Ministry of Finance

FAQs issued by CBDT on the new capital gains tax regime proposed in the Union Budget 2024-25

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FREQUENTLY ASKED QUESTIONS (FAQs)

Q1. What are the major changes brought about in the taxation of capital gains by the Finance (No.2) Bill, 2024?

Ans. The taxation of capital gains has been rationalised and simplified. There are 5 broad parameters to this rationalisation and simplification, namely:-

i. Holding period has been simplified. There are only two holding periods now, viz. 1 year and 2 year.
ii. Rates have been rationalised and made uniform for majority of assets.
iii. Indexation has been done away with for ease of computation with simultaneous reduction of rate from 20% to 12.5%.
iv. Parity between Resident and Non-resident.
v. No change in roll over benefits.

Q2. What is the date when the new taxation provisions comes into force?

Ans. The new provisions for taxation of capital gains come into force from 23.7.2024 and shall apply to any transfer made on or after 23.7.2024.

Q3. How has the holding period been simplified?

Ans. Earlier there were three holding period for considering an asset to be a long- term capital asset. Now the holding period has been simplified. There are only two holding periods,- for listed securities, it is one year, for all other assets, it is two years.

Q4. Who will benefit from the change in holding period?

Ans. The holding period of all listed assets will be now one year. Therefore, for listed units of business trusts (ReITs, InVITs) holding period is reduced from 36 months to 12 months. The holding period of gold, unlisted securities (other than unlisted shares) is also reduced from 36 months to 24 months.

Q5. What about the holding period of immovable property and unlisted shares?

Ans. The holding period of immovable property and unlisted shares remains the same as earlier i.e. 24 months.

Q6. Please elaborate on change in the rate structure for STT paid capital assets?

Ans. Rate for short-term STT paid listed equity, Equity oriented mutual fund and units of business trust (Section 111A) has increased from 15 to 20%. Similarly the rate for these assets for long-term (S. 112A) has increased from 10 to 12.5%.

Q7. Is there any change in the exemption limit for long-term capital gains under section 112A which was earlier one lakh Rs.?

Ans. Yes. The exemption limit of 1 lakh for LTCG on these assets has also increased to 1.25 lakh Rs. This increased exemption limit will apply for FY 2024-25 and subsequent years.

Q8. Please elaborate on change in the rate structure for other long-term capital gains?

Ans. The rate for other long-term capital gains on all assets has been rationalized to 12.5% without indexation (Section 112). This rate was earlier 20% with indexation. This will ease in simplifying the taxation of capital gains and their easy computation.

Q9. Who will benefit by change in rate from 20% (with indexation) to 12.5% (without indexation)?

Ans. The reduction in the rate will benefit all category of assets. In most of the cases, the taxpayers will benefit substantially. But where the gain is limited vis-a vis inflation, the benefit will also be limited or absent in a few cases.

Q10. Can the taxpayer continue to avail the roll over benefits on capital gains?

Ans. Yes. The roll over benefits remain the same as earlier. There is no change in roll over benefits already available under the IT Act. Therefore, taxpayers who want to save on LTCG tax even with low rates, can continue to avail the roll over benefits on fulfillment of conditions as applicable.

Q11. In which assets, can the long-term capital gains be invested for roll over benefits?

Ans. For roll over benefits, taxpayers can invest their gains in house under section 54 or section 54F or in certain bonds under section 54EC. For complete details of all roll over benefits, please refer section 54, 54B, 54D, 54EC 54F, 54G of the IT Act.

Q12. What is amount upto which roll over benefit is available?

Ans. Investment of capital gain in 54EC bonds (up to Rs. 50 lakh) and in other cases, the capital gain is exempt from tax, subject to certain specified conditions.

Q13. What is the overall rationale for changes?

Ans. Simplification of any tax structure has benefits of ease of compliance viz computation, filing, maintenance of records. This also removes the differential rates for various classes of assets.

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