

TA%WISE

A ready reckoner for applicable taxation rates

The following Income Tax/TDS rates are applicable for Financial Year (FY) 2023-24 as per Finance Act 2023

CAPITAL GAINS ON EQUITY-ORIENTED¹ MUTUAL FUNDS (SUBJECT TO STT²)

| Type of Capital Gain → | SHORT TERM CAPITAL GAINS | | LONG TERM CAPITAL GAINS | |
|--|---------------------------------|--------------------|----------------------------------|--------------------|
| Period of Holding → | Up to 12 months | | More than 12 months | |
| Status of Investor ↓ | INCOME TAX RATE | TDS | INCOME TAX RATE | TDS |
| (A) Resident Individual / HUF | Section 111A: 15% ^{\$} | NIL | Section 112A: 10% ^{3\$} | NIL |
| (B) Domestic Company | | NIL | | NIL |
| (C) Non-Resident (other than FII) | | 15% ^{\$#} | | 10% ^{\$#} |
| (D) Foreign Institutional Investor (FII) | Section 111A: 15% ^{\$} | NIL | | NIL |

(1) Equity-Oriented Fund (EOF) refers to a scheme of a MF wherein minimum of 65% of the total proceeds of such fund are invested in the equity shares of domestic companies listed on a recognised stock exchange. A Fund of Fund (FOF) structure is treated as an EOF if a minimum of 90% of the total proceeds of such fund are invested in the units of another fund and such other fund also invests a minimum of 90% of its total proceeds in the equity shares of domestic companies listed on a recognised stock exchange. The equity holding is computed with reference to the annual average of the monthly averages of the opening and closing figures.

(2) STT @ 0.001% is applicable on redemption of units of Equity-oriented Mutual Funds

(3) Without Indexation & foreign exchange fluctuation benefit. LTCG on EOF are exempt from tax up to Rs.1,00,000.

CAPITAL GAINS ON NON-EQUITY ORIENTED MUTUAL FUNDS

[I] FOR INVESTMENTS MADE ON OR AFTER APRIL 1, 2023

| CONDITION – % of Equity Holding in MF | Up to 35% ⁴ | | More than 35% | | More than 35% | |
|--|-------------------------------------|---------------------|-------------------------------------|--------------------|--|--|
| Type of Capital Gain → | SHORT TERM CAPITAL GAINS | | SHORT TERM CAPITAL GAINS | | LONG TERM CAPITAL GAINS (Section 112) | |
| Period of Holding → | Irrespective of Holding Period | | Up to 36 months | | More than 36 months | |
| Status of Investor ↓ | INCOME TAX RATE | TDS | INCOME TAX RATE | TDS | INCOME TAX RATE | TDS |
| (A) Resident Individual / HUF | Applicable Slab rates ^{\$} | NIL | Applicable Slab rates ^{\$} | NIL | 20% ^{5\$} | NIL |
| (B) Domestic Company | Applicable Tax rates ^{\$} | NIL | Applicable Tax rates ^{\$} | NIL | | NIL |
| (C) Non-Resident (other than FII) | Applicable Slab rates ^{\$} | 30% ^{6\$#} | Applicable Slab rates ^{\$} | 30% ^{\$#} | Listed: 20% ^{5\$} Unlisted: 10% ^{6\$} | Listed: 20% ^{5\$#} Unlisted: 10% ^{6\$#} |
| (D) Foreign Institutional Investor (FII) | 30% ^{6\$} | NIL | 30% ^{\$} | NIL | 10% ^{6\$} | NIL |

[III] FOR INVESTMENTS MADE ON OR BEFORE MARCH 31, 2023

| Type of Capital Gain → | SHORT TERM CAPITAL GAINS | | LONG TERM CAPITAL GAINS (Section 112) | |
|--|------------------------------------|--------------------|--|--|
| Period of Holding → | Up to 36 months | | More than 36 months | |
| Status of Investor ↓ | INCOME TAX RATE | TDS | INCOME TAX RATE | TDS |
| (E) Resident Individual / HUF | Applicable slab rates [§] | NIL | 20% ^{5 §} | NIL |
| (F) Domestic Company | Applicable Tax rates [§] | NIL | 20% ^{5 §} | NIL |
| (G) Non-Resident (other than FII) | Applicable slab rates [§] | 30% ^{§ #} | Listed: 20% ^{5 §} Unlisted: 10% ^{6 §} | Listed: 20% ^{5 § #} Unlisted: 10% ^{6 § #} |
| (H) Foreign Institutional Investor (FII) | 30% [§] | NIL | 10% ^{6 §} | NIL |

(4) "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 percentage of equity shareholding held in respect of the Specified Mutual Fund shall be computed with reference to the annual average of the daily closing figures. Investments in Specified Mutual Funds on or after April 1, 2023 shall be deemed to be short term capital assets irrespective of holding period.

