INCOME FROM CAPITAL GAIN

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INTRODUCTION

- It is one of the **fourth head of income** .
- Profit and loss arising **from the transfer of capital assets in the previous year is taxable**
- **Essential elements of capital gain are :**

1.Capital assets

2.Transfer of capital assets

3.Computation of capital gain

CAPITAL ASSETS

- Property of any kind held by an assessee, whether connected with business and profession or not.
- **Any security held by FII**
- It may be movable , immovable , tangible or intangible .
- **Vehicle used in business is treated as capital assets.**
- **EXCEPTION :**
- Commercial goods
- Movable assets for personal use **(except jewelry , painting etc)**
- Stock in trade
- Agricultural land in India.

TRANSFER OF CAPITAL ASSETS

- **Sale exchange of any assets.**
- **Compulsory acquisition under any law.**

EXCEPTIONS :

- **Assets given as a gift**
- **Transfer of assets from subsidiary to holding company**

COMPUTATION OF CAPITAL GAIN

Capital gain is divided under two parts :

- A) short term capital gain
- B)long term capital gain

NATURE OF ASSETS FOR TAX PURPOSE :

- **If sale of listed security is done which is hold for less than 12 months then it is treated as STCG other wise LTCG and on the contrary if it is a non listed security or any other immovable assets then if it holds less than 24 monthsthen it is treated as STCG otherwise LTCG**
- **Any other assets treated as STCG if it holds less than 36 months other wise it is treated as LTCG.**

In case of **short-term capital gain**,

•**capital gain = final sale price –(the cost of acquisition + house improvement cost + transfer cost).**

•In case of **long-term capital gain,**

•**capital gain = final sale price –(transfer cost + indexed acquisition cost + indexed house improvement cost).**

$$\text{Indexed Cost of Acquisition} = \frac{\text{Cost Inflation Index(CII) for the year of transfer (sale)} \times \text{Cost of acquisition}}{\text{CII for the first year in which asset was held by assessee or year 2001-02, whichever is later}}$$

THANKS YOU