- Assets
  - → There are two types of assets
    1. Deperciable asset.
    2. Non-Deperciable asset.
- In Non-Deperciable asset, you can calculate both Long term capital gain/loss (LTCG/L) and Short term capital gain (STCG/L).
- But you can only calculate short term capital gain/loss under Deperciable asset.
- How to calculate?

1. STCG/A

Sale consideration: x ₹
less: cost of transfer: x ₹
Net consid. x ₹

Less: cost of aquisition: x ₹
Less: cost of improvement: x ₹
gross STCG/L x ₹

Less: exemption u/s 54 x ₹
Net STCG/L x

2. LTCG/L

Sales consideration	:	x ₹
Less: cost of transfer	:	x ₹
Net consideration	:	x ₹
Less: indexed cost of Acquisition	:	x ₹
Less: indexed cost of improvement	:	x ₹
Gross LTCG/L	:	x ₹
Less: Exemption u/s 84	:	x ₹
Net LTCG/L	:	x ₹

☆ Cost of transfer.

→ Cost of transfer simply means selling an asset. The following types of transaction includes:

1. Sale
2. Exchange
3. Relinquishment (surrender) of the asset.
4. Extinguishment of any rights in the asset.
5. Compulsory Acquision by law.
6. Conversion of a capital asset into stock-in-trade

- Benifits of indexation in LTCG/L

-> In STCG, indexation is not allowed because the asset is ~~the~~ not held for long enough period (max 36 months) for inflation to significantly impact its cost.

-> In LTCG, indexation is allowed because asset are often held for many years. Indexation adjusts the historical cost of the asset for inflation, ensuring the taxpayer is not taxed on inflationary gain, but on an actual profit. This adjustment is done using cost inflation indices (CII) by government.

- Cost of Acquisition (COA)

↳ COA is the cost ~~ac~~ incurred to acquire the asset. The rules of calculating COA differs on type of asset

- For other than shares, the actual cost is considered from 1, April, 2001, before that, Fair Market Value (FMV) was considered

- Cost of share

- ordinary share : Same as 'other than share'
- Bonus share : alloted free of cost (0 COA)
- Rights share : COA is payment paid to company for the share

* Consider FMV or COA which is ~~Favourable~~ Favourable

- Cost of improvement

↳ COI represent capital expenses incurred on the asset after its acquisition.

On or After April 1, 2001: The actual cost of improvement is considered.

* Exclusion: COA & COI does not applicable on
  1. Depreciable asset
  2. intangible asset.

To calculate indexation,

$$\frac{COA}{\text{Base year index}} \times \text{current year index}$$

Q Jojo purchased a house property on 1st sept, 1999 for ₹4,10,000. FMV of the property on 1st April, 2001 was ₹3,70,000. He incurred the following expenses.

a. Construction of room on Ground floor on year 2000-01 = 10,000

b. Renewal / reconstruction in 2013-14 ₹4,40,000

The property was transferred on 31st March, 2022 for ₹45,00,000

Compute capital gain.

cost of inflation index:

year	CII
2013-14	220
2021-22	317

CoA / purchase price / Actual cost : $\underline{\underline{4,10,000}}$ ✓ (in 1999)

FMV : 3,70,000

construction / COI ① 10,000 (but b4 2001) ∴ ⇒ 0

② 4,40,000 (in 2013-14)) ⇒ 4,40,000

Sales consideration / SP ⇒ 45,00,000

Computation of capital gain P.Y. 2021-22

Sales consideration	45,00,000
Less: COT	—
	45,00,000
Less: index of COA / COA	
$\frac{4,10000}{100} \times 317$	12,99,700
Less: index cost of improvement / COI	
$\frac{4,40,000}{220} \times 317$	6,34,000
Gross LTCG/L	25,66,300
Less: Exemption U/S 54, 54B, 54D, 54E, 54EC, 54G	—
$\boxed{\text{Net LTCG/L}}$	$\boxed{25,66,300}$