



INSTA RECKONER FOR MF TAXATION

TAX RATES FOR MUTUAL FUND INVESTORS AS PER THE INCOME TAX ACT, 1961** (refer Notes below)

(Applicable for the financial year 2023-24)



Tax Implications on distributed income (hereinafter referred to as either 'dividend' or 'capital gains') by Mutual Funds to be received by Unit holders

EQUITY ORIENTED FUNDS (Subject to STT ³)						
Type of Investor ¹	Capital Gains Tax ⁹		Dividend Income [#]	Tax on Distributed Income [#]	TDS on Capital Gains ⁶	TDS on Dividend Income [#]
	Short Term	Long Term ¹²				
Resident Individual / HUF / AOP / BOI	15% + Surcharge as applicable ⁷ + 4% Cess	10% ⁵ + Surcharge as applicable ⁷ + 4% Cess	As per slab rates	NIL	NIL	10% ^{8/6} (if dividend income exceeds INR 5,000 in a financial year)
Resident Partnership Firms	15% + Surcharge as applicable ⁷ + 4% Cess	10% ⁵ + Surcharge as applicable ⁷ + 4% Cess	30% + Surcharge as applicable ⁷ + 4% Cess	NIL	NIL	10% ^{8/6} (if dividend income exceeds INR 5,000 in a financial year)
Domestic Companies	15% + Surcharge as applicable ⁷ + 4% Cess	10% ⁵ + Surcharge as applicable ⁷ + 4% Cess	As per applicable rates ¹¹	NIL	NIL	10% ^{8/6} (if dividend income exceeds INR 5,000 in a financial year)
NRIs	15% + Surcharge as applicable ⁷ + 4% Cess	10% ⁵ + Surcharge as applicable ⁷ + 4% Cess	As per slab rates	NIL	STCG – 15% ⁴ + Surcharge as applicable ⁷ + 4% Cess LTCG – 10% ^{5/4/12} + Surcharge as applicable ⁷ + 4% Cess	20% ² + Surcharge as applicable ⁷ + 4% Cess
Foreign Companies	15% + Surcharge as applicable ⁷ + 4% Cess	10% ⁵ + Surcharge as applicable ⁷ + 4% Cess	20% + Surcharge as applicable ⁷ + 4% Cess	NIL	STCG – 15% ⁴ + Surcharge as applicable ⁷ + 4% Cess LTCG – 10% ^{5/4/12} + Surcharge as applicable ⁷ + 4% Cess	20% ² + Surcharge as applicable ⁷ + 4% Cess
FPIs	15% + Surcharge as applicable ⁷ + 4% Cess	10% ⁵ + Surcharge as applicable ⁷ + 4% Cess	20% + Surcharge as applicable ⁷ + 4% Cess	NIL	NIL ¹³	20% ¹⁴ + Surcharge as applicable ⁷ + 4% Cess

OTHER THAN EQUITY ORIENTED FUNDS (<35% in equity share of domestic companies)

(As per section 50AA of the Act – where the capital asset is unit of a Specified Mutual Fund acquired on or after 1 April 2023 or a Market linked debenture)

Type of Investor ¹	Capital Gains Tax ¹⁰		Dividend Income [#]	Tax on Distributed Income [#]	TDS on Capital Gains ⁶	TDS on Dividend Income [#]
	Short Term					
Resident Individual / HUF / AOP / BOI	As per slab rates		As per slab rates	NIL	NIL	10% ^{8/6} (if dividend income exceeds INR 5,000 in a financial year)
Resident Partnership Firms	30%+ Surcharge as applicable ⁷ + 4% Cess		30%+ Surcharge as applicable ⁷ + 4% Cess	NIL	NIL	10% ^{8/6} (if dividend income exceeds INR 5,000 in a financial year)
Domestic Companies	As per applicable rates ¹¹		As per applicable rates ¹¹	NIL	NIL	10% ^{8/6} (if dividend income exceeds INR 5,000 in a financial year)
NRIs	As per slab rates		As per slab rates	NIL	STCG – As per slab rates ⁴	20% ² + Surcharge as applicable ⁷ + 4% Cess
Foreign Companies	40%+ Surcharge as applicable ⁷ + 4% Cess		20% + Surcharge as applicable ⁷ + 4% Cess	NIL	STCG – 40% ⁴ + Surcharge as applicable ⁷ + 4% Cess	20% ² + Surcharge as applicable ⁷ + 4% Cess
FPIs	30%+ Surcharge as applicable ⁷ + 4% Cess		20% + Surcharge as applicable ⁷ + 4% Cess	NIL	NIL ¹³	20% ¹⁴ + Surcharge as applicable ⁷ + 4% Cess

