

**CAPITAL GAIN ON EQUITY
SHARES**

WHAT IS STCG

- o As per section 2(42A)
- o "short-term capital asset" means a capital asset held by an assessee for not more than thirty-six months immediately preceding the date of its transfer.

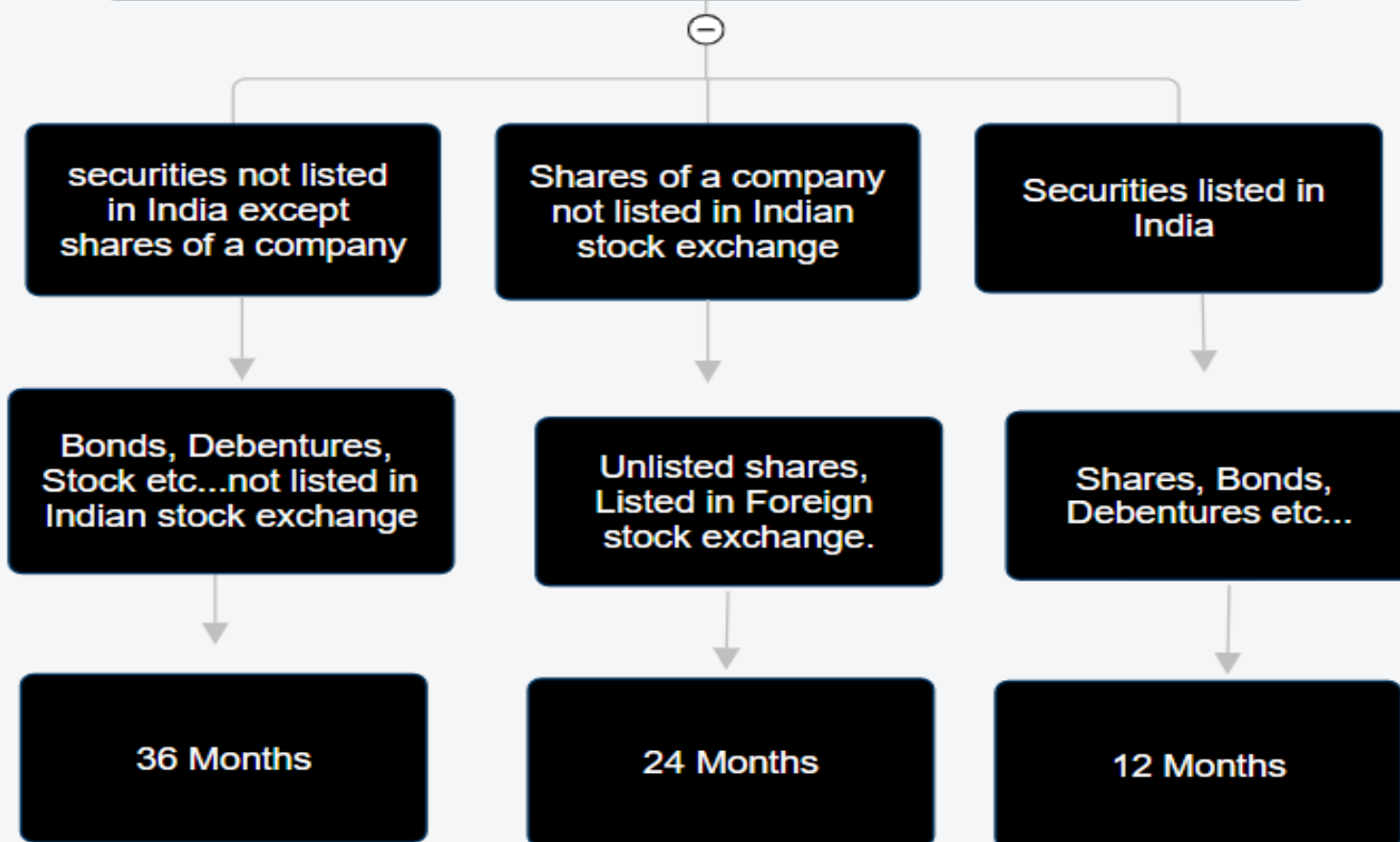
Section 2(42a)

- o **Provided** that in the case of a security (other than a unit) listed in a recognized stock exchange in India or a unit of the Unit Trust of India established under the Unit Trust of India Act, or a unit of an equity oriented fund or a zero coupon bond, the provisions of this clause shall have effect as if for the words "thirty-six months", the words "twelve months" had been substituted

Section 2(42a)

- o **Provided also** that in the case of a **share of a company** (not being a share listed in a recognized stock exchange in **India**), or an immovable property, being land or building or both, the provisions of this clause shall have effect as if for the words "thirty-six months", the words "twenty-four months" had been substituted.

