

# TAXBOOK<sup>+</sup>

## Working steps of solutions

### B1 to B10

#### Capital Gains

#### Build Your Confidence (BYC)

#### CHARGEABILITY

**B1. CAPITAL ASSET – Examine whether the following are capital assets.**

#	Asset	Capital asset?	Remarks
1	Furniture and fixtures in office	Yes	Property of any kind
2	Raw material used to manufacture goods	No	Raw material
3	Building held as stock-in-trade by a real estate dealer	No	Stock-in-trade
4	House let out on rent by a lawyer	Yes	Not personal effect
5	Flat owned by a doctor but lying vacant	Yes	Not personal effect
6	Finished goods for sale	No	Stock-in-trade
7	Laptop for personal use	No	Personal effect
8	Precious work of art put up at residence	Yes	Not personal effect
9	Gold jewellery studded with precious stones	Yes	Not personal effect
10	Mobile phone used by assessee	No	Personal effect
11	Television, household appliances and furniture at home used by family	No	Personal effect
12	Copyright held by an author of books	Yes	Property of any kind
13	Barren land in rural area	Yes	Not agricultural land
14	Agricultural farm in a rural area of Nepal	Yes	Not in India

**B2. CAPITAL ASSET – AGRICULTURAL LAND – Rajesh carries out agricultural activities on a plot of land. Determine whether capital gains will arise on sale of land in the following cases.**

#	Distance (aerial) of land from local limits of municipality or cantonment board	Population of municipality or cantonment board as per last census	Capital asset?	Capital gain on sale?
1	0	8,000	No	No
2	2	9,000	No	No
3	1.5	12,000	Yes	Yes
4	2.5	20,000	No	No
5	0	80,000	Yes	Yes
6	5.5	1,25,000	Yes	Yes
7	10	9,00,000	No	No
8	7.5	15,00,000	Yes	Yes
9	8.5	25,00,000	No	No

**B3. TRANSFER – Gopi undertook the following transactions during the PY 2021-22. Whether he would be liable to capital gain on these transactions?**

#	Case	Transfer?	Comment
1	He sold a residential house to his colleague for Rs. 50 lakh	Yes	Sale
2	He transferred a machine in return for another machine	Yes	Exchange
3	He surrendered tenancy rights for Rs. 10 lakh	Yes	Relinquishment
4	He received Rs. 5 lakh on redemption of Zero Coupon Bonds of BCD Ltd.	Yes	Redemption of Zero Coupon Bond
5	His land was acquired by UP Government for construction of	Yes	Compulsory acquisition

	expressway		
6	He brought his personal jewellery into his jewellery retail business as stock-in-trade	Yes	Conversion of capital asset to stock-in-trade
7	He gave possession of a house to Mr. Z in terms of a written agreement to sell pursuant to which Mr. Z paid the sale consideration, although the transfer was pending registration in favor of Mr. Z.	Yes	Transfer allowing possession of immovable property in part performance of contract u/s 53A of TOP Act

**B4. TYPE OF CAPITAL ASSET – Determine whether capital gain arising in the following cases would be STCG or LTCG for AY 2022-23?**

#	Case	Holding period	Type
1	Z purchases a house property on 1.4.2020 and sells on 15.10.2021	Not more than 24 months	STCG
2	Z purchases equity shares of Reliance Ltd, listed on BSE, on 1.4.2020 and sells on 15.10.2021	More than 12 months	LTCG
3	Z purchases units of Axis Equity Fund, which invests 85% in equity shares, on 1.4.2019 and sells on 15.10.2021	More than 12 months	LTCG
4	Z purchases units of Reliance Equity Fund, which invests 25% in equity shares, on 1.4.2019 and sells on 15.10.2021	Not more than 36 months	STCG
5	Z purchases gold coins on 1.4.2018 and sells them on 15.10.2021	More than 36 months	LTCG
6	Z purchases shares of PQR Pvt. Ltd., an unlisted company, on 1.4.2019 and sells on 15.10.2021	More than 24 months	LTCG
7	Z purchases shares of Google, listed on NYSE in the USA, on 1.4.2020 and sells on 15.10.2021	Not more than 24 months	STCG
8	Z purchases debentures (not listed) of ABC Ltd on 1.4.2020 and sells on 15.10.2021	Not more than 36 months	STCG
9	Z purchases unquoted units of UTI on 1.4.2020 and sells on 15.10.2021	More than 12 months	LTCG
10	Z purchases Zero Coupon Bonds of an eligible corporation on 1.4.2020 which were redeemed after a period of 18 months.	More than 12 months	LTCG

**B5. COA, COI – Determine the cost of acquisition and cost of improvement that will be taken into account .....**

*Computation of COA and COI*

Particulars	COA	COI
Cost paid to seller on purchase	10,00,000	
Brokerage paid to agent @ 1%	10,000	
Registration charges @ 5%	50,000	
	10,60,000	
COA = Higher of 10,60,000 or 12,00,000 (FMV on 1.4.2001 which can't exceed SDV on this date)	12,00,000	
Construction of second floor on 1.3.2000: Not included as incurred before 1.4.2001		-
Construction of third floor on 15.8.2010		5,00,000
Routing repair and painting work on 15.9.2015 : Not included as not capital expenditure		-
		5,00,000

**B6. INDEXATION – Compute the capital gain arising in the hands of Samuel on sale of following capital assets .....**

*Computation of capital gain in the hands of Samuel*

Particulars	A	B	C
Type of capital gain	STCG	LTCG	LTCG
Full value of consideration	5,00,000	50,00,000	50,00,000
Less: Expenditure incurred wholly and exclusively in connection with transfer	(10,000)	(1,00,000)	(1,00,000)
Net consideration	4,90,000	49,00,000	49,00,000

Less: Cost of acquisition	(5,00,000)	-	-
Less: Cost of improvement	-	-	-
Less: Indexed cost of acquisition (Note 1)	-	(29,08,257)	(38,04,000)
Less: Indexed cost of improvement (Note 2)	-	(1,89,820)	(1,05,316)
<b>Capital gain (short-term)</b>	<b>(10,000)</b>	-	-
<b>Capital gain (long-term)</b>	-	<b>18,01,923</b>	<b>9,90,684</b>

**Note 1:**

Indexed cost of acquisition	B	C
Cost of acquisition	10,00,000	12,00,000 (Higher of 10 lakh or 12 lakh (FMV can't exceed SDV))
CII of year of transfer	317	317
CII of year of acquisition or 2001-02, whichever is later	109	100
Indexed cost of acquisition	$10,00,000 \times (317/109) = 29,08,257$	$12,00,000 \times (317/100) = 38,04,000$

**Note 2:**

Indexed cost of improvement	B	C
Cost of improvement before 1.4.2001	-	Ignore
Cost of improvement on 1.12.2010	1,00,000	-
Cost of improvement on 1.6.2020	-	1,00,000
• CII of year of transfer	317	317
• CII of year of improvement	167	301
• Indexed cost of improvement	$1,00,000 \times (317/167) = 1,89,820$	$1,00,000 \times (317/301) = 1,05,316$

**B7. 51 – Sunny owns a house property which he purchased on 15.10.2005 for Rs. 10 lakh. He entered into .....**

**AY 2011-12** - Sum of Rs. 3 lakh forfeited. No tax implications at the time of forfeiture in terms of section 51.

**AY 2016-17** - Sum of Rs. 4 lakh forfeited. Taxable as IFOS u/s 56(2)(ix) .

**AY 2022-23 – Computation of capital gain on sale of property**

Particulars	Rs.
Full value of consideration	50,00,000
Less: Expenditure in connection with transfer	(50,000)
Net consideration	49,50,000
Less: ICOA = COA × (CII of 2021-22/CII of 2005-06)	(18,96,581)
• COA = 10 lakh – Rs. 3 lakh forfeited during PY 2010-11	
• ICOA = 7 lakh × (317/117)	
Less: COI	Nil
<b>Long term capital gain</b>	<b>30,53,419</b>

**B7A. Section 51 – CA2016(M/N) – Suman received an advance of Rs. 3 lakh on 6.6.2021 to transfer his residential**

Yes, under the head IFOS u/s 56(2)(ix) for AY 2022-23 since amount is forfeited on or after 1.4.2014. It will not be reduced from COA u/s 51.

**B8. PREVIOUS OWNER – Compute the amount of capital gain arising in the following situations for AY 2022-23 in.....**

*Computation of capital gain for AY 2022-23 in the hands of Mrs. Q*

Particulars	A	B	C
Full value of consideration	10,00,000	10,00,000	10,00,000
Less: Expenditure in connection with transfer	Nil	Nil	Nil
Net consideration	10,00,000	10,00,000	10,00,000

<i>Less: COA:</i>			
• Case A: COA of Mr. J	(1,00,000)	-	-
• Case B: ICOA = COA × (CII of 2021-22/CII of 2001-02) = 1.5 lakh (higher of Cost or FMV) × (317/100)	-	(4,75,500)	-
• Case C: Same as Case B. Forfeiture by previous owner not reduced from COA u/s 51. Forfeiture by Mrs. Q taxable as IFOS u/s 56(2)(ix) for AY 2018-19 as it is on or after 1.4.2014.	-	-	(4,75,500)
<i>Less: COI:</i>			
Case A: Incurred by Mr. J and Mrs. Q	(60,000)	-	-
Case B & C :	-	(1,04,188)	(1,04,188)
• COI for Mr. J = Nil as incurred before 1.4.2001			
• ICOI for Mr. K = COI × (CII of 2021-22/CII of 2005-06) = 20,000 × (317/117) = 54,188			
• ICOI for Mr. Q = COI × (CII of 2021-22/CII of 2021-22) = 50,000 × (317/317) = 50,000			
<b>Short term capital gain</b>	<b>8,40,000</b>	-	-
<b>Long term capital gain</b>	-	<b>4,20,312</b>	<b>4,20,312</b>

### SPECIAL PROVISIONS FOR DEPRECIABLE ASSETS

**B9. Section 50 – Shobhit, carrying on a business, furnishes the following particulars in respect of machinery on which .....**

Particulars	I	II	III	IV
WDV of Block as on 1.4.2021	10,00,000	10,00,000	10,00,000	10,00,000
Add: Cost of assets acquired during the PY	6,00,000	6,00,000	4,00,000	4,00,000
Less: Sale of assets during the PY	(8,00,000)	(20,00,000)	(11,00,000)	(16,00,000)
WDV as on 31.3.2022 (cannot be negative)	8,00,000	Nil	3,00,000	Nil
<b>Depreciation:</b>				
50% of 15% on 4,00,000 (Machinery D put to use < 180D) + 15% on balance of 4,00,000	(90,000)	-	-	-
No depreciation since WDV is nil although Machinery B, C and D exist in the Block. Capital gain will arise.	-	Nil	-	-
No depreciation since block ceases to exist. Capital gain will arise.	-	-	Nil	Nil
<b>Closing WDV as on 31.3.2022</b>	<b>7,10,000</b>	-	-	-
<b>Capital gain:</b>				
Full value of consideration	-	20,00,000	11,00,000	16,00,000
Less: WDV as on 1.4.2021	-	(10,00,000)	(10,00,000)	(10,00,000)
Less: Assets acquired during the PY	-	(6,00,000)	(4,00,000)	(4,00,000)
<b>Short term capital gain (gain or loss)</b>	-	<b>4,00,000</b>	<b>(3,00,000)</b>	<b>2,00,000</b>

