

Illustration of tax implication

Stock Split

Example 1- with Single FIFO

On August 25, 2024, Mr. A purchased 5,000 shares of ABC Company at Rs. 100 per share. Following a stock split at the ratio of 1:2, his holdings increased to 10,000 shares. Subsequently, on December 20, 2024, he sold 3,000 of these shares at Rs. 75 per share. The tax implications for this transaction are as follows:

Before splitting

Inventory Date	25-Aug-24
No of shares	5,000
price per share	100.00
Cost of shares	500,000

After splitting

Inventory Date	25-Aug-24
No of shares	10,000
price per share	50.00
Cost of shares	500,000

Disposal of shares and computation of gain/(loss)

No. of shares disposed off	3,000
Sale price per Share	75.00
Sale value	225,000
purchase Cost	150,000
Gain on disposal	75,000
Capital gain Tax @15%	11,250

Example 2- with Multiple FIFO

Mr. A acquired shares of ABC Company as follows: 1,000 shares on July 15, 2020, at Rs. 100 per share; 2,000 shares on August 25, 2022, at Rs. 110 per share; and 3,000 shares on September 28, 2024, at Rs. 120 per share. Following a stock split at the ratio of 1:2, his total holdings increased to 12,000 shares. On December 20, 2024, he sold 8,000 of these shares at Rs. 85 per share. The tax implications for this transaction are as follows:

Before splitting

Inventory Date	15-Jul-20	25-Aug-22	28-Sep-24	Total
No of shares	1,000	2,000	3,000	6,000
price per share	100.00	110.00	120.00	
Cost of shares	100,000	220,000	360,000	680,000

After splitting

Inventory Date	15-Jul-20	25-Aug-22	28-Sep-24	Total
No of shares	2,000	4,000	6,000	12,000
price per share	50.00	55.00	60.00	
Cost of shares	100,000	220,000	360,000	680,000

Disposal of shares and computation of gain/(loss)

No. of shares disposed off	8,000
Sale price per Share	85
Sale value	680,000
purchase Cost	440,000
Gain on disposal	240,000
Capital gain Tax @15%	36,000