Cost Inflation Index

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About Cost Inflation Index

- The CII number is used to adjust the **purchase price of assets** on the **basis of inflation.**
- CII is notified under the **Income-tax Act, 1961 every year.**
- The CII number helps an individual to ascertain the **inflation-adjusted current price** of an asset.
- This helps in **calculating capital gains** from a transfer or sale of capital assets after taking inflation into account.
    - **Capital gain** refers to the profit acquired from the sale/transfer of any capital assets, including land, property, stocks, shares, trademarks, patents, etc.
- Normally, an asset is required to be retained for more than 36 months (24 months for immovable property and unlisted shares, 12 months for listed securities) to qualify as ‘long-term capital gains’.
- It helps taxpayers offset the impact of inflation as the difference between the purchase and sale price could be substantial due to rising prices.
- The application of the Cost Inflation Index for capital gain adjusts the purchase price of assets based on their sale price, resulting in smaller earnings and a lower tax amount.
- From FY 2023-24, the indexation benefit on long-term capital gains from **non-equity mutual fund schemes has been removed.**

- A taxpayer will continue to use the CII number to calculate long-term **capital gains from house property, land, and building in the event of a sale.**

Q1: What is Capital Gains Tax (CGT)?

The term capital gains can be defined as profits accumulated from the sale of any capital asset. Land, buildings, house property, vehicles, patents, trademarks, leasehold rights, machinery, and jewellery are a few examples of capital assets.

Source: Income Tax department notifies cost inflation index for current fiscal

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