



Income Under the head Capital Gains





Topics Covered

- Meaning of Capital Assets
- Types of Capital Assets
- Computation of Capital Gains
- Taxation of Capital Gains



What is Capital Assets ?

Property of any kind whether related to business or not





What are not termed as Capital Assets?

1. Stock in Trade





What are not termed as Capital Assets?

2. **Personal movable effects** except the following:

- a. **Jewellery** (except Silver Utensils)
- b. **Paintings**
- c. **Drawings**
- d. **Archaeological collections**
- e. **Sculptures**
- f. **Any other works of Art**



Made with VISME



What are not termed as Capital Assets?

3. Rural Agricultural land in India

Rural area means area which is not urban area

Municipality or
Cantonment Board



- > > 1,00,000 - Upto 2 kms
- > upto 10,00,000 - Upto 6 kms
- > > 10,00,000 - Upto 8 kms



> 10000 Urban Area
< 10000 Rural Area



What are not termed as Capital Assets?

4. Gold Deposit Bonds, 1999 or deposit certificates issued under Gold Monetisation Scheme, 2015

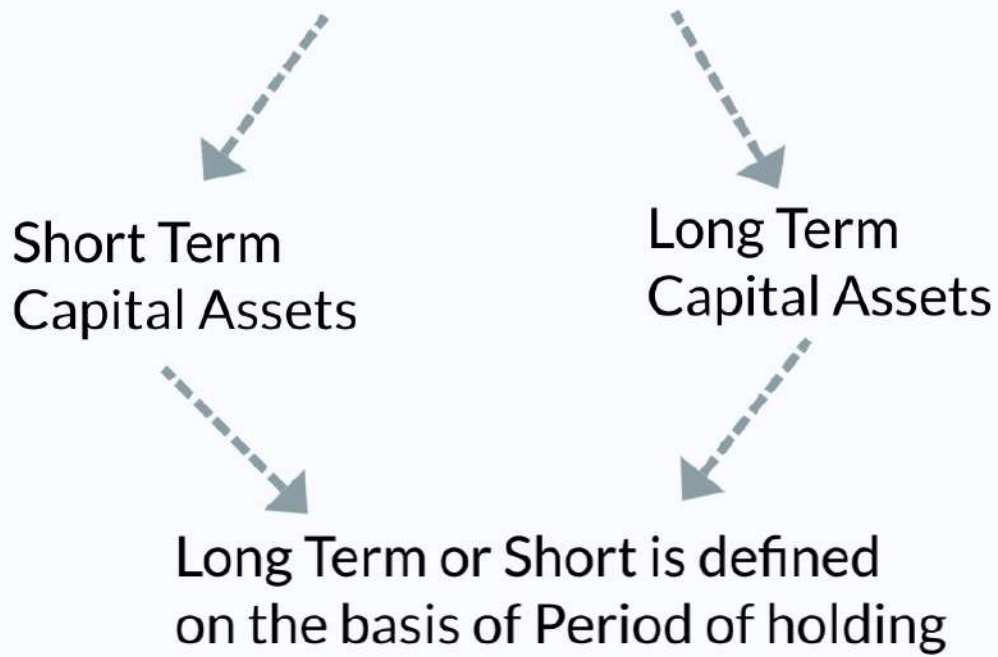


Interest on these exempt u/s 10(15)





Nature of Capital Assets?





Period of Holding

Criteria	Assets
12 Months	Listed Equity & preference shares Zero Coupon bonds Units of UTI Equity Oriented Mutual Funds Listed Securities
24 months	Unlisted equity & Preference shares Immovable Property-Building or land or both
36 Months	Debt oriented Mutual Funds Unlisted Securities All remaining assets



Computation format of Short term Capital Gains

<u>Computation of Short Term Capital Gains</u>	
Full value of Consideration received	XXX
Less: Expenses on transfer	XXX
Less: Cost of Acquisition	XXX
Less: Cost of Improvement	XXX
Capital Gains	
Less: Exemption u/s 54B,54D	XXX
Short Term Capital Gains/Loss	XXX

