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**Triple
Dhamaka
Session - 3**

CAPITAL GAINS

All India Rank Holder & Winner of Best Tax Faculty Award

ABOUT CA SACHIN GUPTA

1. He is a **Fellow Member of ICAI** having teaching experience of more 15 years.
2. He is also a **Rank Holder** in CA exams.
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8. His Students have scored **All India Merit Ranks** & have been amongst **All India Toppers**.
9. He has **Contributed various Articles** for Professional Journals and **delivered lectures** at various forums.



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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
- ❖ Any transaction by way of becoming a member in Coop. society or 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 - Unit of UTI or Equity oriented fund - Zero Coupon Bonds		Unlisted shares /Immovable Property		Other Capital Asset	
Held for <u>Upto 12 months</u> preceding date of transfer	Held for <u>more than</u> <u>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
<i>STCA</i>	<i>LTCA</i>	<i>STCA</i>	<i>LTCA</i>	<i>STCA</i>	<i>LTCA</i>

Section 48 : Computation of Capital Gains

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

Special Points:

No deduction of STT whether paid on purchases or sale

Indexed Cost of Acquisition

$$\text{Cost of Acquisition} \times \frac{\text{CII of F/Y of transfer}}{\text{CII of (F/Y asset held) or (F/Y 01-02), later}}$$

TAX BY SG

SMART NOTES OF INCOME TAX

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 <i>(Whether capital asset is Self generated or purchased)</i>
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 <i>(SP – FMV) is P/G/B/P</i>	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/</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

TAX BY SG

SMART NOTES OF INCOME TAX

	<i>AOP in P/Y of transfer</i>			
Sec 45(5)	CA is Compulsory acquired under any law <i>Taxable in P/Y in which compensation/part is 1st received</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	<i>Capital Gain in P/Y of Buy Back of unlisted shares</i> 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 wef A/Y 20/21</u> <u>Exception :</u> <u>Shall not apply if public announcement has been made upto 5/7/2019 as per SEBI (Buy-back of Securities) Regulations, 2018 made under SEBI Act, 1992</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	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 LLPAct, 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

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

Short Term Capital Gain (STCG)		
10(37)	111A	other STCG
Exempt	15%	Taxable at slab rate

Long Term Capital Gain (LTCG)			
10(37)	u/s 112A	Listed securities <i>other than</i> <i>Units of MF or</i> <i>Zero Coupon Bonds</i>	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

Upto A/Y 18/19, such LTCG was exempt u/s 10(38) but from A/Y 19/20, Sec 112A has been introduced and now 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

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 <i>or</i> 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)	<i>Investment in specified bond, redeemable after five years</i> <i>Specified bonds means bond of NHAI/RECL/Other notified Bonds(PFCL/IRFC)</i> <i>Max Investment in specified bonds in F/Y of Transfer & Subsequent F/Y is 50 lakhs</i>	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 on or before Due Date of Return (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
5	New Asset	Land/Building for shifting of undertaking <u>in any area</u>	Plant/Machinery & Land/Building Including expenses on t/f for shifting of undertaking in <u>Rural Area</u>	Plant/Machinery & Land/Building Including expenses on t/f For shifting of undertaking to SEZ in <u>any area</u>
6	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
7	Exemption	Same as Sec. 54.	Same as Sec. 54.	Same as Sec. 54.
8	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:

- a. Amount deposited is not utilized wholly or partly for specified purpose by specified time.
- b. 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 and satisfies the following conditions:

1. It is incorporated during April 1, 2016 and March 31, 2021
2. 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.
3. It holds the certificate of eligible business from the Inter-Ministerial Board of Certification as notified by the Central Gov

MULTIPLE CHOICE QUESTIONS

- (1) The charging section of the income under the head capital gains is :
 (a) Section 15 (b) Section 17
 (c) Section 10 (d) Section 45
- (2) What are the conditions to be fulfilled for charging of income under the head capital gains:
 (a) There must be a capital asset. (b) There must be a transfer of such capital asset.
 (c) The transfer of such capital asset has been affected during the previous year. (d) All of the above.
- (3) Which of the following is not a requisite for charging income-tax on capital gains -
 (a) The transfer must have been effected in the relevant assessment year (b) There must be a gain arising on transfer of capital asset
 (c) Capital gains should not be exempt u/s 54 (d) Capital gains should not be exempt u/s 54EC.
- (4) The following shall not be regarded as capital asset:
 (a) Urban Land (b) Securities held by a Foreign Institutional Investor as per SEBI Act, 1992
 (c) Archaeological Collections (d) Motor Car
- (5) The following shall be regarded as capital asset:
 (a) Gold Jewellery held by jeweller as SIT (b) Securities held by FII as per SEBI Act, 1992, held as stock in trade.
 (c) Motor car held by motor car manufacturer as SIT (d) None of above
- (6) The following shall not be regarded as capital asset:
 (a) Jewellery (b) Rural Agricultural land
 (c) Archaeological Collections (d) Personal residential house
- (7) The following shall be regarded as capital asset:
 (a) Jewellery (b) Sculptures
 (c) Archaeological Collections (d) All of the above
- (8) Rural area means any area which is outside-----Kilometers from the local limits of the jurisdiction of a municipality or a cantonment board, if the population of municipality or cantonment board is more than 10,00,000.
 (a) 2 (b) 4
 (c) 6 (d) 8
- (9) Rural area means any area which is outside-----Kilometers from the local limits of the jurisdiction of a municipality or a cantonment board, if the population of municipality or cantonment board is more than 1,00,000 but not exceeding 10,00,000.
 (a) 2 (b) 4
 (c) 6 (d) 8
- (10) Rural area means any area which is outside-----Kilometers from the local limits of the jurisdiction of a municipality or a cantonment board, if population of municipality is more than 10,000 but not exceeding 1,00,000.
 (a) 2 (b) 4
 (c) 6 (d) 8
- (11) Capital asset excludes all except
 (a) Stock-in-trade (b) Personal effects
 (c) Jewellery (d) Agricultural land in India.
- (12) Transfer of which of the following assets will not be considered as capital gain -
 (a) Jewellery (b) Gold deposit bonds
 (c) Paintings (d) Sculpture
- (13) Which of the following are included in the jewellery -
 (a) Ornaments made of gold, silver and platinum. (b) Precious metals whether or not worked or sewn into any wearing apparel.
 (c) Semi-precious stones. (d) All of the above.

- (14) Income from transfer of self-generated goodwill of a profession:
- (a) is not chargeable to tax under the head 'capital gains'
- (b) is chargeable to tax under the head 'capital gains' as short term capital gains
- (c) is chargeable to tax under the head 'capital gains' as long term capital gains
- (d) Both (b) and (c)
- (15) A short term capital asset means a capital asset held by the assessee for not more than:
- (a) 12 months immediately preceding the month of its transfer.
- (b) 24 months immediately preceding the date of its transfer.
- (c) 36 months immediately preceding the date of its transfer.
- (d) Any of the above.
- (16) In terms of section 2(42A), unlisted securities are treated as long-term capital asset, if they are held for a period of more than-
- (a) 12 Months
- (b) 36 Months
- (c) 24 Months
- (d) 48 Months
- (17) In terms of section 2(42A), listed securities are treated as long-term capital asset, if they are held for a period of more than -
- (a) 12 Months
- (b) 36 Months
- (c) 24 Months
- (d) 48 Months
- (18) A Long term capital asset means a capital asset held by the assessee for more than:
- (a) 12 months immediately preceding the month of its transfer.
- (b) 24 months immediately preceding the date of its transfer.
- (c) 36 months immediately preceding the date of its transfer.
- (d) Any of the above.
- (19) In case of transfer of unlisted equity shares the asset will be treated as short-term capital asset if they are held for not more than _____ immediately preceding the date of transfer.
- (a) 12 months
- (b) 24 months
- (c) 36 months
- (d) None of the above.
- (20) Which of the following asset is a Short-term capital asset, if it is held for more than 12 months?
- (a) Securities (other than unit) listed in recognized stock exchange in India.
- (b) Units of mutual fund other than equity oriented fund
- (c) Zero coupon Bonds
- (d) None of these
- (21) Which of the following is a long term capital asset if held for more than 12 months but less than 36 months?
- (a) A unit of a Mutual Fund other than equity oriented fund specified under section 10(23D).
- (b) Shares of a listed company
- (c) Shares of an unlisted company.
- (d) Gold Jewellery
- (22) Cost of acquisition of a capital asset, being a unit of a business trust, allotted pursuant to transfer of share or shares as referred to in section 47(xvii) shall be?
- (a) Nil
- (b) Cost of acquisition to him of the share
- (c) Cost to previous owner.
- (d) None of the above.
- (23) Which of the following is included in the definition of transfer u/s 2(47)?
- (a) Sale, exchange or relinquishment of the asset.
- (b) Extinguishment of any rights therein.
- (c) Compulsory acquisition thereof under any law.
- (d) All of the above.
- (24) In the case of a capital asset, being the right to subscribe to any financial asset, which is renounced in favour of any other person, -

- (a) The period shall be reckoned from the date of the offer of such right by the company or institution, as the case may be, making such offer.
- (b) The period shall be reckoned from the date of the allotment of such right by the company or institution, as the case may be, making such offer.
- (c) The period shall be reckoned from the date of the extinguishment of such right by the company or institution, as the case may be, making such offer.
- (d) None of these.

(25) Which of the following transactions shall not be regarded as transfer as per the provisions of section 47:

- (a) Transfer of a capital asset, being a Government Security carrying a periodic payment of interest, made outside India through an intermediary dealing in settlement of securities, by a non-resident to another non-resident shall not be regarded as transfer as per IT Act.
- (b) Compulsory acquisition thereof under any law.
- (c) Extinguishment of rights in respect of capital asset.
- (d) Conversion of capital asset into stock in trade.

(26) Which of the following transactions shall not be regarded as transfer as per the provisions of section 47:

- (a) Any transfer of a capital asset, being share of a special purpose vehicle to a business trust in exchange of units allotted by that trust to the transferor.
- (b) Compulsory acquisition thereof under any law.
- (c) Extinguishment of rights in respect of capital asset.
- (d) Conversion of capital asset into stock in trade asset.

(27) Which of the following transactions shall not be regarded as transfer as per the provisions of section 47:

- (a) Any distribution of capital assets on the total or partial partition of a Hindu Undivided Family.
- (b) Any transfer of a capital asset by a company to its subsidiary company, if the parent company or its nominees hold the whole of the share capital of the subsidiary company, and the subsidiary company is an Indian company.
- (c) Any transfer, in a scheme of amalgamation, of a capital asset by the amalgamating company to the amalgamated company if the amalgamated company is an Indian company.
- (d) All of the above.

