

# TAXBOOK<sup>+</sup>

## Working steps of solutions

### B31 to B40

#### Capital Gains

#### Build Your Confidence (BYC)

#### BUSINESS REORGANIZATION

**B31. 50B – CA2018(M) – Star Enterprises has transferred its unit R to A Ltd. by way of slump sale on 23.1.2022. The.....**

*Computation of capital gains arising from slump sale of Unit R for AY 2022-23*

Particulars	Rs.
Full value of consideration = FMV of Unit R on 23.1.2022	9,30,00,000
Less: Deemed COA & COI = Net worth (See Note). Indexation benefit is not available.	(8,40,00,000)
Long term capital gain (since the unit is held for more than 36 months)	90,00,000

*Note – Net worth of Unit R*

Particulars	Rs.
Cost of land (revaluation not considered)	1,10,00,000
WDV of other depreciable fixed assets as per Income Tax Act	4,30,00,000
Other assets (book value)	4,40,00,000
	9,80,00,000
Less: Liabilities	(1,40,00,000)
Net worth	8,40,00,000

*Mistake made by students – Applying CII for indexation. Not excluding revaluation amount from value of asset.*

#### CERTAIN OTHER TRANSFERS NOT LIABLE TO CAPITAL GAIN

**B32. 47(xvi) – CA2018(M) - Mrs. Mahalakshmi, an individual aged 68 years, mortgaged her residential property.....**

Mortgaging of residential property with bank – No capital gain u/s 47(xvi).

Monthly instalments – Exempt u/s 10(43)

Sale of property by bank to recover the loan – Taxable as capital gain for AY 2022-23, in view of Circular 1/2009, computed as under:

Particulars	Rs.
Full value of consideration	25,00,000
Less: ICOA = COA × (CII of 2021-22/CII of 2005-06) = 3,00,000 × (317/117)	(8,12,821)
Long term capital gain	16,87,179

#### EXEMPTIONS

**B33. 54 – Ramesh sold a residential house, owned by him in Jaipur, for Rs. 75 lakh on 10.7.2021 (brokerage paid.....)**

*Computation of capital gain in the hands of Ramesh*

<b>Computation of capital gain for AY 2022-23 on sale of house in Jaipur</b>	<b>Case A</b>	<b>Case B</b>
Full value of consideration u/s 50C = FVC, as SDV ≤ 110% of FVC	75,00,000	75,00,000
Less: Expenditure on transfer @ 1% of 75 lakh	(75,000)	(75,000)
Net consideration	74,25,000	74,25,000
Less: ICOA = COA (cost to previous owner u/s 49(1)) × (CII of 2021-22/CII of 2018-19) = 30 lakh × (317/280)	(33,96,429)	(33,96,429)
Long term capital gain	40,28,571	40,28,571
Less: Exemption u/s 54:		
• Case A: Lower of capital gain or Cost of New Asset (cost of Bhopal house purchased within 2 years from transfer of Jaipur house (50 lakh))	(40,28,571)	-
• Case B: Lower of capital gain or Cost of New Asset [amount utilized for new asset 30 lakh and deposit in CGAS 35 lakh, till ROI due date of 31.10.2022]	-	(40,28,571)
Taxable long term capital gain	Nil	Nil
<b>Computation of capital gain for AY 2024-25 on sale of house in Bhopal within 3 years of its acquisition</b>	<b>Case A</b>	<b>Case B</b>
Full value of consideration u/s 50C = SDV as it is > 110% of FVC	75,00,000	-
Less: COA = Cost 50,00,000 – CG exempted earlier 40,28,571	(9,71,429)	-
Short term capital gain (as POH of Bhopal house does not exceed 24 months)	65,28,571	-
<b>Computation of capital gain for AY 2025-26 w.r.t. CGAS deposit not utilized within 3 years of sale of house in Jaipur</b>	<b>Case A</b>	<b>Case B</b>
Amount of deposit in CGAS not utilized for construction of Bhopal house till 3 years from 10.7.2021, i.e., till 9.7.2024 = 35 lakh – 20 lakh	-	15,00,000
Long term capital gain (same as original capital gain)	-	15,00,000
<b>Computation of capital gain for AY 2027-28 on sale of house in Bhopal after 3 years of its acquisition</b>	<b>Case A</b>	<b>Case B</b>
Full value of consideration u/s 50C = FVC, as SDV ≤ 110% of FVC	-	65,00,000
ICOA = COA × (CII of 2026-27/CII of 2022-23) = 50 lakh × (400/330). Exemption u/s 54 allowed earlier is not forfeited as house is sold after lock-in period of 3 years.	-	(60,60,606)
Long term capital gain (as POH of Bhopal house exceeds 24 months)	-	4,39,394

