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Semester IV

MJC 6 - Income Tax Law and Accounting

Numerical Problems on Capital Gains

- **Problem 1: Short-Term Capital Gain (STCG)**

Mr. A purchased shares on 1-6-2023 for ₹80,000.
He sold them on 15-3-2024 for ₹1,10,000.
Brokerage paid on sale: ₹2,000.

Solution:

Holding period = Less than 12 months → Short-Term Capital Asset

Computation of STCG:

Particulars	Amount (₹)
Sale consideration	1,10,000
Less: Cost of acquisition	80,000
Less: Transfer expenses	2,000
Short-Term Capital Gain	28,000

STCG = ₹28,000

- **Problem 2: Long-Term Capital Gain on Land**

Mr. B purchased a plot of land in April 2010 for ₹2,00,000.
He sold it in May 2023 for ₹7,00,000.
Expenses on transfer were ₹20,000.

CII:

- **2010–11 = 167**

- **2023–24 = 348**

Solution:

Holding period > 24 months → Long-Term Capital Asset

Indexed Cost of Acquisition:

$$\text{Indexed Cost} = \frac{2,00,000 \times 348}{167} = ₹4,16,167 (approx.)$$

Computation of LTCG:

Particulars	Amount (₹)
Sale consideration	7,00,000
Less: Indexed cost of acquisition	4,16,167
Less: Transfer expenses	20,000
Long-Term Capital Gain	2,63,833

LTCG = ₹2,63,833

- **Problem 3: STCG on Sale of Building**

**Mrs. C bought a building in July 2022 for ₹12,00,000.
She sold it in March 2024 for ₹15,00,000.
Legal expenses on sale: ₹30,000.**

Solution:

Holding period < 24 months → Short-Term Capital Gain

Computation:

Particulars	Amount (₹)
Sale consideration	15,00,000
Less: Cost of acquisition	12,00,000
Less: Transfer expenses	30,000
STCG	2,70,000

STCG = ₹2,70,000

- **Problem 4: LTCG with Cost of Improvement**

**Mr. D purchased a house in 2008 for ₹4,00,000.
He spent ₹1,00,000 on improvement in 2012.
He sold the house in 2023 for ₹12,00,000.**

CII:

- **2008–09 = 137**
- **2012–13 = 200**
- **2023–24 = 348**

Solution:

Indexed Cost of Acquisition:

$$\frac{4,00,000 \times 348}{137} = ₹10,16,788$$

Indexed Cost of Improvement:

$$\frac{1,00,000 \times 348}{200} = ₹1,74,000$$

Computation of LTCG:

Particulars	Amount (₹)
Sale consideration	12,00,000
Less: Indexed cost of acquisition	10,16,788
Less: Indexed cost of improvement	1,74,000
LTCG	9,212

LTCG = ₹9,212

- **Problem 5: Exempted Capital Gain (Section 54 – Conceptual Numerical)**

Mr. E sold a residential house for ₹20,00,000.
LTCG on sale = ₹6,00,000.
He invested ₹5,00,000 in another residential house.

Solution:

Exemption u/s 54 = Lower of

- Capital Gain = ₹6,00,000

- Investment = ₹5,00,000

Exempt Capital Gain = ₹5,00,000

Taxable LTCG = ₹6,00,000 – ₹5,00,000 = ₹1,00,000