

CAPITAL GAIN (SEC 45)

I Unit-

Profit from the transfer of Capital assets
Chargeable item sec 45

- ⇒ Profit from transfer of capital assets
- ⇒ Conversion of capital assets into stock in trade
- ⇒ Transfer of capital assets as capital contribution
- ⇒ Transfer of capital assets to member of firm, association of person, body of individual during the time of liquidation.
- ⇒ Profit from compulsory acquisition
- ⇒ Profit on re purchase of investment.

CAPITAL ASSETS Sec 2(14)

It may be property of any kind held by an Assessee.

Exemptions:

- ⇒ Stock in trade and consumable stores
- ⇒ Agricultural land in India situated in rural area [population 10,000 or more not exceeding 8 kms from local limits]
- ⇒ Properties for personal effects
- ⇒ Gold bonds
- ⇒ Bearer bonds 1991

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CAPITAL Assets

Divided into two Categories

1. Short term Capital Assets
2. Long term Capital Assets.

SHORT TERM CAPITAL ASSETS

Retain by the Assessee For 36 months or less

LONG TERM CAPITAL ASSETS

Retain by the Assessee For more than 36 months.

Incase of shares:

The period is 12 months not 36 months

Transfer sec 2(47)

- ⇒ It may be a sale
- ⇒ Exchange or relinquishment of the assets
- ⇒ Extinguishment - without-claim
- ⇒ Compulsory acquisition

Exemption:

- ⇒ Transfer of Assets during the Partial or total partition of HUF.
- ⇒ Transfer of Assets from holding Company to Subsidiary Company or Subsidiary Company to holding Company. If both Companies are Indian Companies.

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Transfer of old shares for new shares under scheme of amalgamation

⇒ Conversion of investments from one form to another form in Companies provided. It is an Indian Company.

Consideration

⇒ Consideration is a must

⇒ It may be a cash or kind

⇒ Market value on the date of transfer

Cost of Acquisition

⇒ Price paid / Payable

⇒ Cost of the previous owner

⇒ In amalgamation value is amalgamating company or value of original investment -

⇒ Bonus share - Averaging

⇒ Right-issue - The cost of acquisition the price paid by the shareholder (actual price paid)

Good will

Self generated good will - the cost of acquisition - nil

Purchasing of the Good will

The price paid to the cost of acquisition.

Cost of Improvement or Development:

Cost of acquisition is improving the assets and development of the assets or extension of the assets

Loan Interest:

The loan taken for improvement of the assets

Realisation Expenses:

- ⇒ Stamp Duty
- ⇒ Commission
- ⇒ Brokerage
- ⇒ Travelling expenses
- ⇒ Legal expenses.

Note: 1. If the Assessee with held any advance money, it should be deducted from the cost of acquisition.

2. Short term Capital gain tax is to be calculated

@ 15%

3. Long term Capital gain tax is to be calculated

@ 20%

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OR SHORT TERM CAPITAL GAIN
(54B, 54D, 54G and 54GA)

Particulars	Amount	Amount
Sales Consideration of the asset		xxx
<u>Less:</u>		
1. Expenditure in connection with transfer	xxx	
2. Cost of acquisition of the asset	xxx	
3. Cost of improvement of the asset	xxx	
		xxx
Short Term Capital Gain		xxx

For Long Term Capital Gain

(54, 54B, 54D, 54EC, 54F, 54G, 54GA)

Particulars	Amount	Amount
Sales Consideration of the asset		xxx
<u>Less:</u>		
1. Expenditure in connection with transfer	xxx	
2. Indexed cost of acquisition of the asset	xxx	
3. Indexed Cost of Improvement	xxx	
		xxx
Long Term Capital Gain		xxx

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Indexed cost (Sec 48).

$$\text{Indexed Cost} = \frac{\text{Cost}}{\text{Index of the year of Acquisition (or) Improvement}} \times \text{Index of the Year of sale (TI)}$$

INCOME FROM OTHER SOURCES

Deals with residue there are two categories of income

1. Specified Income

1. Dividend
2. Interest on securities
3. Casual and non-recurring income
4. Employee contribution collected by the employer not deposited in the specified account.
5. Income from letting of plant machinery fitting and furniture with building which was not considered as business income.

2. Unspecified:

1. Directors fees
2. Income from sub-letting
3. Examiner fee received by teachers
4. Interest on own contribution to unrecognized Provident fund.
5. Interest on loan bank deposits current a/c etc.
6. Salaries of MP's and MLA's
7. Interest on excess payment of advance tax

- 8. Ground rent
- 9. Insurance commission
- 10. Income from Fisheries ~~fees~~ services
- 11. Royalty
- 12. Annuity under will
- 13. Income from Jooe, sea produce.
- 14. Family Pension
- 15. Agricultural income received outside India
- 16. Income from hidden sources.

Dividend Specified Income sec 2(22)

- 1. Distribution of accumulated profit leading to out-flow of assets.
- 2. Allotment of bonus shares to Preference Share holders.
- 3. Allotment of debentures to share holders from accumulated profits.
- 4. Distribution of accumulated profit during liquidation
- 5. Loan to specified share holders in closely held company to the extent of accumulated profit balance.

Exemptions:

- 1. Dividend has been declared later
- 2. when lending is regular business of the company

Specified Shareholders

- ⇒ Those who are having share holding 10% or more
- ⇒ Loan to Specified Concern of closely held Company to the extent of accumulated profit

Specified Concern:

Concern having share holding of 20% or more.