(28) Which of the following transactions shall not be regarded as transfer as per the provisions of section 47:

- (a) Any transfer of Sovereign Gold Bond issued by the Reserve Bank of India under the Sovereign Gold Bond Scheme, 2015, by way of redemption, by an assessee being an individual.
- (b) Any transfer of a capital asset by a company to its subsidiary company, if the parent company or its nominees hold the whole of the share capital of the subsidiary company, and the subsidiary company is an Indian company.
- (c) Any transfer by a unit holder of a capital asset, being a unit or units, held by him in the consolidating plan of a mutual fund scheme, made in consideration of the allotment to him of a capital asset, being a unit or units, in the consolidated plan of that scheme of mutual fund.
- (d) All of the above.

(29) Any transfer, in a scheme of amalgamation, of a capital asset, being a share of a foreign company, referred to in the Explanation 5 to Section 9(1)(i), which derives, directly or indirectly, its value substantially from the share or shares of an Indian company, held by the amalgamating foreign company to the amalgamated foreign company, shall not be regarded as transfer as per the provisions of section 47 if:

- (a) at least 25% of shareholders of amalgamating foreign company continue to remain shareholders of the amalgamated foreign company and such transfer does not attract tax on capital gains in the country in which the amalgamating company is incorporated
- (b) at least 75% of the shareholders of the amalgamating foreign company continue to remain shareholders of the amalgamated foreign company and such transfer does not attract tax on capital gains in the country in which the amalgamating company is incorporated
- (c) At least 75% of shareholders of amalgamating foreign company continue to remain shareholders of amalgamated foreign company & such transfer attract tax on capital gains in the country in which the amalgamating company is incorporated
- (d) at least 25% of the shareholders of the amalgamating foreign company continue to remain shareholders of the amalgamated foreign company and such transfer attract tax on capital gains in the country in which the amalgamating company is incorporated
- (30) Any transfer in a demerger, of a capital asset, being a share of a foreign company, referred to in the Explanation 5 to Section 9(1)(i), which derives, directly or indirectly, its value substantially from the share or shares of an Indian company, held by the demerged foreign company to the resulting foreign company, shall not be regarded as transfer as per the provisions of section 47 if:
- (a) The shareholders, holding not less than 75% in value of the shares of the demerged foreign company, continue to remain shareholders of the resulting foreign company and such transfer does not attract tax on capital gains in the country in which the demerged foreign company is incorporated
- (b) The shareholders, holding not less than 25% in value of the shares of the demerged foreign company, continue to remain shareholders of the resulting foreign company and such transfer does not attract tax on capital gains in the country in which the demerged foreign company is incorporated
- (c) The shareholders, holding not less than 25% in value of the shares of the demerged foreign company, continue to remain shareholders of the resulting foreign company and such transfer attract tax on capital gains in the country in which the demerged foreign company is incorporated
- (d) The shareholders, holding not less than 75% in value of the shares of the demerged foreign company, continue to remain shareholders of the resulting foreign company and such transfer attract tax on capital gains in the country in which the demerged foreign company is incorporated.
- (31) Any transfer, in a scheme of amalgamation, of a capital asset being a share or shares held in an Indian company, by the amalgamating foreign company to the amalgamated foreign company, if at least of the shareholders of the amalgamating foreign company continue to remain shareholders of the amalgamated foreign company, and such transfer does not attract tax on capital gains in the country, in which the amalgamating company is incorporated, shall not be regarded as transfer:
- (a) 25%
- (b) 50%
- (c) 75%
- (d) 100%
- (32) Compensation received by interim order shall be deemed to be income chargeable under the head "Capital gains" of the previous year in which _____
- (a) The final order of such court, Tribunal or other is made.
- (b) the compensation accrued authority
- (c) The appeal was first filed in such court, Tribunal or other authority.
- (d) The interim order is passed.
- (33) Any transfer in a demerger, of a capital asset, being a share or shares held in an Indian company, by the demerged foreign company to the resulting foreign company, if the shareholders holding not less than of the demerged foreign company continue to remain shareholders of the resulting foreign company; and such transfer does not attract tax on capital gains in the country, in which the demerged foreign company is incorporated, shall not be regarded as transfer:
- (a) 75% in value of the shares
- (b) 75% of the number of shareholders
- (c) 25% in value of the shares
- (d) 25% of the number of shareholders

- (34) Which of the following conditions are to be fulfilled for the transaction not to be regarded as transfer, where a sole proprietary concern is succeeded by a company in the business carried on by it as a result of which, the sole proprietary concern sells or otherwise transfers any capital asset or intangible asset to the company.
- | | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (a) All the assets and liabilities of the sole proprietary concern relating to the business immediately before the succession become the assets and liabilities of the company; | (b) The shareholding of the sole proprietor in the company is not less than 50 of the total voting power in the company and his shareholding continues to remain as such for a period of 5 years from the date of the succession; |
| (c) The sole proprietor does not receive any consideration or benefit, directly or indirectly, in any form or manner, other than by way of allotment of shares in the company. | (d) All of these. |
- (35) A transfer in demerger of a capital asset by the _____ co-operative bank to the _____ co-operative bank will not be regarded as transfer -
- | | |
|-------------------------|----------------------------|
| (a) Demerged, Resulting | (b) Successor, Predecessor |
| (c) Holding, Subsidiary | (d) Subsidiary, holding |
- (36) Ramesh sold his painting to National Museum for ₹ 20,000 on 1-6-2019. What will be the amount of capital gain on this transaction?
- | | |
|--------------|-------------------|
| (a) ₹ 20,000 | (b) ₹ 10,000 |
| (c) Nil | (d) None of these |

COMPUTATION OF CAPITAL GAINS

- (37) In which of the following transfer the benefit of indexation is available in case of long term capital asset:
- | | |
|-----------------------------------------------------------------------------|------------------------------------------------------------------|
| (a) Transfer of securities by foreign institutional investors u/s 115AD. | (b) Transfer of undertaking or division in a slump sale u/s 50B. |
| (c) Transfer of a foreign exchange asset by a non-resident Indian u/s 115D. | (d) Transfer of equity or preference shares in a company. |
- (38) Ms. Sunita inherited a vacant site land consequent to the demise of her father on 10th June, 1990. The land was acquired by her father on 10th April, 1970 for ₹ 40,000. The fair market value of the land on 1st April, 2001 was ₹ 60,000 and on the date of inheritance, i.e., 10th June, 1990 was ₹ 2,00,000. The cost of acquisition for Ms. Sunita is -
- | | |
|--------------|----------------|
| (a) ₹ 10,000 | (b) Nil |
| (c) ₹ 60,000 | (d) ₹ 2,00,000 |
- (39) Neerja owns a house of ₹ 20,00,000, which he transfers for ₹ 22,00,000 to Kamlesh on 5-4-2020. What will be the full value of consideration?
- | | |
|-----------------|-----------------|
| (a) ₹ 22,00,000 | (b) ₹ 20,00,000 |
| (c) ₹ 2,00,000 | (d) Nil |
- (40) Cost of Acquisition in case of bonus shares allotted before 1-4-2001 will be:
- | | |
|--------------|------------------------------------------------------------------------------|
| (a) Nil | (b) FMV as on 1-4-2001 |
| (c) ₹ 10,000 | (d) Cost of Original shares on the basis of which bonus shares are allotted. |
- (41) Cost of acquisition in case of bonus shares allotted after 1-4-2001 will be-
- | | |
|-----------------------------------------|---------------------------|
| (a) Face value on the date of allotment | (b) Nil |
| (c) Market value as on 1-4-2001 | (d) Current market value. |
- (42) Compute the capital gains for AY 2021-22 if Mr. Ram, a property dealer, sells a commercial plot of land on 1-3-2021 for ₹ 50,00,000 lakhs which was acquired by him on 1-8-2018 for ₹ 25,00,000 for selling of offices constructed therein. He had incurred land development charges of ₹ 10,00,000 on 1-10-2018. He incurred ₹ 1,00,000 for selling the plot of land.

- (a) Nil (b) 15,00,000
(c) 14,00,000 (d) 25,00,000
- (43) Compute the capital gains for assessment year 2021-22 if Mr. R sells his personal motorcar on 11-4-2020 for ₹ 2,55,000, which was acquired on 31-1-2019 for ₹ 6,50,000. The expenses on transfer are 2% of selling price.
(a) Nil (b) 3,95,000
(c) ₹ 3,82,000 (d) 4,00,100
- (44) Compute the capital gains for assessment year 2021-22 if Mr. K sells his personal Jewellery on 11-4-2020 for ₹ 12,50,000, which was acquired on 31-1-2019 for ₹ 6,50,000. The expenses on transfer are 2% of selling price. The capital gains chargeable to tax for Assessment Year 2021-22.
(a) Nil (b) 5,75,000
(c) ₹ 6,00,000 (d) 6,25,000
- (45) Compute the capital gains for assessment year 2021-22 if Mr.X sells shares of unlisted company on 11-3-2021 for ₹ 12,50,000, which was acquired on 31-1-2020 for ₹ 6,50,000. The expenses on transfer are 2% of selling price. The capital gains chargeable to tax for assessment year 2021-22.
(a) Nil (b) 5,75,000
(c) ₹ 6,00,000 (d) 6,25,000
- (46) A owns a capital asset which was purchased by him on 1-5-1989 for ₹ 3,00,000. The market value of the said asset as on 1-4-2001 was ₹ 4,00,000. The said asset was sold for ₹ 48,00,000 during the year. Compute the capital gain for the assessment year 2021-22. (Cost inflation index for F.Y. 01-02= 100, and 2020-21 = 301)
(a) ₹ 35,96,000 (b) ₹ 48,00,000
(c) ₹ 38,97,000 (d) ₹ 44,00,000
- (47) On 15th November, 2020, Mohan sold 1 kg. of gold, the sale consideration of which was ₹ 6,00,000. He had acquired the gold on 11th December, 1998 for ₹ 64,000. Fair market value of 1 kg. Gold on 1st April, 2001 was ₹ 62,000. The amount of capital gains chargeable to tax for the assessment year 2021-22 shall be -
(a) ₹ Nil (b) ₹ 6,00,000
(c) ₹ 4,07,360 (d) ₹ 4,13,380
- (48) A owns a capital asset which was purchased by him on 1-5-1999 for ₹ 4,00,000. The market value of the said asset as on 1-4-01 was ₹ 3,00,000. The said asset was sold for ₹ 48,00,000 during the year. Compute the capital gain for the assessment year 2021-22. (Cost inflation index for F.Y. 01-02= 100 and 2020-21 = 301)
(a) ₹ 35,96,000 (b) ₹ 44,00,000
(c) ₹ 45,00,000 (d) ₹ 17,28,000
- (49) A owns a capital asset which was purchased by him on 15-04-2001 for ₹ 4,00,000. The market value of the said asset as on 1-4-2001 was ₹ 5,00,000. The said asset was sold for ₹ 48,00,000 during the year. Compute the capital gain for the assessment year 2021-22. (Cost inflation index for F.Y. 2001-02= 100, 2020-21 = 301)
(a) ₹ 32,95,000 (b) ₹ 48,00,000
(c) ₹ 43,00,000 (d) ₹ 15,57,000
- (50) Mrs. R sells a plot of land on 21-11-2020 for ₹ 50,00,000. She inherited the plot from her grandfather on 01-04-2002. Her grandfather had acquired the plot on 01-03-2001 for ₹ 50,000. The FMV of the plot as on 01-04-2001 was ₹ 35,000. Compute the capital gains. (Cost inflation index for F.Y. 2001-02= 100, 2002-03 = 105 and 2020-21 = 301)
(a) ₹ 48,49,500 (b) ₹ 49,50,000
(c) ₹ 49,65,000 (d) ₹ 48,66,872
- (51) Mrs. Reshma sells a capital asset on 21-11-2020 for ₹ 50,00,000. She inherited the capital asset from her father on 01-04-2016. Her father had acquired the plot on 10-04-2002 for ₹ 5,00,000. Reshma has incurred ₹ 1,00,000 on improvement of such asset on 15-05-2016. Compute the capital gains. (Cost inflation index for 2002-03 = 105, 2016-17 = 264 and 2020-21 = 301)

