ET CFO Beta
From The Economic Times

# Ambiguity surrounds some provisions of LTCG tax in Budget 2018

***The treatment of unlisted shares and ESOPs especially when computing long term capital gains tax is still unclear.***

ETCFO | February 01, 2018, 20:59 IST

---

Though the finance fraternity seems to have shrugged off the imposition of long term capital gains (LTCG) tax in Budget 2018, many were poring over the fine print late Thursday. The reason was ambiguity regarding the treatment of unlisted shares and employee stock options.

Finance Minister, Arun Jaitley reintroduced the LTCG tax on equities after a gap of nearly 13 years. He intends to charge tax at 10 percent of profit above Rs 1 lakh. Realised/notional gains made until January 31, 2018 will be grandfathered.

"(Imposition of ) LTCG.... Seems to be fairly benign. However, one needs to read the fine print. It is unclear about what happens in case of unlisted company. There is a way to value the shares but it is not cleared if that will be allowed," said Keki Mistry, CEO, HDFC. The same seemed to be the case with ESOPs.

Lawyers, however, seem to disagree. Himanshu Sinha, Partner with law firm, Trilegal says there is no change in aspect of capital gain arising from sale of unlisted shares. "If you have an unlisted share, then you have to hold it for two years so that it qualifies as the long term capital gain."

Vaibhav Parikh, partner with law firm, Nishith Desai Associates says, "there is no reason for mentioning (the treatment of unlisted shares and ESOPs) separately."