

INCOME-TAX ACT, 2025

B: Special provisions relating to tax on capital gains

Section 196 - Tax on short-term capital gains in certain cases.

(1) Where the total income of an assessee includes any income chargeable under the head “Capital gains”, arising from the transfer of a short-term capital asset--

(a) being an equity share in a company or a unit of an equity oriented fund or a unit of a business trust; and

(b) the transaction of sale of such equity share or unit is chargeable to securities transaction tax under Chapter VII of the Finance (No. 2) Act, 2004, then,

the tax payable by the assessee on the total income, subject to the provisions of sub-section (2), shall be the aggregate of—

(i) income-tax calculated on such short-term capital gains at the rate of 20%;

(ii) income-tax payable on the balance amount of the total income as if such balance amount were the total income of the assessee.

(2) In the case of an individual or a Hindu undivided family, being a resident, where the total income, as reduced by short-term capital gains computed under sub-section (1), is below the maximum amount which is not chargeable to income-tax, then,—

(a) such short-term capital gains shall be reduced by the amount by which the total income as so reduced falls short of the maximum amount which is not chargeable to income-tax; and

(b) the tax on the balance of such short-term capital gains shall be computed at the rate as applicable in sub-section (1)(i).

(3) The provisions of sub-section (1)(b) shall not apply to a transaction undertaken on a recognised stock exchange located in any International Financial Services Centre and where the consideration for such transaction is paid or payable in foreign currency.

(4) Where the gross total income of an assessee includes any short-term capital gains referred to in sub-section (1), the deduction under Chapter VIII shall be allowed from the gross total income as reduced by such capital gains.

(5) For the purposes of this section, the expression “equity oriented fund” shall have the meaning assigned to it in section 198.