

Snapshot of Income-tax rates specific to Mutual Funds

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

Income-tax implications on income in respect of units of 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 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.

*** The income distributed by mutual fund to unitholders is unlikely to fall within the definition of dividend under the tax treaty. Given this and the language of the newly inserted proviso to section 196A, claiming tax treaty benefit in respect of income distributed by mutual fund to unitholders for withholding tax purpose may not be possible.

**** 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. For linking PAN with Aadhaar after 30 June 2022, fees of Rs. 1000 thereafter has been prescribed.

CAPITAL GAINS TAXATION

| | Individual/ HUF [§] | Domestic Company [@] | NRI [§] |
|---|------------------------------|--|--|
| Equity Oriented Schemes (minimum of 65 percent of the total proceeds of such fund is invested in the listed equity shares of domestic companies) | | | |
| • 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 (Not applicable for specified mutual fund schemes – Note 1) | 20% [§] | 20% [§] | Listed - 20% [§] Unlisted - 10% ^{***} |
| Short term capital gains - (Including specified mutual fund schemes – Note 1) | 30% [^] | 30%/25% ^{^^} /22% ^{^^^} /15% ^{^^^^} | 30% [^] |

Tax deductible at source under the Act (Applicable to NRI Investors) [#]

| | Short term capital gains [§] | Long term capital gains [§] |
|---|---------------------------------------|---|
| Equity oriented schemes | 15% | 10%* |
| Other than equity oriented schemes (except specified mutual fund schemes) | 30% [^] | 10% ^{***} (for unlisted) & 20% [§] (for listed) |
| Specified mutual fund schemes - Note 1 | 30% [^] | Not applicable |

Note 1 - Capital gains from transfer of units of "specified mutual fund schemes" acquired on or after 1st April 2023 are treated as short term capital gains taxable at applicable slab rates as provided above irrespective of the period of holding of such mutual fund units. For this purpose, "specified mutual fund" means mutual fund where not more than 35 per cent of its total proceeds is invested in the equity shares of domestic companies.

* 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 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 3, 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.

@ 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 for 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.

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.

^ 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 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.

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

Further, the domestic companies are subject to minimum alternate tax (except for those who opt for lower rate of tax of 22%/15%) 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

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

(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) (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 aforesaid regime is optional. Accordingly, 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) | 10% |
| Interest income from a notified infrastructure debt fund, specified loan agreement, specified long-term bonds, rupee denominated bonds(c) and business trust | 5% |
| 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.

(c) Interest payable to a non-resident in respect of monies borrowed by any Indian company or business trust from a source outside India by way of issue of rupee denominated bond during the period 17 September 2018 to 31 March 2019 is exempt from tax.

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

4. Capital Gains

| 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 transactions of units of specified mutual fund acquired on or after 1st April 2023 | Slab rates as mentioned below | NA |
| Sale transaction other than mentioned above: | | |
| Individuals (resident and non-residents) | Progressive slab rates | 20% / 10% ^{(b) (c)} |
| Firms | 30% | |
| Resident companies | 30% /25% ^(d) /22% ^(e) /15% ^(f) | |
| Overseas financial organizations specified in section115AB | 40% (corporate) 30% (non corporate) | 10% |
| FPIs | 30% | 10% |
| Foreign companies other than ones mentioned above | 40% | 20% / 10% ^(c) |
| Local authority | 30% | 20% / 10% |
| Co-operative society rates | Progressive slab or 22% ^(g) / 15% ^(h) | |

* Income-tax at the rate of 10% to be levied on long-term capital gains exceeding Rs. 1 lakh (without indexation benefit and foreign exchange fluctuation).

(a) These rates will further increase by applicable surcharge & health and education cess.

(b) Income-tax rate of 20% with indexation and 10% without indexation.

(c) 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).

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

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

(f) 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.

(g) Co-operative societies have the option to be taxed at progressive slab rates or 22% subject to fulfillment of certain conditions as provided in section 115BAD.

(h) This lower rate is optional for co-operative societies engaged in manufacturing or production business (set-up & registered on or after 1 April 2023) subject to fulfillment of certain conditions as provided in section 115BAE.

