



EQUITY MARKET

Capital gains tax on investments

How the profit on selling shares, fund units, gold and property is taxed, and what changed in 2023 and 2024

Rules as on 12 October 2026, for tax year 2026-27 under the Income-tax Act, 2025

For training and education only. Not investment advice.

The tax on a sale depends on three things: what was sold, how long it was held, and when it was bought.

The profit on a sale is called a capital gain. The law sorts each gain into short-term or long-term and taxes the two differently. Key rules changed on 1 April 2023 and 23 July 2024.

Three terms to get right first



Capital gain

Sale price minus cost. It arises when the asset is sold or redeemed. A rise in value that has not been sold is not taxed.



Holding period

The time between buying and selling. There are two tests: 12 months for listed securities and 24 months for other assets.



Short-term, long-term

Held for the test period or less: short-term. Held for more than it: long-term. Each kind of gain has its own rate.

Equity-oriented fund units follow the 12-month test. Rates in this deck are before surcharge and cess.

Source: CBDT, FAQs on the new capital gains regime, 24 July 2024 (as reproduced by Taxscan); HSBC Mutual Fund Tax Reckoner 2026-27.

Rates by asset and holding period

For sales on or after 23 July 2024. Slab rate means the rate on the investor's other income.

What was sold	Long-term if held	Short-term gain	Long-term gain
Listed shares and equity-oriented fund units, where securities transaction tax is paid	More than 12 months	20%	12.5% on gains above ₹1.25 lakh a year
Debt fund units bought on or after 1 April 2023	No long-term category	Slab rate	Does not arise
Other fund units: gold, international, hybrids between the two tests	More than 24 months (12 if listed)	Slab rate	12.5%
Land, buildings, physical gold	More than 24 months	Slab rate	12.5% (see slide 7 for older property)

Sources: HSBC Mutual Fund Tax Reckoner 2026-27 (Income-tax Act, 2025 as amended by Finance Act 2026); CBDT FAQs, 24 July 2024. Debt fund = 'specified mutual fund'.

Worked example: an equity fund

THE SALE

Units of an equity-oriented fund bought for ₹4,00,000.

Sold 18 months later for ₹6,00,000.

No other long-term equity gain in the year.

- 1 Held for more than 12 months, so the gain is long-term.
- 2 $\text{Gain} = ₹6,00,000 - ₹4,00,000 = ₹2,00,000.$
- 3 The first ₹1,25,000 of such gains in a year is not taxed. Taxable gain = $₹2,00,000 - ₹1,25,000 = ₹75,000.$
- 4 $\text{Tax} = 12.5\% \text{ of } ₹75,000 = ₹9,375, \text{ before surcharge and cess.}$

Sold within 12 months instead, the whole gain is short-term: $20\% \text{ of } ₹2,00,000 = ₹40,000.$

Illustration with assumed figures. Not a forecast of returns and not a reason to hold or sell.

Worked example: a debt fund

THE SALE

Units of a debt fund bought in June 2023 for ₹5,00,000.

Redeemed in September 2026 for ₹6,20,000.

- 1 Gain = ₹6,20,000 – ₹5,00,000 = ₹1,20,000.
- 2 The units were bought after 1 April 2023. The gain is treated as short-term, although they were held for over three years.
- 3 The gain is added to the investor's income and taxed at the slab rate. There is no indexation.
- 4 If the gain falls in the 30% slab: 30% of ₹1,20,000 = ₹36,000. In the 5% slab: 5% of ₹1,20,000 = ₹6,000.

For these units the holding period no longer changes the rate. The investor's slab does.

Assumed figures. Tax before surcharge and cess, taking the whole gain as falling in one slab.

Indexation: what it was, what is left



What it did

It raised the cost by an official inflation index before the gain was worked out, so less gain was taxed, at 20%.



Where it ended

For sales on or after 23 July 2024 it is withdrawn. The long-term rate on such assets fell from 20% to 12.5%.



What survives

A resident individual or HUF selling land or a building bought before 23 July 2024 pays the lower of the two computations.

Assumed: cost ₹1,00,000, index 200 to 300, sold at ₹1,80,000. Gain ₹30,000 indexed, ₹80,000 plain.

