



A Study On Investor's Satisfaction Level With Respect To Recent Amendments In Capital Gains Tax Provisions

¹DR. MADHURA MILIND KULKARNI, ²KEVAL RAMPRASAD KANDU

¹DEPUTY DIRECTOR - IDOL, ²ASSISSTANT PROFESSOR (RESEARCH SCHOLAR)

¹University of Mumbai, ²DTSS College of Commerce, Mumbai, India

Abstract: Tax provisions are always important to government and taxpayers. Out of many tax provisions, provisions related to Capital Gains significantly affect investments in the country. It has a direct relation with investment choices of investors which may increase investments in economy and vice versa. Amendments in tax provisions may make taxpayers feel happy or sad, depending on how it is satisfying or affecting them. Government every year makes amendments in tax provisions to balance the needs of own as well as taxpayers both. Recently, in Union Budget 2024 government has made significant changes in tax provisions related to capital gains such as withdrawal of indexation in case of long-term capital gains, changes in capital gains tax rates, making buyback of shares taxable, increasing exemption limit for long term capital gains in respect of equity-oriented investments. Since taxation always have direct relations with taxpayers, knowing how these amendments related to capital gains tax provisions has affected investors are very important. The current study focuses on the satisfaction level of investors with respect to capital gains tax amendments made in Union Budget 2024 and their perception towards it.

Index Terms - Budget, Capital Gains, Investor, Satisfaction, Tax Amendments.

I. INTRODUCTION

The word "Capital gain" refers to income earned at the time of transfer of capital assets. In simple words, it is an income earned on investment made in capital assets such as gold, shares, bonds, immovable properties etc. Investments act as a multiplier in an economy which facilitates transfer of money from one place to another and helps in capital formation which is a pre-requisite for developing capital market in the country and to grow economy faster.

However, tax on capital gains play an important role in shaping economy of any country as it has a direct relation with the investment pattern of an investor. High tax rates on capital gains or low taxation benefit of investment may reduce investment in the capital market which may adversely affect investment cycle in the country. Therefore, government should have a balancing tax provisions which are related to it.

Over the years tax provisions related to capital gains has changed drastically in India. Earlier dividend income was exempt from taxes which later made as taxable income by the government. Similarly benefits of rebate u/s 87A was removed by the government for capital gains income and the major changes was made in the Union Budget presented by Finance Minister of Government of India in the year 2024.

The key changes made in Union Budget 2024 are as follows:

- To qualify as a long-term asset the holding period is reduced to 24 months from 36 months except specified assets such as equity shares, equity oriented mutual funds, units of business trust listed in India.
- Withdrawal of indexation on long term capital gains except for land or building acquired before 23rd July, 2024.
- Decreasing long term capital gains tax rate from 20% to 12.50% with withdrawal of indexation benefit for which earlier indexation benefit was available.
- Increase in long term capital gains tax rate from 10% to 12.50% in case no indexation benefit was available earlier.
- Increase in long term capital gains exemption limit from Rs. 1,00,000/- to Rs. 1,25,000/- in case of listed equity-oriented investments.
- Increase in Short Term Capital Gains tax rates from 15% to 20% in case of listed equity-oriented investments and units of business trusts.
- Proceeds from buyback of shares which was exempted earlier are now taxable as dividend income.

It is very obvious that the above key changes have affected investors of the country. Investors play a key role in capital market which contributes to development of economy. Therefore, it is necessary to understand the perspective of investors towards the amendments made by the government in capital gains tax provisions which influences investor's decision of investing in the market. This study aimed to find out satisfaction level of investors with respect to recent amendments made in capital gains tax provisions as mentioned above.

II. LITERATURE REVIEW

Srinath N G [2023] in his research paper "Historical Evolution of Capital Gains in India - A Study on Overview of Capital Gains and Its Exemptions" analyzed the evolution of Capital Gains Tax and Capital Gains exemptions in India. Researcher also highlighted strategies for investors to minimize capital gains tax liability. Researcher emphasized importance to consult tax advisors for tax saving strategies.

Aroon Raj Jesrani [2024] in his research paper titled "Impact of Tax on Investments in Capital Markets in India" found that tax laws have influenced investor's behaviour and market dynamics. The researcher also highlighted that capital allocation and investment returns are impacted by tax rates changes and tax exemptions. Researcher also emphasized the fact that tax has crucial impact in forming capital markets and promoting market expansion.

III. RESEARCH METHODOLOGY

3.1 Population, Sample, Data and Sources of Data

In this research study, the primary data has been collected through well designed structured questionnaire from 50 respondents which include 24 male and 26 female respondents. These respondents are the investors from Mumbai.

