

Income from Capital Gain

* Main Concept:-

- 1) Capital Assets;
- 2) Transfer OR Sale for Consideration; &
- 3) Short / Long Term Holding.

✓ Capital Assets:- (CA)

CA means any assets except following:

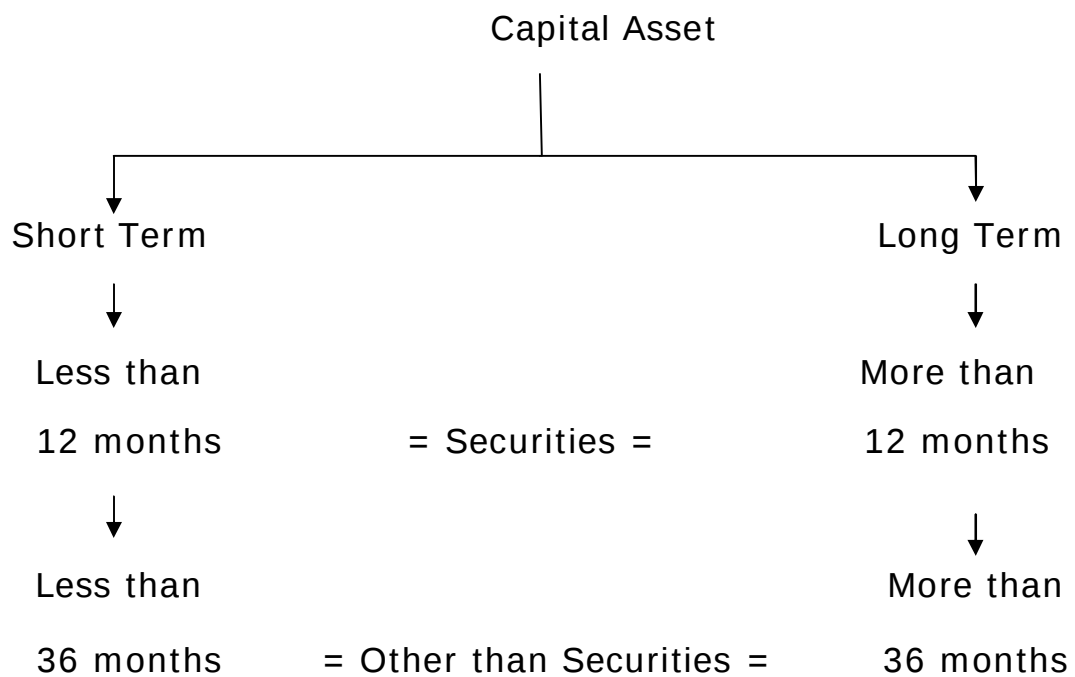
- a. Stock-in-Trade;
- b. Personal used assets which is movable;
(This rule excluded for Jewelry, Archeological collections, Drawings, Paintings, sculptures & any other works)
- c. Agricultural Land in India not situated in specified area;
- d. Gold Bonds issued by Govt.

✓ Transfer of Capital Assets:-

Transfer of CA through:

- a. Sale;
- b. Exchange;
- c. Compulsory Acquisition;
- d. Conversion in Stock-in Trade;
- e. Maturity / Redemption.

✓ Short / Long Term Holding:-



* **Computation:-**

Sale Consideration		XXX
(-) Expenses for transfer		(X)

Net Consideration	(A)	XXX

Less:		
a. Cost of Acquisition		
(Indexation if in long Term)		XXX
b. Cost of Improvement		
(Indexation if in long Term)		XXX

	(a + b) = (B)	XXX

Long / Shot Term Capital Gain	(A-B)	<u>XXX</u>

* **Period of Holding:-**

Nature	Period of Holding
CA acquired by way of partition of HUF, Gift, Inheritance etc.	Taken from period of Previous owner.
Amalgamation OR Demerger	From the date of shares held in A / D company.
Liquidation of Company (Shares)	Period of subsequent of day to date of liquidation shall be excluded.
New Shares	Date of Allotment
Subscribed of Right Shares	Date of Offer
Securities transacted through Stock Exchange	Date of Broker Note of Purchase To Broker of Sale
Depreciable Assets	Short Term Assets

* **Consideration:-**

→ Amount received / receivable on transfer of CA in cash OR kind.

