

Tax Rates Specific to Mutual Funds

The rates are applicable for the Tax year 2026-27 as per the Finance Act, 2026.

Tax Implications on Income distribution under Income Distribution cum Capital Withdrawal (IDCW) Option received by Unit holders.

Pursuant to SEBI circular no. SEBI/HO/IMD/DF3/CIR/P/2020/194 dated October 05, 2020, there was a change in nomenclature of Dividend to Income Distribution cum Capital Withdrawal (IDCW) available across all the plans offered by the schemes of the Fund with effect from April 01, 2021. The Finance Act, 2020 abolished income distribution tax and instead introduced taxing of income from mutual fund units in the hands of the unit holders.

Income Distributed by a Mutual Fund			
IDCW	Individual/HUF	Domestic Companies	NRI
Equity oriented schemes	At applicable slab rates~	30% ^{^^} /25% ^{^^^} /22% ^{^^^^}	20%
Other than Equity oriented schemes	At applicable slab rates~	30% ^{^^} /25% ^{^^^} /22% ^{^^^^}	20%

~ Kindly refer Income Tax rates for the applicable rates in case of individuals.

Further, tax needs to be deducted at source as detailed below:

Type of Investor	Withholding Tax rate	Section
Resident [@]	10%*	393(1) [Table: Sl. No. 4(i)]
NRI	20%** or rate as per applicable tax treaty*** (whichever is lower)	393(2) [Table: Sl. No. 10(a)] read with Note 2***

* Tax not deductible if income in respect of units of a mutual fund is below Rs.10,000/- in a financial year.

However, on account of practical difficulties involved due to unique nature of mutual fund investments and different schemes involved, Sundaram Mutual Fund shall deduct TDS from each dividend declared once it exceeds Rs.9,000/- threshold benefit on cumulative basis in a financial year (Consolidate on PAN basis). In case the total TDS exceeds the actual tax liability of any investor, he/she can claim a refund while filing income-tax return.

TDS will not be deducted in the following cases:

- A resident individual (other than the resident individual whose age is 60 years or more at any time during the tax year), not being a company or a firm, may submit Form No. 121 to the Mutual Fund for non-deduction of TDS under Section 393(1) [Table: Sl. No. 4] of the Income-tax Act, 2025 ("the Act") provided that the tax on the estimated total income for the financial year, including income from the Mutual Fund, is NIL and the aggregate income shall not exceed the maximum amount which is not chargeable to tax, i.e., Rs.2,50,000 for investor opting for the Old Tax Regime or Rs.4,00,000 for the investor opting for New Tax Regime (Section 202). However, on account of practical difficulties involved due to unique nature of mutual fund investments and multiple schemes involved, Sundaram Mutual Fund shall deduct TDS from each dividend declared once the cumulative dividend exceeds Rs. 2,35,000/- under the Old Tax Regime or Rs.3,75,000/- under the New Tax Regime in a financial year, consolidated at the PAN level basis.
- A resident individual aged 60 years or above (senior citizen) may submit Form No. 121 for non-deduction of TDS under the relevant provisions of the Act, provided that the tax on the estimated total income for the financial year, including income from the Mutual Fund, is NIL.
- Certificate from ITO for lower deduction/NIL deduction of TDS under section 395,
- Entities falling under Circular 18/2017 dated 29th May 2017.

The Form 121 or Certificate from ITO should be submitted on an annual basis at the start of the financial year at any of the Official Points of Acceptance of Sundaram Mutual Branch or customer care center of KFin Technologies Ltd.

It may be noted that exemption from tax deduction will be granted only from the date of receipt of Form 121 or Certificate from ITO and any tax deducted and remitted to the government on or before that date cannot be refunded under any circumstances. Fresh Form 121 to be submitted again when there is a change in the estimated total income already declared, even though the investors might have already furnished the forms for the current financial year.

** Surcharge to be levied at:

- 37% on base tax where specified income** exceeds Rs. 5 crore;
- 25% where specified income** exceeds Rs. 2 crore but does not exceed Rs. 5 crore;
- 15% where total income exceeds Rs. 1 crore but does not exceed Rs. 2 crore; and
- 10% where total income exceeds Rs. 50 lakhs but does not exceed Rs. 1 crore.

** Specified income – Total income excluding income by way of dividend on shares and short-term capital gains in case of listed equity shares, equity oriented mutual fund units, units of business trust and long-term capital gains.

In case total income includes income by way of dividend on shares and short-term capital gains on units of equity oriented mutual fund schemes and long-term capital gains on mutual fund schemes, the rate of surcharge on the said type of income not to exceed 15%.

In case investor is opting for 'New Regime' the rate of surcharge not to exceed 25%.

Further, "Health and Education Cess" is to be levied at 4% on aggregate of base tax.

*** Tax treaty benefit can be claimed subject to fulfillment of stipulated conditions as well as interpretation of Article of relevant tax treaty.

