2. Capital Gains Tax in India: Updated LTCG & STCG Rules for FY 2024-25

Introduction

The Union Budget 2024 introduced significant changes to the capital gains tax structure in India, aiming to simplify and standardize the taxation process. These amendments affect both Short-Term Capital Gains (STCG) and Long-Term Capital Gains (LTCG), impacting various asset classes, including equities, mutual funds, real estate, and gold. This blog provides a comprehensive overview of the updated rules effective from July 23, 2024, applicable for Assessment Year (AY) 2025-26.

📌 Revised Holding Periods for Capital Assets

The holding period determines whether a capital asset is classified as short-term or long-term, which in turn affects the applicable tax rate. The Budget 2024 has streamlined the holding periods as follows:

Asset Type	**Previous Holding Period for LTCG**	**Revised Holding Period for LTCG**
Listed Equity Shares & Equity-Oriented Mutual Funds	>12 months	>12 months
Units of Business Trusts (REITs, InVITs)	>36 months	>12 months
Unlisted Shares	>24 months	>24 months (unchanged)
Immovable Property (Land/Building)	>24 months	>24 months (unchanged)
Unlisted Debentures and Bonds	>36 months	>24 months
Market-Linked Debentures and Debt Mutual Funds	>36 months	>24 months

Physical Gold	>36 months	>24 months
Gold ETFs and Sovereign Gold Bonds (SGBs)	>36 months	>12 months

Note: The revised holding periods are effective for transfers made on or after July 23, 2024.

💰 Updated Tax Rates for STCG and LTCG

The tax rates for capital gains have been revised to create a more uniform structure:

🔷 Short-Term Capital Gains (STCG)

Asset Type	Previous STCG Tax Rate	Revised STCG Tax Rate
Listed Equity Shares & Equity-Oriented Mutual Funds (with STT)	15%	20%
Other Assets (e.g., property, gold, debt funds)	Taxed as per income slab	Taxed as per income slab

🔷 Long-Term Capital Gains (LTCG)

Asset Type	Previous LTCG Tax Rate	Revised LTCG Tax Rate
Listed Equity Shares & Equity-Oriented Mutual Funds (with STT)	10% (above ₹1 lakh)	12.5% (above ₹1.25 lakh)
Other Assets (e.g., property, gold, debt funds)	20% with indexation	12.5% without indexation

Note: The exemption limit for LTCG on listed equity shares and equity-oriented mutual funds has been increased from ₹1 lakh to ₹1.25 lakh.

🏠 Impact on Real Estate Transactions: Applicability Based on Acquisition Date

The Union Budget 2024 introduced significant changes to the taxation of long-term capital gains (LTCG) arising from the sale of immovable property. These changes are applicable based on the date of acquisition of the property:

For Properties Acquired Before July 23, 2024:

Taxpayers have the option to choose between:

- **Option 1:** Pay LTCG tax at **12.5% without indexation**.
- **Option 2:** Pay LTCG tax at **20% with indexation**.

This flexibility allows taxpayers to select the option that results in a lower tax liability.

For Properties Acquired On or After July 23, 2024:

The LTCG tax is applicable at a flat rate of **12.5% without indexation**, with no option to avail indexation benefits.

These amendments aim to simplify the tax structure and provide clarity to taxpayers regarding the taxation of capital gains from real estate transactions.

📝 Conclusion

The amendments introduced in the Union Budget 2024 aim to simplify the capital gains tax structure by standardizing holding periods and tax rates across various asset classes. While the uniformity brings clarity, the removal of indexation benefits, especially for assets like real estate and gold, may lead to higher tax liabilities in certain cases.

Taxpayers should carefully evaluate their investment portfolios and consider the implications of these changes. Consulting with a tax professional can provide personalized guidance to optimize tax liabilities under the new regime.

For expert assistance in navigating the updated capital gains tax landscape, feel free to contact our team of tax professionals.