

CHAPTER – 6
INCOME UNDER THE
HEAD CAPITAL GAINS

Sections covered in this chapter

Sec 45(1)	Basis of charge
Sec 45(IA)	Destruction of Capital Asset
Sec 45(2)	Conversion of Capital Asset into SIT
Sec 45(2A)	Transfer of Demat Securities
Sec 45(3)	Transfer of capital asset by Partner to Firm
Sec 45(4)	Transfer of capital asset by Firm to Partner
Sec 45(5)	Compulsory acquisition of Capital Asset
Sec 46(1)(2)	Liquidation of Company
Sec 46A	Buy back of own shares
Sec 47	Transfers not regarded as transfers
Sec 50B	Slump sale
Sec 50C	Real estate transaction
Sec 54	Exemptions from capital gains
Sec 55	Cost of acquisition and cost of improvement
Sec 55A	Reference to valuation officer
Other sections	
Sec 2(14)	Capital asset
Sec 2(47)	Transfer
Sec 10(37)	Capital gain exempt on Compulsory acq. of urban agrl. land
Sec 111A	STCG @ 15% on shares,units

Sec. 45(1): Charging Section

- ❖ Profit on **TRANSFER** Of **CAPITAL ASSET**
- ❖ Taxable under Capital Gain In **P/Y** of **transfer**

Sec. 2(14) : Capital Asset

Any kind of Property *whether or not* connected to B/P

It does not include:

- ❖ SIT for B/P (Exception : Securities held by FII as per SEBI regulations)
- ❖ Movable personal assets **Excluding** Jewellery, Antiques, Drawings, Paintings, Sculptures, Art
- ❖ Agricultural Land in **Rural area in India**
- ❖ Gold Deposit Bonds issued under Gold Deposit Scheme 1999

URBAN AREA : SEC 2(1A)

- (a) Area within **Jurisdiction** of Municipal corporation + population of **atleast 10,000** or
- (b) Upto 2 kms from **above jurisdiction** having population > **10,000** but upto **1,00,000** or
- (c) Upto 6 kms from **above jurisdiction** having population > **1 lac** but upto **10 lac** or
- (d) Upto 8 kms, from **above jurisdiction** having population of > **10 lac**.

Section 2(47): Transfer Includes

- ❖ Sale, Exchange or Relinquishment
- ❖ Extinguishment of any right in CA
- ❖ Compulsory Acquisition of CA under any law
- ❖ Conversion of CA into SIT of business
- ❖ Possession of Immovable Property transferred u/s 53A, Transfer of Property Act
- ❖ Transaction of becoming a member in Coop. society/company which enables enjoyment of Immovable property
- ❖ Maturity or redemption of Zero coupon bonds

Computation of Capital Gains

There are 2 types of Capital Gains :

1. **Short Term Capital Gain (STCG)** : Transfer of STCA
2. **Long Term Capital Gain (LTCG)** : Transfer of LTCA

CAPITAL ASSETS					
-Listed Security (other than unit of MF) on recognised stock exchange		Unlisted shares Immovable Property		Other Capital Asset	
- Unit of UTI or Equity oriented fund					
- Zero Coupon Bonds					
Held for <u>Upto 12 months</u> preceding date of transfer	Held for <u>more</u> <u>than 12</u> months preceding date of transfer	Held <u>Upto 24</u> <u>months</u> preceding date of transfer	Held for <u>more than</u> <u>24</u> months preceding date of transfer	Held <u>Upto</u> <u>36 months</u> preceding date of transfer	Held for <u>more than</u> <u>36</u> months preceding date of transfer
STCA	LTCA	STCA	LTCA	STCA	LTCA

Section 48 : Computation of Capital Gains

Short Term Capital Gain	Long Term Capital Gain
FULL VALUE OF CONSIDERATION	FULL VALUE OF CONSIDERATION
Less : Selling Expenses	Less : Selling Expenses
: Cost of Acquisition of STCA	: <u>Indexed</u> Cost of Acquisition of LTCA
: Cost of improvement of STCA	: <u>Indexed</u> Cost of Improvement of LTCA

Special Points: No deduction of STT whether paid on purchases or sale

Indexed Cost of Acquisition

CII of F/Y of transfer

Cost of Acquisition X -----

CII of (F/Y asset held) or (F/Y 01-02), later

No indexation of Bonds (other than capital indexed bonds of Govt/Gold sovereign bonds) & Debentures

In case of a capital asset land or building or both, FMV of such asset on 1/4/2001 shall not exceed the stamp duty value, wherever available, of such asset as on 1/4/2001.

