

TAX REGIME SPECIFIC TO MUTUAL FUND INVESTORS IN INDIA

The rates are applicable for the financial year 2023-24 post incorporating amendments as per Finance Act, 2023

Income-tax implications on income distributed by a Mutual Fund

Type of Investor	Withholding tax rate
Resident****	10%*
NRI	20%** or rate as per applicable tax treaty*** (whichever is lower)

*Tax is not deductible if income in respect of units of a mutual fund is below Rs. 5,000 in a financial year.

** The base tax is to be further increased by surcharge at the rate of:

- 37% on base tax where income or aggregate of such income exceeds Rs. 5 crore;
- 25% where income or aggregate of such income exceeds Rs. 2 crore but does not exceed Rs. 5 crore;
- 15% where income or aggregate of such income exceeds Rs. 1 crore but does not exceed Rs. 2 crore; and
- 10% where income or aggregate of such income exceeds Rs. 50 lakhs but does not exceed Rs. 1 crore

In case investor is opting for 'New Regime' as mentioned on page 2, the rate of surcharge not to exceed 25%.

Further, "Health and Education Cess" is to be levied at 4% on aggregate of base tax and surcharge.

*** Tax treaty benefit can be claimed subject to fulfillment of stipulated conditions as well as interpretation of Article of relevant tax treaty.

**** As per section 139AA of the Income tax Act, 1961 ('the Act') read with rule 114AAA of the Income-tax Rules, 1962, in the case of a resident person, whose PAN has become inoperative due to PAN – Aadhaar not being linked on or before 30 June 2023, it shall be deemed that he has not furnished the PAN and tax could be withheld at a higher rate of 20% as per section 206AA of the Act.

Capital Gains Taxation

	Individual/ HUF [§]	Domestic Company [@]	NRI [§]
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)			
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)			
Long term capital gains	20% ^{&}	20% ^{&}	Listed - 20% ^{&} Unlisted - 10%***
Short term capital gains	30% [^]	0%/25% ^{^^} /22% ^{^^^}	30% [^]
Tax deductible at source under the Act (Applicable to NRI Investors) #			
	Short term capital gains [§]		Long term capital gains [§]
Equity oriented schemes	15%		Unlisted - 10%***
Other than equity oriented schemes	30% [^]		10%*** (for unlisted) & 20% ^{&} (for listed)

* Income-tax at the rate of 10% (without indexation benefit and foreign exchange fluctuation) to be levied on long-term capital gains exceeding Rs. 1 lakh provided transfer of such units is subject to Securities Transaction Tax ('STT').

@ Surcharge at 7% on base tax is applicable where total income of domestic corporate unit holders exceeds Rs 1 crore but does not exceed 10 crores and at 12% where total income exceeds 10 crores.

However, surcharge at flat rate of 10 percent to be levied on base tax if the companies opting for lower rate of tax of 22%/15%. Further, "Health and Education Cess" to be levied at the rate of 4% on aggregate of base tax and surcharge.

@@ A view may be adopted that sale of fund of funds being classified as "equity-oriented fund" and "specified mutual fund" under the Act should be taxable at the rate of 15% (plus applicable surcharge and cess) as per section 111A read with section 50AA

@@@Section 50AA as introduced by Finance Act, 2023 deems any gains on transfer / redemption of specified mutual funds acquired on or after 1 April 2023 as short-term capital gains. For the purposes of section 50AA, "specified mutual fund" means a mutual fund by whatever name called, where not more than 35 percent of its total proceeds is invested in the equity shares of domestic companies.

The scheme is identified as a "specified mutual fund"

\$ Surcharge to be levied at:

- 37% on base tax where specified income** exceeds Rs. 5 crore;
- 25% where specified income** exceeds Rs. 2 crore but does not exceed Rs. 5 crore;
- 15% where total income exceeds Rs. 1 crore but does not exceed Rs. 2 crore; and
- 10% where total income exceeds Rs. 50 lakhs but does not exceed Rs. 1 crore

In case total income includes income by way of dividend on shares and short-term capital gains on units of equity oriented mutual fund schemes and long-term capital gains on mutual fund schemes, the rate of surcharge on the said type of income not to exceed 15%. In case investor is opting for 'New Regime' as mentioned on page 2, the rate of surcharge not to exceed 25%.

