



Income From Capital Gain & Other Sources

CA Rohit Kapoor



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Capital Gain

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Basis of Charge

Under Capital
Gain



Charging Section

Section 45(1)

- Capital gains shall be chargeable to tax if following conditions are satisfied:
 - There should be a **CAPITAL ASSET**. In other words, the asset transferred should be a capital asset on the date of transfer;
 - It should be **TRANSFER**ed by the taxpayer during the previous year;
 - There should be **PROFITS OR GAIN** as a result of transfer



Meaning of Capital Asset

Section 2(14)

Capital Assets

- Any Kind of Property – Connected with Business or Not
- Any Securities held by a Foreign Institutional Investor
- Stock in Trade
- Movable Personal Property (**Excl. JDAPSA**)
- Rural Agricultural Land in India
- Gold Deposit Bonds or Deposit Certificate Issued under Gold Monetization Scheme

Jewellery

Drawings

Archaeological
Collection

Paintings

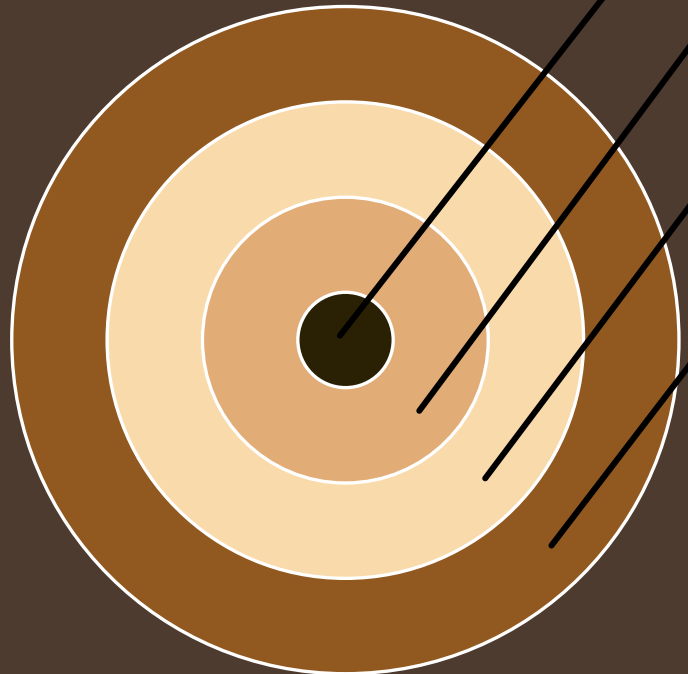
Sculpture

Any other
Art of Work



Rural Area & Urban Area

Urban Area



Area Having
Population, 10K or more

Up to 2 KM, Population
10,001 to 1,00,000

Up to 6 KM, Population
1,00,001 to 10,00,000

Up to 8 KM, Population
more than 10,00,000

Rural Area



**Which is not
URBAN AREA**



Important Points

- Assets Used for Personal Purpose (excl JDA SPA) (i.e. CAR, TV etc), not a Capital Asset.
- Gold Utensils, Silver Bar/Coins, not a Personal Effects.
- Silver Utensils is consider as Personal Effects.
- Vehicle Used in Business is consider as Capital Asset.



Meaning of Transfer

Section 2(47)

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

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Case Study - Transfer

- Say Mr. X enters into an agreement to sell HP on 01.01.2019 with Mr. Y for Rs. 20,00,000.
- Mr. X hands over the possession of HP to Mr. Y on 15/02/2019.
- Mr. Y makes the payment of Rs. 20,00,000 on 30th April, 2019.
- The HP is registered in name of Mr. Y on 30.06.2019. When has the transfer taken place?

