**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 ≤ 12 months
• For property, gold & other assets: usually ≤ 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.