TAX BY SG**MCQ CAPITAL GAINS**

- (a) ₹34,52,652 (b) ₹44,00,000
(c) ₹ 45,00,000 (d) ₹49,00,000
- (52) Indexation benefit on Cost of acquisition is available on the long term capital asset. However, in certain cases, indexation benefit is not available. In which of the following cases, indexation benefit is allowed?
(a) Debentures issued by a company (b) Self generated goodwill of a business
(c) Bonus shares allotted on 1-4-2001 (d) Jewellery
- (53) Mr. Sanjay sells the goodwill on 20-01-2020 for ₹38,00,000. It was self-generated by him and he incurred cost of improvement thereof for ₹5,55,000 on 1-4-2016. Compute his taxable gains. (Cost inflation index for F.Y. 2016-17 = 264 and 2020-21 = 301)
(a) ₹38,00,000 (b) ₹32,45,000
(c) Nil (d) ₹32,14,106
- (54) XYZ Ltd. allotted sweat equity shares to his employee X at a concessional rate on 31-5-2020. A transfers these shares on 31-3-2021 Which type of gains is it?
(a) Long term capital gain (b) Short term capital gain
(c) Middle term capital gain (d) None of these

CAPITAL GAINS IN SPECIAL CASES

- (55) Arman converts his plot of land purchased in July, 2014 for ₹8,00,000 into stock-in-trade on 31st March, 2019. The fair market value as on 31st March, 2019 was ₹11,90,000. The stock-in-trade was sold ₹12,25,000 in the month of January 2020. Find out the taxable Capital gains (Cost inflation index for F.Y. 2014-15 = 240, 2017-18 = 272, 2018-19 = 280, 2020-21 = 301)
(a) ₹2,56,667 (b) ₹4,25,000
(c) ₹1,81,433 (d) ₹35,000
- (56) Arnav converts his plot of land purchased in July, 2016 for ₹80,000 into stock-in-trade on 31st March, 2018. The fair market value as on 31st March, 2018 was ₹2,00,000. The stock-in-trade was sold ₹2,25,000 in the month of January 2021. Find out the taxable Capital gains (Cost inflation index for F.Y. 2016-17 = 264, 2017-18 = 272, 2018-19 = 280, 2020-21 = 301)
(a) ₹1,20,000 (b) ₹1,25,000
(c) ₹ Nil (d) ₹25,000
- (57) A and B formed a partnership firm. Just after formation of the partnership, A brought the following assets into the firm on 13th October 2020 as his capital contribution (*amount in ₹*) -
- | Particulars | Gold |
|------------------------------------------------------|------------|
| Market value of the property on the date of transfer | 5,00,000 |
| Amount recorded in the books of firm | 6,20,000 |
| Actual cost | 3,36,000 |
| Date of acquisition | 15-10-2017 |
- Find out the taxable Capital gains (Cost inflation index for F.Y. 2017-18 = 272 and 2020-21 = 301)
(a) ₹1,64,000 (b) ₹2,48,176
(c) ₹1,29,606 (d) ₹2,49,606
- (58) XYZ a partnership firm was dissolved on 1-5-2020. A machine acquired on 1-5-2011 for ₹2,00,000 was distributed amongst the partners for ₹1,00,000. The Fair Market Value of this machine on that date was ₹2,50,000. What will the full value of consideration of this machine?
(a) ₹2,00,000 (b) ₹1,00,000
(c) ₹2,50,000 (d) Nil
- (59) Mr. X and Mr. Y are members of 'XY' Associates', an AOP. XY & Associates was dissolved on 14th February, 2021 and the following assets were distributed to the members (*amounts in ₹*) -

Particulars	Gold (given to Mr. X)
FMV as on 14th February, 2021	8,00,000
Amount recorded in agreement of sale	8,50,000
Cost of acquisition	1,45,000
Date of acquisition	01-04-1995
FMV of the asset as on 1-4-2001	1,50,000

Find out the taxable Capital gains (Cost inflation index for F.Y.2001-02= 100 and 2020-21 = 301)

- (a) Nil (b) ₹4,44,000
(c) ₹ 6,55,000 (d) ₹ 3,48,500
- (60) The Government compulsorily acquired the land of Mr. X on 24-5-2016. The Government fixed his consideration at ₹ 5,00,000 half of which was received by X on 23-6-2019 and rest of the amount was paid to X in the year 2020-21. What will be the assessment year of chargeability of the capital gain to X?
- (a) 2018-19 (b) 2019-20
(c) 2020-21 (d) 2021-22
- (61) If in the above case government enhanced the compensation by ₹ 2,00,000 in the year 2020-21 what will be the previous year of chargeability of enhanced compensation?
- (a) 2018-19 (b) 2019-20
(c) 2020-21 (d) 2021-22
- (62) The house property of Ram is compulsorily acquired by the Government for ₹20,00,000 vide Notification issued on 12th March 2018. Ram has purchased the house in 2001-02 for ₹ 2,00,000. The compensation is received on 15th April 2020. Find out the taxable Capital gains (Cost inflation index for F.Y. 2001-02= 100, 2017-18 =272 and 2020-21 =301)
- (a) ₹ 18,00,000 (b) ₹ 14,56,000
(c) Nil (d) ₹ 14,40,000
- (63) Ms.Vasudeva purchased 10,000 equity shares of Ramu Co. Pvt. Ltd. on 1-4-2001 for ₹ 50,000. The company was wound up on 31-07-2018. She received assets having market value ₹15,00,000 on liquidation on 15-12-2020. Her share in accumulated profits was ₹ 2,00,000. The taxable capital gains in her hands will be (Cost inflation index for F.Y.2001-02 = 100, 2018-19 = 280, 2020-21 = 301)
- (a) ₹ 11,60,000 (b) ₹ 15,00,000
(c) Nil (d) ₹ 13,60,000
- (64) XYZ Ltd. an listed company bought back 10,000 shares (face value ₹ 10 per share, issued on 1-4-2015) from its shareholders on 15-04-2020 for ₹ 60 per share. Find out the taxable Capital gains (Cost inflation index for F.Y. 2015-16 = 254 and 2020-21 = 301)
- (a) ₹ 5,00,000 (b) ₹ 6,00,000
(c) Nil (d) ₹ 4,86,220
- (65) A owns a house property which was purchased by him on 1-5-1997 for ₹ 3,00,000. The said property was destroyed by fire on 3-4-2018 and A received a sum of ₹ 50,00,000 from the insurance company during p/y 20/21. The market value of the above property as on 1-4-2001 was ₹ 4,00,000. Compute the capital gain for the assessment year 2021-22. (Cost inflation index for F.Y. 2001-02= 100, 2017-18 = 272, 2018-19 =280, 2020-21 = 301)
- (a) ₹38,80,000 (b) Nil
(c) ₹ 46,00,000 (d) ₹ 12,57,000
- (66) X owns two machineries eligible for depreciation at the rate of 15%. The WDV of these machines as on 1-4-2020 was ₹ 25,000 and ₹ 40,000 respectively. No other asset was acquired in this block during the year. One of these machines were sold during the previous year for ₹ 75,000. Compute the capital gain.
- (a) Short term capital gain of ₹ 10,000 (b) Short term capital loss of ₹ 10,000
(c) Long term capital gain of ₹ 10,000 (d) No capital gain as depreciation would be allowed on one of the machines left with X.

