

# Tax Reckoner for Investments in Mutual Fund Schemes

## FY 2020-2021



### Dividend Taxation

	Resident Individual / HUF \$	Domestic Company @	Non Resident Individuals \$/ # / <
<b>Dividend (All Schemes)</b>	30% <sup>^</sup> + Surcharge as applicable + 4% Cess = 42.744% or 39% or 35.88% or 34.32%	<ul style="list-style-type: none"> <li>30% + Surcharge as applicable + 4% Cess = 34.944% or 33.384%</li> <li>25%<sup>^^^</sup> + Surcharge as applicable + 4% Cess = 29.120% or 27.820%</li> <li>22%<sup>&amp;</sup> + 10% Surcharge<sup>&amp;</sup> + 4% Cess = 25.17%</li> <li>15%<sup>&amp;</sup> + 10% Surcharge<sup>&amp;</sup> + 4% Cess = 17.16%</li> </ul>	20% + Surcharge as applicable + 4% Cess = 28.496% or 26% or 23.92% or 22.88%
<b>Tax Deducted at Source (All Schemes)</b>	10% (if dividend income exceeds ₹ 5,000 in a financial year)	10% (if dividend income exceeds ₹ 5,000 in a financial year)	28.496% or 26% or 23.92% or 22.88%

### Capital Gain Taxation applicable to Equity Oriented Schemes

	Resident Individual / HUF \$	Domestic Corporates @	Non Resident Individual \$/ # / <
<b>Long Term Capital Gains ## (Units held for more than 12 months)</b>	10% without indexation + Surcharge as applicable + 4% Cess = 11.96% or 11.44%	10% without indexation + Surcharge as applicable + 4% Cess = 11.648% or 11.128%	10% without indexation and foreign currency fluctuation benefits + Surcharge as applicable + 4% Cess = 11.96% or 11.44%
	Tax deducted at Source = NIL	Tax deducted at Source = NIL	Tax deducted at Source = 11.96% or 11.44%
<b>Short Term Capital Gains (Units held for 12 months or less)</b>	15% + Surcharge as applicable + 4% Cess = 17.94% or 17.16%	15% + Surcharge as applicable + 4% Cess = 17.472% or 16.692%	15% + Surcharge as applicable + 4% Cess = 17.94% or 17.16%
	Tax deducted at Source = NIL	Tax deducted at Source = NIL	Tax deducted at Source = 17.94% or 17.16%

### Capital Gain Taxation applicable to Schemes other than equity oriented schemes

	Resident Individual / HUF \$	Domestic Corporates @	Non Resident Individual \$/ # / <
<b>Long Term Capital Gains (Units held for more than 36 months) [Listed Units]</b>	20% with indexation + Surcharge as applicable + 4% Cess = 28.496% or 26% or 23.92% or 22.88%	20% with indexation + Surcharge as applicable + 4% Cess = 23.296% or 22.256%	20% with indexation + Surcharge as applicable + 4% Cess = 28.496% or 26% or 23.92% or 22.88%
	Tax deducted at Source = NIL	Tax deducted at Source = NIL	Tax deducted at Source = 28.496% or 26% or 23.92% or 22.88%
<b>Long Term Capital Gains (Units held for more than 36 months) [Unlisted Units]</b>	20% with indexation + Surcharge as applicable + 4% Cess = 28.496% or 26% or 23.92% or 22.88%	20% with indexation + Surcharge as applicable + 4% Cess = 23.296% or 22.256%	10% without indexation and foreign currency fluctuation benefits + Surcharge as applicable + 4% Cess = 14.248% or 13% or 11.96% or 11.44%
	Tax deducted at Source = NIL	Tax deducted at Source = NIL	Tax deducted at Source = 14.248% or 13% or 11.96% or 11.44%
<b>Short Term Capital Gains (Units held for less than 36 months)</b>	30% <sup>^</sup> + Surcharge as applicable + 4% Cess = 42.744% or 39% or 35.88% or 34.32%	<ul style="list-style-type: none"> <li>30% + Surcharge as applicable + 4% Cess = 34.944% or 33.384%</li> <li>25%<sup>^^^</sup> + Surcharge as applicable + 4% Cess = 29.120% or 27.820%</li> <li>22%<sup>&amp;</sup> + 10% Surcharge<sup>&amp;</sup> + 4% Cess = 25.17%</li> <li>15%<sup>&amp;</sup> + 10% Surcharge<sup>&amp;</sup> + 4% Cess = 17.16%</li> </ul>	30% <sup>^</sup> + Surcharge as applicable + 4% Cess = 42.744% or 39% or 35.88% or 34.32%
	Tax deducted at Source = NIL	Tax deducted at Source = NIL	Tax deducted at Source = 42.744% or 39% or 35.88% or 34.32% (Listed and Unlisted) <sup>^</sup>

