

# CAPITAL GAINS TAXATION SIMPLIFIED AND RATIONALISED

SHORT TERM GAINS TO ATTRACT A TAX RATE OF 20 PER CENT AND LONG TERM GAINS TO ATTRACT A TAX RATE OF 12.5 PER CENT

LIMIT OF EXEMPTION OF LONG TERM CAPITAL GAINS ON FINANCIAL ASSETS INCREASED FROM ₹ 1 LAKH TO ₹ 1.25 LAKH PER YEAR

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Simplification and Rationalization of the Capital Gains Tax was one of the key focus areas of the Union Budget 2024-25, presented by the Union Finance and Corporate Affairs Minister Smt. Nirmala Sitharaman in the Parliament today.

As proposed by Smt. Sitharaman, short term gains on certain financial assets shall henceforth attract a tax rate of 20 per cent, while that on all other financial assets and all non-financial assets shall continue to attract the applicable tax rate.

Finance Minister proposed that the long term gains on all financial and non-financial assets will attract a tax rate of 12.5 per cent. For the benefit of the lower and middle-income classes, she proposed to increase the limit of exemption of capital gains on certain financial assets from ₹ 1 lakh to ₹ 1.25 lakh per year.

She stated that the listed financial assets held for more than a year will be classified as long term, while unlisted financial assets and all non-financial assets will have to be held for at least two years to be classified as long-term.

Finance Minister added that the unlisted bonds and debentures, debt mutual funds and market linked debentures, irrespective of holding period, will attract tax on capital gains at applicable rates.

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**NB/KSY/ST/RK/AS**

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