

## B.Com

### Sem 4

## MJC 6 – Income Tax Law and Accounting

### Capital Gains

Capital Gain is the profit you earn when you *sell or transfer a capital asset* (like land, house, shares, jewellery) for more than its cost of acquisition.

#### Types of Capital Gains

##### → Short-Term Capital Gain (STCG):

When you sell an asset *within a short holding period* – e.g.,

- For equity shares or equity-oriented mutual funds: held  $\leq 12$  months
- For property, gold & other assets: usually  $\leq 24/36$  months

*(This period varies based on the type of asset)*

##### → Long-Term Capital Gain (LTCG):

Profits on selling an asset *after the specified longer holding period*.

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#### 2. How to Compute Capital Gain:

Capital Gain = Sale Consideration – (Cost of Acquisition + Cost of Improvement + Transfer Expenses)  
*(For LTCG, cost of acquisition may be indexed using Cost Inflation Index to reduce tax)*

Example:

If shares were bought for ₹1,00,000 and sold for ₹1,50,000 →

Capital Gain = ₹1,50,000 – ₹1,00,000 = ₹50,000

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#### 3. Tax Treatment (Basic Idea)

STCG – Added to taxable income and taxed at normal slab rates (or special rate depending on type).

LTCG – Often taxed at concessional rates or with exemptions *(e.g., on sale of residential property under certain sections)*.

Q1: Explain the meaning and types of Capital Gains.

Q2: Describe how capital gains are computed under the Income-tax Act.