**As Per
Section
2(47)**

transfer takes place on the date on which
POSSESSION is given i.e. 15/02/2019.
(For year of CG and nature of CG)



Type of Capital Asset & Gain

Capital Assets

Short Term Capital
Asset

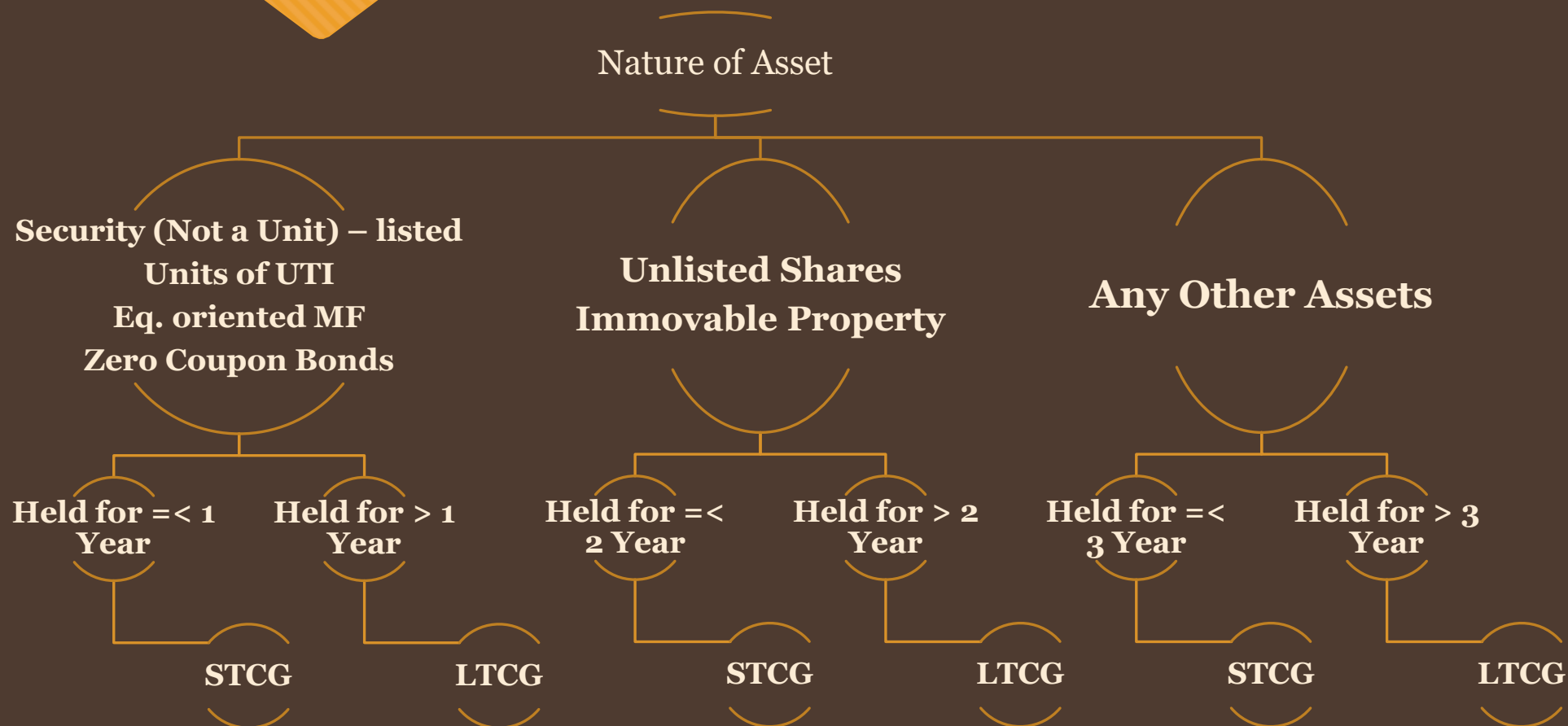
Long Term Capital
Asset

STCG

LTCG



Type of Capital Assets





Computation of Capital Gain

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



Indexation

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

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



Cost Inflation Index

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

Financial Year	Cost Inflation Index
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



In Some Cases Benefit of Indexation is Not Available

Section	Capital Asset	Transferor
Third Proviso to Section 48	Long-term capital gains arising from transfer of an equity share, or a unit of an equity oriented fund or a unit of a business trust as referred to in Section 112A.	Any Person
Third proviso to section 48	Bonds or debentures. Note: However, indexation benefit is available on two type of bonds, namely,- <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