Indexed Cost of Improvement

$$\text{Cost of Improvement} \times \frac{\text{CII of F/Y of transfer}}{\text{CII of F/Y of improvement}}$$

Cost Inflation Index

Financial Year	Cost Inflation Index	Financial Year	Cost Inflation Index
2001-02	100	2011-12	184
2002-03	105	2012-13	200
2003-04	109	2013-14	220
2004-05	113	2014-15	240
2005-06	117	2015-16	254
2006-07	122	2016-17	264
2007-08	129	2017-18	272
2008-09	137	2018-19	280
2009-10	148	2019-20	289
2010-11	167	2020-21	301

Section 55: COST OF ACQUISITION

Types of Capital Asset		Cost of Acquisition	Period of holding
A	1) Goodwill of Business 2) Trademark, Brand name of Business 3) Tenancy Rights 4) Stage Carriage permits (route permit) 5) Loom Hours 6) Right to manufacture any article/carry any business	NIL <i>[If Self generated]</i> Or Purchase price <i>[If purchase]</i> FMV on 1.4.2001 not available if purchased before 1.4.2001	Date of Purchase /Self development To Date of Transfer
B	Shares purchased from company	Amount actually paid to company	Date of Allotment To Transfer
	Shares purchased from Broker/Market	Amount actually paid to broker including brokerage	Date of broker note To Transfer
	Right Shares subscribed	Amount Actually paid to company	Date of Allotment To Transfer
	Right offer renounced	Nil	STCA
	Person purchasing renounced offer	Amount paid to Seller of right and Company	Date of allotment of right To Date of sale
	Bonus Shares/Other Asset allotted free of cost	Nil (<i>FMV on 1.4.2001 available if such assets are purchased upto 31.3.2001</i>)	Date of allotment of bonus shares To transfer
C	Other Capital Assets	Cost of Acquisition <i>FMV on 1.4.2001 available if such assets purchased upto 31.3.2001</i>	Date of Acquisition To Date of Transfer

Section 55 : Cost of Improvement

A	Capital Assets	Cost of improvement
	-Goodwill of Business -Right to manufacture, process any article -Right to carry on any business	NIL (Whether capital asset is Self generated or purchased)
B	Other Capital Assets	<ul style="list-style-type: none"> • Capital Expenditure by Assessee on improvement • On or after 1.4.2001

COMPUTATION OF CAPITAL GAINS IN CERTAIN CASES

Section	Type of Transfer	POH	FVC	Indexation
Sec45(1A)	Destruction of Capital Asset due to Natural Disaster, Riot , Accidental Fire or Enemy action <i>Taxable in P/Y of receipt of compensation</i>	Date of Acquisition TO Date of Destruction	Money/FMV of asset on date of receipt	P/Y of Acquisition TO P/Y of Destruction
Sec 45(2)	Conversion of CA into SIT <i>Taxable In P/Y of sale of SIT</i>	Date of Acquisition TO Date of conversion to SIT	FMV of CA on conversion (SP – FMV) is P/G/B/P	P/Y of Acquisition TO P/Y of Conversion
Sec45(2A)	Transfer of Demat Securities <i>Taxable in hand of Beneficial owner in P/Y of transfer</i>	FIFO basis	Actual FVC	P/Y of Acquisition TO P/Y of Transfer
Sec 45(3)	Transfer of CA to Firm/AOP <i>Cap Gain in hands partner/ member in P/Y of transfer</i>	Date of Acquisition TO Date of transfer to firm	Amount recorded in books of Firm/AOP/BOI	P/Y of Acquisition TO P/Y of Transfer
Sec 45(4)	Transfer of Cap Asset by Firm/AOP on dissolution /otherwise <i>Cap Gain in hands of Firm/ AOP in P/Y of transfer</i>	Date of Acquisition of asset TO date of transfer by Firm/AOP	FMV on date of transfer	P/Y of Acquisition TO P/Y of Transfer
Sec 45(5)	CA is Compulsory acquired under any law <i>Taxable in <u>P/Y</u> in which compensation/part is <u>1st received</u></i> <u>Enhanced Compensation</u> Taxable in P/Y of receipt	Date of acquisition TO Date of compulsory acquisition. SAME as original compensation.	Full amount of Compensation Actual enhanced compensation	P/Y of Acquisition TO P/Y of Compulsory Acquisition NIL

