

CG Bond vs. Other Investment Calculator

Sample Case Study

Purpose:

This case study demonstrates how an MFD can use the **CG Bond vs. Other Investment** calculator to compare the returns and benefits of investing capital gains in **Section 54EC Capital Gains Bonds** versus other investment options such as Fixed Deposit, Debt Fund, or Equity Fund.

Client Scenario

Client Name: Mr. Rajesh Sharma

Age: 52 years

Situation: Mr. Sharma recently sold a piece of land and has made a **Long-Term Capital Gain (LTCG) of ₹50 lakh**.

Objective: He wants to explore options for investing this amount, including **tax-saving via Capital Gains Bonds** under Section 54EC, and compare them with alternative investments.

Assumptions Entered in Calculator

- **Long-Term Capital Gain (LTCG) Amount:** ₹50,00,000
- **LTCG Tax Rate:** 20%
- **Interest Rate on CG Bond Scheme:** 5.25%
- **Expected Average Yearly Indexation Rate:** 5%
- **Applicable Income Tax Slab:** 30%

Other Available Investment Options:

1. **Fixed Deposit:** Yes
 - Assumed Return: 6%
 - Taxation Rate: 30%
 - Indexation Benefit: No
2. **Debt Fund:** Yes

- Assumed Return: 7%
- Taxation Rate: 30%
- Indexation Benefit: No

3. Equity Fund: Yes

- Assumed Return: 12%
- Taxation Rate: 12.5%
- Indexation Benefit: No

User-Defined Investment Option: Not selected

Client Name: Mr. Rajesh Sharma

Calculator Output

Capital Gains Bond vs. Other Investment Planning For Mr. Rajesh Sharma

Computation of Maturity Amount and Post-Tax IRR

| Particulars | 54EC Bond | Fixed Deposit | Debt Fund | Equity Fund |
|--------------------------|---------------|----------------|---------------|---------------|
| Capital Gain Amount | 50,00,000 | 50,00,000 | 50,00,000 | 50,00,000 |
| LTCG Tax | 0 | 10,00,000 | 10,00,000 | 10,00,000 |
| Net Investment | 50,00,000 | 40,00,000 | 40,00,000 | 40,00,000 |
| Assumed Return | 5.25 % | 6.00 % | 7.00 % | 12.00 % |
| Investment Period (Yrs) | 5 | 5 | 5 | 5 |
| Indexation Benefit | No | No | No | No |
| Maturity Amount | 64,57,740 | 53,52,902 | 56,10,207 | 70,49,367 |
| Indexation Rate | 5.00 % | 5.00 % | 5.00 % | 5.00 % |
| Indexed Cost | 50,00,000 | 40,00,000 | 40,00,000 | 40,00,000 |
| Taxable Income | 14,57,740 | 13,52,902 | 16,10,207 | 30,49,367 |
| Applicable Tax Rate | 30.00 % | 30.00 % | 30.00 % | 12.50 % |
| Tax Amount | 4,37,322 | 4,05,871 | 4,83,062 | 3,81,171 |
| Post-Tax Maturity Amount | 60,20,418 | 49,47,032 | 51,27,145 | 66,68,196 |
| Post-Tax IRR | 3.78 % | -0.21 % | 0.50 % | 5.93 % |

* For ease of calculation, It is assumed that in case of 54EC Bond & Fixed Deposit or other interest paying investment, the annual interest is re-invested at the same rate of interest and income tax is paid at the end of investment term. Please note that there is a tax exemption of Rs.1.00 Lac per year on Long Term Capital Gains on Equity and Equity related products. Mutual fund investments are subject to market risks, read all scheme related documents carefully. Returns are not guaranteed. The above is for illustration purpose only.

Analysis for Client

Analysis for Client

Mr. Rajesh Sharma's capital gain amount of ₹50,00,000 has been compared across four investment options — 54EC Bonds, Fixed Deposit, Debt Fund, and Equity Fund — over a 5-year period without indexation benefits.

- **54EC Bond** provides a safe, tax-exempt route for LTCG reinvestment but generates a modest **post-tax IRR of 3.78%**.
- **Fixed Deposit** delivers a lower post-tax outcome, with a **negative post-tax IRR of -0.21%**, mainly due to full taxation of interest and loss of compounding after taxes.
- **Debt Fund** performs slightly better with a **post-tax IRR of 0.50%**, but still lags behind inflation.
- **Equity Fund** offers the highest post-tax IRR at **5.93%**, even after accounting for LTCG tax at 12.5%, highlighting the power of higher returns over time despite market volatility.

This comparison shows that while 54EC Bonds safeguard capital gains tax and offer security, growth-focused investments like equity funds can significantly enhance wealth creation potential over the same period.

Final Recommendation in This Case

Suppose Mr. Sharma's risk tolerance allows for market-linked exposure. In that case, allocating fully to **Equity Funds** can meaningfully improve post-tax returns and protect purchasing power against inflation.