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INCOME-TAX ACT, 2025

E: Capital gains

Section 76 - Special provision for computation of capital gains in case of Market Linked Debenture.

(1) Irrespective of anything contained in section 2(101) or section 72, the gains on the transfer or redemption or maturity, of a capital asset as mentioned in sub-section (2) shall be treated as short-term capital gains and shall be computed as per sub-section (3).

(2) For the purposes of sub-section (1), the capital asset shall be—

(a) a unit of a Specified Mutual Fund acquired on or after the 1st April, 2023 or a Market Linked Debenture; or

(b) an unlisted bond or an unlisted debenture which is transferred or redeemed or matures on or after the 23rd July, 2024.

(3) For the purposes of sub-section (1), the short-term capital gains shall be computed as per the following formula:––

X = A - B - C

where,––

X = short-term capital gains;

A = full value of consideration received or accruing as a result of the transfer or redemption or maturity of the debenture or unit or bond;

B = the cost of acquisition of the debenture or unit or bond; and

C = the expenditure incurred wholly and exclusively in connection with such transfer or redemption or maturity.

(4) In computing capital gains under sub-section (3), no deduction shall be allowed for any sum paid as securities transaction tax as per Chapter VII of the Finance (No. 2) Act, 2004.

(5) For the purposes of this section,—

(a) “Market Linked Debenture” means a security, by whatever name called, which has an underlying principal component in the form of a debt security and where the returns are linked to market returns on other underlying securities or indices, and include any security classified or regulated as a market linked debenture by the Securities and Exchange Board of India;

(b) “Specified Mutual Fund” means a Mutual Fund, by whatever name called, which invests more than 65% of its total proceeds in debt and money market instruments or a fund which invests 65% or more of its total proceeds in units of such Mutual Fund, subject to the following:––

(i) the percentage of investment in debt and money market instruments or in units of a fund shall be computed with reference to the annual average of the daily closing figures;

(ii) “debt and money market instruments” shall include any securities, by whatever name called, classified or regulated as debt and money market instruments by the Securities and Exchange Board of India.

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