Sec 46A	Buy Back exempt in hands of shareholder u/s 10(34A) if TAX paid by Domestic company on buy back of shares u/s 115QA <u>Sec 115QA now extended to listed shares w.e.f A/Y 20/21</u>	Date of acquisition of Shares/Securities TO Date of Buy Back	Amount from company for buy back	P/Y of Acquisition TO P/Y of Buy Back
Sec 46(1)	Distribution of CA by Company to its shareholders on liquidation	Such distribution NOT regarded as Transfer In hands of company		
Sec 46(2)	Shareholder receives any money or other assets on liquidation <i>Taxable as in P/Y of Receipt</i>	Date of acquisition of shares TO Date of liquidation	Money + MV of asset on distribution - Deemed dividend u/s 2(22)(c)	P/Y of acquisition TO P/Y of Liquidation
Sec 50B	<i>Cap Gain of P/Y of slump sale</i> <u>COA</u> : Value of Assets Less Value of liability Non depr assets at Book value & Depr assets at WDV Assessee shall furnish in prescribed form report of CA before specified date u/s 44AB indicating computation of net worth and certifying that Net Worth	Date of ownership of the undertaking TO Date of slump sale	Sale price of the undertaking	<i>LTCA , no indexation</i>
Sec 51	<u>Forfeiture of Advance Money</u> by Assessee	<u>shall be deducted</u> from COA of Capital Asset <u>W.e.f 1/4/14 Forfeited amount taxable under IOS & therefore not reduced from COA</u>		

Sec 45(5A) : Capital gain in case of Joint Development Agreements

- Individual/HUF + Transfer of land or building under joint development agreement
- capital gains chargeable in p/y of issuance of certificate of completion
- FVC = SDV (on date of issue of certificate) of his share, being land or building or both in Project + cash consideration, if any

Special point :

If assessee transfers his share in project on or before date of issue of certificate , Section 45(5A) shall not apply & capital gains shall be deemed to be income of p/y in which such transfer takes place & other provisions of this Act shall apply

Section 47: Following transfers will not be regarded as transfer

1. Distribution of CA on Total/Partial partition of H.U.F
2. Transfer of CA under Gift/ Will/ Irrevocable Trust
(Excludes transfer under gift of shares, debentures allotted by company under E.S.O.P)

In the above cases No Capital Gain will arise in hands of transferor.

When transferee transfers the above Capital Assets, he will be chargeable to Capital Gains

Special point : Computing cap gains in hands of transferee

COA to transferee	Cost to previous owner who had actually purchased the CA
POH	Period for which held by previous owner will also be included

3. Transfer of **Shares of Amalgamating Co** by S/H to Amalgamated Indian Co under Amalgamation provided transfer made for shares in Amalgamated Co

Special Point :

COA of shares in Amalgamated Co	COA of shares of Amalgamating Co against which shares allotted in Amalgamated co
POH	Period of holding shares in Amalgamating Co will also be included.

4. Issue of Share by resulting Co to shareholders of demerged Co for consideration of Demerger

Special Points:

1. COA of shares in Resulting Co.	Cost of acq. of shares in De merged co. X <u>Book value of assets T/F in Demerger</u> Net worth of De merged company
2. COA of shares of De merged Co.	Reduce Original cost by above

5. Transfer by any person to Govt, University, National Museum/Gallery of **work of art, archaeological, scientific or art collection, books, manuscript, drawing, painting, photograph**
6. Conversion of bonds or debentures of a co. into Shares /Debentures of that Co.

Special Points: If converted shares/debentured are transferred:

1. COA of converted shares/ Debentures	Cost of that part of Bonds or Debenture, which is so converted
2. POH of such converted shares/debentures	From the date of conversion <u>to</u> date of sale of such converted share/debenture

7. Transfer of CA on conversion of a Firm to a Co , **Provided**

- ✳ **All assets & liabilities** of firm become the assets & liability of Co.
- ✳ **All partners** become the S/H of the Co. in **same proportion** of their Capital A/c
- ✳ Partners should receive **only shares allotted** by Co. as consideration for transfer.
- ✳ Shareholding of partners in Co. **atleast 50% & maintained for 5 yrs** from date of conversion.

8. Transfer of **Any capital asset** by a private company or unlisted public company to LLP **OR**
Any transfer of a shares by a shareholder *as a result of conversion of company into a LLP in accordance with LLP Act, 2008* , **Provided**

- All **Assets & liabilities** of company become assets & liabilities of LLP.
- **All Shareholders** of company **become the partners** of LLP.
- Shareholders **receive consideration**,inform of **share in profit & capital contribution** in LLP.
- Capital contribution & profit sharing ratio in LLP is in **same proportion** as shareholding in company on date of conversion.
- Aggregate of profit sharing ratio of shareholders of company in LLP is **atleast 50% & maintained for 5 years**
- Turnover of business of company in **any of 3 P/Y** preceding the P/Y of conversion **upto 60 lac.**

9. Transfer of CA on conversion of Sole proprietary concern to a Co, **Provided**

- ✳ **All assets & liabilities** of sole proprietary concern become the asset & liabilities of Co.
- ✳ Sole proprietor should **hold least 50%** of total voting power & should be **maintained for 5 years**
- ✳ Sole proprietary should receive **only shares allotted** by Co. as consideration for transfer.

