



Income Tax Department

Government of India

IV. Income under the Capital Gains

4.1 Chargeability:

Capital gains shall be chargeable to tax if following conditions are satisfied:

- a) There should be a capital asset. In other words, the asset transferred should be a capital asset on the date of transfer;
- b) It should be transferred by the taxpayer during the previous year;
- c) There should be profits or gain as a result of transfer.

4.2 Meaning of Capital Asset [Sec 2(14)]

Capital Asset is defined to include:

- a) Any kind of property held by an assessee, whether or not connected with business or profession of the assessee.
- b) Any securities held by a FII which has invested in such securities in accordance with the regulations made under the SEBI Act, 1992.

However, the term 'capital asset' shall exclude the following:

- a) Stock-in-trade, consumable stores, raw materials held for the purpose of business or profession;
- b) Movable property held for personal use of taxpayer or for any member of his family dependent upon him. However, jewellery, costly stones, and ornaments made of silver, gold, platinum or any other precious metal, archaeological collections, drawings, paintings, sculptures or any work of art shall be considered as capital asset even if used for personal purposes;
- c) Specified Gold Bonds and Special Bearer Bonds;
- d) Agricultural Land in India, not being a land situated:
 - a. Within jurisdiction of municipality, notified area committee, town area committee, cantonment board and which has a population not less than 10,000;
 - b. Within range of following distance measured aerially from the local limits of any municipality or cantonment board:
 - i. not being more than 2 KMs, if population of such area is more than 10,000 but not exceeding 1 lakh;
 - ii. not being more than 6 KMs , if population of such area is more than 1 lakh but not exceeding 10 lakhs; or
 - iii. not being more than 8 KMs , if population of such area is more than 10 lakhs.
- e) Deposit certificates issued under the Gold Monetisation Scheme, 2015

4.3 Type of Capital Assets

A. Short Term Capital Asset

Capital asset held for not more than 36 months immediately prior to the date of transfer shall be deemed as short-term capital asset. However, following assets held for not more than 12 months shall be treated as short-term capital assets:

- a) Equity or preference shares in a company which are listed in any recognized stock exchange in India;
- b) Other listed securities;
- c) Units of UTI;

- d) Units of equity oriented funds; or
- e) Zero Coupon Bonds.

Note: Unlisted shares and immovable property (being land or building or both) held for not more than 24 months immediately prior to the date of transfer shall be treated as short-term capital asset.

B. Long Term Capital Asset

Capital Asset that held for more than 36 months or 24 months or 12 months, as the case may be, immediately preceding the date of transfer is treated as long-term capital asset.

4.4 Period of Holding

The period of holding shall be determined as follows:

Different situations	How to calculate the period of holding
Shares held in a company in liquidation	The period subsequent to the date on which the company goes into liquidation shall be excluded.
Capital asset which becomes the property of the assessee in the circumstances mentioned in section 49(1) read with section 47 [i.e., when an asset is acquired by gift, will, succession, inheritance or the asset is required at the time of partition of family or under a revocable or irrevocable trust or under amalgamation, etc.]	The period for which the asset was held by the previous owner should be included (cost of acquisition in this case shall be computed in the manner provided in <i>Para 4.10</i>)
Allotment of shares in amalgamated Indian company in lieu shares held in amalgamating company	The period of holding shall be computed from the date of acquisition of shares in the amalgamating company.
Right shares	The period of holding shall be computed from the date of allotment of right shares.
Right entitlement	The period of holding will be considered from the date of offer to subscribe to shares to the date when such right entitlement is renounced by the person.
Bonus shares	The period of holding shall be computed from the date of allotment of bonus shares.
Issue of shares by the resulting company in a scheme of demerger to the shareholders of the demerged company	The period of holding shall be computed from the date of acquisition of shares in the demerged company.
Membership right held by a member of recognised stock exchange	In case of shares as well as trading/clearing rights, the period for which the person was a member of the stock exchange immediately prior to such demutualization/corporatization shall be included.
Flat in a co-operative society	The period of holding shall be computed from the date of allotment of shares in the society.
Sweat equity shares allotted by employer	The period of holding shall be reckoned from the date of allotment or transfer of such equity shares (applicable from the assessment year 2008-09)
Unit of a business trust [allotted pursuant to transfer of shares as referred to in section 47(xvii)]	The period of holding shall include the period for which shares were held by the assessee.
Conversion of preference shares into equity shares	The period of holding of equity shares shall include the period for which preference shares were held by the assessee

