

TAX RECKONER 2020-21

SNAPSHOT OF TAX RATES SPECIFIC TO MUTUAL FUND

Prudent

— Money through wisdom —

The rates are applicable for the financial year 2020-21 subject to enactment of the Finance Bill, 2020

Capital Gains Taxation

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% ^{**}	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	20% ^{&}	20% ^{&}	Listed - 20% ^{&} Unlisted - 10% ^{**}	
Short term capital gains	30% [^]	30%/25% ^{**} /22% ^{***} /15% ^{****}	30% [^]	
Tax Deducted at Source [#]				
	Short term capital gains [§] (For NRI Investors)	Long term capital gains [§] (For NRI Investors)	Dividend Income (For Resident Investors))	Dividend Income (For NRI Investors)
Equity oriented schemes	15%	10% ^{**}	10% ^{@@}	20% [§]
Other than equity oriented schemes	30% [^]	10% ^{**} (for unlisted) & 20% ^{&} (for listed)		

* Income-tax at the rate of 10% (without indexation benefit and foreign exchange fluctuation) to be levied on long-term capital gains exceeding ₹ 1 lakh provided transfer of such units is subject to STT.

+ In case of the long term capital asset acquired before 1st Feb 2018, cost of acquisition shall be deemed to be the higher of –

1) Actual cost of acquisition of such asset &

2) The lower of : Fair market value of such asset as on 31st Jan 2018 & The Full Value of Consideration of the transfer of the capital asset i.e. the Sale Price

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

§ Individuals/HUF

- 10% where total income exceeds ₹ 50 lakhs but does not exceed Rs. 1 crore.
- 15% where total income exceeds ₹ 1 crore but does not exceed Rs. 2 crore
- 25% where specified income exceeds ₹ 2 crore but does not exceed ₹ 5 crore
- 37% on base tax where specified income exceeds ₹ 5 crore;

Specified income – Total income excluding income under the provisions of section 111A and 112A of the Act.

Note: "Health and Education Cess" to be levied at the rate of 4% on aggregate of base tax and surcharge.

@ Domestic Company

- 7% - where total income exceeds 1 crores but is less than 10 crores
- 12% - where the total income exceeds ₹ 10 Crores
- 10% - 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 of units in case of NRI investors. However, the Finance Bill, 2020 proposes withholding tax of 20% on any income in respect of units of mutual fund in case of non-residents as per section 196A of the Act. Hence, based on language provided in said section, it seems that apart from any income distributed to NRI, withholding tax at 20% may be applicable on capital gains notwithstanding that such capital gains are taxable at a rate lower than 20%.

& After providing indexation.

** Without indexation.

^ Assuming the investor falls into highest tax bracket.

^^ If total turnover or gross receipts in the financial year 2019-20 does not exceed ₹ 400 crores.

^^^ This lower rate is optional and subject to fulfillment of certain conditions as provided in section 115BAA. Further, the Finance Bill, 2020 proposes to insert an explanation to section 115BAB such that the 'business of manufacture or production of an article or thing' should include the business of generation of electricity

^^^^ 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.

@@ Finance Bill 2020 proposes to abolish dividend distribution tax and insert Section 194K, where a Mutual Fund is liable to charge TDS if the dividend income in respect of units of mutual fund exceeds ₹ 5,000 in a financial year.

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/plans of two or more schemes/plans of equity oriented fund or two or more schemes/plan of a fund other than equity oriented fund in accordance with SEBI (Mutual Funds) Regulations, 1996 is exempt from capital gains.

Segregation of portfolio: The holding period of the segregated scheme will be reckoned from the date of investment in the main scheme by the investor and not the date of segregation. The cost of acquisition of the main scheme and segregated scheme will be the proportionate cost as determined on the date of segregation.

Assume that you invested in a scheme whose NAV value was ₹100 on February 1, 2017. On August 1, 2019, when NAV of the scheme was ₹120, segregation of portfolio was created. Post segregation, the NAV value of main scheme was ₹114 and the segregated scheme was ₹6. (in proportion of 95:5 per cent). According to the proposed norms, the cost of acquisition of the main scheme and the segregated scheme should be taken as ₹95 and ₹5, respectively.