**B10. Section 50 – CA2019(M) – Keshav Enterprises, a sole proprietorship, owns four machines, put in use for .....**

*Q 1 and Q2 - Computation of depreciation and capital gain for AY 2022-23*

Particulars	Rs.
WDV of Block as on 1.4.2021	7,70,000
Add: Purchase of second hand machine during the PY (put to use < 180 days)	6,10,000
	13,80,000
Less: Sale of consideration of old machinery during the PY	(10,00,000)
WDV of Block for depreciation	3,80,000
Depreciation = 50% of 15% of 3,80,000	28,500
Capital gain does not arise since block continues to exist and WDV is positive	Nil

*Q 3 - Computation of capital gain and depreciation for AY 2022-23*

Particulars	Rs.
WDV of Block as on 1.4.2021	7,70,000



Add: Purchase of second hand machine during the PY (put to use < 180 days)	6,10,000
	13,80,000
Less: Sale of consideration of old machinery during the PY	(15,00,000)
WDV of Block for depreciation	Nil
<b>Depreciation:</b> No depreciation since WDV is nil although block continues to exist	Nil
<b>Computation of capital gain:</b>	
Full value of consideration	15,00,000
Less: WDV of Block as on 1.4.2021	(7,70,000)
Less: Purchase of second hand machine during the PY	(6,10,000)
Short term capital gain	1,20,000

*Mistake by students – Wrong computation of depreciation. Not aware that no capital gain will arise if block continues to exist and WDV is not nil.*

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## 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
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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>

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## Working steps of solutions

### B21 to B30

#### Capital Gains

#### Build Your Confidence (BYC)

**B21. 50C – Compute the capital gains chargeable in the hands of Shekhar from the following sequence of events.....**

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

Particulars	Rs.
Full value of consideration = Actual consideration since SDV on date of agreement is $\leq$ 110% of 30 lakh. SDV on date of agreement is taken since part of consideration is paid on the date of agreement by a specified mode (a/c payee cheque).	30,00,000
Less: Expenses on transfer (brokerage @ 1% of 30,00,000)	(30,000)
Net consideration	29,70,000
Less: ICOA = COA $\times$ (CII of 2021-22 / CII of 2001-02) COA is higher of actual cost of 5,25,000 (5,00,000 + 5% stamp duty) or 6,00,000 (FMV on 1.4.2001 which can't exceed SDV on this date) = 6,00,000. This is to be reduced by advance forfeited before 1.4.2014 of 75,000 as per section 51. Thus COA = 6,00,000 – 75,000 = 5,25,000. Advance of 1,00,000 forfeited on 1.7.2017 (i.e., on or after 1.4.2014) is taxable as IFOS for AY 2018-19 u/s 56(2)(ix). ICOA = 5,25,000 $\times$ (317/100)	(16,64,250)
Less: ICOI:	
• For construction of floor on 1.5.1998: Ignored as incurred before 1.4.2001	-
• For construction of floor on 1.5.2005 = COI $\times$ (CII of 2021-22/CII of 2005-06) = 2,00,000 $\times$ (317/117)	(5,41,880)
<b>Long term capital gain</b>	<b>7,63,870</b>

**B22. 50C – Both land and building – Rashmi purchased a plot of land for Rs. 20 lakh on 1.3.2000 (FMV on 1.4.2001.....**

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

Particulars	Land	Building
Full value of consideration:	40,00,000	90,00,000
Land = Actual FVC since SDV of 35 lakh is $\leq$ 110% of consideration (44 lakh) Building = SDV of 90 lakh, since it is $>$ 110% of consideration (88 lakh)		
Less: ICOA of plot of land = COA (Higher of COA or FMV on 1.4.2001 (can't exceed SDV)) $\times$ (CII of 2021-22/CII of 2001-02) = 25 lakh $\times$ (317/100)	(79,25,000)	-
Less: COA of building	-	(60,00,000)
Less: COI	-	(5,00,000)
<b>Long term capital gain (loss)</b>	<b>(39,25,000)</b>	<b>-</b>
<b>Short term capital gain (since POH is not more than 24 months)</b>		<b>25,00,000</b>

**B23. 50CA – Mr. Sharekhan transferred 1,000 unquoted shares of Khan Pvt. Ltd. to Mr. Bond on 10.9.2021 at .....**

*Computation of capital gain for AY 2022-23*

Particulars	Rs.
Full value of consideration u/s 50CA = 1,000 shares @ FMV of Rs. 5,000 per share since FVC < FMV	50,00,000
Less: ICOA = COA $\times$ (CII of 2021-22/CII of 2005-06) = 1,000 $\times$ 1,500 $\times$ (317/117)	(40,64,103)
Long term capital gain	9,35,897

**FINANCIAL ASSETS**

**B24. Bonus shares – Mr. Ghosh purchased 2,000 shares of JKG Ltd. on 20.10.1999 for Rs. 80 each. JKG Ltd. allotted.....**

*Computation of capital gain chargeable for AY 2022-23*

Particulars	Original shares - 2,000	Bonus shares - 1,000	Bonus shares – 600
Full value of consideration	20,00,000	10,00,000	6,00,000
Less: Expenditure on transfer @ 1%	(20,000)	(10,000)	(6,000)
Net consideration	19,80,000	9,90,000	5,94,000
Less: COA			
• Original shares: COA (Higher of COA (80.80, i.e., 80 + 1% brokerage) or FMV (90) on 1.4.2001) × (CII of 2021-22/CII of 2001-02) = (2,000 × 90) × (317/100)	(5,70,600)	-	-
• Bonus shares 1 <sup>st</sup> lot: COA (Higher of COA (nil) or FMV (90) on 1.4.2001) × (CII of 2021-22/CII of 2001-02) = (1,000 × 90) × (317/100)	-	(2,85,300)	-
• Bonus shares 2 <sup>nd</sup> lot: COA = Nil	-	-	Nil
<b>Long term capital gain</b>	<b>14,09,400</b>	<b>7,04,700</b>	-
<b>Short term capital gain</b>	-	-	<b>5,94,000</b>

**B25. Right shares – Jagjit purchased 1,000 shares of PQR Ltd. of face value Rs. 10 each on 22.5.2015 for Rs. 100.....**

*Computation of capital gain chargeable for AY 2022-23*

Particulars	Jagjit – Original shares	Jagjit – Right shares	Jagjit – Shares renounced	Rekha
Full value of consideration				
• Jagjit = 1,000 original shares and 100 right shares subscribed @ 250 per share	2,50,000	25,000	-	-
• Jagjit – 150 right entitlement renounced @ 25 per share	-	-	3,750	-
• Rekha – 150 shares @ 250 per share	-	-	-	37,500
Less: COA				
• Jagjit - Original shares: COA × (CII of 2021-22/CII of 2015-16) = (1,000 × 100) × (317/254)	(1,24,803)	-	-	-
• Jagjit – Right shares subscribed: 100 shares @ 90 per share	-	(9,000)	-	-
• Jagjit – Right entitlement renounced	-	-	Nil	-
• Rekha – 150 shares @ 115 (25 paid to Jagjit + 90 paid to PQR Ltd., per share)	-	-	-	(17,250)
<b>Long term capital gain</b>	<b>1,25,197</b>	-	-	-
<b>Short term capital gain</b>	-	<b>16,000</b>	<b>3,750</b>	<b>20,250</b>

**B26. ESOP – Shashi, employed by DEF Pvt. Ltd., was offered 1,000 shares in the company at a pre-determined price.....**

*Computation of perquisite taxable under the head 'Salaries' for AY 2022-23*

Particulars	Rs.
FMV on date of exercise of option @ 400 per share for 500 shares	2,00,000
Less: Amount paid @ 200 per share for 500 shares	(1,00,000)
Taxable perquisite	1,00,000

*Computation of capital gain for AY 2022-23*

Particulars	Rs.
Full value of consideration @ 600 per share for 200 shares	1,20,000



Less: COA @ 400 per share (FMV on date of exercise of option) for 200 shares	(80,000)
Short term capital gain (since shares held for not more than 12 months from allotment)	40,000

**B27. 47(x) – Mohan acquires 1,000 fully convertible debentures of Share Ltd. on 15.4.2015 of face value Rs. 100 each.....**

*Computation of capital gain for AY 2022-23*

Particulars	Rs.
<b>Capital gain on conversion of debentures to shares in PY 2019-20</b>	<b>Nil</b>
<b>Capital gain on sale of shares in PY 2021-22</b>	
Full value of consideration = 100 × 5,000 shares	5,00,000
Less: Expenditure on transfer = 1% of 5 lakh	(5,000)
Net consideration	4,95,000
Less: ICOA = COA of debentures × (CII of 2021-22/CII of 2015-16) = (1,000 × 200) × (317/254)	(2,49,606)
COA, POH and indexation is taken with reference to debentures	
<b>Long term capital gain</b>	<b>2,45,394</b>

### INTANGIBLE ASSETS

**B28. Intangible – Mr. Doc, a doctor, started his profession. With the passage of time, he acquired lot of reputation.....**

*Computation of capital gains arising to Mr. Doc for AY 2022-23 on transfer of goodwill*

Particulars	Rs.
Full value of consideration	2,00,000
Less: ICOA	Nil
Long term capital gain	2,00,000

**B29. Intangible – Mr. X started the business of manufacturing furniture on 10.8.1995. As on 1.4.2001, the fair .....**

*Computation of capital gains arising to Mr. X for AY 2022-23*

Particulars	Rs.
Full value of consideration	1,50,00,000
Less: Expenditure on transfer	(1,00,000)
Net consideration	1,49,00,000
Less: ICOA & ICOI	Nil
Long term capital gain	1,49,00,000

**B30. Intangible – Roshan purchased tenancy rights from Mohan on 1.1.1998 by paying Rs. 1 lakh. Fair market value.....**

*Computation of capital gains arising to Roshan for AY 2022-23*

Particulars	Rs.
Full value of consideration	5,00,000
Less: Expenditure on transfer	(10,000)
Net consideration	4,90,000
Less: ICOA = COA (FMV substitution not available) × (CII of 2021-22/CII of 2001-02) = 1 lakh × (317/100)	(3,17,000)
Long term capital gain	1,73,000

# 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 <b>Note</b> ). 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.*

**B31a. 50B – CA2021(JULY)** – Mr. Patel is a proprietor of Star Stores since 20.5.2019. He has transferred his shop by way.....

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

Particulars	Rs.
Full value of consideration = FMV of shop on date of transfer. Assumed that it is same as actual consideration.	40,00,000
Less: Expenditure on transfer	(80,000)
Less: Deemed COA & COI = Net worth (See <b>Note</b> ).	(10,42,500)
<b>Short term capital gain (since the shop is held for not more than 36 months)</b>	<b>28,77,500</b>

*Note – Net worth of shop*

Particulars	Rs.	Rs.
Building		5,00,000
Furniture	5,00,000	
Less: Depreciation @ 50% of 10% of 1,50,000 since used for < 180 days	(7,500)	
		4,92,500
Debtors		2,00,000
Other assets	8,00,000	
Less: Depreciation on trademarks @ 25% of 2,00,000	(50,000)	
		7,50,000
Value of total assets		19,42,500

Less: Value of liabilities:		
Bank loan	5,00,000	
Trade creditors	2,50,000	
Unsecured loan: 2,00,000 less 50,000 waived off	1,50,000	
		(9,00,000)
Net worth		10,42,500

#### 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*

Computation of capital gain for AY 2022-23 on sale of house in Jaipur	Case A	Case 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
Computation of capital gain for AY 2024-25 on sale of house in Bhopal within 3 years of its acquisition	Case A	Case 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	-
Computation of capital gain for AY 2025-26 w.r.t. CGAS deposit not utilized within 3 years of sale of house in Jaipur	Case A	Case 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
Computation of capital gain for AY 2027-28 on sale of house in Bhopal after 3 years of its acquisition	Case A	Case 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*

Particulars	Rs.
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*

Particulars	Rs.
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 NHAI 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:		
• 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.		(20,00,000)
• 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		(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).