Units allotted to an assessee pursuant to consolidation of two or more scheme of a mutual fund as referred to in Section 47(xviii)	The period of holding of such units shall include the period for which the unit or units in the consolidating scheme of the mutual fund were held by the assessee.
Shares in a company acquired by the non-resident assessee on redemption of Global Depository Receipts referred to in Section 115AC(1)(b)	The period of holding of such shares shall be reckoned from the date on which a request for such redemption was made.
<p>Transactions in shares and securities not given above:</p> <ol style="list-style-type: none"> 1) Date of purchase (through stock exchanges) of shares and Securities 2) Date of transfer (through stock exchanges) of shares and securities 3) Date of purchase/transfer of shares and securities (transaction taken place directly between parties and not through stock exchanges) 4) Date of purchase/sale of shares and securities purchased in several lots at different points of time but delivery taken subsequently and sold in parts 5) Transfer of a security by a depository (i.e., demat account) 	<ol style="list-style-type: none"> a) Date of purchase by broker on behalf of investor. b) Date of broker's note provided such transactions are followed up by delivery of shares and also the transfer deeds. c) Date of contract of sale as declared by parties provided it is followed up by actual delivery of shares and the transfer deeds. d) The FIFO method shall be adopted to reckon the period of the holding of the security, in cases where the dates of purchase and sale cannot be correlated through specific number of scrips. e) The period of holding shall be determined on the basis of the first-in-first-out method.
Conversion of stock-in-trade into capital asset	The period of holding of such converted asset shall be reckoned from the date of conversion.
Conversion of gold into Electronic Gold receipt issued by Vault Manager	The period for which the assessee held the gold before conversion into EGR would be included in the period of holding of EGR
Conversion of Electronic Gold Receipt into gold	The period for which the assessee holds the EGR before conversion to gold would be included in the period of holding of gold

4.5 Meaning of Transfer [Section 2(47)]

"Transfer", in relation to a capital asset, includes:

- (i) Sale, exchange or relinquishment of the asset;
- (ii) Extinguishment of any rights in relation to a capital asset;
- (iii) Compulsory acquisition of an asset;
- (iv) Conversion of capital asset into stock-in-trade;
- (v) Maturity or redemption of a zero coupon bond;
- (vi) Allowing possession of immovable properties to the buyer in part performance of the contract;
- (vii) Any transaction which has the effect of transferring an (or enabling the enjoyment of) immovable property; or
- (viii) Disposing of or parting with an asset or any interest therein or creating any interest in any asset in any manner whatsoever.

4.6 Transactions which are not regarded as transfer [Section 47]

Following transactions shall not be regarded as transfer (subject to certain condition). Hence, following transaction shall not be charged to capital gains:

Section	Particulars
46(1)	Distribution of asset in kind by a company to its shareholders at the time of liquidation
47(i)	Distribution of capital asset on total or partial partition of HUF
47(iii)	Transfer of capital asset under a gift or will or an irrevocable trust
47(iv)	Transfer of capital asset by a company to its wholly owned subsidiary company
47(v)	Transfer of a capital asset by a wholly owned subsidiary company to its holding company
47(vi)	Transfer of capital assets in a scheme of amalgamation
47(via)	Transfer of shares in an Indian company held by a foreign company to another foreign company under a scheme of amalgamation of the two foreign companies
47(viab)	Transfer of share of a foreign company (which derives, directly or indirectly, its value substantially from the share or shares of an Indian company) held by a foreign company to another foreign company under a scheme of amalgamation (subject to conditions)
47(viaa)	Transfer of capital assets in a scheme of amalgamation of a banking company with a banking institution
47(vib)	Transfer of capital assets by the demerged company to the resulting company in a demerger
47(vic)	Transfer of shares held in an Indian company by a demerged foreign company to the resulting foreign company
47(vica)	Any transfer of a capital asset by the predecessor co-operative bank to the successor co-operative bank in a business reorganization.
47(vicb)	Any transfer of capital asset (being shares) held by a shareholder in the predecessor co-operative bank if the transfer is made in consideration of the allotment to him of any shares in the successor co-operative bank in a scheme of business reorganization
47(vicc)	Transfer of share of a foreign company (which derives, directly or indirectly, its value substantially from the share or shares of an Indian company) held by a demerged foreign company to resulting foreign company in case of demerger (subject to conditions)
47(vid)	Transfer or issue of shares by the resulting company to the shareholders of the demerged company in a scheme of demerger
47(vii)	Allotment of shares in amalgamated company in lieu of shares held in amalgamating company
47(viia)	Transfer of capital assets (being foreign currency convertible bonds or GDR) by a non-resident to another non-resident
47(viaa)	Any transfer made outside India, of a capital asset (being rupee denominated bond of an Indian company issued outside India) by a non-resident to another non-resident
47(viab)	Any transfer of following capital assets by a non-resident on a recognised stock exchange located in any International Financial Services Centre: <ul style="list-style-type: none"> a) Bond or GDR b) Rupee Denominated Bond of an Indian Co. c) Derivative d) Such other Securities as may be prescribed.

