

Centre gives option to fix LTCG tax on property pay lower rate

NEW DELHI: The government on Tuesday proposed significant relief for individuals who bought houses before July 23, 2024, by giving them the option to choose between two tax rates for long-term capital gains (LTCG) tax.

The Budget had proposed to lower the LTCG from 20 per cent to 12.5 per cent but removed the indexation benefits. The new rates have come into effect from July 23. The indexation benefit allowed taxpayers to compute gains arising out of the sale of capital assets after adjusting for inflation.

Tax experts had said that the proposed changes in the Budget would raise the LTCG tax burden.

As per the amendments to Finance Bill, 2024, circulated to the Lok Sabha members on Tuesday, individuals or HUF who bought houses before July 23 can compute taxes under the new scheme [at 12.5 per cent without indexation] and old scheme [at 20 per cent with indexation] and pay whichever is lower.

After the Budget presentation, the IT department said that 'substantial tax savings' are expected for a vast majority of taxpayers due to a reduction in the LTCG rate in the real estate

sector. As per the changes brought in the 2024-25 Budget, the government has retained the indexation benefit for taxpayers on properties bought or inherited before 2001.

Yogesh Kale, executive director, Nangia Andersen India, said through the amendments proposed to the new capital gain tax regime introduced in Budget 2024, the Finance Minister has tried to appease the taxpayers by addressing the concerns raised to some extent.

"While abolishment of indexation benefit continues, properties acquired prior to July 23 are proposed to be grandfathered with the option to the taxpayers to offer the capital gain tax either at 12.5% without indexation or 20% with indexation, whichever is more beneficial," Kale said.

Gouri Puri, Partner, Shardul Amarchand Mangaldas & Co. said This will quell taxpayer concerns around losing indexation benefits as a trade-off for a lower long-term capital gains tax rate.

"Taxpayers can choose the more beneficial regime and should not be worse off because of change in law. Concerns around taxation of inflationary gains in respect of immovable property acquired prior to a change in the law have been addressed," Puri added.

Those who bought houses before July 23 can compute taxes under the new scheme or old