Transfer	Consideration
Damage / Distribution of CA.	(i) MV; OR (ii) Compensation + Scrap Value (Which ever is Higher)
Conversion of CA into Stock.	FMV on Date of conversion.
Transfer of securities recognized under Depositors Act, 1996.	Sale Consideration
Transfer of CA by partner to firm OR by member to AOP / BOT as Capital Contribution.	Amount recorded in Books.
Transfer of CA by firm OR AOP / BOI to Partner OR Member	FMV on Date of Transfer.
Compulsory acquisition of CA	Compensation to be received.
Repurchase of Mutual Funds (u/s 80CCB)	Repurchase Price XXX (-) Investment (X) Capital gain XXX
Buyback of Shares OR other Securities (i.e. Debentures)	Actual amt. received
Distribution of CA by company on Liquidation (Assessee:SH)	Cash Assets XXX (-) Deemed Dividend (X) Capital Gain XXX
Transfer of Land / Building OR Both	(i) Actual Consideration; OR (ii) Stamp Duty (Which ever is Higher)

* **Cost of Acquisition:-**

→ Amount incurred to acquire any CA.

Transaction	Cost of Acquisition
Gift, Will, Inheritance, Amalgamation, Partition of HUF.	Cost of Previous Owner.
Assets acquired by previous owner OR owner before 1 st April 1981.	FMV as on 1 st April 1981.
Advance received but forfeited as result of non transfer.	Cost of Amalgamating Company.
Conversion of Debts into Shares OR Debenture.	Cost of such Debts
Shares / Debentures received as perquisites.	Value of perquisites.
Shares in resulting company	Same proportion in net worth company
Shares in Demerger company	Cost of Acquisition XXX (-) Same proportion In net worth of co. <u>(X)</u> XXX
Shares of recognized Stock Exchange under SEBI	Original cost of Shares OR Membership
Goodwill, Bonus Shares, Right Shares or Trade Mark	NIL

* **Cost of Improvement:-**

→ Capital Expenditure towards CA.

→ Only referred those investment which doing after 1st April 1981.

→ Improvements of Goodwill not to be considered.

* **Indexation:-**

→ Amount of same proportion to CII (Cost Inflation Index) for the year to transfer to the year of Acquisition / Improvement.

→ Indexed Cost of Acquisition: (ICOA)

$$\text{ICOA} = \frac{\text{Cost of Acquisition}}{\text{Year of Acquisition (CII)}} \times \frac{\text{Capital Assets Transfer Year (CII)}}{1}$$