47(viiac)	Any transfer of a capital asset by original fund to the resulting fund in a relocation.
47(viiad)	Transfer of capital asset (being share, unit, interest), by a shareholder or unit holder or interest holder, held by him, in original fund in consideration for share or unit or interest in the resultant fund in a relocation.
47(viiac)	Transfer of capital asset by India Infrastructure Finance Company to an institution established for financing the infrastructure and development.
47(viiac)	Transfer of capital asset, under a plan approved by the Central Government, by a public sector company to another public sector company
47(viib)	Transfer of capital assets (being a Government security carrying periodic payment of interest) outside India through an intermediary dealing in settlement of securities by a non-resident to another non- resident
47(viic)	Redemption of capital asset being sovereign gold bond issued by RBI under the Sovereign Gold Bond Scheme, 2015
47(viid)	Conversion of Gold into Electronic Gold Receipt issued by a Vault Manager, or Conversion of Electronic Gold Receipt into Gold.
47(ix)	Transfer of a capital asset (being work of art, manuscript, painting, etc.) to Government, University, National museum, etc.
47(x)	Transfer by way of conversion of bonds or debentures into shares
47(xa)	Transfer by way of conversion of bonds [as referred to in section 115AC(1)(a)] into shares or debentures of any company
47(xb)	Any transfer by way of conversion of preference shares into equity shares
47(xi)	Transfer by way of exchange of a capital asset being membership of a recognized stock exchange for shares of a company
47(xii)	Transfer of land by a sick industrial company which is managed by its workers' co-operative
47(xiii)	Transfer of a capital asset by a firm to a company in the case of conversion of firm into company
47(xiiia)	Transfer of a capital asset being a membership right held by a member of a recognized stock exchange in India
47(xiiib)	Transfer of a capital asset by a private company or unlisted public company to an LLP, or any transfer of shares held in the company by a shareholder, in the case of conversion of company into LLP
47(xiv)	Transfer of a capital asset to a company in the case of conversion of proprietary concern into a company
47(xv)	Transfer involved in a scheme of lending of securities
47(xvi)	Transfer of a capital asset in a transaction of reverse mortgage made under a scheme notified by the Government
47(xvii)	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
47(xviii)	Transfer of units of a mutual fund pursuant to consolidation of two or more schemes of equity oriented mutual fund or of two or more schemes of a mutual fund other than equity oriented mutual fund

47(xix)	Transfer of units of a mutual fund from one plan to another pursuant to consolidation of plans within scheme of mutual funds.
47(xx)	Transfer of the interest in a Joint Venture in exchange for shares in a foreign company.

4.7 Computation of capital Gain:

Computation of capital gain depends upon the nature of the capital asset transferred during the previous year, *vis-à-vis*, short-term capital asset, long-term capital asset or depreciable asset. Capital gain arising on transfer of short-term capital asset or depreciable asset is considered as short-term capital gain, whereas transfer of long-term capital asset gives rise to long-term capital gain.

The capital gains on transfer of capital asset shall be computed in the following manner:

Short-term capital assets [Section 48]	Long-term capital assets [Section 48]	Depreciable asset [Section 50]*
Full value of consideration <i>Less:</i> Cost of acquisition of asset <i>Less:</i> Cost of improvement <i>Less:</i> Expenditure incurred wholly and exclusively in connection with such transfer	Full value of consideration <i>Less:</i> Indexed Cost of acquisition (<i>See Note 1</i>) <i>Less:</i> Indexed Cost of Improvement (<i>See Note 1</i>) <i>Less:</i> Expenditure incurred wholly and exclusively in connection with such transfer	WDV of block of asset at the beginning of previous year <i>Add:</i> Actual cost of assets falling within that block acquired during the year <i>Less:</i> Full value of consideration of assets transferred during the year <i>Less:</i> Expenditure incurred wholly and exclusively in connection with such transfer

* Short-term capital gain or loss from sale of depreciable asset will arise only in the following two situations:

- When on last day of the previous year, WDV of the block of asset is *nil*; or
- When on last day of the previous year, block ceases to exist.

Note 1: Indexed Cost of Acquisition and Improvement [Second Proviso to [Section 48](#)]

- In case of transfer of long-term capital assets, indexed cost of acquisition and indexed cost of improvement shall be deducted from the full value of consideration;
- Indexed cost of acquisition and Indexed cost of improvement shall be computed with reference to Cost Inflation Index ('CII') in the following manner:

$$\text{Indexed Cost of Acquisition} = \frac{[(\text{Cost of Acquisition}) \times (\text{CII for the year of transfer})]}{(\text{CII for the year of acquisition or for the Financial Year 2001-02, whichever is later})}$$

$$\text{Indexed Cost of Improvement} = \frac{[(\text{Cost of Improvement}) \times (\text{CII for the year of transfer})]}{\text{CII for the year of Improvement}}$$

Note : The base year for computation of capital gains has been shifted from 1981 to 2001 with effect from assessment year 2018-19. Thus, if any capital asset (acquired before April 1, 2001) is transferred then assessee has an option to take its cost of acquisition either as fair market value as on April 1, 2001 or its actual cost.

