

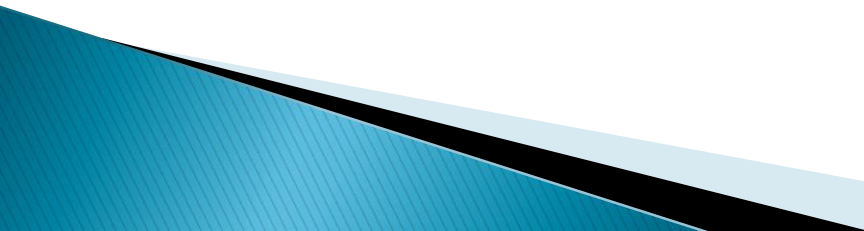
TAXATION-2

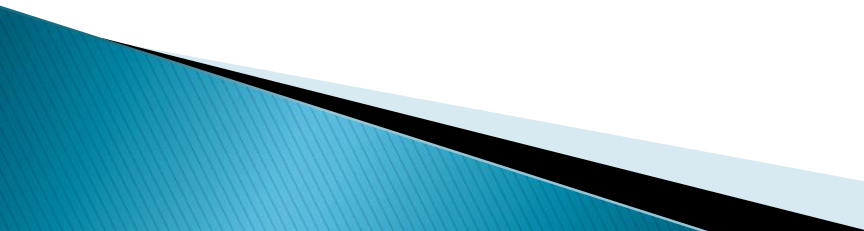
Capital Gain

PREPARED BY: DR. GARGI P. PATEL



Any profit or gain arising on sale or transfer of a capital asset during the previous year is treated as capital gain.

- ▶ According to sec. 2 (14)
“Capital Asset” means Property of any kind held by an assessee, whether or not connected with his business or profession.
- 

- ▶ Capital Assets includes all kinds of property, movable or immovable, tangible or intangible, fixed or circulating it also includes goodwill of the business, Partner's share in a firm, leasehold right in mine route permit for buses, tenancy rights, copyrights etc.
 - ▶ Capital Assets not include
 - 1) Any stock – in – trade consumable stores or raw materials held for business
 - 2) Personal effects --- wearing apparel, all types of vehicles and furniture held for personal use
 - 3) Rural agricultural land in India.
- 

Kinds of Capital Gain

- ▶ **Short term capital gain**
 - ▶ Capital Asset held for less than 36 months
 - ▶ For financial assets
 - a) listed securities held for less than 12 months
 - b) Unlisted securities held for less than 24 months
 - ▶ Any profit arise on the transfer of the said assets is short term gain

 - ▶ **Long term capital gain**
 - ▶ Capital Asset held for more than 36 months
 - ▶ For financial assets
 - a) listed securities held for more than 12 months
 - b) Unlisted securities held for more than 24 months
 - ▶ Any profit arise on the transfer of the said assets is long term gain
- 

Computation of gain

Particulars	Amt. Rs.
Transfer Price	✓
-less Transfer expenses	✓
= Net Consideration	✓
-less Indexed Cost of Acquisition	✓
-less Indexed Cost of Improvement	✓
= Long Term Capital Gain	✓
-Exempted Capital Gain u/s 54, 54F, 54EC etc.	✓
= Taxable Capital Gain	✓

Section 54

<i>Eligible Assessee</i>	<i>Asset transferred</i>	<i>Asset purchased</i>	<i>Exemption limit</i>	<i>Exemption is withdrawn</i>
Individual and HUF	Residential House(Long term asset)	One residential house is acquired within 1 year before or 2 years after the date of transfer Or One residential house is constructed within 3 years from the date of transfer	Cost of new residential house or cost of construction	If new house is transferred within the 3 years from the date of purchase or construction

Section 54 B

Eligible Assessee	Asset transferred	Asset purchased	Exemption limit	Exemption is withdrawn
Individual and HUF	Agricultural lands used for agriculture for at least 2 years before transfer (Long term asset)	One Agricultural land is acquired within 2 years from the date of transfer	Cost of new Agricultural land	If new agricultural land is transferred within the 3 years from the date of purchase

Section 54 D

Eligible Assessee	Asset transferred	Asset purchased	Exemption limit	Exemption is withdrawn
Any Assessee	Compulsory acquisition under any law of land or building or any right in land or building, forming a part of an industrial undertaking used by the assessee for business for at least 2 years before the date of transfer	Within the 3 years from the date of transfer acquisition of any land or building or any right in land or building, or constructed any other building for shifting or re-establishing an industrial undertaking	Cost of new land or building	If new land or building is transferred within the 3 years from the date of purchase

Section 54 EC

Eligible Assessee	Asset transferred	Asset purchased	Exemption limit	Exemption is withdrawn
Any Assessee	Any Long term capital asset	Within the 6 months after the date of transfer invested in any bonds of NHAI, RECL, PFCL, IRFC redeemable after 3 years issued on or after 1-4-2007 If exemption is not claimed u/s 80c	Amount invested in bonds	1) If bonds are transferred or converted into money or 2) If loan or advances are acquired on these bonds within the 3 years from the date of purchase

Section 54 EE

Eligible assessee	Asset transferred	Asset purchased	Exemption limit	Exemption is withdrawn
Any Assessee	Any Long term capital asset	Within the 6 months after the date of transfer invested in specified long term assets	Amount invested in specified assets	1) If specified assets are transferred or 2) If loan or advances are acquired on this within the 3 years from the date of purchase

Section 54 F

Eligible Assessee	Asset transferred	Asset purchased	Exemption limit	Exemption is withdrawn
Individual and HUF	Any Long term capital asset (other than residential house)	One residential house is acquired within 1 year before or 2 years after the date of transfer Or One residential house is constructed within 3 years from the date of transfer	Proportionate Amount is exempted	If new house is transferred within the 3 years from the date of purchase or construction

Section 54 G

Eligible Assessee	Asset transferred	Asset purchased	Exemption limit	Exemption is withdrawn
Any Assessee	Transfer of Machinery, plants, building or land or any right in land or building used for the purposes of business of an industrial undertaking used by the assessee in urban area	Within the 3 years from the date of transfer acquisition of any land or building or any right in land or building, or constructed any other building for shifting or re-establishing an industrial undertaking	Cost of new land or building	If the new asset is transferred within the 3 years from the date of purchase

Special Exemption

- ▶ **Capital Gains exempt from tax u/s 10**
- ▶ U/s 10 (33) Capital gain earned by a unitholder on transfer of US 64 of UTI on or after 1-4-2002 is fully exempted from tax.
- ▶ U/s 10 (38) long - term capital gain arising on transfer of listed equity shares, Derivatives and units of Equity Oriented Funds is fully exempted from tax provided that both purchaser and seller have pad STT at prescribed rates.