

Tax Reckoner for Mutual Fund Investors



The rates are applicable for the financial year 2018-19 (A.Y. 2019-20)

Tax treatment for Investor

Tax Implications on Dividend received by Unitholders

	Individual/ HUF	Domestic Company	NRI
Dividend			
Equity Oriented Schemes	Nil	Nil	Nil
Debt Oriented Schemes	Nil	Nil	Nil

Dividend Distribution Tax (Rate at which tax is payable by the scheme on distributed income)			
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 & 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 Infrastructure Debt Fund)	25%+12%Surcharge+4% cess = 29.12% (^)	30%+12%Surcharge+4% cess = 34.944% (^^)	^^25%+12%Surcharge+4% cess = 29.12% (^)

With effect from October 01, 2014, computation method of DDT has been revised from net basis to gross basis which has increased the actual DDT outgo. Consequently, the above rates based on NET distributed income will be as under:

Equity Oriented Schemes

* 11.11%+12% Surcharge +4% cess = 12.942% in case of Individual/HUF/Domestic Company/NRI

Money Market & Liquid Schemes and Debt Schemes (Other than Infrastructure Debt Fund)

^ 33.33%+12% Surcharge +4% cess = 38.827% in case of Individual/HUF/NRI and ^^ 42.857+12% Surcharge+ 4% cess = 49.92% in case of Domestic Company

Capital Gains Taxation

Equity Oriented Schemes			
Long Term Capital Gains (units held for more than 12 months)			
Short Term Capital Gains (units held for 12 months or less)			
	Individual/HUF#	Domestic Company *	NRI #/@
Long Term Capital Gains	10%**	10%**	10%**
Short Term Capital Gains	15%	15%	15%

Other than Equity Oriented Schemes Long Term Capital Gains (units held for more than 36 months) Short Term Capital Gains (units held for 36 months or less)			
	Individual/HUF#	Domestic Company *	NRI #/@
Long Term Capital Gains	20% @@	20%@@	Listed-20%@@/Unlisted-10%\$
Short Term Capital Gains	As per Slab rate	30%/25% ##	As per Slab rates

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

#Surcharge at the rate of 10% is to be levied in case of individual, HUF, AOP, BOI, Artificial juridical person Unitholders where their income exceeds Rs 50 lakhs but not does not exceed Rs 1 crore and at the rate of 15% in cases where their income exceeds Rs 1 crore.

*Surcharge at the rate of 7% is to be levied for domestic corporate Unitholders 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.

@ Short term/ long term capital gain tax along with applicable surcharge and Health and Education Cess will be deducted at the time of redemption of units in case of NRI investors only.

**As per Finance Act, 2018, income tax at the rate of 10% is to be levied (without indexation benefit) on long term capital gains exceeding Rs. 1 lakh provided transfer of such units is subject to Securities Transaction Tax (STT).

@@ After providing for indexation.

\$ In case of unlisted security, the TDS rate for NRI investors is 10% without indexation u/s 112 for long term capital gains.

Income tax at the rate of 25% is to be levied for domestic corporate Unitholders where the total turnover or gross receipt during the financial year 2016-17 does not exceed Rs 250 crores.

Health and Education Cess @ 4% will continue to apply on tax plus surcharge.

Dividend Stripping: The loss due to sale of units in the schemes (where dividend is tax free) will not be available for setoff 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.

Bonus Stripping: The loss due to sale of original units in the schemes, where bonus units are issued, will not be available for set off; 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.

Scheme merger: In case of consolidation of mutual fund schemes, the investors generally receive units in the consolidated scheme in consideration of units held in the consolidating scheme. Any transfer of units held by the investor in the consolidating scheme of the mutual fund in consideration of allotment of units in the consolidated scheme, shall not be regarded as a taxable transfer, provided that the consolidation is of two or more schemes of any equity oriented fund or two or more schemes of a fund other than equity oriented fund.

The cost of acquisition of units in the consolidated schemes shall be deemed to be the cost of acquisition of the units in the consolidating scheme. Also, the period of holding of the units in the consolidated scheme shall include the period of holding of the units in the consolidating scheme.

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 Rs. 250,000 (a) (b)	Nil
Rs. 250,001 to Rs 500,000	5%
Rs. 500,001 to 1,000,000	20%
Rs. 1,000,001 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 @ 10% on Income Tax is applicable if net income is more than Rs. 50 Lacs but not more than Rs. 1 crore. Surcharge @ 15% on income tax applicable on income more than Rs. 1 crore; Marginal relief for such person is available.
- (d) A rebate of lower of actual tax liability or Rs 2500 in case of individual having total income of less than or equal to Rs 350,000.
- (e) Health and Education cess is applicable @ 4% on income tax plus surcharge.
- (f) In cases where the taxable income, reduced by long term capital gains of a resident individual / HUF is below the basic exemption limit, the long term capital gain will be reduced to the extent of this shortfall and only the balance of long term capital gain is chargeable to Income Tax. The benefits of this provision are not available to NRIs.

1. Securities Transaction Tax (STT)

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	0.05%	Seller
Sale of an option in securities, where option is exercised	0.125%	Purchaser
Sale of futures in securities	0.010%	Seller
Sale of unlisted equity shares under an offer for sale (OFS) to public	0.200%	Seller
Sale of unit of an equity oriented fund to the Mutual Fund *	0.001%	Seller

*STT will be deducted on an equity oriented fund at the time of redemption / switch to other fund or plan.

Note:

- (1) 'Equity oriented fund' includes any such fund where the investible funds are invested by way of equity shares in domestic companies to the extent of more than 65% of the total proceeds of such fund. For greater details please refer to explanation to Section 10(38) of the Income Tax Act, 1961. For equity funds investing in equity shares outside India, the tax treatment is similar to that of 'Other than equity oriented fund'.
- (2) The capital gains tax rates are based on the assumption that the units are held by the investors as capital assets and not as stock in trade.

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