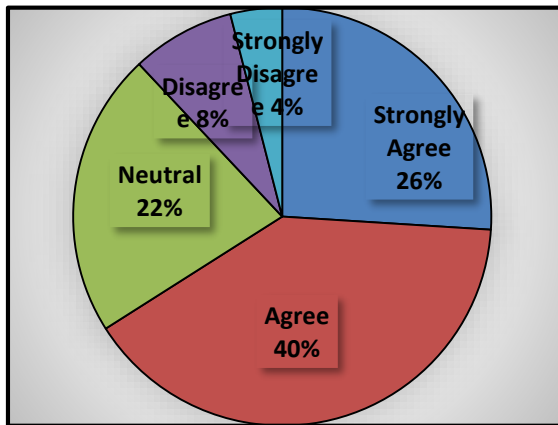
The primary data collected from respondents is converted into tables, graphs & pie charts for data analysis. The secondary data is collected from website articles, reference books and research papers.

3.4 Objectives of the Study

- To study recent amendments made in Capital Gains tax provisions in Union Budget 2024 under Income Tax Act, 1961.
- To study investor's satisfaction level with respect to recent amendments made in Capital Gains tax provisions in Union Budget 2024 under Income Tax Act, 1961.
- To study perception of an investor towards re-considering amendments related to indexation and buyback of shares.

IV. DATA ANALYSIS AND FINDINGS OF THE STUDY

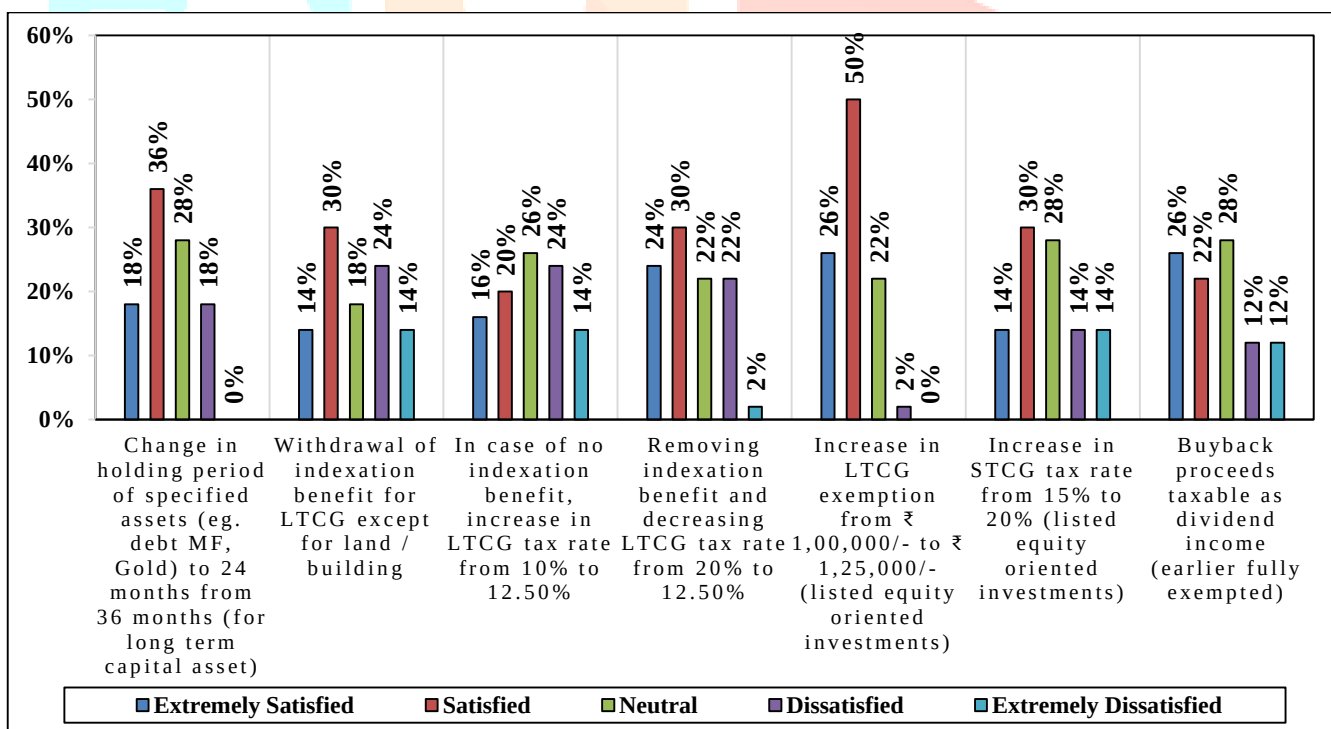
4.1 Need for amendments in Capital Gains tax provisions:



Response	Frequency	Percentage
Strongly Agree	13	26%
Agree	20	40%
Neutral	11	22%
Disagree	04	08%
Strongly Disagree	02	04%
Total	50	100%

Out of 50 respondents, 13 respondents (26%) strongly agreed for the need of amendments in capital gains tax provisions, 20 respondents (40%) agreed, 11 respondents (22%) were neutral, 04 respondents (08%) disagreed & 02 respondents (04%) strongly disagreed.