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 Rate (Option A)	Tax Rate (Option B)*	Surcharge	Health & Education Cess	Total Tax (Option A)	Total Tax (Option B)
UP to 2,50,000	Nil ^{(a)(b)}	Nil	Nil	4%	Nil	Nil
2,50,001 to 5,00,000	5% ^(c)	5%	Nil	4%	5.20%	5.20%
5,00,001 to 7,50,000	20%	10%	Nil	4%	20.80%	10.40%
7,50,001 to 10,00,000	20%	15%	Nil	4%	20.80%	15.60%
10,00,001 to 12,50,000	30%	20%	Nil	4%	31.20%	20.80%
12,50,001 to 15,00,000	30%	25%	Nil	4%	31.20%	26.00%
15,00,001 to 50,00,000	30%	30%	Nil	4%	31.20%	31.20%
50,00,001 to 1,00,00,000	30%	30%	10%	4%	34.32%	34.32%
1,00,00,001 to 2,00,00,000	30%	30%	15%	4%	35.88%	35.88%
2,00,00,001 to 5,00,00,000	30%	30%	25%	4%	39.00%	39.00%
above 5,00,00,000	30%	30%	37%	4%	42.74%	42.74%

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

* New Personal Tax Regime, as proposed in the Finance Bill, 2020

For adopting Option B, most of the deductions/exemptions such as section 80C, 80D, etc. are to be foregone. The aforesaid regime is optional.

Accordingly, Individuals and HUFs have the option to be taxed under either of the options. Option B once exercised can be changed in subsequent years (not applicable for business income).

2. Personal Income Tax Scenario

Individual	Total Income								
	4,50,000	8,50,000	10,50,000	12,50,000	15,50,000	55,50,000	1,11,50,000	2,11,50,000 [#]	5,11,50,000 [#]
Tax in FY 2020-21(Option A)*	Nil***	54,600	96,200	1,48,200	2,41,800	16,38,780	37,22,550	79,46,250	2,15,32,290
Tax in FY 2020-21(Option B)**	Nil***	54,600	88,400	1,30,000	2,10,600	16,04,460	36,86,670	79,07,250	2,14,89,546
Additional Tax burden/Savings in Option B	-	0	(7,800)	(18,200)	(31,200)	(34,320)	(35,880)	(39,000)	(42,744)
Additional Tax burden/Savings (%) in Option B	-	0	(8.11)	(12.28)	(12.90)	(2.09)	(0.96)	(0.49)	(0.20)
Resident senior citizen	Total Income								
(Between the age of 60-80 years)	4,50,000	8,50,000	10,50,000	12,50,000	15,50,000	55,50,000	1,11,50,000	2,11,50,000 [#]	5,11,50,000 [#]
Tax in FY 2020-21(Option A)*	Nil***	52,000	93,600	1,45,600	2,39,200	16,35,920	37,19,560	79,43,000	2,15,28,728
Tax in FY 2020-21(Option B)**	Nil***	54,600	88,400	1,30,000	2,10,600	16,04,460	36,86,670	79,07,250	2,14,89,546
Additional Tax burden/Savings in Option B	-	2,600	(5,200)	(15,600)	(28,600)	(31,460)	(32,890)	(35,750)	(39,182)
Additional Tax burden/Savings (%) in Option B	-	5.00	(5.56)	(10.71)	(11.96)	(1.92)	(0.88)	(0.45)	(0.18)
Resident senior citizen	Total Income								
(Age of 80 years or above)	4,50,000	8,50,000	10,50,000	12,50,000	15,50,000	55,50,000	1,11,50,000	2,11,50,000 [#]	5,11,50,000 [#]
Tax in FY 2020-21(Option A)*	Nil	41,600	83,200	1,35,200	2,28,800	16,24,480	37,07,600	79,30,000	2,15,14,480
Tax in FY 2020-21(Option B)**	Nil	54,600	88,400	1,30,000	2,10,600	16,04,460	36,86,670	79,07,250	2,14,89,546
Additional Tax burden/Savings in Option B	-	13,000	5,200	(5,200)	(18,200)	(20,020)	(20,930)	(22,750)	(24,934)
Additional Tax burden/Savings (%) in Option B	-	31.25	6.25	(3.85)	(7.95)	(1.23)	(0.56)	(0.29)	(0.12)

* For purpose of tax calculation under Option A, 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 Option B, no exemption/ deductions have been claimed.

NIL tax on account of rebate under section 87A.

If the said taxable income includes capital gains under section 111A and section 112A of the Act, then enhanced surcharge of 37% and 25% would not be applicable and accordingly effective tax rate would be lower.

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
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. 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	0.05%	Seller
Sale of an option in securities, where option is exercised	0.125%	Purchaser
Sale of a futures in securities	0.01%	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

5. 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)	Progressive slab rates	20% / 10% ^(b)
Firms	30%	
Resident companies	30% / 25% ^(d) / 22% ^(e) / 15% ^(f)	
Overseas financial organizations specified in section 115AB	40% (corporate) 30% (non corporate)	10%
FIIs	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 20% ^(g)	

* 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 2018-19 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) The Finance Bill, 2020 proposes new optional tax regime for co-operative societies. Thus, co-operative societies have the option to be taxed at progressive slab rates or 20% subject to fulfillment of certain conditions as provided in section 115BAD.

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.