However, there are some cases where benefit of indexation is not available, which are as under:

Section	Capital Asset	Transferor
Third Proviso to	Long-term capital gains arising from transfer of an equity share, or a unit of an equity oriented fund or	Any Person

Section 48	a unit of a business trust as referred to in Section 112A .	
Fourth proviso to section 48	<p>Bonds or debentures.</p> <p><i>Note: However, indexation benefit is available on two type of bonds, namely,-</i></p> <ul style="list-style-type: none"> • Capital indexed bonds (issued by the Government) • Sovereign Gold Bond (issued by the RBI under the Sovereign Gold Bond Scheme, 2015) 	Any person
112	Capital gains arising from transfer of unlisted shares (which is taxable at concessional rate of 10%) as calculated without giving effect to first proviso to Section 48	Non-resident
44AE	Presumptive income from business of plying, hiring or leasing of goods carriage if assessee does not own more than 10 goods carriage.	<p>For Heavy Goods Vehicle:</p> <p>Rs. 1,000 per ton of gross vehicle weight for every month or part of a month during which the heavy goods vehicle is owned by assessee.</p> <p>For Other Goods Vehicle:</p> <p>Rs. 7,500 for every month or part of a month during which the goods carriage is owned by assessee.</p>
50A	Depreciable asset (other than an asset used by a power generating unit eligible for depreciation on straight line basis)	Any person
50B	Undertaking/division transferred by way of slump sale as covered by section 50B	Any person
115AB	Units purchased in foreign currency as given in section 115AB	Offshore fund
115AC	Global depository receipts (GDR) purchased in foreign currency as given in section 115AC	Non-resident
115ACA	Global depository receipts (GDR) purchased in foreign currency as given in section 115ACA	Resident individual - employee
115AD	Securities as given in section 115AD	Foreign Institutional Investors

CII in relation to a previous year means such index, as Central Government notifies on year to year basis. The Central Government has notified the following Cost Inflation Indexes

Financial year	Cost Inflation Index
2001-02	100
2002-03	105
2003-04	109

2004-05	113
2005-06	117
2006-07	122
2007-08	129
2008-09	137
2009-10	148
2010-11	167
2011-12	184
2012-13	200
2013-14	220
2014-15	240
2015-16	254
2016-17	264
2017-18	272
2018-19	280
2019-20	289
2020-21	301
2021-22	317
2022-23	331
2023-24	348 (provisional)

4.8 Computation of capital gain in case of sale of shares or debentures of an Indian company purchased by a non-resident in foreign currency [first proviso to section 48]

In such a case, capital gain shall be determined as under:-

Full Value of Consideration (X)	Find out sale consideration in Indian currency and convert it into same foreign currency, which was used to acquire the capital asset, at average exchange rate* on the date of transfer.
Cost of acquisition (Y)	Find out the cost of acquisition in Indian currency and convert it into foreign currency at average exchange rate on the date of acquisition.
Expenditure on sale (Z)	Find out the expenditure on transfer in Indian currency and convert it into same foreign currency at average exchange rate on the date of transfer (not on the date when expenditure is incurred).
Capital gain (X-Y-Z)	The capital gains as computed in after reducing the cost of acquisition and expenditure from the full value of consideration shall be reconverted into Indian currency at buying rate** on the date of transfer.

* Average exchange rate means the average of the telegraphic transfer buying rate and telegraphic transfer selling rate of the foreign currency initially utilised in the purchase of capital asset.

** Buying rate is the telegraphic transfer buying rate of such currency.

4.9 Full Value of Consideration

Full value of consideration is the consideration received or receivable by the transferor in lieu of assets, which he has transferred. Such consideration may be received in cash or in kind. If it is received in kind, then

fair market value ('FMV') of such assets shall be taken as full value of consideration.

However, in the following cases "full value of the consideration" shall be determined on notional basis as per the relevant provisions of the Income-tax Act, 1961:

S. No.	Nature of transaction	Section	Full Value of Consideration
1.	Money or other asset received under any insurance from an insurer due to damage or destruction of a capital asset	45(1A)	Value of money or the FMV of the asset (on the date of receipt)
2.	Conversion of capital asset into stock-in-trade	45(2)	FMV of the capital asset on the date of conversion
3.	Transfer of capital asset by a partner or member to firm or AOP/BOI, as the case may be, as his capital contribution	45(3)	Amount recorded in the books of accounts of the firm or AOP/BOI as the value of the capital asset received as capital contribution
4.	Distribution of capital asset by Firm or AOP/BOI to its partners or members, as the case may be, on its dissolution	45(4)	FMV of such asset on the date of transfer
5.	Money or other assets received by share- holders at the time of liquidation of the company	46(2)	Total money <i>plus</i> FMV of assets received on the date of distribution <i>less</i> amount assessed as deemed dividend under section 2(22)(c)
6.	Buy-back of shares and other specified securities by a company	46A	<p>Consideration paid by company on buyback of shares or other securities would be deemed as full value of consideration. The difference between the cost of acquisition and buy-back price (full value of consideration) would be taxed as capital gain in the hands of the shareholder.</p> <p>However, in case of buy-back of shares by a domestic company (whether listed* or unlisted), the company shall be liable to pay additional tax at the rate of 20% under section 115QA on the distributed income (i.e., buy-back price as reduced by the amount received by the company for issue of such shares). Consequently, capital gain arising in hands of shareholder shall be exempt by virtue of section 10(34A) in such cases.</p> <p>*With effect from 05/07/2019, section 115QA has been amended to levy additional tax on buy back of shares by listed companies as well. Consequently, section 10(34A) has also been amended to exempt income arising in hands of shareholder on account of buy back of shares by listed companies. x</p>
7.	Shares, debentures, warrants ('securities') allotted by an employer to an employee under notified Employees Stock Option Scheme and such securities are gifted by the	Fourth Proviso to Section 48	Fair Market value of securities at the time of gift

