



Nippon *india* Mutual Fund

Wealth sets you free

Tax Reckoner



Good gets *better*

▼ Tax Reckoner

Income Distribution and Capital gain taxation in the hands of investors in mutual fund schemes from April 1, 2023 to March 31, 2024.

▼ Income Distribution

Taxability

All Assessee

Withholding of Tax (TDS)

Resident
NRI⁹

Equity Schemes⁵

As per applicable tax rates

Equity Schemes⁴

10%
20%

Other Than Equity Schemes⁵

(including Specified mutual fund)³

As per applicable tax rates

Other Than Equity Schemes⁴

(Including specified mutual fund)³

10%
20%

▼ Capital Gains Taxability



Short Term Capital Gains ¹⁵	Equity schemes (Units held for not more than 12 months)	Other Than Equity Schemes (Including specified mutual fund) ³ (Units held for not more than 36 months)
Resident Individuals/HUF/AOP/BOI ⁹	15%	As per slab rates
Domestic Companies/Firms	15%	30% / 25% ¹⁰ / 22% ¹⁴ / 15% ¹⁴
NRIs ⁹	15%	As per slab rates
FPIs ⁹	15%	30%

Long Term Capital Gains ¹⁵	Equity schemes ⁹ (Units held for more than 12 months)	Other Than Equity Schemes (Excluding specified mutual fund) ³ (Units held for more than 36 months)
Resident Individuals/HUF/AOP/BOI ⁹	10% without Indexation ¹¹	20% with indexation
Domestic Companies/Firms	10% without Indexation ¹¹	20% with indexation
NRIs ⁹	10% without Indexation ¹¹	Listed Units - 20% with indexation Unlisted Units - 10% without indexation ⁷
FPIs ⁹	10% without Indexation ¹¹	10% without Indexation



Notes:

- 01** The rates provided in the chart are on the basis of the Finance Act, 2023.
- 02** It is assumed that the units are held as capital assets by the investors.
- 03** Specified Mutual Fund means a mutual fund by whatever name called where not more than 35% of its total proceeds is invested in the equity shares of domestic companies. In such case, capital gain would be considered as short-term capital gain and taxed as per applicable tax rates of the investor irrespective of the holding period. This provision is applicable on any investment made on or after 01 April, 2023.

Nippon India Nifty Next 50 Junior BeES FoF ("The FoF") is a Specified Mutual Fund. Any capital gain arising on transfer of units (Invested on or after 01/04/2023) of The FoF shall be treated as short term capital gain, taxable at 15% as per the provisions of section 111A of the Income Tax Act, 1961 ("The Act").
- 04** 194K of the Act to provide that any person responsible for paying to a resident any income in respect of units of a Mutual Fund specified under clause (23D) of section 10. Mutual Fund shall at the time of credit of such income to the account of the payee or at the time of payment thereof by any mode, whichever is earlier, deduct income-tax there on at the rate of 10%. Tax not deductible if income in respect of units of a mutual fund is below ₹5,000 in a financial year (Only for Resident Investor).

However, on account of practical difficulties involved due to unique nature of mutual fund investments and various schemes involved, Nippon India Mutual Fund shall deduct TDS from each Income Distribution once it exceeds INR 4,000 threshold benefit on cumulative basis in a financial year (Consolidate on PAN basis). In case of total TDS exceeding the actual tax liability of any investor, he/she can claim refund while filing income-tax return.
- 05** Finance Act, 2020 has amended the provision of section 115R of the Act (Dividend Distribution Tax) to provide that the income distributed on or before 31st March 2020 shall only be covered under the provision of this section."Hence dividend or income distribution by mutual fund on units is taxable in the hands of unit holders at the applicable rates from 01/04/2020 onwards."
- 06** Securities Transaction Tax (STT).

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

Transaction	Rate	Payable by
Purchase of units of equity oriented mutual fund	Nil	Purchaser
Sale of units of equity oriented mutual fund (Delivery based)	0.001%	Seller
Sale of unit of an equity oriented fund where (a) the transaction of such sale is entered into in a recognised stock exchange and (b) the contract for sale of units is settled otherwise than by the actual delivery or transfer of such unit	0.025%	Seller
Mutual fund would also pay STT wherever applicable on the securities purchase/ sale		



07 As per section 112 of the Act (as amended by the Finance Act, 2012), 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 & second provision to section 48 i.e. without taking benefit of foreign currency fluctuation and indexation benefit.

