

CASE STUDY

LONG-TERM CAPITAL GAIN: 54EC BONDS VS. TAX PAYMENT & ALTERNATE INVESTMENTS



CLIENT BACKGROUND



Client Name

Rajesh Agarwal



Age

58 Years



Profession

Business Owner

FINANCIAL SITUATION



Rajesh recently sold a property and earned a Long-Term Capital Gain (LTCG) of **₹50 lakh**. He wants to minimize his tax liability while also maximizing his post-tax wealth over the next few years.

INVESTMENT GOAL



Efficiently deploy the LTCG amount.



Compare the benefits of investing in 54EC Capital Gains Bonds versus paying tax and investing elsewhere.



Identify the option that generates the highest post-tax wealth.



CONCERN



Rajesh believes tax-saving bonds are the safest option, but he is unsure whether the tax saved compensates for the lower returns compared to other investments.



Capital Gains Bond vs. Other Investment Planning

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
LTCCG Tax	0	6,25,000	6,25,000	6,25,000
Net Investment	50,00,000	43,75,000	43,75,000	43,75,000
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	58,54,737	61,36,164	77,10,245
Indexation Rate	0.00 %	0.00 %	0.00 %	0.00 %
Indexed Cost	50,00,000	43,75,000	43,75,000	43,75,000
Taxable Income	14,57,740	14,79,737	17,61,164	33,35,245
Applicable Tax Rate	30.00 %	30.00 %	30.00 %	12.50 %
Tax Amount	4,37,322	4,43,921	5,28,349	4,16,906
Post-Tax Maturity Amount	60,20,418	54,10,816	56,07,815	72,93,339
Post-Tax IRR	3.78 %	1.59 %	2.32 %	7.84 %

* 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.

*This illustration and returns assumed are on the basis of the request made by you. These are neither indicative nor guaranteed returns. Mutual fund investments are subject to market risks. Do read all scheme-related documents carefully.

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