InCredible Perspectives

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Budget Effect:

# UNLISTED SHARES ON PAR WITH LISTED SHARES

# Introduction

Recent changes to the capital gains tax regime have brought about a significant positive change for investors in unlisted equity investments. With the new policy, the long-term capital gains tax on the sale of unlisted equity investments has been reduced from 20% (with the indexation benefit) to 12.5% (without the indexation benefit). This update is effective from 23rd July 2024.

## What are the Key changes?

- Listed and unlisted equity investments will now be taxed at a uniform rate of 12.5% on long-term capital gains.
- Listed equity investments have witnessed an increase from 10% to 12.5%, aligning both asset classes under the same tax regime.

# How will your investment strategy change?

- This levelling of the playing field encourages a diversification in investment portfolios.
- Investors may now consider unlisted equity investments more favourably.
- However, one should be aware that the holding period required for an investment to qualify as "long-term" differs between the two asset classes.
- Unlisted financial assets require a holding period of at least two years to attain "long-term" status, as opposed to the one year required for listed financial assets.

# Conclusion

- The recent revision in the capital gains tax for unlisted shares represents a noteworthy advancement in the investment landscape.
- By making unlisted equities more appealing and tax-efficient, the government invites a broader spectrum of investors to diversify their portfolios and engage with a market segment that was previously viewed as less advantageous due to tax disparities.
- It's an opportune moment for investors to reconsider their investment strategies and for financial consultants to guide their clients through these changes for optimized investment outcomes.

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