(5) with indexation benefit

(6) without indexation and foreign exchange fluctuation benefit

TAX ON INCOME DISTRIBUTION (IDCW OPTION)

| Status of Investor | INCOME TAX RATE | TDS |
|--------------------------------|------------------------------------|---|
| (A) Resident Individuals / HUF | Applicable Slab rates [§] | 10% (if income distributed > Rs.5,000 during FY) [#] |
| (B) Domestic Company | Applicable Tax rates [§] | 10% (if income distributed > Rs.5,000 during FY) [#] |
| (C) Non-Resident | 20% [§] | 20% ^{§ #} |

§ Surcharge:

If taxpayer (Individual/HUF/AOP/BOI/AJP) opts for Old Tax Regime, then Surcharge to be levied on basic tax at:

- 37% 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.

If taxpayer (Individual/HUF/AOP/BOI/AJP) pays tax as per default New Tax Regime u/s. 115BAC(1A), then maximum rate of Surcharge will be 25% where income exceeds Rs.2 crore.

In case of an AOP consisting of only companies as its members, the rate of surcharge shall not exceed 15%.

Surcharge for companies to be levied on basic tax:

- Domestic Company: 12% where income exceeds Rs.10 crore and 7% where income exceeds Rs.1 crore but less than Rs.10 crore. If domestic company opts for concessional tax regime u/s. 115BAA/115BAB: then flat rate of 10% on basic tax
- Non-resident Company: 5% where income exceeds Rs.10 crore and 2% where income exceeds Rs.1 crore but less than Rs.10 crore

Enhanced surcharge of 25% or 37%, as the case may be, will not apply in case of income by way of dividend or capital gains on securities covered under Section 111A (STCG on EOF), Section 112 (LTCG on non-EOF acquired up to March 31, 2023 and LTCG on non-EOF acquired from April 1, 2023 where equity exposure in such non-EOF > 35%), Section 112A (LTCG on EOF) & Section 115AD (tax on income earned by FIIs).

Cess: Health & Education Cess @ 4% is applicable on aggregate of basic tax & surcharge

The Mutual Fund will pay/deduct taxes as per the applicable tax laws on the relevant date considering the provisions of the Income-tax Act, 1961 read with the Income-tax Rules, 1962 and any circulars or notifications or directives or instructions issued thereunder. Please note that grant of DTAA benefit, if any, is subject to fulfilment of stipulated conditions under the provisions of the Income-tax Act, 1961 and the relevant DTAA as well as interpretation of relevant Article of such DTAA.

TDS at higher rates: TDS at twice the applicable rate in case of payments to specified persons (excluding non-resident who does not have a Permanent Establishment in India) who has not furnished the Income Tax Return (ITR) 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 ITR has expired and the aggregate of TDS in his case is Rs.50,000 or more in the said previous year. In case PAN is not furnished, then TDS at higher of the rates as per Section 206AB or Section 206AA would apply.

In case of non-resident investors (other than FII): As per provisions of Section 196A, TDS is applicable on any income in respect of units of a Mutual Fund at lower of 20% or rate of income-tax provided in the relevant DTAA (read with CBDT Circular no. 3/2022 dated 3rd February 2022), provided such investor furnishes valid Tax Residency Certificate (TRC) for concerned FY. Tax will be deducted on Short-term/Long-term capital gains at the tax rates (plus applicable Surcharge and Health and Education Cess) specified in the Finance Act 2023 at the time of redemption of units in case of Non-Resident investors (other than FIIs) only.

In case of FII: As per provisions of Section 196D, TDS is applicable at lower of 20% or rate of income-tax provided in the relevant DTAA (read with CBDT Circular no. 3/2022 dated 3rd February 2022), provided such investor furnishes valid Tax Residency Certificate (TRC) for concerned FY.

