

## 1. Budget proposes overhaul of Capital Gains Taxes w.e.f. 23.07.2024;

- Short Term Capital Gain Tax increased to 20% on Specified Financial Assets from 15%. All other assets (Financial & Non-Financial) No change. Will be taxed at slab rate.
- Long Term Capital Gain Tax 12.50% (without indexation) on All Assets (Financial & Non-Financial).
- Exemption limit on Long Term Capital Gain from Equity increased to 1.25 lakh a year from 1 lakh.

**Holding period** for determination of Long term or Short term Capital Asset:

- There will only be two holding periods, 12 and 24 months for determining whether the capital gains are short-term or long term.
- For all Listed securities (including units of listed business trust), the holding period is proposed to be 12 months and for all other assets (Unlisted Shares, Gold, Immovable Property) - 24 months.

**Unlisted** Bonds, Debentures, Debt Mutual Funds, MLD to be taxed at slab rate, irrespective of the holding period.

Mutual Fund Scheme Category	Holding Period ( To Qualify for LTCG)	STCG Tax	LTCG Tax
<b>Equity Oriented Scheme (&gt;= 65% Domestic Equity Shares )</b>			
Investments redeemed on or after 23rd July 2024	> 12 months	20%	12.50%
<b>Specified MF/ Debt Oriented MF (&gt;= 65% SEBI regulated Debt and Money Market)</b>			
<b>Investments before 1st April 2023</b>			
Redeemed between 1st April 2024 and 22nd July 2024	>36 months	Slab rate	20*
Redeemed on or after 23rd July 2024	> 24 months	Slab rate	12.50%
<b>Investments after 1st April 2023- Redeemed any time</b>	Not Applicable	Slab rate	NA
<b>Hybrid MF (&gt;35% and &lt; 65% Domestic equity)</b>			
Redeemed between 1st April 2024 and 22nd July 2024	> 36 months	Slab rate	20*
Redeemed on or after 23rd July 2024	> 24 months	Slab rate	12.50%
<b>Other MFs (Gold &amp; Silver ETFs/FOFs, Domestic FOFs with &gt; 35% Equity Funds, International - Funds/FOFs, Multi Asset Allocation Funds with Domestic Equity between 35-65%)</b>			
<b>Investments before 1st April 2023</b>			
Redeemed between 1st April 2024 and 22nd July 2024	> 36 months	Slab rate	20*
Redeemed on or after 23rd July 2024	> 24 months	Slab rate	12.50%
<b>Investments after 1st April 2023</b>			
Redeemed between 1st April 2024 and 22nd July 2024	Not Applicable	Slab rate	Slab rate
Redeemed between 23rd July 2024 to 31st March 2025	Not Applicable	Slab rate	Slab rate
Redeemed on or after 1st April 2025	> 24 months	Slab Rate	12.50%

Notes: The above rates are exclusive of surcharge and cess. No change in surcharge and cess rates. \* With Indexation.

No Indexation benefit available on any capital gains except in certain situations. Tax rates for non-residents is at par with residents.

The definition of specified mutual fund has been amended starting 1st April 2025. We have considered the amendment in the above table.

Capital gain exemption of Rs 1,00,000 on transfer of equity oriented MFs u/s 112A has been increased to Rs. 1,25,000.

➤ **Impact on Mutual Funds Taxation:**

Benefit for categories like Hybrid Fund including Multi Asset, Fund of Fund with more than 35% exposure to Equity, Gold/Silver ETF, International Equity Fund / FOF etc. Now they will be considered Long Term on completion of 24 months and will be taxed at 12.50% only.

**Fund of Fund** having more than **65%** exposure in Domestic Equity will now be treated at PAR with Equity Funds and **taxation of Equity will apply**. Previously they were taxed as per Debt taxation.

# Indexation Change Puts Shine on FOFs, Gold & Int'l Funds

## Time, Tax and Gains

ASSET CLASS	STCG	LTCG	HOLDING PERIOD FOR STCG	HOLDING PERIOD FOR LTCG
Equity Oriented MF Units	20%	12.5%	Less than 12 months	More than 12 months
Specified MF which has more than 65% in debt instruments	Max Marginal Rate	Max Marginal Rate	Less than 24 months	More than 24 months
Any other MF units*		12.5%		

\*Domestic FoF, having more than 35% in equity MF units, Gold ETF, International FoF; **Source:** Edelweiss Mutual Fund

Definition of **Specified Mutual Fund** changed to a mutual fund which invests **more than 65%** of its total proceeds in **Debt** & Money market instruments or funds which invests in such 'specified mutual fund'.

Indexation benefit retained for Properties owned **before 2001**. Seller will get indexation and also lower rate of 12.50% post same. Straight saving of 7.50%.

