

Tax Reckoner 2018-19

Snapshot of Tax rates specific to Mutual Funds

The rates are applicable for the financial year 2018-19 as per Finance Act, 2018

Taxation of Dividends

	Individual/ HUF	Domestic Company	NRI
Rate of Tax on Dividend (payable by investors)			
All schemes	NIL		

Rate of tax on distributed income (payable by the MF scheme)**			
Equity oriented schemes*	10% + 12% Surcharge + 4% Cess = 11.65%		
Money market or Liquid schemes / debt schemes (other than infrastructure debt fund)	25% + 12% Surcharge + 4% Cess	30% + 12% Surcharge + 4% Cess	25% + 12% Surcharge + 4% Cess
	= 29.12%	= 34.94%	= 29.12%
Infrastructure Debt Fund	25% + 12% Surcharge + 4% Cess	30% + 12% Surcharge + 4% Cess	5% + 12% Surcharge + 4% Cess
	= 29.12%	= 34.94%	= 5.82%

* Securities transaction tax (STT) shall be payable on equity oriented mutual funds schemes at the time of redemption/switch to the other schemes/sale of units.

** For the purpose of determining the tax payable by the scheme, the amount of distributed income has to be increased to such amount as would, after reduction of tax on such increased amount, be equal to the income distributed by the Mutual Fund. In other words, the amount payable to unit holders is to be grossed up for determining the tax payable and accordingly, the effective tax rate would be higher.

Taxation of Capital Gains

	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%*		
Short term capital	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	30% [^]	30% ^{^^} / 25% ^{^^^}	30% [^]

Tax Deducted at Source (Applicable only to NRI Investors)[§]		
	Short term capital gains [§]	Long term capital gains [§]
Equity oriented schemes	15%	10%*
Other than equity oriented schemes	30% [^]	10% [^] (for unlisted) & 20% [^] (for listed)

§ Surcharge at 15%, is applicable where income of Individual/HUF unit holders exceeds Rs. 1 crore. As per Finance Act, 2018, surcharge at 10% to be levied in case of individual/ HUF unit holders where income of such unit holders exceeds Rs. 50 lakhs but does not exceed Rs. 1 crore. Further, Health and Education Cess at 4% will apply on aggregate of tax and surcharge.

@ Surcharge at 7% is applicable where income of domestic corporate unit holders exceeds Rs 1 crore but does not exceed 10 crores and at 12% where income exceeds 10 crores. Further, Health and Education Cess at 4% will apply on aggregate of tax and surcharge.

Short term/ long term capital gain tax will be deducted at the time of redemption of units in case of NRI investors.

& After providing indexation.

* Without indexation. Further, in the case of Long Term Capital Gains if exceeds Rs. 1 Lakhs then it will be taxed @ 10% without Indexation.

^ Assuming the investor falls into highest tax bracket.

^^ This rate applies to companies other than companies engaged in manufacturing business who are taxed at lower rate subject to fulfillment of certain conditions.

^^^ If total turnover or gross receipts during the financial year 2017-18 does not exceed Rs. 250 crores.

Further, the domestic companies are subject to minimum alternate tax 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 in the absence of PAN subject to them providing specified information and documents.

Dividend Stripping: The loss due to sale of units in the schemes (where dividend is tax free) will not be available for setoff to the extent of tax free dividend declared; if units are: (A) bought within three months prior to the record date fixed for dividend declaration; and (B) sold within nine months after the record date fixed for dividend declaration. **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

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

Total Income Tax Rates	
Up to Rs. 250,000 ^{(a) (b)}	NIL
Rs. 250,001 to Rs. 500,000 ^{(d) (e)}	5%
Rs. 500,001 to Rs. 1,000,000 ^(d)	20%
Rs. 1,000,001 and above ^{(c) (d)}	30%

- In case of a resident individual of the age of 60 years or above but below 80 years, the basic exemption limit is Rs. 300,000.
- In case of a resident individual of age of 80 years or above, the basic exemption limit is Rs 500,000.
- Surcharge at 15%, is applicable where income exceeds Rs. 1 crore. Finance Act, 2017 provides for surcharge at 10% to be levied where income exceeds Rs 50 lakhs but does not exceed Rs. 1 crore. Marginal relief for such person is available.
- "Health and Education Cess" shall be levied at the rate of four per cent of income tax including surcharge wherever applicable, in cases (including persons resident in India and company other than a domestic company).
- There is a rebate of lower of actual tax liability or Rs. 2,500 (against earlier rebate of R. 5,000) in case of individuals having total income of less than Rs 3,50,000/-.