- (67) In case of distribution of capital asset on liquidation of the company, the capital gains is chargeable to tax:
- In hands of shareholders
 - In hands of the company
 - In hands of shareholders as well as company
 - Either in hands of shareholder or in hands of company
- (68) X owns two machineries eligible for depreciation at the rate of 15%. The WDV of block of asset on 1-4-2020 was ₹75,000. No other asset was acquired in this block during the year. Such machines were sold during the previous year for ₹65,000. Compute the capital gain.
- Short term capital gain of ₹ 10,000
 - Short term capital loss of ₹10,000
 - Long term capital gain of ₹10,000
 - No capital gain as depreciation would be allowed on one of the machines left with X.
- (69) Any profits or gains arising from the slump sale effected in the previous year shall be chargeable to income-tax as:
- Short term capital gain only
 - Short term capital gains or Long term capital gains depending upon the period of holding of the undertaking.
 - Long term capital gain only
 - No capital gain but the same will be taxable as business profits.
- (70) Slump sale is a result of which of the following type of consideration?
- Lump sum Payment
 - Adhoc Payment
 - Accurate Payment
 - Actual Payment
- (71) In computing capital gains in case of slump sale -----will be taken as cost of acquisition of the undertaking so transferred.
- Book value
 - Net worth
 - WDV
 - FMV as on 01-04-2001
- (72) Mr. X has sold his land for a consideration of ₹25,00,000 to Mr. Y. Mr. Y has paid stamp duty of ₹3,00,000 @ 10% of stamp value. The full value of consideration for computing capital gains in hands of Mr. X in accordance with the provisions of Section 50C will be -
- ₹25lakhs
 - ₹30lakhs
 - ₹281akhs
 - ₹33 lakhs
- (73) Section 50C makes special provision for determining the full value of consideration in case of transfer of _
- Plant an machinery
 - Land or building
 - All movable property other than plant & machinery and computers
 - Computers.
- (74) Mr. X has sold his land for a consideration of ₹25,00,000 to Mr. Y. on 15-04-2020. Mr. Y has paid stamp duty of ₹3,00,000 @ 10% of stamp value. The said land was acquired by Mr. X on 15-07-2018 for ₹ 12 lakhs. The taxable capital gains in hands of Mr. X will be ..
- ₹13 lakhs
 - ₹ 18 lakhs
 - ₹16 lakhs
 - ₹ 10 lakhs
- (75) Mr. X has sold his land for a consideration of ₹25,00,000 to Mr. Y. on 15-04-2020. Mr. Y has paid stamp duty of ₹3,00,000 @ 10% of stamp value. The said land was acquired by Mr. X on 15-07-2018 for ₹12 lakhs. X was not satisfied with the stamp value and his case was referred to Valuation officer. The valuation officer determined the value ₹26 lakhs. The taxable capital gains in hands of Mr. X will be -
- ₹13 lakhs
 - ₹14 lakhs
 - ₹1 lakhs
 - ₹ 18 lakhs
- (76) Mr. X has sold his land for a consideration of ₹25,00,000 to Mr. Y. on 15-04-2020. Mr. Y has paid stamp duty of ₹ 3,00,000 @ 10% of stamp value. The said land was acquired by Mr. X on 15-07-2018 for ₹12lakhs. Mr. X was not satisfied with the stamp value and his case was referred to Valuation officer. The valuation officer determined the value ₹35 lakhs. The taxable capital gains in hands of Mr. X will be -

- (a) ₹23 lakhs (b) ₹ 14lakhs
(c) ₹ 10 lakhs (d) ₹ 18lakhs
- (77) X sold his vacant site on 30-09-2020 for ₹ 7,00,000. It was acquired by him on 01-10-2007 for ₹ 1,50,000. The State stamp valuation authority fixed the value of the site at the time of transfer at ₹13,00,000. Compute capital gains in the hands of X. (Cost inflation index for F.Y. 2007-08 = 129 and 2020-21 = 301)
- (a) ₹ 9,50,000 (b) ₹ 6,00,000
(c) ₹ 5,50,000 (d) ₹ 3,74,420
- (78) Where any capital asset was on any previous occasion the subject of negotiations for its transfer, any advance or other money received and retained by the assessee on 15/04/2020, in respect of such negotiation shall be:
- (a) Deducted from cost of acquisition (b) Treated as income from other sources
(c) Deducted from full value of consideration (d) Treated as Business Income
- (79) X Limited has transferred its Unit N to Y Limited by way of slump sale on November 30, 2020 for lump sum consideration of ₹ 400 lakhs. The undertaking was acquired on 1-4-2001 for ₹ 120 lakhs. The net worth of the undertaking on the date of transfer is ₹ 200 lakhs. Find out the taxable Capital gains (Cost inflation index for F.Y. 2001-02= 100 and 2020-21= 301)
- (a) ₹ 200 lakhs (b) ₹ 400 lakhs
(c) ₹ Nil (d) ₹ 64 lakhs
- (80) Mr. X received an advance of ₹ 51,000 occasion of agreement of sale of a capital asset on 15-07-2020. The same was forfeited by him. The said advance money will be _____ and shall _____
- (a) Taxable as Income from other sources, be reduced from cost of acquisition of the asset. (b) Taxable as Income from other sources, not be reduced from cost of acquisition of the asset.
(c) Taxable as Capital Gains, be reduced from cost of acquisition of the asset. (d) Taxable as Capital Gains, be reduced from cost of acquisition of the asset.
- (81) Bonus shares were allotted to Mr. K for ₹ 2,00,000 on 1st April 1995. The Fair market value of the shares on 1st April, 2001 was ₹ 2,25,000. What will be the cost of acquisition?
- (a) ₹ 2,00,000 (b) ₹ 2,25,000
(c) Nil (d) None of these
- (82) Compute the net taxable capital gains of on the basis of the following information:
A house was purchased on 01-05-2007 for ₹ 4,50,000 and was used as a residence by the owner. The owner had contracted to sell this property in June, 2020 for ₹ 10,00,000 and had received an advance of ₹ 70,000 towards sale. The intending purchaser did not proceed with the transaction and the advance was forfeited by the owner. The sum so forfeited has been included in the total income of the assessee as per the provisions of Section 56(2). The property was sold in December, 2020 for ₹ 15,00,000. (Cost inflation index for F.Y. 2007-08 = 129 and 2020-21 = 301)
- (a) ₹ 4,50,000 (b) ₹ Nil
(c) ₹ 6,48,682 (d) ₹ 10,50,000
- (83) Compute the net taxable capital gains of Smt. Meenu on the basis of the following information:
A house was purchased on 01-05-2007 for ₹ 4,50,000 and was used as a residence by the owner. The owner had contracted to sell this property in June, 2010 for ₹ 10,00,000 and had received an advance of ₹ 70,000 towards sale. The intending purchaser did not proceed with the transaction and the advance was forfeited by the owner. The property was sold in April, 2020 for ₹ 15,00,000. (Cost inflation index for F.Y. 2007-08 = 129, 2010-11 = 167 and 2020-21 = 301)
- (a) ₹ 6,13,333 (b) Nil
(c) ₹ 4,91,860 (d) ₹ 10,50,000
- (84) Mahesh acquired 1,000 equity shares ₹ 10 each in a listed company for ₹ 35,000 on 1st July, 2011. The company issued 1,000 rights shares in April, 2013 at ₹ 15 per share. The company issued 2,000 bonus shares in June, 2020. The market price was ₹ 50 per share before bonus issue and ₹ 25 after such issue. The cost of acquisition of bonus shares would be -
- (a) Nil (b) ₹ 20,000
(c) ₹ 50,000 (d) ₹ 1,00,000

EXEMPTIONS FROM CAPITAL GAINS

- (85) Capital gain on sale of residential house property is exempted u/ s 54 if it is :
- (a) Long term capital gain (b) Short term capital gain
(c) Any of the above two (d) None of these
- (86) The benefit of exemption under Section 54 is available to :
- (a) Individual (b) HUF
(c) Both Individual and HUF (d) Any person
- (87) The benefit of exemption under Section 54 is available when following capital asset is transferred
- (a) Long term residential house property (b) Short term residential house property
(c) Long term residential plot of land (d) Short term residential plot of land
- (88) For claiming the benefit of exemption under Section 54 -----new residential house property must be purchased within 2 years of transfer of capital asset:
- (a) 1 (b) 2 , if LTCG upto 2 crores
(c) 3 (d) Either a or b
- (89) For claiming the benefit of exemption under Section 54 ,new residential house property must be constructed within ____of transfer of capital asset:
- (a) 1 year (b) 2 years
(c) 3 years (d) 4 years
- (90) For claiming the benefit of exemption under Section 54 , new residential house property must be purchased within ----- after transfer of capital asset:
- (a) 1 year (b) 2 years
(c) 3 years (d) 4 years
- (91) Under section 54, in case if the new asset is transferred within _____of its purchase or construction, then its cost of acquisition shall be reduced by the amount of the capital gains exempted earlier for the purpose of computing capital gains on transfer of such new asset.
- (a) 1 year (b) 2 years
(c) 3 years (d) 4 years
- (92) For availing exemption under section 54, which amount is eligible for availing exemption?
- (a) Purchase/Construction of one residential house property upto due date of return of income only. (b) Deposit in capital gain account scheme upto due date of return of income only.
(c) Purchase/Construction of residential house property upto due date of return of income and deposit in capital gain account scheme upto due date of return of income. (d) Purchase / construction after three years from the transfer date.
- (93) Under which section, the assessee has to reinvest the entire net consideration to claim full exemption for the long-term capital gains earned during a previous year -
- (a) Section 54EC (b) Section 54F
(c) Section 54GA (d) Section 54D
- (94) Ms.Sheela sold a residential building in Jodhpur for ₹15,00,000 on 1-7-2020. The building was acquired for ₹ 1,50,000 on 1-6-2007. She paid brokerage @ 2% at the time of sale of the building. She invested ₹ 7lakhs in purchase of a residential building in December, 2020. Compute her taxable capital gains for the A.Y. 2021-22. Cost inflation index: 2007-08 : 129 ; 2020-21 :301.
- (a) ₹11,33,953 (b) ₹4,20,000
(c) Nil (d) ₹7,00,000

- (95) For claiming exemption under Section 54B, Short term or long term capital asset being land which, in the immediately -----
-- preceding the date on which the transfer took place, was being used by the HUF or individual or his parents
for agricultural purposes.
- (a) 1 year (b) 2 years
(c) 3 years (d) 4 years
- (96) The benefit of exemption under Section 54D in respect of Capital gain on compulsory acquisition of land and buildings in certain cases is admissible to -
- (a) Individual (b) HUF
(c) AOP (d) Any person
- (97) The exemption available on investment in certain bonds u/s 54EC is available to :
- (a) Individual (b) HUF
(c) AOP (d) Any person
- (98) In order to enjoy exemption under section 54EC, the resultant long-term capital gains should be invested in specified bonds within a period of _____ from the date of transfer.
- (a) 36 Months (b) 4 Months
(c) 6 Months (d) 12 Months
- (99) For claiming exemption under section 54EC the investment in bonds must be made within _____ of transfer of long term capital asset and the amount of investment
- (a) 6 months, can be made in the financial year in which the asset is transferred and in the next financial year and the same cannot exceed ₹50 lakhs. (b) 6 months, can be made in the financial year in which the asset is transferred and in the next financial year and the same cannot exceed ₹100 lakhs,
(c) One year, can be made in the financial year in which the asset is transferred and in the next financial year and the same cannot exceed ₹50 lakhs. (d) One year, can be made in the financial year in which the asset is transferred and in the next financial year and the same cannot exceed ₹100 lakhs.
- (100) The maximum amount of investment in bonds during F/Y of transfer and next F/Y for claiming exemption u/s 54EC is -
- (a) ₹10 lakhs (b) No limit
(c) ₹25lakhs (d) ₹ 50 lakhs
- (101) For claiming exemption under section 54EC the investment in bonds must be made within _____ of transfer of long term capital asset.
- (a) 6 month (b) 1 year
(c) 2 years (d) 3 years
- (102) A residential house is sold for ₹ 90 lakh and the long-term capital gains computed are ₹ 50 lakh. The assessee bought two residential house for ₹ 30 lakh and ₹ 20 lakh respectively. The amount eligible for exemption u/ s 54 would be-
- (a) ₹20 lakh (b) ₹30 lakh
(c) ₹ 50 lakh (d) Nil.
- (103) For claiming exemption under section 54EC the investment must be made in bonds of -
- (a) NHAI or NABARD (b) RECL or NABARD
(c) NABARD or PFC (d) NHAI or RECL or SPECIFIED BONDS
- (104) The benefit of exemption under Section 54F is available when following capital asset is transferred
- (a) Long term residential house property (b) Any long term capital asset other than residential house property
(c) Short term residential house property (d) Short term capital asset other than residential house property