** specified income – Total income excluding income by way of dividend on shares and short-term capital gains on units of equity oriented mutual fund schemes and long-term capital gains on mutual fund schemes.

Further, Health and Education Cess to be levied at the rate of 4% on aggregate of base tax and surcharge.

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. Tax treaty benefit can be claimed for withholding tax on capital gains subject to fulfillment of stipulated conditions.

& After providing indexation.

*** Without indexation. And foreign exchange fluctuation

^ Assuming the investor falls into highest tax bracket.

^^ If total turnover or gross receipts in the financial year 2021-22 does not exceed Rs. 400 crores.

^^^ This lower rate should be applicable if the investor has opted for the beneficial tax regime as per section 115BAA / 115BA

Further, the domestic companies are subject to minimum alternate tax (except for those who opt for lower rate of tax of 22% / 15% as per section 115BAA / 115BAB) not specified in above tax rates.

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.

Relaxation to non-residents from deduction of tax at higher rate (except income distributed by mutual fund) in the absence of PAN subject to them providing specified information and documents.

Tax to be deducted at twice the applicable rate in case of payments to specified person (except non-resident not having permanent establishment in India or person who is not required to furnish the return of income as notified by the Central Government) who has not furnished the return of income for the assessment year relevant to previous year immediately preceding the financial year in which tax is required to be deducted:

- For which time limit for filing return has expired; and
- The aggregate of tax deducted at source in his case is Rs. 50,000 or more in the said previous year.

Additionally, if provisions of section 206AA are also applicable then tax to be deducted at higher of the two rates provided i.e. rate as per section 206AB or section 206AA.

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.

1. Income Tax Rates

Old Regime

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

Tax Rates	NIL	5%	20%	30%
Total Income	Up to Rs. 2,50,000 ^{(a) (b)}	Rs. 2,50,001 to Rs. 5,00,000 ^{(d) (e)}	Rs. 5,00,001 to Rs. 10,00,000 ^(d)	Rs. 10,00,001 and above ^{(c) (d)}

(a) In case of a resident individual of the age of 60 years or above but below 80 years, the basic exemption limit is Rs. 3,00,000.

(b) In case of a resident individual of age of 80 years or above, the basic exemption limit is Rs 5,00,000.

(c) Rate of surcharge:

- 37% on base tax where specified income* exceeds Rs. 5 crore;
- 25% where specified income* exceeds Rs. 2 crore but does not exceed Rs. 5 crore
- 15% where total income exceeds Rs. 1 crore but does not exceed Rs. 2 crore; and
- 10% where total income exceeds Rs 50 lakhs but does not exceed Rs. 1 crore.

In case of AOP, consisting of only companies as its members, the rate of surcharge not to exceed 15%.

*specified income – Total income excluding income by way of dividend on shares and short term capital gains in case of listed equity shares, equity oriented mutual fund units, units of business trust and long-term capital gains. Marginal relief for such person is available.

(d) Health and Education cess @ 4% on aggregate of base tax and surcharge.

(e) Resident individuals having total income not exceeding Rs. 5,00,000 can avail rebate of 12,500 or actual tax liability whichever is lower.

New Regime

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

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%
Above 15,00,000	30%

a) For adopting New Regime, most of the deductions/exemptions such as section 80C, 80D, etc. are to be foregone. However, standard deduction of Rs. 50,000 against salary income is proposed to be allowed under New Regime. The new tax regime is considered a default tax regime. Investors may opt for the old tax regime. Persons as mentioned above have the option to be taxed under either of the options. New Regime once exercised can be changed in subsequent years (not applicable for business income).

b) Resident individuals having total income not exceeding Rs. 7,00,000 can avail rebate of 25,000 or actual tax liability whichever is lower.

c) Rate of surcharge:

- 25% where specified income* exceeds Rs. 2 crore
- 15% where total income exceeds Rs. 1 crore but does not exceed Rs. 2 crore; and
- 10% where total income exceeds Rs 50 lakhs but does not exceed Rs. 1 crore.