**B34. 54 – CA2019(M) – Mr. Roy owned a residential house in Noida. It was acquired on 9.9.2011 for Rs. 30,00,000.....**

*Computation of capital gain chargeable to tax for AY 2019-20 and 2022-23*

<b>Computation of capital gain for AY 2019-20 on sale of Noida house</b>	<b>Rs.</b>
Full value of consideration	1,57,00,000
Less: ICOA = COA × (CII of 2018-19/CII of 2011-12) = 30 lakh × (280/184)	(45,65,217)
Long term capital gain	1,11,34,783
Less: Exemption u/s 54 in respect of purchase of new residential house within 2 years of transfer of Noida house = Lower of capital gain or cost of new house of Rs. 2.05 crores	(1,11,34,783)
Taxable long term capital gain	Nil
<b>Computation of capital gain for AY 2022-23 since Panchkula house sold within 3 years of its acquisition</b>	<b>Rs.</b>
Full value of consideration	3,25,00,000
ICOA = COA (Cost – CG exempted earlier) × (CII of 2021-22/CII of 2019-20) = (2,05,00,000 – 1,11,34,783) × (317/289).	(1,02,72,574)
Long term capital gain (since new house sold was held for more than 24 months)	2,22,27,426
Less: Exemption u/s 54 in respect of purchase of new residential house within 2 years of transfer of Panchkula house = Lower of capital gain or cost of new house of Rs. 2.57 crores	(2,22,27,426)
Taxable long term capital gain	Nil

*Mistake made by students – Non deduction of CG exempted earlier, to determine COA of Panchkula house. Non deduction of exemption u/s 54 to find capital gain on sale of Panchkula house.*

**B35. 50C, 54 – CA2019(M) (modified) - Deepak has a residential house property taxable u/s 22. Such property.....**

<b>Computation of capital gain for AY 2022-23</b>	<b>Rs.</b>
Full value of consideration: SDV is taken if > 110% of FVC. However, if on reference, DVO determines the value less than SDV, such value is taken as FVC u/s 50C.	25,00,000
Less: ICOA = COA × (CII of 2021-22/CII of 2005-06) = 2 lakh × (317/117)	(5,41,880)
Long term capital gain	19,58,120
Less: Exemption u/s 54: Lower of capital gain or cost of new house purchased within 2 years	(17,00,000)
Taxable long term capital gain	2,58,120
<b>Computation of capital gain for AY 2023-24 since new house sold within 3 years of acquisition</b>	<b>Rs.</b>
Full value of consideration	30,00,000
Less: COA = Cost – CG exempted earlier = 17 lakh – 17 lakh	Nil
Short term capital gain (since new house sold within 24 months)	30,00,000

**B36. 50C, 54 – CA2017(N) (modified) - Sunil entered into an agreement with Dhaval to sell his residential house.....**

*Computation of capital gain for AY 2022-23*

<b>Particulars</b>	<b>Rs.</b>
Full value of consideration = SDV of Rs. 90 lakh since it is > 110% of Rs. 80 lakh. Since part consideration is paid through A/c payee bank draft on the date of agreement, SDV on that date is considered u/s 50C.	90,00,000
Less: ICOA = COA × (CII of 2021-22/CII of 2001-02) = 20 lakh × (317/100)	(63,40,000)
Long term capital gain (since house held for more than 24 months)	26,60,000
Less: Exemption u/s 54: Lower of capital gain (26.60 lakh) or cost of two new houses purchased within 2 years (25 lakh). Since LTCG does not exceed Rs. 2 Cr, Sunil can opt to claim exemption in respect of 2 residential houses in India. It is assumed that he exercised this once in a lifetime option and that he had not exercised this option anytime before.	(25,00,000)
Taxable long term capital gain	1,60,000

**B37. 51, 54 – CA2009(N) – A house was purchased on 1.5.2005 for Rs. 4,50,000 and was used as a residence by.....**

*Computation of capital gain for AY 2022-23*

<b>Particulars</b>	<b>Rs.</b>
Full value of consideration	15,00,000
Less: ICOA = COA (COA – advance forfeited before 1.4.2014 in terms of section 51) × (CII of 2021-22/CII of 2005-06) = 3,80,000 (4,50,000 – 70,000) × (317/117)	(10,29,573)
Long term capital gain	4,70,427
Less: Exemption u/s 54: Lower of capital gain or cost of new house purchased within 2 years	(3,00,000)
Taxable long term capital gain	1,70,427