- (105) For claiming exemption under section 54F, the assessee must not own _____ on the date of transfer of the original asset:
- | | |
|-------------------------------------------------------------|-------------------------------------------------------------|
| (a) more than 1 residential house, other than the new house | (b) more than 2 residential house, other than the new house |
| (c) more than 3 residential house, other than the new house | (d) more than 4 residential house, other than the new house |
- (106) For claiming exemption under section 54F, the assessee has to invest _____ for purchase or construction of residential house property :
- | | |
|---------------------------------|-------------------------------|
| (a) Full value of consideration | (b) Net Consideration |
| (c) The amount of capital gains | (d) Cost of asset transferred |
- (107) Under Section 54F, Where the assessee purchases within a period of 2 years, or constructs within a period of 3 years, after the date of the transfer of the original asset, any residential house, other than the new asset, _
- | | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (a) then the capital gain exempted earlier shall be deemed to be income chargeable under the head "Capital gains" of the previous year in which such residential house is purchased or constructed. | (b) then the capital gain exempted earlier shall be deemed to be income chargeable under the head "Capital gains" of the previous year in which original capital asset is sold or transferred. |
| (c) then the assessee will be further entitled exemption equal to the cost of new asset acquired or constructed. | (d) Then the capital gains which was earlier exempt from tax shall be deemed to be short term capital gains in the year in which original asset is transferred. |
- (108) The exemption under section 54EC is withdrawn if the transfer of new asset, conversion thereof in money or taking loan or advance on its security within _____ years from the date of its acquisition.
- | | |
|-------|-------|
| (a) 1 | (b) 3 |
| (c) 5 | (d) 4 |
- (109) Abhishek sells a plot of land on 8th July, 2020 for ₹ 40 lakh and paid brokerage on its sale @ 1% . He had purchased this plot on 19th December, 2006 for ₹ 4,20,000. On 1st February, 2021, he purchased a residential house for ₹ 15 lakh. He owns one residential house on 8th July, 2020. The cost inflation index for 06-07 was 122 and for 2020-21 is 301. Find out the amount of capital gains chargeable to tax for the assessment year 2021-22 :
- | | |
|----------------|-----------------|
| (a) ₹18,16,281 | (b) ₹ 40,00,000 |
| (c) Nil | (d) ₹ 18,48,790 |
- (110) The exemption under Section 54G of Capital gain on shifting of undertaking from urban area to any area other than urban area is available to :
- | | |
|----------------|------------------------|
| (a) Individual | (b) HUF |
| (c) Any person | (d) None of the above. |
- (111) For claiming exemption under section 54G, an assessee has to invest the resultant capital gains within a specified period. Which of the following is not eligible for such investment -
- | | |
|---------------|-------------------------|
| (a) Furniture | (b) Land |
| (c) Building | (d) Plant or machinery. |
- (112) Capital gain on shifting of undertaking from urban area to any area other than urban area under section 54G is exempted if it is a :
- | | |
|----------------------------|-----------------------------|
| (a) Long term capital gain | (b) Short term capital gain |
| (c) No exemption available | (d) Both (a) & (b) |
- (113) The exemption under Section 54GB of capital gains arising from transfer of residential property is available to :
- | | |
|----------------|--------------------|
| (a) Individual | (b) HUF |
| (c) Any person | (d) Both (a) & (b) |

- (114) Capital gain on transfer of residential property under section 54GB is exempted if it is a :
- (a) Long term capital gain (b) Short term capital gain
(c) No exemption available (d) Both (a) & (b)
- (115) Capital gain on shifting of undertaking to SEZ under section 54GA is exempted if it is a :
- (a) Long term capital gain (b) Short term capital gain
(c) No exemption available (d) Both (a) & (b)
- (116) Who is eligible for exemption in the above case?
- (a) Individual (b) HUF
(c) Any person (d) None of the above.
- (117) The amount of exemption under section 54GA is:
- (a) Lower of capital gain or investment in new asset. (b) Lower of capital gains or cost incurred.
(c) As determined by assessing officer (d) None of the above.
- (118) "New asset" for the purpose of section 54GB does not include:
- (a) any machinery or plant which, before its installation by the assessee, was used either within or outside India by any other person; (b) any machinery or plant installed in any office premises or any residential accommodation, including accommodation in the nature of a guest house
(c) any office appliances including computers or computer software; (d) All of these.
- (119) For the purpose of section 54GB, "Eligible company" must be engaged in :
- (a) Eligible start up (b) Manufacturing of any article or thing
(c) Trading of article or thing; (d) Provision of services
- (120) For the purpose of section 54GB, the eligible assessee must own more than _____ of the share capital or more than _____ of the voting rights in the eligible company:
- (a) 50; 75 (b) 50; 50
(c) 25; 25 (d) 75; 75
- (121) With a view to ascertaining the fair market value of a capital asset, the Assessing Officer may refer the valuation of a capital asset to a Valuation Officer in a case where the value of the asset as claimed by the assessee is in accordance with the estimate made by a registered if the Assessing Officer is of opinion that-
- (a) That the fair market value of the asset exceeds the value of the asset as claimed by the assessee by ₹ 25,000 (b) That the fair market value of the asset exceeds the value of the asset as claimed by the assessee by 15% of the value claimed by the assessee;
(c) (a) or (b) (d) None of these
- (122) Compute the tax liability for assessment year 2021-21 of resident individual (30 yrs) who is having long term capital gains of ₹5,00,000 and has no other income -
- (a) ₹37,500 (b) ₹39,000
(c) Nil (d) ₹52,000
- (123) Compute the tax liability for assessment year 2021-22 of non-resident individual(30 yrs) who is having long term capital gains of ₹5,00,000 and has no other income -
- (a) ₹ 1,04,000 (b) ₹ 52,000
(c) ₹ Nil (d) ₹39,000

- (124) Compute the tax liability for assessment year 2021-22 of resident individual(30 yrs) who is having income from short term capital gains of ₹5,00,000 arising on transfer of equity shares listed in recognized stock exchange on which securities transaction is paid and has no other income;
- (a) ₹26,000 (b) ₹78,000
(c) Nil (d) ₹40,000
- (125) Compute the tax liability for assessment year 2021-22 of resident individual(30 yrs) who is having income from short term capital gains of ₹2,00,000 arising on transfer of equity shares listed in recognized stock exchange on which securities transaction is paid and long term capital gains of ₹3,00,000 on transfer of land and has no other income -----
- (a) ₹39,140 (b) ₹ 80,600
(c) ₹Nil (d) ₹52,000
- (126) Where an urban agricultural land owned by an individual, continuously used by him for agricultural purposes for a period of _____ prior to the date of transfer, is compulsorily acquired under law and the compensation is determined by the Central Government, resultant capital gain is exempt.
- (a) On year (b) Two years
(c) Three years (d) 6 months
- (127) Mr. X acquired 1000 shares of XYZ Ltd. listed in recognised stock exchange on 12th July 2016 for ₹1,20,000. He sold the shares for ₹2,85,000 on 10th September 2020. The transaction was carried out through recognised stock exchange and securities transaction tax was paid. The cost inflation index for 2016-17 was 264 and for 2020-21 is 301. His Total Income shall be
- (a) ₹1,65,000 (b) ₹1,53,636
(c) Nil (d) ₹2,10,500
- (128) Long-term capital gains on zero coupon bonds are chargeable to tax _
- (a) @ 20% computed after indexation of such bonds (b) @ 10% computed without indexation of such bonds
(c) Higher of (A) or (B) (d) Lower of (A) or (B).
- (129) When shares of a listed company held for more than 12 months are transferred privately for ₹8 lakh, with original cost of acquisition of ₹1lakh whose indexed cost of acquisition is ₹2lakh, LTCG would be -
- (a) Nil (b) ₹6,00,000
(c) ₹5,00,000 (d) ₹7,00,000
- (130) Short-term capital gains arising from the transfer of equity shares in a company or units of an equity oriented fund or units of a business trust charged with security transaction tax are subject to income-tax at the rate of -
- (a) 10% (b) 15%
(c) 20% (d) Normal rate

ANSWER KEY

1.D	2.D	3.A	4.D	5.B	6.B	7.D	8.D	9.C	10.A
11.C	12.B	13.D	14.A	15.D	16.B	17.A	18.D	19.B	20.B
21.B	22.B	23.D	24.A	25.A	26.A	27.D	28.D	29.A	30.A
31.A	32.A	33.A	34.D	35.A	36.C	37.D	38.C	39.A	40.B
41.B	42.A	43.A	44.B	45.B	46.A	47.C	48.A	49.A	50.A
51.A	52.D	53.C	54.B	55.A	56.A	57.B	58.C	59.D	60.C
61.C	62.B	63.A	64.C	65.A	66.A	67.A	68.B	69.B	70.A
71.B	72.B	73.B	74.B	75.B	76.D	77.A	78.B	79.A	80.B
81.B	82.A	83.A	84.A	85.A	86.C	87.A	88.D	89.C	90.B
91.C	92.C	93.B	94.B	95.B	96.D	97.D	98.C	99.A	100.D
101.A	102.C	103.D	104.B	105.A	106.B	107.A	108.B	109.A	110.C
111.A	112.D	113.D	114.A	115.D	116.C	117.A	118.D	119.A	120.C
121.C	122.B	123.A	124.A	125.B	126.B	127.A	128.D	129.B	130.B

SOLVED QUESTIONS FOR PRACTICE

Question 1 : State, giving reason, whether the asset is Short term or Long term in the cases given below –

1. L purchase a house property on March 10, 2020 and transfers it on June 6, 2021
2. M purchase listed shares in an Indian Company on March 10, 2019 and transfers it on June 6, 2021
3. N acquires units of equity oriented mutual fund on July 7, 2019 and he transfers these units on July 10, 2020 & purchase diamonds on September 12, 2017 and gifts the same to his friend P on December 31, 2019. P transfers the asset on October 20, 2020.
4. P purchase shares in a company through a NSE broker (Date of purchase by the broker: November 21, 2019 the company transfers shares in the name of P : January 5, 2020). These shares are transferred by P on December 20, 2020.