08 The short term/long term capital gain tax will be deducted at the time of redemption of units in case of non-resident investors only. Section 196D of the Act provides that no tax is required to be withheld for payment to a FPI in respect of capital gains arising on transfer of units. Non-resident investors / FPIs 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 ('TRC') from their home country, containing such particulars as may be prescribed. The Central Board of Direct Taxes has issued a notification dated 17 September, 2012, wherein certain particulars have been prescribed in this regard.

The TDS rates would be applicable for non-resident investors as follows:

Short Term Capital Gains			Long term Capital Gains	
	Equity Schemes	Other than Equity schemes (Including specified mutual fund) ³	Equity Schemes	Other than Equity schemes (Excluding specified mutual fund) ³
NRIs ⁹	15%	30%	10% Without Indexation	Listed Units-20% with indexation Unlisted Units-10% (without indexation)
Foreign Company	15%	40%	10% Without Indexation	Listed Units-20% with indexation Unlisted Units-10% (without indexation)
FPIs ⁹	Nil	Nil	Nil	Nil

Note: TDS on capital gains from specified mutual funds will be deducted at applicable rates of tax.

The above rates are excluding applicable Surcharge and Health & education cess and the same will be at the rates indicated at note no. 15.

- Section 206AA provide that the deductee is required to mandatorily furnish his PAN to the deductor failing which the deductor shall deduct tax at source at higher of the following rates:
 - The rate prescribed in the Act;
 - At the rate in force i.e., the rate mentioned in the Finance Act; or
 - At the rate of 20%.

Relaxation to non-residents from deduction of tax at higher rate in the absence of PAN subject to providing specified information and documents.

- As per Rule 114B of the Income Tax Rules, 1962 quotation of PAN is mandatory if investor invest in mutual fund more than ₹50,000 in a financial year.



09 Some key definitions

"Equity Oriented Fund" means a fund setup under scheme of mutual fund specified under clause (23D) of section 10 of the ACT and in a case where the fund invests in the unit of another Fund which is traded on recognised Stock Exchange & Minimum of 90% of the total proceeds of such fund is invested in other fund and, Such other fund also invests a minimum of 90% of its total proceeds in the Equity Shares of domestic companies listed on a recognised Stock Exchange and, In any other case, a minimum of 65% of the total proceeds of such fund is invested in Equity Shares of domestic companies listed on recognised stock exchange Provided that the percentage of Equity Share holding or unit held in respect of the fund, as the case may be, shall be compared with reference to the annual average of the monthly averages of the opening and closing figures.

- The FPI Regulations replaced the SEBI (Foreign Institutional Investor) Regulations, 1995 and the Qualified Foreign Investors framework, and effective from 7 January 2014. As per Notification No. 9/2014 dated 22 January 2014, the Central Government has specified the Foreign Portfolio Investors registered under the Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2014, as 'Foreign Institutional Investor' for the purposes of clause (a) of the Explanation to section 115AD of the Act.
- HUF - Hindu Undivided Family, AOP - Association of Persons, BOI - Body of Individual, NRI - Non Resident Indian, FPI - Foreign Portfolio Investor.

10 If total turnover/Gross Receipt of a company investor during FY 2021-22 does not exceeds ₹400 Cr.

11 Exemption of tax on Long Term capital gain on equity oriented scheme units u/s 10(38) withdrawn and tax @ 10% (without indexation) will be charged on long term capital gain exceeding ₹1 Lakhs p.a., provided that is subject STT on transfer of units as per provisions of sections 112A of the Act. Further, Grandfathering benefit has been provided for long term capital gains up to January 31, 2018.

12 Transfer of units under 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 Fund) Regulations, 1996 shall not be treated as transfer for capital gain purpose.

13 Transfer of units under consolidation of plans with in mutual fund scheme in accordance with SEBI (mutual fund) Regulations, 1996 shall not be treated as transfer for capital gain purpose.

14 The taxation laws (Amendment) Ordinance, 2019 introduced new section 115BAA and 115BAB. The section 115BAA provides that any domestic company, which is satisfying certain conditions as mentioned in the provision may opt for tax rate @22% from April 1, 2019 onwards. Whereas the section 115BAB provides that companies engaged in manufacturing business (set up and registered on or after 1 october 2019) which is satisfying certain conditions as mentioned in the provision may opt for tax rate @15%. Surcharge and Education cess is applicable @10% and 4%respectively for both the section. Further, the domestic companies are subject to minimum alternate tax (except for those who opt for lower rate of tax of 22%/15%) not specified in above tax rates.



