

PREPARATORY TEST PAPER II – CAPITAL GAINS

Total No of Questions – 4

Time Allowed –45 Mins

Maximum Marks – 25

All Questions are Compulsory.

All questions relate to **financial year 2024-25**, unless stated otherwise in the question. Working notes should form part of the respective answers. Wherever necessary, suitable assumptions may be made by the candidates and disclosed by way of note.

Question 1: Choose the correct Option:

(i) Rajesh purchased a residential house on 1/8/2023 for ₹ 30,00,000. The said property is sold by him on 1/1/2025 for ₹ 75,00,000. The Value as assessed by Stamp department authority was ₹ 76,00,000. The consideration was invested by him on 1/3/2025 in the bonds of NHAI to the tune of ₹ 20,00,000. The amount of Capital Gains shall be chargeable to tax is :

(a) ₹ 45,00,000 (b) ₹ 46,00,000 (c) ₹ 26,00,000 (d) ₹ 25,00,000

(ii) Prakash acquired a residential house, the indexed cost of acquisition of which is ₹ 2,80,000. He entered into an agreement on 1/8/2024 with Suresh for sale of property for ₹ 80,00,000 and 50% of the consideration was by Suresh by way of an electronic clearing system. Finally, the property was sold on 1/1/2025 and the property was registered in the name of Mr. Suresh. The value as assessed by Stamp department authority was ₹ 1,00,00,000 on 1/8/2024 which increased by 20% on 1/1/2025. The Fair Market value on the date of agreement was ₹ 1,05,00,000 and ₹ 1,30,00,000. The amount of Capital Gains chargeable to tax in the hands of Prakash:

(a) ₹ 97,20,000 (b) ₹ 1,17,20,000 (c) ₹ 1,02,20,000 (d) ₹ 127,20,000

(iii) Sunil acquired a piece of Land on 1/7/2023 for ₹ 20,00,000 as a Capital Asset. This was converted on 1/6/2024 (when fair market value was ₹ 30,00,000) into stock in trade and a building was constructed for ₹ 75,00,000. The property was sold for ₹ 1,50,00,000 on 1/3/2025. The treatment under Income Tax would be as follows:

- (a) ₹ 1,30,00,000 would be chargeable under Capital Gains
- (b) ₹ 45,00,000 is chargeable under Capital Gains and ₹ 10,00,000 as business income.
- (c) ₹ 1,30,00,000 shall be taxable as Business /Profession.
- (d) ₹ 10,00,000 is chargeable under Capital Gains and ₹ 45,00,000 as business income.

(iv) Dhiren acquired 1,000 unlisted shares of Manglunathanam Plantations Ltd. on 1/8/2024 @ ₹ 20 per share. On 1/1/2025 the company allotted bonus shares @ 1:1. All the shares were sold on 1/3/2025 @ ₹ 50 per share. The fair market value of these shares on 1/3/2025 was ₹ 60 per share. The capital gains chargeable in the hands of Dhiren shall be

a) 1 lakh b) 80,000 c) 60,000 d) 40,000

(v) Pushpa Ltd. acquired an agricultural land in Mumbai on 1/7/2007 (indexed cost of acquisition is ₹ 75 Lakhs). The said land was sold for ₹ 2 Crores on 1/6/2024. On 1/3/2025 the company acquired a new agricultural land for ₹ 80 Lakhs. Taxable amount of capital gains shall be –

a) NIL b) 1 Crore 25 Lakhs c) 45 Lakhs d) Information is incomplete

[5 x 2 = 10 Marks]

Question 2: Mr. Anand Prakash, a resident individual, aged 55 years, purchased 10 Plots in the

financial year 2005-06 for ₹ 12 Lakh. On 1st April 2010, he started a business of property dealing and converted all 10 plots as stock in trade of his business and recorded the cost at ₹ 40 Lakh in his books being the fair market value on 1st April 2010.

On 31st March 2013, he sold all 10 Plots for ₹ 55 Lakh and purchased a residential house property for ₹ 50 Lakh. He has constructed 2 rooms in this residential house in June 2013 and has spent ₹ 8 Lakh.

He sold the above residential house on 5th Feb. 2025, for ₹ 70 Lakh. The valuation adopted by Stamp valuation authority for the payment of stamp duty was ₹ 92 Lakh. On the request of Mr. Anand Prakash, Assessing Officer made a reference to the Valuation Officer. The Valuation Officer determined the value at ₹ 95 Lakh. Mr. Anand Prakash paid brokerage 1% of sale consideration.

Compute the total income and total tax liability of Mr. Anand Prakash for the AY 2025-26.

(Cost Inflation Index: 2005-06:113, 2010-11: 148, 2012-13:184 , 2013-14:200 ,2024-25: 348)

[5 Marks]

Question 3: Mr. Raj Kumar sold a house to his friend Mr. Dhruv on 1/11/2024 for a consideration of ₹25,00,000. The Sub-Registrar refused to register the document for the said value, as according to him, stamp duty had to be paid on ₹45,00,000, which was the Government guideline value. Mr. Raj Kumar preferred an appeal to the Revenue Divisional Officer, who fixed the value of the house as ₹ 32,00,000 (₹22,00,000 for land and balance for building portion). The differential stamp duty was paid, accepting the said value determined. Assuming that the fair market value is ₹ 32,00,000, what are the tax implications in the hands of Mr. Raj Kumar and Mr. Dhruv for the assessment year ? Mr. Raj Kumar had purchased the land on 1st June, 2011 for ₹ 5,19,000 and completed the construction of house on 1st October, 2023 for ₹ 14,00,000.

[5 Marks]

Question 4: Mr. Selvan, acquired a residential house in May, 2002 for ₹ 10,00,000 and made some improvements by way of additional construction to the house, incurring expenditure of ₹ 2,00,000 in October, 2006. He sold the property in October, 2024 for ₹ 75,00,000. The value of property was adopted as ₹ 80,00,000 by the state stamp valuation authority for registration purpose. He acquired a residential house in January, 2025 for ₹ 25,00,000. He deposited ₹ 20,00,000 in capital gain bonds issued by National Highways Authority of India (NHAI) in June 2024.

Compute the capital gain chargeable to tax for the assessment year .

What would be the tax consequence and in which assessment year it would be taxable, if the house property acquired in January 2025 is sold for ₹ 40,00,000 in March, 2026?

Cost of Inflation Index: F.Y.2002-03 = 100; F.Y. 2006-2007 = 117; F.Y. 2023-24 : 348

[5 Marks]