LTCG tax scrutiny targets ₹2.15 trn in IPO share sales

SECONDARY SHARE SALES worth ₹2.15 trillion via initial public offerings (IPOs) since February 2018 are under the lens for potential long-term capital gains (LTCG) tax evasions.

The reintroduction of LTCG tax in 2018 left room for confusion among promoters and private equity firms regarding its applicability, leading to varied valuations, and in some cases, non-payment of the tax. With the Budget clarifying these rules retrospectively from February 1, 2018, all subsequent IPOs fall within the tax's ambit.

The ambiguity stemmed from the absence of clear provisions to determine the fair market value (FMV) of equity shares for unlisted companies, although the securities transaction tax (STT) had been paid on them.

While the government is yet to estimate the potential tax recovery, experts anticipate reassessment and interest payments on all IPO sale transactions after February 2018. To put it in perspective, this scrutiny covers 66% of ₹3.26 trillion raised through IPOs during this period, including secondary sales through public sector undertaking (PSU) IPOs.

Offer for sale issuance (Feb 2018 to June 2024)

Year	OFS issue size (₹ cr)	OFS % to total issue	Total IPO issue size (₹ cr)
2018*	20,032	69.5	28,842
2019	9,402	76.1	12,362
2020	23,082	86.7	26,613
2021	75,394	63.5	1,18,723
2022	41,643	70.2	59,302
2023	28,773	58.2	49,436
2024#	17,089	54.6	31,279
Total	**2,15,414**	**66.0**	**3,26,555**

Note: Includes PSU IPOs *From February; #till June; Source : primedatabase.com