

Snapshot of Tax Rates specific to Mutual Funds - FY 2020-21 AY 2021-22

Tax Deducted at Source on Dividend distributed to Unitholder			
	Individual/ HUF\$	Domestic Company@	NRIs\$!
Equity oriented schemes	10%	10%	20%
Other than Equity oriented schemes	10%	10%	20%

The Finance Act 2020 abolishes income distribution tax and instead proposes to tax income from mutual fund units in the hands of the unit holders. ! Mutual funds are required to withhold tax on income in respect of units at the rate of 10% on income (in excess of INR 5,000) paid to a Resident & 20% on any income paid to a Non-Resident. However, CBDT issued a Press Release on May 13, 2020, announcing a reduction in rate of Tax Deduction at Source (TDS) & Tax Collection at Source (TCS) in order to provide more funds in the hands of taxpayers for dealing with economic situation arising out of Covid 19 Pandemic. The Rates of TDS for non-salaried specified payments made to the Residents has been reduced by 25% for the period 14th May 2020 to 31st March 2021. Dividend Income is taxable in the hands of investor as per applicable tax rates/slab rates.

Capital Gains Taxation

EQUITY ORIENTED SCHEMES**			
	Individual/ HUF\$	Domestic Company@	NRIs # \$
Short term capital gains (units held for 12 months or less)	15%	15%	15%
Long term capital gains (units held for more than 12 months)	10%*	10%*	10%*

OTHER THAN EQUITY ORIENTED SCHEMES			
	Individual/ HUF\$	Domestic Company@	NRIs # \$
Short term capital gains (units held for 36 months or less)	30%^	30% / 25%^ ^ / 22%^ ^ ^ / 15%^ ^ ^ ^	30%^
Long term capital gains (units held for more than 36 months)	20% with indexation	20% with indexation	Listed - 20% with indexation Unlisted - 10% without indexation

Tax Deducted at Source (Applicable only to NRI investors)\$#		
	Equity oriented schemes**	Other than equity oriented schemes
Short term capital gains	15%	30%^
Long term capital gains	10%	Listed - 20% with indexation Non - listed - 10% without indexation

*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 STT

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

Where the gains are long term in nature, the deduction of tax will be after providing the indexation benefit.

\$ Surcharge is applicable as follows:

- > 10% of the tax payable to be levied on individuals /HUFs or AOP's or BOIs whose total income exceeds Rs 50 lakhs but does not exceed Rs 1 crore.
- > 15% of the tax payable to be levied on individuals / HUFs or AOP's or BOIs whose total income exceeds Rs. 1 Cr but does not exceed Rs. 2 Cr.
- > 25% of the tax payable to be levied on individuals / HUFs or AOP's or BOIs whose total income exceeds Rs. 2 Cr but does not exceed Rs. 5 Cr.
- > 37% of Base tax where specified income exceeds Rs. 5 crores.

Specified income – Total income excluding income under the provisions of section 111A and 112A of the Act. Further, Health and Education cess to be levied at the rate of 4% on aggregate of base tax and surcharge.

@ Surcharge at 7% to be levied for domestic corporate unit holders where income exceeds Rs 1 crore but less than Rs. 10 crores and at 12%, where income exceeds Rs. 10 crores. In case of Partnership firm, surcharge at 12% is applicable, where the income exceeds Rs.1 crore. If the income does not exceed Rs. 1 crore, the surcharge is NIL

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% as explained below.

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

** Securities transaction tax (STT) will be deducted on equity funds at the time of redemption / switch out to the other schemes.

^ Assuming the investor falls into highest tax bracket

^^ If total turnover or gross receipts in the financial year 2018-19 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.

Additional notes:

In case of consolidation of plans within a scheme of mutual fund (not regarded as a taxable transfer):

- Cost of acquisition of units in the consolidating plan deemed to be cost of acquisition of the units in the consolidated plan.
- Period of holding of units in the consolidated scheme to include the period of holding of units in the consolidating scheme

Corporate Tax shall be levied at 25% for the financial year 2020-21, if the total turnover or gross receipts of the financial year 2018-19 does not exceed INR 400 crores. If a company decides to opt for the new taxation regime as per the Taxation Law Amendment Act, 2019, then tax shall be levied at the rate of 22%.

Taxability of segregated portfolios of a mutual fund scheme

- 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

Baroda Asset Management India Limited will not be liable in any manner for the consequence of any action taken by the investors on basis of the information contained herein. The above is for understanding the tax implications generally. Investors are advised to consult their Tax Advisor for tax matters



Enjoy life. Even after retirement

We need to keep smiling! Have you ever thought what life would be when you retire? If not then think about it because with the rising prices of goods and services, the expenses incurred now will multiply when we grow older and the regular income will reduce. The smartest choice is to start investing today so that you don't have to worry about your expenses tomorrow.

Mutual Funds are one such popular and convenient investment vehicle. Mutual Funds are not only easy to invest in and time saving, but also help you diversify your investments and manage your money professionally. Retire from your job, not from your life.

for more information, log on to <https://www.barodamf.com/knowledgeplug>

MUTUALFUNDS *Sahi Hai*

 **Baroda**
MUTUAL FUND

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