**LONG TERM CAPITAL GAIN (SECTION 112A)**

**Introduction:**

To Minimize economic disortions and curb erosion of tax base, Section 112A provides that notwithstanding anything contained in section 112, a concessional tax rate of 10% will be leviable on **long term capital gain exceeding Rs 1,00,000** on transfer of –

1. An Equity Share in a company or
2. A unit of Equity Oriented Fund or
3. A unit Of Business Trust

**Conditions to Avail Concessional Rate:**

1. In case of equity share in a company. STT has been paid on acquisition & transfer of such capital Asset.
2. In case of unit of an equity oriented fund or unit of business trust, STT has been paid on transfer of such capital asset.

However, the Central Government may, by notification in the Official Gazette, specify the nature of acquisition of equity share in a company on which the condition of payment of STT on acquisition would not be applicable.

**Adjustment of Unexhausted Basic Exemption Limit:**

In case of **Resident** **Individual & HUF,** if the basic exemption is not fully exhausted by any other income, then such long term capital gain exceeding Rs 1,00,000 will be reduced by the unexhausted basic exemption limit and only the balance would be taxed at 10% **.**

However, the benefit of adjustment of Unexhausted basic exemption limit is not available in the case of **Non-Residents**. It is also not available in case of **Resident AOP & BOIs**.

**No deduction under Chapter VI- A against LTCG taxable under 112A:**

Deductions under Chapter VI-A cannot be availed in respect of such long term capital gains on equity shares of a company or unit of equity oriented fund or unit of business trust included in the total income of the assesse.

**No Benefit of Rebate under section 87A against LTCG taxable under section 112A:**

Rebate under section 87A is not available in respect of tax payable @10% on LTCG under section 112A

**Criteria for Capital Loss Set Off :**

As per Section 70(3) Short term capital loss is allowed to be set off against both short term capital gain and long term capital gain. However, long term capital loss can be set off only against long term capital gain and not short term capital gain.

As per Section 71 the net result of computation under head “Capital Gain” is a loss. Such capital loss cannot be set-off against income under any other head.

As per Section 74, the unabsorbed loss shall be carried forward upto 8 assessment years immediately succeeding the assessment year for which loss was first computed.

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