<b>Particulars</b>	<b>Rs.</b>
<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>



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## Working steps of solutions

### B41 to B50

#### Capital Gains

#### Build Your Confidence (BYC)

**B41. 54, 54EC – CA2015(N) (modified) - Martin sold his residential house property on 8.6.2021 for Rs. 7 crore.....**

*Computation of income under the head 'Capital Gains' for AY 2022-23*

Particulars	Rs.
Full value of consideration u/s 50C = SDV, since it is > 110% of consideration.	8,00,00,000
Less: Expenditure on transfer	(10,00,000)
Net consideration	7,90,00,000
Less: ICOA = COA × (CII of 2021-22/CII of 2006-07) = 2 crore × (317/122)	(5,19,67,213)
Long term capital gain before exemption (since house property held for more than 24 months)	2,70,32,787
Less: Exemption:	
• Exemption u/s 54 = Cost of New Asset, i.e., Purchase of new house property and deposit in CGAS account, before the due date of filing ROI u/s 139(1) (assumed to be 31.7.2022).	(2,50,00,000)
• Exemption u/s 54EC = Cost of investment in NHAI bonds made within 6 months of transfer of original asset (i.e., on or before 7.12.2021) subject to upper cap of Rs. 50 lakh	(50,00,000)
Taxable long term capital gain	Nil

*Note:* Since CG > 2 crore, exemption is available only for one new house. However, in this case, exemption will not be denied on amount spent on additional floor on the ground that since only one new house is entitled to exemption, the amount deposited in CGAS will not be construed as having been utilized to acquire new house. This is because different floors (units) of a house property can be construed as one house property.

**B42. 54, 54EC – CA2011(N) - Selvan acquired a residential houses in January 2006 for Rs. 10,00,000 and made some.....**

*Computation of capital gain taxable in the hands of Selvan*

Computation of capital gain for AY 2022-23	Rs.
Full value of consideration u/s 50C = SDV, since it is > 110% of consideration.	80,00,000
Less: ICOA = COA × (CII of 2021-22/CII of 2005-06) = 10 lakh × (317/117)	(27,09,402)
Less: ICOI = COI × (CII of 2021-22/CII of 2010-11) = 2 lakh × (317/167)	(3,79,641)
Long term capital gain before exemption (since house property held for more than 24 months)	49,10,957
Less: Exemption:	
• Exemption u/s 54 = Cost of new asset being purchase of new house property within 1Y before or 2Y from date of transfer of original asset	(25,00,000)
• Exemption u/s 54EC: Not available since NHAI bonds purchased after 6 months of transfer of original asset	Nil
Taxable long term capital gain	24,10,957

  

Computation of capital gain for AY 2023-24 since new house sold within 3 years of its acquisition	Rs.
Full value of consideration	40,00,000
Less: ICOA = COA (Cost – CG exempted earlier u/s 54) = 25 lakh – 25 lakh = Nil) × (CII of 2022-23/CII of 2020-21)	Nil
Long term capital gain (since new house sold after 24 months)	40,00,000

**B43. 54F - Jagjit owns certain jewellery which was acquired in two lots: On 1.5.2004 for Rs. 20 lakh and on 1.5.2020.....**

*Computation of capital gain in the hands of Jagjit*

<b>Computation of capital gain for AY 2022-23</b>	<b>LTCA</b>	<b>STCA</b>
Full value of consideration	80,00,000	60,00,000
Less: Expenditure on transfer	(80,000)	(60,000)
Net consideration	79,20,000	59,40,000
Less: COA		
• ICOA for 1 <sup>st</sup> lot = COA × (CII of 2021-22/CII of 2004-05) = 20 lakh × (317/113)	(56,10,619)	-
• COA for 2 <sup>nd</sup> lot	-	(30,00,000)
Capital gain (long term for first lot and short term for second lot based on POH threshold of 36 months)	23,09,381	29,40,000
Less: Exemption u/s 54F (only on LTCG) = Capital gain × (Cost of new asset / Net consideration) = 23,09,381 × (60,00,000 / 79,20,000). Cost of new asset = Amount utilized to acquire new asset and that deposited in CGAS by due date to file ROI.	(17,49,531)	-
Taxable capital gain	5,59,850	29,40,000
<b>Computation of capital gain for AY 2024-25 in which another house, other than the new asset, is purchased within 2Y from 1.5.2021</b>	<b>Rs.</b>	<b>Rs.</b>
Long term capital gain = Capital gain exempted earlier	17,49,531	-

**B44. 54F - Jagjit purchased a vacant plot of land on 1.8.2010 for Rs. 30 lakh which he sold on 1.8.2021 for.....**

*Computation of capital gain in the hands of Jagjit*

<b>Computation of capital gain for AY 2022-23</b>	<b>Rs.</b>
Full value of consideration u/s 50C = FVC, since SDV ≤ 110% of FVC	90,00,000
Less: Expenditure on transfer	(90,000)
Net consideration	89,10,000
Less: ICOA = COA × (CII of 2021-22/CII of 2010-11) = 30 lakh × (317/167)	(56,94,611)
Long term capital gain	32,15,389
Less: Exemption u/s 54F = Capital gain × (Cost of new asset / Net consideration) = 32,15,389 × (75,00,000 / 89,10,000).	(27,06,556)
<b>Taxable long term capital gain</b>	<b>5,08,833</b>
<b>Computation of capital gain for AY 2025-26 in which new house is sold within 3Y from 1.3.2022</b>	<b>Rs.</b>
Full value of consideration u/s 50C = SDV, since SDV > 110% of FVC	1,00,00,000
Less: Expenditure on transfer = 1% of 90 lakh	(90,000)
Net consideration	99,10,000
Less: ICOA = COA × (CII of 2024-25/CII of 2021-22) = 75 lakh × (350/317).	(82,80,757)
Long term capital gain on sale of house in Shimla (since held for more than 24 months)	16,29,243
Long term capital gain exempted earlier (now forfeited)	27,06,556
<b>Taxable long term capital gain</b>	<b>43,35,799</b>

#### TAX ON CAPITAL GAIN

**B45. Compute the tax liability of Charmis from the following particulars for the AY 2022-23. He has not opted for.....**

*Computation of tax liability of Charmis for AY 2022-23*

<b>Particulars</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>
<b>Composition of total income</b>				
STCG u/s 111A: STCG on sale of units of equity oriented fund	2,00,000	1,00,000	1,00,000	1,00,000
LTCG u/s 112A: LTCG on sale of equity shares of Z Ltd.	3,00,000	2,00,000	1,20,000	1,20,000
LTCG u/s 112: LTCG on sale of diamond jewellery and unlisted shares	2,50,000	90,000	2,80,000	2,80,000
Other income (taxable at normal rates): Salary and STCG on sale of vacant plot of land	6,50,000	2,00,000	1,70,000	1,70,000
Gross total income	14,00,000	5,90,000	6,70,000	6,70,000
Less: Deduction u/c VIA from gross total income: Available only from other income.	(1,50,000)	(1,50,000)	(1,70,000)	(1,70,000)

Total income	12,50,000	4,40,000	5,00,000	5,00,000
<b>Incomes comprised in total income:</b>				
Income taxable at special rates	7,50,000	3,90,000	5,00,000	5,00,000
Income taxable at normal rates	5,00,000	50,000	Nil	Nil
Unexhausted basic exemption limit (UBEL) (first adjust u/s 112, then 111A, then 112A). Benefit not available to NR.	-	2,50,000	3,00,000	N/A
<b>Computation of tax liability:</b>				
Tax on LTCG u/s 112 @ 20% :				
• A: 20% of 2,50,000	50,000	-	-	-
• B: 20% of Nil (90,000 adjusted against UBEL)	-	Nil	-	-
• C: 20% of Nil (2,80,000 adjusted against UBEL)	-	-	Nil	-
• D: 20% of 2,80,000	-	-	-	56,000
Tax on STCG u/s 111A @ 15%:				
• A: 15% of 2,00,000	30,000	-	-	-
• B: 15% of Nil (1,00,000 adjusted against UBEL)	-	Nil	-	-
• C: 15% of 80,000 (20,000 adjusted against UBEL)	-	-	12,000	-
• D: 15% of 1,00,000	-	-	-	15,000
Tax on LTCG u/s 112A @ 10%:				
• A: 10% of 2,00,000 (3,00,000 – exemption of 1 lakh)	20,000	-	-	-
• B: 10% of 40,000 (1,40,000 (60,000 adjusted against UBEL) – exemption of 1 lakh)	-	4,000	-	-
• C & D : 10% of 20,000 (1,20,000 – exemption of 1 lakh)	-	-	2,000	2,000
Tax on other income at normal rates:				
• A: Tax on 5,00,000	12,500	-	-	-
• B: Tax on 50,000	-	Nil	-	-
• C & D: Tax on Nil	-	-	Nil	Nil
	1,12,500	4,000	14,000	73,000
Less: Rebate u/s 87A: Available to resident individual with TI ≤ 5 lakh. Not available on tax u/s 112A.	-	-	(12,000)	-
	1,12,500	4,000	2,000	73,000
Add: Surcharge: Not applicable for TI up to 50 lakh	-	-	-	-
	1,12,500	4,000	2,000	73,000
Add: HEC @ 4%	4,500	160	80	2,920
<b>Tax liability</b>	<b>1,17,000</b>	<b>4,160</b>	<b>2,080</b>	<b>75,920</b>

**B45a. CA2021(JULY) – Compute the tax liability for AY 2022-23 (in a manner most beneficial to the assessee) of Satya.....**

*Composition of total income of Satya for AY 2022-23*

Particulars	Rs.
Long term capital gain on sale of plot – Section 112	1,00,000
Short term capital gain on sale of listed equity shares (STT paid) – Section 111A	2,90,000
Other income	1,00,000
<b>Total income</b>	<b>4,90,000</b>

*Computation of tax liability of Satya for AY 2022-23*

Particulars	Rs.
Tax on LTCG u/s 112 @ 20% of Nil (LTCG of 1,00,000 – Unexhausted basic exemption limit to the extent of 1,00,000)	-
Tax on STCG u/s 111A @ 15% of 2,40,000 (STCG of 2,90,000 – Balance unexhausted basic exemption limit of 50,000)	36,000
	36,000
Less: Rebate u/s 87A up to 12,500 since total income does not exceed 5 lakh	(12,500)
	23,500
Add: HEC @ 4%	940
<b>Tax liability</b>	<b>24,440</b>

*Mistake by students:*

- Failure to consider benefit of unexhausted basic exemption limit.
- Failure to provide rebate u/s 87A.