- 15 In addition to the above rate, there would be additional applicable surcharge, if any and Health & Education Cess at the rate of 4% on income-tax and surcharge.

Surcharge applicable for FY 2023-24 : Equity Oriented Schemes

Assessee	If income below ₹0.50 crore	If income exceeds ₹0.50 crore but less than ₹1 crores	If income exceeds ₹1 crore but less than ₹2 crores	If income exceeds ₹2 crore but less than ₹5 crores	If income exceeds ₹5 crore but less than ₹10 crores	If income exceeds ₹10 crore
	Surcharge	Surcharge	Surcharge	Surcharge	Surcharge	Surcharge
Individual (including proprietor ships), Hindu Undivided Family (HUF), Association of Persons (AOP) and Body of Individual (BOI)	Nil	10%	15%	15%	15%	15%
Co-operative Society, Local Authority and Partnership Firms (including LLPs)	Nil	Nil	12%	12%	12%	12%
Indian Corporates	Nil	Nil	7%	7%	7%	12%
Foreign Companies	Nil	Nil	2%	2%	2%	5%

Surcharge applicable for FY 2023-24 : Other Than Equity Schemes (Including Specified Mutual Fund)

Assessee	If income below ₹0.50 crore	If income exceeds ₹0.50 crore but less than ₹1 crores	If income exceeds ₹1 crore but less than ₹2 crores	If income exceeds ₹2 crore but less than ₹5 crores	If income exceeds ₹5 crore but less than ₹10 crores	If income exceeds ₹10 crore
	Surcharge	Surcharge	Surcharge	Surcharge	Surcharge	Surcharge
Individual (including proprietor ships), Hindu Undivided Family (HUF), Association of Persons (AOP) and Body of Individual (BOI)	Nil	10%	15%	25%	37%	37%
Co-operative Society, Local Authority and Partnership Firms (including LLPs)	Nil	Nil	12%	12%	12%	12%
Indian Corporates	Nil	Nil	7%	7%	7%	12%
Foreign Companies	Nil	Nil	2%	2%	2%	5%

*Maximum rate of surcharge in case of long term capital gain from sale of other than Equity Oriented Schemes will be @15% only.



16 The Finance Act, 2023 provides 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.

Option A :

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

Total Income	Tax Rates
Up to ₹2,50,000 (a) (b)	Nil
₹2,50,001 to ₹5,00,000(d) (e)	5%
₹5,00,001 to ₹10,00,000(d)	20%
₹10,00,001 and above(c)(d)	30%

a) In 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) Rate of surcharge.



Rate of surcharge

37%

on base tax where specified income exceeds ₹5 crore;

25%

where specified income exceeds ₹2 crore but does not exceed ₹5 crore

15%

where total income exceeds ₹ 1 crore but does not exceed ₹2 crore; and

10%

where total income exceeds ₹50 lakhs but does not exceed ₹1 crore

Specified income - Total income excluding income under the provisions of section 111A, 112 & 112A of the Act and dividend from shares.

Marginal relief for such person is available.

(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 ₹12,500.



Option B :

New personal tax regime as per the Finance Act, 2023



Total Income		Tax Rates
Up to 3,00,000	-	Nil
From 3,00,001 to 6,00,000	-	5%
From 6,00,001 to 9,00,000	-	10%
From 9,00,001 to 12,00,000	-	15%
From 12,00,001 to 15,00,000	-	20%
From 15,00,001 and above	-	30%

Option B is a default option in which most of the deductions/exemptions under section 80C, 80D, etc. are to be foregone. The aforesaid regime is optional. Accordingly, Individual, HUF and AOP's have the option to be taxed under either of the options. Where the assessee has business income then once option exercised for a previous year shall be valid for that previous year and all subsequent years. In case of no business income option shall be exercised for every year before filing of income tax return.



Rates of Surcharge:

25% -----

on base tax where specified income exceeds ₹5 crore;

25% -----

where specified income exceeds ₹2 crore but does not exceed ₹5 crore

15% -----

where total income exceeds ₹ 1 crore but does not exceed ₹2 crore; and

10% -----

where total income exceeds ₹50 lakhs but does not exceed ₹1 crore

*Maximum surcharge will be 15% where income is dividend from shares and Income as per the section 111A, 112, 112A of the Act.

*Maximum surcharge will be 15% where all the members of AOP's are companies only.

Disclaimer:

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