OTHER THAN EQUITY ORIENTED FUNDS (with Equity allocation between 35-65% of its total proceeds)

(As per section 50AA of the Act – where the capital asset is unit of a Specified Mutual Fund acquired on or after 1 April 2023 or a Market linked debenture)

Type of Investor ¹	Capital Gains Tax ¹⁰		Dividend Income [#]	Tax on Distributed Income [#]	TDS on Capital Gains ⁶	TDS on Dividend Income [#]
	Short Term	Long Term [%]				
Resident Individual / HUF / AOP / BOI	As per slab rates	Listed - 20%*+ Surcharge as applicable ⁷ + 4% Cess Unlisted - 20%*+ Surcharge as applicable ⁷ + 4% Cess	As per slab rates	NIL	NIL	10% ^{8/6} (if dividend income exceeds INR 5,000 in a financial year)
Resident Partnership Firms	30%+ Surcharge as applicable ⁷ + 4% Cess	Listed - 20%*+ Surcharge as applicable ⁷ + 4% Cess Unlisted - 20%*+ Surcharge as applicable ⁷ + 4% Cess	30%+ Surcharge as applicable ⁷ + 4% Cess	NIL	NIL	10% ^{8/6} (if dividend income exceeds INR 5,000 in a financial year)
Domestic Companies	As per applicable rates ¹¹	Listed - 20%*+ Surcharge as applicable ⁷ + 4% Cess Unlisted - 20%*+ Surcharge as applicable ⁷ + 4% Cess	As per applicable rates ¹¹	NIL	NIL	10% ^{8/6} (if dividend income exceeds INR 5,000 in a financial year)
NRIs	As per slab rates	Listed - 20%*+ Surcharge as applicable ⁷ + 4% Cess Unlisted - 10% ^{5/15} + Surcharge as applicable ⁷ + 4% Cess	As per slab rates	NIL	STCG – As per slab rates ⁴ LTCG - 20%* ⁴ + Surcharge as applicable ⁷ + 4% Cess (Listed Units) 10% ^{5/15} + Surcharge as applicable ⁷ + 4% Cess (Unlisted Units)	20% ² + Surcharge as applicable ⁷ + 4% Cess
Foreign Companies	40%+ Surcharge as applicable ⁷ + 4% Cess	Listed - 20%*+ Surcharge as applicable ⁷ + 4% Cess Unlisted - 10% ^{5/15} + Surcharge as applicable ⁷ + 4% Cess	20% + Surcharge as applicable ⁷ + 4% Cess	NIL	STCG – 40% ⁴ + Surcharge as applicable ⁷ + 4% Cess LTCG - 20%* ⁴ + Surcharge as applicable ⁷ + 4% Cess (Listed Units) 10% ^{5/15} + Surcharge as applicable ⁷ + 4% Cess (Unlisted Units)	20% ² + Surcharge as applicable ⁷ + 4% Cess
FPIs	30%+ Surcharge as applicable ⁷ + 4% Cess	Listed - 10% ^{5/15} + Surcharge as applicable ⁷ + 4% Cess Unlisted - 10% ^{5/15} + Surcharge as applicable ⁷ + 4% Cess	20% + Surcharge as applicable ⁷ + 4% Cess	NIL	NIL ¹³	20% ¹⁴ + Surcharge as applicable ⁷ + 4% Cess

#The levy of dividend distribution tax (DDT) on distributed income from units by Mutual Funds and dividend on shares was abolished w.e.f. April 1, 2020. Consequently, old regime of taxation of dividend in the hands of shareholders / unitholders shall be revived. Also, the levy of additional tax of 10% (plus applicable surcharge & health and education cess) on all resident tax payers, excluding domestic companies and other specified entities on dividend income of more than INR 10,00,000 p.a. received from a domestic company or companies has been abolished.