**B46. 112A – CA2019(M) - Himanshi (68 years) is a resident individual. During the AY 2022-23, she has income from.....**

*Computation of tax liability of Himanshi for AY 2022-23*

Particulars	Rs.
<b>Incomes comprised in total income:</b>	
• Long term capital gain u/s 112A	1,80,000
• Other income	2,75,000
<b>Computation of tax liability:</b>	
• Tax on LTCG u/s 112A: Unexhausted BEL = 25,000 (3,00,000 – 2,75,000). Taxable LTCG = 1,80,000 – 25,000 = 1,55,000. Taxable LTCG u/s 112A = 1,55,000 – exemption of 1,00,000 = 55,000. Tax @ 10%.	5,500
• Tax on balance income of Rs. 2,75,000 at normal rates	Nil
<b>Tax on total income</b>	<b>5,500</b>
Less: Rebate u/s 87A: Not allowed on tax u/s 112A	-
	5,500
Add: Surcharge	-
	5,500
Add: HEC@ 4%	220
<b>Tax liability</b>	<b>5,720</b>

*Mistake by students – Failure to provide benefit of unexhausted BEL to LTCG.*

**B46A. CA2021(JAN) - One equity share of a company listed on recognized stock exchange is acquired on 1.1.2017 at.....**

*Computation of capital gain/loss u/s 112A*

Particulars	Rs.
Full value of consideration	150
Less: COA = Higher of COA (100) or lower of FMV on 31.1.2018 or FVC (i.e., 200 or 150) = 150. Benefit of indexation not available u/s 112A.	(150)
<b>Long term capital gain u/s 112A</b>	<b>Nil</b>

**B46B. 112A, 112 - CA2021(JULY) – Examine the taxability of capital gains in the following scenarios for AY 2022-23.....**

*Scenario 1 - Computation of capital gain u/s 112A as shares are transferred on which STT is paid on sale and purchase*

Particulars	Rs.
Full value of consideration = 10,000 shares @ 550 per share	55,00,000
Less: COA = Higher of COA (395) or lower of FMV on 31.1.2018 or FVC (i.e., 390 or 550) = 395. Benefit of indexation not available u/s 112A.	(39,50,000)
<b>Long term capital gain u/s 112A. This will be taxable at 10% on amount exceeding 1 lakh, i.e., on 14,50,000.</b>	<b>15,50,000</b>

*Mistake by students – Failure to correctly compute LTCG u/s 112A and specify the rate of tax thereon.*

*Scenario 2 - Computation of capital gain u/s 112 as gain is LTCG since period of holding of house is more than 24 months*

Particulars	Rs.
Full value of consideration u/s 50C is stamp duty value since it exceeds 110% of consideration	45,00,000
Less: ICOA = COA × (CII of 2021-22/CII of 2017-18) = 9 lakh × (317/272)	(10,48,897)
	34,51,103
Less: Exemption u/s 54EC for investment in NHAI bonds within 6 months from 4.9.2021. Not eligible since investment is made after the eligible period.	-
<b>Long term capital gain u/s 112 taxable @ 20%</b>	<b>34,51,103</b>

*Mistake by students – Wrongly allowed exemption u/s 54EC even when investment made beyond the time limit.*

**B47. 55, 112A – Calculate the tax liability of Chintan, a resident individual of age 45 years, for the AY 2022-23 on sale of.....**

*Computation of tax liability for AY 2022-23 in the hands of Chintan*

Particulars	Rs.
Capital gain on sale of equity shares u/s 112A:	
• Full value of consideration	9,00,000
• Less: Expenses on transfer being brokerage on sale (STT not allowed as deduction)	(9,000)
• Net consideration	8,91,000
• Less: COA = Higher of COA (1,50,000 based on higher of cost or FMV on 1.4.2001) or lower of FMV on 31.1.2018 or FVC (5,00,000 or 9,00,000)	(5,00,000)
Long-term capital gain u/s 112A	3,91,000
Business income	5,00,000
<b>Gross total income</b>	<b>8,91,000</b>
Less: Deduction u/s 80C for amount deposited in NSC certificates (not allowed on income u/s 112A)	(50,000)
<b>Total income</b>	<b>8,41,000</b>
<b>Incomes comprised in total income:</b>	
• Long term capital gain u/s 112A	3,91,000
• Other income	4,50,000
<b>Computation of tax liability:</b>	
• Tax on LTCG u/s 112A @ 10% on 2,91,000 (3,91,000 – exemption of 1,00,000)	29,100
• Tax on balance income of Rs. 4,50,000 at normal rates	10,000
<b>Tax on total income</b>	<b>39,100</b>
Less: Rebate u/s 87A: Not allowed as total income > 5 lakh	-
	39,100
Add: Surcharge	-
	39,100
Add: HEC@ 4%	1,564
<b>Tax liability</b>	<b>40,664</b>
<b>Tax liability (rounded off)</b>	<b>40,660</b>

**B48. 111A/112A – Gurmeet, 70 years of age, acquired 150 equity shares of JKL Ltd. on 15.5.2008 at Rs. 1,500 per.....**

*Computation of total income and tax liability of Gurmeet for AY 2022-23*

Particulars	Rs.	Rs.
<b>Long term capital gains on sale of original shares u/s 112A, i.e., equity shares on which STT is paid on acquisition and transfer</b>		
Full value of sale consideration = 150 × 5,500	8,25,000	
Less: Expenditure on transfer: Brokerage (50% of 10,000). STT not allowed as deduction.	(5,000)	
Net consideration	8,20,000	
Less COA = 150 × 3,500. COA of equity shares acquired before 1.2.2018 is higher of COA of Rs. 1,500 per share and lower of (a) FMV on 31.1.2018 of Rs. 3,500 per share or (b) FVC of Rs. 5,500 per share. Indexation not allowed u/s 112A.	(5,25,000)	
Long term capital gain u/s 112A	2,95,000	2,95,000
<b>Short term capital gains on sale of bonus shares u/s 111A, i.e, equity shares where sale is chargeable to STT</b>		
Full value of sale consideration = 150 × 5,500	8,25,000	
Less: Expenditure on transfer: Brokerage (50% of 10,000). STT not allowed as deduction.	(5,000)	
Net consideration	8,20,000	
Less: COA is Nil	Nil	
Short term capital gain u/s 111A	8,20,000	8,20,000
<b>Income from other sources</b>		
Dividend = 300 × Rs. 20 per share		6,000
<b>Total income</b>		<b>11,21,000</b>
<b>Tax liability</b>		
Tax on STCG u/s 111A: Unexhausted BEL = 2,94,000 (3,00,000 BEL – 6,000). Taxable STCG = 8,20,000 – 2,94,000 = 5,26,000. Tax is 15% of 5,26,000		78,900

Tax on LTCG u/s 112A @ 10% of 1,95,000 (2,95,000 – exemption of 1,00,000)		19,500
Tax on balance dividend income of 6,000		Nil
		98,400
Add: HEC @ 4%		3,936
Tax payable		1,02,336
<b>Tax payable (rounded off)</b>		<b>1,02,340</b>

**B49. 112, 112A – CA2019(N) (modified) – Rajan, a resident of age 30 years, provides you with the following details .....**

*Computation of capital gain and tax liability in the hands of Rajan for AY 2022-23*

Particulars	Rs.
<b>Sale of 10,000 shares of A Ltd. on 5.4.2021 @ Rs. 650 per share</b>	
Full value of consideration = 10,000 × 650	65,00,000
Less: COA = Higher of COA (100 per share) or lower of FMV on 31.1.2018 or FVC (i.e., 300 per share or 650 per share) = 10,000 × 300 per share. Benefit of indexation not available u/s 112A.	(30,00,000)
Long term capital gain u/s 112A: Since shares held for more than 12 months and STT is paid both on purchase and sale.	35,00,000
<b>Sale of 1,000 units of B Mutual Fund on 20.4.2021 @ Rs. 50 per unit</b>	
Full value of consideration = 1000 × 50	50,000
Less: COA = Higher of COA (10 per unit) or lower of FMV on 31.1.2018 or FVC (i.e., 55* per unit or 50 per share) = 1000 × 50 per unit. Benefit of indexation is not available u/s 112A. *NAV on 31.1.2018 taken assuming that units are not listed on this date.	(50,000)
Long term capital gain u/s 112A: Since units held for more than 12 months and STT is paid on sale.	Nil
<b>Sale of 100 shares of C Ltd. on 25.4.2021 @ Rs. 200 per share</b>	
Full value of consideration = 100 × 208	20,800
Less: ICOA = COA × (CII of 2021-22 / CII of 2001-02) = 5,000 (100 shares @ 50 per share) × (317 / 100) COA of bonus shares is Nil but FMV on 1.4.2001 can be substituted. Indexation is available u/s 112.	(15,850)
Long term capital gain u/s 112: Since shares are unlisted and held for more than 12 months	4,950
<b>Computation of tax for AY 2022-23</b>	
Tax u/s 112A @ 10% on Rs. 34,00,000 (35,00,000 – Exemption of 1,00,000)	3,40,000.00
Tax u/s 112 @ 20% on 4,950	990.00
Tax on other income of 4,00,000	7,500.00
Tax on total income	3,48,490.00
Less: Rebate u/s 87A (not available as total income > 5 lakh)	-
Add: Surcharge (not applicable as total income is up to 50 lakh)	-
Add: HEC @ 4%	13,939.60
Tax liability	3,62,429.60
<b>Tax liability (rounded off)</b>	<b>3,62,430</b>

*Mistake by students – Incorrect computation of COA of shares of A Ltd. Indexation provided u/s 112A.*

**B50. 45(2)/112/112A – CA2020(N) – Govind purchased 600 shares of Y Ltd. at Rs. 130 per share on 26.2.1979. Y Ltd.....**

*Computation of total income of Govind for AY 2022-23*

Particulars	600 original shares	400 bonus shares	800 bonus shares
<b>Long term capital gains on conversion of 1,000 shares into stock in trade u/s 45(2) – Taxable in AY 2022-23 (year of sale)</b>			
Full value of consideration = FMV on date of conversion of 31.1.2020 @ Rs. 2,200 per share (Note)	13,20,000	8,80,000	-
Less: ICOA = COA × (CII of 2019-20 being year of conversion / CII of 2001-02) COA = Higher of actual COA or FMV on 1.4.2001 = Rs. 900 ICOA = Rs. 900 per share for 600/400 shares × (289/100) COA is not computed on basis of FMV on 31.1.2018 since conversion is not	(15,60,600)	(10,40,400)	-



covered u/s 112A but u/s 112 (as STT is not paid on conversion into stock-in-trade)			
Long term capital loss	(2,40,600)	(1,60,400)	-
<b>Business income on sale of 1,000 shares held as stock-in-trade – Taxable in AY 2022-23</b>			
Sale consideration @ 2,400 per share	14,40,000	9,60,000	-
Less: Cost = FMV on date of conversion	(13,20,000)	(8,80,000)	-
Business income <sup>1</sup>	1,20,000	80,000	-
<b>Long term capital gain on sale of 800 bonus shares – Taxable in AY 2022-23</b>			
Full value of consideration @ Rs. 2,400 per share	-	-	19,20,000
Less: COA (indexation not allowed since sale is covered u/s 112A) = Higher of (a) COA of Rs. 900 and (b) lower of FMV on 31.1.2018 of Rs. 2,000 or FVC of Rs. 2,400. COA = Rs. 2,000 per share	-	-	(16,00,000)
Long term capital gain u/s 112A	-	-	3,20,000
<b>Computation of total income for AY 2022-23</b>			
Business income = Rs. 1,20,000 + Rs. 80,000			2,00,000
Long term capital gain of Rs. 3,20,000 less set off of long term capital loss of Rs. 4,01,000 (Rs. 2,40,600 + Rs. 1,60,400) = Loss of Rs. 81,000 to be carried forward to next AY u/s 74 (see para 191)			-
<b>Total income</b>			<b>2,00,000</b>

**Note:** FMV on 31.1.2018 is not relevant in determining FMV on 31.1.2020. As per section 2(22B) (see para 130), fair market value, in relation to a capital asset, means the price that the capital asset would ordinarily fetch on sale in the open market on the relevant date. Since the highest and closing prices are given in the question, FMV for the purpose of this solution has been taken to be the highest price. Alternatively, closing price can also be taken.