@ **Non linking of PAN with Aadhaar** - As per Rule 162(3) of the Income-tax Rules, 2026, where an individual's PAN has become inoperative due to failure to intimate the Aadhaar number in accordance with Section 262(6), TDS shall be deducted at a higher rate, in accordance with provisions of section 397(2).

Capital Gain Taxation

	Individual/HUF [§]	Domestic Company [@]	NRI [§]
Equity Oriented schemes ⁺			
Long Term Capital gain (Units held for more than 12 months)	12.5%**	12.5%**	12.5%**
Short Term Capital Gains (Units held for 12 months or less)	20%	20%	20%

Other than Equity Oriented schemes (other than specified mutual fund schemes)

Long Term Capital gain (More than 12 months for listed units and 24 months for unlisted units)	12.5% (without indexation)	12.5% (without indexation)	12.5% (without indexation)
Short Term Capital Gains (Less than or equal to 12 months for listed units and 24 months for unlisted units)	30% [^]	30% ^{^^} /25% ^{^^^} /22% ^{^^^}	30% [^]

Specified Mutual Fund^{\$\$} Other than Equity Oriented Schemes

Short Term Capital Gains	30% [^]	30% ^{^^} /25% ^{^^^} /22% ^{^^^}	30% [^]
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Tax Deducted at Source (Applicable only to NRI Investors [#])

	Short term capital gains [§]	Long term capital gains [§]
Equity Oriented Scheme ⁺	20%	12.5%
Other than Specified Mutual Funds & other than Equity Oriented Schemes	30% [^]	12.5%
Specified Mutual Fund Other than Equity Oriented Schemes	30% [^]	

** Income-tax at the rate of 12.5% (without indexation benefit and foreign exchange fluctuation) to be levied on long-term capital gains exceeding Rs. 1,25,000/- provided transfer of such units is subject to Securities Transaction Tax ("STT").

§ Surcharge to be levied at:

- 37% on base tax where specified income** exceeds Rs. 5 crore;
- 25% where specified income** exceeds Rs. 2 crore but does not exceed Rs. 5 crore;
- 15% where total income exceeds Rs. 1 crore but does not exceed Rs. 2 crore; and
- 10% where total income exceeds Rs. 50 lakhs but does not exceed Rs. 1 crore.

In case total income includes income by way of dividend on shares and short-term capital gains on units of equity oriented mutual fund schemes and long-term capital gains on mutual fund schemes, the rate of surcharge on the said type of income not to exceed 15%. In case investor is opting for 'New Regime' the rate of surcharge not to exceed 25%.

** Specified income - Total income excluding income by way of dividend on shares and short-term capital gains in case of listed equity shares, equity oriented mutual fund units, units of business trust and long-term capital gains.

Further, Health and Education Cess to be levied at the rate of 4% on aggregate of base tax and surcharge.

\$\$ As per Section 76 of the Income Tax Act, 2025 gains on the transfer or redemption or maturity, of a unit of a Specified Mutual Fund acquired on or after the 1st April, 2023 shall be treated as short-term capital gains. Specified mutual fund means (a) Mutual fund which invests more than 65 per cent of its total proceeds in debt and money market instruments; or (b) a fund which invests 65 per cent or more of its total proceeds in units of a fund referred to in above (a).

@ Surcharge at the rate of 7% is levied for domestic corporate unit holders where the income exceeds Rs. 1 crore but less than Rs. 10 crores and at the rate of 12%, where income exceeds Rs. 10 crores. However, surcharge at a flat rate of 10% on base tax for the companies opting for lower rate of tax of 22%/15% will be applicable.

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. Tax treaty benefit can be claimed for withholding tax on capital gains subject to fulfillment of stipulated conditions.

^ 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 2024-25 does not exceed Rs. 400 crores.

^^^ This lower rate is optional and subject to fulfillment of certain conditions as provided in section 200 read with Section 205 of the IT Act 2025.

+ 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 (except for those who opt for lower rate of tax of 22%/15%) are not considered in the above tax rates.

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.

As per Section 70(1)(z) any transfer by a unit holder of a capital asset, being a unit or units, held by him in the consolidating scheme of a mutual fund, in consideration of the allotment to the unit holder of a capital asset, being a unit or units, in the consolidated scheme of the mutual fund would not be considered as "transfer" provided the consolidation is of two or more schemes – (i) of an equity-oriented fund; or (ii) of a fund other than equity-oriented fund.

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".

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

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

1. Rates of Income Tax -

Option A - Old tax Regime as per Part 1 of First Schedule

The same are the rates in case of individuals (other than senior citizens) or HUF or AOP or BOI, whether incorporated or not, or every artificial juridical person-

Total Income	Tax Rates
Rs. 0 – Rs. 2,50,000	--
Rs. 2,50,001 – Rs. 5,00,000	5%
Rs. 5,00,001 – Rs. 10,00,000	20%
Rs.10,00,001 and above	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 Rs. 300,000.

