Tax Rates Specific to Mutual Funds

The rates are applicable for the financial year 2024-25 as per Finance Act, 2024.

Tax Implications on Income distribution under Income Distribution cum Capital Withdrawal(IDCW) Option received by Unit holders.

Pursuant to SEBI circular no. SEBI/HO/IMD/DF3/CIR/P/2020/194 dated October 05, 2020, there was a change in nomenclature of Dividend to Income Distribution cum Capital Withdrawal(IDCW) available across all the plans offered by the schemes of the Fund with effect from April 01, 2021.The Finance Act, 2020 abolished income distribution tax and instead introduced taxing of income from mutual fund units in the hands of the unit holders.

Income Distributed by a Mutual Fund			
IDCW	**Individual/HUF**	**Domestic Companies**	**NRI**
Equity oriented schemes	At applicable slab rates~	30%^^/25%^^^/22%^^^^/15%^^^^^	At applicable slab rates~
Other than Equity oriented schemes	At applicable slab rates~	30%^^/25%^^^/22%^^^^/15%^^^^^	At applicable slab rates~
~ Kindly refer Income Tax rates for the applicable rates in case of individuals.			

Further, tax needs to be deducted at source as detailed below:

Type of Investor	Withholding Tax rate	Section
Resident@	10%*	194K
NRI/FPI	20% or rate as per applicable tax treaty*** (whichever is lower)	196A***/196D****

* Tax not deductible if income in respect of units of a mutual fund is below ₹ 5,000 in a financial year.However, on account of practical difficulties involved due to unique nature of mutual fund investments and different schemes involved, Sundaram Mutual Fund shall deduct TDS from each dividend declared once it exceeds Rs. 4,000 threshold benefit on cumulative basis in a Financial year (Consolidate on PAN basis). In case the total TDS exceeds the actual tax liability of any investor, he/she can claim a refund while filing income-tax return.

TDS will not be deducted in the following cases

- The resident individual (not being a company or firm) can submit Form No. 15G to Mutual Fund for non-deduction of TDS under section 194K of the Act provided that the tax on his estimated total income (including such income received from Mutual Fund) of the financial year is NIL and the aggregate income shall not exceed the maximum amount which is not chargeable to tax.
- Form 15H to be submitted by a resident individual (aged 60 years or more) for non-deduction of TDS under section 194K of the Act provided that the tax on his estimated total income (including such income received from Mutual Fund) of the financial year is NIL.
- Certificate from ITO for lower deduction/NIL deduction of TDS under section 197,
- Entities falling under Circular 18/2017 dated 29th May 2017.

The Form 15G or Form 15H or Certificate from ITO should be submitted on an annual basis at the start of the financial year at any of the Official Points of Acceptance of Sundaram Mutual Branch or customer care center of KFin Technologies Pvt Ltd.

It may be noted that exemption from tax deduction will be granted only from the date of receipt of Form15G or Form 15H or Certificate from ITO and any tax deducted and remitted to the government on or before that date cannot be refunded under any circumstances.

Fresh Form 15G or Form 15H to be submitted again when there is a change in the estimated total income already declared, even though the investors might have already furnished the forms for the current financial year.

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

- 37% on base tax where total income exceeds ₹ 5 crore;
- 25% where total 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
- In case investor is opting for 'New Regime' as mentioned on page 3, 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 the provisions of section 196D of the Act which is specifically applicable in case of FPI/FII, the withholding tax rate of 20% (plus applicable surcharge and cess) on any income in respect of securities referred to in section 115AD(1)(a) credited / paid to FII shall apply. The Finance Act, 2021 inserted a proviso to section 196D(1) of the Act to grant relevant tax treaty benefits with effect from 1 April 2021 at the time of withholding tax on income with respect to securities of FPIs, subject to furnishing of tax residency certificate and such other documents as may be required. As per section 196D(2) of the Act, no TDS shall be made in respect of income by way of capital gain arising from the transfer of securities referred to in section 115AD of the Act.

@ **Non linking of PAN with Aadhaar -** 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 or as extended by Govt., 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. For linking PAN with Aadhaar after 31 March 2022, fees Rs. 500 till 30 June 2022 and Rs. 1,000 till 31 March 2023 has been prescribed.