**DISCLAIMER:** The information given here is w.e.f. 1 April, 2020 and is neither a complete disclosure of every material fact of Income-tax Act 1961 nor does it constitute tax or legal advice. In view of the individual nature of the tax consequences, each investor is advised to consult his/her own professional tax advisor.

# Tax Reckoner for Investments in Mutual Fund Schemes

## FY 2020-2021



### Notes:

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. Transfer of units upon consolidation of plans within mutual fund schemes in accordance with SEBI (Mutual Funds) Regulations, 1996 is exempt from capital gains. The cost of acquisition of the units in the consolidated plan/scheme shall be the cost of units in consolidating plan/scheme of mutual fund and period of holding of the units of consolidated plan/scheme shall include the period of holding for which the units in consolidating plan/scheme of mutual fund were held.

Securities transaction tax (STT) will be deducted on equity oriented scheme at the time of redemption/ switch to the other schemes/ sale of units. Mutual Fund would pay securities transaction tax wherever applicable on the securities sold.

The Finance Act, 2020 has rationalized capital gains taxability in relation to mutual fund portfolio segregation as per SEBI regulations. In such a case, the period of holding of segregated units shall be counted from date of holding of original units and the cost of acquisition of segregated units shall be apportioned between original units and segregated units based on net asset value prevailing immediately before segregation.

**\$** In case of Individual, HUF, AOP, BOI, AJP- (a) surcharge at 10% where income exceeds ₹ 50 Lakh but does not exceed ₹ 1 Crore and surcharge at 15% where income exceeds ₹ 1 Crore but does not exceed ₹ 2 Crore (including dividend income on shares or capital gains u/s 111A and 112A); (b) surcharge at the rate 25% where income exceeds ₹ 2 Crore but does not exceed ₹ 5 Crore and surcharge at 37% where income exceeds ₹ 5 Crore (excluding dividend income on shares or capital gains u/s 111A and 112A); (c) surcharge at 15% where income exceeds ₹ 2 Crore (including dividend income on shares or capital gains u/s 111A and 112A) and not covered in (b). **#** Short term/ long term capital gain tax will be deducted at the time of redemption of units in case of NRI investors only. However, the Finance Act, 2020 provides withholding tax of 20% (plus applicable surcharge and cess) on any income in respect of units of mutual fund in case of non-residents as per section 196A of the Act. Hence, based on language provided in said section, it seems that apart from any income distributed to NRI, withholding tax at 20% (plus applicable surcharge and cess) may be applicable on capital gains notwithstanding that such capital gains are taxable at a rate lower than 20% (plus applicable surcharge and cess). **<** As per the provisions of section 196A which is specifically applicable in case of non-resident unit holders, the withholding tax rate of 20% (plus applicable surcharge and cess) on any income in respect of units of a Mutual Fund credited / paid to non-resident unit holders shall apply, as section 196A does not make reference to "rates in force" but provide the withholding tax rate of 20% (plus applicable surcharge and cess). The non-resident unit holders may offer the income in respect of units of mutual fund to tax in their income-tax return at a lower tax rate by claiming the benefit under relevant tax treaty, if any, subject to eligibility and compliance with applicable conditions. **@** Surcharge at the rate of 7% is levied for domestic corporate unit holders where the income exceeds ₹ 1 Crore but is less than ₹ 10 Crore and at the rate of 12%, where income exceeds ₹ 10 Crore. **^** Assuming the investor falls into highest tax bracket. **^^^** If total turnover or Gross receipts during the financial year 2018-19 does not exceed ₹ 400 Crore. **&** Corporate tax rates for domestic companies (not claiming specified incentives and deductions) is 22% u/s 115BAA and for domestic manufacturing companies (not claiming specified incentives and deductions) set-up and registered on or after 1 October 2019 is 15% u/s 115BAB. Surcharge at the rate of 10% applicable. **##** The 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.

