



## Tax Rates for Mutual Fund Investors<sup>1</sup> as per the Finance Act, 2017 – SNAPSHOT

EQUITY ORIENTED FUNDS (SUBJECT TO STT <sup>3</sup> )										
Financial Year	Short Term Capital Gains Tax <sup>2&amp;14</sup>		Long Term Capital Gains Tax <sup>2&amp;14</sup>		Dividend Income		Tax on Distributed Income		TDS on Capital Gains <sup>7</sup>	
	2016-17	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17	2017-18
<b>Resident Individual / HUF / AOP / BOI</b>	15%	15%	Nil	Nil	Exempt	Exempt	Nil	Nil	Nil	Nil
<b>Resident Partnership Firms</b>	15%	15%	Nil	Nil	Exempt	Exempt	Nil	Nil	Nil	Nil
<b>Domestic Companies</b>	15%	15%	Nil	Nil	Exempt	Exempt	Nil	Nil	Nil	Nil
<b>NRIs<sup>4</sup></b>	15%	15%	Nil	Nil	Exempt	Exempt	Nil	Nil	STCG – 15% <sup>2</sup> LTCG – Nil	STCG – 15% <sup>2</sup> LTCG – Nil
<b>FPI <sup>4 &amp; 10</sup></b>	15%	15%	Nil	Nil	Exempt	Exempt	Nil	Nil	STCG – Nil <sup>6</sup> LTCG – Nil <sup>6</sup>	STCG – Nil <sup>6</sup> LTCG – Nil <sup>6</sup>

OTHER THAN EQUITY ORIENTED FUNDS (including Infrastructure Debt Funds <sup>8</sup> )												
Financial Year	Short Term Capital Gains Tax <sup>2 &amp; 13</sup>		Long Term Capital Gains Tax <sup>2 &amp; 13</sup>		Dividend Income		Tax on Distributed Income – Other than Liquid / Money Market Schemes		Tax on Distributed Income – Liquid / Money Market Schemes		TDS on Capital Gains <sup>7</sup>	
	2016-17	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17 <sup>11 &amp; 12</sup>	2017-18 <sup>11 &amp; 12</sup>	2016-17 <sup>11&amp;12</sup>	2017-18 <sup>11&amp;12</sup>	2016-17	2017-18
<b>Resident Individual / HUF</b>	As per slab rates	As per slab rates	20% (with indexation)	20% (with indexation)	Exempt	Exempt	25%	25%	25%	25%	Nil	Nil
<b>AOP / BOI</b>	As per slab rates	As per slab rates	20% (with indexation)	20% (with indexation)	Exempt	Exempt	30%	30%	30%	30%	Nil	Nil
<b>Domestic Companies / Firms</b>	30%	25% <sup>15</sup> / 30%	20% (with indexation)	20% (with indexation)	Exempt	Exempt	30%	30%	30%	30%	Nil	Nil
<b>NRIs<sup>4</sup></b>	As per slab rates	As per slab rates	Listed Units - 20% (with indexation)  Unlisted Units – 10% without indexation <sup>5</sup>	Listed Units - 20% (with indexation)  Unlisted Units – 10% without indexation <sup>5</sup>	Exempt	Exempt	25%  5% for IDFs	25%  5% for IDFs	25%	25%	STCG – 30% <sup>2</sup>  LTCG 20% <sup>2</sup> with indexation for listed units.  10% <sup>2</sup> without indexation for unlisted units <sup>5</sup>	STCG – 30% <sup>2</sup>  LTCG 20% <sup>2</sup> with indexation for listed units.  10% <sup>2</sup> without indexation for unlisted units <sup>5</sup>
<b>FPI<sup>4 &amp; 10</sup></b>	30%	30%	10% without indexation	10% without indexation	Exempt	Exempt	30%  5% for IDFs	30%  5% for IDFs	30%	30%	STCG – Nil <sup>6</sup> LTCG – Nil <sup>6</sup>	STCG – Nil <sup>6</sup> LTCG – Nil <sup>6</sup>

<sup>1</sup> It is assumed that the mutual fund units are held as capital assets by the investors.

<sup>2</sup> Plus applicable surcharge [refer note 9], if any, and Education Cess at the rate of 2% on income-tax and surcharge and Secondary and Higher Education cess at the rate of 1% on income-tax and surcharge.

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

<sup>4</sup> Non-resident investors shall be entitled to be governed by provisions of the applicable Tax Treaty, which India has entered with the country of residence of the non-resident investor, if that is more beneficial than the provisions of the Income-tax Act, 1961 ('the Act'), subject to certain conditions. As per section 90(4) of the Act, a non-resident shall not be entitled to claim treaty benefits, unless the non-resident obtains a Tax Residency Certificate of being a resident of his home country. Furthermore, as per section 90(5) of the Act, non-resident is also required to provide such other documents and information, as prescribed by CBDT, as applicable.

<sup>5</sup> As 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 & second proviso to section 48 i.e. without taking benefit of foreign currency fluctuation and indexation benefit.

<sup>6</sup> Section 196D of the Act provides that no tax is required to be withheld for payment to a FII / FPI in respect of capital gains arising on transfer of units.

<sup>7</sup> As per provisions of Section 206AA of the Act, if there is default on the part 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) to provide its Permanent Account Number, 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, if the requirements as stated in Rule 37BC of the Income-tax Rules, 1962, are met.

<sup>8</sup> "Infrastructure debt fund" means an infrastructure debt fund as defined in clause 1 of the regulation 49L of the Securities and Exchange Board of India (Mutual Fund) Regulations, 1996. As per clause 1 of regulation 49L, an 'infrastructure debt fund scheme' would mean, a scheme which invests primarily (minimum 90% of scheme assets) in debt securities or securitized debt instrument of infrastructure companies or infrastructure capital companies or infrastructure projects or special purpose vehicles, etc. or other permissible assets in accordance with these regulations or bank loans in respect of completed and revenue generating projects of infrastructure companies or projects or special purpose vehicles.