**B38. 54EC – CA2012(M) - Anshu transferred land and building on 2.1.2022 and furnished the following information.....**

*Computation of capital gain for AY 2022-23*

<b>Particulars</b>	<b>Rs.</b>
Full value of consideration u/s 50C = SDV is taken where it is > 110% of consideration. But where assessee claims that SDV > FMV and a reference is made to the DVO and where DVO valuation is more than SDV, then SDV will be taken as FVC.	23,00,000
Less: ICOA of land = COA (FMV on 1.4.2001 taken in absence of other information) × (CII of 2021-22/CII of 2001-02) = 1.10 lakh × (317/100).	(3,48,700)
Less: ICOA of residential building = COA × (CII of 2021-22/CII of 2005-06) = 3.20 lakh × (317/117)	(8,67,009)
Long term capital gain before exemption (since house property held for more than 24 months)	10,84,291
Less: Brought forward short-term loss (can be set off u/s 74 against any capital gain (LTCG or STCG) for 8 AYS succeeding the year in which first computed): For details, refer para 191.	(1,00,000)
Balance: Anshu should invest this amount in NHA bonds within 6 months of transfer of original asset (i.e., on or before 1.7.2022) so as to reduce capital gain to Nil by claiming exemption u/s 54EC	9,84,291

**B39. 54, 54EC – Pooja acquired a residential building for Rs. 50 lakh on 23.4.2015 (registration and other expenses.....)**

*Computation of capital gain for AY 2022-23*

Particulars	Rs.	Rs.
Full value of consideration = FVC, since SDV ≤ 110% of consideration. SDV on date of agreement is considered since advance is received by account payee cheque on or before this date.		1,20,00,000
Less: Expenditure on transfer = 1% of Rs. 120 lakh		(1,20,000)
Net consideration		1,18,80,000
Less: ICOA = COA × (CII of 2021-22/CII of 2016-17) = 55 lakh (50 lakh + 10%) × (317/264)		(66,04,167)
Long term capital gain before exemption (since house property held for more than 24 months)		52,75,833
Less: Exemption:		
<ul style="list-style-type: none"> <li>Exemption u/s 54 = Since capital gain ≤ 2 Cr, exemption can be claimed in respect of two residential house properties in India, at option of assessee, acquired 1Y before or 2Y after date of transfer of original asset. However, cost of residential house in Sydney is not eligible for exemption in this case since it is outside India.</li> </ul>		(20,00,000)
<ul style="list-style-type: none"> <li>Exemption u/s 54EC = Cost of investment in NHAI bonds made within 6 months of transfer of original asset (i.e., on or before 14.4.2022) subject to upper cap of Rs. 50 lakh</li> </ul>		(30,00,000)
<b>Taxable long term capital gain</b>		<b>2,75,833</b>

*Forfeiture of advance on 12.7.2018 – Taxable as IFOS for AY 2019-20 u/s 56(2)(ix) since it is forfeited on or after 1.4.2014.*

**B40. 45(2), 54EC - Yuvraj purchased a vacant plot of land for Rs. 5 lakh on 26.12.1990. He started a real estate.....**

*Computation of taxable income in the hands of Yuvraj*

In case of conversion of capital asset into stock-in-trade, while year of transfer of capital asset is the year of conversion into stock-in-trade, year of charge of capital gain is the year in which stock-in-trade is sold – Section 45(2).

Particulars	Rs.
<b>Capital gain for AY 2022-23 being the year of sale of 60% portion of land</b>	
Full value of consideration u/s 45(2) = FMV on date of conversion (even if SDV is higher)	1,00,00,000
Less: Indexed cost of acquisition = COA × (CII of 2015-16/CII of 2001-02)	(25,40,000)
<ul style="list-style-type: none"> <li>COA = Higher of COA or FMV on 1.4.2001 (can't exceed SDV on this date) = 10 lakh</li> <li>Indexed cost of acquisition = 10 lakh × (254/100)</li> </ul>	
Long term capital gain	74,60,000
Long term capital gain for AY 2022-23 = 60% portion	44,76,000
Less: Exemption u/s 54EC in respect of investment in bonds of NHAI and RECL (subject to cap of 50 lakh). Time limit of 6 month for making investment is from date of sale of stock-in-trade and not from date of conversion of capital asset into stock-in-trade (Circular 791 of 2000).	(30,00,000)
<b>Taxable long term capital gain</b>	<b>14,76,000</b>
<b>Business income for AY 2022-23 being the year of sale of 6 units and 60% portion of land</b>	
Sale consideration = 6 units × 50 lakh	3,00,00,000
Less: Cost of land = FMV of 60% portion of land on date of conversion	(60,00,000)
Less: Cost of 6 units @ 15 lakh	(90,00,000)
<b>Business income</b>	<b>1,50,00,000</b>