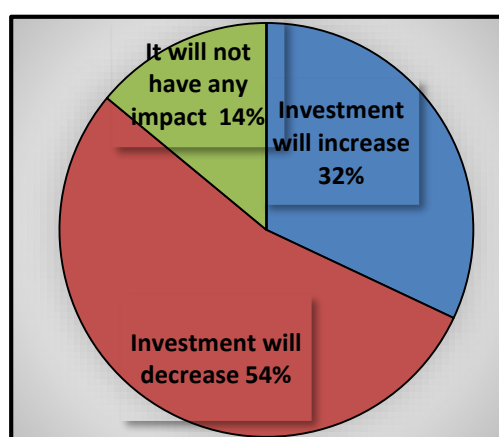
4.2 Level of satisfaction on the recent amendments made in capital gains tax provisions (Union Budget 2024)



- **Change in holding period of specified assets to 24 months from 36 months (for long term capital assets):** Out of 50 respondents, 09 respondents (18%) were extremely satisfied, 18 respondents (36%) were satisfied, 14 respondents (28%) were neutral and 09 (18%) respondents were dissatisfied.
- **Withdrawal of indexation benefit for LTCG:** Out of 50 respondents, 07 respondents (14%) were extremely satisfied, 15 respondents (30%) were satisfied, 09 respondents (18%) were neutral, 12 respondents (24%) were dissatisfied and 07 respondents (14%) were extremely dissatisfied.
- **In case of no indexation benefit, increase in LTCG tax rate from 10% to 12.50%:** Out of 50 respondents, 08 respondents (16%) were extremely satisfied, 10 respondents (20%) were satisfied, 13 respondents (26%) were neutral, 12 respondents (24%) were dissatisfied and 07 respondents (14%) were extremely dissatisfied.

- **Removing indexation benefit and decreasing LTCG tax rate from 20% to 12.50% :** Out of 50 respondents, 12 respondents (24%) were extremely satisfied, 15 respondents (30%) were satisfied, 11 respondents (22%) were neutral, 11 respondents (22%) were dissatisfied and 01 respondent (02%) was extremely dissatisfied.
- **Increase in LTCG exemption from Rs. 1,00,000/- to Rs. 1,25,000/- (listed equity-oriented investments):** Out of 50 respondents, 13 respondents (26%) were extremely satisfied, 25 respondents (50%) were satisfied, 11 respondents (22%) were neutral and 01 respondent (02%) was dissatisfied.
- **Increase in STCG tax rate from 15% to 20% (listed equity oriented investments) :** Out of 50 respondents, 07 respondents (14%) were extremely satisfied, 15 respondents (30%) were satisfied, 14 respondents (28%) were neutral, 07 respondent (14%) were dissatisfied and 07 respondents (14%) were extremely dissatisfied.
- **Buyback proceeds taxable as dividend income (earlier fully exempted) :** Out of 50 respondents, 13 respondents (26%) were extremely satisfied, 11 respondents (22%) were satisfied, 14 respondents (28%) were neutral, 06 respondent (12%) were dissatisfied and 06 respondents (12%) were extremely dissatisfied.

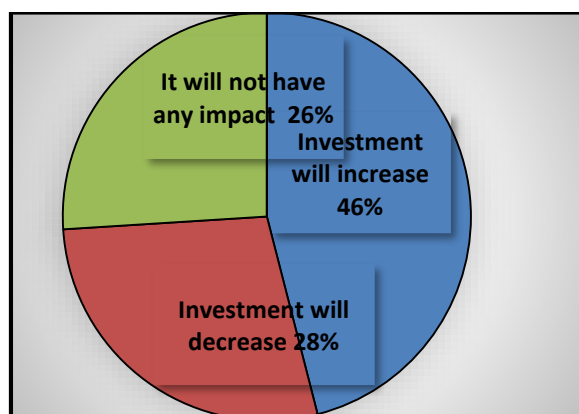
4.3 Future investment visions for STCG after amendments made in capital gains tax provisions



Response	Frequency	%
Investment for STCG will increase	16	32%
Investment for STCG will decrease	27	54%
It will not have any impact	07	14%
Total	50	100%

Out of the 50 respondents, 16 respondents (32%) says that their future investment for STCG after these amendments will increase, whereas 27 respondents (54%) says that their future investment for STCG will decrease and 07 respondents (14%) were says that these amendments will not have any impact on their future STCG investment.