<sup>1</sup> STT @ 1% is deductible u/s 36(1)(xv) in computing business income since income is taxable as PGBP. However, it has not been deducted in the ICAI suggested answer.

# TAXBOOK<sup>+</sup>

## Working steps of solutions

### B51

#### Capital Gains

#### Build Your Confidence (BYC)

#### COMPREHENSIVE

**B51. COMPREHENSIVE – Compute the tax liability of Swarn, a resident individual aged 45 years, staying in his self.....**

#### Computation of tax liability of Swarn for the assessment year 2022-23

Particulars	Rs.	Rs.	Rs.
<b>Computation of total income</b>			
<b>Short term capital gain chargeable u/s 111A</b>			
Sale of equity shares of Jayman Ltd. (Note 14)		5,00,000	5,00,000
<b>Other short term capital gain</b>			
Conversion of painting into stock-in-trade (Note 1)		20,000	
Sale and buy back of unlisted shares of BCD Pvt. Ltd. (Note 7)		4,00,000	
Sale of shares of Rich Bank (Note 8)		5,000	
Transfer of depreciable assets (Note 11)		30,000	4,55,000
<b>Long term capital gain chargeable u/s 112A</b>			
Sale of units of Reliance equity fund (Note 6)		50,000	
Sale of shares of Rich Bank (Note 8)		56,000	
Sale of shares of Jack and Jill Ltd. received under ESOP (Note 9)		3,00,000	4,06,000
<b>Long term capital gain chargeable u/s 112</b>			
Sale of wardrobe (no capital gain since the furniture is personal effect used by dependant family member)		-	
Sale of land in village outside Ranchi (Note 2)	16,29,946		
• Less: Exemption u/s 54EC (Note 15)	(16,29,946)	Nil	
Exchange of silver ornaments (Note 3)		13,44,777	
Compulsory acquisition of residential house (Note 4)	25,85,015		
• Less: Exemption u/s 54, 54EC (Note 15)	(21,70,054)	4,14,961	
Sale of listed bonds (Note 5)		50,000	
Transfer of gold jewellery to friend (Note 10)		3,66,000	
Sale of brand name and license (Note 12)		12,01,818	
Sale of independent division of business (Note 13)		15,00,000	48,77,556
<b>Income under the head 'Profits and gains of business or profession'</b>			
Business income on sale of painting = Rs. 50,000 (sale price) – Rs. 45,000 (FMV on date of conversion)		5,000	
Other business income		1,00,000	1,05,000
<b>Income under the head 'Income from other sources'</b>			
Interest on delayed compensation u/s 56(2)(viii) = 30,000 less 50% deduction			15,000
Gross total income			63,58,556
Less: Deduction u/s 80C for deposit in PPF (not allowed from income u/s 111A, 112A and 112)			(1,50,000)

<b>Total income</b>		<b>62,08,556</b>
<b>Computation of tax liability</b>		
On short term capital gain u/s 111A of 5,00,000 @ 15%		75,000
On long term capital gain u/s 112A of 3,06,000 @ 10% (4,06,000 - Exemption of 1,00,000)		30,600
On long term capital gain u/s 112 on sale of listed corporate bonds of Rs. 50,000 @ 10% (without indexation)		5,000
On long term capital gain u/s 112 (other than on sale of listed corporate bonds) of Rs. 48,27,556 @ 20%		9,65,511
On other income of 4,25,000 (total income – incomes taxable above at special rates)		8,750
<b>Tax on total income</b>		<b>10,84,861</b>
Less: Rebate u/s 87A (not available since total income > 5 lakh)		-
		10,84,861
Add: Surcharge @ 10% since total income exceeds 50 lakh and is up to 1 crore		1,08,486
		11,93,347
Add: HEC @ 4%		47,734
<b>Tax liability</b>		<b>12,41,081</b>
<b>Tax liability (rounded off)</b>		<b>12,41,080</b>

**Computation of capital gain for AY 2025-26 for defaults committed u/s 54**

Particulars	Rs.	Rs.
<b>Long term capital gain on unutilized CGAS deposited within 3 years from receipt of compensation (October 2021) = 8 lakh – 7 lakh. Since capital gain on house is not more than Rs. 2 crore, Swarn can purchase 2 residential houses in India u/s 54 within two years from receipt of compensation. It is assumed that he exercised this once in a lifetime option.</b>		1,00,000
<b>Sale of new asset u/s 54 (house in Hyderabad) within 3 years of its acquisition</b>		
Full value of consideration u/s 50C = Consideration, since SDV is not more than 110% of consideration	14,00,000	
Less: Cost of acquisition = Cost (10 lakh) – Capital gain exempted earlier (10 lakh)	Nil	
Long term capital gain (since house held for more than 24 months)	14,00,000	14,00,000
<b>Total long term capital gain for AY 2025-26</b>		<b>15,00,000</b>

*Note 1 – Capital gain on conversion of painting into stock-in-trade, taxable for AY 2022-23, i.e., the year in which stock-in-trade is sold*

Particulars	Rs.
Full value of consideration: FMV on date of conversion u/s 45(2)	45,000
Less: Cost of acquisition (indexation not available since asset held for not more than 36 months till date of conversion)	(25,000)
<b>Short term capital gain (since period of holding till date of conversion is not more than 36 months)</b>	<b>20,000</b>

*Note 2 – Capital gain on sale of urban agricultural land (since situated within 8 km aerial distance from local limit of Ranchi and used for rice farming)*

Particulars	Rs.
Full value of consideration u/s 50C = SDV of 35 lakh since it is > 110% of 30 lakh of consideration. SDV on date of agreement taken since part consideration received on this date by a specified mode. But since DVO value of 34 lakh is less than SDV, 34 lakh is taken as full value of consideration.	34,00,000
Less: Expenditure on transfer: Brokerage of 1% of 30 lakh	(30,000)
Net consideration	33,70,000
Less: Indexed cost of acquisition = COA × (CII of 2021-22 / CII of 2011-12) = 10.10 lakh × (317/184). Brokerage of 1% added to COA. Advance money forfeited on or after 1.4.2014 is taxable as IFOS in the year of forfeiture (AY 2019-20 in this case) and is not reduced from COA u/s 51.	(17,40,054)
<b>Long term capital gain (since period of holding is more than 24 months)</b>	<b>16,29,946</b>

*Note 3 – Capital gain on exchange of silver ornaments for gold jewellery*

Particulars	Rs.
Full value of consideration: FMV of gold jewellery on date of transfer since it is a case of exchange	20,00,000
Less: Indexed cost of acquisition = COA × (CII of 2021-22 / CII of 2016-17) = 5 lakh × (317/264). Cost of acquisition to the last previous owner taken who acquired it by a mode other than that referred u/s 49(1). Period of holding and indexation computed accordingly.	(6,00,379)
Less: Indexed cost of improvement: COI × (CII of 2021-22 / CII of 2019-20) = 50,000 × (317/289). Cost of improvement incurred by previous owner is considered.	(54,844)
<b>Long term capital gain (since period of holding by Swarn and previous owners is more than 36 months)</b>	<b>13,44,777</b>

*Note 4 – Capital gain on compulsory acquisition of residential house, taxable in AY 2022-23, i.e. year in which compensation received*

Particulars	Rs.
Full value of consideration: Initial compensation of 50 lakh + interim compensation of 10 lakh (included since final order passed in PY 2021-22). Final additional compensation of 5 lakh is taxable in AY 2023-24 in which it is received.	60,00,000
Less: Litigation expenses	(50,000)
Net consideration	59,50,000
Less: Indexed cost of acquisition = COA × (CII of 2020-21) / CII of 2001-02) = 10 lakh × (301/100). COA = Higher of cost (10 lakh + 3% stamp duty and brokerage) or FMV on 1.4.2001 (which can't exceed SDV on this date). This is Rs. 12 lakh. From this, reduce advance money forfeited before 1.4.2014 of Rs. 2 lakh u/s 51. COA = 10 lakh. Year of transfer for computing indexed COA and COI is the year of compulsory acquisition.	(30,10,000)
Less: Indexed cost of improvement:	
• Construction of floor before 1.4.2001: Not considered	-
• Addition of room on 1.6.2014: COI × (CII of 2020-21 / CII of 2014-15) = 2 lakh × (301/240)	(2,50,833)
• Significant alterations on 15.3.2020: COI × (CII of 2020-21 / CII of 2019-20) = 1 lakh × (301/289)	(1,04,152)
• Cost of painting and routine repair work: Not considered since not capital expenditure	-
<b>Long term capital gain (since house held for more than 24 months)</b>	<b>25,85,015</b>

*Note 5 – Capital gain on sale of listed bonds*

Particulars	Rs.
Full value of consideration	1,50,000
Less: Cost of acquisition (indexation is not available on bonds)	(1,00,000)
<b>Long term capital gain (since bonds are listed and held for more than 12 months)</b>	<b>50,000</b>

*Note 6 – Capital gain on sale of units of Reliance equity fund (being an equity oriented fund since at least 65% proceeds are invested in listed equity shares of domestic companies) – Covered u/s 112A since units are of EOF and STT paid on sale*

Particulars	Rs.
Full value of consideration for 1,000 units @ 150 per unit	1,50,000
Less: Expenditure on transfer (STT is not deductible)	-
Net consideration	1,50,000
Less: Cost of acquisition: Since units of EOF covered u/s 112A are acquired before 1.2.2018, COA is higher of (A) cost of 100 or (B) lower of FMV on 31.1.2018 of 90 or FVC of 150. Thus, COA is 100 per unit. Indexation not allowed u/s 112A	(1,00,000)
<b>Long term capital gain u/s 112A (since units of EOF held for more than 12 months)</b>	<b>50,000</b>

*Note 7 – Capital gain on sale and buy back of unlisted shares of BCD Pvt. Ltd.*

Particulars	Rs.
<b>Sale of shares on 1.4.2021</b>	
Full value of consideration = 5,000 shares @ Rs. 150 per share (i.e., FMV u/s 50CA since it is more than actual consideration) 1,000 preference shares were converted to 2,000 equity shares (no capital gain on conversion u/s 47(xb)). Sub-division of 2,000 equity shares into 10,000 equity shares (no capital gain on sub-division). Capital gain arise on sale of 50% holding, i.e., 5,000 shares	7,50,000
Less: Cost of acquisition: COA and period of holding is determined with reference to original preference shares. No indexation since gain is short-term as asset (unlisted shares) held for not more than 24 months. COA = 50%	(3,50,000)

of 7,50,000 (1,000 preference shares @ 750 per share)	
<b>Short term capital gain</b>	<b>4,00,000</b>
<b>Buy back of shares on 1.8.2021</b>	
Buy back of shares by a domestic company is exempt in the hands of shareholder u/s 10(34A). BCD Pvt. Ltd. will be liable to tax on distributed income u/s 115QA.	-