In Some Cases Benefit of Indexation is Not Available

Section	Capital Asset	Transferor
44AE	Presumptive income from business of plying, hiring or leasing of goods carriage if assessee does not own more than 10 goods carriage.	<p><u>For Heavy Goods Vehicle:</u></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><u>For Other Goods Vehicle:</u></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



In Some Cases Benefit of Indexation is Not Available

Section	Capital Asset	Transferor
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



Computation of Capital Gain – Special Case

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]**

Full Value of Consideration (A)	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 (B)	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 (C)	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 (A-B-C)	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.



Full Value of Consideration & Cost of Acquisition

Full Value of Consideration

- Refer Notes from Separate File

Cost of Acquisition

- Refer Notes from Separate File



Cost of Improvement

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



Cost to the Previous Owner

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:

- On any distribution of assets on the total or partial partition of a HUF
- Under a Gift or Will;
- By Succession, Inheritance or Devolution;
- 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);
- On any distribution of assets on liquidation of a company;
- Under a transfer to a revocable or an irrevocable trust;
- On any transfer in case of conversion of Firm or Sole proprietary concern into Company;
- By HUF where one of its members has converted his self-acquired property into joint family property.



Rates of Taxes

On Capital Gain



Rates of Taxes - STCG

@ 15% (STT Paid)

- Equity Shares
- Units of an Equity Oriented Funds
- Unit of a business trust

@ Slab Rates
(Include in GTI)

- Others



Rates of Taxes - LTCG

@ 20%

- Normally in All Cases

**@20%(I) /
@10%(W/o. I)**
(Lower of Above Two)

- Listed Securities
- Unit of ZCB

@10%

- Listed Eq. Sh.
- Unit of Eq. Or. MF
- Unit of Business Trust



Income From Other Sources

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Basic

Income from Other Source



Income from Other Sources

Any income which is not chargeable to tax under any other heads of income and which is not to be excluded from the total income shall be chargeable to tax as residuary income under the head “Income from Other Sources”.



Basis of Charge

Section 56

Items Taxable under IFOS

Interest on
Securities (not
SIT)