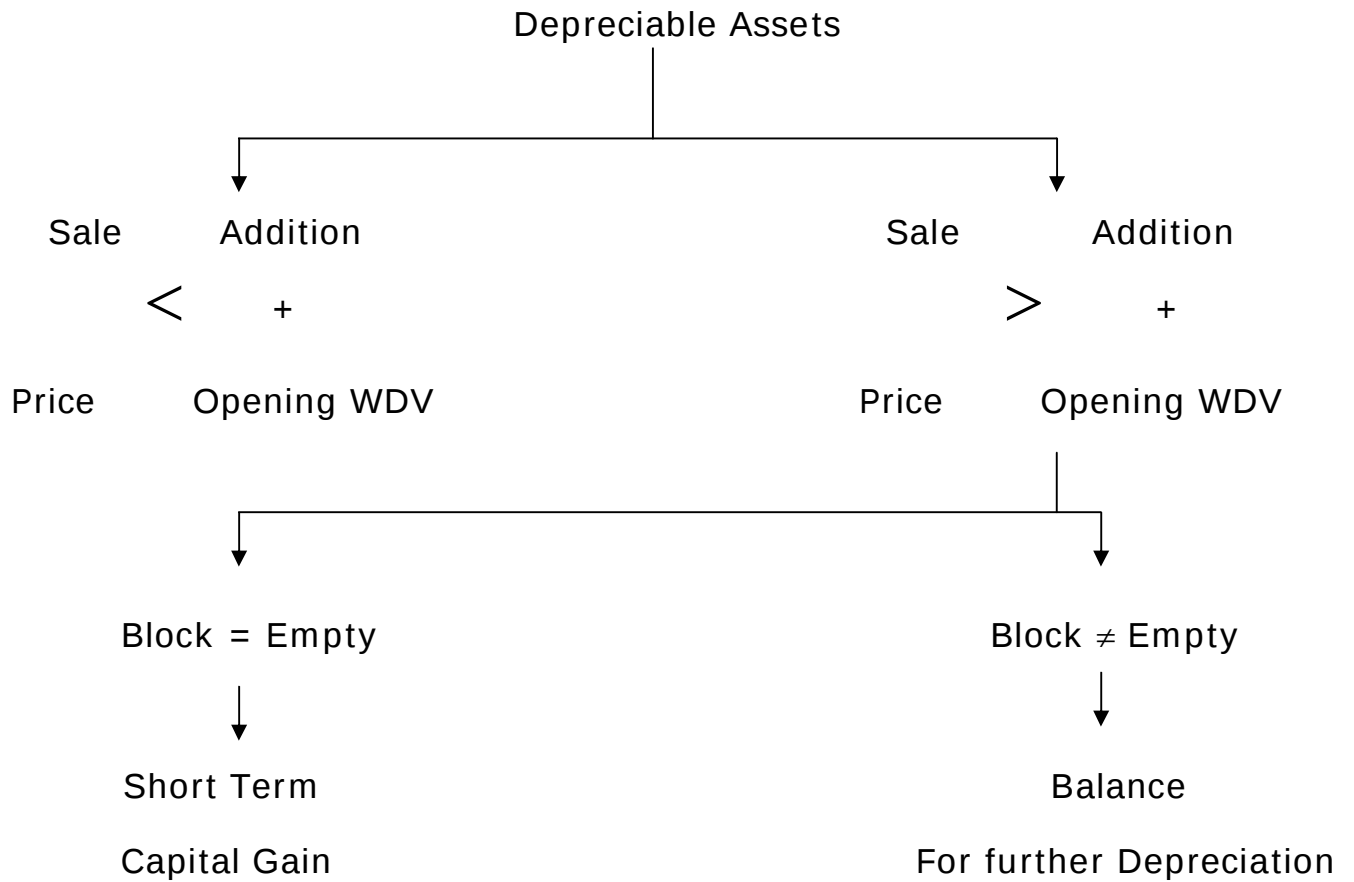
→ Indexed Cost of Improvement: (ICOI)

$$\text{ICOI} = \frac{\text{Cost of Improvement}}{\text{Year of Improvement (CII)}} \times \frac{\text{Capital Assets Transfer Year (CII)}}{1}$$

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Capital Gain for Depreciable Assets:-

Opening WDV	XXX
(+) Addition	X
(-) Sales	<u>(X)</u>
WDV for Depreciation	<u>XXX</u>



*** Exemption:-**

U/s	Transfer Assets	Reinvestment	Period
54	Residential House	Similar Assets	(i) 1 year before OR 3 years after transfer; (ii) For construction = 3 years after transfer
54B	Agriculture Land	Similar Assets	Within 2 years of transfer
54D	Land & Building of Industrial undertaking	Similar Assets	Within 3 years of purchase / construction.
54EC	Any Long Term Capital Gain	Notified bonds up to Rs. 50 Lakhs	Within 6 months of transfer.
54F	54F Any Long Term Capital Assets other than Residential House	Residential House	As per u/s 54
54G	Machinery, Plant, Land & Building of Industrial undertaking in Urban area.	Similar Assets other than urban area	1 year before OR 3 years after Purchase / Acquisition / Construction.
54GA	Transfer Machinery, Plant, Land & Building of Industrial undertaking to SEZ.	Similar Assets to SEZ	As per u/s 54G

→ Notified Bonds means:

- (i) Rural Electrification Corporation (REC); &
- (ii) National Highway Authority of India (NHAI).

→ If transfer from compulsory acquisition then u/s 54, 54B, 54D & 54F from date of compensation receipt not from transfer.

→ Section 54D, 54EC & 54G applicable for all Assessee.