determined by valuation officer
- ii. Value determined by the SVA for the purpose of stamp duty

Treatment of Advance Money received [Sec 51]

If any advance money, in relation to any capital asset, is received and forfeited by the assessee then the amount so forfeited shall be deducted from COA/FMV/WDV of such asset.

Other Points:

- Advance money forfeited by the previous owner shall not be taxed in the hands of any person

- Advance money forfeited by the previous owner shall not be deducted from COA etc.
- As per Supreme Court, if advance money forfeited is more than the COA/FMV, then cost shall become nil and excess shall not be taxable

Insurance claim on account of damage/ destruction of capital asset [Sec -45(1A)]

Where any person receives any money or other assets under insurance from an insurer on account of damage/destruction of any capital asset, then money received or FMV of the asset received shall be the full value of consideration of such asset.

Conversion of Capital Asset into Stock-in-Trade[Sec -45(2)]

Where the capital asset is converted into stock-in-trade, it will be treated as transfer and capital gains will be computed in the previous year in which such conversion take place by taking the FMV of such asset as full value of consideration.

However, tax shall be paid in the year in which such converted stock-in-trade is sold.

Transfer of securities by Depository [Sec 45(2A)]

Transfer by depository of any securities results in capital gains in the hands of beneficial owner of such securities. And for this purpose, COA and period of holding of any security held in demat form shall be determined on FIFO basis.

Transfer of Capital Asset by partner/member to Firm/AOP/BOI [Sec 45(3)]

Transfer of capital asset by the partner/member to firm/AOP/BOI is taxable in the hands of partner/member and for this purpose full value of consideration shall be the amount recorded in the books of the firm.

Distribution of Capital Asset on dissolution of Firm [Sec 45(4)]

Transfer of capital asset by the firm/AOP/BOI on dissolution of firm etc to partner/member is taxable and for this purpose full value of consideration shall be the FMV of the asset.

Capital Gain on Compulsory Acquisition of Asset [Sec 45(5)]

Where a capital asset is compulsorily acquired under any law then capital gain shall be taxable in the year in which such compensation or part thereof is first received by the assessee.

Subsequently, if any increased compensation is received, it shall be taxable in the year in which such amount is received. For increased compensation, COA/COI shall be nil and whole of the amount of increased compensation received shall be taxable as capital gain. However any expenses incurred on realization of increased compensation may be deducted as expenses on transfer.

If a person die before the receipt of enhanced compensation, then it shall be taxable in the hands of legal heirs under the head other sources.

As per Sec 10(37), any income from the transfer of urban agricultural land shall be exempt in the hands of individual/HUF if:

- i. It is compulsorily acquired under any law and
- ii. Such land was being used for agricultural purposes by such HUF or individual or his parents, during two years immediately preceding the date of transfer.

Capital Gain on distribution of assets by companies in liquidation [Sec 46]

As per Sec 46(1), distribution of the assets of company to its shareholder on its liquidation, is not regarded as transfer and thus not taxable in the hands of company.

But, asset received by the shareholders in the course of liquidation of company, is taxable in the hands of shareholder. Full value of consideration for this purpose shall be the FMV of the assets received as reduced by deemed dividend u/s 2(22)(c).

If these assets are subsequently sold by the shareholders then the COA of these assets shall be FMV of assets as on date of distribution without deducting deemed dividend.

Capital Gain on buy-back of shares [Sec 46A]

When company buy-back its own shares, then consideration received by the shareholder is considered to be Full Value of consideration and capital gain is computed accordingly in the hands of shareholder.

Reference to the Valuation Officer [Sec 55A]

Assessing officer may, with a view to ascertain the FMV of capital asset, refer its valuation to valuation officer in the following cases:

i. If the report of the registered valuer is attached:

If the assessing officer is of the opinion that the value of the asset, as claimed by the assessee which is in accordance with the estimate made by a registered valuer, is less than its FMV.

ii. In other cases:

If AO is of the opinion that the FMV of the asset exceeds the value claimed by the assessee and the difference between the two is more than 15% of the value claimed by the assessee or more than Rs. 25000.

Withdrawal of Exemption in certain cases [Section 47A]

Exemption granted under Sec-47 shall be withdrawn if conditions specified therein are not followed.

In the case of transfer of assets from holding company to subsidiary company or vice versa

Where at any time before the expiry of eight years from the date of transfer of a capital asset, such capital asset is converted into stock in trade or the holding company ceases to hold the 100% share of subsidiary company.

In such cases, capital gains exempt from tax earlier shall be deemed to be the income of Transferor Company in the year in which such transfer of asset took place.