Captal Gain Taxation			
	Individual/HUF	Domestic Company	NRI
Equity Oriented schemes			
Long Term Capital gain ((Units held for more than 12 months)	12.5%**###	12.5%**###	12.5%**###
Short Term Capital Gains (Units held for 12 months or less)	20%&	20%&	20%&

** - On LTCG amount exceeding Rs. 1,25,000; ###- 10% for transfer that takes place before 23.07.2024; &-15% if the transfer takes place before 23.07.2024

Other than equity oriented schemes (otherthan specified mutual fund schemes)			
Long Term Capital gain **a)** Units held for more than 36 months – If transferred before 23 July, 2024, **b)** More than 12 months for listed units and 24 months for unlisted units – If transferred on or after 23 July, 2024	12.5%@@(without indexation)	12.5%@@(without indexation)	Listed – 12.5%@@ (without indexation) Unlisted – 12.5%$$$ (without indexation)
Short Term Capital Gains **a)** Units held for less than or equal to 36 months – If transferred before 23 July, 2024, **b)** Less than or equal to 12 months for listed units and 24 months for unlisted units – If transferred on or after 23 July, 2024)	30%^	30%^^/25%^^^/22%^^^^/ 15%^^^^^	30%^

Specified Mutual Fund$$ Other than Equity Oriented Schemes			
Short Term Capital Gains	30%^	30%^^/25%^^^/22%^^^^/ 15%^^^^^	30%^

Tax Deducted at Source (Applicable only to NRI Investors)		
	Short term capital gains	Long term capital gains
Equity Oriented Scheme	20%&	12.5%**###
Other than Specified Mutual Funds & other than Equity Oriented Schemes	30%	Listed – 12.5%@@ Unlisted – 12.5%$$$
Specified Mutual Fund Other than Equity Oriented Schemes	30%	

$ 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' 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.

$$ As per amendment to Finance Bill, 2023 gains arising on transfer, redemption or maturity of specified mutual funds acquired on or after 1 April 2023 will deemed to be 'short-term capital gains' (regardless of the period of holding). 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. The definition of the "specified mutual fund" is proposed to be amended from FY 2025-26 as **(a)** Mutual fund which invests more than 65 per cent of its total proceeds in debt and money market instruments; or **(b)** a fund which invests 65 per cent or more of its total proceeds in units of a fund referred to in above sub-clause (a).

@ Surcharge at the rate of 7% is levied for domestic corporate unit holders where the income exceeds ₹ 1 crore but less than ₹ 10 crores and at the rate of 12%, where income exceeds ₹ 10 crores. However, Taxation Laws (Amendment) Ordinance, 2019 provides for surcharge at flat rate of 10 percent on base tax for the companies opting for lower rate of tax of 22%/15%.

Short term/ long term capital gain tax (along with applicable Surcharge and "Health and Education Cess") will be deducted at the time of redemption/switches of units in case of NRI investors only. Tax treaty benefit can be claimed for withholding tax on capital gains subject to fulfillment of stipulated conditions.

The base year for indexation purpose has been shifted from 1981 to 2001 to calculate the cost of acquisition or to take fair market value of the asset as on that date. Further, it provides that cost of acquisition of an asset acquired before 1 April 2001 shall be allowed to be taken as fair market value as on 1 April 2001.

^ 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 2020-21 does not exceed ₹ 400 crores.

^^^^ This lower rate is optional and subject to fulfillment of certain conditions as provided in section 115BAA.

^^^^^ This lower rate is optional for companies engaged in manufacturing business (set-up & registered on or after 1 October 2019) subject to fulfillment of certain conditions as provided in section 115BAB.

+ Securities Transaction Tax (STT) will be deducted on equity oriented funds at the time of redemption / switch to other schemes / sale of units.

@@ At the rate of 20% (with indexation) if transfer takes place before 23.07.2024.

$$$ At the rate of 10% (without indexation) if transfer takes place before 23.07.2024.

Further, Minimum Alternate Tax (MAT) applicable to domestic companies (except for those who opt for lower rate of tax of 22%/15%) are not considered in the above tax rates.

Special provision for deduction of tax at source for non-filers of income-tax return -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) 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.

