

# TAXBOOK<sup>+</sup>

## Working steps of solutions

### B11 to B20

#### Capital Gains

#### Build Your Confidence (BYC)

#### SPECIAL PROVISIONS WHERE CAPITAL GAIN IS CHARGED IN YEAR OTHER THAN YEAR OF TRANSFER

**B11. 45(1A) – Mr. Jain purchased a capital asset on 1.4.2015 for Rs. 10 lakh (not entitled to depreciation). .....**

*Capital gain for AY 2022-23 being the year of receipt of compensation*

| Particulars   | Rs.         |
|---|-------------|
| Full value of consideration = Money + FMV of asset  | 8,00,000    |
| Less: Expenditure on transfer   | (10,000)    |
| Net consideration   | 7,90,000    |
| Less: Indexed cost of acquisition = COA × (CII of 2020-21/CII of 2015-16) = 10 lakh × (301/254) | (11,85,039) |
| Long term capital gain (loss)   | (3,95,039)  |

**B12. 45(1A) – Zeeshan carries on retail business. In an earthquake on 10.12.2021, computers used by him in.....**

*Computation of depreciation and capital gain for AY 2022-23*

| Depreciation for AY 2022-23  | A                 | B          | C             | D             |
|--|-------------------|------------|---------------|---------------|
| WDV of Block as on 1.4.2021  | 2,50,000          | 2,50,000   | 2,50,000      | 2,50,000      |
| Add: Actual cost of assets acquired during the PY  | 40,000            | 40,000     | 40,000        | 40,000        |
| Less: Moneys payable (insurance compensation)  | (1,50,000)        | (1,50,000) | (3,50,000)    | (3,50,000)    |
| WDV of Block for depreciation (cannot be negative)   | 1,40,000          | 1,40,000   | Nil           | Nil           |
| Less: Depreciation: No depreciation since the block ceases to exist. Capital gain will arise u/s 50.   | Nil               | -          | Nil           | -             |
| Less: Depreciation: Block exists with a positive WDV. Depreciation = 50% of 40% of 40,000 (as asset put to use < 180D) + 40% of remaining 1,00,000 | -                 | 48,000     | -             | -             |
| Less: Depreciation: No depreciation since WDV is Nil although block continues to exist   | -                 | -          | -             | Nil           |
| Capital gain for AY 2022-23  | A                 | B          | C             | D             |
| Full value of consideration u/s 45(1A) = Money + FMV of asset  | 1,50,000          | -          | 3,50,000      | 3,50,000      |
| Less: WDV as on 1.4.2021   | (2,50,000)        | -          | (2,50,000)    | (2,50,000)    |
| Less: Assets acquired during the PY  | (40,000)          | -          | (40,000)      | (40,000)      |
| <b>Short term capital gain (loss) u/s 50 on depreciable asset</b>  | <b>(1,40,000)</b> | <b>-</b>   | <b>60,000</b> | <b>60,000</b> |

**B13. 45(2) – Rupesh owned diamond jewellery which he purchased on 12.6.2016 for Rs. 5,00,000. He started .....**

*Tax treatment in the hands of Rupesh for AY 2022-23*

| Particulars  | Business commenced on |            |
|--|-----------------------|------------|
|  | 10.12.2018            | 10.12.2019 |
| <b>Computation of capital gain for AY 2022-23 being the year of sale of 30% jewellery</b>      |                       |            |
| Full value of consideration = FMV on date of conversion (30%)                                  | 2,40,000              | 2,40,000   |
| Less: Cost of acquisition = 30% of 5,00,000. POH from 12.6.2016 to 10.12.2018 is not more than | (1,50,000)            |            |

|   |            |            |
|---|------------|------------|
| 36 months. Short term capital gains arise.  |            |            |
| Less: Indexed cost of acquisition = COA × (CII of 2019-20, i.e., year of conversion / CII of 2016-17) = 1,50,000 × (289/264). POH from 12.6.2016 to 10.12.2019 is more than 36 months. Long term capital gains arise. |            | (1,64,205) |
| Short term capital gain   | 90,000     |            |
| Long term capital gain  |            | 75,795     |
| <b>Computation of business income for AY 2022-23 being the year of sale of 30% jewellery</b>  |            |            |
| Sale consideration  | 3,00,000   | 3,00,000   |
| Less: FMV on date of conversion   | (2,40,000) | (2,40,000) |
| Business income   | 60,000     | 60,000     |

**B15. 45(5) – Jacob purchased a house property on 1.6.2010 for Rs. 10 lakh. It was acquired by the Central .....**

*Computation of capital gain in the hands of Jacob*

| Particulars   | Rs. |             |
|---|-----|-------------|
| <b>AY 2022-23 – First receipt of initial compensation in PY 2021-22</b>                               |     |             |
| Full value of consideration = Whole of initial compensation   |     | 30,00,000   |
| Less: Expenditure in connection with transfer   |     | Nil         |
| Net consideration   |     | 30,00,000   |
| Less: ICOA = COA × (CII of 2020-21, i.e., year of acquisition / CII of 2010-11) = 10 lakh × (301/167) |     | (18,02,395) |
| Less: ICOI  |     | Nil         |
| Long term capital gain  |     | 11,97,605   |
| <b>AY 2024-25 – Receipt of enhanced compensation in PY 2023-24</b>                                    |     |             |
| Full value of consideration   |     | 10,00,000   |
| Less: Expenditure in connection with transfer   |     | (50,000)    |
| Net consideration   |     | 9,50,000    |
| Less: ICOA/ICOI   |     | Nil         |
| Long term capital gain  |     | 9,50,000    |

