

Finer points of changes related to capital gains

- 2024
Union
Budget



Capital
— SPROUT —

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The Chairman's Message



Greetings from Capital Sprout!

I am pleased to share the July-24 issue of Capital Sprout's Wealth Bulletin with you. This month bulletin is about major changing in budget related to various provisions of capital gain, security transaction tax and its impact on stock market.

Indian stock market has gone through the two major events in last two months. In June, all eyes were on the result of election but eventually stock market has reacted positively. In July, another major event was budget.

I hope this edition of our newsletter provides you with a broad concept and insight of major changes proposed in the budget related to capital gain tax, security transaction tax & it's impact on stock market.

CA DR Rajesh Khandol





Preamble

In July, all eyes were on the budgets to be tabled in the parliament. Each sector had a wish list for the finance minister for the budget 2024 and rightly so. The annual budget is the single most important policy outline. It impacts the economy, shares investment rate, and charts a course for the stock market. With Indian GDP projected to grow at 7% for FY 24-25, budget 2024 was under immense scrutiny importance. Let's impact the budgets finer points related to capital gains tax and try to decode it's impact on the stock market.



Finer points of changes

- Short term gains on listed equity will be subjected to a tax rate increased from 15% to 20% however; the tax rates for all other financial assets and non-financial asset will remain unchanged.
- The tax rate on long-term gains for all financial and non-financial assets is proposed to be 12.5% resulting in a 2.5 increase for listed equity (from the current 10%) and a 7.5% decrease for other assets like house property and unlisted equity shares. Additionally, the indexation benefit has been eliminated for all assets with long term capital gains.
- Basic exemption on long term capital gain of listed equity shares has increased from 1 lakh to 1.25 lakh P.A.
- The security transaction tax (STT) on futures has increased from 0.0125% to 0.02 % and on options from 0.0625% to 0.1%.



Comparison of capital gain tax

Asset Type	Holding period (months)		Tax (%)	
	Old	New	Old	New
Long term capital gain				
Unlisted shares (STT not paid)	24	24	20	12.5
Shares (STT paid)	12	12	10	12.5
Listed bonds / debentures	12	12	10	12.5
Units of REIT/INVIT	36	12	10	12.5
Short term capital gain				
Equity shares	12	12	15	20
Unlisted debentures	36	Deemed short term	20	Tax slab rate

Taxation for mutual fund

MUTUAL FUND SCHEME CATEGORY	HOLDING PERIOD	STCG TAX	LTCG TAX
Equity oriented MF (>=65% domestic equity shares)			
Investments redeemed after July 23,2024	>12 months	20%	12.5%
Specified MF / debt oriented MF (>=65% SEBI regulated debt & money market)			
Investment before 1 April 2023			
Redeemed between 1 April 2024 and 22 July 2024	> 36 months	Tax slab rate	20%
Redeemed on or after 23 July 2024	> 24 months		12.5%
Investments after 1 April 2023-redeemed any time	Not applicable		Tax slab rate
Hybrid MF (>=35% and 65% domestic equity)			
Redeemed between 1 April 2024 and July 22 2024	> 36 months	Tax slab rate	20%
Redeemed on or after 23 July 2024	> 24 months	Tax slab rate	12.5%
Others MFs (gold and silver ETFs /FOF, domestic FOFs with>35% equity funds, international funds/FOFs, multi asset allocation funds with domestic equity in 35-65%)			
Investments before 1 April 2023			
Redeemed between 1 April 2024 and July 2024	> 36 months	Tax slab rate	20%
Redeemed on or after 23 July 2024	> 24 months		12.5%
Investments after 1 April 2023			
Redeemed between 1 April 2024 and 22 July 2024	Not applicable	Tax slab rate	Slab rate
Redeemed between 23 July 2024 to 31 march 2025	Not applicable	Tax slab rate	Slab rate
Redeemed on or after 1 April 2025	> 24 months	Tax slab rate	12.5%

The union budget has always been a key driver for the stock market. Markets are usually very volatile on budget days. Index's swing with each budget statement. Stock gives sharp upward/downward movement based on what the budget brings for them. If we examine the market relation to the budget in past 10 years, the BSE Sensex closed higher six times. While it settled in negative on four times.