How long to hold for it to be considered as long term



Q And A

- o Q: The shares of Reliance were held from 1/05/2021 to 5/05/2023. Is the gain/loss arising from the transaction considered as long-term or short-term capital gain?
- o A: Long Term
- o Q: The shares of Apple were held from 1/05/2021 to 5/04/2023. Is the gain/loss arising from the transaction considered as long-term or short-term capital gain?
- o A: Short Term

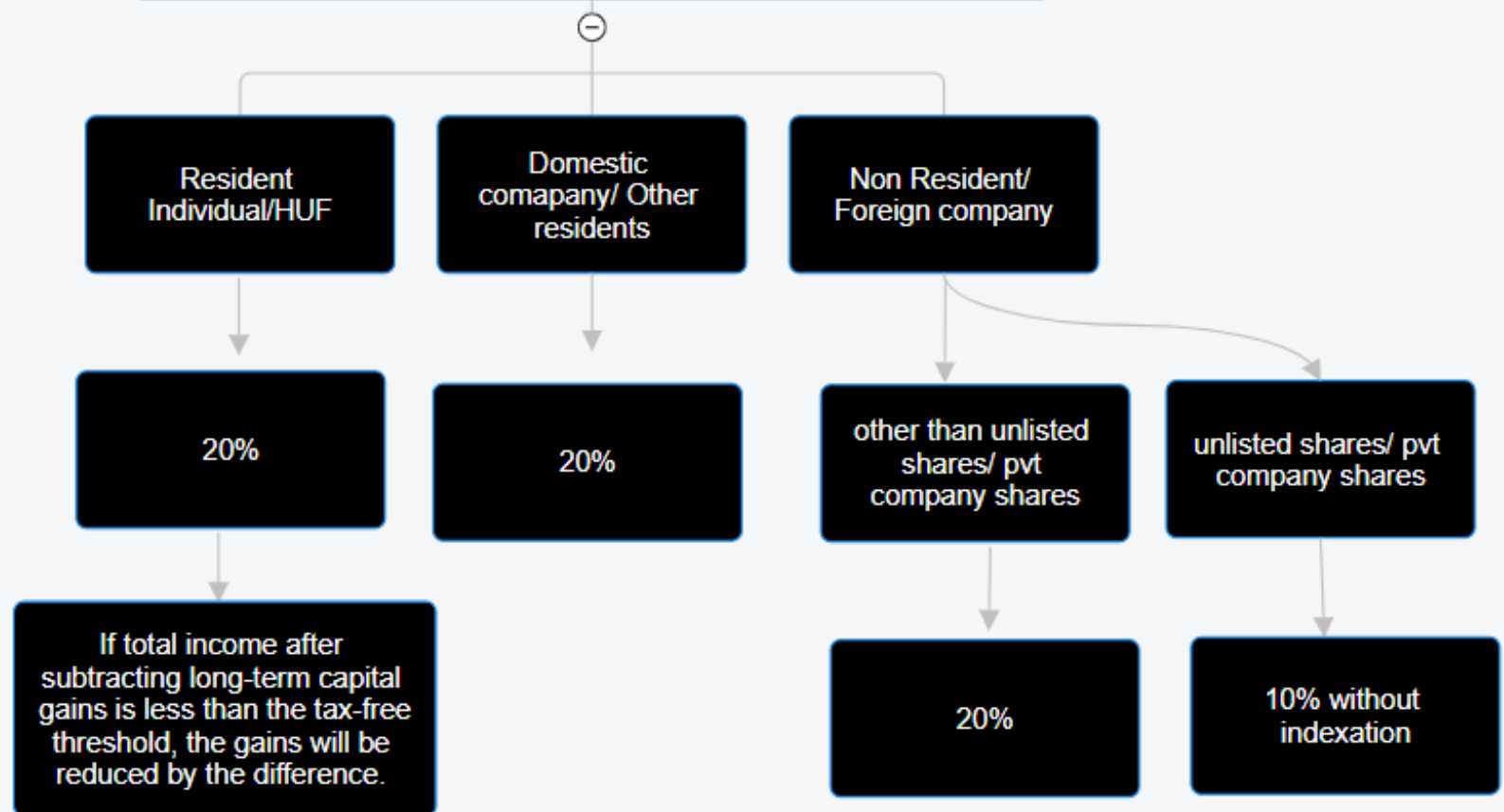
Q And A

- o Q: Debentures of ITC were held from 1/05/2021 to 5/05/2023. Is the gain/loss arising from the transaction considered as long-term or short-term capital gain?
- o A: Long term
- o Q: Debentures of Google were held from 1/05/2021 to 5/05/2023. Is the gain/loss arising from the transaction considered as long-term or short-term capital gain?
- o A: Short Term

Taxation of long term capital gain

Sections covered 112 and 112A

Rates of taxation as per Sec112



Section 112

Provided that where the tax payable in respect of any income arising from the transfer of a long-term capital asset, **being listed securities** (other than a unit) or zero coupon bond, exceeds 10% of the amount of capital gains before giving effect of indexation, then, such excess shall be ignored for the purpose of computing the tax payable by the assessee.

Long term capital gain					
Asset:					
Shares / Debentures / Units / Bonds					
Listed securities (except units/debentures)- NOT covered u/s 112A					
Date of acquisition	01-Jan-2020				
Date of transfer	01-Jan-2024				
Sale consideration:			10,00,000		
Fair Market Value determined u/s 50CA, in case of regularly not quoted shares					
Less: Selling expenses					
Acquisition details	Financial Year	Cost	Indexed cost		
Coa	2019-20	6,00,000	7,22,491		600000*348/289
Capital gain			2,77,509		
Less: Exemptions	Invested amount	CG scheme deposit	Exemption	Invested Date	
Taxable Capital gain			2,77,509		
Gain with Indexation			2,77,509		
Gain without Indexation			4,00,000		
Income tax @10%(without Indexation)			40,000		
Income tax @20%(with Indexation)			55,502		
Gains covered under DTAA	<input type="checkbox"/>				

Long term capital gain					
Asset:					
Shares / Debentures / Units / Bonds					
Listed securities (except units/debentures)- NOT covered u/s 112A					
Date of acquisition	01-Jan-2014				
Date of transfer	01-Jan-2024				
Sale consideration:			10,00,000		