	concerned employee to any person		
7A.	Conversion of capital asset into stock-in-trade	49	FMV of the inventory as on the date of conversion
7B.	The transfer of a Specified Mutual Fund acquired on or after 1st April 2023 or a Market Linked Debenture	50AA	Full value of consideration arising out of transfer or redemption or maturity of such debenture or unit as reduced by- (a) The cost of acquisition of the debenture or unit; and (b) Expenditure incurred wholly and exclusively in connection with such transfer or redemption or maturity.
7C.	Computation of capital gains in case of slump sale	50B	FMV of the capital assets (being an undertaking or division transferred by way of slump sale) as on the date of transfer shall be deemed to be full value of the consideration received or accruing as a result of transfer of such capital asset. Such FMV shall be calculated in the prescribed manner.
8.	In case of transfer of land or building, if sale consideration declared in the conveyance deed is less than the stamp duty value	50C	The value adopted or assessed or assessable by the Stamp Valuation Authority shall be deemed to be the full value of consideration. However, no such adjustment is required to be made if value adopted for stamp duty purposes does not exceed 110% of the sale consideration. Note: Where the date of agreement (fixing the amount of consideration) and the date of registration for the transfer of property are not the same, the value adopted or assessed or assessable by Stamp Valuation Authority on the date of agreement may be taken as full value of consideration.
8A.	Where consideration for transfer of unquoted shares is less than the Fair Market Value	50CA	The Fair Market Value (so determined in prescribed manner) shall be deemed to be the full value of consideration Note: The Board may prescribe transactions undertaken by certain class of persons to which the provisions of Section 50CA shall not be applicable. (w.e.f. Assessment Year 2020-21)
9.	If consideration received or accruing as a result of transfer of a capital asset is not ascertainable or cannot be determined	50D	FMV of asset on the date of transfer

4.10 Cost of Acquisition

Cost of acquisition of an asset is the amount for which it was originally acquired by the assessee. It includes expenses of capital nature incurred in connection with such purchase or for completing the title of the property.

However, in cases given below, cost of acquisition shall be computed on notional basis:

S. No.	Particulars	Notional Cost of Acquisition
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1.	Additional compensation in the case of compulsory acquisition of capital assets	<i>Nil</i>
2.	Assets received by a shareholder on liquidation of the company	FMV of such asset on the date of distribution of assets to the shareholders
3.	Stock or shares becomes property of taxpayer on consolidation, conversion, etc.	Cost of acquisition of such stock or shares from which such asset is derived
4.	Allotment of shares in an amalgamated Indian co. to the shareholders of amalgamating co. in a scheme of amalgamation	Cost of acquisition of shares in the amalgamating co.
5.	Conversion of debentures into shares	That part of the cost of debentures in relation to which such asset is acquired by the assessee
5A.	Conversion of preference shares into equity shares	The part of the cost of preference shares in relation to which such asset is acquired by the assessee.
6.	Allotment of shares/securities by a co. to its employees under ESOP Scheme approved by the Central Government	<p>a) If shares are allotted during 1999-2000 or on or after April 1, 2009, FMV of securities on the date of exercise of option</p> <p>b) If shares are allotted before April 1, 2007 (not being during 1999-2000), the amount actually paid to acquire the securities</p> <p>c) If shares are allotted on or after April 1, 2007 but before April 1, 2009, FMV of securities on the date of vesting of option (purchase price paid to the employer or FBT paid to employer shall not be considered)</p>
6A.	Listed Equity Shares or Units of Equity Oriented Funds or Units of Business Trust as referred to in Section 112A acquired before February 1, 2018.	<p>Higher of :</p> <p>(i) Cost of acquisition of such asset; and</p> <p>(ii) Lower of:</p> <p>(A) The fair market value of such asset; and</p> <p>(B) The full value of consideration received or accruing as a result of transfer of such asset.</p> <p>Note: For meaning of 'Fair market Value' refer Explanation to Section 55(2)(ac).</p>
7.	Property covered by section 56(2)(vii) or (viia) or (x)	The value which has been considered for the purpose of Section 56(2)(vii) or (viia) or (x)
8.	Allotment of shares in Indian resulting company to the existing shareholders of the demerger company in a scheme of demerger	Cost of acquisition of shares in demerged company ? Net book value of assets transferred in demerger ? Net worth of the demerged company immediately before demerger
9.	Cost of acquisition of original shares in demerged company after demerger	Cost of acquisition of such shares <i>minus</i> amount calculated above in point 8.
10.	Cost of acquisition of assets acquired by successor LLP from predecessor private company or unlisted public company at the time	Cost of acquisition of the assets to the predecessor private company or unlisted public company