Computation format of Long term Capital Gains



<u>Computation of Long Term Capital Gains</u>	
Full value of Consideration	XXX
Less: Expenses on transfer	XXX
Less: Indexed Cost of Acquisition	XXX
Less: Indexed Cost of Improvement	XXX
Capital Gains	
Less: Exemption u/s 54,54B,54D,54EC,54EE,54F	XXX
Long Term Capital Gains/Loss	XXX



5. Indexed cost of inflation

$$\text{Cost of Acquisition} \times \frac{\text{Cost of Inflation Index for the year in which asset is transferred}}{\text{Cost of Inflation Index for the first year in which asset was held by the assessee or for the year beginning on 01-04-2001}}$$



6. Indexed cost of Improvement

$$\text{Cost of Acquisition} \times \frac{\text{Cost of Inflation Index for the year in which asset is transferred}}{\text{Cost of Inflation Index for the first year in which the improvement to the asset took place}}$$



Cost of Inflation Index

YEAR	CII	YEAR	CII
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
		2021-22	317



Computation format of Depreciable Assets

<u>Computation of Capital gains in case of depreciable asset</u>	
Full value of Consideration	XXX
Less: Expenses on transfer	XXX
Less: Cost of Acquisition	XXX
Less: Cost of Improvement	XXX
Always Short term capital gain/loss	XXX

Tax on Short Term Capital Gain - Section 111A



- ◆ Equity Shares & Equity Oriented Mutual funds
- ◆ Transaction on recognized stock exchange
- ◆ STT paid.
- ◆ **Taxability**
 - Taxed @ 15%
 - Basic Exemption limit not available
 - (However resident individual and resident HUF can take the benefit of unexhausted basic exemption limit)
 - Chapter VI A deduction not available.

Tax on Short Term Capital Gain - Section 111A



Particulars	Case 1	Case 2
Full Value of Consideration	600000	400000
Less: Cost of Acquisition	200000	200000
Income from Capital Gains	400000	200000
Less: Slab Rate Benefit	250000	200000
Capital Gains	150000	0
Tax @ 15%	22500	0

Tax on Short Term Capital Gain - Other than Section 111A



Tax at normal rates as applicable to the assessee

Tax on Long Term Capital Gain - Section 112



- ◆ Taxed @ 20%
- ◆ Basic Exemption limit not available
(However resident individual and resident HUF can take the benefit of unexhausted basic exemption limit)
- ◆ Chapter VI A deduction not available.

Tax on Long Term Capital Gain - Section 112



Particulars	Case 1	Case 2
Full Value of Consideration (1.07.2021)	600000	800000
Less: Indexed Cost of Acquisition (1.10.2005)	$200000 \times 317/117 = 541880$	$200000 \times 317/117 = 541880$
Income from Capital Gains	58120	258120
Less: Slab Rate Benefit	58120	250000
Capital Gains	0	8120
Tax @ 20%	0	1624

Tax on Long Term Capital Gain - Section 112A



- ◆ Assets-Equity shares, equity oriented mutual funds

Taxability

- ◆ Tax @ 10% on gain exceeding ₹ 100000
- ◆ Basic Exemption limit not available
(However resident individual and resident HUF can take the benefit of unexhausted basic exemption limit)
- ◆ Chapter VI A deduction not available
- ◆ Benefit of indexation not available
- ◆ No benefit of rebate available u/s 87A

Tax on Long Term Capital Gain - Section 112A



Particulars	Case 1	Case 2
Full Value of Consideration	600000	800000
Less: Cost of Acquisition	200000	200000
Income from Capital Gains	400000	600000
Exemption Rs. 100000	100000	100000
Capital Gain after exemption	300000	500000
Less: Slab Rate Benefit	250000	250000
Capital Gains	50000	250000
Tax @ 10%	5000	25000

Tax on Long Term Capital Gain - Special Case



Assets- listed security(shares, stock, bonds, debentures, Govt securities, rights or interest in securities), Mutual Funds

◆ Option 1

Tax @ 20% with indexation

◆ Option 2

Tax @ 10% without indexation

For non-resident they have an option of paying tax @ 10% without benefit of indexation