10. Transfer of a capital asset in transaction of **Reverse Mortgage** under CG notified scheme**Section 55A : Reference to valuation officer.**

- ❖ For **FMV** of Capital Asset u/s **45(1A), 45 (2), 45 (4), 46 (2), 55, Exchange of asset u/s 2 (47) & 50(C)**
- ❖ The AO may refer valuation of CA to **valuation officer** in **following cases**

Case 1	Case 2
Value claimed by assessee according to estimate by Registered Valuer	Where value claimed by assessee is not according to estimate by Registered Valuer
If AO is of opinion that MV > value claimed by assessee	If AO is of opinion that <ul style="list-style-type: none"> • MV > value claimed by assessee • 15% or Rs. 25,000, less.

Section 50C: FVC for Real Estate transactions

- ✓ Stamp valuation > 110% of Sale consideration on transfer of L&B
- ✓ then Stamp Value **Deemed** as FVC

Section 50C(2)

- ❖ Assessee claims that Stamp Valuation > FMV on date of transfer
- ❖ AO may refer the valuation to valuation officer u/s 55A

- IF Valuation determined by valuation officer u/s. **50C(2)**
- **Is less than** Stamp valuation
- then **value u/s 50C** shall be **Deemed** to be FVC

Sec 50CA : FVC for transfer of share other than quoted share

- If consideration
- For transfer of unlisted share
- is less than fair market value(FMV) of such share (determined in prescribed manner)
- FMV shall be
- deemed to be consideration

The provisions of this section shall not apply to any consideration received or accruing as a result of transfer by such class of persons and subject to such conditions as may be prescribed.

Sec 50D : FMV deemed to be FVC in certain cases

Consideration due to transfer of a capital asset is not ascertainable, then FMV of asset on date of transfer shall be deemed as FV

TAX RATE FOR CAPITAL GAIN for A/Y 21/22

<u>Short Term Capital Gain (STCG)</u>		
10(37)	111A	Other STCG
Exempt	15%	Taxable at slab rate

<u>Long Term Capital Gain (LTCG)</u>			
10(37)	u/s 112A	Listed securities <i>other than</i> Units of MF or Zero Coupon Bonds	Other LTCG
Exempt	10%	20% (with Indexation) Or 10% (without indexation) <i>whichever is lower</i>	20%

Special point :**Section 10(37) : Compulsory acquisition of land**

- ❖ Individual or HUF
- ❖ Compulsory acquisition of **Urban agricultural land (LT or ST)**
- ❖ Used 2 yrs before transfer for agricultural purposes by individual/parents/HUF
- ❖ capital gains shall be **exempt**

Section 111A:

- ❖ **Equity shares or Units of EOMF or Units of Business Trust (STCA)**
- ❖ and such transaction is chargeable to **STT**
- ❖ STCG shall be chargeable @ **15%**

LTCG on Sale of Listed Equity Shares or listed units of EOMF or units of Business Trust

Sec 112A : LTCG on above transaction will be taxable @ 10% in excess of ₹ 1,00,000.

Salient features of Sec 112A

1. STT paid on acquisition & transfer of equity share & paid on transfer of unit of EOMF or unit of business trust.
2. Deduction u/s 80C to 80U shall not be allowed from LTCG u/s 112A
3. Rebate u/s 87A shall not be allowed from the Tax payable u/s 112A.
4. Shifting of exemption limit allowed from LTCG u/s 112A
5. While computing LTCG, indexation benefits will not be allowed.

Sec 55(2) : Cost of acquisition if Sec 112A is Applicable

Equity shares or units of EOMF or unit of business trust acquired before 1/2/2018

COA shall be higher of—

- (i) Cost of acquisition of such asset
- (ii) lower of FMV OR FVC

CHAPTER - 7
INCOME UNDER THE
HEAD OTHER SOURCES

Sections covered in this chapter

Sec 56(1)	General Charging Section
Sec 56(2)	Specific Charging Section
Sec 145	Method of accounting
Sec 2(22)	Deemed dividend
Sec 115R	Dividend Tax by Mutual funds
Sec 115BB	Rate of Tax on lottery Incomes
Sec 194B	TDS on Lottery ,etc
Sec 115BB	TDS on horse races
Sec 2(22B)	Interest on security
Sec 193	TDS on interest on Security
Sec 194A	TDS on interest other than interest on Security
Sec 10(15)	Interest exempt from Tax
Sec 57	Deductible expenses from I/O/S
Sec 58	Non Deductible expenses from I/O/S

