Cost Inflation Index FY 2026-27 = 384

What It Actually Changes for Your Capital Gains Tax

CBDT Notification S.O. 3889(E), dated 15 July 2026. Notified under Section 72(8)(a) of the Income-tax Act, 2025. Applies to Tax Year 2026-27 (from 1 April 2026).

CAPITAL GAINS | INCOME-TAX ACT 2025 | CBDT | INDEXATION

What Just Happened

The CBDT has notified the Cost Inflation Index (CII) for FY 2026-27 at **384**, up from 376 in FY 2025-26 (a rise of about 2.1%).

384

CII FY 2026-27

Current notified index value

376

CII FY 2025-26

Previous year index value

2.1%

Year-on-Year Rise

Incremental increase in CII

100

Base Year Index

FY 2001-02 base value

Key Facts

- **Base year:** FY 2001-02 = index value 100
- **Legal power:** Section 72(8)(a), Income-tax Act 2025 (successor to the old Section 48 indexation mechanism)
- **Effective:** Tax Year 2026-27, on and from 1 April 2026
- **Purpose:** Adjust the purchase cost of an eligible asset upward for inflation, so you are taxed on the real gain, not the inflationary gain

The Catch Most People Miss

CII 384 is real, but for most sellers it now does **nothing**. Budget 2024 (effective 23 July 2024) withdrew indexation for almost every asset class.

Indexation NO LONGER applies to the vast majority of asset classes after Budget 2024.

Listed Equity & Equity MFs

No indexation. Flat 12.5% LTCG applies regardless of CII.

Gold & Gold Funds

No indexation. Flat 12.5% LTCG applies regardless of CII.

Unlisted Shares

Including startup ESOP shares and secondaries – no indexation benefit.

Debt MFs & Other Assets

Most other capital assets also excluded from indexation.

Companies, LLPs & NRIs

Any asset sold by a company, LLP, firm, or non-resident gets no indexation.

For these, long-term capital gain is taxed at a **flat 12.5% with no indexation**, whatever the CII says.

Who Can Still Use CII 384

Indexation survives in exactly one narrow lane. You qualify **only if ALL three are true:**

1

Asset Type

Land OR building (immovable property only)

2

Acquisition Date

Acquired before 23 July 2024

3

Seller Identity

A resident individual or a Hindu Undivided Family (HUF)

Route A — 20% WITH Indexation

Apply CII 384 to inflate your cost, then pay 20% on the reduced gain.

Route B — 12.5% WITHOUT Indexation

Pay flat 12.5% on the full gain with no cost adjustment.

Pick whichever is lower. Everyone else is on the flat 12.5% no-indexation track.

The Formula & A Worked Example

> **Indexed Cost of Acquisition** = Original Cost × (CII of Year of Sale ÷ CII of Year of Purchase)

Example: Resident individual sells land bought in FY 2010-11 (CII 167) for Rs 30 lakh, now sold in FY 2026-27 (CII 384) for Rs 1.2 crore.

Indexed Cost

30,00,000 × (384 ÷ 167)

= **Rs 68,98,204**

Route A — 20% With Indexation

Gain = Rs 51,01,796

Tax at 20% = ~**Rs 10,20,359**

Route B — 12.5% Without Indexation

Gain = Rs 90,00,000

Tax at 12.5% = **Rs 11,25,000**

Winner: Route A

Saving of roughly **Rs 1,04,641** by choosing indexation in this case.

Always compute both routes. The lower tax option wins – and the difference can be worth lakhs.

What This Means For You

Impact is very different depending on who you are.

Founders & Startup Teams

Indexation does **NOT** apply to your unlisted shares, ESOP shares, or secondary sales. Model your exit at flat 12.5% long-term; do not assume any CII benefit.

Property-Owning Individuals & HUFs

If your land or building predates 23 July 2024, run **BOTH routes every time**. The choice can be worth lakhs.

CAs & Advisors

The CII is now a tool for **one asset class**, not a default. Compute both routes before you file.

Four Traps To Avoid

1 Assuming CII Helps on Shares

It does not. Equity, MF, gold, and unlisted shares get no indexation – only the flat 12.5%.

2 Ignoring the 23 July 2024 Cut-Off

Property bought on or after that date gets no indexation, even land and building.

