

Exemptions

Particulars	Section 54 (Note 1)	Section 54B (Note 2)	Section 54D
Assessee	Individual/HUF	Individual/HUF	Any person
Nature of Capital Asset	Long Term	Short Term/Long Term	Short Term/Long Term
Eligible Asset	A residential house property	Agricultural land used for agricultural purposes by the individual or his parents for 2 years prior to the date of transfer	Compulsorily acquired land or building, forming part of an industrial undertaking, by government, used for industrial purposes for 2 years prior to transfer
Asset to be acquired	CG > Rs. 2 Crs 1 residential house CG < Rs. 2 Crs – 2 residential house at the option of assessee. Where the assessee exercises option of purchase or construction of 2 residential houses in any AY, he shall not be entitled to exercise option in any other AY	Rural or Urban Agricultural Land	Land or Building for industrial purpose
Time limit for acquiring a new asset	<u>Purchase</u> : 1 year prior or within 2 years from the date of transfer Or <u>Construction</u> : Within 3 years from the date of transfer	Within 2 years from the date of transfer	<u>Purchase</u> : Within 3 years from the date of transfer Or <u>Construction</u> : Within 3 years from the date of transfer
Amount exempt	Lower of: i) Investment amount Or ii) Capital gains	Lower of: i) Investment amount Or ii) Capital gains	Lower of: i) Investment amount Or ii) Capital gains
Lock-in period for the newly acquired asset	3 years from the date of acquisition/construction	3 years from the date of acquisition	3 years from the date of acquisition/construction
In case of transfer of the newly acquired asset within the lock-in period	Such new asset acquired shall be a short term capital asset and its cost of acquisition shall be reduced by exemption claimed earlier	Such new asset acquired shall be a short term capital asset and its cost of acquisition shall be reduced by exemption claimed earlier	Such new asset acquired shall be a short term capital asset and its cost of acquisition shall be reduced by exemption claimed earlier

Whether Capital Gains Account Scheme (CGAS) benefit available?	Yes	Yes	Yes
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Notes:

- Section 54: (a) Residential house property refers to buildings or land appurtenant thereto for residential purpose, the income of which is chargeable under the head "Income from House Property";
(b) Cost of plot acquired by assessee will also be eligible for exemption along with the cost of construction/acquisition;
(c) If more than one house is purchased or constructed, then exemption under Section 54 will be available in respect of anyone house only;
(d) No exemption can be claimed in respect of house purchased outside India
- Section 54B: If the assessee invests the capital gains in rural agricultural land and transfers the same within 3 years, then there will not be any CG in the year of transfer since rural agricultural land is not a capital asset

Particulars	Section 54EC (Note 1)	Section 54F (Note 2)	Section 54G (Note 3)
Assessee	Any person	Individual/HUF	Any person
Nature of Capital Asset	Long Term	Long Term	Short Term/Long Term
Eligible Asset	Any long term capital asset (i.e. even depreciable asset held for > 36 months is eligible)	Any long term capital asset other than a residential house property; Transfer of plot of land is also eligible for exemption	Land & building or any rights therein/plant/machinery transferred in order to shift an industrial undertaking from an urban area to any area other than an urban area
Asset to be acquired	Bonds of National Highways Authority of India (NHAI) or Rural Electrification Corporation Ltd (RECL)	Only one residential house property in India	New machinery/plant/land/ building for Industrial purposes in a rural area to which the industrial undertaking is shifted Or Expenses incurred on shifting thereon
Time limit for acquiring a new asset	6 months from the date of transfer	<u>Purchase:</u> 1 year prior or within 2 years from the date of transfer Or <u>Construction:</u> Within 3 years from the date of transfer	1 year prior or within 3 years from the date of transfer
Amount exempt	Lower of: i) Investment amount	<u>Investment * LTCG</u>	Lower of: i) Investment amount

Particulars	Section 54EC (Note 1)	Section 54F (Note 2)	Section 54G (Note 3)
	(Maximum Rs. 50 Lakhs) Or ii) Capital gains	Net Sale Consideration	Or ii) Capital gains
Lock-in period for the newly acquired asset	5 years from the date of acquisition	3 years from the date of acquisition/construction	3 years from the date of acquisition
In case of transfer of the newly acquired asset within the lock-in period	Exempted capital gain shall be withdrawn and charged to tax as income of the year of transfer as long term capital gains. However, where the original asset is a depreciable asset u/s 50, exemption shall be withdrawn and exempted capital gain will be taxed as short term capital gains	Exempted capital gain shall be withdrawn and charged to tax as income of the year as long term capital gains	Such new asset acquired shall be a short term capital asset and its cost of acquisition shall be reduced by exemption claimed earlier
Whether CGAS benefit available?	No	Yes	Yes