¹It is assumed that the mutual fund units are held as capital assets by the investors * With indexation \$ Without indexation ^ Without foreign currency fluctuation benefits

²As per the provisions of section 196A which is specifically applicable in case of non-resident unitholders, the withholding tax rate of 20% (plus applicable surcharge and cess) on any income in respect of units of a Mutual Fund credited / paid to non-resident unitholders shall apply. As per amendment made vide Finance Act 2023, the withholding tax would be lower of the rate of 20% (plus applicable surcharge and cess) or rates provided in the tax treaty. The non-resident unitholders have to provide the required documents for claiming the benefit of tax treaty. For the purpose of withholding tax obligations, taxes will be withheld as per the provisions of the Income-tax Act, 1961 (without applying tax treaty rates). The NRI's can claim the benefit of tax treaty while filing the return of income.

³Securities Transaction Tax ('STT') is applicable only in respect of sale of units of Equity-oriented funds ('EOFs') on a recognized stock exchange and redemption of EOFs by the mutual fund. Purchase / sale / redemption of units other than EOFs are not subject to STT.

⁴Short term/ long term capital gain tax will be deducted at the time of redemption of units in case of NRI investors only. However, the Finance Act, 2023 now provides withholding tax would be lower of the rate of 20% (plus applicable surcharge and cess) or rates provided in the tax treaty on any income in respect of units of mutual fund in case of non-residents as per section 196A of the Act. The non-resident unitholders have to provide the required documents for claiming the benefit of tax treaty. For the purpose of withholding tax obligations, taxes will be withheld as per the provisions of the Income-tax Act, 1961 (without applying tax treaty rates). The NRI's can claim the benefit of tax treaty while filing the return of income.

⁵As per section 112 of the Act, 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 and second provision to section 48 i.e. without taking benefit of foreign currency fluctuation and indexation benefit.

⁶The Taxation and Other Laws (Relaxation and Amendment of Certain Provisions) Act, 2020 inserted a new section 197B w.e.f. 14 May 2020 to provide that TDS rates on the amount paid or credited to residents during the period from 14th May, 2020 to 31st March, 2021 has been reduced by 25%. The same shall be deducted at the reduced TDS rate of 7.5% (instead of 10%) on payment under section 194K. It is also clarified that there shall be no reduction in rates of TDS, where the tax is required to be deducted at higher rate due to non-furnishing of PAN / Aadhaar.

⁷Surcharge Rate as a percentage of Income-tax

Type of Investor	Income < 50 Lac	Income > 50 Lac but <= 1 Cr	Income > 1 Cr but <= 2 Cr	Income > 2 Cr but <= 5 Cr	Income > 5 Cr
All Individual, HUF, AOP (other than FPIs)	NIL	10%	15%	25% ^{&}	37% ^{&}
	Income < 1 Cr	Income >1Cr but <= 10 Cr	Income > 10 Cr		
Partnership firm (Domestic & Foreign)	NIL	12%	12%	-	-
Domestic Company	NIL	7%	12%	-	-
Domestic Company (opting for new tax regime)	10%	10%	10%	-	-
Foreign Company	NIL	2%	5%	-	-

[&]The higher rate of surcharge i.e. 25% and 37% should not be applicable on income by way of dividend+ or capital gains on securities covered u/s 111A, 112 and 112A. Further, the surcharge will be capped to 25% under new tax regime.

^{*}Income distribution by mutual fund is technically not regarded as dividend

⁸Section 194K provides for withholding tax of 10% on any income (excluding the income in the nature of capital gains) exceeding INR 5,000 in aggregate for the financial year in respect of units of mutual fund in case of residents.

⁹ Capital gains arising on the transfer or redemption of equity-oriented units held for a period of more than 12 months, immediately preceding the date of transfer, should be regarded as 'long-term capital gains'.

¹⁰ Capital gains arising on transfer or redemption of other than equity-oriented units should be regarded as long-term capital gains, if such units are held for a period of more than 36 months immediately preceding the date of such transfer.

¹¹ For Domestic Companies, basic income tax rate is 30%.

However, tax shall be levied at 25% for the financial year 2023-24, if the total turnover or gross receipts of the financial year 2021 -22 does not exceed INR 400 crores.