Fair Market Value determined u/s 50CA, in case of regularly not quoted shares					
Less: Selling expenses					
Acquisition details	Financial Year	Cost	Indexed cost		
Coa	2013-14	6,00,000	9,49,091		600000*348/220
Capital gain			50,909		
Less: Exemptions	Invested amount	CG scheme deposit	Exemption	Invested Date	
Taxable Capital gain			50,909		
Gain with Indexation			50,909		
Gain without Indexation			4,00,000		
Income tax @10%(without Indexation)			40,000		
Income tax @20%(with Indexation)			10,182		
Gains covered under DTAA	<input type="checkbox"/>				

**SECTION 112A
(CONDITIONS
SPECIFIC TO EQUITY
SHARES)**



Section 112A

(i) the total income includes any income chargeable under the head "Capital gains";

(ii) the capital gains arise from the transfer of a long-term capital asset being an equity share in a company or a unit of an equity oriented fund or a unit of a business trust;

.

iii) securities transaction tax as been paid

o in a case where the long-term capital asset is in the nature of an equity share in a company, been paid on acquisition and transfer of such capital asset;

or

o in a case where the long-term capital asset is in the nature of a unit of an equity oriented fund or a unit of a business trust, been paid on transfer of such capital asset

o This condition is not applicable when the transfer as happened in recognized stock exchange located in **international financial services center** and the consideration is settled in foreign currency. (ex: NSE IFSC located in Gift city, Gandhinagar)

Section 112A

- o The tax payable by the assessee on the total income shall be the aggregate of—
- o (i) the amount of income-tax calculated on such long-term capital gains exceeding one **lakh rupees** at the rate of **ten per cent**; and
- o (ii) the amount of income-tax payable on the total income as reduced by the amount of long-term capital gains referred to in subsection (1) as if the total income so reduced were the total income of the assessee:

SUMMARY

- o Securities listed in India- 12 months
- o Shares not listed in India- 24 months
- o Other securities (other than shares) not listed in India – 36 months
- o Listed Securities (other than equity shares on which STT is paid on acquisition and transfer or EOM if STT is paid on transfer) taxed at 20% with indexation or 10% without indexation whichever is more beneficial.