	of conversion of the company into LLP in compliance with conditions of Section 47(xiiib)	
11.	Cost of acquisition of rights of a partner in a LLP which became the property of the taxpayer due to conversion of a private company or unlisted public company into the LLP	Cost of acquisition of the shares in the co. immediately before conversion
12.	Depreciable assets covered under Section 50	Opening WDV of block of assets on the first day of the previous year <i>plus</i> actual cost of assets acquired during the year which fall within the same block of assets
13.	Depreciable assets of a power generating unit as covered under Section 50A *	WDV of the asset <i>minus</i> terminal depreciation <i>plus</i> balancing charge
14.	Undertaking/division acquired by way of slump sale as covered under Section 50B	Net worth of such undertaking
15.	New asset acquired for claiming exemptions under sections 54 , 54B , 54D , 54G or 54GA if it is transferred within three years	Actual cost of acquisition <i>minus</i> exemption claimed under these sections
16.	Goodwill of business/profession or trade mark or brand name associated with business or right to manufacture, produce or process any article or thing or right to carry on any business or profession, tenancy right, stage permits or loom hours	a) If such asset were acquired by the assessee by purchase from a previous owner; cost of acquisition means amount of purchase price; b) In the case falling under sub-clauses(i) to (iv) of sub-section (1) of section 49 and such asset was acquired by the previous owner by purchase; cost of acquisition means amount of purchase price for such previous owner; and c) in any other case, cost of acquisition shall be taken to be <i>nil</i> .
17.	Right shares	Amount actually paid by assessee
18.	Right to subscribe to shares (i.e., right entitlement)	<i>Nil</i>
19.	Bonus shares	a) If allotted to the assessee before April 1, 1981: Fair market value on that date b) In any other case: <i>Nil</i>
20.	Allotment of equity shares and right to trade in stock exchange, allotted to members of stock exchange under a scheme of demutualization or corporatization of stock exchanges as approved by SEBI	a) Cost of acquisition of shares: Cost of acquisition of original membership of the stock exchange b) Cost of acquisition of trading or clearing rights of the stock exchange: <i>Nil</i>
21.	Capital asset, being a unit of business trust, acquired in consideration of transfer as referred to in section 47(xvii)	Cost of acquisition of shares as referred to in section 47(xvii) [applicable from AY 2015-16]
	Units allotted to an assessee pursuant to consolidation of two or more scheme of a mutual fund as referred to in Section 47(xviii)	Cost of acquisition of such units shall be the cost of acquisition of units in the consolidating scheme of the mutual fund

	Shares in a company acquired by the non-resident assessee on redemption of Global Depository Receipts referred to in Section 115AC(1)(b)	Cost of acquisition of such shares shall be calculated on the basis of the price prevailing on any recognized stock exchange on the date on which a request for such redemption was made.
24.	Any other capital asset:	<ul style="list-style-type: none"> a) If it became property of taxpayer before April 1, 2001 by gift, will, etc., in modes specified in section 49(1): Cost of acquisition to the previous owner or FMV as on April 1, 2001, whichever is higher b) If it became property of taxpayer before April 1, 2001 : Cost of acquisition or FMV as on April 1, 2001, whichever is more c) If it became property of taxpayer after April 1, 2001 by gift, will, etc., in modes specified in section 49(1): Cost of acquisition to the previous owner d) If it became property of taxpayer after April 1, 2001 : Actual cost of acquisition

*** Terminal Depreciation/Balancing Charge:**

- a) Balancing Charge = Sales Consideration - WDV of the depreciable asset
- b) Terminal Depreciation = WDV - Sales Consideration

When a depreciable asset (which was subject to depreciation on straight line basis) of a power generating units is sold, discarded, demolished or destroyed then terminal depreciation shall be deductible from sale consideration while computing capital gains, or balancing charge is taxable in the relevant year, as the case may be.

[4.11 Cost to the Previous Owner \[sec. 49\(1\)\]](#)

Cost to the previous owner shall be deemed to be the cost of acquisition in the hands of the taxpayer in cases where a capital asset becomes the property of the assessee under any of the modes given below:

- a) On any distribution of assets on the total or partial partition of a HUF
- b) Under a Gift or Will;
- c) By Succession, Inheritance or Devolution;
- d) On any distribution of assets on dissolution of a firm, BOI or AOP (where such dissolution had taken place at any time before the 01-04-1987);
- e) On any distribution of assets on liquidation of a company;
- f) Under a transfer to a revocable or an irrevocable trust;
- g) On any transfer by a holding company to its wholly owned Indian subsidiary company;
- h) On any transfer by a wholly owned subsidiary company to its Indian holding company;
- i) On any transfer by the amalgamating company to the Indian amalgamated company;
- j) In a scheme of amalgamation, any transfer of shares held in a Indian company by a amalgamating foreign company to the amalgamated Foreign company;
- k) Consequent to transfer of share(in a scheme of amalgamation as referred to in [Section 47\(viab\)](#) of a foreign company which derives, directly or indirectly, its value substantially from the share or shares of an Indian company held by amalgamating foreign company to the amalgamated foreign company.
- l) Consequent to transfer of capital asset by the demerged company to the resulting Indian company. (in case of demerger)
- m) Consequent to transfer of share (in case of demerger as referred to in [Section 47\(vic\)](#) of a foreign company which derives, directly or indirectly, its value substantially from the share or shares of an Indian company held by a demerged foreign company to resulting foreign company.

