Tax Rates Specific to Mutual Funds

The rates are applicable for the financial year 2018-19 as per Finance Act, 2018.
Tax Implications on Dividend received by Unit holders

	Individual / HUF	Domestic Company	NRI
Dividend			
Equity Oriented Schemes	Tax Free	Tax Free	Tax Free
Debt Oriented Schemes	Tax Free	Tax Free	Tax Free
Dividend Distribution Tax Rates(Payable by the MF scheme)**			
Equity Oriented Schemes	10% + 12% Surcharge + 4% Cess = 11.648%	10% + 12% Surcharge + 4% Cess = 11.648%	10% + 12% Surcharge + 4% Cess = 11.648%
Money market and Liquid Schemes	25% + 12% Surcharge + 4% Cess = 29.12%	30% + 12%Surcharge + 4%cess =34.944%	25% + 12% Surcharge + 4% Cess =29.12%
Debt Schemes (other than infrastrcture debt fund)	25% + 12% Surcharge + 4% Cess = 29.12%	30% + 12%Surcharge + 4%cess =34.944%	25% + 12% Surcharge + 4% Cess =29.12%
Infrastructure Debt Fund	25% + 12% Surcharge + 4% Cess = 29.12%	30% + 12% Surcharge + 4% Cess =34.944%	5% + 12% Surcharge + 4% Cess =5.824%

***For the purpose of determining the tax payable, the amount of distributed income has to be increased to such amount as would, after reduction of tax from such increased amount, be equal to the income distributed by the Mutual Fund. In other words, the amount payable to unit holders is to be grossed up for determining the tax payable and accordingly, the effective tax rate would be higher. The above-mentioned rate is without considering the grossing up.*

Surcharge mentioned in the above table is payable on base tax. Further, "Education cess" and "Secondary and Higher Education cess" have been discontinued. However, new cess called Health and Education Cess is to be levied at 4% on aggregate of base tax and surcharge.

Capital Gains Taxation	Individual / HUF $	Domestic Company @	NRI $ / #
Long Term Capital Gains## (Units held for more than 12 months in equity oriented schemes and units held for more than 36 months in other schemes)			
Equity Oriented Schemes*/+	10% without indexation	10% without indexation	10% without indexation
Other than Equity Oriented Schemes	20% with indexation	20% with indexation	Listed - 20% with indexation Unlisted - 10% without indexation
Short Term Capital Gains (Units held for 12 months or less in equity oriented schemes and units held for 36 months or less in other schemes)			
Equity Oriented Schemes+	15%	15%	15%
Other than Equity Oriented Schemes	30%^	30%^^/25%^^^	30% ^

Tax Deducted at Source (Applicable only to NRI Investors #)

	Short term capital gains $	Long term capital gains $
Equity Oriented Schemes	15%	10% without indexation
Other than Equity Oriented Schemes	30%^	Listed - 20% with indexation Unlisted - 10% without indexation

* *Finance Act, 2018 terminates the exemption granted under section 10(38) to long term capital gains arising on transfer of listed shares or units of equity oriented mutual funds or units of business trusts by introduction of section 112A to provide that long term capital gains arising from transfer of a long term capital asset being an equity share in a company or a unit of an equity oriented fund or a unit of a business trust shall be taxed at 10% without indexation and without foreign currency fluctuation benefit of such capital gains exceeding one lakh rupees. The concessional rate of 10% shall be available only if securities transaction tax (STT) has been paid on both acquisition and transfer in case of equity shares and on transfer in case of units of equity-oriented mutual funds or units of business trust. Further, for Units acquired before the 1st day of February, 2018 the 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..*

$ *Surcharge at the rate of 15% is levied in case of individual/ HUF unit holders where their income exceeds ₹ 1 Crore and at 10% where income exceeds ₹ 50 lakhs but does not exceed ₹ 1 crore. As per Finance Act 2018, Education Cess at 3% shall be discontinued and new cess called "Health and Education Cess" to be levied at the rate of 4% on aggregate of base tax and surcharge.*