In the case of succession of proprietorship/ firm by company

If conditions laid down in Sec-47 are not complied with then the capital gains arising from the transfer of capital asset shall be charged in the hands of the successor company in the year in which such conditions are not complied with.

In the case of succession of company by LLP

If conditions laid down in Sec-47 are not complied with then the capital gains arising from the transfer of capital asset shall be charged in the hands of the successor LLP in the year in which such conditions are not complied with.

Also, profit and gains arising from the transfer of shares, not taxed earlier, shall be charged to tax in the hands of the shareholder of the predecessor company in the year in which such conditions are not complied with.

Capital Gain in case of transfer of shares/debentures by non-residents [Proviso 1 to Sec 48]

In case of a non-resident assessee, any capital gain arising from the transfer of shares/debentures of an Indian company bought in foreign currency shall be computed in the following manner and no indexation is allowed:

Cost of acquisition, expenses of transfer, full value of consideration shall be converted into the same foreign currency with the average rate of TT buying and TT selling.

Capital gain so computed in foreign currency shall be converted into Indian rupees at the TT buying rate on the date of transfer of capital asset.

Exemption of LTCG to non-resident Indian on transfer of foreign exchange assets [Sec 115F]

Where a non-resident Indian transfers any Long term foreign exchange assets (Shares/ Debentures of Indian Co, CG Securities, NSC etc) then he can claim an exemption in respect of LTCG if he has invested the net consideration in any of the foreign exchange assets within 6 months.

Exemption shall be calculated in following manner, but is limited to LTCG:

$$\text{LTCG} \times \frac{\text{Amount Invested}}{\text{Net Consideration}}$$

Exemption granted u/s 115F shall be withdrawn if such asset is transferred or converted into money within 3 years from the date of its acquisition.

Exemption of LTCG arising from sale of shares and units [Sec 10(38)]

LTCG from equity shares or unit of an equity oriented mutual fund, is exempt provided

- i. the shares/units are sold through recognized stock exchange or units are sold to mutual funds and
- ii. STT is paid

Tax on STCG arising from sale of shares and units [Sec 111A]

STCG from equity shares or units of equity-oriented mutual fund shall be taxable @ 15% if:

- i. the shares/units are sold through recognized stock exchange or units are sold to mutual funds and
- ii. STT is paid

An equity oriented mutual fund means a fund where more than 65% of the total proceeds of funds are invested in equity shares of domestic companies.

Miscellaneous Points:

- Tax Rates on LTCG from listed securities, Units of UTI/Mutual Funds, Zero Coupon Bonds
 - 20% - With indexation
 - 10% - Without indexation.

Exemption from LTCG on Residential House Property [Sec 54]

Any LTCG arising to an individual/HUF from the transfer of residential house property shall be exempt if such capital gain is invested in the

- i. purchase of another residential house property within 1 year before or 2 years after the transfer or
- ii. construction of residential house property within 3 years from the date of such transfer

Exemption Withdrawn: However, if house so purchase/constructed is transferred within 3 years from the date of its acquisition, then Capital Gain exempted earlier shall be reduced from the Cost of Acquisition of new asset.

Capital Gain Account Scheme: The amount of capital gain which is not utilized by the assessee for purchase/construction of the new house shall be deposited under the CGAS, before the due date of furnishing the return.

If, the amount under CGAS is not utilized within 3 years from the date of transfer of original asset, such amount shall be charged to Tax as LTCG.

Exemption from Capital Gain on Agricultural Land [Sec 54B]

Any Capital Gain (STCG or LTCG) arising to an individual from the transfer of urban agricultural land shall be exempt if:

- i. such agricultural land was used by the assessee or his parents for atleast a period of 2 years preceding the date of transfer AND
- ii. such capital gain is invested in the purchase of another agricultural land within 2 years from the date of transfer

Exemption Withdrawn: However, if agricultural land so purchased is transferred within 3 years from the date of its acquisition, then Capital Gain exempted earlier shall be reduced from the Cost of Acquisition of new asset.

Capital Gain Account Scheme: The amount of capital gain which is not utilized by the assessee for purchase/construction of the new asset shall be deposited under the CGAS, before the due date of furnishing the return.

If, the amount under CGAS is not utilized within 2 years from the date of transfer of original asset, such amount shall be charged to Tax as Capital Gain (STCG or LTCG).

