

**Presentation on**  
**CAPITAL GAINS**

**Part-II**

**For the students  
of**

**Semester – IV**

**B.Com.(Hons. & General)**

**By**

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# EXEMPTIONS FROM CAPITAL GAINS

## Capital Gain from transfer of Residential House (Sec.54)

Who can claim exemption	Which specific asset is eligible for exemption	Which asset the taxpayer should acquire to get the benefit of exemption	What is time limit for acquiring the new asset	How much is exempt	Unutilized Amount	Holding period of New Asset	Sale of New Asset within holding period
An individual or a HUF	A residential house property (long term)	Residential house property <u>Alternate Option:</u> If cap. gain does not exceed ₹ 20 cr. then purchase or construct 2 residential houses in India. The option is available once in lifetime of the assessee.	(i) <u>Purchase:</u> 1 year backward or 2 years forward. (ii) <u>Construction:</u> 3 years forward, the date of transfer  <u>Scheme of deposit:</u> applicable	Investment in the new asset or capital gain, whichever is <u>lower.</u> The new asset should not be transferred within 3 years from the date of acquisition of the new asset.	(a) Amount not utilized before the due date of filing return shall be kept in Capital Gain Account scheme of Nationalized Bank (b) The amount should be utilized within the prescribed period. (c) Amount not utilized within the prescribed period shall be treated as LTCG of the previous year in which prescribed period expires.	Three years from the date of acquisition or construction.	<u>Short-term capital gain computed as follows:</u> sale consideration of New Asset Less cost of acquisition reduced by Capital Gains exempted u/s 54

## ILLUSTRATION-1

**Prob. No. 12:** Apurba, a resident of Mumbai, sold his residential house on 30.06.2019 for Rs. 32,00,000. He had purchased this house on 1.4.2001 for Rs. 1,92,000 and had spent Rs. 1,28,000 on improvement of the house during the year 2007–08. He purchased a new house on 15.10.2019 for Rs. 14,40,000. Compute Capital Gains in the hands of Mr. Apurba for the A/Yr. 2020–21. [2017]

☞ **Solution:**

Computation of income under the head 'Capital Gains' of Mr. Apurba, a resident individual, for the A/Yr. 2020–21 relating to P/Yr. 2019–20

Particulars	Details	Amount	Amount
FVC		32,00,000	
Less: Brokerage		<u>NIL</u>	
NVC			32,00,000
Less: Indexed COA	$\left[ 1,92,000 \times \frac{289}{100} \right]$	554880	
Indexed COI	$\left[ 1,28,000 \times \frac{289}{129} \right]$	<u>2,86,760</u>	<u>8,41,640</u>
<b>Long term Capital Gains</b>			23,58,360
Less: Exemption Sec. 54			
Least of the following:			
(i) LTCG		23,58,360	
(ii) Cost of New flat		<u>14,40,000</u>	<u>14,40,000</u>
Taxable LTCG			<b>9,18,360</b>

## Capital Gains on transfer of a Long Term Capital Asset other than a House Property (Sec.54F)

Who can claim exemption	Which specific asset is eligible for exemption	Which asset the taxpayer should acquire to get the benefit of exemption	What is the time limit for acquiring the new asset	How much is exempt	Unutilized Amount	Holding period of New Asset	Sale of New Asset within holding period
An individual or a HUF	Any long-term capital asset (other than a residential house property) provided on the date of transfer the taxpayer does not own more than one residential house property (except the new house property given below)	A residential house property	(i) <u>Purchase</u> : 1 year backward or 2 years forward (ii) <u>construction</u> : 3 years forward, the date of transfer  <u>Scheme of deposit</u> : applicable	(Investment in the new asset ÷ Net sale consideration) × capital gain. The new asset should not be transferred within 3 years from the date of its acquisition. Moreover, within 3 years from the date of transfer of original assets, the taxpayer should not complete construction of another residential house property and within 2 years from the date of transfer of the original assets, the taxpayer should not purchase another residential house property.	(a) Amount not utilized before the due date of filing return shall be kept in Capital Gain Account scheme of Nationalized Bank (b) The amount should be utilized within the prescribed period (c) Amount not utilized within the prescribed period shall be treated as LTCG of the previous year in which prescribed period expires	Three years from the date of acquisition or construction	(a) Short-term capital gain on New Asset shall be taxed separately (b) Long-term Capital Gain exempted u/s 54F shall be chargeable to tax as Long-Term Capital Gain in the year of transfer

## ILLUSTRATION-2

R sells shares in a private limited company on 10 July 2019 for Rs. 80,05,000 (cost of acquisition on 16 June 2004: Rs. 2,91,429, expenses on sale: Rs. 5,000). On 10 July 2019, he owns one residential house property. To get the benefit of exemption, R deposits on 30 July 2020 Rs. 60,00,000 in Capital Gains Deposit Account Scheme. By withdrawing from the Deposit Account, he purchases a residential house property at Delhi on 6 July 2021 for Rs. 45,00,000. Ascertain – (a) The amount of capital gain chargeable to tax for the assessment year 2020–21; (b) Tax treatment of the unutilized amount.

