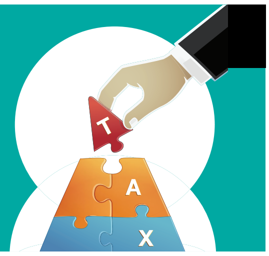
RELIANCE MUTUAL FUND

Tax Structure
Mutual Fund Investments



Tax Rates as per Finance Act, 2017.

Dividend and Capital gain taxation in the hands of investors in Mutual Fund Schemes from April 1, 2017 to March 31, 2018.

Dividend Income

	Equity schemes	Debt schemes (including Infrastructure Debt Funds)4
All assessees	Tax free	Tax free

Dividend Distribution Tax ('DDT')

From April 1, 2017 to March 31, 2018

Income in the hands of → / Nature of Income ↓	Individual & HUF	Domestic Company	NRI
Dividend	**Tax free**	**Tax free**	**Tax free**
Dividend Distribution Tax **on Grossed up value of Dividend** - Other than Equity Oriented Funds			
In Money market and Liquid schemes[2]	25% basic tax + surcharge + education cess (as applicable)	30% basic tax + surcharge + education cess (as applicable**)**	25% basic tax + surcharge + education cess (as applicable)
In Other schemes	25% basic tax + surcharge + education cess (as applicable)	30% basic tax + surcharge + education cess (as applicable)	25% basic tax + surcharge + education cess (as applicable)

Capital Gains

From April 1, 2017 to March 31, 2018

	Short Term Capital Gains (Units held for not more than 12 months) 5		Long term Capital Gains (Units held for more than 36 months)5	
	Equity schemes	Debt schemes (including Infrastructure Debt Funds) 4	Equity schemes	Debt Schemes (including Infrastructure Debt Funds) 4
Resident Individuals/HUF/ AOP/BOI	**15%**	As per slab rates	Nil	**20%** with indexation
Domestic Companies/Firms	**15%**	**30%**	Nil	**20%** with indexation
NRIs	**15%**	As per slab rates	Nil	Listed Units - **20%** with indexation Unlisted Units - **10%** without indexation7
FPIs	**15%**	**30%**	Nil	**10%** without indexation

Notes:

1. The rates provided in the chart are on the basis of the Finance Act, 2017.
2. It is assumed that the units are held as capital assets by the investors.
3. Securities Transaction Tax (STT)

   Equity Oriented Fund

   STT on sale of a unit of equity oriented mutual fund to the mutual fund is levied at **0.001%**.

   No STT is chargeable on purchase of units of an equity oriented mutual fund entered into in recognised stock exchange w.e.f. 1.6.2013.

   STT on sale of a unit of an equity oriented mutual fund where the transaction is entered into in recognized stock exchange and the contract for sale is settled by the actual delivery is levied at **0.001%**.

   Other than Equity Oriented Fund

   Purchase/ sale/ redemption of units other than equity-oriented units shall not be subject to STT.

   Mutual Fund would also pay securities transaction tax wherever applicable on the securities bought/sold.
4. "Infrastructure debt fund" ('IDF') means a infrastructure debt fund as defined in clause 1 of the regulation 49L of the Securities and Exchange Board of India (Mutual Fund) Regulations, 1996. As per clause 1 of regulation 49L ,an 'infrastructure debt fund scheme' would mean, a scheme which invests primarily (minimum **90%** of scheme assets) in debt securities or securitized debt instrument of infrastructure companies or infrastructure capital companies or infrastructure projects or special purpose vehicles, etc or other permissible assets in accordance with these regulations or bank loans in respect of completed and revenue generating projects of infrastructure companies or projects or special purpose vehicles.
5. In addition to the above rate, there would be additional applicable surcharge, if any, and Education Cess at the rate of **2%** on income-tax and surcharge and Secondary and Higher Education cess at the rate of **1%** on income-tax and surcharge that is leviable.

Surcharge applicable for FY 2017-18:

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

6. 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.
7. 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 proviso to section 48 i.e. without taking benefit of foreign currency fluctuation and indexation benefit.
8. 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.

The TDS rates would be as follows:

Tax Deducted at Source (Applicable only to non-resident investors)

	Short Term Capital Gains		Long term Capital Gains	
	Equity schemes	Debt schemes (including Infrastructure Debt Funds)	Equity schemes	Debt Schemes (including Infrastructure Debt Funds)
NRIs	**15%**	**30%**	Nil	Listed Units- **20%** with indexation Unlisted Units- 10% (without indexation)
FPIs	Nil	Nil	Nil	Nil

The above rates are excluding applicable surcharge and education cess and the same will be at the rates indicated at note 5 above.

As per provisions of Section 206AA of the Act, if there is default on the part of a non-resident investor (entitled to receive redemption proceeds from the Mutual Fund on which tax is deductible under Chapter XVII of the Act) to provide its Permanent Account Number ('PAN'), the tax shall be deducted at higher of the following rates: i) rates specified in relevant provisions of the Act; or ii) rate or rates in force; or iii) rate of **20%**.

9. With effect from 1 October 2014, it is proposed in the Finance (No. 2) Bill, 2014, that additional tax on income distributed to unit-holders should be levied on the amount of income to be distributed including such additional tax (i.e. grossing-up), as against levy on only the amount of income to be distributed.
10. Some key definitions

- Equity scheme means an "equity oriented fund" which is defined in the Income-tax Act, 1961 ('the Act'), as a 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.
- Money market mutual fund has been defined under Explanation (d) to Section 115T of the Act, which means a money market mutual fund as defined in sub-clause (p) of clause (2) of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996.
- Liquid fund has been defined under Explanation (e) to Section 115T which means a scheme or plan of a mutual fund which is classified by the Securities and Exchange Board of India as a liquid fund in accordance with the guidelines issued by it in this behalf under the Securities and Exchange Board of India Act, 1992 (15 of 1992) or regulations made thereunder.
- The FPI Regulations replaced the existing SEBI (Foreign Institutional Investor) Regulations, 1995 and the Qualified Foreign Investors framework, and are 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