

Capital Gains Tax on Sale of Property: Rates, Indexation Choice, Stamp Duty Value and Exemptions (Tax Year 2026-27)

Description

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Quick summary

- A house, flat, plot or building held for more than 24 months gives a long-term gain taxed at 12.5% without indexation (section 197); held for 24 months or less, the gain is short-term and taxed at your slab rate.
- A resident individual or HUF who acquired the land or building before 23 July 2024 pays the lower of 12.5% on the gain without indexation and 20% on the gain with indexation (section 197(3)).
- If you sell below the stamp duty value, the stamp duty value is taxed as the sale price, with a 10% tolerance (section 78).
- The buyer deducts 1% TDS where the consideration or stamp duty value is ?50 lakh or more; rural agricultural land is not a capital asset at all.

Selling a house, flat, plot or shop is the most common capital gains event for individuals. The rules changed in 2024 (no indexation for property bought after 22 July 2024) and are now in the Income-tax Act, 2025. This post covers the gain, the rate, the stamp duty value rule, TDS and the ways to save tax.

Short-term or long-term

Land and buildings are short-term if held for **24 months or less**, and long-term if held for more than 24 months (section 2(101)). The holding period starts from the date you acquired it (for a gift or inheritance, from the previous owner’s date) and ends on the date of transfer.

Rates

Gain	Tax
Short-term	Added to your income and taxed at slab rates

Gain	Tax
Long-term	**12.5%** on the gain computed **without indexation** (section 197(1))
Long-term, land or building acquired before 23 July 2024, seller is a resident individual or HUF	The **lower of**: 12.5% without indexation, or 20% on the gain computed with the **indexed cost of acquisition and improvement** (section 197(3))

The surcharge on tax on long-term gains is capped at 15%, and cess is 4%.

Indexed cost of acquisition is the cost multiplied by (the Cost Inflation Index of the year of transfer ÷ the index of the first year you held the asset, or 2001-02 if later) (section 72(8)). The Central Government notifies the index each year.

Example. A flat bought on 01/04/2019 for ?40,00,000 is sold on 15/09/2026 for ?1,00,00,000, expenses of the sale being ignored. Assume (for illustration only, not notified figures) indexes of 289 for the year of purchase and 380 for 2026-27.

- Without indexation: gain 60,00,000 × 12.5% = **?7,50,000**
- With indexation: indexed cost 40,00,000 × 380 ÷ 289 = ?52,59,516; gain ?47,40,484 × 20% = ?9,48,097
- The resident individual pays the **lower**: ?7,50,000 (plus cess).

For property bought long ago with modest appreciation, indexation can give the lower tax; for property bought recently, 12.5% without indexation usually does. Work out both.

Stamp duty value (section 78)

If the sale price of land or building is **less than the stamp duty value**, the stamp duty value is deemed to be your sale price for computing the gain.

- If the stamp duty value is **not more than 110%** of the actual consideration, the actual consideration is used.
- If the date of the agreement and the date of registration differ, and part or full consideration was received by account payee cheque, draft or electronic mode **on or before the agreement date**, the stamp duty value on the **agreement date** may be used.
- If you claim that the stamp duty value is above the fair market value, the Assessing Officer may refer the matter to a Valuation Officer (section 78(2)).

The **buyer** can be taxed on the shortfall as income from other sources (section 92(2)(m)), and the value taxed becomes his cost of acquisition (section 73, serial 17), so a low registered price helps neither side.

Cost of acquisition and expenses

- Cost: the price paid plus stamp duty and registration paid when you bought. For property acquired before 1 April 2001, the cost, or the fair market value on that date at your option, capped by the stamp duty value on that date (section 90(9) and (10)).
- Cost of improvement: capital expenditure on additions and alterations, not repairs or expenses already claimed as deductions from house property income (section 90(1) and (2)).
- Selling expenses: brokerage, legal fees and stamp duty on the sale, if borne by you, incurred wholly and

exclusively for the transfer (section 72(1)(a)).
- Interest claimed as a deduction under section 22 or Chapter VIII on the loan is not added to the cost (section 72(3)).

TDS on the sale

For a resident seller, the buyer must deduct **1%** of the **higher** of the consideration and the stamp duty value, where either is **?50 lakh or more**, on the transfer of immovable property other than agricultural land (section 393(1), Table serial 3(i)). The seller takes credit for it in the return. Make sure the PAN of the seller is correct.

Joint development agreement (section 67(14))

If an individual or HUF gives land to a developer for a share of the built project (a registered "specified agreement"), the capital gain is taxed in the **tax year in which the certificate of completion** for the whole or part of the project is issued. The full value of consideration is the **stamp duty value of the share on that date**, plus any cash consideration. If the owner transfers the share before the completion certificate, the gain is taxed in the year of that transfer. The cost of the share when the owner later sells it is that same deemed consideration (section 73, serial 20).

