Budget 2024: Long term capital gains tax and the holding period for different assets – explained

On redemption of shares and equity-oriented mutual funds, long term capital gains tax is levied at 10 percent when they are sold after holding for over 12 months, and total gains amount to over ₹one lakh in a year.

While everyone is keenly awaiting the **interim Budget 2024**, there is an array of expectations around personal income tax which include provisions relating to exemptions, rebates and long-term capital gains, or LTCG. There is some chatter around the unification of **capital gains tax** for all financial assets such as equity and debt, but we must wait until Feb 1 before we can put these speculations to rest.

What is LTCG tax?

When assets such as gold, land or even shares are sold after holding them over a long period, the **gains accrued on the sale** are taxed at a special rate and not the slab rate. This special rate is known as LTCG tax.

The rate of tax varies from asset to asset, and different provisions are applicable in different assets. For instance, when shares are sold after one year, LTCG tax comes into effect, but in case of jewels, this time period is 3 years.

Let us understand more on this here:

Holding period on different assets

In run up to the Budget 2024, let us take a look at different provisions of LTCG tax and the time period applicable in each case.

Shares & equity funds: Long term capital gains tax comes into effect when shares or equity mutual funds are transferred after holding them for over 12 months. Notably, the capital gains should be more than ₹one lakh in a year for LTCG tax to come into effect.

The rate of tax is 10 percent and no indexation benefit is given.

However, in case of unlisted shares, the holding period is 24 months after which LTCG tax comes into effect.

Debt securities: Earlier, debt mutual funds were entitled to long term capital gains tax benefit but the Finance Act 2023 phased this out. So, **debt mutual funds** are now subject to income tax as per the slab rate.

Gold and jewellery: When taxpayers hold these assets for longer than 36 months, the LTCG tax comes into effect and the rate of taxation is 20 percent after indexation benefit.

Land and building: The LTCG tax is applicable when these **immovable assets** are held for longer than two years and the rate of tax is 20 percent with indexation benefit.

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