2. Securities Transaction Tax (STT)

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

Transaction	Rates	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

long term capital gains arising from transfer of long term capital assets, being equity shares of a company or an unit of equity oriented fund or an unit of business trusts, is exempt from income-tax under clause (38) of section 10 of the Act. However, transactions in such long term capital assets carried out on a recognized stock exchange are liable to securities transaction tax (STT).

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

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

Transaction	Rates ^(a)
Dividend ^(b)	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 ^(c)	10%
Interest income from a notified infrastructure debt fund, specified loan agreement, specified long-term bonds and rupee denominated bonds	5%
Interest on FCCB, Dividend on GDRs ^(b)	10%

- These rates will further increase by applicable surcharge and education cess.
 - Other than dividends on which DDT has been paid.
 - 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 education cess) on net basis.
- Tax on non-resident sportsmen or sports association on specified income @ 20% plus applicable surcharge and Health and education cess.

4. Capital Gains rates applicable to unit holders as per domestic provisions

Transaction	Short-term capital gains ^(a)	Long-term capital gains ^{(a) (b)}
Sale transactions of equity shares/ unit of an equity oriented fund which attract STT	15%	10%*
Sale transaction other than mentioned above:		
Individuals (resident and non-residents) rates	Progressive slab	20% / 10% ^(c)
Firms	30%	
Resident companies	30% ^(d) /25% ^(e)	
Overseas financial organizations specified in section 115AB	40% (corporate) 30% (non corporate)	10%
FIs	30%	10%
Foreign companies other than ones mentioned above	40%	20% / 10% ^(c)
Local authority	30%	20% / 10%
Co-operative society rates	Progressive slab	

* Section 112A in the Finance Act 2018 to provide that 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 per cent. of such capital gains exceeding one lakh rupees. This concessional rate of 10 per cent. will be applicable to such long term capital gains, if-

- in a case where long term capital asset is in the nature of an equity share in a company, securities transaction tax has been paid on both acquisition and transfer of such capital asset; and
 - in a case where long term capital asset is in the nature of a unit of an equity oriented fund or a unit of a business trust, securities transaction tax has been paid on transfer of such capital asset.
- These rates will further increase by applicable surcharge & Health and Education Cess.
 - Indexation benefit wherever applicable.
 - Long term capital gains arising to a non-resident from transfer of unlisted securities or shares of a company, not being a company in which the public are substantially interested, subject to 10 per cent tax (without benefit of indexation and foreign currency fluctuation).
 - This rate applies to companies other than companies engaged in manufacturing business who are to be taxed at lower rate subject to fulfillment of certain conditions.
 - If total turnover or gross receipts of the financial year 2017-18 does not exceed 250 crore rupees and in all other cases the rate of Income-tax shall be thirty per cent. of the total income. In the case of company other than domestic company, the rates of tax are the same as those specified for the financial year 2017-18. Surcharge at the rate of seven per cent. shall continue to be levied in case of a domestic company if the total income of the domestic company exceeds one crore rupees but does not exceed ten crore rupees. Surcharge at the rate of twelve per cent. shall continue to be levied if the total income of the domestic company exceeds ten crore rupees. In case of companies other than domestic companies, the existing surcharge of two per cent. shall continue to be levied if the total income exceeds one crore rupees but does not exceed ten crore rupees. Surcharge at the rate of five per cent. shall continue to be levied if the total income of the company other than domestic company exceeds ten crore rupees. However, the total amount payable as income-tax and surcharge on total income exceeding one crore rupees but not exceeding ten crore rupees, shall not exceed the total amount payable as income-tax on a total income of one crore rupees, by more than the amount of income that exceeds one crore rupees. The total amount payable as income-tax and surcharge on total income exceeding ten crore rupees, shall not exceed the total amount payable as income-tax and surcharge on a total income of ten crore rupees, by more than the amount of income that exceeds ten crore rupees.
 - 100% tax exemption is given in case of Co-operative Society.

5. Dividend distribution tax on dividend payouts to unit holders in an equity oriented fund

The existing provisions of section 115R, inter alia, provide any amount of income distributed by the specified company or a Mutual Fund to its unit holders shall be chargeable to tax and such specified company or Mutual Fund shall be liable to pay additional income-tax on such distributed income at the rate specified in the section. However, in respect of any income distributed to a unit holder of equity oriented funds is not chargeable to tax under the said section. With a view to providing a level playing field between growth oriented funds and dividend paying funds, in the wake of new capital gains tax regime for unit holders of equity oriented funds, it is proposed to amend the said section to provide that where any income is distributed by a Mutual Fund being, an equity oriented fund, the mutual fund shall be liable to pay additional income tax at the rate of 10% on income so distributed. For this purpose, equity oriented fund will have the same meaning assigned to it in the new section 112A of the Act.

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