Ways to save tax on the gain

Section	Who	Condition	Limit
82 (earlier 54)	Individual or HUF with a long-term gain on a **residential house**	Buy one house within 1 year before or 2 years after the sale, or build one within 3 years; two houses once in a lifetime if the gain is up to ?2 crore	The cost of the new house up to ?10 crore counts; gain above ?10 crore is not considered for deposits
86 (earlier 54F)	Individual or HUF with a long-term gain on **any asset other than a residential house**	Invest the **net consideration** (not only the gain) in a house within the same time limits; you must not own more than one other house on the transfer date	Cost above ?10 crore is ignored
85 (earlier 54EC)	Anyone with a long-term gain on **land or building**	Invest within **6 months** in NHAI or REC bonds redeemable after 5 years	?50 lakh in a tax year (or across the year of sale and the next)
83 (earlier 54B)	Individual or HUF selling agricultural land used for farming	Buy other agricultural land within 2 years	Cost of the new land

If you cannot invest before the return is filed, **deposit the unutilised gain** in a specified bank under the capital gains deposit scheme before the filing due date and attach the proof (sections 82(2), 83(2), 86(2)). See our posts on sections 82 and 86 and on the bonds.

The new asset must be kept for a minimum period. If you sell the new house within three years, the cost is

reduced or taken as nil under section 82(1), and under section 86(7) the exempted gain is taxed as long-term gain in that year. If you transfer the bonds or take a loan against them within five years, the exempted gain is taxed (section 85(3) and (4)).

Agricultural land

Rural agricultural land in India is not a capital asset, so its sale gives no capital gain. Land is **not** rural, and is taxable, if it lies in the jurisdiction of a municipality or cantonment board with a population of 10,000 or more, or within a distance measured aerially from its limits of **2 km** (population above 10,000 and up to 1 lakh), **6 km** (above 1 lakh and up to 10 lakh) or **8 km** (above 10 lakh) (section 2(22)). Urban agricultural land is taxed like other land, with section 83 available if you buy other agricultural land.

Compulsory acquisition

Compensation for compulsory acquisition is a capital gain. Enhanced compensation is taxed in the year you receive it, with a cost of nil (section 67(12) and (13)). Section 84 exempts the gain on compulsory acquisition of land or buildings of an industrial undertaking if you buy or build a new asset within 3 years to shift or set up the undertaking.

Reporting

Report the sale in the capital gains schedule of ITR-2 (or ITR-3), with date, cost, indexed cost if used, sale price, stamp duty value and any exemption claimed. Pay advance tax on the gain when you receive the sale money, so as to avoid interest.

Frequently asked questions

How is capital gains tax on a property sale calculated?

Sale price (or stamp duty value if higher by more than 10%) less brokerage and other expenses of the sale, less your cost of acquisition and cost of improvement. If you held it for more than 24 months, the gain is long-term and taxed at 12.5%; otherwise it is added to your income and taxed at slab rates.

Can I still use indexation?

A resident individual or HUF who acquired land or a building before 23 July 2024 may pay the lower of two amounts: 12.5% of the gain computed without indexation, or 20% of the gain computed with indexed cost of acquisition and improvement (section 197(3)). Others, and later purchases, get no indexation.

What is the stamp duty value rule?

If you sell land or building for less than the stamp duty value, the stamp duty value is treated as your sale price (section 78). If the stamp duty value is up to 110% of the actual price, the actual price is used. The date of the agreement can be used instead of the date of registration if part payment was made by a

banking channel on or before the agreement.

Is TDS deducted on a property sale?

The buyer deducts 1% of the higher of the consideration and the stamp duty value where either is ?50 lakh or more, on the transfer of immovable property other than agricultural land (section 393(1), Table serial 3(i)).

How can I save tax on the gain?

By reinvesting the long-term gain in a residential house (section 82 for a house sold, section 86 for other assets), in specified bonds (section 85, up to ?50 lakh) or in agricultural land (section 83) within the time limits. Unutilised gain must be deposited under the capital gains deposit scheme before the return is filed.

Is agricultural land taxed on sale?

Rural agricultural land is not a capital asset, so there is no capital gain. Land that is within a municipality or cantonment board area with population of 10,000 or more, or within 2, 6 or 8 km of such local limits depending on the population, is a capital asset and taxable.

Official sources

- Income Tax Department: Income-tax Act, 2025 (sections 2(22), 2(101), 67, 72, 73, 78, 82, 83, 85, 86, 90, 197, 393)

Related reading

- Capital Gains Tax in India: Short-Term, Long-Term, Rates and Computation (Tax Year 2026-27)
- RSU vs ESOP vs Sweat Equity Shares: Differences and Tax Treatment (2026-27)
- Home Loan Tax Benefits: Interest, Principal, Stamp Duty and Joint Loans (Tax Year 2026-27)

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