

# Whether Amount Deposited In Capital Gain Account Scheme Is Eligible To Get Income Tax Exemption As Per Income Tax Act 1961 And Finance Act 2021



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**S**old a house during the period of covid-19 second wave. Only get a nominal amount as profit. Still, the incidence of income tax arises? A lot of people have that difficulty. Besides, As per sec 194 IA of the income tax Act 1961, buyer of the house property has the liability to deduct 1% as TDS and that amount has to be paid into the account of revenue if the net sales consideration is more than ₹ 50 lakhs. Deductions /exemptions /concessions are available as per sec 54 and sec 54 GB and sec 54 is the most significant with respect to capital gain arising from the sale of the residential house property.

Under the above circumstances, the sellers of the residential houses or flats have to obey/comply the following conditions to get the exemption as per sec 54 of the Income Tax Act 1962.

1. Capital Gain should be Long Term Capital Gain.
2. If you sells the residential house property or flat after 24 months from the date of acquisition, then the capital asset is known as long term capital asset and profit and gain arising from the sale of long term capital asset is known as long term capital gain and 20% income tax (plus surcharge and cess) is to be paid on that income.
3. A new residential house property is to be acquired within two years from the date of sale of existing residential house property or A new residential house property was acquired before one year from the date

of sale of existing residential house property. If the assessee wants to construct a new residential house property, it will be constructed within three years. If the long term capital gain is not more than 2 crores, maximum 2 houses can be bought or constructed. Least of the following amount is the eligible as exemption as per sec 54.

Long term capital gain or the cost of new house/amount deposited in the capital gains account scheme.

4. Assessee do not transfer the newly bought residential house property and he/she violates this condition, he/she will lose the already claimed deduction as per sec 54.
5. If the assessee cannot use the entire amount till 31 July 2022, the assessee has to invest the unutilized amount in the capital gains account scheme as per the capital gains account scheme of 1988. He/she will have to deposit the amount in either deposit A or deposit B of recognized public sector banks. Interest, nomination and withdrawal facility are available to those accounts. But you cannot use it as security. Besides, you have to use the amount within 60 days of withdrawal for the purposes mentioned in sec 54. Otherwise, you have to pay the income tax
6. Capital gains account scheme is a temporary arrangement.