INTERESTING TAXISSUES ARISING IN CAPITAL GAINS

SEC. 45(2)

- In case of conversion of a capital asset into stock in trade, time limit for claiming exemption by Investment in Infrastructure bonds u/s 54EC / Residential House property u/s54F, will be counted from date of sale of stock-in-trade.
- On conversion of capital assets into stock-in-trade, the developer following percentage completion method need to offer capital gain in same proportion as income on sale of stock in trade is recognized.



SEC. 45(3)

 In case where the assesse contributes a capital asset as capital in the partnership firm/AOP, the value credited to his capital account will be considered as full value of consideration under section 45(3). Since this section is itself a deeming section for determining full value of consideration, another deeming provision of section 50C / 50CA, which provides for taxing the capital gains with reference to stamp duty value of the property/ under Rules of valuation of equity shares cannot not be extended to section 45(3) to determine deemed full value of consideration.



SEC. 9B

 Exemption u/s 54EC would be available to a firm against long term capital gains arising on transfer of land or building to partners of the firm on reconstitution, chargeable u/s 9B.



SEC. 50C/50CA

- In case of sale of land/building for inadequate consideration, Sec. 50C will apply even if transfer is to a relative, however, 56(2)(x) will not be applicable if transfer is to a notified relative.
- In the event stamp duty value of property/valuation of equity shares is higher than actual consideration and capital gains is computed with reference to such higher value in view of deeming provisions of section 50C/50CA., benefit u/s 54EC and 54F can be availed with reference to the deemed consideration by investing higher amount in the specified bonds/residential property.



