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B.Com Honours

Semester VI

Calicut University

INCOME TAX AND GST

Course Code: COM6CJ305 • Module 1 Notes

Module I: Capital Gains & Income from Other Sources

Covers short-term vs long-term capital assets, transfer under Section 2(47), indexed cost of acquisition (CII), capital gains exemptions (Sec 54, 54EC, 54F), and Income from Other Sources (Sec 56).

Unit 1: Capital Gains Definition, Transfer, & Holding Period

Capital Asset (Sec 2(14)): Property of any kind held by assessee (excludes stock-in-trade & personal effects). Holding Period: STCA if held ≤ 24 months (immovable property/unlisted shares) or ≤ 12 months (listed shares); otherwise LTCA.

Unit 2: Cost of Acquisition (COA) & Cost Inflation Index (CII)

Indexed Cost of Acquisition (ICOA): Adjusting purchase cost for inflation:
$\text{ICOA} = \text{COA} \times \frac{\text{CII for Year of Transfer}}{\text{CII for Year of Acquisition}}$

Unit 3: Computation of Capital Gains

Computation Steps: Full Value of Consideration minus Transfer Expenses = Net Consideration. Deduct ICOA & ICOI to arrive at Taxable Long-Term Capital Gains (LTCG taxed at 20% / 12.5%).

Unit 4: Exempted Capital Gains (Sec 54, 54B, 54EC, & 54F)

Exemption Provisions: Section 54 (Residential house investment), Section 54EC (Bonds of NHAI/RECL max ₹50 Lakhs), & Section 54F (Investing net consideration of any asset into residential house).

Unit 5: Income from Other Sources (Sec 56)

Residuary Head: Any taxable income not chargeable under the first 4 heads is taxed under Section 56 (Dividends, Lottery winnings, Interest).

Unit 6: Deductions Allowed & Disallowed (Sec 57/58)

Section 57: Collection charges for interest, standard deduction on family pension (33.33% or ₹15,000 max). Disallowed: Personal expenses & tax paid.

Unit 7: Taxability of Gifts, Securities Interest, & Bond-Washing

Gifts (Sec 56(2)(x)): Sum of money or property received without consideration exceeding ₹50,000 aggregate in a year is fully taxable (exempt if from specified relatives). Bond-Washing (Sec 94): Tax avoidance via selling securities before dividend/interest date.

Unit 8: Computation of Income from Other Sources

Aggregating taxable gifts, gross bank interest, dividend income, & deducting permissible Section 57 expenses.

Practical Solved Problem 1 (LTCG Indexed Cost & Tax Computation): Assessee purchased residential plot in FY 2004-05 (CII = 113) for ₹11,30,000 and sold it in FY 2023-24 (CII = 348) for ₹50,00,000. Transfer brokerage = ₹50,000. Calculate Taxable LTCG.

Indexed Cost (ICOA) = COA * (CII_Sale / CII_Purchase); Taxable LTCG = Net Sale - ICOA

Step-by-step Solution:

1. Full Value of Consideration = ₹50,00,000.
2. Less: Transfer Expenses (Brokerage) = (₹50,000) $\implies$ Net Consideration = ₹49,50,000.
3. Indexed Cost of Acquisition (ICOA) = $11,30,000 \times \frac{348}{113} = 11,30,000 \times 3.0796 = \mathbf{₹34,80,000}$.
4. **Taxable LTCG** = $49,50,000 - 34,80,000 = \mathbf{₹14,70,000}$. Tax Payable at 20% = ₹2,94,000 (+ Cess).

Practical Case Framework 2 (Capital Gains Exemptions Summary Matrix): Compare section, eligible asset sold, qualifying investment asset, statutory limit, and lock-in period.

Capital Gain Exemptions Section 54 Series Table:

Exemption Section	Eligible Asset Sold	Qualifying Re-Investment Asset	Statutory Cap / Lock-in
Section 54	Long-term Residential House	Purchase/Construct new Residential House	Max ₹10 Crore cap; 3-Year Lock-in
Section 54EC	Long-term Land or Building	Bonds of NHAI / RECL / PFC	Max ₹50 Lakhs limit; 5-Year Lock-in
Section 54F	Any LTCA except Residential House	Purchase/Construct new Residential House	Proportional exemption; 3-Year Lock-in