

Finance (No. 2) Act 1977

Section 13 - Insertion of New Section 54e

In the Income-tax Act, after section 54D, the following section shall be inserted with effect from the 1st day of April, 1978, namely :-

54E. Capital gain on transfer of capital assets not to be charged in certain cases. - (1) Where the capital gain arises from the transfer of a capital asset; not being a short-term capital asset, (the capital assets so transferred being hereafter in this section referred to as the original asset) and the assessee has, within a period of six months after the date of such transfer, invested or deposited the full value of the consideration or any part thereof received or accruing as a result of such transfer in any specified asset (such specified asset being hereafter in this section referred to as the new asset), the capital gain shall be dealt with in accordance with the following provisions of this section, that is to say, -

(a) if the cost of the new asset is not less than the full value of the consideration received or accruing in respect of the original asset, the whole of such capital gain shall not be charged under section 45;

(b) if the cost of the new asset is less than the full value of the consideration received or accruing in respect of the original asset, so much of the capital gain as bears to the whole of the capital gain the same proportion as the cost of the acquisition of the new asset bears to the full value of such consideration shall not be charged under section 45.

Explanation 1 : For the purposes of this sub-section, "specified asset" means any of the following assets, namely :-

(i) securities of the Central Government or a State Government;

(ii) savings certificates as defined in clause (c) of section 2 of the Government Savings Certificates Act, 1959; (46 of 1959).

(iii) units in the Unit Trust of India established under the Unit Trust of India Act, 1963 (52 of 1963);

(iv) debentures specified by the Central Government for the purposes of clause (ii) of sub-section (1) of section 80L;

(v) shares in any Indian company which are issued to the public or are listed in a recognised stock exchange in India in accordance with the Securities Contracts (Regulation) Act, 1956 (42 of 1956) and any rules

made thereunder;

(vi) deposits for a period of not less than three years with the State Bank of India established under the State Bank of India Act, 1955 (23 of 1955) or any subsidiary bank as defined in the State Bank of India (Subsidiary Banks) Act, 1959 (38 of 1959) or any nationalised bank, that is to say, any corresponding new bank constituted under section 3 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 (5 of 1970) or any co-operative society engaged in carrying on the business of banking (including a co-operative land mortgage bank or a co-operative land development bank).

Explanation 2 : "Cost" in relation to any new asset, being a deposit referred to in clause (vi) or Explanation 1. means the amount of such deposit.

(2) Where the new asset is transferred or converted (otherwise than by transfer) into money, within a period of three years from the date of its acquisition, the amount of capital gain arising from the transfer of the original asset not charged under section 45 on the basis of the cost of such or new asset as provided in cl. (a), as the case may be, cl. (b), of sub-section (1) shall be deemed to be income chargeable under the head "Capital gains" relating to capital assets other than short-term capital assets of the previous year in which the new asset is transferred or converted (otherwise than by transfer) into money.