Further, the corporate tax rates for domestic companies (not claiming specified incentives and deductions) at the rate of 22% under new section 115BAA and domestic manufacturing companies (not claiming specified incentives and deductions) set-up and registered on or after 1 October 2019 at the rate of 15% under new section 115BAB. Such companies would also not be subjected to Minimum Alternate Tax under section 115JB. The Finance Act, 2020, has expanded the definition of 'business of manufacture or production of any article or thing' to include 'the business of generation of electricity'. Also, the list of specified incentives and deductions has been expanded to include all deductions covered under Chapter VI-A other than section 80JJAA (deduction in respect of employment of new employees) and section 80M (deduction in respect of certain inter-corporate dividends). The tax computed in case of domestic companies whose income is chargeable to tax under section 115BAA or section 115BAB shall be increased by a surcharge at the rate of 10%.

¹² As per section 112A of the Act, long-term capital gains on transfer of units of equity oriented mutual funds exceeding INR 100,000 would be taxable at the rate of 10% without giving effect to first and second proviso to section 48 i.e. without taking benefit of foreign currency fluctuation and indexation benefit. Further, cost of acquisition to compute long - term capital gains is to be higher of (a) Actual cost of acquisition; and (b) Lower of (i) fair market value as on 31 January 2018; and (ii) full value of consideration received upon transfer

¹³ As per section 196D of the Act, no TDS shall be made from any income, by way of capital gains arising from the transfer of securities referred to in section 115AD, payable to FPI/FII

¹⁴ As per 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 proviso to section 196D(1) provides for claiming the tax treaty benefits at the time of withholding tax on income with respect to securities of FPIs, subject to furnishing of tax residency certificate.

[%] 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.

Other Notes

Health and Education Cess shall be applicable at 4% on aggregate of base tax and surcharge.

As per provisions of Section 206AA of the Act, if Permanent Account Number is not provided, 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%. However, the provisions of section 206AA of the Act shall not apply in case 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), if the requirements as stated in Rule 37BC of the Income-tax Rules, 1962, are met (like Tax Residency Certificate (TRC), Tax Identification Number, etc.).

Section 206AB relating to deduction of TDS at higher rates is applicable on any sum or income or amount paid, or payable or credited, by a person (herein referred to as deductee) to a specified person, as defined. This section shall not apply where the tax is required to be deducted under sections 192, 192A, 194B, 194BB, 194-IA, 194-IB, 194LBC, 194M, or 194N of the Act. The TDS rate in this section is higher of the followings rates:

- twice the rate specified in the relevant provision of the Act; or
- twice the rate or rates in force; or
- the rate of five per cent.

It is also provided that if the provision of section 206AA of the Act is applicable to a specified person, in addition to the provision of this section, the tax shall be deducted at higher of the two rates provided in this section and in section 206AA of the Act. Specified person' means a person (excluding non-residents who do not have a permanent establishment in India) who has not filed income-tax returns under section 139(1) for the two preceding years and aggregate of TDS and TCS in his case is INR 50,000 or more in each of the said year. Further, as per Finance Act, 2023, specified person shall also exclude, the person who is not required to furnish the return of income and is notified by the Central Government in the Official Gazette in this behalf.

Domestic companies may be subject to minimum alternate tax which is 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.

The cost of acquisition of the units in the consolidated plan / scheme shall be the cost of units in consolidating plan / scheme of mutual fund and period of holding of the units of consolidated plan / scheme shall include the period of holding for which the units in consolidating plan / scheme of mutual fund were held.

Capital gains taxability in relation to mutual fund portfolio segregation as per SEBI regulations has been rationalized. In such a case, the period of holding of segregated units shall be counted from date of holding of original units and the cost of acquisition of segregated units shall be apportioned between original units and segregated units based on net asset value prevailing immediately before segregation.

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.

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".

INCOME TAX SLAB RATES

INCOME TAX RATES FOR INDIVIDUAL / HUF / AOP/ BOI – Old Tax regime						
Total Income	Up to 2,50,000 ^{(a) (b)}	2,50,001 to 5,00,000 ^(d)	5,00,001 to 10,00,000 ^(d)	10,00,001 and above ^(d)		
Tax Rates ^(c)	NIL	5%	20%	30%		
INCOME TAX RATES FOR INDIVIDUAL / HUF/ Association of Persons / Body of Individuals / Artificial Juridical Persons – New Tax Regime^(e)						
Total Income	Up to 3,00,000 ^(d)	3,00,001 to 6,00,000	6,00,001 to 9,00,000	9,00,001 to 12,00,000	12,00,001 to 15,00,000	15,00,001 to above
Tax Rates ^(c)	NIL	5%	10%	15%	20%	30%

(a) In the case of a resident individual of the age of 60 years or more but less than 80 years, the basic exemption limit is INR 300,000 in old tax regime.

