

Tax Implications on Government Securities for Resident and Non- Resident Individuals

Resident Individuals

Nature of Income	Section	Tax Rate*
Investment Income from Government Securities		Tax would be calculated as per the applicable slab rate
Long Term Capital Gains (Listed Government Securities and no Indexation benefit is taken)	45 r.w.s.112 r.w. First Proviso	10%
Long Term Capital Gains (Listed Government Securities and Indexation benefit is taken)	45 r.w.s. 112 (1)(a)(ii)	20%
Long Term Capital Gains (Unlisted Government Securities and no indexation benefit is allowable)	45 r.w.s. 112 (1)(a)(ii)	20%
Short Term Capital Gain on Government Securities	45	Tax would be calculated as per the applicable slab rate

Non-Resident Individuals

Option A): In case of Non - Resident Indians, if they opt for Special Provisions u/s 115C to 115F

Nature of Income	Tax Rate*
Investment Income from specified assets**	20%
Capital Gain from specified Assets ***	10%

Option B): If the Non-Resident Indian does not opt for benefits made under specific provisions and tax rates in case of all other non-resident individual

Nature of Income	Section	Tax Rate*
Investment Income from notified government securities as per section 194LD being: i) A Rupee denominated bond of an Indian Company. ii) A government security as per the meaning assigned to it by Securites Contracts (Regulation) Act, 1956.	115A r.w.s. 194LD	5% (In accordance with provisions of Sec 194LD and Explanations thereto, else Slab Rates)

Long Term Capital Gains (Listed Government Securities and no Indexation benefit is taken)	45 r.w.s. 112 r.w. First Proviso	10%
Long Term Capital Gains (Listed Government Securities and Indexation benefit is taken)	45 r.w.s. 112 (1)(c)(ii)	20%
Long Term Capital Gains (Unlisted Government Securities and no indexation benefit is allowable)	45 r.w.s. 112 (1)(c)(iii)	10%
Short Term Capital Gain on Government Securities	45	30%

*Subject to applicable rate of Surcharge and further increased by Education Cess at rates in force.

**" specified asset" means any of the following assets, namely:-

- (i) shares in an Indian company;
- (ii) debentures issued by an Indian company which is not a private company as defined in the Companies Act, 1956 2 (1 of 1956);
- (iii) deposits with an Indian company which is not a private company as defined in the Companies Act, 1956 3 (1 of 1956);
- (iv) any security of the Central Government as defined in clause (2) of section 2 of the Public Debt Act, 1944 (18 of 1944);
- (v) such other assets as the Central Government may specify in this behalf by notification in the Official Gazette.

*** If entire sales consideration is reinvested in specified Assets than no capital gains would arise. However, in case if the whole of the net consideration is not reinvested, than proportionate capital gain will be chargeable to tax.

The above information provided is for a general guidance only. However, in view of the specific nature of the transactions and its tax implications, investors are advised to consult their own tax advisors with respect to the specific tax implications arising out of investment in Government Securities. The tax rates are for Financial Year 2018-19 that may subject to amendments if any.