Deduction under Dividend:

1. Collection charges
2. Interest - on loan taken from investment
 - ⇒ Final dividend - Accrual basis
 - ⇒ Interim Dividend - Receipt basis
 - ⇒ Mercantile system - Accrual basis
 - ⇒ Cash system - Receipt basis

Interest on securities:

1. Government Securities
2. Commercial Securities

I. Govt securities

1. Tax free securities - Gross Interest
2. Less tax securities - Net interest converted into Gross Interest

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Casual and Non-recurring Income:

1. winning from lottery
2. winning from Cross word puzzles
Exempted upto Rs 5000/-
3. winning from getting
4. winning from Horse races - Rs 2500 is exempted.

Unspecified Income Deductions

1. The expenses should not be personal expenses
2. The expenses should not be capital expenditure
3. The expenses should be relate with only one of the Income taxed under this head
4. It is wholly and exclusively related with that Income.

CROSSING UP RATE (TDS RATE)

S.No	Particulars	TDS Rate
1.	Interest on any security of Central or state Govt	NO TDS
2.	Interest on debentures listed in a recognized stock exchange statutory bodies, and Local authorities	10%
3.	any other (unlisted) interest on security }	20%
4.	winnings from lottery, Cross word puzzles, Card games, horse races etc	30%

How to Gross-up ?

1. For 10% TDS — Amount $\times 100/89.7$
2. For 20% TDS — Amount $\times 100/79.4$
3. For 30% TDS — Amount $\times 100/69.1$

OVERALL FORMAT FOR CALCULATION OF INCOME FROM OTHER SOURCES

Particulars	Amount	Amount	Amount
1. Dividend from Foreign company			
Amount received as dividend	xxx		
Less: Amount spent for collection	<u>xxx</u>		xxx
2. <u>Interest on Securities</u>			
Amount Received			
Less: Collection charges	xxx		
Commission	xxx		
Interest paid on loan taken to buy shares or securities	<u>xxx</u>	<u>xxx</u>	xxx
3. <u>Casual incomes:</u>			
winnings from Card games, horse races, crossword puzzles, lotteries, gambling betting			xxx
4. Income from selling of P.F.M. Building, Furniture, Actual Amount received		xxx	
Less: Repairs	xxx		
Insurance Premium	xxx		
Depreciation	<u>xxx</u>	<u>xxx</u>	xxx
5. Family Pension Received by Legal Heirs, Pension received			
Less: 1/3 of such Pension (or) 10000 whichever is less		<u>xxx</u>	xxx

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6. Royalty Received by Authors

Authors Amount Received	xxx	
Less: Actual Expenditure	<u>xxx</u>	xxx

7. Examinership Remuneration

Actual Amount - received	xxx	
Less: Actual expenditure	<u>xxx</u>	xxx

8. Any other income [Director fee, Honorarium etc]

Actual Amount Received	xxx	
Less: Actual expenditure	<u>xxx</u>	xxx
Income from other sources.		<u>xxx</u>

Note:

1. Dividend declared by an Indian Company (Domestic company) is not taxable
2. Depreciation is allowed only if the Assessee is the owner of the asset
3. Dividend from Indian company is not taxable It is exempted u/s 10(34)
4. No deduction is allowed for casual income
5. Depreciation can be claimed only when the Assessee is the owner of the asset.
6. TDS will not be deducted if the Prize money from winning lottery, crossword puzzle etc is up to Rs 5000 [Rs 2500 in case of winning from horse races]

7. Interest includes "Hedging Transactions" charges on account of Currency fluctuation

8. Tax-Free Govt Securities is not included in the scope of total income.

9. Tax-Free Commercial securities should always be grossed

10. Less-Tax Govt Securities should not be grossed

11. Less-Tax Commercial Securities should be grossed if net amount is given.

12. Indian agricultural income is fully exempted

13. Foreign Agriculture income is fully taxed.

14. For final dividend - date of declaration should be taken.

15. For interim dividend - date of payment should be taken.

16. Gift received from any relative is not taxable

17. Gift received from a friend which exceeds Rs 50000 is taxed in the hand of the Assessee. Amount upto Rs 50000 is not taxable [Entire amount is taxed]

18. Gift from the employer is taxed in the hands of employer and in the hands of employee.

19. Income from the activity of maintenance of horse for race as follows.

Stake Money (Prize money received) xxx
 less: Maintenance expenses xxx
 xxx

Note:

Surcharge:

For individuals,

It has been abolished w.e.f
Assessment year 2010-2011.

Education Cess:

It is to be levied @ 2% of tax if any
for all persons irrespective of income plus
Secondary and Higher Education Cess
@ 1% of tax.

Special Rates:

- ⇒ For short term capital gains
- ⇒ For long term capital gains
- ⇒ For casual incomes (lotteries, races, puzzles etc)

Tax Rates for Resident:

⇒ For individual (Male)

First Rs 180 000	NIL
Next Rs 180 000 to Rs 500 000	10%
Next Rs 500 001 to Rs 800 000	20%
Above Rs 800 000 lakhs	30%

⇒ For individual (Female)

First Rs 190 000	NIL
Next Rs 190 001 to Rs 50 0000	10%
Next Rs 500 001 to Rs 800 000	20%
Above Rs 800 000 lakhs	30%

⇒ For individual (Senior Citizen)

First Rs 250 000	NIL
Next Rs 250 001 to Rs 500 000	10%
Next Rs 500 001 to Rs 800 000	20%
Above Rs 800 000 lakhs	30%