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INCOME-TAX ACT, 2025

E: Capital gains

Section 84 - Capital gains on compulsory acquisition of lands and buildings not to be charged in certain cases.

(1) Where an assessee has––

(a) capital gains arising from the transfer by way of compulsory acquisition under any law, of a capital asset being land or building or any right in land or building, forming part of an industrial undertaking belonging to him, which was being used by the assessee for the business of the said undertaking in the two years immediately preceding the date of transfer (original asset); and

(b) within three years after that date, purchased any other land or building or any right in any other land or building or constructed any other building for shifting or re-establishing the said undertaking or setting up another industrial undertaking (new asset),

then, instead of the capital gain being charged to income-tax as income of the tax year in which the transfer took place, it shall be dealt with as follows:—

(i) if the capital gains exceeds the cost of new asset, such excess shall be charged under section 67, and for computing any capital gains arising from the transfer of the new asset within three years of its purchase or construction, the cost shall be *nil*; or

(ii) if the capital gains is equal to or less than the cost of new asset, no capital gains shall be charged under section 67 and for computing capital gains from the transfer of the new asset within three years of its purchase or construction, the cost shall be reduced by the amount of the capital gains.

(2) If the capital gains referred to in sub-section (1) is not utilised by the assessee to purchase the new asset before filing the return of income under section 263, then––

(a) the unutilised amount shall be deposited in a specified bank or institution and utilised as per the scheme notified by the Central Government;

(b) such deposit shall be made before the filing of the return not later than the due date applicable in the case of the assessee for filing the return of income under the section 263(1); and

(c) the proof of deposit shall be submitted along with such return.

(3) For the purposes of sub-section (1), the amount already utilised for purchasing or constructing the new asset together with the deposited amount under sub-section (2), shall be deemed to be the cost of the new asset.

(4) If the amount deposited under sub-section (2) is not fully utilised for the purchase or construction of the new asset within the period specified in sub-section (1), then,—

(a) the unutilised amount shall be charged under section 67 as the income of the tax year in which three years from the date of the transfer of the original asset expires; and

(b) the assessee shall be entitled to withdraw such unutilised amount in accordance with the scheme referred to in sub-section (2).

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