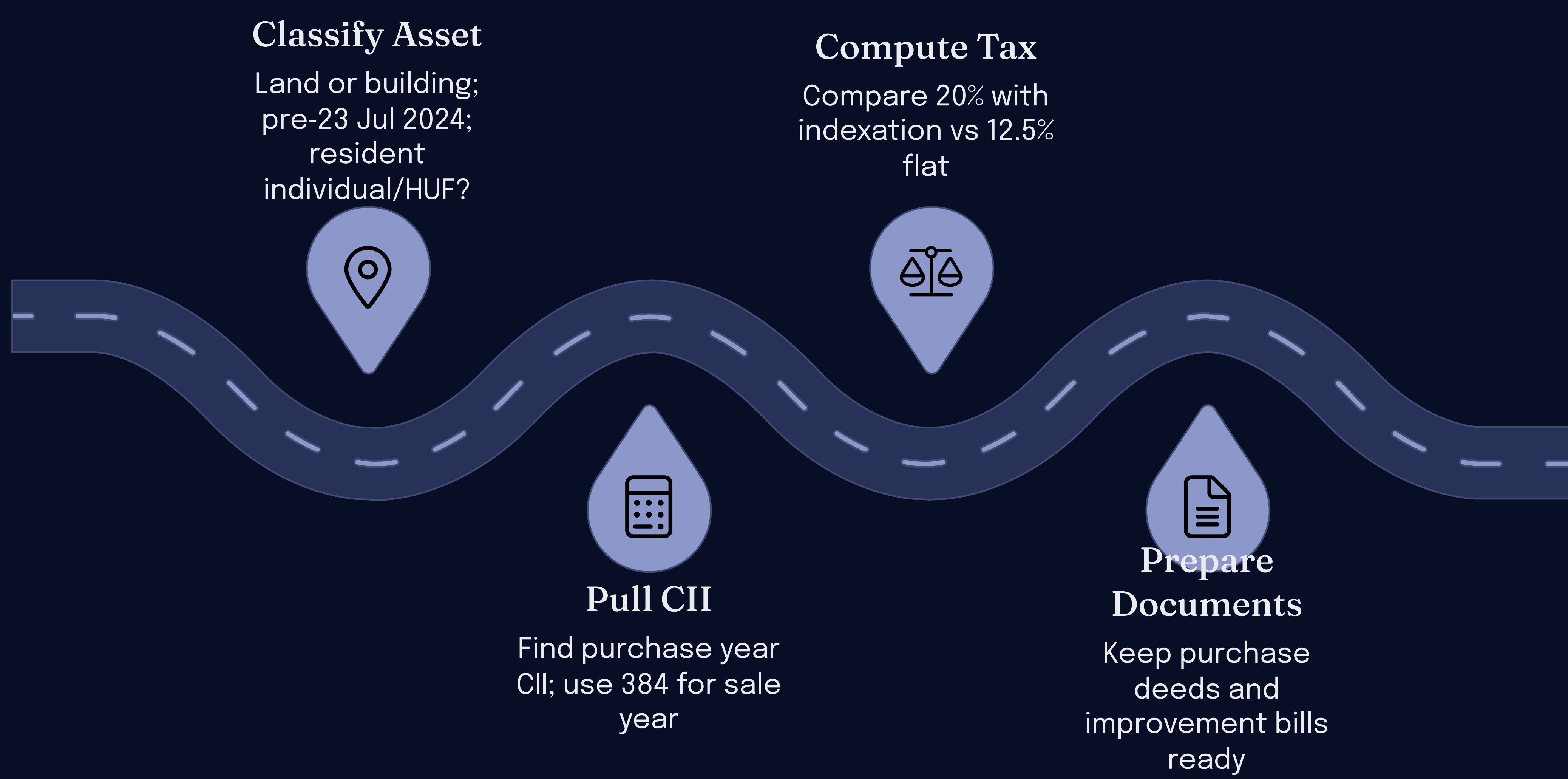
3 Forgetting the Resident-Only Limit

Non-residents, companies, LLPs, and firms cannot use indexation at all.

4 Defaulting to One Route

For eligible property you must compare 20%-with-indexation against 12.5%-without every single time.

Your Action Plan



01

Classify the Asset

Is it land or building, acquired before 23 July 2024, held by a resident individual or HUF? If not, stop – you are on flat 12.5%.

02

Pull the CII

Find the CII of the purchase year and apply 384 for the sale year (FY 2026-27).

03

Compute Both Routes

Calculate tax at 20% with indexation vs 12.5% without indexation, and pick the lower.

04

Keep Documents Ready

Purchase deeds, improvement bills, and dates – the cut-off date decides eligibility.

05

Confirm Before You Sign

Planning a founder secondary, a property sale, or a cross-border exit this year? Get the route confirmed before you sign.

Talk to an Expert

CA Adityavikram Banka
Founder, A S Banka Advisors Private Limited

Book a Quick Call

Key Reminder

CII 384 is a powerful tool – but only for the right seller, the right asset, and the right acquisition date. When in doubt, compute both routes and consult a qualified CA before filing or transacting.