5. Personal Income-tax Scenario

| Individual | Total Income | | | | | | | | |
|--|--------------|----------|----------|-----------|-----------|-----------|------------|-----------------|-----------------|
| | 475,000 | 675,000 | 825,000 | 1,000,000 | 1,500,000 | 5,650,000 | 11,150,000 | 21,150,000 # | 51,150,000 # |
| Tax in FY 2023-24 (Old Regime)* | NIL*** | 18,200 | 49,400 | 85,800 | 226,200 | 1,673,100 | 3,722,550 | 7,946,250 | 21,532,290 |
| Tax in FY 2023-24 (New Regime)** | NIL*** | NIL*** | 39,000 | 62,400 | 156,000 | 1,595,880 | 3,641,820 | 7,858,500 | 19,558,500 |
| Additional Tax burden/ (Savings) in New Regime | - | (18,200) | (10,400) | (23,400) | (70,200) | (77,220) | (80,730) | (87,750) | (1,973,790) |
| Additional Tax burden/ (Savings) (%) in New Regime | - | (100%) | (21.05%) | (27.27%) | (31.03%) | (4.62%) | (2.17%) | (1.10%) | (9.17%) |

| Resident senior citizen (age of 60 years but below 80 years) | Total Income | | | | | | | | |
|--|--------------|----------|----------|-----------|-----------|-----------|------------|-----------------|-----------------|
| | 475,000 | 675,000 | 825,000 | 1,000,000 | 1,500,000 | 5,650,000 | 11,150,000 | 21,150,000 # | 51,150,000 # |
| Tax in FY 2023-24 (Old regime)* | NIL*** | 15,600 | 46,800 | 83,200 | 223,600 | 1,670,240 | 3,719,560 | 7,943,000 | 21,528,728 |
| Tax in FY 2023-24 (New Regime)** | NIL*** | NIL*** | 39,000 | 62,400 | 156,000 | 1,595,880 | 3,641,820 | 7,858,500 | 19,558,500 |
| Additional Tax burden/ (Savings) in New Regime | - | (15,600) | (7,800) | (20,800) | (67,600) | (74,360) | (77,740) | (84,500) | (1,970,228) |
| Additional Tax burden/ (Savings) (%) in New Regime | - | (100%) | (16.67%) | (25.00%) | (30.23%) | (4.45%) | (2.09%) | (1.06%) | (9.15%) |

| Resident senior citizen (age 80 years and above) | Total Income | | | | | | | | |
|--|--------------|---------|---------|-----------|-----------|-----------|------------|-----------------|-----------------|
| | 475,000 | 675,000 | 825,000 | 1,000,000 | 1,500,000 | 5,650,000 | 11,150,000 | 21,150,000 # | 51,150,000 # |
| Tax in FY 2023-24 (Old Regime)* | NIL | 5200 | 36,400 | 72,800 | 213,200 | 1,658,800 | 3,707,600 | 7,930,000 | 21,514,480 |
| Tax in FY 2023-24 (New Regime)** | NIL | NIL*** | 39,000 | 62,400 | 156,000 | 1,595,880 | 3,641,820 | 7,858,500 | 19,558,500 |
| Additional Tax burden/ (Savings) in New Regime | - | (5200) | 2600 | (10,400) | (57,200) | (62,920) | (65,780) | (71,500) | (1,955,980) |
| Additional Tax burden/ (Savings) (%) in New Regime | - | (100%) | 7.14% | (14.29%) | (26.83%) | (3.79%) | (1.77%) | (0.90%) | (9.09%) |

* For purpose of tax calculation under Old Regime, ad hoc deduction of INR 150,000 has been claimed. The ad hoc deduction is only illustrative in nature. Basis actual deduction, the tax amount will vary.

** For purpose of tax calculation under New Regime, no exemption/ deductions have been claimed and it has been proposed that enhanced surcharge of 37% should not apply.

*** NIL tax on account of rebate under section 87A.

If the said taxable income includes 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, then enhanced surcharge of 37% and 25% would not be applicable and accordingly effective tax rate would be lower.

Disclaimer: The information set out above is included for general information purposes only and does not constitute legal or tax advice. In view of the individual nature of the tax consequences, each investor is advised to consult his or her own tax consultant with respect to specific tax implications arising out of their participation in the Scheme. Income Tax benefits to the mutual fund & to the unit holder is in accordance with the prevailing tax laws as certified by the mutual funds tax consultant. Any action taken by you on the basis of the information contained herein is your responsibility alone. Tata Mutual Fund will not be liable in any manner for the consequences of such action taken by you. The information contained herein is not intended as an offer or solicitation for the purchase and sales of any schemes of Tata Mutual Fund.