Solution :

Taxpayer	Asset	Minimum period to become long-term capital asset	Short term or long term
L	House property	24 months	Short term
M	Listed Shares	12 months	Long term
N	Units of EOMF	12 months	Long term
P	Diamonds	36 months	Long term
P	Listed Shares	12 months	Long term

Question 2 : State, giving reasons the assessment year for which capital gain is chargeable to tax in the cases given below –

1. K sells a house property to Q as per sale deed dated March 30, 2021. The documents are, however, registered on April 6, 2021.
2. H sells a house property to C as per agreement to sale dated May 6, 2020, A pays the consideration on the same day. The possession is given on June 1, 2020, the sale deed is yet to be registered.
3. V sells shares to M on March, 1, 2020. Transfer deed is signed on the same day. Share certificates are delivered at the time of signing the transfer deed. Shares are, however, transferred in the name of M in the records of the company on May 10, 2020.

Solution :

1. **“Transfer” takes effect** from the date of execution of the sale deed (and not from the date of registration). Therefore in this case transfer takes place during the p/y 2020-21 and, consequently Capital Gain is taxable for the A/Y 2021-22.

2. Even if sale deed is not registered, an immovable property is transferred when the three conditions of section 53A of the Transfer of property Act are satisfied. The three conditions are satisfied on June 1, 2020. Therefore capital gains is taxable for the A/Y 2021-22.

3. When a movable property is delivered pursuant to a contract to sell, the ownership is transferred. In this case, ownership is transferred on March 1, 2021 and, consequently Gain is taxable for the assessment year 2021-22.

Question 3 : T purchased a house on 28-6-2002 for ₹1,10,000 and paid ₹10,000 for getting the property registered in his name. On 15-6-2010, he spent ₹80,000 on improvement of the house. The house was sold on 21-10-2020 for ₹10,00,000. Commission of ₹4,000 was paid on the sale of the house. Compute the capital gains.

	₹	₹
Solution:		
Sale consideration		10,00,000
Less: 1. Expenses of transfer	4,000	
2. Indexed cost of acquisition – ₹1,20,000 x $\frac{301}{105}$	3,44,000	
3. Indexed cost of improvement – ₹80,000 x $\frac{301}{167}$	1,44,192	4,92,192
Long-term capital gain		<u>5,07,808</u>

Question 4 : D required a residential house on 1-9-1989 for ₹1,00,000. He spent ₹25,000 on 1-8-1991 for the improvement of this house property. A further amount of ₹50,000 was spent by him on 15-11-2004 on improvement of the house. D gifted the said property to his son E on 12-10-2010. E also spent the following amounts on improvement of the house.

Date of expenditure	Amount ₹
15-7-2013	50,000
15-6-2020	40,000

E sold the above house on 30-11-2020 for a sum of ₹15,00,000. Expenses on transfer were 2% of the sale consideration. Compute the capital gain for the assessment year 2021-22, assuming the fair market value of the house as on 1-4-2001 to be ₹3,00,000.

	₹	₹
Solution :		
Sale consideration		15,00,000
Less: 1. Expenses on transfer	30,000	
2. Indexed cost of acquisition – ₹3,00,000 x $\frac{301}{100}$	9,03,000	
3. Indexed cost of improvement		
(i) by the previous owner - ₹50,000 x $\frac{301}{113}$	1,33,186	
(ii) by the assessee - ₹50,000 x $\frac{301}{220}$	68,409	
- ₹40,000	40,000	11,74,595
Long term capital gain		<u>3,25,405</u>

Question 5 : M owns a house property which was purchased by him on 1-6-1987 for ₹3,00,000. The said property was destroyed by fire on 3-4-2020 and M received a sum of ₹18,00,000 for the insurance company during the year. The market value of the above property as on 1-4-2001 was ₹4,00,000.

a) Compute the capital gain for the assessment year 2021-22.

b) What shall be the capital gain if the asset was destroyed by fire on 3-3-2020 and the compensation was received during the previous year 2020-21.

Solution:

a (Assessment year 2021-22)

Consideration Price	₹	18,00,000
Less: Index cost of acquisition – ₹4,00,000 x $\frac{301}{100}$		<u>12,04,000</u>
Long term capital Gain		<u>5,96,000</u>

b) (Assessment year 2020-21)

Although the asset was destroyed on 3-3-2020 i.e. in the previous year 2019-20 but there will be no capital gains during A/Y 20/21 as the compensation was received during the P/Y 20-21 i.e A/Y 21/22

(Assessment year 2021-22)

Consideration Price	₹	18,00,000
Less: Indexed cost of acquisition – ₹4,00,000 x $\frac{289}{100}$		<u>11,56,000</u>
Long term capital Gain		<u>6,44,000</u>

** The Capital Gain will be taxable in P/Y 2020-21 but indexation will be done till the year of destruction i.e. P/Y 2019-20.*

Question 6 :

J purchase a house property for ₹76,000 on June 30, 1987. The following expenses are incurred by him for making additions / alteration to the house property :

	₹
a. Cost of construction of first floor in 1989-90	1,10,000
b. Cost of construction of the second floor in 2002-03	3,40,000
c. Alteration / reconstruction of the property in 2010-11	1,67,000

Fair market value of the property on April 1, 2001 is ₹4,50,000. The house property is sold by J on June 15, 2020 for ₹30,00,000 (expenses incurred on transfer : ₹10,000)

Solution :**Computation of Long Term Capital Gain**

	₹	₹
Sale consideration		30,00,000
Less :		
Expenses on transfer	10,000	
Indexed cost of acquisition (WN1)	13,54,500	
Indexed cost of improvement (WN2)	<u>12,75,667</u>	<u>26,40,167</u>
Long term capital gain		<u>3,59,833</u>

WN1: Indexed cost of acquisition

$$4,50,000 \times 301/100 = 13,54,500$$

WN2: Indexed cost of improvement

- Ist floor in 89-90 : Not considered
- 2nd floor in 02-03 : $3,40,000 \times 301/105 = 9,74,667$
- Alteration/reconst in 10-11 : $1,67,000 \times 301/167 = 3,01,000$

Question 7 : On July 1, 2020, S holds the following unlisted equity shares in T Ltd.

Shares	Date of acquisition	Total investment
1,000 original shares	April 10, 1985	1,00,000
500 bonus shares I	May 6, 1987	Nil
750 bonus shares II	October 5, 2002	Nil
1125 Bonus shares III	May 10, 2018	Nil

On September 30, 2020, S transfers the above noted 3,375 shares @ ₹900 per shares (fair market value on April 1, 2001 is ₹8 per shares). Find out the capital gains chargeable to tax for the A/Y 2021-22.

Solution:

	Original Shares ₹	Bonus Shares I ₹	Bonus Shares II ₹	Bonus Shares III ₹
Sale consideration	9,00,000	4,50,000	6,75,000	10,12,500
Less :				
Indexed cost of acquisition				
*(₹ 1,00,000 x 301/ 100)	*3,01,000	**12,040	Nil	Nil
** (₹ 8 x 500 x 301/ 100)				
Cost of acquisition	<u>9,00,000</u>	<u>4,50,000</u>	<u>6,75,000</u>	<u>10,12,500</u>
Long term capital gain				
Short term capital gain				

Question 8 : Farhan holds 1,000 unlisted equity shares in G Ltd, since 1988 (cost of acquisition : ₹10,000, fair market value on April 1, 2001 : ₹14,000). G Ltd Offers 2,000 rights shares of ₹10 each to Farhan on May 1, 2020 at a premium of ₹50. Farhan subscribes for 800 rights shares and renounces 1,200 shares in favour of Javed by transferring the right entitlement for a consideration of ₹4,800. Farhan sells 1,800 shares in G Ltd. on March 30, 2021 @ ₹200 per shares.

Solution : Capital Gains in hands of Farhan for A/Y 2021-22

	₹
Sale proceeds of 1,000 original shares	2,00,000
Less : Indexed cost of acquisition ($\text{₹}14,000 \times 289/100$)	<u>40,460</u>
Long term capital gain	<u>1,59,540</u>
Sale proceeds of 800 rights shares ($\text{₹}200 \times 800$)	1,60,000
Less : Cost of acquisition {i.e., $\text{₹}60 \times 800$ }	<u>48,000</u>
Short term capital gains	<u>1,12,000</u>
Sale proceeds of Right Entitlement of 1,200 share	4,800
Less : Cost of acquisition	<u>Nil</u>
Short term capital gain	<u>4,800</u>

Question 9 : The central Government acquires a house property owned by Abhishek on October 17, 2013. This property was purchased on April 10, 1988 for ₹76,000 (cost of improvement incurred during 2004-05 : ₹40,000 and fair market value for the property on April 1, 2001 was ₹1,32,000). The government awards ₹5,67,000 as compensation out of which ₹1,00,000 is received on May 4, 2020 and ₹4,67,000 is received on April 1, 2021. Expenditure incurred by Abhishek for the getting compensation fixed : ₹2,000. Being aggrieved against the award, Abhishek files an appeal.

The Bombay court, as per order dated August 1, 2021 enhanced the compensation from ₹5,67,000 to ₹8,50,000. (legal expenditure incurred in court's proceeding : ₹10,000). Abhishek receives the additional compensation of ₹2,83,000 on April 15, 2022. Compute the income under the head "Capital Gains"

Does it make any difference if the additional compensation is received by Abhishek's son after the death of Abhishek?