Year	1980	2005
Purchase (₹)	5L	1Cr
Certified Value in 2001	40L	
Sale Price in 2024	3Cr	9Cr
Capital Gains	2.6Cr	8Cr
Tax Rate (12.5%)	32.5L	1Cr
Surcharge (15%)	4.87L	15L
Education/Health Cess (4%)	1.5L	4.6L
<b>Total Tax</b>	<b>38.9L</b>	<b>1.2Cr</b>

#### Parity of taxation among Residents and Non-Residents:

There would be same taxation for resident and non-resident tax payers **in respect of capital gains** taxation. Consequential amendments have been proposed under relevant sections.

- Under **New Tax Regime**, Standard Deduction Increased from 50,000 to 75,000.
- Under **New Tax Regime**, NPS contribution from employer in Private Sector raised from 10% to 14% of the employee's basic salary. It was 14% in PSU already.  
For both private and public sector employees the **deduction limit** has been raised from 10% to 14%.
- Under **New Tax Regime**, Changes in Slab Rates brings Rs. 17,500 Saving in Tax:
  - ₹ 0 - 3,00,000 - Nil
  - ₹ 3,00,001 - 7,00,000 - 5%
  - ₹ 7,00,001 - 10,00,000 - 10%
  - ₹ 10,00,001 - 12,00,000 - 15%
  - ₹ 12,00,001 - 15,00,000 - 20%
  - Above ₹ 15,00,000- 30%
- Deduction of Family pension increased from 15,000 to 25,000
- Credit of all tax deducted **or collected** to be allowed while computing TDS on Salary. Now employee can convey to employer for any TCS already collected from him on buying any luxury items, Car, Foreign remittance etc. **to get lower TDS deducted.**

7. From 1<sup>st</sup> October 2024, TDS on interest exceeding 10,000 from RBI Floating Rate Savings (Taxable) Bonds 2020 OR any other notified security of the Central or State Governments.
8. The TDS rates for payment of commission or brokerages, payment of rent by individual or HUF, payment of certain sums by certain individuals or HUF, payment of certain sums by e-commerce operator to e-commerce participants to be reduced to 2% from 5%.

2. Rationalisation of TDS rates is proposed as below.

Section	Present TDS Rate	Proposed TDS Rate	With effect from
Section 194D - Payment of insurance commission (in case of person other than company)	5%	2%	1.4.2025
Section 194DA - Payment in respect of life insurance policy	5%	2%	1.10.2024
Section 194G – Commission etc on sale of lottery tickets	5%	2%	1.10.2024
Section 194H - Payment of commission or brokerage	5%	2%	1.10.2024
Section 194-IB - Payment of rent by certain individuals or HUF	5%	2%	1.10.2024
Section 194M - Payment of certain sums by certain individuals or Hindu undivided family	5%	2%	1.10.2024
Section 194-O - Payment of certain sums by e-commerce operator to e-commerce participant	1%	0.1%	1.10.2024
Section 194F relating to payments on account of repurchase of units by Mutual Fund or Unit Trust of India	Proposed to be omitted		1.10.2024

9. 10% TDS u/s 194T for Remuneration to Partners of Partnership Firm for more than 20,000 in one FY.
10. 1% Tax Collected at Source (TCS) on luxury products costing above 10 lakh rupees.
11. Customs duties on Gold and Silver reduced to 6% and on platinum 6.5% from existing 15% and 15.5%. 25 Critical minerals exempted.
12. Corporate Tax Rate for Foreign Companies in India reduced to 35% from 40%.
13. STT on sale of an Option increased to 0.1% from 0.0625%, and on sale of a futures in securities from 0.0125% to 0.02% of the price at which such futures are traded.
14. Addressing a long- standing demand of the startup and venture investment ecosystem, From 1<sup>st</sup> April 2025, Angel Tax abolished for all Categories of Investors.

### ➤ What is Angel Tax?

This tax was introduced in 2012 to curb money laundering and is codified under Section 56(2)(vii b) of the Income Tax Act. This levy was imposed on funding raised by privately-held companies, including startups. If they issue shares at a price which is higher than the fair market value, the difference was taxed as “Income from Other Sources” at 30%.

15. From 1<sup>st</sup> October 2024, Amount received on **Buy Back of shares** to be taxed **in hand of shareholders** as Dividend Income, instead of current regime of additional tax on company.

However, the original cost paid by the shareholder to acquire these shares will be considered as capital loss to be adjusted against other capital gain in same financial year or as setoff in eight subsequent FY.

Shareholders are already paying tax at slab rates on Dividend received by them from shares. As a result, **Buyback will lose its charm for investors.**

100 shares bought in 2020	₹40 per share
Total cost of acquisition	₹4,000
Buyback of 20 shares in 2024	₹60/- per share
Income taxable as deemed dividend	₹1,200 (₹ 60x20 shares)
Capital loss on such buyback	₹800 (₹ 40x20 shares)
50 shares sold in 2025	₹3,500 (At ₹ 70 per share)
Capital gains (sale consideration ₹ 70 per share less cost price ₹ 50 per share)	₹1,500 (₹ 3,500 – ₹2,000)
Chargeable capital gain after setoff	₹700 (₹ 1,500 – ₹800)

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