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Q2

Comment on the important changes introduced in respect of the Long term Capital Gains Tax (LCGT) and Dividend Distribution Tax (DDT) in the Union Budget for 2018-2019. (150 Words, 10 Marks).

UPSC Civil Services Mains 2018 · GS III · 10 marks · Government Budgeting

Government Budgeting.

Facts & figures for this PYQ only.

Numbers move. Confirm the latest Budget, Economic Survey or census round. This sheet is for revision, not a substitute for the model answer.

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Section 112A

Finance Act 2018 provision: 10 per cent tax on long-term capital gains over Rs 1 lakh on STT-paid listed equity and equity-oriented funds, without indexation.

Section 10(38)

Old exemption for such LTCG; withdrawn from Assessment Year 2019-20 after Budget 2018-19.

Grandfathering

Gains accrued till 31 January 2018 on pre-1 February 2018 holdings are kept out of the new LTCG charge through a deemed cost rule.

Section 115R DDT

Budget 2018-19 extended dividend distribution tax at 10 per cent (plus surcharge and cess) to equity-oriented mutual funds.

STT

Securities Transaction Tax already levied on cash-market trades; it remained the base for concessional equity capital-gains treatment.

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