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Corporate, Tax, Insolvency &  
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# **Capital Gains & Capital Gain Tax in India**



# **What is Capital Gains Tax in India?**

**Any profit or gain that arises from the sale of a 'capital asset' is known as 'income from Capital Gains'. Such capital gains are taxable in the year in which the transfer of the capital asset takes place. This is called capital gains tax.**

**There are two types of Capital Gains:**

- **Short Term Capital Gain (STCG)**
- **Long Term Capital Gain (LTCG)**



# **Types of Capital Assets?**

**1. STCA ( Short-term capital asset)**

**2. LTCA ( Long-term capital asset )**





## **STCA ( Short-Term Capital Asset )**

An asset held for a period of 24 months or less is a short-term capital asset. So, if you sell the asset within a period of 24 months of purchasing, then it would be called as a short-term capital asset. However, in some of the assets, the holding period is reduced to 24 months and 12 months.





# **LTCA ( Long-Term Capital Asset )**

An asset held for more than 24 months is a long-term capital asset. They will be classified as a long-term capital asset if held for more than 24 months as earlier. So, if you sell the asset after a period of 24 months of purchasing, then it would be called as a long-term capital asset. However, in some of the assets, the applicable holding period is 12 months.





**In some of the assets, the holding period is reduced to 24 months and 12 months.**

**These assets are:**

- **Equity or preference shares in a company listed on a recognized stock exchange in India**
- **Securities (like debentures, bonds, govt securities etc.) listed on a recognized stock exchange in India**
- **Units of UTI, whether quoted or not**
- **Units of equity oriented mutual fund, whether quoted or not**
- **Zero Coupon Bond , whether quoted or not**



## Note :

Capital gains from the sale of units of a specified mutual fund acquired on or after April 1, 2023, and market-linked debentures will always be treated as **Short-term Capital Gains**, regardless of how long they have been held.





# **Capital Gain**

# **Tax Rates**





**Following are the tax rates for capital gains arising in case the transfers happened before 23/07/2024.**

Tax Type	Condition	Tax Rate
Long Term Capital Gain Tax	- Listed Equity shares (If STT has been paid on purchase and sale of such shares)	10% over and above Rs 1.25
	- units of equity oriented mutual fund (If STT has been paid on sale of such units)	
	Others	20%
Short Term Capital Gains Tax	When Securities Transaction Tax (STT) is not applicable	Normal slab rates
	When STT is applicable	15%.





**Following are the tax rates for capital gains arising in case the transfers happened on or before 23/07/2024.(Other Than Land & Building)**

Tax Type	Condition	Tax Rate
Long Term Capital Gain	- Listed Equity shares (If STT has been paid on purchase and sale of such shares)	12.5% over and above Rs 1.25
	- units of equity oriented mutual fund (If STT has been paid on sale of such units)	
	Others	20%
Short Term Capital Gains	When Securities Transaction Tax (STT) is not applicable	Normal slab rates
	When STT is applicable	20%.





**For the transfers happened of Land & Building on or after, July 2024 tax on Capital Gains are to be taxed as follows**

<b>Tax Type</b>	<b>Applicable Tax</b>
Long-Term Capital Gains Tax (LTCG)	12.5% without indexation
	20% with indexation (Individual & HUF)
Short-Term Capital Gains Tax (STCG)	Normal slab rates



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# **Exemption on Capital Gains**





## **Section 54: Exemption on Sale of House Property on Purchase of Another House Property**

*The exemption under Section 54 is available when the capital gains from the sale of house property are reinvested into buying or constructing two another house properties (prior to Budget 2019, the exemption of the capital gains was limited to only 1 house property).*

*The exemption on two house properties will be allowed once in the lifetime of a taxpayer, provided the capital gains do not exceed Rs. 2 crores. The taxpayer has to invest the amount of capital gains and not the entire sale proceeds. If the purchase price of the new property is higher than the amount of capital gains, the exemption shall be limited to the total capital gain on sale.*

**Cont..**





## Conditions for availing this benefit:

- The new property can be purchased either 1 year before the sale or 2 years after the sale of the property.
- The gains can also be invested in the construction of a property, but construction must be completed within three years from the date of sale.
- Please note that this exemption can be taken back if this new property is sold within 3 years of its purchase/completion of construction..

***If the amount of capital gain exceeds Rs. 2 Crore*** then One residential house property should be purchased within 1 year before the date of sale of house property or 2 years after the date of sale of house property; (OR) Construct a house property within 3 years after the date of sale of house property.





## **Section 54F: Exemption on capital gains on sale of any asset other than a house property.**

Exemption under Section 54F is available when there are capital gains from the sale of a long-term asset other than a house property. You must invest the entire sale consideration and not only capital gain to buy a new residential house property to claim this exemption. Purchase the new property either one year before the sale or 2 years after the sale of the property. You can also use the gains to invest in the construction of a property. However, the construction must be completed within 3 years from the date of sale.

This exemption can be taken back, if this new property is sold within 3 years of its purchase.

If you invest a portion of the sale proceeds, the capital gains exemption will be in the proportion of the invested amount to the sale price.





## **Section 54EC: Exemption on Sale of House Property on Reinvesting in specific bonds**

Exemption is available under Section 54EC when capital gains from sale of the first property are reinvested into specific bonds.

- Taxpayer can invest in bonds up to Rs. 50 lakhs issued by National Highway Authority of India (NHAI) or Rural Electrification Corporation (REC).
- The money invested can be redeemed after 5 years, but they cannot be sold before the lapse of 5 years from the date of sale.
- The homeowner has six month's time to invest the profit in these bonds. But to be able to claim this exemption, you will have to invest before the tax filing deadline.





## **When can Taxpayer invest in Capital Gains Account Scheme**

A taxpayer who is unable to re-invest capital gains in the specified investment before furnishing the return of income and specified time limit for the investment has not expired, is required to deposit such unutilised capital gain in the capital gains account before furnishing return of income but not beyond the due date for furnishing return of income.

***Capital gains account can be opened in any of the authorised bank branches***



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**Thank  
you...**