In case of AOP, consisting of only companies as its members, the rate of surcharge not to exceed 15%.

*specified income – Total income excluding income by way of dividend on shares and short term capital gains in case of listed equity shares, equity oriented mutual fund units, units of business trust and long-term capital gains.

2. Securities Transaction Tax (STT)

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

Transaction	Rates	Payable by
Purchase/ Sale of equity shares (delivery based)	0.1%	Purchaser/ Seller
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 equity shares, units of business trust, units of equity oriented mutual fund (non-delivery based)	0.025%	Seller
→ → Sale of an option in securities	0.0625%	Seller
Sale of an option in securities, where option is exercised	0.125%	Purchaser
Sale of a futures in securities	0.0125%	Seller
Sale or surrender or redemption of a unit of an equity oriented fund to an insurance company, on maturity or partial withdrawal, with respect to unit linked insurance policy issued by such insurance company on or after the first day of February, 2021	0.001%	Seller
Sale of units of an equity oriented fund to the Mutual Fund	0.001%	Seller
Sale of unlisted equity shares and units of business trust under an initial offer	0.2%	Seller

3. Special rates for non-residents as per domestic provisions

(1) The following incomes in the case of non-resident are taxed at special rates on gross basis:

Transaction	Rates ^(a)
Dividend	20%
Interest received on loans given in foreign currency to Indian concern or Government of India (not being interest referred to in section 194LB or section 194LC)	20%
Income received in respect of units purchased in foreign currency of specified Mutual Funds / UTI	20%
Royalty or fees for technical services ^(b)	20%
Interest income from a notified infrastructure debt fund, specified loan agreement, specified long-term bonds, rupee denominated bonds(c) and business trust	20%
Interest on FCCB, Dividend on GDRs	10%

(a) These rates will be further increased by applicable surcharge and health and education cess.

(b) In case the non-resident has a Permanent Establishment (PE) in India and the royalty/ fees for technical services paid is effectively connected with such PE, the same is taxable at 40% (plus applicable surcharge and health and education cess) on net basis.

(2) Tax on non-resident sportsmen or sports association on specified income @20% plus applicable surcharge and health and education cess.

Risk Factors & Disclaimer

The above information is provided for basic guidance for investments in mutual funds and is based on provisions of the Income-tax Act, 1961, as amended by the Finance, Act, 2023. All rates and figures appearing are for illustrative purposes only. Tax benefits are subject to change in tax laws. Contents of this note have been drawn for informative purpose only and it is neither a complete disclosure of every material fact of Income-tax Act, 1961 nor does it constitute tax or legal advice. This is not an offer to sell or a solicitation to buy any mutual fund units / securities or to have business relations with Union Asset Management Company Private Limited (the AMC)/ Union Trustee Company Private Limited (the Trustee Company) or any of its associates. The above information is neither designed nor intended to be a substitute for professional tax advice. Investors should be aware that the fiscal rules/ tax laws may change and there can be no guarantee that the current tax position may continue indefinitely. In view of the individual nature of the tax consequences, Investors are requested to consult their own professional tax advisor before investing. The above information alone is not sufficient and should not be used for the development or implementation of an investment strategy. Investors alone shall be fully responsible / liable for any decision taken on the basis of the above information. The Sponsors/the AMC/ the Trustee Company/ their associates/ any person connected with it, do not warrant the completeness or accuracy of the information and disclaim all liabilities, losses and damages arising out of the use of this information. The Investors should rely on their own investigations and take their own professional advice.t

Kindly contact your tax consultants for more details.

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