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, grandfathering benefit has been provided for long term capital gains up to January 31, 2018.

Health and Education cess shall be applicable @ 4% on aggregate of base income tax plus surcharge.

The Finance Act, 2020 provides for 2 options for computation of income and tax payable. The tax payers need to select any of the following options at the time of filing of return of income-

PERSONAL INCOME TAX STRUCTURE (OPTION A)	
For Individuals, Hindu Undivided Family, Association of Persons, Body of Individuals and Artificial Juridical Persons (current tax regime)	
Taxable Income	Tax Rates (%)
Up to ₹ 2,50,000 (a) (b)	Nil
₹ 2,50,001 to ₹ 5,00,000 (c) (d)	5%
₹ 5,00,001 to ₹ 10,00,000 (d)	20%
₹ 10,00,001 and above (d) (e)	30%

- In the case of a resident individual of the age of 60 years or above but below 80 years, the basic exemption limit is ₹ 3,00,000.
- In case of a resident individual of age of 80 years or above, the basic exemption limit is ₹ 5,00,000.
- A rebate of lower of actual tax liability or ₹ 12,500 in case of resident individuals having total income of less than ₹ 5,00,000.
- Health and Education cess shall be applicable @ 4% on aggregate of base income tax plus surcharge.
- In case of Individual, HUF, AOP, BOI, AJP, (a) surcharge at 10% where income exceeds ₹ 50 Lakh but does not exceed ₹ 1 Crore and surcharge at 15% where income exceeds ₹ 1 Crore but does not exceed ₹ 2 Crore (including dividend income on shares or capital gains u/s 111A and 112A); (b) surcharge at the rate 25% where income exceeds ₹ 2 Crore but does not exceed ₹ 5 Crore and surcharge at 37% where income exceeds ₹ 5 Crore (excluding dividend income on shares or capital gains u/s 111A and 112A); (c) surcharge at 15% where income exceeds ₹ 2 Crore (including dividend income on shares or capital gains u/s 111A and 112A) and not covered in (b).

PERSONAL INCOME TAX STRUCTURE (OPTION B)	
For Individuals and Hindu Undivided Family (new tax regime)	
Taxable Income	Tax Rates (%)
Up to ₹ 2,50,000	Nil
₹ 2,50,001 to ₹ 5,00,000	5%
₹ 5,00,001 to ₹ 7,50,000	10%
₹ 7,50,001 to ₹ 10,00,000	15%
₹ 10,00,001 to ₹ 12,50,000	20%
₹ 12,50,001 to ₹ 15,00,000	25%
₹ 15,00,000 and above	30%

- The Finance Act, 2020 inserts new section 115BAC to provide an option to Individuals and HUF to apply lower tax rates under the new tax regime. Certain exemptions/deductions shall not be available while computing the taxable income, including but not limited to the following-
  - Leave Travel Allowance u/s 10(5)
  - House Rent Allowance u/s 10(13A)
  - Specific Allowances u/s 10(14) as prescribed
  - Allowance for income of minor u/s 10(32)
  - Standard Deduction, entertainment allowance and profession tax u/s 16
  - Interest on housing loan for self-occupied property and losses under the head 'income from house property'
  - Deduction under Chapter VIA (viz. life insurance premium, medical insurance premium, provident fund contribution, section 80G donation, etc.) other than deduction for employer's contribution to NPS or section 80JJAA
- The option between the current tax regime and new tax regime shall be exercised at the time of filing of return of income. The option shall be exercised for every previous year where the Individual or the HUF has no business income, and in other cases the option once exercised for a previous year shall be valid for that previous year and all subsequent years.
- Individuals and HUF having business income who have opted for such a regime can opt out only once and would not be eligible to exercise such an option again, unless the Individual ceases to have business income.

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