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Capital Gains Account Scheme (CGAS)

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Capital Gains Account Scheme (CGAS), 1988 Latest News

The Ministry of Finance recently notified the Capital Gains Accounts (Second Amendment) Scheme, 2025, introducing changes to the Capital Gains Account Scheme (CGAS), 1988.

About Capital Gains Account Scheme (CGAS), 1988

It was introduced by the Central Government in 1988 to help taxpayers claim exemptions on long-term capital gains

Under Section 54 of the Income Tax Act, income from capital gains must be reinvested within 3 years to avoid tax liability

However, there could be instances when the due date for filing income tax falls during this specified tenure

If a taxpayer is unable to invest in such a short period of time, they can deposit such underutilised capital gains under CGAS

However, taxpayers must deposit such funds before filing their Income Tax Returns.

Investing the gains in this account is treated the same as direct reinvestment for exemption purposes

However, short-term capital gains are not eligible for the CGAS, as exemptions apply only to long-term capital gains.

Who Can Deposit in CGAS?

oAny taxpayer who earns long-term capital gains and wants to claim exemption can deposit in the CGAS

oThis includes Individuals, Hindu Undivided Families (HUFs), Companies, Trusts, and any other person eligible for capital gains exemption

The scheme is mainly used when the taxpayer is unable to reinvest the capital gains before the due date of filing their income tax return but intends to invest within the specified period to claim exemption.

The deposited amount must then be used within the stipulated period to invest in the eligible asset; otherwise, it will be treated as taxable capital gain in the year the deadline expires

Capital Gains Accounts (Second Amendment) Scheme, 2025

Previously, CGAS deposits were largely limited to public sector banks and a few older institutions

Under the new notification, all non-rural branches of 19 major private banks are now authorised to receive deposits and maintain CGAS accounts

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The “non-rural branch” condition means that only branches at centres with population 10,000 or more (per 2011 census) are in scope.

The amended scheme explicitly defines ‘electronic mode’ of deposit to include credit/debit cards, net banking, UPI, IMPS, RTGS, NEFT, BHIM/Aadhaar Pay etc