SUMMARY

- o For a resident Unlisted securities taxed at 20% with indexation
- o For a Non resident Unlisted securities taxed at 10% without indexation
- o If listed equity share on which STT is paid on both acquisition and transfer or EOM if STT is paid on transfer then it is taxed at the rate of 10% over and above Capital gain of 11

Q and A

- o Reliance limited share was bought on 1/04/2020. STT was paid at the time of acquisition and transfer. The sale amount is Rs 10,000. The cost of acquisition is 6,000. What is the tax amount if the assessee is an individual and his income excluding long term capital gain is above the basic exemption limit.
- o A: no tax as the gain is below 1 lakh.

Q and A

- o Reliance limited share was bought on 1/04/2020. STT was paid at the time of acquisition and transfer. The sale amount is Rs 10,00,000. The cost of acquisition is 6,00,000. What is the tax amount if the assessee is an individual and his income excluding long term capital gain is above the basic exemption limit.
- o A: $30,000.(10L- 6L-1L)*10\%$

Q and A

- o Reliance limited share was bought on 1/01/2014. STT was paid at the time of transfer. The sale amount is Rs 10,00,000. The cost of acquisition is 6,00,000. What is the tax amount if the assessee is an individual and his income excluding long term capital gain is above the basic exemption limit. (index 2023-24=348, 2013-14=220)



Long term capital gain					
Asset:					
Shares / Debentures / Units / Bonds					
Listed securities (except units/debentures)- NOT covered u/s 112A					
Date of acquisition	01-Jan-2014				
Date of transfer	01-Jan-2024				
Sale consideration:			10,00,000		
Fair Market Value determined u/s 50CA, in case of regularly not quoted shares					
Less: Selling expenses					
Acquisition details	Financial Year	Cost	Indexed cost		
Coa	2013-14	6,00,000	9,49,091		600000*348/220
Capital gain			50,909		
Less: Exemptions	Invested amount	CG scheme deposit	Exemption	Invested Date	
Taxable Capital gain			50,909		
Gain with Indexation			50,909		
Gain without Indexation			4,00,000		
Income tax @10%(without Indexation)			40,000		
Income tax @20%(with Indexation)			10,182		
Gains covered under DTAA	<input type="checkbox"/>				

Q and A

- o Reliance limited share was bought on 1/01/2014. STT was paid at the time of transfer and acquisition. The sale amount is Rs 10,00,000. The cost of acquisition is 6,00,000. What is the tax amount if the resident assessee is an individual and his annual salary is 2,00,000. (index 2023-24=348, 2013-14=220)

Ans

- o CG taxed under 112A.
- o $10I - 6I = 4I$
- o $4I - 1I = 3I$ (1I exemption)
- o $2I - 50k = 1.5I$ (50k std deduction)
- o $3 - 1.5I = 1.5I$
- o $1.5I * 10\% = 15000 + 4\% \text{ cess}$
- o 15600 tax amount.

Q and A

- Unlisted share was bought on 1/01/2023 and sold on 5/01/2024. The sale amount is Rs 10,00,000. The cost of acquisition is 6,00,000. At what rate will the assessee be taxed if he is a resident his other income is above the basic exemption limit.
- A: Since it is STCG and it doesn't fall under 111A it will be taxed at normal rates.

Q & A

- o Reliance limited share was bought on 1/01/2014. STT was paid at the time of transfer and acquisition. The sale amount is Rs 10,00,000. The cost of acquisition is 6,00,000. What is the tax amount if the non-resident assessee is an individual and his annual salary in India 2,00,000. (index 2023-24=348, 2013-14=220)

Ans

- o CG taxed under 112A.
- o $10I - 6I = 4I$
- o $4I - 1I = 3I$ (1I exemption)
- o $3I * 10\% = 30,000 + 4\% \text{ cess}$
- o 31200

Q and A

- Unlisted share was bought on 1/01/2020 and sold on 5/01/2024. The sale amount is Rs 10,00,000. The cost of acquisition is 6,00,000. At what rate will the assessee be taxed if he is a non resident and his other income is above the basic exemption limit.
- A: 40,000. $(10l-6l)*10\%$ (taxed without indexation for non- resident)



Thank You!