

**SBS Hyderabad**  
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# Section 112A of Income Tax Act, 1961

**By**

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## Topics to be covered

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- Introduction
- Meaning of LTCA and STCA
- Section 112- Tax on LTCG
- Section 112A Tax on LTCG on Listed shares
- Cost of Acquisition
- Exemption from capital gain

- Profits or Gains arising from **Transfer** of a **Capital asset** are called “Capital Gains”
- Income from capital gains is classified as
  - Short Term Capital Gains &
  - Long Term Capital Gains
- Capital gain from transfer of Long-term capital asset is Long-term Capital gain
- Capital gain from transfer of Short-term capital asset is Short-term Capital gain

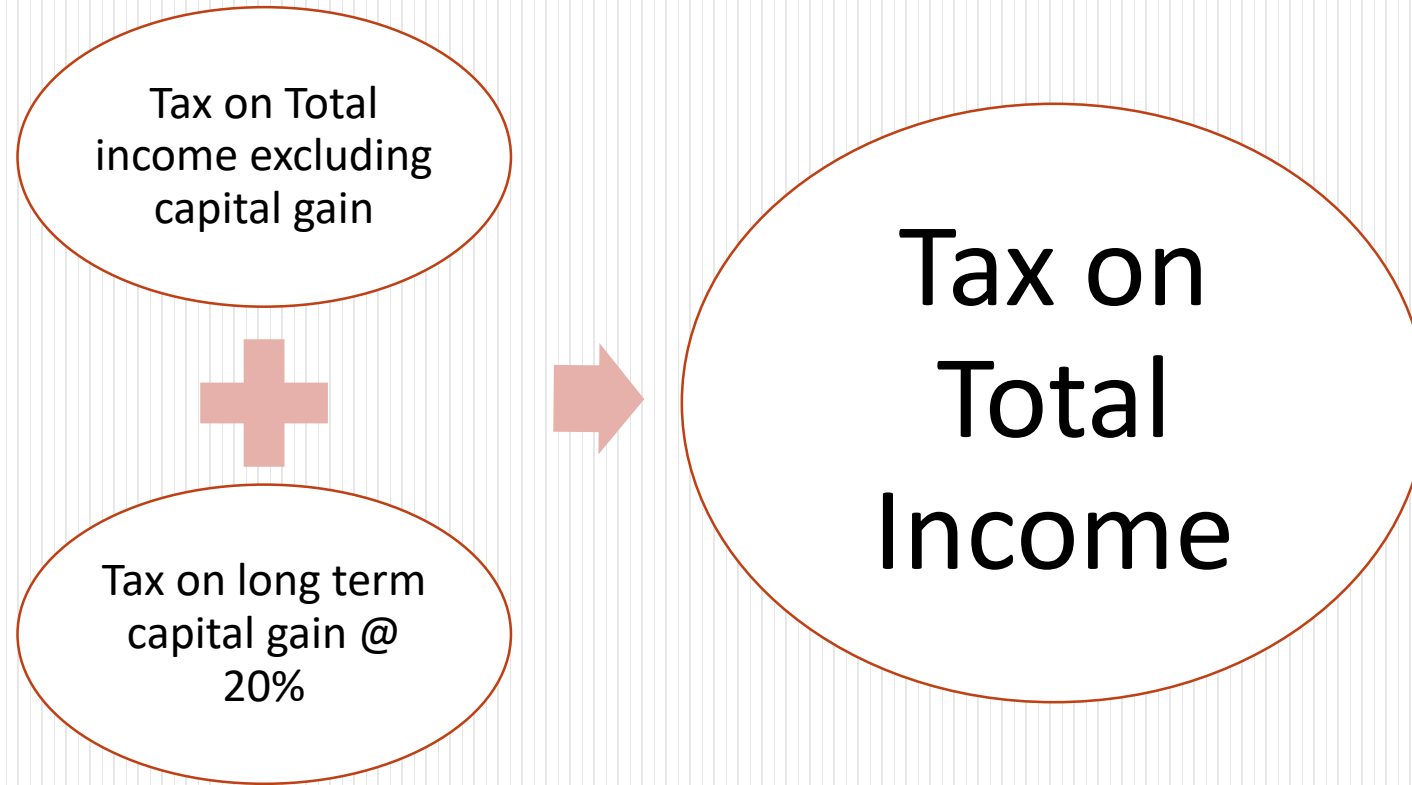
## LTCA and STCA

- Under section 2(29A) Long-term capital asset means a capital asset which is not a short-term capital asset.
- Under section 2(42A) of the Act, an asset is categorised into Short-term capital asset if period of holding is below:
  - In case of Listed securities\*  12 months
  - In case of Unlisted shares and immovable property being land or building or both  24 months
  - In any other case  36 months

\*Securities include shares (equity or preference), units of equity oriented mutual funds, debentures and Government securities, Units of UTI and Zero Coupon Bonds.