(b) In the case of a resident individual of the age of 80 years or more, the basic exemption limit is INR 500,000 in old tax regime.

(c) Plus, surcharge on income-tax as applicable⁷ (Health and Education cess is applicable at the rate of 4% on income-tax and surcharge)

(d) Rebate of up to INR 12,500 available for resident individuals whose total income does not exceed INR 5,00,000.. Under new tax regime, rebate of INR 25,000 shall now be available whose total income not exceeding Rs 7 lakh. Further, marginal relief, to the extent the income-tax payable on total income exceeds the total income above Rs. 7 lakhs.

(e) Section 115BAC provides an option to Individuals and HUF to apply lower tax rates under the new tax regime. Certain exemptions / deductions shall not be available while computing the taxable income, including but not limited to the following –

- Leave Travel Allowance u/s 10(5)
- House Rent Allowance u/s 10(13A)
- Specific Allowances u/s 10(14) as prescribed
- Allowance for income of minor u/s 10(32)
- Standard Deduction, entertainment allowance and profession tax u/s 16
- Interest on housing loan for self-occupied property and losses under the head 'income from house property'
- Deduction under Chapter VIA (viz. life insurance premium, medical insurance premium, provided fund contribution, etc.) other than deduction for employers contribution to NPS or section 80JJAA

The option between the current tax regime and new tax regime shall be exercised at the time of filing of return of income. The option shall be exercised for every previous year where the Individual or the HUF has no business income, and in other cases the option once exercised for a previous year shall be valid for that previous year and all subsequent years. Individuals and HUF having business income who have opted for such a regime can opt out only once and would not be eligible to exercise such an option again, unless the Individual ceases to have business income. Further, w.e.f AY 2024-25, the new tax regime shall be considered as default tax regime. Taxpayers will be required to specifically opt for old tax regime.

Other Additional Points

- Tax can be withheld at a lower rate if a certificate to that effect is obtained by the non-resident from the assessing officer. Further, as per section 195(7) of the Act, an application may be required to be made to the tax authorities to determine the withholding tax rate, if transfer/redemption/ buyback of Units are covered within the list of specified transactions, such list being yet not specified. Further, the provisions of Section 195 of the Act would need to be complied and also documents will have to be furnished by the non-resident investor in this regard.
- In the case of an individual or a HUF, being a resident, where the total income as reduced by short-term / long term capital gains is below the maximum amount which is not chargeable to income-tax, then, such short-term / long term capital gains should be reduced by the amount by which the total income as so reduced falls short of the maximum amount which is not chargeable to income-tax and the tax on the balance of such capital gains shall be computed at the rate of 10/15/20 per cent.

Notes:

1) *The tax rates mentioned above are those provided in the Income tax Act, 1961 and amended as per the Finance Act, 2023 applicable for the financial year 2023-24 relevant to assessment year 2024-25. In the event of any change, we do not assume any responsibility to update the tax rates consequent to such changes. The tax rates mentioned above may not be exhaustive rates applicable to all types of assesseees / taxpayers.*

2) *The tax rates mentioned above are only intended to provide general information and are neither designed nor intended to be a substitute for professional tax advice. Applicability of the tax rates would depend upon nature of the transaction, the tax consequences thereon and the tax laws in force at the relevant point in time. Neither Bandhan Mutual Fund nor Bandhan AMC Limited nor any person connected with it accepts any liability arising from the use of this information. Users are advised that before making any decision or taking any action that might affect their finances or business, they should take professional advice.*

3) *A non-resident tax payer has an option to be governed by the provisions of the Income tax Act, 1961 or the provisions of the relevant DTAA, whichever is more beneficial. As per the provisions of the Income tax Act, 1961, submission of TRC along with Form No. 10F will be necessary for granting DTAA benefits to non-residents. A taxpayer claiming DTAA benefit shall furnish a TRC of his residence obtained by him from the Government of that country or specified territory. Further, in addition to the TRC, the non-resident may be required to provide such other documents and information subsequently, as may be prescribed by the Indian Tax Authorities.*

An Insight on Taxation for Mutual Fund Investors