Principal® Mutual Funds

TAX RECKONER 2018-19

Tax Rates for Mutual Fund Investors[1] as per the Finance Bill, 2018

(Subject to enactment of the Finance Bill)

EQUITY ORIENTED FUNDS (Subject to STT[3])

Type of Investor	Capital Gains Tax		Dividend Income	Tax on Distributed Income[8 & 9]	TDS on Capital Gains[6]
	Short Term[2 & 10]	Long Term[2, 10 &13]			
Resident Individual / HUF / AOP / BOI	15%	10%[$]	Exempt	10%	NIL
Resident Partnership Firms / Domestic Companies	15%	10%[$]	Exempt	10%	NIL
NRIs[4]	15%	10%[$]	Exempt	10%	STCG – 15%[2] LTCG – 10%[$13]

OTHER THAN EQUITY ORIENTED FUNDS

Type of Investor	Capital Gains Tax[2 & 11]		Dividend Income	Tax on Distributed Income[8 & 9]	TDS on Capital Gains[6]
	Short Term	Long Term			
Resident Individual / HUF	As per slab rates	20%*	Exempt	25%	NIL
AOP / BOI	As per slab rates	20%*	Exempt	30%	NIL
Domestic Companies / Firms	25%[12] / 30%	20%*	Exempt	30%	NIL
NRIs[4]	As per slab rates	20%* (Listed Units) 10%[$5] (Unlisted Units)	Exempt	25%	STCG – 30%[2] LTCG 20%*[2] (Listed Units) 10%[$2] (Unlisted Units)[5]

*With indexation [$]Without indexation

[1] It is assumed that the mutual fund units are held as capital assets by the investors.

[2] Plus applicable surcharge (refer note 7), if any, and Health and Education Cess at the rate of 4% on income-tax and surcharge.

[3] 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 EOFs by the mutual fund. Purchase/ sale/ redemption of units other than EOFs are not subject to STT.

[4] 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.

[5] 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 and second proviso to section 48 i.e. without taking benefit of foreign currency fluctuation and indexation benefit.

[6] 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

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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.

[7] **Surcharge Rate as a percentage of Income-tax**

Type of Investor	Income < ₹50 Lac	Income > ₹50 Lac but <= ₹1 Cr	Income > ₹1 Cr
Individual, HUF, AOP (Resident & Foreign)	NIL	10%	15%
	Income < ₹1 Cr	Income > ₹1 Cr but <= ₹10 Cr	Income > ₹10 Cr
Partnership firm (Domestic & Foreign)	NIL	12%	12%
Domestic Company	NIL	7%	12%
Foreign Company	NIL	2%	5%

[8] Rates are exclusive of surcharge at the rate of 12% and Health and Education cess at the rate of 4%.

[9] 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.

[10] 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'.

[11] 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.

[12] Tax shall be levied at 25%, if the total turnover or gross receipts of the financial year 2016-17 does not exceed INR 250 crores.

[13] 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.

INCOME TAX RATES FOR INDIVIDUAL / HUF / AOP/ BOI

Total Income	Up to ₹ 250,000 [(a) (b) (d)]	₹250,001 to ₹500,000	₹500,001 to ₹1,000,000	₹1,000,001 and above
Tax Rates [(c)]	NIL	5%	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.
b) In the case of a resident individual of the age of 80 years or more, the basic exemption limit is INR 500,000.
c) Plus, surcharge on income-tax, as applicable (Health and Education cess is applicable at the rate of 4% on income-tax and surcharge.)
d) Rebate of upto INR 2,500 available for resident individuals whose total income does not exceed INR 350,000.

SECURITIES TRANSACTION TAX

Equity Oriented Fund:

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).

Other than Equity Oriented Fund:

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.

Note for Securities Transaction Tax

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.