INCOME- TAX RATES FOR INDIVIDUAL/HUF/AOP/BOI/Artificial Juridical Person

DEFAULT – NEW TAX REGIME [Section 115BAC(1A)]

| TOTAL INCOME | TAX RATES \$ |
|--------------------------------|-----------------|
| Up to INR 3,00,000 | NIL |
| INR 3,00,001 to INR 6,00,000 | 5% |
| INR 6,00,001 to INR 9,00,000 | 10% |
| INR 9,00,001 to INR 12,00,000 | 15% |
| INR 12,00,001 to INR 15,00,000 | 20% |
| INR 15,00,001 and above | 30% |

OPTIONAL – OLD TAX REGIME (with specified exemptions & deductions)

| TOTAL INCOME | TAX RATES \$ |
|-------------------------------|--------------|
| Up to INR 2,50,000 | NIL |
| INR 2,50,001 to INR 5,00,000 | 5% |
| INR 5,00,001 to INR 10,00,000 | 20% |
| INR 10,00,001 and above | 30% |

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

(ii) In cases where the taxable income, reduced by long term capital gains / short term capital gains of a resident individual/HUF is below the basic exemption limit, the long-term capital gain / short-term capital gains will be reduced to the extent of this shortfall and only the balance is chargeable to income tax. The benefits of this provision are not available to non-resident individuals.

(iii) Rebate of up to INR 25,000 is available for resident individuals whose total income does not exceed INR 700,000 under the default New Tax Regime u/s. 115BAC(1A). In case such resident individual opts to pay tax under the old tax regime, then rebate of up to Rs.12,500 is available if total income does not exceed Rs.5,00,000. However, such rebate is not available with respect to income-tax on long-term capital gains arising on transfer of units of equity-oriented schemes.

INCOME- TAX RATES FOR DOMESTIC COMPANIES

| | If availing specified exemptions / deductions | | Optional Regime (Without specified exemptions / deductions) | |
|-----------------------------------|---|----------------------------|--|----------------|
| | Turnover ≤ Rs. 400 Crore | Turnover > Rs.400 Crore | Section 115BAA | Section 115BAB |
| Basic Tax Rate \$ | 25% | 30% | 22% | 15% |
| Minimum Alternate Tax (MAT) \$ | 15% | 15% | Not Applicable | |

Note:

- (1) The rates above are based on the Income Tax Act, 1961 as amended by the Finance Act, 2023.
- (2) The above rates are based on the assumption that the units are held by the investors as capital assets and not as stock in trade.
- (3) Transfer of units upon consolidation 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.
- (4) Under the provisions of the Income-tax Act, 1961, every person who has been allotted a PAN on or after July 1, 2017 and is eligible to obtain Aadhaar Number, is required to link his PAN with Aadhaar. The date for linking PAN and Aadhaar has now been extended to June 30, 2023 on payment of penalty of Rs.1,000. From July 1, 2023, the PAN of taxpayers who have failed to link PAN with Aadhaar, as required, shall become inoperative and the consequences during the period that PAN remains inoperative will be as follows:
 - (i) no refund shall be made against such PANs;
 - (ii) interest shall not be payable on such refund for the period during which PAN remains inoperative; and
 - (iii) TDS and TCS shall be deducted /collected at higher rate, as provided in the Act.

Additionally, such taxpayers will not be able to conduct transactions where quoting PAN is mandatory, like investments in mutual funds. The PAN can be made operative again in 30 days, upon linking of PAN with Aadhaar after payment of fee of Rs.1,000. Those persons who have been exempted from PAN-Aadhaar linking will not be liable to the consequences mentioned above. This category includes those residing in specified States, a non-resident as per the Income-tax Act, 1961, an individual who is not a citizen of India or individuals of the age of eighty years or more at any time during the previous year.

Disclaimer: The above overview is not exhaustive or comprehensive and is not intended to be a substitute for professional advice. The above information is provided for only general information purposes and does not constitute tax or legal advice. In view of the individual nature of tax benefits, each investor is advised to consult with his/ her tax consultant with respect to the specific direct tax implications arising out of their transactions. The investor alone shall be fully responsible and/or liable for any decision/action taken on the basis of this document. The information contained herein is not intended as an offer or solicitation for the purchase and sales of any schemes of SBI Mutual Fund.