



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
1.	Additional compensation in the case of compulsory acquisition of capital assets	Nil
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	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 b) If shares are allotted before April 1, 2007 (not being during 1999-2000), the amount actually paid to acquire the securities 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)
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.	Higher of : (i) Cost of acquisition of such asset; and (ii) Lower of: (A) The fair market value of such asset; and (B) The full value of consideration



S. No.	Particulars	Notional Cost of Acquisition
		<p>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 of conversion of the company into LLP in compliance with conditions of Section 47(xiii b)	Cost of acquisition of the assets to the predecessor private company or unlisted public company
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 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	<p>a) If these assets were acquired by gift, will, etc., under section 49(1) and the previous owner had purchased these assets: Cost of acquisition to the previous owner</p> <p>b) If the owner has purchased these assets: Actual cost of acquisition</p> <p>c) If these assets are self-generated: <i>Nil</i></p>
17.	Right shares	Amount actually paid by assessee



S. No.	Particulars	Notional Cost of Acquisition
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:	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.

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In Case of any query, please feel free to contact us.

**Thanks & Regards
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&
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