Sec. 56(1) : GENERAL SECTION

- ❖ Income **Not Excluded** from Total Income & **Not chargeable** to tax under **other 4 heads**
- ❖ chargeable under **I/O/S**

Sec. 56(2): SPECIFIC CHARGING SECTION**Following Incomes SHALL BE chargeable under I/O/S**

1. **Dividend** Income
2. Winnings from **Lotteries**, cross word puzzles , card games etc(**casual incomes**).
3. Interest on **Securities** ,if not under P/G/B/P
4. **letting of P&M/Furniture**, if not under P/G/B/P
5. Composite **letting of BUILDING** with P&M/Furniture, which is inseparable,if not under P/G/B/P
6. Sum under **Keyman Insurance Policy**, if not chargeable under salary or P/G/B/P
7. **Gifts** received by **Any Person**
8. Interest received on **compensation** or on enhanced compensation
9. **Advance money forfeited on capital asset w.e.f 1/4/2014**
10. **Share premium in excess of fair market value received by Closely Held Company.**
11. **Compensation/other payment**, due/received for termination of employment /modification of terms & conditions relating thereto.

Method of Accounting : **Sec. 145** : Profits is calculated on Cash or Mercantile basis regularly employed

Taxation of Dividend Received in hands of company

As per Sec 1150 ,Domestic company was liable to pay CDT on dividend Actual or Deemed.

However this section is not applicable wef 1/4/2021

Taxability of dividend in hand of shareholder

Dividend from domestic company will now will be taxable in hands of shareholder.

Domestic company Sec 2(22A):

Indian company or foreign company made arrangement for distribution of dividend in India

Special Points :

1. Dividend includes actual dividend & deemed dividend u/s. 2(22) (a), (b), (c), (d) & (e)
2. Dividend includes both **Interim** & **final** dividend.
3. **Sec 57 : Deduction of** Commission/remuneration for realising taxable dividend.

Sec. 2(22): Dividend Includes

Distribution by a Company to shareholders				
Sec. 2(22)(a)	Sec. 2(22)(b)		Sec.2(22)(c)	Sec. 2(22)(d)
All or part of its Assets	Debentures, deposit certificate	Bonus shares	money/ asset on liquidation	Money / Asset on Reduction of capital

Sec. 2(22)(e) : Taxable in hands of receiver

Closely held Company Gives loan or Advance TO

- ❖ Specified Shareholder (atleast 10% equity shares)
- ❖ CONCERN in which specified shareholder is partner/member & **has SI**
- ❖ Any person on behalf of specified shareholder

Special Points: Substantial Interest means: at least 20% income/ equity shares (any time)

Sec 2(18) : Company in which the public are substantially interested (Widely held company)

A company is said to be a company in which the public are substantially interested if

- a. owned by Government or RBI or
- b. Its atleast 40% shares are held by Government or RBI or
- c. company registered u/s 25 of Companies Act or
- d. company whose principal business is to accept deposits from its members or
- e. company in which atleast 50% equity shares were throughout P/Y held by co-operative societies

A company not covered under above categories is a closely held company

Taxation of Dividend received from Mutual funds including UTI:

As per Sec 115R ,Domestic mutual funds were liable to pay Distribution Tax on Income distributed to unitholders. However this section is not applicable wef 1/4/2021

Therefore Income received by unit holders on Mutual fund units will now will be taxable in hands of unitholders.

Sec 57 : No deduction shall be allowed from dividend income, or income of units of Mutual Fund other than deduction on account of interest expense, and

Such deduction shall not exceed 20% of dividend income, or income from units.

115QA : Tax payable by company on Buy back

Domestic company shall pay tax on distributed income on buy-back of shares (not being shares listed on a recognised stock exchange)

Special point :

(i) Buy-Back means purchase by company of its own shares

(ii) Distributed income" means consideration paid by company on buy-back of shares less amount received by company for issue of such shares.

(iii) Sec 10(34A) : Any income arising to shareholder due to buy back of shares by company u/s 115QA is exempt

(B) : Winning from Lottery,Crossword Puzzle, Races incl horse race,Card game/othergame, Gambling/betting

Sec. 115BB: Tax on above @ 30%

	TDS	Sec 194B	Sec 194BB
1.	Payment	Lottery, Crossword Puzzle, Card /Other game	Horse Races
2.	Rate of TDS	30% (Sec 115BB)	30% (Sec 115BB)
3.	Limit	Aggregate > ₹10,000 in P/Y	Aggregate > ₹10,000 in P/Y

Special Points :

(a) Deduction u/s 80C to 80 U **will not** be available from such **Incomes**.