Budget-24

Following the union budget 2024 announcement, the government proposed higher LTCG, STCG and taxes in trading derivatives. Reaction of Indian stock market was very negative initially. NSE nifty and BSE Sensex dropped 1% each. However, in the second half, the indices recovered due to liquidity in the system. Overall, the reaction to the budget was neutral. The BSE Sensex closed negative 73.04 points (0.09%) at 842904. The NSE nifty closed marginally negative by 30.30 points (0.12%) at 24479.

Budget-23

Shares market gave mixed reaction to budget. The Hindenburg Adani story plays a major role. The BSE Sensex rose by 158 (0.27%) to 59708 meanwhile, the NSE nifty 50 fell by 46 points (0.26%) to settle at 17616 as initial option was nullified due to profit booking.

Budget-22

The market gave a very positive reaction to the budget. BSE Sensex & NSE nifty 50 hit intraday high and closed about 1.4% higher.

Budget-21

In 2021, the stock market registered its best performance in the past 20 years. The budget was growth oriented. The BSE Sensex closed about 5% higher and nifty 50 was also closed about 4.74% higher on budget day.

Budget-20

It was the biggest fall on the budget day in past 12 years. The massive negative reaction was due to no major relief for the stock market.

Budget-19

In 2019, two budgets were presented. The interim budget maintained existing tax slabs and provides benefit to the low income tax payers and farmers. This boosted market sentiments. The BSE Sensex rose by 212 points and NSE nifty 50 gained 62.7 points.

On 5th July, the full budget largely retained the proposal of the interim budget. Market reacted negatively due to higher taxes for HNIS and lack of fiscal deficit targets. Consequently, the BSE Sensex fall by 394.67 points and NSE nifty 50 by 135.60 points.

Taking a cue from the negative sentiments in the market, the F.M then announced a significant cut in corporate tax rates. Market reacted very positively. BSE Sensex Scoured 5.32% & NSE nifty 50 increased by 5.2% in a single trading day.

Conclusion

Experts have said the recent adjustments in the tax rates for long term capital gains, short term capital gains on equity, and security transaction tax (STT) in futures and options have been implemented to regulate the heightened levels of activity and promote a more sustainable growth trajectory in the stock market.

While the budget does impact stock markets in the short term, but in the long term, market eventually adjusts to the volatility. Both BSE Sensex and NSE nifty will rise in the long term if the economy is doing fine. Investor who invest through index funds need not necessary change their investment strategy.



Performances



Equity Market

Indices	01 st July, 2024	31 st July, 2024	High	Low
BSE S&P SENSEX	79,043.35	81,741.34	81,908.43	78,971.79
NIFTY 50	23,992.95	24,951.15	24,999.75	23992.70

Mutual Fund

AUM Data of Mutual Fund for the Month of July 2024

(INR. In Lakh Crore)

Particulars	AUM As On 30-06-2024	Fresh Fund Mobilize During July- 24	Redemption During July-24	AUM As On 31-07-2024
Total AUM of all mutual funds scheme	62.80	12.34	10.44	64.70
AUM of equity oriented (growth) schemes	28.97	0.81	0.44	29.34

Source: Association of Mutual Fund of India (AMFI)

Performances

SIP Contribution

(INR. In Crore)

Year	SIP Contribution	SIP AUM
July-2024	23,332	13,09,385

FII & DII Inflow/Outflow Position

FII's buying in the month of July-24 is 0.05 Lakh.

DII's buying in the month of July-24 is 0.23 Lakh.

Inflow/Outflow position in the month of July 2024

(INR. In Crore)

FII /DII	Gross Purchase	Gross Sale	Net
FII	3.56 Lakh	3.51 Lakh	0.05 Lakh
DII	3.40 Lakh	3.17 Lakh	0.23 Lakh

