A method of determining the Cost of Acquisition (“COA”) of such investments has been specifically laid down according to which the COA of such investments shall be deemed to be the **higher** of-

1. The **actual COA** of such investments; and
2. The**lower** of-
   * **Fair Market Value (‘FMV’)** of such investments; and
   * the **Full Value of Consideration** received or accruing as a result of the transfer of the capital asset i.e. the**Sale Price**

Further, the FMV would be the highest price quoted on the recognized stock exchange on 31 January 2018. In case there is no trading of the said asset in such stock exchange, the highest price on a day immediately preceding 31st January 2018 shall be considered to be the FMV. In effect, the taxpayer can claim the highest price quoted on the recognized stock exchange on 31 January 2018 as the COA and claim the deduction for the same.

The computation mechanism has been further explained by way of the following examples

**Capital Gain/ Loss =**Sale Price – Revised Cost of   Acquisition on 31.1.2018

**Example 1**

Mr X bought equity shares on 15/Dec/2016 for Rs. 10,000. FMV of the shares was Rs. 12,000 as on 31/Jan/18. He sold the shares on 10/May/2018 for Rs. 15,000. What will be the long-term capital gain/ loss?

**Cost of Acquisition (COA)**

Higher of –

* Original COA i.e. Rs. 10,000, *and*
* Lower of –
  + FMV on 31.1.18 i.e. Rs. 12,000, *and*
  + Sale Price i.e. Rs. 15,000

Hence, COA = Higher of (Rs. 10,000 or Rs. 12,000) = **Rs. 12,000**

**Capital Gain/ (Loss)**

* Sale Price – Cost of Acquisition
* Rs. 15,000 – Rs. 12,000
* **Rs. 3,000**

**Example 2**

Mr. A purchased equity shares on 20/Jan/2017 for Rs. 16,000. FMV of the shares was Rs. 11,000 as on 31/Jan/18. He sold the shares on 26/Apr/2018 for Rs. 26,000. What will be the long-term capital gain/ loss?

**Cost of Acquisition (COA)**

Higher of –

* Original COA i.e. Rs. 16,000, *and*
* Lower of –
  + FMV on 31.1.18 i.e. Rs. 11,000, *and*
  + Sale Price i.e. Rs. 26,000

Hence, COA = Higher of (Rs. 16,000 or Rs. 11,000) = **Rs. 16,000**

**Capital Gain/ (Loss)**

* Sale Price – Cost of Acquisition
* Rs. 26,000 – Rs. 16,000
* **Rs. 10,000**

**Example 3**

Mr. D bought equity shares on 11-Nov-2016 for Rs. 19,500. FMV of the shares was Rs. 12,000 as on 31-Jan-18. He sold the shares on 21-May-2018 for Rs. 9,000. What will be the long-term capital gain/ loss?

**Cost of Acquisition (COA)**

Higher of –

* Original COA i.e. Rs. 19,500, *and*
* Lower of –
  + FMV on 31.1.18 i.e. Rs. 12,000, *and*
  + Sale Price i.e. Rs. 9,000

Hence, COA = Higher of (Rs. 19,500 or Rs. 9,000) = **Rs. 19,500**

**Capital Gain/ (Loss)**

* Sale Price – Cost of Acquisition
* Rs. 9,000 – Rs. 19,500
* **Rs. (10,500)**

**Example 4**

Mr. D bought equity shares on 23/Oct/2016 for Rs. 14,500. FMV of the shares was Rs. 18,000 as on 31/Jan/18. He sold the shares on 18/May/2018 for Rs. 7,000. What will be the long-term capital gain/ loss?

**Cost of Acquisition (COA)**

Higher of –

* Original COA i.e. Rs. 14,500, *and*
* Lower of –
  + FMV on 31.1.18 i.e. Rs. 18,000, *and*
  + Sale Price i.e. Rs. 7,000

Hence, COA = Higher of (Rs. 14,500 or Rs. 7,000) = **Rs. 14,500**

**Capital Gain/ (Loss)**

* Sale Price – Cost of Acquisition
* Rs. 7,000 – Rs. 14,500
* **Rs. (7,500)**