Capital Gains Tax

How gains on shares, funds, property and gold are taxed after the 2024 overhaul.

Equity LTCG 12.5% over ₹1.25L | Post-July 2024 rules

What is Capital Gains?

Capital gains, the profit when you sell an asset for more than you paid, are taxed differently depending on the asset and how long you held it. Budget 2024 (effective 23 July 2024) simplified the rates but raised several of them and removed indexation. In short: equity is taxed at 12.5% long-term (above a ₹1.25 lakh yearly exemption) and 20% short-term; debt funds are taxed at your slab; and property/gold gains are 12.5% long-term without indexation.

In brief

Suits	Anyone selling mutual funds, shares, gold or property.
You get	Equity: 12.5% on long-term gains above ₹1.25 lakh a year; 20% on short-term gains.
Your money	Equity is long-term after 12 months; most other assets after 24 months.
Tax	Debt funds bought from April 2023 are taxed at slab, whatever the holding period.
Watch for	Booking gains up to ₹1.25 lakh each year can use the exemption.

Key facts

Equity LTCG	12.5% on gains above ₹1.25 lakh/year (held > 12 months)
Equity STCG	20% (held ≤ 12 months)
Debt funds	Taxed at slab (bought after 1 Apr 2023), no LTCG benefit
Property/gold LTCG	12.5% without indexation (held > 24 months)
Indexation	Removed (grandfathered for pre–23 Jul 2024 property)

What's new

Apr 2026	Share buybacks are now taxed as capital gains for shareholders rather than as deemed dividends.
Apr 2026	The tax-free gain on Sovereign Gold Bonds at maturity now applies only to original subscribers who hold to maturity.

Questions and answers

THE BASICS

What is the difference between STCG and LTCG?

It's about holding period. Short-Term Capital Gain (STCG) applies if you sell before the "long-term" threshold; Long-Term Capital Gain (LTCG) applies if you hold beyond it. The threshold and the tax rate depend on the asset type, equity, debt, property or gold each have their own rules.

What changed in Budget 2024?

From 23 July 2024: equity LTCG rose from 10% to 12.5% (exemption up from ₹1 lakh to ₹1.25 lakh); equity STCG rose from 15% to 20%; the LTCG rate on property/gold/unlisted assets became a flat 12.5% but WITHOUT indexation; and holding periods were standardised (12 months for listed securities, 24 months for the rest).

SHARES & EQUITY FUNDS

How are gains on shares and equity mutual funds taxed?

If held more than 12 months: LTCG at 12.5% on gains above ₹1.25 lakh in a financial year (gains up to ₹1.25 lakh are exempt). If held 12 months or less: STCG at a flat 20%. This applies to listed shares and equity-oriented mutual funds (including equity ETFs).

How can I use the ₹1.25 lakh exemption?

The ₹1.25 lakh equity-LTCG exemption is per financial year. Many investors "harvest" it, selling enough long-term equity each year to book up to ₹1.25 lakh of gains tax-free and reinvesting, to reset their cost base and reduce future tax. It only works for genuinely long-term holdings.

DEBT & HYBRID FUNDS

How are debt mutual funds taxed now?

For units bought on or after 1 April 2023, ALL gains on debt mutual funds are taxed at your income-tax slab, regardless of how long you hold, there is no LTCG rate and no indexation. Older units (bought before that date) may still get the earlier LTCG-with-indexation treatment on the pre-existing holding.

What about gold funds/ETFs and international funds?

Taxation of these depends on the fund's structure and purchase date; many are now taxed at slab (like debt) for units bought after April 2023, while some categories follow the 12.5%/24-month rule. The rules are nuanced, check the specific fund's tax treatment before selling.

PROPERTY & GOLD

How is capital gain on property taxed?

Held more than 24 months: LTCG at 12.5% without indexation. For property bought before 23 July 2024, you get a choice, 12.5% without indexation OR the old 20% with indexation, whichever is lower (a grandfathering relief). Held 24 months or less: STCG at your slab rate.

How is physical gold taxed?

Held more than 24 months: LTCG at 12.5% (indexation removed). Held 24 months or less: gains are added to income and taxed at slab. Gold ETFs/funds follow their own fund-based rules (see above).

SAVING THE TAX

How can I legally reduce capital-gains tax?

On property gains: reinvest in another house (Section 54/54F) or in 54EC bonds within the time limits. On equity: use the ₹1.25 lakh yearly LTCG exemption and hold beyond 12 months. Setting off capital losses against gains (and carrying losses forward up to 8 years) is another key tool.

Can I set off capital losses?

Yes. Short-term capital losses can be set off against both STCG and LTCG; long-term capital losses can be set off only against LTCG. Unabsorbed losses can be carried forward for up to 8 assessment years, but only if you file your return on time.

Sources: PRS Legislative Research, Budget 2026-27; Value Research.

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