

Taxation Scenarios on Debt Mutual Fund for FY 2024-25 (AY 2025-26)



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The Tax treatment varies depending on the date of purchase and the date of redemption/sale of the debt fund units.

The Three scenarios below show the rules for each case, with clear examples of purchase/sale dates, holding periods and taxes.



Bought before Mar 31, 2023, sold before Jul 23, 2024

Old rules apply.

- Long-term capital gains (LTCG) if you held the debt fund over 36 months. Those gains are taxed at 20% with an inflation adjustment (indexation).
- If held 36 months or less, any gain is short-term and taxed at your normal income-tax rate (your slab).



Bought before Mar 31, 2023, sold on/after Jul 23, 2024

New holding period: The long-term threshold was cut from 36 to 24 months.

New long-term rate:

- Long-term gains (holding over 24 months) are taxed at 12.5% (flat, with no indexation)
- If you held 24 months or less, any gain is short-term and taxed at your slab rate.

In short, after July 23, 2024 the debt-fund LTCG rules changed:

only a 2-year (24-month) holding qualifies for long-term gains, taxed at 12.5% without indexation. Gains from shorter holdings are always taxed at your normal rate.



Bought on/after Apr 1, 2023, sold before/ on/ after Jul 23, 2024

For any units purchased from April 1, 2023 onward, a 2023 tax law treats all gains as short-term gains.

This means no long-term benefit at all:

even if you held the fund for 3 years, the gain is taxed at your income-tax slab. There's also no indexation.



In Nutshell :

For debt funds bought on or after April 1, 2023, the new rule kicks in. All gains are taxed like regular income, regardless of how long you held them. There's no separate long-term rate.

Section 50AA (2023 Finance Act), debt funds bought on/after April 2023 never qualify for the old LTCG rates.

All such sales (pre- or post-July 23, 2024) are taxed at slab rates.

**Thank
you...**