Mutual Fund

Principal®

TAX RECKONER 2020-2021

Tax Rates for Mutual Fund Investors[1] as per the Finance Bill, 2020
(Subject to enactment of the Finance Bill)

EQUITY ORIENTED FUNDS (Subject to STT[3])

Type of Investor	Capital Gains Tax		Dividend Income	Tax on Distributed Income	TDS on Capital Gains[6]	TDS on Dividend Income
	Short Term[2 & 9]	Long Term[2, 9 & 12]				
Resident Individual / HUF / AOP / BOI	15%	10%[$]	As per slab rates	NIL	NIL	10%[8]
Resident Partnership Firms / Domestic Companies	15%	10%[$]	As per applicable rates	NIL	NIL	10%[8]
NRIs[4]	15%	10%[$]	As per slab rates	NIL	STCG – 15%[2] LTCG – 10%[$12]	20%[2]

OTHER THAN EQUITY ORIENTED FUNDS

Type of Investor	Capital Gains Tax[2 & 10]		Dividend Income	Tax on Distributed Income	TDS on Capital Gains[6]	TDS on Dividend Income
	Short Term	Long Term				
Resident Individual / HUF	As per slab rates	20%*	As per slab rates	NIL	NIL	10%[8]
AOP / BOI	As per slab rates	20%*	As per slab rates	NIL	NIL	10%[8]
Domestic Companies / Firms	22%[11] / 25%[11] / 30%	20%*	As per applicable rates	NIL	NIL	10%[8]
`NRIs[4]	As per slab rates	20%* (Listed Units) 10%[$5](Unlisted Units)	As per slab rates	NIL	STCG – 30%[2] LTCG 20%*[2] (Listed Units) 10%[$2] (Unlisted Units)[5]	20%[2]

*With indexation   [$]Without indexation

[1] It is assumed that the mutual fund units are held as capital assets by the investors.

[2] Tax to be deducted at source as per section 196A of the Act [plus applicable surcharge (refer note 7), if any, and Health and Education Cess at the rate of 4% on income-tax and surcharge].

[3] Securities Transaction Tax ('STT') is applicable only in respect of sale of units of Equity-oriented funds ('EOFs') on a recognised stock exchange and redemption of EOFs by the mutual fund. Purchase/ sale/ redemption of units other than EOFs are not subject to STT.

[4] Non-resident investors shall be entitled to be governed by provisions of the applicable Tax Treaty, which India has entered with the country of residence of the non-resident investor, if that is more beneficial than the provisions of the Income-tax Act, 1961 ('the Act'), subject to certain conditions. As per section 90(4) of the Act, a non-resident shall not be entitled to claim treaty benefits, unless the non-resident obtains a Tax Residency Certificate of being a resident of his home country. Furthermore, as per section 90(5) of the Act, non-resident is also required to provide such other documents and information, as prescribed by CBDT, as applicable.

[5] As per section 112 of the Act, long-term capital gains in case of non-residents would be taxable @ 10% on transfer of capital assets, being unlisted securities, computed without giving effect to first and second proviso to section 48 i.e. without taking benefit of foreign currency fluctuation and indexation benefit.

[6] As per provisions of Section 206AA of the Act, if there is default on the part of a non-resident investor (entitled to receive redemption proceeds from the

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Mutual Fund on which tax is deductible under Chapter XVII of the Act) to provide its Permanent Account Number, the tax shall be deducted at higher of the following rates: i) rates specified in relevant provisions of the Act; or ii) rate or rates in force; or iii) rate of 20%. However, the provisions of section 206AA of the Act shall not apply, if the requirements as stated in Rule 37BC of the Income-tax Rules, 1962, are met.

[7] **Surcharge Rate as a percentage of Income-tax**

Type of Investor	Income < ₹50 lacs	Income > ₹50 lacs but <= ₹1 Cr	Income > ₹1 Cr but <= ₹2 Cr	Income > ₹2 Cr but <= ₹5 Cr	Income > ₹5 Cr
Individual, HUF, AOP (Resident & Foreign)	NIL	10%	15%	25%	37%
Type of Investor	**Income < ₹1 Cr**	**Income > ₹1 Cr but <= ₹10 Cr**	**Income > ₹10 Cr**	**-**	**-**
Partnership firm (Domestic & Foreign)	NIL	12%	12%	- -	- -
Domestic Company	NIL	7%	12%	-	-
Domestic Company (opting for new tax regime)	10%	10%	10%	-	-
Foreign Company	NIL	2%	5%	-	-

[8] There shall be no TDS where the aggregate payment does not exceed INR 5,000 during a year to a single investor.

[9] Capital gains arising on the transfer or redemption of equity-oriented units held for a period of more than 12 months, immediately preceding the date of transfer, should be regarded as 'long-term capital gains'.