(b) **Sec. 58:** No deduction for any Expenditure or Allowance from such incomes

Amount to be included in Total Income is Gross amount and not Net amount received after TDS

$$\text{Gross Amount to be included in Total Income} = \frac{\text{Net Amount Received after TDS} \times 100}{100 - \text{TDS rate}}$$

(C) Interest on Securities : Interest on Securities is covered Under I/O/S if not under PGBP**Sec. 10(15) : Interest Exempt from Tax**

1. Post office Saving Bank account upto 3500/upto 7000 in joint account
2. Post office Time deposit
3. Special Bearer Bonds
4. Notified Capital Investment Bond
5. Notified Relief Bonds, 2003.
6. Notified Bond/Debenture of **Public Sector Companies**.
7. Bonds of **Local Authority**, i.e. Municipal Bonds.
8. Interest on **Gold Deposit Bonds** issued under Gold Deposit scheme 1999.
9. **Interest to non-resident by unit located in International Financial Services Centre in respect of monies lent by it**

Sec. 193: TDS on Interest on Securities

1.	Type of Payment	Interest on Securities
2.	Rate of TDS	10%
3.	No TDS in following cases	1. securities of Central or State Government 2. Listed securities in Demat form 3. Interest payable to Resident Individual/HUF on debenture of company in which the public are substantially interested, if (a) Aggregate interest during P/Y is upto 5,000 (b) Interest is paid by account payee cheque

Special Point :**1. Amount to be included in Total Income is Gross amount & not Net amount received after TDS**

$$\text{Gross Amount} = \frac{\text{Net Amount Received after TDS} \times 100}{100 - \text{TDS rate}}$$

Bond Washing Transactions : Sec 94(1)

- ✓ If **owner of security**(Transferor)
- ✓ **Sells** security before record date &
- ✓ **Acquires** the same after record date
- ✓ Interest received by transferee
- ✓ **Deemed** as Income of transferor

However Deeming provisions of sec 94(1) is not applicable if

1. If there is **no avoidance** of Income tax or
2. Avoidance of tax was **exceptional & not systematic** & no avoidance during last **three preceding P/Y**

Sec. 194A: TDS on Interest other than "Interest on Securities"

1.	Type of Payment	Interest other than Interest on Securities
2.	Rate of TDS	10%
3.	No TDS in following cases	1. Interest by firm to a partner 2. Interest by coop. society (Other than coop bank) to member 3. Interest by bank on saving account/recurring account
4.	Exemption Limit	Payer Bank/Post office : Interest upto ₹40,000 in P/Y Other Payer : Aggregate upto ₹ 5,000 in P/Y For Deposit of senior citizen : Limit is Rs.50,000

(D) Income from letting of machinery, plant or furniture belonging to assessee

If P&M etc. is **NOT** let out as part of business than income from such hire will be taxable I/O/S
If letting is as part of his business activity than under P/G/B/P

(E) Income from composite letting of machinery, plant furniture and buildings

If letting of building is **inseparable** from letting of P&M etc. & letting is **NOT** a part of business activity, than income arising from such letting will be taxable I/O/S
If letting is as part of his business activity than under P/G/B/P

Deduction from Composite letting of building or Plant or Machinery / Furniture (Sec 57)

- ❖ Revenue Repair & Insurance to premises, machinery, plant or furniture.
- ❖ Depreciation on such building, machinery, Plant or furniture
- ❖ Other revenue expenditure

(F) Sum received under Keyman insurance policy including Bonus

is taxable as I/O/S provided not chargeable under head salary or P/G/B/P

(G) Sum/Property received by any person as Gifts**A. Taxation of Monetary Gifts**

- ☐ In excess of ₹50,000 in P/Y **other than special circumstances**
- ☐ **100%** of such sum
- ☐ Shall be included in **income of receiver** under head I/O/S

B. Taxation of Property as Gift /Inadequate consideration other than special circumstances

Property means : Immovable property, Shares and securities, Jewellery, Bullion, Archaeological collections, Drawings, Paintings, Sculptures, Any work of art

Transfer	Immovable property	IOS of receiver	Movable property	IOS of receiver
Gift	SDV upto 50,000	Exempt	FMV upto 50,000	Exempt
	SDV > 50,000	SDV	FMV > 50,000	FMV
For Consideration	Consideration < SDV and difference is higher of 50,000 or 10 % of consideration	SDV - Consideration	Consideration < SDV and difference is more than 50,000	FMV - Consideration

Sec 49(4) : If Kind gift taxable in hands of receiver, Stamp value/FMV deemed as Cost of Acquisition

SPECIAL CIRCUMSTANCES

1. Sum of Money/Property received from following will not be included in Income

1. From **RELATIVE**
2. On **Marriage** of Individual.
3. Under **will** or **inheritance**.
4. Received in **contemplation of death** of payer/donor
5. From/By registered **Trust , Local authority**
6. From any university /educational institution/hospital/trust/institution u/s 10(23C)
7. From such class of persons and subject to such conditions, as may be prescribed.

