

JULY 23, 2024 PURCHASE CUT-OFF DATE

Govt eases LTCG tax on property

For purchases before Budget, 12.5% tax without indexation, or 20% with it

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New Delhi, August 6

THE GOVERNMENT ON Tuesday eased the long term capital gains (LTCG) tax regime for sale of properties proposed in the Union Budget 2024-25, by allowing the taxpayer to select between two options to lower the outgo, in regard to transfer of properties acquired before July 23, 2024.

According to amendments proposed to the Finance Bill 2024, the tax on long-term capital gains from such real estate transactions could either be paid at 12.5% without indexation, or 20% with indexation, whichever is lower. However, new 12.5% tax sans indexation will apply as the only option with regard to capital gains from sale of properties purchased after the cut-off date of July 23, 2024.

As for properties acquired before the Budget date, since the tax incidence under the two options will change depending on the holding period and/or the rate of appreciation of the assets, the taxpayer will

RELIEF MOVE

■ In the Budget for 2024-25, the tax on LTCG on real estate (land and building) was reduced from 20% with indexation to 12.5% without indexation

■ The benefit of indexation was to be scrapped for properties that were purchased on or after April 1, 2001

■ This has led to a widespread perception that the post-tax gains from property sales could come down

■ Indexation is meant to adjust the gains from property sales by factoring in inflation during the period of ownership, and the cost price index is used to compute this



have to compute it, before making the choice, tax experts said.

The Bill is likely to be passed by the Lok Sabha on Wednesday.

FE had earlier reported that the government might address the concerns over the Budget proposal to revise the taxation of LTCG from real estate transactions, by offering a few reliefs, including retaining indexation benefit as an option.

In the Budget 2024-25, finance minister Nirmala Sitharaman

reduced the LTCG tax rate to 12.5% from 20% for property and other unlisted assets. However, the benefit of indexation was scrapped for properties that were purchased on or after April 1, 2001.

This has led to a widespread perception that the post-tax gains from property sales could come down, causing lower demand for real estate units, and fewer transactions.

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