👉 **Solution:**

Computation of 'Capital Gains' of Mr. R for the A/Yr. 2020–21 relating to the previous year 2019–20

Particulars	Amount	Amount
Full value of consideration	80,05,000	
<u>Less:</u> Expenses related to transfer	<u>5,000</u>	
<b>Net Value of Consideration</b>		<b>80,00,000</b>
<u>Less:</u> Indexed cost of acquisition		7,45,336
$\left( 2,91,429 \times \frac{289}{113} \right)$		_____
<b>Long-Term Capital Gain</b>		<b>72,54,664</b>
<u>Less:</u> Exemption u/s 54F: Least of —		
(i) Actual Long-term capital gain	72,54,664	
(ii) $\left( 72,54,664 \times \frac{60,00,000}{80,00,000} \right)$	<u>54,40,998</u>	54,40,998
		_____
<b>Taxable Long-Term Capital Gain</b>		<b>18,13,666</b>

(b) The unutilized amount would be taxable as LTCG other expiring of two years, i.e., for the P/Yr. 2021–22.

## Capital Gains from transfer of Land used for Agricultural Purpose (Sec.54B)

Who can claim exemption	Which specific asset is eligible for exemption	Which asset the taxpayer should acquire to get the benefit of exemption	What is the time limit for acquiring the new asset	How much is exempt	Unutilized Amount	Holding period of New Asset	Sale of New Asset within holding period
Individual and HUF	Agricultural land (may be Long-term capital asset or Short-term capital asset) if it was used by the individual or his parents for agricultural purpose during at least 2 years immediately prior to transfer	Agricultural land (situated may be in rural area or urban area)	2 years forward	Investment in the new asset or capital gain, <b>whichever is lower.</b> The new asset should not be transferred within 3 years from the date of acquisition of the new asset	(a) Amount not utilized before the due date of filing return shall be kept in Capital Gain Account scheme of Nationalized Bank (b) The amount should be utilized within the prescribed period (c) Amount not utilized within the prescribed period shall be treated as LTCG of the previous year in which prescribed period expires.	Three years from the date of acquisition	<u>Short-term capital gain</u> computed as follows: sale consideration of New Asset Less cost of acquisition reduced by Capital Gains exempted u/s 54B

**ILLUSTRATION-3**

P sells agricultural land in Calcutta for Rs. 74,50,000 on 1/7/2019, which was purchased by him in 2006-07 for Rs. 6,80,000. On 13/7/2019, he purchases agricultural land of Rs. 14,00,000 in Delhi. On 30/7/2020, he deposits Rs. 3,90,000 in the Deposit Account. Compute taxable capital gains.

**👉 Solution:**

Computation of 'Capital Gains' of Mr. P for the A/Yr. 2020-21 relating to the previous year 2019-20

Particulars	Amount	Amount
Full value of consideration		74,50,000
<b>Less:</b> Indexed cost of acquisition		16,10,820
$\left( 6,80,000 \times \frac{289}{122} \right)$		
<b>Long-Term Capital Gain</b>		<b>58,39,180</b>
<b>Less:</b> Exemption u/s 54B		
Least of the following:		
(i) Long-term capital gain	58,39,180	
(ii) Actual investment	<u>17,90,000</u>	17,90,000
<b>Taxable Long-Term Capital Gain</b>		<b><u>40,99,344</u></b>



## Capital Gains on acquisition of certain bonds (Sec.54EC)

Who can claim exemption	Which specific asset is eligible for exemption	Which asset the taxpayer should acquire to get the benefit of exemption	What is time limit for acquiring the new asset	How much is exempt
Any taxpayer	Any long-term capital asset transferred (Land or Building or both is applicable from the A/Yr. 2019-20)	Long-term Capital assets, i.e., Bonds redeemable after 5 years of National Highways Authority of India or Rural Electrification Corporation. Maximum investment in one financial year is Rs. 50 lakh	6 months forward	Investment in the new asset or capital gain, <b>whichever is lower</b> . The new asset should not be transferred within 5 years. Moreover, the new asset should not be converted into money or any loan or advance should not be taken on the security of the new asset within 5 years from the date of acquisition of the new asset.

#### ILLUSTRATION-4

On 2/1/2020, Y sells commercial plot for Rs. 91,85,000 (COA on 10/3/2004 Rs. 1,05,000). Expenses on purchase and sales are Rs. 100 and 200 respt. He makes the following investments: (1) Purchased Rs. 46,00,000 NHA bonds on 1/3/2020, (2) Purchased Rs. 24,00,000 REC bonds on 10/4/2020. Compute taxable capital gains.

#### ☞ Solution:

Computation of 'Capital Gains' of Mr. Y for the A/Yr. 2020–21 relating to the previous year 2019–20

Particulars	Amount	Amount	Amount
Full value of consideration		91,85,000	
<u>Less:</u> Expenses on sales		<u>200</u>	91,84,800
<u>Less:</u> Indexed cost of acquisition $\left(1,05,100 \times \frac{289}{109}\right)$			2,78,660
<b>Long-Term Capital Gain</b>			<b>89,06,140</b>
<u>Less:</u> Exemption u/s 54EC Least of the following:			
(i) Actual amount of LTCG		89,06,140	
(ii) Actual investment			
(a) Acquisition cost of Bonds	70,00,000		
(b) Maximum Limit	<u>50,00,000</u>	<u>50,00,000</u>	<u>50,00,000</u>
<b>Taxable Long-Term Capital Gain</b>			<b><u>39,06,140</u></b>

Thank  
you