@ *Surcharge at the rate of 7% is levied for domestic corporate unit holders where the income exceeds ₹ 1 crore but less than ₹ 10 crores and at the rate of 12%, where income exceeds ₹ 10 crores.*

\# *Short term/ long term capital gain tax (along with applicable Surcharge and "Health and Education Cess") will be deducted at the time of redemption/switches of units in case of NRI investors only.*

\#\# *The base year for indexation purpose has been shifted from 1981 to 2001 to calculate the cost of acquisition or to take fair market value of the asset as on that date. Further, it provides that cost of acquisition of an asset acquired before 1 April 2001 shall be allowed to be taken as fair market value as on 1 April 2001.*

^ *Assuming the investor falls into highest tax bracket.*

^^ *This rate applies to companies other than companies engaged in manufacturing business who are taxed at lower rate subject to fulfillment of certain conditions.*

^^^ *If total turnover or gross receipts during the financial year 2016-17 does not exceed ₹ 250 crores.*

\+ *Securities Transaction Tax (STT) will be deducted on equity oriented funds at the time of redemption / switch to other schemes / sale of units.*

Further, Minimum Alternate Tax (MAT) applicable to domestic companies are not considered in the above tax rates.

Dividend Stripping: *The loss due to sale of units in the schemes (where dividend is tax free) will not be available for set off to the extent of the tax free dividend declared; if units are:(A) bought within three months prior to the record date fixed for dividend declaration; and (B) sold within nine months after the record date fixed for dividend declaration.*

Merger: *Transfer of units upon consolidation of mutual fund schemes of two or more schemes of equity oriented fund or two or more schemes of a fund other than equity oriented fund in accordance with SEBI (Mutual Funds) Regulations, 1996 is exempt from capital gains. The Finance Act, 2016 provides tax exemption to unit holders vis-à-vis transfer of units upon consolidation of the plans within a scheme of mutual fund in accordance with SEBI (Mutual Funds) Regulations, 1996*

General Anti Avoidance Rule ('GAAR'): *GAAR provisions are applicable w.e.f. 1 April, 2017. The objective is to deny tax benefits to an arrangement which has been entered into with the main purpose of obtaining tax benefits and which lacks commercial substance or creates rights and obligations which are not at arm's length principle or results in misuse of tax law provisions or is carried out by means or in a manner which are not ordinarily employed for bona fide purposes. The over-arching principal of GAAR provisions is "substance over form".*

Relaxation has been provided to non-residents from deduction of tax at higher rate of 20% in the absence of PAN subject to them providing specified information and documents.

The tax rates provided above are for general information only. Investors are advised to seek the opinion of their tax consultant.

1. **Income Tax Rates**

For Individuals, Hindu Undivided Family, Association of Persons, Body of Individuals and Artificial juridical persons

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

(a) In the case of a resident individual of the age of 60 years or above but below 80 years, the basic exemption limit is ₹ 300,000.
(b) In case of a resident individual of age of 80 years or above, the basic exemption limit is ₹ 500,000.
(c) Surcharge at 15% on base tax, is applicable where income exceeds ₹ 1 crore and at 10% where income exceeds ₹ 50 lakhs but does not exceed ₹ 1 crore. Marginal relief for such person is available.
(d) Finance Act, 2018 provides for Health and Education cess @ 4% on aggregate of base tax and surcharge.
(e) A rebate of lower of actual tax liability or ₹ 2,500 in case of individuals having total income of less than ₹ 350,000.
(f) The Finance Act, 2018 provides to allow a standard deduction of upto ₹ 40,000 or the amount of salary received, whichever is less to the salaried taxpayers. Consequently, exemption in respect of Transport Allowance (except in case of differently abled persons) and reimbursement of medical expenses shall be withdrawn.

2. **Securities Transaction Tax (STT)**

STT is levied on the value of taxable securities transactions as under.