2. RELATIVE means

- Members in case of HUF

- In case of individual as follows

- (a) Spouse , Brother or Sister
- (b) Brother or sister of spouse
- (c) Brother or sister of either of the parents
- (d) Any lineal ascendant or descendant of Individual or spouse
- (e) Spouse of the above persons
- (f) Members of HUF

(H) : Interest received on Compensation or Enhanced Compensation due to compulsory acquisition of capital asset shall be **deemed to be the income of the previous year in which it is received.**

Sec 57 : Deduction of 50% from such Interest shall be allowed.

(i) : Advance money forfeited on capital asset on or after 1/4/2014 is taxable under I/O/S

(J) : Share premium in excess of fair market value to be treated as income of Closely Held Company

- *Where a company, not being a company in which the public are substantially interested,*
- *Receives, From a resident*
- *Any consideration for issue of shares that exceeds*
- *Face value of such shares*
- *Excess of aggregate consideration received for such shares over FMV of shares*
- *Shall be treated as income*

Sec 57 : Other Deductions available from I/O/S

Sec 57 : Deduction against family pension

33.33 % of Pension **OR** ₹. 15,000/- whichever is less

If assessee is covered u/s 115BAC then deduction of family pension shall not be allowed.

However following pension are exempt from tax

10(18)	Pension received by Individual or Family Pension by family member <i>if</i> Individual has been in service of C/S Govt. & awarded Vir Chakra /Mahavir Chakra /Param Vir Chakra/other notified gallantry awards.
10(19)	Family pension received by widow /children/ heir on death of member of armed forces during duty

Sec 57 : Any other Revenue expenditure exclusively for purpose of earning such income.

Misl provisions :

Sec 115BBF : Tax on income from Patent

- (1) Royalty income from patent developed & registered in India : Tax rate @ 10%.
- (2) **No deduction of any expenditure or allowance** shall be allowed
- (3) The eligible assessee (RESIDENT + FIRST TIEM INVENTOR + NAME UNDER PATENT ACT) **may exercise option** u/s 115BBF upto DDR for relevant P/Y.
- (4) If Eligible assessee opts for this section for any p/y & offers income for taxation for any of 5 subsequent p/y succeeding p/y not u/s 115BBF, then, assessee shall not be eligible to claim benefit of of this section for 5 p/y subsequent to p/y which such income has not been offered to tax in accordance with above provisions

Sec 115 BBG. : Transfer of Carbon Credit

(1) Income by way of transfer of carbon credits : Tax Rate @ 10%

(2) **No deduction** of any expenditure or allowance shall be allowed.

Special point : Carbon credit in respect of one unit shall mean reduction of one tonne of carbon dioxide emissions or emissions of its equivalent gases which is **validated by UN Framework on Climate Change** and which can be traded in market at its prevailing market price.

EXEMPTIONS FROM CAPITAL GAINS (SEC 54 to 54H)

Section		54 : Transfer of Residential Property	54B : Transfer of Agricultural Property	54EC : Transfer of LTCA	54EE : Investment in units of start up India fund
1	Assessee	Individual or HUF	Individual or HUF	Any Assessee	Any Assessee
2	Capital Asset Transferred	Residential House	Urban Agricultural Land used by assessee / parent for agricultural purpose for min 2 years prior to date of transfer.	Land or Building	Any Capital Asset
3	Nature of CA	LTCA	STCA or LTCA	LTCA	LTCA
4	New Asset	One Residential house in India Assessee may, at his option, purchase or construct TWO residential houses in India, provided LTCG does not exceed ₹2 crore	Agricultural Land (any area)	Investment in specified bond, redeemable after five years Specified bonds means bond of NHAI/RECL/Other notified Bonds(PFCL/IRFC) Max Investment in specified bonds in F/Y of Transfer & Subsequent F/Y is 50 lakhs	Units issued before 1/4/19 of startup India fund as notified by Central Government
5	Time period of New Asset	Within 1 year before or within 2 years after transfer or construct within 3 yrs after transfer	Within 2 yrs after transfer	Within 6 months of transfer	Within 6 months of transfer
6	Capital Gain Account Scheme	Deposit in CGAS upto DDR u/s. 139(1)	-Do-	NA	NA
7	Exemption	LTCG invested in New asset + Deposited in CGAS upto DDR	-Do-	LTCG invested in Specified Bonds upto 6 months of transfer	LTCG invested in Specified Units upto 6 months of transfer
8	Transfer of New Asset	If New Asset transferred within 3 years from date of purchase/ construction, then Cost of acquisition of new asset Reduced by Capital Gain exempted earlier	-Do-	If New Asset is t/f or converted into money within 3 years from date of acquisition., then exempt LTCG taxable in p/y of transfer/ conversion of new asset. Loan taken on security of new asset amounts to conversion into money	If New Asset is t/f or converted into money within 3 years from date of acquisition., then exempt LTCG taxable in p/y of transfer/ conversion of new asset Loan taken on security of new asset amounts to conversion into money