### SPECIAL PROVISIONS TO PREVENT TAX AVOIDANCE

**B17. 50C – Mr. X has sold a building on 10.12.2021 which was acquired on 12.9.2020 for Rs. 10 lakh. Compute.....**

*Computation of capital gain in the hands of Mr. X for AY 2022-23*

| Particulars  | I                | II               | III              |
|--|------------------|------------------|------------------|
| Full value of consideration u/s 50C (Note)                         | 24,00,000        | 20,00,000        | 25,00,000        |
| Less: Cost of acquisition  | (10,00,000)      | (10,00,000)      | (10,00,000)      |
| <b>Short term capital gain (as POH is not more than 24 months)</b> | <b>14,00,000</b> | <b>10,00,000</b> | <b>15,00,000</b> |

**Note:**

**I:** SDV on date of transfer taken as consideration as it is > 110% of actual consideration. SDV on date of agreement not considered as actual consideration (or part) not received on or before that date by specified mode.

**II:** Actual consideration taken, as SDV on date of agreement ≤ 110% of actual consideration. SDV on date of agreement considered as actual consideration (or part) is received on or before that date by specified mode.

**III:** SDV on date of transfer taken as consideration as it is > 110% of actual consideration. SDV on date of agreement not considered as actual consideration (or part) not received on or before that date by specified mode.

**B18. 50C – Determine the value of consideration that will be taken in the following situations of transfer of land or building held as capital asset by Z, for AY 2022-23. All figures are given in Rs. lakhs. Assume that Z has not disputed the SDV.**

| Date of | Actual | Applicable | FMV on | DVO | Can Z ask for | FVC | Remarks |
|---------|--------|------------|--------|-----|---------------|-----|---------|
|---------|--------|------------|--------|-----|---------------|-----|---------|

| transfer  | consideration | SDV | date of transfer | valuation | DVO valuation?         | u/s 50C |                                       |
|-----------|---------------|-----|------------------|-----------|------------------------|---------|---------------------------------------|
| 1.10.2021 | 100           | 120 | 130              | -         | No as SDV is not > FMV | 120     | SDV exceeds 110% of consideration     |
| 1.10.2021 | 100           | 105 | 100              | -         | No need                | 100     | No need to refer to DVO               |
| 1.10.2021 | 100           | 150 | 125              | 120       | Yes                    | 120     | DVO value ≤ SDV                       |
| 1.10.2021 | 100           | 150 | 125              | 160       | Yes                    | 150     | DVO value > SDV                       |
| 1.10.2021 | 100           | 150 | 125              | 105       | Yes                    | 105     | Even if DVO value is within 10%       |
| 1.10.2021 | 100           | 150 | 125              | 95        | Yes                    | 100     | Even if DVO value is less than actual |

**B19. 50C – Ramesh sold a vacant plot of land on 1.9.2021 for Rs. 75 lakh (SDV as on this date is Rs. 90 lakh).....**

- (a) 90 lakh will be taken u/s 50C as SDV > 110% of consideration.  
 (b) Case (i): DVO value is 92 lakh: Full value of consideration will be taken as 90 lakh as DVO value > SDV. Case (ii): DVO value is 80 lakh: Full value of consideration will be taken as 80 lakh as DVO value ≤ SDV.

**B20. 50C – Johar owns a building acquired by him on 15.8.1998 for Rs. 5 lakh. It's FMV on 1.4.2001 was .....**

*Computation of capital gain in the hands of Johar for AY 2022-23*

| Particulars   | A                | B             | C               |
|---|------------------|---------------|-----------------|
| Full value of consideration:  | 40,00,000        | 30,00,000     | 37,00,000       |
| A – SDV of Rs. 40 lakh taken as it is > 110% of 30 lakh (SDV on date of agreement is not taken as payment made by bearer cheque on the date of agreement) |                  |               |                 |
| B – Rs. 30 lakh taken, as SDV of Rs. 32 lakh is ≤ 110% of Rs. 30 lakh   |                  |               |                 |
| C – DVO value taken, as it is < SDV   |                  |               |                 |
| Less: Expenditure in connection with transfer   | (30,000)         | (30,000)      | (30,000)        |
| Net consideration   | 39,70,000        | 29,70,000     | 36,70,000       |
| Less: ICOA = COA (Higher of COA or FMV on 1.4.2001 (can't exceed SDV)) × (CII of 2021-22/CII of 2001-02) = 8 lakh × (317/100)                             | (25,36,000)      | (25,36,000)   | (25,36,000)     |
| Less: COI incurred before 1.4.2001 of Rs. 75,000 (ignore)   | Nil              | Nil           | Nil             |
| Less: ICOI for cost incurred on 15.6.2010 = COI × (CII of 2021-22/CII of 2010-11) = 2 lakh × (317/167)  | (3,79,641)       | (3,79,641)    | (3,79,641)      |
| <b>Long term capital gain</b>   | <b>10,54,359</b> | <b>54,359</b> | <b>7,54,359</b> |