Transaction	Rates	Payable By
Purchase/ Sale of equity shares	0.1%	Purchaser/ Seller
Purchase of units of equity oriented mutual fund (delivery based)	Nil	Purchaser
Sale of units of equity oriented mutual fund (delivery based)	0.001%	Seller
Sale of equity shares, units of equity oriented mutual fund (non-delivery based)	0.025%	Seller
Sale of an option in securities where option is not exercised (w.e.f 01/06/2016)	0.05%	Seller
Sale of an option in securities, where option is exercised	0.125%	Purchaser
Sale of a futures in securities	0.01%	Seller
Sale of unit of an equity oriented fund to the Mutual Fund	0.001%	Seller

3. **Special rates for non-residents**

(1) The following incomes in the case of non-resident are taxed at special rates on gross basis:

Transaction	Rates[(a)]
Dividend[(b)]	20%
Interest received on loans given in foreign currency to Indian concern or Government of India.	20%
Income received in respect of units purchased in foreign currency of specified Mutual Funds / UTI	20%
Royalty or fees for technical services[(c)]	10%
Interest income from a notified infrastructure debt fund	5%
Interest on FCCB, FCEB / Dividend on GDRs[(b)]	10%

(a) These rates will further increase by applicable surcharge and health and education cess
(b) Other than dividends on which DDT has been paid.
(c) In case the non-resident has a Permanent Establishment (PE) in India and the royalty/ fees for technical services paid is effectively connected with such PE, the same could be taxed at 40% (plus applicable surcharge and education cess) on net basis.

(2) Tax on non-resident sportsmen or sports association on specified income @ 20% plus applicable surcharge and health and education cess.

4. **Capital Gains** [(f)]

Transaction	Short-term capital gains[(a)]	Long-term capital gains[(a)(b)]
Sale transactions of equity shares and unit of an equity oriented fund both of which attract STT	15%	10%*
Sale transaction other than mentioned above:		
Individuals (resident and non-residents)	Progressive slab rates	20% / 10%[(c)]
Firms (resident and non-residents)	30%	20% / 10%[(c)]
Resident companies	30%[(d)] / 25%[(e)]	20% / 10%[(c)]
Overseas financial organizations specified in section115AB	40% (corporate) 30% (non corporate)	10%
FIIs	30%	10%
Other Foreign companies	40%	20% / 10%[(c)]
Local authority	30%	20% / 10%
Co-operative society rates	Progressive slab	20% / 10%

* Finance Act, 2018 terminates the exemption granted under section 10(38) to long term capital gains arising on transfer of listed shares or units of equity oriented mutual funds or units of business trusts by introduction of section 112A to provide that long term capital gains arising from transfer of a long term capital asset being an equity share in a company or a unit of an equity oriented fund or a unit of a business trust shall be taxed at 10% without indexation and without foreign currency fluctuation benefit of such capital gains exceeding one lakh rupees. The concessional rate of 10% shall be available only if securities transaction tax (STT) has been paid on both acquisition and transfer in case of equity shares and on transfer in case of units of equity-oriented mutual funds or units of business trust. Further, the amendment to section 55 of the Act provides for a grandfathering provision upto January 31, 2018.
(a) These rates will further increase by applicable surcharge & health and education cess.
(b) Indexation benefit, as applicable.
(c) Long term capital gains arising to a non-resident from transfer of unlisted securities or shares of a company, not being a company in which the public are substantially interested, subject to 10 per cent tax (without benefit of indexation and foreign currency fluctuation
(d) This rate applies to companies other than companies engaged in manufacturing business who are to be taxed at lower rate subject to fulfillment of certain conditions.
(e) If total turnover or gross receipts of the financial year 2016-17 does not exceed ₹ 250 crores.
(f) The base year for indexation purpose has been shifted from 1981 to 2001 to calculate the cost of acquisition or to take fair market value of the asset as on that date.

5. **Dividend Income**

An additional tax of 10% (plus applicable surcharge and health and education cess) to all resident tax payers, excluding domestic companies and other specified entities on dividend income of more than ₹ 10,00,000 p.a. received from a domestic company or companies.