Sources: CBDT FAQs, 24 July 2024; Income-tax Act, 2025, section 197 (as reproduced by EZTax). Index values in the band are assumed.

When a sale makes a loss

A capital loss can reduce capital gains. It cannot reduce salary or other income.

1

Short-term loss

Can be set off against short-term gains or long-term gains.

2

Long-term loss

Can be set off only against long-term gains.

3

Loss left over

Carried forward for up to eight tax years, if the return for the loss year is filed by the due date.

4

Assumed case

Long-term equity gain ₹2,00,000, short-term loss ₹40,000. Net gain ₹1,60,000; less ₹1,25,000 leaves ₹35,000 taxed at 12.5% = ₹4,375.

Sources: Income-tax Act, 2025, sections 111 and 121 (formerly sections 74 and 80), as reproduced by TaxHeal. Step 4 uses assumed figures.

If you learnt this from older material

Three dates changed the picture: 1 April 2023, 23 July 2024 and 1 April 2026.

What older material says

- Equity: short-term 15%; long-term 10% on gains above ₹1 lakh
- Debt funds: long-term after 36 months, taxed at 20% with indexation
- Three holding periods: 12, 24 and 36 months
- Sections 111A, 112 and 112A of the Income-tax Act, 1961

What holds now

- Equity: 20%; 12.5% above ₹1.25 lakh
- Debt funds bought from 1 April 2023: slab rate; older units: 12.5% after 24 months
- Two holding periods: 12 and 24 months
- Sections 196, 197, 198 of the 2025 Act, in force from 1 April 2026

Sources: CBDT FAQs on the new capital gains regime, 24 Jul 2024; HSBC MF Tax Reckoner 2026-27; Trustner Academy verified fact sheet, 7 Oct 2026.

Four things people get wrong



'Long-term means one year.'

Only for listed securities and equity-oriented funds. Most other assets need 24 months; newer debt fund units have no long-term category.



'Debt funds still get indexation.'

No mutual fund units get indexation on a sale made on or after 23 July 2024.



'The ₹1.25 lakh is per fund.'

It is one limit a year, across all long-term gains on listed shares and equity-oriented funds taken together.



'A SIP has one purchase date.'

Each instalment is a separate purchase with its own holding period. Units are taken as sold first-in-first-out.

Explaining the tax to a client

1

Name the fund's tax group

Equity-oriented, debt (specified mutual fund) or other. The scheme's documents say how it invests.

2

Ask the purchase dates

They fix the holding period, and for debt funds they decide which rule applies.

3

State the rule, not the bill

Explain the rate and the holding period. The amount of tax depends on the client's full income, which we do not assess.

This is general education. The tax a person pays depends on their own income, residence status and facts.

Check yourself

Q1

Equity-oriented fund units bought for ₹3,00,000 are sold after 20 months for ₹5,00,000. There is no other gain in the year. What is the tax, before surcharge and cess?

Q2

A client bought debt fund units in May 2023 and redeems them in October 2026. Is the gain long-term, and at what rate is it taxed?

Q3

Who can still use indexation, and for which asset?

Sources and disclaimer

SOURCES FOR THE FIGURES IN THIS DECK

- Rates, holding periods, the ₹1.25 lakh limit, the 'specified mutual fund' rule, sections 196 and 198: HSBC Mutual Fund Tax Reckoner 2026-27 (Income-tax Act, 2025 with Finance Act 2026).
- Two holding periods, the change from 15% to 20% and 10% to 12.5%, ₹1 lakh to ₹1.25 lakh, end of indexation, effective 23 July 2024: CBDT FAQs of 24 July 2024, PIB release 2036604.
- Land and buildings bought before 23 July 2024 (section 197), capital losses (section 111): Income-tax Act, 2025 as reproduced by EZTax; return-filing condition from Patron Accounting.
- Other section mapping, first-in-first-out and SIP holding periods: Trustner Academy verified fact sheet (investments), 7 Oct 2026.
- Act sections read in reproductions (TaxHeal, EZTax); CBDT FAQs read on PIB. All worked examples use assumed figures.

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