[10] Capital gains arising on transfer or redemption of other than equity-oriented units' should be regarded as long-term capital gains, if such units are held for a period of more than 36 months immediately preceding the date of such transfer.

[11] Tax shall be levied at 25% for the financial year 2020-21, if the total turnover or gross receipts of the financial year 2018-19 does not exceed INR 400 crores. If a company decides to opt for the new taxation regime as per the Taxation Law Amendment Act, 2019, then tax shall be levied at the rate of 22%.

[12] As per section 112A of the Act, long-term capital gains on transfer of units of equity oriented mutual funds exceeding INR 100,000 would be taxable at the rate of 10% without giving effect to first and second proviso to section 48 i.e. without taking benefit of foreign currency fluctuation and indexation benefit. Further, cost of acquisition to compute long-term capital gains is to be higher of (a) Actual cost of acquisition; and (b) Lower of (i) fair market value as on 31 January 2018; and (ii) full value of consideration received upon transfer.

INCOME TAX RATES FOR INDIVIDUAL / HUF / AOP/ BOI – Existing tax rates

Total Income	Up to ₹250,000[(a) (b) (d)]	₹250,001 to ₹500,000	₹500,001 to ₹1,000,000	₹1,000,001 and above
Tax Rates[(c)]	NIL	5%	20%	30%

a) In the case of a resident individual of the age of 60 years or more but less than 80 years, the basic exemption limit is INR 300,000.

b) In the case of a resident individual of the age of 80 years or more, the basic exemption limit is INR 500,000.

INCOME TAX RATES FOR INDIVIDUAL / HUF – New Tax Regime[(e)]

Total Income	Up to ₹250,000[(d)]	₹250,001 to ₹500,000	₹500,001 to ₹7,50,000	₹7,50,001 to ₹10,00,000	₹10,00,001 to ₹12,50,000	₹12,50,001 to ₹15,00,000	₹15,00,000 and above
Tax Rates[(c)]	NIL	5%	10%	15%	20%	25%	30%

c) Plus, surcharge on income-tax, as applicable (Health and Education cess is applicable at the rate of 4% on income-tax and surcharge.)

d) Rebate of upto INR 12,500 available for resident individuals whose total income does not exceed INR 500,000.

e) Section 115BAC is proposed to be inserted wherein an option has been provided to pay tax at the above tax rates subject to the condition that certain exemptions/ losses/ deductions cannot be claimed. In case, the taxpayer intends to claim deductions / exemptions, the existing tax rates and slabs will continue to apply.

SECURITIES TRANSACTION TAX

Equity Oriented Fund:

STT on sale of a unit of equity oriented mutual fund to the mutual fund is levied at 0.001% (STT payable by the seller). No STT is chargeable on purchase of units of an equity oriented mutual fund entered into in recognised stock exchange.

STT on sale of a unit of an equity oriented mutual fund where the transaction is entered into in recognized stock exchange and the contract for sale is settled by the actual delivery is levied at 0.001% (STT payable by the seller).

Other than Equity Oriented Fund:

Purchase/ sale/ redemption of units other than equity-oriented units shall not be subject to STT.

Mutual Fund would also pay securities transaction tax wherever applicable on the securities bought/sold.

Note for Securities Transaction Tax

As per Section 94(7), the loss due to sale of Units in the schemes (where income distributed on MF units is tax free) will not be available for set-off to the extent of the tax free income distributed; if units are: (A) Bought within three months prior to the record date fixed for income distribution; and (B) sold within nine months after the record date fixed for income distribution.

As per Section 94(8), the loss due to sale of original Units in the schemes, where bonus Units are issued, will not be available for setoff; if original units are :- (A) Bought within three months prior to the record date fixed for allotment of bonus units; and (B) sold within nine months after the record date fixed for allotment of bonus units.

However, the amount of loss so ignored shall be deemed to be the cost of purchase or acquisition of such unsold bonus units held on the date of transfer of original units.

Disclaimer: This information is being provided for basic guidance for investments in mutual funds and is based on provisions of the Income-tax Act, 1961, as amended by the Finance Act 2019. The tax implications may vary for each assessee based on the details of his income. All rates and figures appearing are for illustrative purposes only. Tax benefits are subject to change in tax laws. Contents of this note have been drawn for informative purpose only and it is neither a complete disclosure of every material fact of Income-tax Act 1961 nor does it constitute tax or legal advice. The AMC/Trustee/ Sponsor accept no liability whatsoever for any direct or consequential loss arising from any information provided in this note.
Investors are advised to consult their Tax Advisor before taking any investment decision.

Mutual Fund investments are subject to market risks, read all scheme related documents carefully.