

# **Income from Capital Gain**

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# Charging Section [Section 45(1)]

- Capital gains mean any profits or gains arising from transfer of capital asset.
- Such gains are taxed in the previous year in which the transfer of the capital asset takes place.

## Capital Asset:

Capital asset means:

- (a) Property of any kind held by assessee, whether or not connected with business or profession.
- (b) Any securities held by a Foreign Institutional Investor (FII)

**But capital asset does not include:**

- (i) Stock in trade (Raw material/WIP/Finished goods)
- (ii) Movable Personal asset [ **But : Jewellery, Drawings, Paintings, Sculpture, Archaeological collections or other work of art is a part of capital asset**]
- (iii) Rural agricultural land in India.
- (iv) Gold deposit bonds or Deposit certificates issued under Gold Monetisation Scheme, 2015

# Transfer [Section 2(47)]

Transfer includes:

- (i) Sale, exchange or relinquishment (surrender) of the asset, or
- (ii) Extinguishment of any rights therein, or
- (iii) Compulsory acquisition under any law, or
- (iv) Conversion of capital asset into stock in trade, or
- (v) Allowing the possession of any immovable property to be taken or retained in part performance of contract.
- (vi) Any transaction (like becoming a member of, or acquiring shares in a Co-operative society) which has the effect of transferring or enabling the enjoyment of immovable property.
- (vii) Maturity or redemption of Zero Coupon Bond.

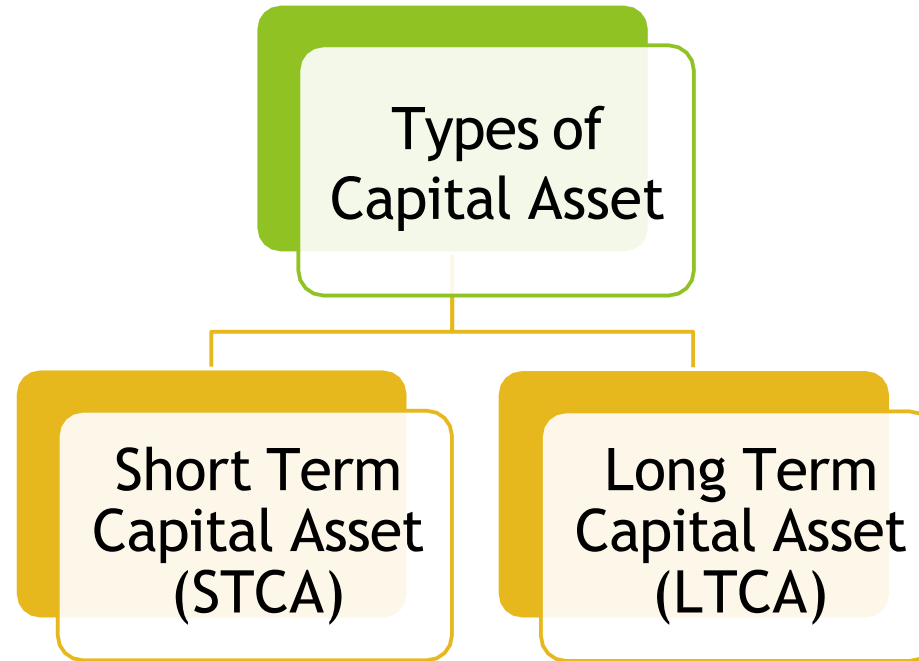
# Certain Transactions not regarded as Transfer:

Following transactions are not regarded as transfer. Therefore no capital gain will arise:

[Section 47]

1. Distribution of capital asset on the partial or total partition of asset.
2. Transfer of capital asset under gift, will, irrevocable trust (does not apply to shares, debentures allotted by company under ESOPs).
3. Where the assets of a company are distributed to shareholders on liquidation of a company, such distribution shall not be regarded as transfer in the hands of company.
4. Any transfer of capital asset by a company to its 100% subsidiary company provided the subsidiary company is an Indian company.
5. Any transfer of capital asset by a 100% subsidiary company to its holding company, if the holding company is an Indian company.
6. Any transfer of the capital asset by the amalgamating company to the amalgamated company, if the amalgamated company is an Indian company.
7. Any transfer, in a demerger, of a capital asset by the demerged company to the resulting company, if the resulting company is an Indian company.
8. Any transfer by way of conversion of bonds or debentures, debenture stock, deposit certificate in any form, of a company into shares or debentures of same company.
9. Any transfer by way of conversion of preference shares of a company into equity shares of same company.
10. Any transfer by way of conversion of gold into electronic gold receipt or conversion of electronic gold receipt into gold.

# Types of Capital Asset:



# Types of Capital Asset:

Capital Asset	Short Term capital asset	Long Term capital asset
<ul style="list-style-type: none"><li>➤ Security listed in recognised stock exchange.</li><li>➤ Units of equity oriented mutual fund</li><li>➤ Units of Unit Trust of India</li><li>➤ Zero Coupon Bond</li></ul>	Held upto 12 months (1yr)	Held for more than 12 months (1yr)
<ul style="list-style-type: none"><li>➤ Unlisted shares</li><li>➤ Land or Building or both (Immovable property)</li></ul>	Held upto 24 months(2yrs)	Held for more than 24months (2 yrs)
<ul style="list-style-type: none"><li>➤ Unit of debt oriented fund</li><li>➤ Any other capital asset</li></ul>	Held upto 36 months(3yrs)	Held for more than 36 months (3 yrs)

