Tax Structure Mutual Fund Investments

Tax Rates as per Finance Act, 2019.

Dividend and Capital gain taxation in the hands of investors in Mutual Fund Schemes from April 1, 2019 to March 31, 2020.

Dividend Income

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

Dividend Distribution Tax ('DDT')

From April 1, 2019 to March 31, 2020

Dividend Distribution Tax on Grossed up value of Dividend - Equity Oriented Schemes			
Income in the hands of	**Resident Individual & HUF**	**Domestic Company/Firms/AOP/BOI**	**NRIs**
Equity Schemes	10% basic tax on grossed up basis + surcharge + Health & education cess (as applicable)	10% basic tax on grossed up basis + surcharge + Health & education cess (as applicable)	10% basic tax on grossed up basis + surcharge + Health & education cess (as applicable)
Dividend Distribution Tax on Grossed up value of Dividend - Other than Equity Oriented Funds			
In Money market and Liquid schemes:	25% basic tax on Grossed up + surcharge + Health & education cess (as applicable)	30% basic tax on Grossed up + surcharge + Health & education cess (as applicable)	25% basic tax on Grossed up + surcharge + Health & education cess (as applicable)
In Other schemes (other than infrastructure Debt Fund)	25% basic tax on Grossed up + surcharge + Health & education cess (as applicable)	30% basic tax on Grossed up + surcharge + Health & education cess (as applicable)	25% basic tax on Grossed up + surcharge + Health & education cess (as applicable)
In infrastructure Debt Fund	25% basic tax on Grossed up + surcharge + Health & education cess (as applicable)	30% basic tax on Grossed up + surcharge + Health & education cess (as applicable)	5% basic tax on Grossed up + surcharge + Health & education cess (as applicable)

Capital Gains

From April 1, 2019 to March 31, 2020

	Short Term Capital Gains[5]		Long term Capital Gain[5]	
	Equity schemes (Units held for not more than 12 months)	Debt schemes (including Infrastructure Debt Funds)[4] (Units held for not more than 36 months)	Equity schemes[10] (Units held for more than 12 months)	Debt Schemes (including Infrastructure Debt Funds)[4] (Units held for more than 36 months)
Resident Individuals/HUF/ AOP/BOI	15%	As per slab rates	10% without Indexation[12]	20% with indexation
Domestic Companies/Firms	15%	30%/25%[11]	10% without Indexation[12]	20% with indexation
NRIs	15%	As per slab rates	10% without Indexation[12]	Listed Units - 20% with indexation Unlisted Units - 10% without indexation[7]
FPIs	15%	30%	10% without Indexation[12]	10% without indexation

Notes:

1. The rates provided in the chart are on the basis of the Finance Act, 2019.
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 Health & Education Cess at the rate of 4% on income-tax and surcharge
   Surcharge applicable for FY 2019-20:

Assessee	below Rs. 0.50 crore	exceeds Rs. 0.50 crore but less than Rs. 1 crores	ceeds 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), As- sociation 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 Corporates	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 applicable 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%	10% Without Indexation	Listed Units- 20% with indexation Unlisted Units- 10% (without indexation)
FPIs	Nil	Nil	Nil	Nil

The above rates are excluding applicable Surcharge and Health & 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, In the Finance (No. 2) Act, 2014, introduced 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 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.
- 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

Continued...

11. If total turnover/Gross Receipt of a company investor during FY 2016-17 does not exceeds Rs. 250 Cr.
12. Excemption 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 capital gain exceeding Rs 1 Lakhs, provided that such is subject to STT on transfer of units as per provisions of sections 112A of the Act.
13. 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 is Exempt from capital gains.
14. Transfer of units under consolidation of plans with in mutual fund scheme in accordance with SEBI (mutual fund) Regulations, 1996 is Exempt from capital gain.
15. A non resident tax payer has an option to be governed by the provision of Income Tax, 1961 or the provision of relevant DTAA, whichever is more beneficial. As per provision of The Act, submission of Tax Residency Certificate (TRC) along with form no.10F will be necessary for granting DTAA benefits to non residents investor and such other documents and Information subsequently, as may be prescribed by The Indian Tax authorites, from time to time.