*Note 8 – Capital gain on sale of listed shares of Rich Bank Ltd.*

Particulars	Rs.	Rs.
<b>Shares acquired:</b>		
1. Original purchase - 100 shares		
2. Bonus shares - 50 shares		
3. Right shares – 25 shares (50% of 50 shares)		
Shares sold in the order they were first acquired, i.e., 100 original and 40 bonus shares		
<b>Long term capital gain on sale of 100 original shares (chargeable u/s 112A since STT paid on sale; STT not payable on purchase since acquisition before 1.10.2004, i.e., before STT law was enacted)</b>		
Full value of consideration @ 1,000 per share	1,00,000	
Less: Expenditure on transfer: STT paid not deductible	-	
Net consideration	1,00,000	
Less: Cost of acquisition (since equity shares referred u/s 112A acquired before 1.2.2018) = Higher of (a) cost (300, i.e., higher of 200 or FMV on 1.4.2001 of 300) or (b) lower of FMV on 31.1.2018 (600) or FVC (1,000) = 600 per share. Indexation not available u/s 112A.	(60,000)	
Long term capital gain u/s 112A	40,000	40,000
<b>Long term capital gain on sale of 40 bonus shares (chargeable u/s 112A since STT paid on sale; STT not payable on acquisition since issued by company)</b>		
Full value of consideration @ 1,000 per share	40,000	
Less: Expenditure on transfer: STT paid not deductible	-	
Net consideration	40,000	
Less: Cost of acquisition (since equity shares referred u/s 112A acquired before 1.2.2018) = Higher of (a) cost (nil) or (b) lower of FMV on 31.1.2018 (600) or FVC (1,000) = 600 per share. Indexation not available u/s 112A.	(24,000)	
Long term capital gain u/s 112A	16,000	16,000
<b>Total long term capital gain u/s 112A</b>		<b>56,000</b>
<b>Short term capital gain on renouncement of right entitlement</b>		
Full value of consideration: 25 shares @ 200 per share		5,000
Less: Cost of acquisition		Nil
<b>Short term capital gain</b>		<b>5,000</b>

*Note 9 – Capital gain on sale of shares of Jack and Jill Ltd. received under ESOP (chargeable u/s 112A since STT paid on sale (not payable on acquisition) and gain is long-term as shares held for more than 12 months)*

Particulars	Rs.
Full value of consideration = 1,000 shares @ 1,500 per share	15,00,000
Less: Expenditure on transfer: STT paid not deductible	-
Net consideration	15,00,000
Less: Cost of acquisition (since equity shares referred u/s 112A acquired before 1.2.2018) = Higher of (a) cost (500 being FMV on date of exercise of option) or (b) lower of FMV on 31.1.2018 (1,200 being highest quoted price on day immediately preceding 31.1.2018) or FVC (1,500) = 1,200 per share. Indexation not available u/s 112A.	(12,00,000)
<b>Long term capital gain u/s 112A</b>	<b>3,00,000</b>

*Note 10 – Capital gain on transfer of gold jewellery to friend*

Particulars	Rs.
Full value of consideration = FMV of asset transferred on date of transfer of Rs. 9 lakh (u/s 50D) since full value	10,00,000

of consideration is not ascertainable. However, AO can refer valuation to VO u/s 55A since he is of the opinion that FMV (9.5 lakh) exceeds value claimed by more than 15% or 25,000. Thus, FVC u/s 55A is value determined by VO.	
Less: Indexed cost of acquisition = COA (higher of cost or FMV on 1.4.2001) × (CII of 2021-22 / CII of 2001-02) = 2 lakh × (317/100).	(6,34,000)
<b>Long term capital gain</b>	<b>3,66,000</b>

*Note 11 – Capital gain on transfer of depreciable assets*

Particulars	Rs.
WDV of Block of machinery (15% depreciation) as on 1.4.2021	1,00,000
Add: Cost of Machine G acquired on 1.3.2022 and put to use on 15.3.2022	25,000
Less: Moneys payable for Machine D sold during the year (sale price)	(80,000)
Less: Moneys payable for Machine C destroyed during the year (insurance compensation)	(75,000)
WDV of Block for depreciation (cannot be negative)	Nil
<b>Depreciation: No depreciation since WDV is nil though block continues to exist. Capital gains arise.</b>	
<b>Computation of capital gain:</b>	
Full value of consideration	1,55,000
Less: Expenditure on transfer (insurance premium is not expenditure on transfer)	-
Net consideration	1,55,000
Less: WDV of Block as on 1.4.2021	(1,00,000)
Less: Cost of Machine G acquired during the year	(25,000)
<b>Short term capital gain</b>	<b>30,000</b>

*Note 12 – Capital gain on transfer of brand name and license*

Particulars	Rs.	Rs.
<b>Sale of self generated brand name of business</b>		
Full value of consideration	10,00,000	
Less: Expenditure on transfer	(10,000)	
Net consideration	9,90,000	
Less: Cost of acquisition	Nil	
Long term capital gain	9,90,000	9,90,000
<b>Sale of business license</b>		
Full value of consideration	5,00,000	
Less: Indexed cost of acquisition = COA × (CII of 2021-22 / CII of 2013-14) = 2 lakh × (317/220).	(2,88,182)	
Long term capital gain	2,11,818	2,11,818
<b>Total long term capital gain (since both assets held for more than 36 months)</b>		<b>12,01,818</b>

*Note 13 – Capital gain on slump sale of business division u/s 50B*

Particulars	Rs.
Full value of consideration: FMV of division as on 15.12.2021	50,00,000
Less: Cost of acquisition and improvement = Net worth of division = WDV of block of depreciable assets (10 lakh) + Book value of other assets (30 lakh, i.e., 35 lakh less revaluation of 5 lakh) – Value of liabilities as per books (5 lakh). Indexation not allowed u/s 50B	(35,00,000)
<b>Long term capital gain (since division held for more than 36 months)</b>	<b>15,00,000</b>

*Note 14 – Capital gain on sale of equity shares of Jayman Ltd. (transfer on amalgamation is exempt u/s 47(vii), subsequent sale is liable to capital gain, chargeable u/s 111A since shares are not held for more than 12 months (including period held in Cayman Ltd.) and STT is chargeable on sale)*

Particulars	Rs.
Full value of consideration: 2,000 shares @ 750 per share	15,00,000
Less: Expenditure on transfer (STT not deductible)	-
Net consideration	15,00,000
Less: Cost of acquisition (with reference to Cayman Ltd.) = 1,000 shares @ 1,000 per share	(10,00,000)
<b>Short term capital gain u/s 111A</b>	<b>5,00,000</b>

*Note 15 – Exemptions from capital gain*



<b>Particulars</b>	<b>Land</b>	<b>House</b>
Eligible exemptions: 1. U/s 54EC – On long term capital gain on sale of land and house – Purchase of bonds of NHAJ and RECL 2. U/s 54 – On long term capital gain on sale of house – Purchase of house 3. U/s 54F – On long term capital gain on sale of any asset (other than house) – Purchase of house		
Long term capital gain	16,29,946	25,85,015
<i>Less exemption u/s 54F:</i> Not advisable since Swarn already owns a residential house in Delhi and would own an extra house in Surat, other than the house in Hyderabad. On purchase of house in Surat, exemption u/s 54F would be forfeited and would be taxable as LTCG.	-	-
<i>Less exemption u/s 54EC:</i> Since 54EC exemption can be applied both for sale of land and house but 54 exemption can be applied only for sale of house, it is advisable to exhaust 54EC exemption first. <ul style="list-style-type: none"> <li>Exemption for RECL bonds: Not available for purchase of bonds on 15.8.2022 since not within 6 months from sale of land on 10.2.2022 and receipt of compensation for house on 25.10.2021 and 1.12.2021</li> <li>Exemption for NHAJ bonds = 20 lakh being purchase of bonds on 15.3.2022 (i.e., within 6 months from sale of land on 10.2.2022 and receipt of compensation for house on 25.10.2021 and 1.12.2021)</li> </ul>	(16,29,946)	(3,70,054)
	Nil	22,14,961
<i>Less exemption u/s 54:</i> Cost of new asset = House in Hyderabad purchased within 2 years of receipt of compensation (10 lakh) + CGAS deposit (8 lakh), by the ROI due date	-	(18,00,000)
<b>Balance long term capital gain</b>	<b>Nil</b>	<b>4,14,961</b>

#### CHARGEABILITY

**M4. Romil owns four plots of land which he sold during the PY 2021-22. Sale of which of these will not be .....**

Situated beyond 8 kms from local limits of area with population > 10 lakh: Rural area

**M5. Shivam, aged 45 years, sold an agricultural land for Rs. 52 lakh on 4.10.2021 acquired at a cost of .....**

First land is rural agricultural land: No CG. Second land is urban agricultural land. STCG = 53 – 46.

**M7. Ram undertook certain transactions during the PY 2021-22. He seeks your advise on which of the following.....**

CG is taxable in the year of transfer of capital asset

**M8. Which of the following capital assets, held by Raju for 15 months before sale, would give rise to long term.....**

Threshold POH for listed securities is 12 months

**M9. Which of the following capital assets, held by Raju for 30 months before sale, would give rise to short term.....**

Threshold POH for unlisted debentures is 36 months

**M15. If a building is held by the assessee for 36 months, cost of improvement incurred 14 months before transfer.....**

Since gain is LTCG

**M16. Indexation is available on which of the following transfers made by Rohit, a resident, during PY 2021-22.....**

Threshold POH for unlisted equity shares is 24 months

**M17. Heera, maintaining books of account on cash basis, sold his shop to Meera on 15.6.2021. Meera discharged .....**

FVC = 10 + 5 + 18 = 33L. Gain is STCG. COA = 12. CG = 33 – 12 = 21L.

**M18. Juhi, stuck in a criminal litigation, handed over some precious stones which she owned, to Jasbir, her lawyer.....**

Juhi STCG = 5L u/s 50D – 2L = 3L.

**M19. Sawan purchased a residential house from Sohan during the PY 2021-22 for Rs. 50 lakh. Sohan had.....**

STCG = 50,00,000 FVC – 30,30,000 COA (30,00,000 purchase price + 30,000 brokerage) – 1,00,000 Trf exp (50,000 brokerage + 50,000 legal charges) = 18,70,000

**M20. Yuvi acquired a residential flat in Chennai for Rs. 50 lakh on 1.1.2001. FMV of the flat on 1.4.2001 was .....**

FVC u/s 50C = 2 Cr. Exp on trf = 2,00,000.

COA = 55,50,000. ICOA = COA × (317/100) = 1,75,93,500.

LTCG = FVC – Exp – ICOA = 22,06,500. Painting/repair is not part of COI.

**M21. Shaivi acquired a building in Goa for Rs. 20 lakh on 1.1.2010. FMV and SDV on this date were Rs. 22 lakh.....**

FVC u/s 50C = 50 lakh.

COA = 20 lakh. ICOA = COA × (317/148) = 42,83,784.

COI = 5 lakh. ICOI = COI × (317/301) = 5,26,578.

LTCG = FVC – ICOA – ICOI = 1,89,638

**M22. Advance money received in connection with failed transfer of capital asset and forfeited on 1.5.2010 by.....**

Sum forfeited by previous owner not reduced from COA u/s 51

**M23. Rajan acquired a shop in a commercial complex in Mumbai for Rs. 10 lakh on 1.2.1995. FMV and SDV.....**

FVC u/s 50C = 80L.

COA = 15L – 1L forfeited from Somil – Nil forfeited by previous owner – Nil forfeited from Monu as taxable as IFOS = 14L.

ICOA = COA × (317/100) = 44,38,000.

COI = 3L. ICOI = COI × (317/105) = 9,05,714.