Merger: 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. The Finance Act, 2016 provides tax exemption to unit holders vis-à-vis transfer of units upon consolidation of the plans within a scheme of mutual fund in accordance with SEBI (Mutual Funds) Regulations, 1996

General Anti Avoidance Rule ('GAAR'): GAAR provisions are applicable w.e.f. 1 April, 2017. The objective is to deny tax benefits to an arrangement which has been entered into with the main purpose of obtaining tax benefits and which lacks commercial substance or creates rights and obligations which are not at arm's length principle or results in misuse of tax law provisions or is carried out by means or in a manner which are not ordinarily employed for bona fide purposes. The over-arching principal of GAAR provisions is "substance over form".

The tax rates provided above are for general information only. Investors are advised to seek the opinion of their tax consultant.

1. **Rates of Income Tax-**

Option A - Old tax Regime as per Part 1 of First Schedule

The same are the rates in case of individuals (other than senior citizens) or HUF or AOP or BOI, whether incorporated or not, or every artificial juridical person-

Total Income	Tax Rates
₹ 0 – Rs. 2,50,000	--
₹ 2,50,001 – Rs. 5,00,000	5%
₹ 5,00,001 – Rs. 10,00,000	20%
₹ 10,00,001 and above	30%

(a) In the 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) 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%.

** *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.*

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

(e) Individuals having total income not exceeding ₹ 500,000 can avail rebate of lower of actual tax liability or ₹ 12,500.

Option B – New Tax Regime under Section 115BAC(1A)(ii)

The New Tax Regime is as follows-

Total Income	Tax rates
₹ 0 to Rs. 3,00,000	--
₹ 3,00,000 – Rs. 7,00,000	5%
₹ 7,00,001 – Rs. 10,00,000	10%
₹ 10,00,001 – Rs. 12,00,000	15%
₹ 12,00,001 – Rs. 15,00,000	20%
₹ 15,00,001 and above	30%

a) Under New Regime, most of the deductions/exemptions such as most of deductions/exemptions such as LTA 10(5), HRA 10(13A), sections 80C/80D etc. are to be forgone. However, standard deduction of ₹ 75,000 (as opposed to the existing ₹ 50,000) against salary income is allowed under New Regime. Vide Finance Act 2024, the new regime of taxation would be the default tax regime and the assessee has an option to withdraw from the said regime.

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.*

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

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	0.1%	Purchaser / Seller
Purchase of units of equity oriented mutual fund (delivery based)	Nil	Purchaser
Sale of units of equity oriented mutual fund (delivery based)	0.001%	Seller
Sale of equity shares, units of equity oriented mutual fund (non-delivery based)	0.025%	Seller
Sale of an option in securities where option is not exercised (w.e.f 01/10/2024)	0.1%	Seller
Sale of an option in securities, where option is exercised	0.125%	Purchaser
Sale of a futures in securities (w.e.f 01/10/2024)	0.02%	Seller
Sale of unit 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. **Taxability of segregated portfolios of a mutual fund scheme**

The Finance Act, 2020 has rationalized capital gains taxability in relation to mutual fund portfolio segregation as per SEBI regulations as follows: -
- The period of holding for units in the segregated portfolio to be reckoned from the period for which the original units in the main portfolio were held by the taxpayer.
- Acquisition cost of units in segregated portfolio to be proportionate to the NAV of assets transferred to the segregated portfolio to the NAV of the total portfolio immediately before the segregation. The cost of acquisition of the original units in the main portfolio to be reduced by the acquisition cost of units in the segregated portfolio.

4. **Stamp Duty**

Pursuant to Notification No. S.O. 1226(E) and G.S.R. 226(E) dated March 30, 2020 issued by Department of Revenue, Ministry of Finance, Government of India, read with Part I of Chapter IV of The Finance Act, 2019, notified on February 21, 2019 issued by Legislative Department, Ministry of Law and Justice, Government of India, with effect from July 1, 2020, mutual fund units issued against Purchase transactions (whether through lump-sum investments or SIP or STP or switch-ins or dividend reinvestment) would be subject to levy of stamp duty @ 0.005% of the amount invested. Transfer of mutual fund units (such as transfers between demat accounts) are subject to payment of stamp duty @ 0.015%. Accordingly, pursuant to levy of stamp duty, the number of units allotted on purchase transactions (including dividend reinvestment and switch-in) to the Unit holders would be reduced to that extent. The Stamp duty should be considered for the purpose of cost of the investments while calculating capital gains.