



Taxation of Long Term Capital Gains on Equity shares & Equity oriented Mutual Funds

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Present Taxation Scenario

- ✓ Investments held for a period of more than 12 months, are considered as Long Term Capital Gain (LTCG).
- ✓ The gains on such investments are exempted from any Income Tax U/s. 10(38).



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- ✓ With effect from 1st April, 2018 this exemption U/s. 10(38) of completely exempting Long Term Capital Gain (LTCG) is being withdrawn.



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- ✓ Long Term Capital Gain upto Rs. 1,00,000/- will not be taxed. So any amount exceeding Rs. 1,00,000/- during the year will be liable for taxation.
- ✓ Such Gain will be liable for Income Tax @ 10%. Any dividends paid by Equity based Mutual Funds is also liable to Dividend Distribution Tax (DDT) @ 10%.
- ✓ No indexation benefit will be available for calculation of such Gain.

Taxation of Long Term Capital Gains on Equity shares & Equity oriented Mutual Funds

- ✓ Concessional rate of 10% is applicable only if STT is paid on sale & purchase of shares except for transactions notified by government. For Equity MF STT need to be paid on sale side.
- ✓ Cost of Acquisition for assets purchased before 1st Feb 2018 shall deemed to be

HIGHER OF

Actual cost of acquisition

AND

LOWER OF


Fair Market Value as on 31st Jan 2018

&

Sale Consideration



Taxation of Long Term Capital Gains on Equity shares & Equity oriented Mutual Funds

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- ✓ Fair Market Value to be calculated for shares as highest price quoted on stock exchange on 31st Jan 2018 and for MF unit NAV value of such scheme on 31st Jan 2018.
 - ✓ Deductions under chapter VI-A such as 80C, 80D, 80G etc are not allowed on such Gain.

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- ✓ Rebate U/s 87A is not allowed on such Gain.
- ✓ If total Income, other than this Long Term Capital Gain, is below basis exemption limit then benefit of balance basic limit will be available.



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- ✓ Long Term Capital Gain is now taxable but impact will not be much for shares held as on today, due to cost of acquisition formula.
- ✓ Bonus shares now will have cost of 31/01/2018 valuation & shall not be taxable at full sale value.



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- ✓ Any loss occurring on a transaction which is "tax free" cannot be setoff.

Now, gains on equity are taxable. Hence Long Term Capital Loss (brought for Rs. 300 and sold for Rs. 50) can be setoff U/s. 74.

- ✓ Notional loss on account of deemed value (brought for Rs. 50, sold for Rs. 200 & value as on 31-01-2018 Rs. 300) of 31-01-2018 cannot be setoff as it is a calculation limited to Sec. 112A.



Taxation of Long Term Capital Gains on Equity shares & Equity oriented Mutual Funds



Equity Share	Scenario - 1
Purchased before 1 year	100
Price on Jan 31, 2018	500
Price on sale	600
Presumed purchase price	500
Capital Gain	100
Cost of Acquisition for assets purchased before 1st Feb 2018 shall deemed to be	
HIGHER OF	
Actual cost of acquisition	100
AND	
LOWER OF	
Fair Market Value as on 31st Jan 2018	500
&	
Sale Consideration	600

Taxation of Long Term Capital Gains on Equity shares & Equity oriented Mutual Funds

Equity Share	Scenario - 2
Purchased before 1 year	100
Price on Jan 31, 2018	120
Price on sale	110
Presumed purchase price	110
Capital Gain	0
Cost of Acquisition for assets purchased before 1st Feb 2018 shall deemed to be	
HIGHER OF	
Actual cost of acquisition	100
AND	
LOWER OF	
Fair Market Value as on 31st Jan 2018	120
&	
Sale Consideration	110



Taxation of Long Term Capital Gains on Equity shares & Equity oriented Mutual Funds




Equity Share	Scenario - 3
Purchased before 1 year	100
Price on Jan 31, 2018	80
Price on sale	90
Presumed purchase price	100
Capital Gain	-10
Cost of Acquisition for assets purchased before 1st Feb 2018 shall deemed to be	
HIGHER OF	
Actual cost of acquisition	100
AND	
LOWER OF	
Fair Market Value as on 31st Jan 2018	80
&	
Sale Consideration	90

Taxation of Long Term Capital Gains on Equity shares & Equity oriented Mutual Funds

Equity Share	Scenario - 4
Purchased before 1 year	100
Price on Jan 31, 2018	80
Price on sale	60
Presumed purchase price	100
Capital Gain	-40
Cost of Acquisition for assets purchased before 1st Feb 2018 shall deemed to be	
HIGHER OF	
Actual cost of acquisition	100
AND	
LOWER OF	
Fair Market Value as on 31st Jan 2018	80
&	
Sale Consideration	60



Taxation of Long Term Capital Gains on Equity shares & Equity oriented Mutual Funds

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- ✓ “I propose to abolish tax on Long Term capital gains from securities transactions altogether. Instead, I propose to levy a small tax on transactions in securities on stock exchanges”.

Budget 2004-2005. Speech of Mr. P. Chidambaram – Finance Minister

Then, why STT & LTCG both on Equity Shares ?


- ✓ STT for earlier gains given tax free. LTCG for future gains !!

Taxation of Long Term Capital Gains on Equity shares & Equity oriented Mutual Funds

- ✓ Very calibrated way of implementation.
- ✓ Net of tax return, is it comparable to other avenues of investment... Real Estate, Gold, Fixed Deposit are already taxable.
- ✓ Is it just and equitable way of taxation?
Rs. 3,67,000 crores earned tax free.
- ✓ Gains on equity taxable in several countries.



Taxation of Long Term Capital Gains on Equity shares & Equity oriented Mutual Funds

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- ✓ All investments in Equity & Debt based Mutual Funds should be in GROWTH OPTION henceforth.

All who have enjoyed Tax Free Dividends in equity Mutual Funds should now change the strategy as such Dividends are taxable now.

- ✓ All who what regular incomes should opt for SWP (Systematic Withdrawal Plan).

Taxation of Long Term Capital Gains on Equity shares & Equity oriented Mutual Funds

Present taxation of other Investment Assets which has not been changed

Sr. No.	Type of Investment	LTCG holding Period	Taxation LTCG
1	Unlisted Shares	24 Months	20% with indexation
2	Unlisted Bonds / Debenture	36 Months	20% without indexation
3	Listed Bonds / Debenture	12 Months	10% with indexation
4	Debt oriented MF	36 Months	20% after indexation



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