LTCG = FVC – ICOA – ICOI = 26,56,286

**M25. If cost of acquisition to previous owner cannot be ascertained, it means FMV on the date the capital asset .....**

FMV on date capital asset was acquired by previous owner

**M26. Y purchased a flat on 1.6.2010 and gifted it to Z on 1.8.2019. Z sold the flat on 1.6.2021. Indexation of cost .....**

Year of acquisition by previous owner

**M27. B constructed a building for Rs. 5 lakh on 1.5.1995 and incurred Rs. 1 lakh in constructing an additional room.....**

FVC u/s 50C = 50L.

COA = 10L cost to D (last previous owner). ICOA = COA × (317/100) = 31,70,000.

COI = 2 lakh incurred by G. ICOI = COI × (317/122) = 5,19,672.

LTCG = FVC – ICOA - ICOI = 13,10,328

**M28. Y Ltd. is a 100% holding company of Z Ltd. Y Ltd. transfers a capital asset (acquired in 2002 for Rs. 50,000) on.....**

Section 47(iv)

#### SPECIAL PROVISIONS FOR DEPRECIABLE ASSETS

**M31. Vandana started a business on 1.4.2021 and purchased a machine for Rs. 10 lakh entitled to 15% rate of.....**

No dep as block becomes empty. STCG = FVC 8L – actual cost 10L = (2L)

**M32. Vandana purchased Machine C on 1.1.2022 for Rs. 10 lakh (15% rate of depreciation). She sold Machine B.....**

Opening WDV = 8,00,000 – 60,000 (50% dep) = 7,40,000. Addition = 10 lakh. Money payable = 6 lakh. Closing WDV = 7,40,000 + 10,00,000 – 6,00,000 = 11,40,000.

Dep = 50% of 15% of 10 lakh and 15% on remaining 1.4 lakh = 96,000. No CG.

**M33. Opening WDV of the block of intangible assets, comprising know-how and patent, on 1.4.2021, is Rs. 20 lakh.....**

Closing WDV = opening WDV 20L + actual cost 5L – moneys payable 35L = Nil. No Dep.

STCG = FVC 35L – opening WDV 20L – actual cost 5L = 10L.

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

**M34. Insurance compensation received for destruction of machinery used in the manufacturing process, in a road .....**

Road accident not covered u/s 45(1A)

**M35. Sony, a businessman, had two machines in the block of assets (15% depreciation rate) with WDV of 1 lakh on.....**

Block ceases to exist. No Dep. STCG = FVC 95,000 – opening WDV 1,00,000 = (5,000).

**M36. Johnny, engaged in manufacturing of goods, owned a residential house which was destroyed in a cyclone that.....**

House: FVC = 10L. COA = 10L. ICOA = COA × (301 (2020-21) / 280 (2018-19)) = 10,75,000. LTCG = FVC – ICOA = (75,000).

Car: No CG as personal effect.

SIT: Taxed as PGBP, not as CG.

**M37. If Rashmi converted a capital asset, acquired in PY 2014-15, into stock-in-trade of her business in PY 2019-20.....**

U/s 45(2), year of transfer of capital asset is year of conversion but year of charge of CG and BI is year of transfer of SIT

**M38. Rashmi started a jewellery business on 1.2.2021 and brought her personal jewellery that she used to wear, into.....**

CG: FVC = 2,50,000 (50% of 5L). COA = 50,000 (50% of 1L). ICOA = 90,120 (CII of 2020-21 301/CII of 2010-11 167). LTCG = FVC – ICOA = 1,59,880.

BI = 4,00,000 – 2,50,000 = 1,50,000.

**M39. If Rashmi treats the stock-in-trade of her business (acquired on 17.8.2016) as a capital asset on 17.8.2020 and.....**

Section 28(va) and 49(9)

**M40. Government of Delhi acquired a plot of land owned by Gyan on 1.6.2020 for constructing Delhi Metro. It paid.....**

Initial compensation taxable in AY 2021-22; interim compensation taxable in AY 2023-24; pending amount taxable in AY 2023-24.

**M41. What is the tax treatment for AY 2022-23 of Rs. 30,000, being interest on compensation received on 30.9.2021.....**

Taxable on receipt basis as IFOS after 50% deduction

**M42. Government of Maharashtra acquired a house owned by Yaman on 10.12.2020, which he had acquired as gift.....**

FVC = 30L. COA = 20 lakh. ICOA = 22,80,303 (CII of 2020-21, 301/ CII of 2016-17, 264). LTCG = 7,19,697.

LTCG on 5L = 5,00,000 – 50,000 = 4,50,000.

Total LTCG = 11,69,697

**M43. Pursuant to a registered agreement, JKL Pvt. Ltd. handed over possession of land to Super Builders on 15.1.2021.....**

45(5A) is not applicable to company. CG taxable in AY 2021-22.

**M44. Pursuant to a joint development agreement, entered by Chunky with Junky Builders on 10.1.2020, to construct.....**

FVC = 30L SDV + 20L money = 50L.

COA = 25L. ICOA = 27,66,544 (CII of 2020-21, 301 / CII of 2017-18, 272).

LTCG = FVC – ICOA = 22,33,456

## SPECIAL PROVISIONS TO PREVENT TAX AVOIDANCE

**M52. Zulu sold his house to Zola on 15.12.2021 for Rs. 50 lakh. Zola paid Rs. 1 lakh by a bearer cheque as token .....**

STCG = FVC u/s 50C of 50L (as SDV of 55 lakh is not > 110% of 50 lakh) – COA of 30L = 20L

**M53. Rolu agreed to sell his house to Golu for Rs. 20 lakh. He received 10% of consideration on date of agreement.....**

FVC u/s 50C = 21L. COA = 15L. STCG = 6L

**M55. Zubin sold a vacant land to Rubin for Rs. 30 lakh on 14.8.2021 on which date its SDV was Rs. 50 lakh and FMV.....**

30L since SDV of 32L does not exceed 110% of 30L

**M57. Shekhar, a shareholder of 100 unlisted equity shares in Shikhar Pvt. Ltd., sold his entire shareholding on.....**

FVC @ 5,500 u/s 50CA. STCG based on 24 month POH. STCG = 5,500 – 3,000 per share.

**M58. Jagan sold gold jewellery during the PY 2021-22, which he acquired for Rs. 1 lakh in June 1997. For computing.....**

U/s 55A

**M59. Upon retirement of Rajat, a partner of RKS & Co, from the partnership firm on 1.6.2021, he was given a plot of.....**

U/s 55A; AO of the opinion that FMV exceeds value claimed by more than 25,000, if not by more than 15%.

## FINANCIAL ASSETS

**M62. The period of holding does not run from the date of allotment of shares in which of the following cases.....**

Runs from date of offer of right

**M63. Capital gain on renouncement of rights entitlement is always long term capital gain.....**

It is always STCG

**M64. Rana was offered 100 rights shares of PQR Ltd. @ Rs. 400 per share on 20.5.2020 which he renounced.....**

Rana: STCG = FVC 20,000 – COA Nil = 20,000.

Sana: STCG = FVC 1,00,000 – COA 60,000 (200 + 400 per share) = 40,000; POH from date of allotment.

**M65. Maya had bought 3,000 listed shares of a company on 25.2.2021 at Rs. 300 per share. The company announced.....**

Original shares: LTCG: FVC 12,00,000 – 9,47,841 (9,00,000 × (317/301)) = 2,52,159.

Bonus: STCG = 4,00,000 - Nil = 4,00,000.

**M66. Cee purchased 100 shares of Gems Ltd. @ Rs. 50 per share on 20.2.1998. FMV on 1.4.2001 was Rs. 100 per.....**

LTCG on original 100 shares: FVC = 1,00,000; COA = 10,000; ICOA = 31,700 (COA × (317/100)); LTCG = 68,300.

LTCG on 50 Right shares: FVC = 50,000; COA = 10,000; ICOA = 12,008 (COA × (317/264)); LTCG = 37,992.

STCG on 50 Bonus shares: FVC = 50,000; COA = Nil; STCG = 50,000.

**M68. Ruma purchased 1000 shares of D Ltd. on 1.7.2020 @ 200 per share, 2000 shares of C Ltd. on 1.12.2020 @.....**

STCG will arise. FVC = 6,00,000. COA @ 200 for 1,000 shares and @ 300 for 200 shares = 2,60,000. STCG = 3,40,000

**M69. Zen subscribed to 1,000 convertible preference shares of Maruti Ltd. on 1.11.2008 @ Rs. 500 per share.....**

FVC = 2,000 shares @ 600 = 12,00,000.

COA = 5,00,000. ICOA = 11,56,934 (COA × (317/137)).

LTCG = FVC – ICOA = 43,066

**M71. Shine Ltd., an Indian company, purchased its 10,000 equity shares of face value of Rs. 10 for Rs. 50 from its.....**

Income exempt for Sheryl u/s 10(34A).

Distributed income for BBT on Shine Ltd. = 50 per share – 15 per share = 35 per share = 3.5 lakh

**M73. Roland Ltd. split its equity shares of face value of Rs. 10 each into five equity shares of Rs. 2 each, on 1.1.2021.....**

FVC = 50,000. COA = 200 shares @ 100 = 20,000. ICOA = 21,938 (COA × (317/289)). LTCG = 28,062

**M75. Quant Ltd. allotted 1,000 equity shares to Rashid on 1.3.2021 on payment of Rs. 200 per share under its.....**

STCG will arise. POH computed from 1.3.2021. FVC = 15L. COA @ 1000 = 10L. STCG = 5L

**M76. Zara acquired 100 debentures in Z Ltd. on 1.7.2015 for Rs. 500 each. 50% of the debentures were converted.....**

Debentures: LTCG will arise; no indexation; FVC 30,000; COA 25,000; LTCG 5,000.

Shares: LTCG will arise; FVC 60,000; COA 25,000; ICOA 31,201 (COA × (317/254)); LTCG 28,799

## INTANGIBLE ASSETS

**M81. Rishabh, selling products under the brand name 'Super Duper Foods' since 1.5.2000, transferred the brand.....**

LTCG = 50,00,000 – COA Nil – Exp 10,000 = 49,90,000

**M82. Mr. Bee purchased license to run his profession from Mr. Cee on 15.2.2018 for Rs. 10 lakh. He also created and.....**

STCG will arise. License = FVC 20L – COA 10L = 10L. Trademark of profession = FVC 10L – COA Nil = 10L

**M83. Gopal, a transporter, acquired stage carriage permit on 12.12.2017 for Rs. 1,00,000 from another transporter.....**

LTCG will arise. FVC = 2,00,000. COA = 1,00,000. ICOA = 1,16,544 (COA × (317/272)). LTCG = 83,456

## BUSINESS REORGANIZATION

**M85. Shaunak, a shareholder in Mart Ltd., received 5,000 shares in D-Mart Ltd. on 1.6.2021 pursuant to .....**

LTCG will arise; FVC 20,00,000 (5,000 shares @ 400); COA 10,00,000 (1,000 shares @ 1,000); ICOA 10,96,886 (COA × (317/289)). LTCG = 9,03,114

**M88. KLM Ltd. transferred its entire manufacturing unit to BCD Ltd. for a lump sum consideration of Rs. 30 crore.....**

FVC = FMV on date of transfer 30 Cr; Net Worth = Tax WDV 10 Cr + Land 5 Cr + Other assets 10 Cr – Liability 5 Cr = 20 Cr.

LTCG = 30 cr – 20 cr, u/s 50B.