- n) Any transfer, in a scheme of amalgamation of a banking company with a banking institution;
- o) On any transfer in a scheme of business reorganization of a cooperative bank;
- p) On any transfer in a scheme of conversion of private company or unlisted company into LLP;
- q) On any transfer in case of conversion of Firm or Sole proprietary concern into Company;
- r) By HUF where one of its members has converted his self-acquired property into joint family property.

Note:

Where previous owner has also acquired the property in the aforesaid manner the 'previous owner' of the property shall be construed as the last previous owner who acquired the property by means other than those stated above.

4.12 Cost of Improvement [Sec. 55(1)(b)]

Cost of improvement, in relation to the capital assets shall include all capital expenditure incurred in making addition or alteration to the capital assets by the assessee or the previous owner. However, cost of improvement does not include any expenditure incurred prior to 01-04-2001. Cost of improvement shall be computed in the following manner:

S. No.	Particular	Cost of Improvement
1.	In relation to goodwill of a business, right to manufacture, produce any article or thing or right to carry on business or profession	NIL
2.	In relation to capital asset which becomes property of the assessee or previous owner before 01-04-2001	Any expenditure of capital nature incurred on or after 01-04-2001
3.	In relation to capital asset which becomes property of the assessee or previous owner before 01.04.2001 by way of any mode specified under Section 49(1)	Any expenditure of capital nature incurred on or after 01-04-2001 by the assessee or the previous owner
4.	In relation to capital asset which becomes property of the assessee or previous owner on or after 01.04.2001	Any expenditure of capital nature incurred by the assessee or the previous owner
5.	In relation to capital asset which becomes property of the assessee or previous owner on or after 01-04-2001 by way of any mode specified under Section 49(1)	Any expenditure of capital nature incurred by the assessee or the previous owner

4.13 Rates of tax on capital gains:

1. Short Term Capital Gains

- a) Short-term capital gains shall be included in the gross total income of the taxpayer and will be taxed at the normal rates;
- b) Short-term capital gains arising from transfer of Equity Shares, Units of an Equity Oriented Funds or a unit of a business trust which is chargeable to securities transaction tax shall be taxed at 15% under [Section 111A](#);

Note:-

Now benefit of reduced rate of tax (i.e., 15%) shall be available w.e.f. 1-4-2016 even in respect of income arising from transfer of units of a business trust which were acquired by assessee in lieu of shares of special purpose vehicle as referred to in [section 47\(xvii\)](#).

2. Long Term Capital Gains

- a) Long-term capital gains are subject to tax at 20%;
- b) Long-term capital gains arising from transfer of listed securities, units or a zero coupon [other than as referred to in point d) below] bonds shall be taxable at lower of following:

- i. 20% after taking benefit of indexation; or
 - ii. 10% without taking benefit of indexation.
- c) Long-term capital gains arising to a non-residents or foreign company from transfer of unlisted securities shall be taxed at without giving benefit for indexation;
 - d) Long-term capital gains arising from transfer of listed equity share, or a unit of an equity oriented fund or a unit of a business trust as referred to in [Section 112A](#) shall be chargeable to tax at the rate of 10% in excess of Rs. 1 Lakh.

[4.14 Reference to valuation officer \[Section 55A\]](#)

With a view to ascertaining the fair market value of a capital asset, the concerned Assessing Officer may refer the valuation of the capital asset to a Valuation Officer appointed by the Income-tax Department in the following cases:

- 1) Where the value of the asset as claimed by the assessee is in accordance with the estimate made by a registered valuer (who works in a private capacity under a licence issued by the Board and his valuation is not binding on the Assessing Officer), but the Assessing Officer is of opinion that the value so claimed is at variance with the fair market value of the asset;
- 2) Where the Assessing Officer is of opinion that the fair market value of the asset exceeds the value of the asset by more than Rs. 25,000 or 15 per cent of the value claimed by the assessee, whichever is less; or
- 3) Where the Assessing Officer is of opinion that, having regard to nature of an asset and relevant circumstances, it is necessary to make a reference to the Valuation Officer

[4.15 Deduction/ Exemption under Capital Gain](#)

Particulars	Section 54	Section 54B	Section 54D	Section 54EC	Section 54EE	Section 54F	Section 54G	Section 54GA	Section 54GB
Eligible taxpayers	Individual and HUF	Individual and HUF	Any person	Any person	Any Person	Individual and HUF	Any person	Any person	Individual and HUF
Capital gains eligible for exemption	Long-term	Short-term or Long-term	Short-term or Long-term	Long-term	Long-term	Long-term	Short-term or Long-term	Short-term or Long-term	Long-term
Capital gains arising from transfer of	Residential House property	Agriculture land used by taxpayer or by his parents or HUF for agriculture purposes in last 2 years before its transfer	Compulsory acquisition of land or building forming part of industrial undertaking (which was used for industrial purposes for at least 2 years before its acquisition).	Any long-term capital asset being Land or Building or Both	Any long-term capital asset	Any long term asset (other than a residential house property) provided on date of transfer taxpayer does not own more than one residential house property (except the new house)	Land, building, plant or machinery, in order to shift industrial undertaking from urban area to rural area.	Land, building, plant or machinery, in order to shift industrial undertaking from urban area to SEZ.	Residential property (house or a plot of land) Note: Provisions of this section shall not apply to any transfer of residential property made after March 31, 2017. However, in case of an investment in eligible start-up, the residential property can be transferred up to March 31, 2019. Note: w.e.f. Assessment Year 2020-21, the sunset date for transfer of original capital asset (residential property) for investment in eligible