Solution : A/Y 2021-22, i.e., relevant to the p/y 2020-21, in which initial compensation (or part thereof) is received for the first time

	₹
Initial compensation	5,67,000
Less : Indexed cost of acquisition (WN1)	2,90,400
Indexed cost of improvement (WN2)	77,876
Expenditure	<u>2,000</u>
Long term capital gain	<u>1,96,724</u>

WN 1: Indexed cost of acquisition:

$$1,32,000 \times 220/100 = 2,90,400$$

WN 2: Indexed cost of improvement :

$$40,000 \times 220/113 = 77,876$$

Assessment Year 2023-24

Additional compensation : 2,83,000

Less:

COA NIL

COI NIL

Expenditure : 10,000

LTCG 2,73,000

If the additional compensation is received by Abhishek's son, it will be taxable in the hands of son

Question 10 : A, B and C partners of a firm. On March 10, 2021, the firm is dissolved. The following assets distributed to partners:

	Residential House (taken by A)	listed govt securities (taken by B)	Car (taken by C)
	₹	₹	₹
Fair market value on March 10, 2021	18,60,000	50,000	30,000
Agreed value as per dissolution deed	11,70,000	46,000	32,000
Cost of acquisition	40,000	5,000	--
Cost of acquisition as per section 50 (i.e., written down value)	--	--	8,000
Year acquisition	1989-90	2004-05	1993-94.
Fair market value on April 1, 2001	3,00,000	N.A	N.A.

Determine the amount of chargeable of chargeable capital gains of the firm for the assessment year 2021-22.

Solution :

	Residential House ₹	Government securities ₹	Car ₹
Sale proceeds (being fair market value on the data of transfer; agreed value is not relevant)	18,60,000	50,000	30,000
Less : Indexed cost of acquisition ₹ 3,00,000 X 301 / 100 ₹ 5,000 X 301 / 105)	<u>9,06,010</u>	<u>14,333</u>	
Cost of acquisition (i.e., written down value in case of car)	--	--	8,000
Short term capital gain	--	--	22,000
long term capital gain	<u>9,53,990</u>	<u>35,667</u>	--

Question 11 : W owns a piece of land situated in Noida (date of acquisition ; March 1, 2003, cost acquisition : ₹21,800. On March 30, 2021, the price of land is transferred for ₹4 lakh.

Find out the capital gains chargeable to tax in the following situations –

1. The value adopted by stamp duty authority is ₹5.5 lakh. W does not dispute it.
2. The value adopted by the stamp duty authority is ₹5.75 lakh. W files an appeal under the Stamp Act and stamp duty valuation has been reduced to ₹4.90 lakh by the Allahabad High Court.
3. The value adopted by the Stamp duty authority is ₹5.60 lakh. W does not challenge it under the stamp act. However, he claims before the assessing officer that ₹5.60 lakh is more than the fair market value of the land. The assessing Officer refers it to Valuation Officer determines ₹5.25 lakh as fair market value.
4. In situation (3) suppose the value adopted by the Valuation officer is ₹6.10 lakh.

Solution :

	Situation			
	(1)	(2)	(3)	(4)
	₹	₹	₹	₹
Full valuation of consideration	5,50,000	4,90,000	5,25,000	5,60,000
Less : Indexed cost of acquisition { ₹21,800 X 301 / 105 }	<u>62,493</u>	<u>62,493</u>	<u>62,493</u>	<u>62,493</u>
Long term capital gains	<u>4,87,507</u>	<u>4,27,507</u>	<u>4,62,507</u>	<u>4,97,507</u>

Question 12 : A sells agriculture land situated within the municipal limits of Calcutta for ₹30,00,000 on July 4, 2020, which was purchased by him on March 1, 2002 for ₹4,00,000. On July 15, 2021 he purchases agricultural land in rural area for ₹4,30,000 and deposits ₹10,80,000 in a deposit account for availing exemption under section 54B.

He purchases another agricultural land (situated within the limit of Delhi Municipal Corporation) on June 30, 2022 for ₹8,47,000 by withdrawing from the deposit account. Amount left in the deposit account is withdrawn on July 10, 2022. The agricultural land in rural area is transferred on April 1, 2023 for ₹4,90,000 and the land in Delhi is transferred on July 17, 2023 for ₹8,70,000. Determine the amount of capital gains.

Solution :

Assessment year 2021-22

	₹
Sale proceeds	30,00,000
Less: Indexed cost acquisition { ₹4,00,000 X 301 / 100 }	<u>12,04,000</u>
Balance	17,96,000
Less: Exemption under section 54B	
• Cost of agriculture land purchased on July 15, 2021	: 4,30,000
• Amount deposited in the deposit account	: <u>10,80,000</u>
Long term capital gains	<u>2,86,000</u>

Assessment year 2024-25 (i.e., relevant to the previous year in which 2 years from the date of sale of agriculture land expires)

Amount of exemption by depositing in the deposit account	:	10,80,000
Less: Amount utilized in purchasing agriculture land up to July 3, 2023	:	<u>8,47,000</u>
Long term capital gains		<u>2,33,000</u>

Assessment year 2024-25 (i.e., Relevant to the previous year 2023-24 in which the new asset is transferred before the expiry of 3 years)

	<u>Agricultural Land in Rural Area</u>	<u>Agricultural land in Urban Area</u>
Sale proceeds	Not taxable	8,70,000
Less : Cost of acquisition after deduction of the amount of exemption u/54B as the asset is transferred within 3 years {i.e. ₹4,30,000 – ₹4,30,000}		
Short term capital gain	<u>Not taxable</u>	<u>Nil</u> 8,70,000

Question 13 : C Ltd. a manufacturing company, purchases a factory building on May 6, 2002 for ₹20 lakh (prior to this the company used the same building as a tenant for about 5 years). The building is compulsory acquired by the Government on April 20, 2020 for which a sum of ₹60 lakh is paid as compensation on March 18, 2021. Compute the amount of capital gain chargeable to tax for A/Y 2021-22 taking into consideration the following information –

- On April 1, 2020 the company owns two building (rate of depreciation: 10 %) one of which is acquired by the Government during 2020-21. The depreciated value of the block on April 1, 2020 is ₹21.35 lakh.
- The company purchases a factory building on April 6, 2020 for ₹15 lakh.

Does it make difference if the factory building is purchased on March 31, 2021?

Solution : As the compensation is received on March 18, 2021, Capital Gain is taxable for **A/Y 21-22 as follows**

	₹
Sale consideration	60,00,000
Less: Cost of acquisition as per section 50 [being the depreciated value] of block on April 1, 2020	<u>21,35,000</u>
Short-term capital gain	38,65,000
Less: Exemption under section 54D	<u>15,00,000</u>
Short-term capital gain for assessment year 2021-22	<u>23,65,000</u>

In this case the amount of capital gain will be reduced if the new building is purchased in the p/y 20-21 (i.e. in the year in which the old building was acquired by the government). Suppose the new building is purchased on March 31, 2020 then as per section 50, the acquisition of the building acquired by the government will increase and the capital gain shall be determined as follows

	₹
Sale consideration	60,00,000
Less: Cost of acquisition as per section 50 [being the depreciated value of block on April 1, 2020 and cost of building purchased during 2020-21, i.e. ₹21.35 lakh + ₹15 Lakh]	<u>36,35,000</u>
Short-term capital gain	23,65,000
Less: Exemption u/s 54D	<u>15,00,000</u>
Short-term capital gain	<u>8,65,000</u>

Question 14 : Z Ltd sells that following assets –

	Agricultural Land January 31, 2021	Bonus shares (unlisted) November 7, 2020	House property (let out) March 25, 2021
Date of acquisition	May 9, 2003	April 4, 2004	June 6, 2012
	₹	₹	₹
Sale consideration	9,00,000	2,50,000	5,80,000
Purchase consideration	70,000	Nil	1,00,000

The agricultural land is situated in urban area and used for agricultural purpose since 1993.

Z Ltd. Invests in the following assets on April 2, 2020 –

1. Bonds of the National Highways Authority of India (redeemable on June 1, 2026): ₹5,00,000.
2. Non-convertible Bonds (redeemable on May 10, 2028) of the Rural Electrification Corporation ₹5,00,000.
3. Agricultural land ₹75,000.

Find out the capital gain chargeable to tax.

Solution :

	Land ₹	Bonus shares ₹	House property ₹
Sale consideration (a)	9,00,000	2,50,000	5,80,000
Indexed cost of acquisition (b) *70,000 / 109 X 301 **1,00,000 / 200 X 301	*1,93,303	Nil	**1,50,500
LTCTG [before any exemption] (C)	7,06,697	2,50,000	4,29,500
Less : Exemption under section			
54B	75,000	---	---
54EC	<u>6,31,697</u>	<u>2,50,000</u>	<u>1,18,303</u>
Income under the head “Capital gains”	NIL	NIL	3,11,197

There is no order of priority when exemption is not available under any other section. If exemption is available under any other section, then exemption should be first given under that section and thereafter u/s 54EC

Question 15 : C sells agricultural land situated in an urban area for ₹6,30,000 (brokerage paid @ 2 %) on March 31, 2021 (cost of acquisition : ₹1,05,000 on March 1, 2004; it was used for agricultural purposes since 2001) On March 31, 2021 he owns one residential house property. On April 6, 2021, he purchases the following assets –

- a. Agricultural land: ₹1,50,000 ; and
- b. Residential house property : ₹5,00,000.

Find out the capital gains chargeable to tax for the A/Y 2021-22.

Solution :

	₹
Sale consideration	6,30,000
Less:	
Indexed cost of acquisition (i.e. ₹1,05,000 x 301 / 109)	2,89,954
Brokerage (2% of ₹6,30,000)	<u>12,600</u>
Long-term capital gain	<u>3,27,446</u>
Less: Exemptions	
Under section 54B	1,50,000
Under Section 54F	
[i.e., ₹3,27,446 x ₹5,00,000 / (₹6,30,000 – ₹12,600)]	<u>2,65,181</u>
Long-term capital gains	<u>87,735</u>

UNSOLVED QUESTIONS FOR PRACTICE

Question 1 : In following cases, Determine whether the asset held was short term or long term capital asset.

- a) R holds 1000 shares in G Ltd; which goes into liquidation on 31-10-2020. R purchased these shares on 31-1-2020. The company made the payment to R on 31-3-2021.
- b) R got a diamond ring by way of gift from his uncle on 1-1-2020. This ring was purchased by his uncle on 30-12-2017. R sold this ring on 31-12-2020.
- c) R acquires 1000 unlisted shares in G Ltd, on 28-2-2020. He surrenders these shares to the company on 31-8-2020 in pursuance of scheme of amalgamation. He is allotted 500 shares in S Ltd; the amalgamated company in lieu of such shares surrendered. R sells these shares on 31-3-21.
- d) R acquires 1000 listed shares in G Ltd on 29-3-2020. He is allotted 500 shares of a resulting company S Ltd; in the scheme of demerger on 1-4-2020. He transfers these shares on 30-3-21.