Notes:

1. Section 54EC:

- Maximum amount of investment in a previous year cannot exceed Rs 50 Lakhs p.a.
- The exemption will be withdrawn if loan is taken against the security of the bonds acquired within the lock-in period for 5 years
- The investment in RECL or NHAI bonds will not be eligible for purpose of claiming deduction u/s 80C, once the benefit is claimed u/s 54EC

2. Section 54F:

Benefit of Section 54F shall not be available where the assessee:

- Owns more than 1 residential house property on date of transfer, or
- Purchases another residential house (other than the newly acquired/constructed residential house for claiming exemption) within two years from date of transfer, or
- Constructs another residential house (other than the newly acquired/constructed residential house for claiming exemption) within 3 years from date of transfer

3. Section 54G:

Advance given for purchase of land, building, plant and machinery tantamount to utilization of capital gains for purchase and acquisition of new machinery or plant and building or land (**Fibre Boards (P) Ltd. v CIT (2015)(SC)**)

Particulars	Section 54GA	Section 54GB (Note 1)
Assessee	Any person	Individual/HUF
Nature of Capital Asset	Short Term/Long Term	Long Term
Eligible Asset	Land & building or any rights therein/plant/ machinery transferred in order to shift an industrial undertaking from an urban area to Special Economic Zone , whether in Urban area or not	Residential property (house or plot of land) upto 31 st march 2022
Asset to be acquired	New machinery/plant/ land/building for Industrial purposes Or Expenses incurred on shifting thereon	Equity Shares of eligible company or an eligible start-up The eligible company should utilize the amount for purchase of a “plant and machinery”
Time limit for acquiring a new asset	1 year prior or within 3 years from the date of transfer	<u>For Individual/HUF :</u> before due date of filing of return of income u/s 139(1) <u>For eligible company:</u> Purchase of “plant and machinery”(P & M) within 1 year from the date of subscription in the equity shares by the assessee
Amount exempt	<u>Investment * LTCG</u> Net Sale Consideration	LTCG * Amount invested <u>in new P&M</u> Net Sale Consideration
Lock-in period for the newly acquired asset	3 years from the date of acquisition	5 years from the date of acquisition(for both)[3 years for computer and computer software)
In case of transfer of the newly acquired asset within the lock-in period	Such new asset acquired shall be a short term capital asset and its cost of acquisition shall be reduced by exemption	Capital gains to the extent exempt earlier shall be chargeable as capital gains of P.Y. in which such equity shares/such new

Particulars	Section 54GA	Section 54GB (Note 1)
	claimed earlier	P&M are sold/otherwise transferred
Whether CGAS benefit available?	Yes	Yes (Eligible company) No (Individual/HUF)

Section 54H

Where any compensation is receivable from the Government, then the specified time limit for investment purposes shall be from the date of receipt of compensation and not from the date of transfer. **This benefit is given for exemptions claimed u/s 54, 54B, 54D, 54EC and 54F.**

Notes:

1. Section 54GB:

In order to qualify as an “eligible company” u/s 54GB the company should be:

- Incorporated in the F.Y. in which the capital gain arises or in the following year on or before the due date of filing return of income by the individual or HUF.
- Engaged in the business of manufacture of article or a thing.
- A company in which the individual or HUF holds more than 25% of the share capital or 25% of the voting rights, after the subscription in shares by the individual or HUF; and
- Company qualifies to be a Small or Medium Enterprise (SME) under the Micro, Small and Medium Enterprises Development Act, 2006 or is an eligible start-up.

In order to qualify as an “eligible start up” u/s 54GB the company should be:

- Engaged in eligible business which involves innovation, development, deployment or commercialization of new products, processes or services which is driven by technology or intellectual property.
- Incorporated during the period 01.04.2016 to 31.03.2022
- A company having total turnover ≤ Rs100 Crores in PY in which deduction is claimed u/s 80IAC
- Holding a certificate of eligible business from the notified IMBC

New plant and machinery does not include -

- Any machinery or plant which, before its installation by the assessee, was used either within or outside India by any other person;
- Any machinery or plant installed in any office premises or any residential accommodation, including accommodation in the nature of a guest house;
- Any office appliances including computers or computer software;
- Any vehicle; or
- Any machinery/plant, the whole of the actual cost of which is allowed as a deduction, whether by way of depreciation or otherwise, in computing the income chargeable under the head “Profits and gains of business or profession” of any previous year.

For eligible startup, being a technology driven start up, new asset shall include computers or computer software