

Impact of Buyback

The cost of acquisition of the shares which have been bought back would generate a capital loss in the hands of the shareholder as these assets have been extinguished. Therefore when the shareholder has any other capital gain from sale of shares or otherwise subsequently, he would be entitled to claim his original cost of acquisition of all the shares (i.e. the shares earlier bought back plus shares finally sold).

Case Study 5:

Mr. Suresh bought 100 shares of Reliance Industries Ltd in January 2020 (RELIANCE) at Rs. 4,000/- per share. During October 2024, Reliance Industries Ltd bought back 20 shares at Rs. 6,000/- per share. Further, during April 2025, sold 50 shares at Rs. 7,000/- per share.

Compute:

a) Long term capital Gain for the AY 2026-27.

Particulars	Amount (Rs.)
Sales consideration (50 shares @ Rs.7,000 each)	3,50,000
Less: Cost of Acquisition (50 shares @ Rs.4,000 each)	2,00,000
Long Term Capital Gain	1,50,000

