

# CAPITAL GAIN CALCULATION

At the time of sale of any Property, Capital gain tax is levied on gains earned. This tax is to be paid by seller of the property.

The capital gain would be computed in following manner;

|                            |   |     |
|----------------------------|---|-----|
| Sale price                 | : | XXX |
| (Less) Cost of acquisition | : | XXX |
| (Less) Cost of improvement | : | XXX |
| Capital Gain Tax           | : | XXX |

## Types of Capital Gain

Capital Gain is of two types :

Long term capital gain .If the Asset is held for more than 36 months.

Short term capital gain. If the asset is held for more than 36 months less than 36 months

## **Rate of Capital Gain**

**LTCG** : Capital gain tax would be levied at the flat rate of 20% .

**STCG** : Capital Gain tax would be levied as per the income tax slab rates of the individual.

In case of long term capital gain, benefits of indexation of would also be allowed to the seller of the property.

In case of LTCG, if the seller reinvests the amount in specified investments, he can also avail of exemption from capital gain tax under Section 54, 54 EC and 54 F of Income Tax Act, 1961.

# Capital Gain Exemption 54, 54B, 54EC, 54F At A Glance

Capital gain on sale of certain assets is exempted on purchase/construction of specified assets under section 54, 54B, 54EC, 54F subject to few conditions. These exemptions have been tabulated on the basis of following points.

1. Who can claim exemption
2. Eligible assets sold
3. Assets to be acquired for exemption
4. Time limit for acquiring the new assets
5. Exemption Amount
6. Whether "Capital gain deposit account scheme" applicable

So it is easy to understand these exemption at a glance. Further these exemption are in depended to each other and person can claim combination of two, if he is eligible otherwise.

| Long Term Capital Gain - Exemption |  | u/s 54   | u/s 54B   | u/s 54EC  | u/s 54F  |
|------------------------------------|--|--|---|---|--|
| a.                                 | Who can claim exemption                                  | Ind/HUF  | Individual  | Any person  | Ind/HUF  |
| b.                                 | Eligible assets sold                                     | A residential House property (minimum holding period 3 year)                             | Agriculture land which has been used by assessee himself or by his parents for agriculture purposes during last 2 yrs of transfer | Any long-term capital assets (minimum holding period 3 years)                                   | Any long term asset (other than a residential house property ) provided on the date of transfer the taxpayer does not own more than one residential house property from the assessment year 2001-02 (except the new house) |
| c.                                 | Assets to be acquired for exemption                      | Residential house property   | Another agriculture land(urban or rural)  | Bond of NHAI or REC   | Residential house property   |
| d.                                 | Time limit for acquiring the new assets                  | <b>Purchase :</b> 1 year back or 2 year forward ,<br><b>Construction:</b> 3 year forward | 2 yrs forward   | 6 months forward  | <b>Purchase :</b> 1 year back or 2 year forward,<br><b>Construction:</b> 3 year forward  |
| e.                                 | Exemption Amount   | Investment in the new assets or capital gain, whichever is lower                         | Investment in the agriculture land or capital gain, whichever is lower  | Investment in the new assets or capital gain, whichever is lower (Max. Rs. 50 Lacs in Fin. Yr.) | Investment in the new assets / Net Sale consideration X capital gain   |
| f.                                 | Whether "Capital gain deposit account scheme" applicable | Yes  | Yes   | not applicable  | Yes  |

Kindly note that rural agricultural land is fully exempted from tax as it is not covered under capital assets definition under income tax act. Agricultural land in the 54B above is other than rural agricultural land.

**Rural Agricultural land means an agricultural land in India:**

1. if situated in any area which is comprised within the jurisdiction of a municipality (whether known as a municipality, municipal corporation, notified area committee, town committee or by any other name) and its population should be less than 10,000 as per the last published census, or
2. if situated outside the limits of municipality, etc., it should be situated certain kilometers away from the local limits of any municipality, etc. as may be specified by the Central Government in the Official Gazette. The Central Government can notify urban land upto maximum 8 kms from the limits of municipality, etc.