Dividend

Rent from P&M,
F&F

Winning –
Lotteries, Puzzles,
Card Games etc

Interest – SA,
Bank Deposit,
Loans

Royalty

Director Sitting
Fee

Agricultural
Income from
Land Located
Outside India

Income – Sub-
letting of H/P

Salary of
MP/MLA/MLC

Interest on ITR
Refund

Income on any
Investment

Gifts

Family Pension

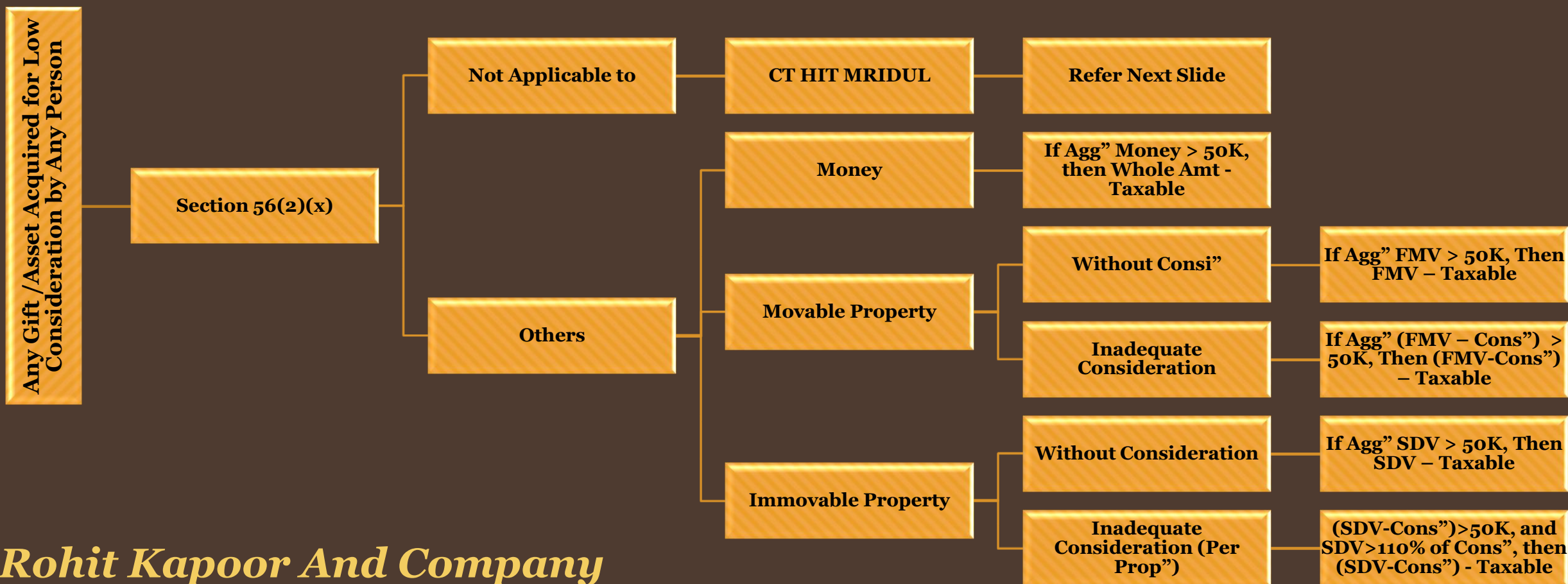


Family Pension

- Amount Received under Family Pension
- Deduction u/s. 57, Allowed, Lower off;
 - 1/3 of Family Pension
 - Rs. 15,000 p.a.



Gift





Gift - Exempt

C

• Clauses of Section 47 viz. not regarded as Transfer

T

• By any Trust, Fund, Hospital, Medical Institution, University, Institution referred u/s. 10(23C)

H

• From Hospital or Medical Institution

I

• From Individual – for Special Trust for Family Members Benefit

T

• From or by any Trust reg u/s. 12AA

M

• On Marriage

R

• From Relative

I

• Under Inheritance/Will

D

• In contemplation of Death

U

• From any University or Education Institution

L

• From any Local Authority – u/s. 10(20)

From Such Class of Person and subject to such conditions, as may be prescribed.

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Property

Shares &
Securities

Jewellery

Drawing

Painting

Archaeological
Collection

Sculptures

Any other
work of Art

Bullion

Immovable
Property

~~Car, Mobile,
AC, TV,
Watch etc~~



Relative

- Individual / Assessee - Lineal Descendant & Spouse
 - Brother & Spouse
 - Sister & Spouse
 - Mother & Father – Lineal Ascendant & Spouse
 - Brother & Spouse
 - Sister & Spouse
- Spouse - Lineal Descendant & Spouse
 - Brother & Spouse
 - Sister & Spouse
 - Mother & Father – Lineal Ascendant & Spouse



Deductions

Section	Nature of Income	Deductions allowed
57(i)	Dividend or Interest on securities	Any reasonable sum paid by way of commission or remuneration to banker or any other person for purpose of realizing dividend or interest on securities
57(ia)	Employee's contribution towards Provident Fund, Superannuation Fund, ESI Fund or any other fund setup for the welfare of such employees	If employees' contribution is credited to their account in relevant fund on or before the due date
57(ii)	Rental income letting of plant, machinery, furniture or building	Rent, rates, taxes, repairs, insurance and depreciation etc.
57(ia)	Family Pension	1/3rd of family pension subject to maximum of Rs. 15,000.
57(iii)	Any other income	Any other expenditure (not being capital expenditure) expended wholly and exclusively for earning such income
57 (iv)	Interest on compensation or enhanced compensation	50% of such interest (subject to certain conditions)
58(4) Proviso	Income from activity of owning and maintaining race horses.	All expenditure relating to such activity.



THANKYOU

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