									start-ups is extended from March 31, 2019 to March 31, 2021 and the condition of minimum holding of 50% of share capital or voting rights in the start-up is relaxed to 25%.
Assets to be acquired for exemption	One residential house property Or Two residential house properties Note: With effect from Assessment Year 2020-21, a taxpayer has an option to make investment in two residential house properties in India. This option can be exercised by the taxpayer only once in his lifetime provided the amount of long-term capital gain does not exceed Rs. 2 crores.	Agricultural land (may be in urban area or rural area)	Land or building for shifting or reestablishing said industrial undertaking	Bond of NHAI or REC, etc.	Units of such fund as may be notified by Central Government to finance start-ups	One residential house property	Land, building, plant or machinery, in order to shift industrial undertaking to rural area.	Land, building, plant or machinery, in order to shift industrial undertaking to SEZ.	Subscription in equity shares of an eligible company. Note: 1. W.e.f. April 1, 2017, eligible start-up is also included in definition of eligible company. 2. The eligible company should utilize the amount of subscription for purchase of new assets (i.e., plant and machinery except vehicle, office appliances, computer or computer software etc.). However, In the case of eligible startup, the new asset shall include computers or computer software.
Time limit for acquiring the new assets	Purchase: within 1 year before or 2 years after date of transfer Construction: within 3 years after date of transfer	Within 2 years after date of transfer	Within 3 years from date of receipt of compensation	Within 6 months from date of transfer	Within 6 months after the date of transfer of original asset	Purchase: within 1 year before or within 2 years after date of transfer Construction: within 3 years after date of transfer	within 1 year before or 3 years after date of transfer	Within 1 year before or within 3 years after date of transfer	Investment by the assessee - Before due date for furnishing of return under Sec. 139(1). Investment by the company - within 1 year from date of subscription.
Exemption Amount	Investment in new assets or capital gain, whichever is lower Note: if the cost of new asset exceeds Rs. 10 crore, the excess amount shall be ignored and Rs. 10	Investment in agricultural land or capital gain, whichever is lower	Investment in new assets or capital gain, whichever is lower	Investment in new assets or capital gains, whichever is lower, however, subject to Rs. 50 lakhs.	Investment in new assets or capital gains, whichever is lower, however, subject to Rs. 50 lakhs.	Investment in new assets X capital gain/net consideration Note: if the cost of new asset exceeds Rs. 10 crore, the excess amount shall be ignored and Rs. 10 crore shall be taken into consideration	Investment in new assets or capital gain, whichever is lower	Investment in new assets or capital gain, whichever is lower	Investment in new assets X capital gain/net consideration

	crore shall be taken into consideration								
Withdrawal of exemption	If new asset is transferred within 3 years of its acquisition	If new asset is transferred within 3 years of its acquisition	If new asset is transferred within 3 years of its acquisition	If new asset is transferred or it is converted into money or a loan is taken on its security within 5 years of its acquisition	If new asset is transferred within a period of 3 years from the date of its acquisition. Note: Where assessee takes loans or advance on security of such specified asset, he shall be deemed to have transferred such asset on the date on which such loan or advance is taken.	a) If new asset is transferred within 3 years of acquisition, b) if another residential house is purchased within 2 years of transfer of original asset; c) if another house is constructed within 3 years of transfer of original asset	If new asset is transferred within 3 years of acquisition	If new asset is transferred within 3 years of acquisition	If equity shares in company or new asset acquired by company is sold or transferred within a period of 5 years from date of acquisition. Note: w.e.f. Assessment Year 2020-21, the restriction on the transfer of new asset is reduced to 3 years in case of computer or computer software.
Deposit in Capital gains deposit scheme before due date under Sec. 139(1).	Yes	Yes	Yes	No	No	Yes	Yes	Yes	Yes

Capital Gain Account Scheme 1988

- The scheme is open to all taxpayers, who wish to claim exemption under Sections [54](#), [54B](#), [54D](#), [54F](#), [54G](#) or [54GB](#).
- If taxpayer could not invest the capital gains to acquire new asset before due date of furnishing of return, the capital gains can be deposited before due date for furnishing of return of income in deposit account in any branch of a nationalized bank in accordance with Capital Gain Account Scheme 1988.
- w.e.f. Assessment Year 2024-25, if the capital gains deposited in the Capital Gains Scheme Account (CGSA) exceed Rs. 10 crores, the excess amount shall not be taken into account while computing capital gain exemption under section 54.
- w.e.f. Assessment Year 2024-25, where the net consideration deposited in the CGSA exceeds Rs. 10 crores, the excess amount shall not be taken into account while computing capital gain exemption under section 54F

[As amended by Finance Act, 2023]