

Capital Gains on Shares: STCG 20% LTCG 12.5%

Holding period decides the rate. **Capital Gains on Shares: STCG 20% LTCG 12.5%**

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Quick Answer Box

Listed shares held **≤ 12 months**: STCG at **20%** (section 111A).

Held **> 12 months**: LTCG at **12.5%** on gains above **₹1.25 lakh** (section 112A).

STT must be paid. Rates apply to transfers on or after 23 July 2024.

Tax is payable in the year of sale.

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How to calculate capital gains from shares in India



For a listed equity share on which STT has been paid:

Read the full capital-gains explanation

1. Calculate the holding period from the date of acquisition (or allotment) to the date of transfer.
2. 12 months or less → short-term. Taxable at 20% u/s **111A**.
3. >12 months → long term. It is taxable at 12.5 per cent under section 112A on the total LTCG exceeding ₹1.25 lakh in a financial year.

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Acquisition cost and grandfathering

For shares bought on or after 1 February 2018: actual cost.

For shares acquired before 1 February 2018 and sold under 112A, the higher of the actual cost or the lower of the fair market value on **31 January 2018** and the sale consideration.

This provision is the grandfather clause.

Costs wholly and exclusively incurred in relation to the transfer (brokerage, etc.) are deductible. These equity gains are not indexable.

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When capital gains tax is payable

In the financial year in which the transfer occurs, capital gains tax is payable.

In case the liability is substantial, advance tax instalments apply.

This profit is declared **in ITR** (generally ITR-2 or ITR-3).

Brokers provide a statement of capital gains. In any case, the taxpayer must calculate the amount.

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Capital gains tax on share buyback

Treatment has evolved.

- For buybacks where consideration is paid **on or after 1 April 2026**, the proceeds are generally taxable as capital gains in the hands of the shareholder.
- STCG or LTCG depends on the holding period, instead of the earlier deemed-dividend regime applicable from October 2024 to March 2026.
- Check the precise date of payment for any given transaction.

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Can capital gains from shares be invested in property?

- If the net consideration received by the taxpayer is reinvested in the purchase or construction of one residential house in India within the stipulated time frame and other conditions are complied with, long-term capital gains on shares may be eligible for exemption **under section 54F**.
- Partial investment gives relief in proportion.



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54F does not cover short-term gains

1

Short-term gains are not covered by the exemption.

2

There is a separate provision (section 54) for ‘where to invest capital gains on sale of property.’ Do not mix the two.

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Tax-saving investment options for capital gains from shares

- There isn’t a wide array of tax-saving instruments that specifically protect gains on equity shares, except for the LTCG threshold of ₹1.25 lakh and section 54F when **conditions are met**.
- The ELSS or other 80C products do not reduce the capital gains tax itself.
- Planning is all about holding period, the annual utilization of ₹1.25 lakh, loss set-off, and, where relevant, 54F.

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Financial and technical data matrix

STCG:	**holding ≤ 12 months**	**section 111A**	**rate 20% on or after 23 July 2024**	**threshold none**	**indexation no**	**grandfathering no**	**54F possible no.**
LTCG:	holding > 12 months	section 112A	rate 12.5% on or after 23 July 2024	threshold ₹1.25 lakh aggregate	indexation no	grandfathering yes for pre-1 February 2018 shares	54F possible yes, subject to conditions.
Official ranking:	none for both.						

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