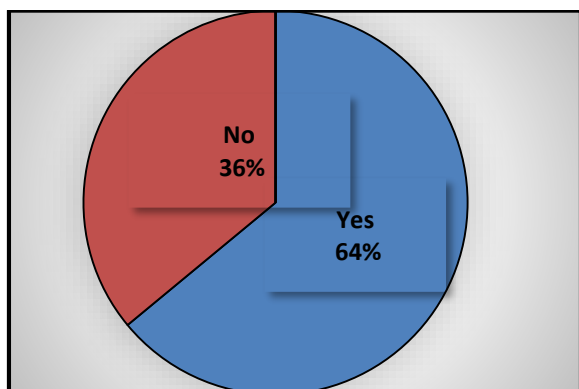
4.4 Future investment vision for LTCG after amendments made in capital gains tax provisions



Response	Frequency	Percentage
Investment for LTCG will increase	23	46%
Investment for LTCG will decrease	14	28%
It will not have any impact	13	26%
Total	50	100%

Out of the 50 respondents, 23 respondents (46%) says that their future investment for LTCG after these amendments will increase, whereas 14 respondents (28%) says that their future investment for LTCG will decrease and 13 respondents (26%) were said that this amendment will not have any impact on their future LTCG investment.

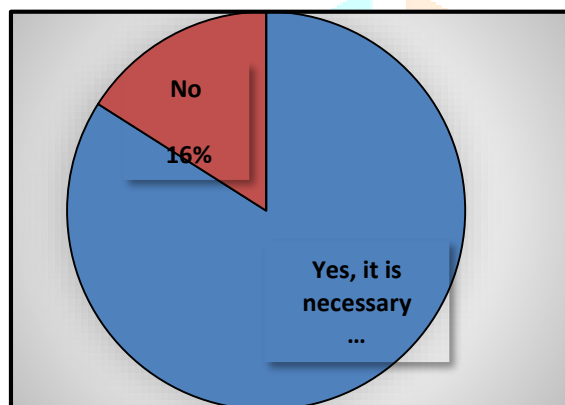
4.5 Should government consider buyback proceeds taxable as capital gains instead of dividend income ?



Response	Frequency	Percentage
Yes	32	64%
No	18	36%
Total	50	100%

Out of 50 respondents, 32 respondents (64%) responded yes for government should consider buyback proceeds taxable as capital gains instead of dividend income and 18 respondents (36%) responded for no.

4.6 Government should re-consider decision of removing indexation benefit for all types of long term capital assets ?



Response	Frequency	Percentage
Yes, it is necessary	42	84%
No	08	16%
Total	50	100%

Out of 50 respondents, 42 respondents (84%) says yes, it is necessary that the government should re-consider decision of removing indexation benefit for all types of long term capital assets whereas 08 respondents (16%) responded for no.

IV. CONCLUSION

From the analysis of survey conducted, it was found that majority of investors were in favour of need for amendments in capital gains tax provisions, however their satisfaction level with respect to each amendment varies. Investors are satisfied with change in holding period of specified assets from 36 months to 24 months whereas mixed responses received in respect of withdrawal of indexation from long term capital gains. Investors are satisfied with increase in exemption limit of equity oriented long term capital gains from Rs. 1,00,000/- to Rs. 1,25,000/- and overall investors have neutral view in respect to changes in tax rates. However, changes in tax rates have affected certain segment of investor's future investing decisions. Investors also wants government to re-consider amended provisions related to taxability of buyback proceeds as capital gains instead of dividend income and removal of indexation benefit for all types of long term capital assets.

At the end, it can be concluded that amendments in tax provisions are important but it should have a balancing approach considering investor's sentiments as well as economic growth and development of the country. Apart from this, investors should also consider the cause of amendments by understanding government's perspective for the benefit of whole nation and not judging it at individual level.

REFERENCES

- [1] Srinath N G. 2023 “Historical Evolution of Capital Gains in India - A Study on Overview of Capital Gains and Its Exemptions” IJFMR Volume 5, Issue 6, November-December 2023. DOI 10.36948/ijfmr.2023.v05i06.9278
- [2] Aroon Raj Jesrani 2024 “Impact of Tax on Investments in Capital Markets in India” A Global Journal of Interdisciplinary Studies (ISSN – 2581-5628) Impact Factor: SJIF - 5.363, IIFS - 4.875 Globally peer-reviewed and open access journal
- [3]<https://www.deloitte.com/content/dam/Deloitte/in/Documents/tax/in-tax-gbt-india-budget-2024-changes-to-capital-gains-noexp.pdf>
- [4] Direct Taxes Law & Practice – Professional Edition by Dr. Vinod K. Singhania and Dr. Kapil Singhania, Taxmann Publications Pvt. Ltd., New Delhi.