# Section 112- Tax on long-term capital gains



# Section 112- Tax on long-term capital gains

## Note:

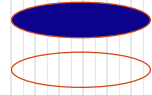
1. In the case of a non-resident/ foreign company, amount of income tax on capital gain in case of unlisted securities is calculated at the rate of 10% without indexation.
2. In case of resident individual ,if total income excluding capital gain is below basic exemption limit then unexhausted Basic exemption limit can be utilised for capital gain.
  - **Example:** If Person X who is non-resident has only a capital gain of 3,00,000 during a Financial year then Tax is calculated on capital gain 3,00,000 irrespective of Basic exemption limit.
3. Chapter VI A deductions are not allowed from Capital gain.

## Exemption u/s 10(38)

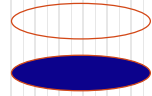
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- Capital gain on transfer of a Long-term capital asset, being
  - an equity share in a company or
  - a unit of an equity oriented fund or
  - a unit of a business trust
- And Such transaction is chargeable to securities transaction tax **is exempt from tax on such capital gain.**
- **Exemption for long-term capital gains arising from transfer of listed securities as referred to in Section 10(38) has been withdrawn by the Finance Act, 2018 w.e.f. Assessment Year 2019-20 and a new section 112A is introduced in the Income-tax Act.**





- Capital gain on transfer of Long-term capital asset being
  - Equity share or
  - Unit of equity oriented fund
  - Units of Business trust
- And if STT paid
  - on acquisition (if acquired after 1.10.2004) and transfer of such capital asset in case of equity share and
  - on transfer of such capital asset in case of equity oriented fund or a unit of a business trust
- **Tax on such capital gain is at the rate of 10% on amount exceeding Rs.1,00,000/-**



### Note:

1. This section is applicable even if STT is not paid in case the transfer is undertaken on a recognized stock exchange located in IFSC, and the consideration is received in foreign currency.
2. Allowed to utilise unexhausted basic exemption limit with capital gain only to resident individual or HUF.
3. Chapter VI A deductions is not allowed from this Capital gain.
4. Rebate u/s 87A is not allowed from this capital gain.

## Cost of acquisition u/s 55(2)(ac)

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The cost of acquisition of a listed equity share acquired by the taxpayer before February 1, 2018, shall be deemed to be the higher of following:

- a) The actual cost of acquisition of such asset; or
- b) Lower of following:
  - Fair market value of such shares as on January 31, 2018; or
  - Actual sales consideration accruing on its transfer

## Example

Mr. Sadguru in the month of January, 2014 purchased 100 shares of X Ltd. @ Rs. 1,400 per share from Bombay Stock Exchange. These shares were sold through BSE in April, 2018 @ Rs. 2,600 per share. The highest price of X Ltd. share quoted on the stock exchange on January 31, 2018 was Rs. 1,800 per share.

Particulars	Amount in Rs	Amount in Rs
Sale consideration		2,60,000
Less: Cost of acquisition		
(a) Actual cost	1,40,000	
(b) Lower of FMV or Sale consideration	1,80,000	1,80,000
Capital gain		80,000
Tax on Capital gain		NIL

## Exemption from Capital gain

- Section 54F
  - In case assessee being an individual or a Hindu undivided family when there is transfer of any long-term capital asset, not being a residential house then assessee can
    - purchase a residential house within 1 year before or 2 years after or
    - Construct a residential house within 3 years from date of transfer
      - Then exemption on capital gain is proportionate amount of sale consideration invested in new residential house.
  - However,
    - Assessee should not possess more than 1 residential house on date of transfer other than new asset purchased.
    - Assessee should not purchase within 1 year and construct within 3 year a residential house other than new asset purchased after date of transfer.

## Example on 54F

- A person is holding one residential house property from 10 years . There is Sale of Long-term capital shares on 28-02-2019 .Assessee purchased new residential house property on 01-02-2019 .Is exemption on capital gain available
  - **YES**
- A person has no residential house property as on 31-03-2019. There is Sale of Long-term capital shares on 28-02-2019 .Assessee purchased new residential house property on 01-02-2019 . He purchased another residential House property on 21-12-2019 Is exemption on capital gain available
  - **NO**
- A person is holding Two residential house property from 10 years .There is a sale of Long-term capital shares on 28-02-2019 .Assessee purchased new residential house property on 30-04-2020 . Is exemption on capital gain available
  - **NO**

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**Thank you!!!**

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