Section		54F : Transfer of LTCA	54GB: Capital gain on transfer of Residential property <i>For Eligible start up upto 31/3/21</i>
1	Assessee	Individual or HUF	Individual or HUF
2	Capital Asset Transferred	Any Capital Asset (Other than Residential house)	Residential property (a house or a plot of land)
3	Nature of CA	LTCA	LTCA
4	New Asset	One Residential house in India	Subscription in Equity shares of Eligible company & company has utilised this amount for purchase of new asset i.e New Plant & Machinery Exceptions (i) P&M which, before its installation used by other person (ii) P&M installed in office premises or residential accommodation, including guest-house (iii) any office appliances including computers (iv) any vehicle or (v) P&M the whole of the actual cost of which is allowed as 100% deduction under PGBP Eligible Company means (i) Indian Company incorporated between 1st April of P/Y of capital gain upto due date of return u/s 139(1) (ii) Engaged in business of eligible start up (iii) company in which assessee has more than 25 % share capital
5	Time period of New Asset	Within 1 year before or within 2 yrs after transfer or constructed within 3 yrs after transfer	Company has within 1 year from date of subscription in Equity shares by assessee purchased new asset
6	CGAS deposit upto DDR	Available	Available
7	Exemption	LTCG X (Cost of new asset + Amount deposit in CGAS) ----- Net Consideration	LTCG X (Cost of new asset + Amount deposit in CGAS) ----- Net Consideration
8	Transfer of New Asset	If New Asset t/f within 3 yrs from date of purchase/ construction, then Exempt Capital Gains taxable in P/Y of transfer of new asset.	If Equity shares or New Asset t/f within 3 yrs from date of purchase/ construction, then Exempt Capital Gains taxable in P/Y of transfer of Equity shares/New asset

Section		54D : Compulsory Acquisition of Land & Building	54G : Transfer under shifting of Industrial Undertaking	54GA: Transfer of industrial undertaking to SEZ
1	Assessee	Any Assessee	Any Assessee	Any Assessee
2	Capital Asset Transferred	Compulsory acquisition of Land & Building used for Industrial undertaking in Any Area & Used by Assessee for Business for 2 years immediately prior to date of acquisition	Plant & Machinery / Land & Building used for Industrial undertaking in Urban Area	Plant & Machinery / Land & Building used for Industrial undertaking in Urban Area
3	Nature of CA	STCA or LTCA	STCA or LTCA	STCA or LTCA
4	New Asset	Land/Building for shifting of undertaking in any area	Plant/Machinery & Land/Building Including expenses on t/f for shifting of undertaking in Rural Area	Plant/Machinery & Land/Building Including expenses on t/f For shifting of undertaking to SEZ in any area
5	Time period of New Asset	Within 3 years after transfer	Within 1 year before or within 3 yrs of transfer	Within 1 year before or within 3 yrs of transfer
6	Exemption	Same as Sec. 54.	Same as Sec. 54.	Same as Sec. 54.
7	Transfer of New Asset	Same as Sec. 54.	Same as Sec. 54.	Same as Sec. 54.

COMMON POINT FOR ALL EXEMPTIONS

Non utilization of balance in Capital Gain A/c. Scheme:

- Amount deposited is not utilized wholly or partly for specified purpose by specified time.
- Exemption claimed on unutilized amount is taxable as Capital Gain of P/Y in which specified time expires.

Section 54H : Extension of time for acquiring new asset

- ✓ Where transfer of capital asset is by compulsory acquisition under any law.
- ✓ Time limits for acquiring new asset & for depositing in CGAS shall be
- ✓ Computed from date of receipt of compensation and not from the date of compulsory acquisition

Sec 54GB : Eligible business means a business which involves innovation, development, deployment, or commercialisation of new products, processes or service driven by technology or intellectual property.

Eligible start-up means a company engaged in eligible business an satisfies the following conditions:

- It is incorporated during April 1, 2016 and March 31, 2021
- The total Turnover of its business does not exceed Rs 25 crore in any of the previous years during April 1, 2016 and March 31, 2021.
- It holds the certificate of eligible business from the Inter-Ministerial Board of Certification as notified by the Central Gov