Exemption from Capital Gain on Land/Buildings of industrial undertakings [Sec 54D]

Any Capital Gain (STCG or LTCG) arising to an industrial undertaking from any Land and Buildings shall be exempt if:

- i. Such transfer is due to compulsory acquisition under any law AND
- ii. Such land and buildings was used by the assessee for the purpose of his business for at least 2 years preceding the date of transfer AND
- iii. Such capital gain is invested in the purchase/construction of another land/buildings to be used for industrial undertaking within a period of 3 years from the date of receipt of compensation.

Exemption withdrawn: However, if new assets so purchased/constructed are transferred within 3 years from the date of its acquisition, then Capital Gain exempted earlier shall be reduced from the Cost of Acquisition of new asset.

Capital Gain Account Scheme: The amount of capital gain which is not utilized by the assessee for purchase/construction of the new asset shall be deposited under the CGAS, before the due date of furnishing the return.

If, the amount under CGAS is not utilized within 3 years from the date of transfer of original asset, such amount shall be charged to Tax as Capital Gains (STCG or LTCG).

Exemption from LTCG if invested in certain bonds [Sec 54EC]

Any LTCG from any capital asset arising to any assessee shall be exempt if the assessee has invested the capital gain in the long term specified assets within 6 months from the date of transfer.

Exemption Withdrawn: However, if the bonds so purchased are transferred or converted into money within 3 years from the date of its acquisition, then Capital Gain exempted earlier shall taxed as LTCG of that previous year in which such transfer or conversion of bonds take place.

- Long Term Specified Assets are bonds redeemable after 3 years issued by NHAI and RECL.
- The investment in one financial year in these bonds cannot exceed Rs. 50 Lakhs.

Exemption from LTCG on transfer of assets other residential house [Sec 54F]

Any LTCG arising to an individual/HUF from the transfer of any capital asset, other than the residential house property, shall be exempt in proportion to the net sales consideration invested in

- i. purchase of another residential house property within 1 year before or 2 years after the date of transfer or
- ii. construction of residential house property within 3 years from the date of such transfer

The above exemption shall be available only when the assessee does not own more than 1 residential house (other than the new house) on the date of transfer of such asset.

Quantum of deduction:

Long Term Capital Gain	X	<u>Amount invested in new house</u>
		Net Sale Consideration

Exemption granted earlier u/s 54F shall be treated as long term capital gain in the following cases:

- i. if the new house so purchased/constructed is transferred within 3 years from the date of its acquisition
- ii. if another residential house is purchased within 2 years or constructed within 3 years from the date of transfer.

Capital Gain Account Scheme: The amount of capital gain which is not utilized by the assessee for purchase/construction of the new asset shall be deposited under the CGAS, before the due date of furnishing the return.

If, the amount under CGAS is not utilized within 3 years from the date of transfer of original asset, such amount (proportionate exemption) shall be charged to Tax as LTCG.

Exemption from Capital Gain on shifting of industrial undertakings [Sec 54G]

Any Capital Gain (*STCG or LTCG*) arising to an *industrial undertaking* from the transfer of assets being machinery or plant or land or building (i.e. *Fixed Assets other than furniture & fixture*) shall be *exempt if*:

- i. Such *transfer is due to shifting of industrial undertaking from an urban area to any other area* AND
- ii. Such *capital gain is invested within 1 year before or 3 years* after the date of transfer, for the *purchase of new P&M, Land/Building, expenses on shifting, and other expenditure as specified by CG.*

Exemption Withdrawn: However, if new assets so purchased/constructed are *transferred within 3 years* from the date of its acquisition, then *Capital Gain exempted earlier shall be reduced from the Cost of Acquisition* of new asset.

Capital Gain Account Scheme: The amount of capital gain which is not utilized by the assessee for purchase/construction of the new asset shall be deposited under the CGAS, before the due date of furnishing the return.

If, the amount under CGAS is *not utilized within 3 years* from the date of transfer of original asset, such amount shall be *charged to Tax as Capital Gains (STCG or LTCG).*

Exemption from Capital Gain on shifting of industrial undertakings to SEZ [Sec 54GA]

Any Capital Gain (*STCG or LTCG*) arising to an *industrial undertaking* from the transfer of assets being machinery or plant or land or building (i.e. *Fixed Assets other than furniture & fixture*) shall be *exempt if*:

- i. Such transfer is due to *shifting* of industrial undertaking from an *urban area to SEZ* AND
- ii. Such *capital gain is invested within 1 year before or 3 years* after the date the transfer for the *purchase of new P&M, Land/Building, expenses on shifting, and other expenditure as specified by CG.*

Exemption withdrawn: Same as Sec 54G

Capital Gain Account Scheme: Same as Sec 54G