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

(c) Surcharge to be levied at:

- 37% on base tax where specified income** exceeds Rs. 5 crore;
- 25% where specified income** exceeds Rs. 2 crore but does not exceed Rs. 5 crore;
- 15% where total income** exceeds Rs. 1 crore but does not exceed Rs. 2 crore; and
- 10% where total income exceeds Rs. 50 lakhs but does not exceed Rs. 1 crore.

In case total income includes income by way of dividend on shares and short-term capital gains on units of equity oriented mutual fund schemes and long-term capital gains on mutual fund schemes, the rate of surcharge on the said type of income not to exceed 15%.

** Specified income – Total income excluding income by way of dividend on shares and short-term capital gains on units of equity oriented mutual fund schemes and long-term capital gains on mutual fund schemes.

(d) Health and Education cess @ 4% on aggregate of base tax and surcharge.

(e) Individuals having total income not exceeding Rs.500,000/- can avail rebate of lower of actual tax liability or Rs.12,500/-.

Option B – New Tax Regime under Section 202 of the Act, The New Tax Regime is as follows-

Total Income	Tax Rates
Rs. 0 to Rs. 4,00,000	Nil
Rs. 4,00,001 – Rs. 8,00,000	5%
Rs. 8,00,001 – Rs. 12,00,000	10%
Rs.12,00,001 – Rs. 16,00,000	15%
Rs. 16,00,001 – Rs. 20,00,000	20%
Rs. 20,00,001 – Rs. 24,00,000	25%
Rs. 24,00,001 and above	30%

(a) Under New Regime, most of the deductions/exemptions such as most of deductions/exemptions such as LTA (Schedule III [Table: Sl. No.8], HRA (Schedule III [Table: Sl. No.11]), Sections 123/126 etc. are to be forgone. However, standard deduction of Rs.75,000/- (as opposed to the existing Rs.50,000/-) against salary income is allowed under New Regime. Vide Finance Act 2024, the new regime of taxation would be the default tax regime and the assessee has an option to withdraw from the said regime.

(b) Resident individuals having total income not exceeding Rs. 12,00,000/- can avail rebate of Rs.60,000/- or actual tax liability whichever is lower.

Note: Rebate shall not be available on tax on income chargeable at special rates such as capital gains.

(c) Rate of surcharge:

- 25% where specified income* exceeds Rs. 2 crore
- 15% where total income exceeds Rs. 1 crore but does not exceed Rs. 2 crore; and

- 10% where total income exceeds Rs 50 lakhs but does not exceed Rs. 1 crore.

In case of AOP, consisting of only companies as its members, the rate of surcharge not to exceed 15%.

* Specified income – Total income excluding income by way of dividend on shares and short term capital gains in case of listed equity shares, equity oriented mutual fund units, units of business trust and long-term capital gains.

d) Health and Education cess @ 4% on aggregate of base tax and surcharge.

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 01/10/2024)	0.15%	Seller
Sale of an option in securities, where option is exercised	0.15%	Purchaser
Sale of a futures in securities (w.e.f 01/10/2024)	0.05%	Seller
Sale of unit of an equity oriented fund to the Mutual Fund	0.001%	Seller
Sale of unlisted equity shares and units of business trust under an initial offer	0.2%	Seller

3. Taxability of segregated portfolios of a mutual fund scheme

The Finance Act, 2020 has rationalized capital gains taxability in relation to mutual fund portfolio segregation as per SEBI regulations as follows: -

- The period of holding for units in the segregated portfolio to be reckoned from the period for which the original units in the main portfolio were held by the taxpayer.
- Acquisition cost of units in segregated portfolio to be proportionate to the NAV of assets transferred to the segregated portfolio to the NAV of the total portfolio immediately before the segregation. The cost of acquisition of the original units in the main portfolio to be reduced by the acquisition cost of units in the segregated portfolio.

4. Stamp Duty

Pursuant to Notification No. S.O. 1226(E) and G.S.R. 226(E) dated March 30, 2020 issued by Department of Revenue, Ministry of Finance, Government of India, read with Part I of Chapter IV of The Finance Act, 2019, notified on February 21, 2019 issued by Legislative Department, Ministry of Law and Justice, Government of India, with effect from July 1, 2020, mutual fund units issued against Purchase transactions (whether through lump-sum investments or SIP or STP or switch-ins or dividend reinvestment) would be subject to levy of stamp duty @ 0.005% of the amount invested. Transfer of mutual fund units (such as transfers between demat accounts) are subject to payment of stamp duty @ 0.015%. Accordingly, pursuant to levy of stamp duty, the number of units allotted on purchase transactions (including dividend reinvestment and switch-in) to the Unit holders would be reduced to that extent. The Stamp duty should be considered for the purpose of cost of the investments while calculating capital gains.