<sup>9</sup> Surcharge applicable for FY 2017-18:

Type of Investor	Surcharge rate as a percentage of income-tax		
	If income is less than INR 50 lakhs	If income exceeds INR 50 lakhs but less than INR 1 crore	If income exceeds INR 1 crore
Individual, HUF, AOP (Resident & foreign)	Nil	10%	15%

Type of Investor	Surcharge rate as a percentage of income-tax		
	If income is less than INR 1 crores	If income exceeds INR 1 crore but less than INR 10 crores	If income exceeds INR 10 crores
Partnership firm (Domestic & foreign)	Nil	12%	12%
Domestic Company	Nil	7%	12%
Foreign Company	Nil	2%	5%

<sup>10</sup> The FPI Regulations replaced the existing SEBI (Foreign Institutional Investor) Regulations, 1995 and the Qualified Foreign Investors framework, and are effective from 7 January 2014. As per Notification No. 9/2014 dated 22 January 2014, the Central Government has specified the Foreign Portfolio Investors registered under the Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2014, as 'Foreign Institutional Investor' for the purposes of clause (a) of the Explanation to section 115AD of the Act.

<sup>11</sup> Rates are exclusive of surcharge at the rate of 12% and education cess at the rate of 3%.

<sup>12</sup> Additional tax on income distributed to unit-holders would be levied on the amount of income to be distributed including such additional tax (i.e. grossing-up), as against levy on only the amount of income to be distributed, thereby resulting in a higher effective rate of tax on distributed income.

<sup>13</sup> 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.

<sup>14</sup> 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'.

<sup>15</sup> Tax shall be levied at 25% if the total turnover or gross receipts of the financial year 2015-16 does not exceed INR 50 crores.

### INCOME TAX RATES FOR INDIVIDUAL / HUF / AOP/ BOI for AY 2018-19

Total Income	Tax Rates (c)
Up to INR 250,000 (a) (b) (d)	NIL
INR 250,001 to INR 500,000	5%
INR 500,001 to INR 1,000,000	20%
INR 1,000,001 and above	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.
(b)	In the case of a resident individual of the age of 80 years or more, the basic exemption limit is INR 5,00,000.
(c)	Plus, surcharge on income-tax, as applicable and education cess is applicable at the rate of 2% on income-tax and secondary and higher education cess at the rate of 1% on income-tax.
(d)	Rebate of upto INR 2,500 available for resident individuals whose total income does not exceed INR 3,50,000.

### SECURITIES TRANSACTION TAX

<b>Equity Oriented Fund:</b>
STT on sale of a unit of equity oriented mutual fund to the mutual fund is levied at 0.001% (STT payable by the seller)
No STT is chargeable on purchase of units of an equity oriented mutual fund entered into in recognised stock exchange.
STT on sale of a unit of an equity oriented mutual fund where the transaction is entered into in recognized stock exchange and the contract for sale is settled by the actual delivery is levied at 0.001% (STT payable by the seller).
<b>Other than Equity Oriented Fund:</b> Purchase/ sale/ redemption of units other than equity-oriented units shall not be subject to STT.
Mutual Fund would also pay securities transaction tax wherever applicable on the securities bought/sold.
As per Section 94(7) The loss due to sale of Units in the schemes (where income distributed on MF units is tax free) will not be available for set-off to the extent of the tax free income distributed; if units are: (A) Bought within three months prior to the record date fixed for income distribution; and (B) sold within nine months after the record date fixed for income distribution.
As per Section 94(8) The loss due to sale of original Units in the schemes, where bonus Units are issued, will not be available for setoff; 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 held on the date of transfer of original units.

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**Statutory Details:** Principal Mutual Fund has been constituted as a trust with Principal Financial Group (Mauritius) Limited, Punjab National Bank and Vijaya Bank as the co-settlers. **Sponsor:** Principal Financial Services Inc., USA. [through its wholly owned subsidiary Principal Financial Group (Mauritius) Ltd.] **Trustee:** Principal Trustee Company Private Limited. **Investment Manager:** Principal Pnb Asset Management Company Private Limited (AMC). **Risk Factors: Mutual funds and securities investments are subject to market risks and there can be no assurance and no guarantee that the objectives of Principal Mutual Fund can be achieved. As with any investment in securities, the NAV of the units issued under the scheme(s) can go up or down, depending upon the factors and forces affecting the capital markets.** Past performance of the Sponsor/ AMC/ Principal Mutual Fund/ Punjab National Bank/ Vijaya Bank does not indicate or guarantee the future performance of the Schemes of Principal Mutual Fund. The Sponsor and any of its associates including co-settlers is not responsible or liable for any loss resulting from the operations of the Mutual Fund beyond the initial contribution of an amount of INR 25 Lakhs towards setting up Principal Mutual Fund. **For scheme specific risk factors, terms of issue etc. please read the Scheme Information Document (SID) carefully. Copy of SID can be obtained at the investor service centres of AMC and website: [www.principalindia.com](http://www.principalindia.com).**

*This information is being provided for basic guidance for investments in mutual funds and is based on provisions of the Income-tax Act, 1961, as amended by the Finance Act, 2017. The tax implications may vary for each assessee based on the details of his income. All rates and figures appearing are for illustrative purposes only. Tax benefits are subject to change in tax laws. Contents of this note have been drawn for informative purpose only and the same should not be used or considered as an investment/tax advice. The AMC/ Trustee/ Sponsor accept no liability whatsoever for any direct or consequential loss arising from any information provided in this note.*