[Ans : a) STCA b) LTCA c) STCA d) LTCA]

Question 2 : The income of X (age 45 yrs) who is blind, for the P/Y 2020-21, is as under:-

	₹
1. Income from house property	4,32,000
2. Income from interest on loan	27,000
3. Income from interest on bank term deposits	10,000
4. Long-term capital gains	2,00,000
Not Covered u/s 115BAC	

He is eligible for deduction of ₹10,000 u/s 80C on account of PPF and ₹75,000 under section 80U.

Compute his tax liability.

[Ans : Tax Rounded off 48,570]

Question 3: X, a resident of India, aged 66 year, submits the following information for the P/Y 2020-21:

	₹
1. Income from salary	2,76,000
2. Interest on Saving Deposits with Banks	34,000
3. Long-term capital gains	1,10,000
4. Short-term capital gains on the sale of equity shares on which Transaction tax has been paid	10,000
Not Covered u/s 115BAC	

He pays ₹5,000 Life insurance premium on a policy of ₹40,000 (Policy issued 1.4.2017) and deposits ₹22,000 in Public Provident Fund account. Compute the tax liability by X for the A/Y 21-22.

[Ans : Tax Rounded off : 6,030]

Question 4 : From following information of Rahul (age 55 yrs), Compute his tax liability for A/Y21-22 :

1. Listed shares acquired in G Ltd for ₹6,00,000 on 15-3-2019 and sold for ₹8,60,000 on 1-11-2020 through a recognised stock exchange.
2. Listed shares acquired in S Ltd for ₹1,40,000 on 5-6-2001 sold for ₹5,82,000 on 1-12-2020 but such sale was not routed through a recognised stock exchange.
3. Income under the head salary ₹2,30,000.

[Ans : Total Income = 6,67,400 , Tax Rounded off : 42,120]

Question 5 : X purchases a property on April 1, 1996 for ₹95,000. He enters into an agreement for sale of the property to A on November 1, 2002 and receives ₹10,000 as advance. A could not, however, keep his promise and advance of ₹10,000 given by him is forfeited by X. Later on he gifts the property to his friend Y on May 15, 2009. The following expenses are incurred by X and Y for renewal of the property:

	₹
Addition of two rooms by X during 1997-98	25,000
Addition of first floor by X during 2006-07	40,000
Addition of second floor by Y during 2016-17	80,000
Fair market value on April 1, 2001	5,00,000

Y enters into an agreement to sell the property for ₹8,50,000 to B on April 1, 2016 after receiving an advance of ₹50,000. B could not pay the balance within the stipulated time of two months and Y forfeits the advance of ₹50,000 as per agreement with B. Y ultimately finds a buyer in C to whom property is transferred for ₹18,75,000 on December 1, 2020. Compute the capital gain chargeable to tax in the hands of Y for A/Y 21-22.

[Ans : LTCG = 2,10,199]

Question 6 : Mr. Mahesh owns several assets but does not own any residential house. He sells the following assets and requested you to compute his capital gains for the A/Y 21-22.

1. Share (purchase in April, 2002 for ₹60,000, (FMV as on 31/1/2019 is ₹30,000) sold through recognized stock exchange on 15-12-20 for ₹1,60,000.
2. On 1-4-2001, he had agreed to sell the Jewellery to Ramesh for ₹2,80,000 which was purchased in 1995 for ₹1,50,000. However the sale could not be effected as Ramesh backed out. He now sold the jewellery on 15-7-2020 for ₹18,20,000 and incurred ₹20,000 incidental selling expenses on account of brokerage and commission. He also invested ₹2,00,000 on 20-10-2020 in a deposit Account with a public sector bank under the CGAS. In Dec, 20 he also purchased a small residential house for ₹10,00,000.

3. Debentures (listed) (purchased in September, 2003 for ₹20,000 sold on 1-12-2020 for ₹80,000.

4. Sold his personal motor car (purchased in August, 2012 for ₹70,000) on 15-3-2021 for ₹1,00,000.

Ans : 1) Shares : LTCG u/s 112A 1,00,000 2) Jewellery : 9,57,200 – Exemption u/s 54F 6,38,133 = 3,19,067 , Debentures : 60,000 – 60,000 (Exemption u/s 54F) = Nil 4) Motor car not taxable

Question 7 : Rakesh lives in Bangalore. He owns not only house properties in and around Bangalore but cultivable land near Mangalore. He lives in a house which had been bought by him in January, 2006 for ₹2,31,000. The agriculture land measuring 10 hectares is being cultivated by his father for over 15 years. Its fair market value as on 1-4-2001 was ₹8,00,000. The residential house is sold by him for ₹13,00,000 in December, 2020 and another house brought within three months at a price of ₹3,00,000 to be used for residential purpose.

Agriculture land is also sold for ₹38,00,000 in January, 2021. On 30-6-2021 he bought another agriculture farm for ₹5,00,000 which will be cultivated by him. Gold ornaments were also sold by him in November, 2020 for ₹3,80,000 the fair market price thereof as on 1-4-2001 being ₹30,000. He bought fresh jewellery for ₹80,000 within six months of sales. You are required to compute taxable capital gains of Ashok for the assessment year 2021-22.

Ans : Residential House : 7,05,718 – 3,00,000 (Exemption u/s 54) = 4,05,718, Agri Land : LTCG:13,92,000 – Exemption u/s 54B 5,00,000 = 8,92,000, Jewellery : LTCG : 2,89,700

Question 8 : H sold his car for ₹1,50,000 on 16-4-2020. It was purchased by him on 15-4-2010 for ₹1,00,000. He spent ₹25,000 by way of capital repairs on it on 30-3-2012. He had applied for 5,000 shares of J Ltd. and paid ₹5 per share at the time of application. The shares were allotted to him on 17-6-2020. These shares were forfeited by J Ltd. on 15-12-2020 as he failed to pay call money.

He holds 5,000 listed share of K ltd. which he sold on 20-9-2020 for ₹200 per share and paid brokerage of ₹4,000. Out of the 5,000 shares sold by him, 2500 shares were purchased by him on 18-1-2003 for ₹1,00,000 for which he paid brokerage of ₹2,000. The balance shares were bonus shares which were allotted to him on 15-10-2019. The market value of shares on 31/1/2018 is ₹100 per share. He is not a dealer in shares and the car was for his personal use. Compute his capital gains for assessment year 21-22i.

[Ans :No Capital Gain on sale of car as Personal Asset, STCL on forfeited shares:(25,000) , LTCG on Original shares u/s 112A : 2,46,000 , STCG on bonus shares :4,98,000]

Question 9 : A, B and C are three brothers, holding certain shares in X Ltd. From the following particulars, compute the capital gain and business income of A, B and C.

(a) A acquired 10,000 unlisted shares from his father by way of gift on 1-7-2004, when the market value was ₹6,00,000. The father had acquired these shares in 2001 for ₹1,00,000. The market value of these shares on 1-4-2001 was ₹1,50,000. A began to deal in shares w.e.f. 1-9-2020. He converted the above shares into stock in trade and credited his capital account in the books with ₹5,00,000. The market value of these shares as on 1.9.2020 was ₹10,00,000. These shares were sold by A on 25-3-2021 for ₹11,00,000. He invested ₹4,00,000 into residential house property on 30-4-2021 as he does not own any house.

(b) B purchased 10,000 shares from his father on 15-1-2003 @ ₹40 per share. He also started dealing in shares w.e.f. 15-6-2020. The market value of these shares on 15-6-2020 was ₹13,00,000. 50% of the shares were sold by B on 30-3-2021 for ₹7,50,000, out of which he deposited a sum of ₹1,50,000 under capital gain scheme on 16-7-2021 for purchase of a residential house as he also does not own any house.

(c) C acquired 10,000 shares by way of will from his father on 11-4-2011. The father had acquired these shares in 2001-02 for a sum of ₹2,00,000. The market value as on 11-4-2011 was ₹7,00,000. These share was sold by C on 29-3-2021 for ₹8,00,000 through a recognized stock exchange.

[Ans: a) LTCG 5,48,500 : - Exemption u/s 54F : 2,19,400 = 3,29,200 , Business Income = 1,00,000, b) LTCG 76,667 - Exemption u/s 54F :17,692 = 58,975 ,Business Income = 1,00,000, c) LTCG u/s 112A is 6,00,000]

Question 10 : Avinash with his friend Bhavesh started a partnership firm to run the business of dealing in shares w.e.f. 1-5-2020. Avinash contributed ₹10,00,000 in cash as his capital contribution while Bhavesh has contributed some listed shares in companies which were held by him as investments. The cost of these shares to Bhavesh in 2001-02 was ₹2,00,000 while their market value on 1-5-2020 was ₹12,00,000. It was agreed to credit Bhavesh's capital a/c for these shares with ₹8,00,000.

In the course of the business during year 20-21, 50% of these shares were sold for ₹7,50,000 and the securities transaction tax of ₹550 was paid by the firm.

You are required to compute capital gains/ profit or gain from the business and profession, if any arising out of these transaction in the hands of partners and firm for A/Y 21-22.

[Ans : LTCG to Bhavesh : ₹1,98,000 , Business Income of Firm = ₹3,49,450]

Question 11 : Abhishek acquired the urban agriculture land from his father by way of gift on 15-4-2005. The market value of the land as on the date of gift was ₹5,00,000. The father had acquired the above land in 1997 for ₹1,00,000. The market value of the land as on 1-4-2001 was ₹3,00,000. Abhishek had been regularly using the agriculture land for agriculture purpose.

The said agricultural land was compulsorily acquired by the government on 15-1-2016. The compensation price was fixed at ₹12,00,000, which was received on 20-4-2020. Abhishek purchased an agricultural land on 30-4-2020 for ₹2,50,000. As he has only one residential house property, he deposited a sum of ₹2,00,000 under the capital Gain scheme on 29-7-2021.

Compute taxable capital gain.

[Ans : Exempt u/s 10(37)]

Question 12 : Mr. Prakash holds 500 shares of XYZ Ltd. which were allotted to him on 22-4-2010 @ ₹30 per share. On 22-7-2020 XYZ Ltd. made right issue to the exiting shareholders at the rate of one share for every five shares held @ ₹20 per share.

Mr. Prakash instead of exercising his right to obtain right shares, has exercise his right of renouncement by renouncing the said right entitlement in favour of Mr. Kureshi @ ₹13 per right share entitlement on 4-8-20.

(i) Determine the nature and amount of capital gain, If any, taxable in the hands of Mr. Prakash.

(ii) What will be the cost acquisition of shares purchased by Mr. Kureshi.

[Ans:(i)STCG ₹1,300 (ii) ₹ 3,300]