## CERTAIN OTHER TRANSFERS NOT LIABLE TO CAPITAL GAIN

**M89. MF Hussain, a renowned painter, donated his famous paintings to the National Art Gallery on 20.2.2021. He.....**

Exempt u/s 47(ix)

**M91. Mr. Shankar, aged 70 years, purchased a residential house on 1.4.2019 for Rs. 50 lakh and mortgaged it to.....**

Loan received is exempt u/s 10(43)

## EXEMPTIONS

**M102. In which of the following situations, can exemption be claimed u/s 54, by Rohit?**

A: No as RH not sold. C: No as construction after 3 years. D: No as STCG

**M103. In which of the following situations, is exemption not available u/s 54, in the hands of Rashmi?**

RH not in India

**M105. Shubham sold a residential house on 1.12.2021, for the first time in his life, resulting in a long term capital...**

AY 2022-23: CNA = 25L purchase + 25L CGAS = 50L. LTCG = 50L – 50L exemption = Nil.

AY 2025-26: LTCG of 5L on CGAS not utilized within 3Y.

Exemption allowed under the once in a lifetime option for 2 houses as CG ≤ 2 crore.

**M106. Vaibhav sold his old residential house in April 2020 for Rs. 28,00,000. LTCG arising on transfer of old house.....**

AY 2021-22: LTCG = 8,40,000 – 5,00,000 exemption u/s 54 = 3,40,000.

AY 2022-23: STCG = 14,00,000 FVC – Nil COA (COA = cost of 5 lakh – CG exempted earlier 5 lakh) = 14,00,000

**M107. Dhoni sold a residential house, for the first time in his life, on 1.5.2021 on which long term capital gain was.....**

AY 2022-23: LTCG = 25L – Exemption u/s 54 of 20L (for 2 houses as per once in a lifetime option as CG ≤ 2 cr) = 5L.

AY 2024-25: STCG; 15L FVC u/s 50C – Nil (cost 10L – earlier exemption of 10L) = 15L.

**M108. In which of the following situations, can Jas reduce capital gain by claiming exemption u/s 54B.....**

No capital gain in Case A; Land not used for agriculture for 2Y preceding transfer in Case B; CG exempt u/s 10(37) in Case C.

**M109. Harini is a resident of India residing in Jaipur. During FY 2011-12, she purchased an agricultural land situated in.....**

Land is rural agri land – No CG.

**M110. Yash, sold agricultural land, situated 2 kms from the municipal limits of Pune (population 30 lakh), on 1.4.2021.....**

Old land: Urban agri land; COA 10,00,000; ICOA 12,00,758 (COA × 317/264); LTCG = 30,00,000 FVC – 12,00,758 ICOA – 15,00,000 exemption u/s 54B = 2,99,242.

New land: Rural agri land, no CG on sale.

**M111. In which of the following cases can exemption from capital gain be claimed u/s 54D?**

A: No as land not used in manufacturing unit for 2 preceding years; C: No as new asset nor land or building; D: No as not a compulsory acquisition

**M112. In which of the following cases can the assessee claim exemption u/s 54EC?**

A: No exemption for corporate bonds; B: No exemption on STCG; C: No as bonds purchased after 6 months

**M113. Raj sold his shop on 1.3.2022 resulting in long term capital gain of Rs. 65 lakh. From out of the capital gain, he.....**

AY 2022-23: LTCG 65L – 45L exempt u/s 54EC = 20L.

AY 2024-25: LTCG = 15L exempted earlier u/s 54EC for RECL.

**M114. Raja sold his house on 15.3.2022 resulting in long term capital gain of Rs. 60 lakh. He invested Rs. 30 lakh in.....**

AY 2022-23: LTCG = 60L – 50L exempt u/s 54EC = 10L.

AY 2025-06: LTCG = 20L exempted earlier.

**M115. Rosy sold a plot of land on 1.3.2022 attracting LTCG of Rs. 50 lakh. It was acquired four years back. She used.....**

AY 2022-23: LTCG = 50L – 30L exempt u/s 54EC = 20L.

AY 2023-24: STCG 2L (12L – 10L) on diamond + 5L (15L – 10L) for bonds (not exempt earlier u/s 54EC, hence, exemption not forfeited; STCG computed normally) = 7L.

**M116. DLF builders converted a commercial building, held as capital asset, into stock-in-trade on 1.1.2021 (FMV on.....**

AY 2022-23: COA 20L; ICOA 22,13,235 (COA × CII of 2020-21, 301/CII of 2017-18, 272); LTCG u/s 45(2) = 40,00,000 FMV – ICOA = 17,86,765 – 10L exempt u/s 54EC = 7,86,765. 6M time limit taken from date of sale, not conversion.

PGBP = 50L u/s 43CA – 40L FMV = 10L.

**M117. Swara sold a residential house acquired three years before, on 1.2.2022 resulting in long term capital gain of.....**

AY 2022-23: LTCG = 75L – 25L NHA exemption u/s 54EC – 25L CGAS exemption u/s 54 = 25L.

Purchase of Kathmandu house not eligible for 54. Purchase of Patna house not eligible for 54 since after 2Y.

AY 2025-26: CGAS not utilized; LTCG = 25L.

**M118. In which of the following situations, can Raje claim exemption u/s 54F?**

B: No as owning more than 1 RH on date of transfer; C: No as gain is STCG; D: No as house purchased outside India

**M119. In which of the following situations, can exemption granted u/s 54F to Raman on sale of diamond jewellery on.....**

Purchased extra house within 2 year period

**M120. Jaya sold a commercial building, acquired in 2011, on 1.9.2021 for Rs. 50 lakh (SDV on this date: Rs. 54 lakh).....**

AY 2022-23: Exemption u/s 54F = 35 lakh CG × (30 lakh cost of new asset / 50 lakh net consideration) = 21 lakh; LTCG = 35 lakh – 21 lakh = 14 lakh.

AY 2024-25: Extra house in Ranchi within 2Y; LTCG = 21 lakh exempted earlier.

## TAX ON CAPITAL GAIN

**M121. Capital gain on transfer of which of the following capital assets during PY 2021-22 is taxable at the highest rate.....**



A: 20%; B: STCG taxable at 30% normal rate; C: STCG at 15% u/s 111A; D: LTCG at 10% u/s 112A

**M122. Indexation is available on transfer of which of the following assets by Raj, a resident, during AY 2022-23.....**

A: No as STCG; B: No u/s 112A; C: Yes as LTCG u/s 112; D: No as STCG.

**M123. Unexhausted basic exemption limit, if any, of a non-resident for AY 2022-23 can be adjusted against.....**

UBEL benefit not available to NR

**M125. For AY 2022-23, Rohit can claim deduction from gross total income u/s 80D in respect of mediclaim premium.....**

A: No as u/s 111A; C: No CG as personal effect; D: No as u/s 112

**M126. Saurabh, a resident, will be allowed rebate u/s 87A, if his total income for AY 2022-23 comprises of.....**

Rebate allowed if  $TI \leq 5L$ . Not allowed on tax u/s 112A.

**M128. Exemption of Rs. 1 lakh is available only on long-term capital gain and short-term capital on sale of equity shares.....**

Only u/s 112A; not u/s 111A

**M130. Gain arising till 31.1.2018 can be grandfathered in computing capital gain on transfer of which of the.....**

Case C is covered u/s 112A, shares acquired before 1.2.2018. STT not applicable on acquisition as STT law not in existence then.

**M134. Bhaskar acquires 100 equity shares on 1.1.2017 at Rs. 200. FMV of shares on 31.1.2018 is Rs. 500. He sells.....**

COA = Higher of (A) COA 200 or (B) Lower of FMV 500 or FVC 400 = 400. LTCG u/s 112A = 400 FVC – 400 COA = Nil

**M135. Bony purchased 100 equity shares of Zydus Ltd. on 1.4.1999 @ Rs. 100 per share. FMV on 1.4.2001 was Rs.....**

COA = Higher of (a) COA 150 or (b) lower of FMV 800 or FVC 1000 = 800. CG per share = 10,00 FVC – 800 Cost = 200.

**M136. Vinay purchased 100 equity shares of Reliable Ltd on 1.4.2016 @ Rs. 500 per share (STT paid). He was allotted.....**

Original shares: LTCG will arise; COA = Higher of (a) cost 500 or (b) lower of FMV 450 or FVC 475 = 500; LTCG per share = 475 – 500 = (25) . LTCL = 2500

Bonus shares: STCG per share = 475 - COA nil = 475. STCG = 23,750

**M137. Jagan purchased 1000 units of Reliance equity oriented fund on 1.4.2017 @ Rs. 50 per unit. He sold all the units.....**

COA = Higher of (a) cost 50 or (b) lower of FMV 75 or FVC 100 = 75. LTCG per unit = 100 – 75 = 25.

**M138. Taxable income of Ramu, a resident aged 35 years, for the AY 2022-23 comprises the following: Business income.....**

TI = 4,80,000 – 30,000 80C deduction = 4,50,000.

Tax: U/s 111A (15% of 50,000) 7,500; U/s 112A (10% of 1,50,000 – 1,00,000 exemption) 5,000; At normal rates (on 2,50,000) Nil. Rebate u/s 87A on tax u/s 111A = 7,500.

Tax = 5,000 + 4% HEC = 5,200

**M139. Mr. Fancy, a non-resident aged 85 years, has the following taxable income for AY 2022-23: Pension.....**

TI = 5L – 1L 80C (on pension) = 4L. UBEL benefit N/A for NR.

Tax: U/s 111A (15% of 1L) 15,000, U/s 112A (10% of 1L i.e., 2L – 1L exemption) 10,000, U/s 112 (20% of 1L) 20,000 = 45,000.

Tax = 45,000 + 4% HEC = 46,800. No 87A for NR.

**M140. Mr. Raja, a resident but not ordinarily resident, turned 60 years of age on 31.3.2022. Taxable income for.....**

TI = 5,90,000 – 1,50,000 u/s 80C (allowed from pension and normal STCG on sale of gold) = 4,40,000 (comprising 111A 50,000, 112A 2,20,000, 112 1,20,000, normal rate income 50,000).

Unexhausted BEL = 3,00,000 – 50,000 = 2,50,000 (adjust 1,20,000 from 112, 50,000 from 111A, 80,000 from 112A). Balance 112A = 1,40,000.

Tax u/s 112A (10% of 1,40,000 – 1,00,000 exemption) = 4,000. No 87A from 112A. Tax = 4,000 + 4% HEC = 4,160.

**M141. During the PY 2021-22, Ranveer has STCG of Rs. 95 lakh taxable u/s 111A, LTCG of Rs. 110 lakh taxable u/s 112A.....**

TI = 2.95 Cr. Income, other than u/s 111A/112A is 2.05 Cr. SC will be levied at 15% on entire income.

**M142. Zee, resident of age 65 years, has the following taxable income during the AY 2022-23: business income.....**

TI comprises 111A of 30L, 112A of 40L, other income of 1.5 Cr.

Tax: 111A @ 15% of 4,50,000 + 112A @ 10% (of 39L) of 3,90,000 + tax on normal income of 43,10,000 = 51,50,000.

Tax + 15% SC on tax + 4% HEC (on tax and SC) = 61,59,400.

**M143. Zee, resident of age 40 years, has the following taxable income during the AY 2022-23: business income.....**

TI comprises 111A of 30L, other income of 2.4 cr.

Tax: 111A (@ 15%) 4,50,000 + 112 (@ 20%) 8,00,000 + tax on normal income (business income) 58,12,500 = 70,62,500

SC = 15% on 111A tax (67,500) + 25% of remaining tax of 66,12,500 (16,53,125) =17,20,625.

Tax + SC = 87,83,125. Tax & SC + 4% HEC = 91,34,450.