

Tax Reckoner 2018-19

The rates are applicable for the financial year 2018-19.

Tax Implications on Dividend received by Unit holders from a Mutual Fund

	Resident Individual/ HUF	Domestic Company	NRI
Dividend			
All schemes	Tax Free		
Tax on distributed income (payable by the scheme) rates**			
Equity oriented schemes	10% + 12% Surcharge + 4% Cess	10% + 12% Surcharge + 4% Cess	10% + 12% Surcharge + 4% Cess
	= 11.648%	= 11.648%	= 11.648%
Infrastructure Debt Fund ('IDF')	25% + 12% Surcharge + 4% Cess	30% + 12% Surcharge + 4% Cess	5% + 12% Surcharge + 4% Cess
	= 29.12%	= 34.944%	= 5.824%
Other than equity oriented schemes and IDF	25% + 12% Surcharge + 4% Cess	30% + 12% Surcharge + 4% Cess	25% + 12% Surcharge + 4% Cess
	= 29.12%	= 34.944%	= 29.12%

** For the purpose of determining the tax payable, the amount of distributed income be increased to such amount as would, after reduction of tax from such increased amount, be equal to the income distributed by the Mutual Fund. The impact of the same has not been reflected above.

Capital Gains Taxation

	Individual/ HUF [§]	Domestic Company [@]	NRI ^{§/#}
Long Term Capital Gains^{##}			
Equity oriented schemes^{^/^^}	Units held for more than 12 months		
	10% without indexation + Surcharge as applicable + 4% Cess	10% without indexation + Surcharge as applicable + 4% Cess	10% without indexation + Surcharge as applicable + 4% Cess
	= 11.96% or 11.44%	= 11.648% or 11.128%	= 11.96% or 11.44%
Other than equity oriented schemes	Units held for more than 36 months		
Listed	20% with indexation + Surcharge as applicable + 4% Cess	20% with indexation + Surcharge as applicable + 4% Cess	20% with indexation + Surcharge as applicable + 4% Cess
	= 23.92% or 22.88%	= 23.296% or 22.256%	= 23.92% or 22.88%
Unlisted	20% with indexation + Surcharge as applicable + 4% Cess	20% with indexation + Surcharge as applicable + 4% Cess	10% without indexation and foreign currency fluctuation benefits + Surcharge as applicable + 4% Cess
	= 23.92% or 22.88%	= 23.296% or 22.256%	= 11.96% or 11.44%
Short Term Capital Gains			
Equity oriented schemes[*]	Units held for 12 months or less		
	15%+ Surcharge as applicable + 4% Cess	15% + Surcharge as applicable + 4% Cess	15% + Surcharge as applicable + 4% Cess
	= 17.94% or 17.16%	= 17.472% or 16.692%	= 17.94% or 17.16%

Other than equity oriented schemes	Units held for 36 months or less		
	30%^ + Surcharge as applicable + 4% Cess	30% + Surcharge as applicable + 4% Cess 25%^ + Surcharge as applicable + 4% Cess	30%^ + Surcharge as applicable + 4% Cess
	= 35.88% or 34.32%	= 34.944% or 33.384% = 29.120% or 27.820%	= 35.88% or 34.32%

Tax Deducted at Source (Applicable only to NRI Investors)		
	Short term capital gains	Long term capital gains
Equity oriented schemes	17.940% or 17.16%	11.960% or 11.44%
Other than equity oriented schemes (Listed)	35.880% or 34.32%^	23.920% or 22.88%
Other than equity oriented schemes (Unlisted)	35.880% or 34.32%^	11.960% or 11.44%

^^ Finance Act, 2018 terminates the exemption granted under section 10(38) to long term capital gains arising on transfer of listed shares or units of equity oriented mutual funds or units of business trusts by introduction of section 112A to provide that long term capital gains arising from transfer of a long term capital asset being an equity share in a company or a unit of an equity oriented fund or a unit of a business trust shall be taxed at 10% without indexation and without foreign currency fluctuation benefit of such capital gains exceeding one lakh rupees. The concessional rate of 10% shall be available only if securities transaction tax (STT) has been paid on both acquisition and transfer in case of equity shares and on transfer in case of units of equity-oriented mutual funds or units of business trust. Further, the amendment to section 55 of the Act provides for a grandfathering provision upto January 31, 2018.

* Securities transaction tax (STT) will be deducted on equity oriented scheme at the time of redemption/ switch to the other schemes/ sale of units. Mutual Fund would also pay securities transaction tax wherever applicable on the securities sold.

\$ - Surcharge at 15%, is applicable where income of Individual, HUF, AOP, BOI, Artificial juridical person being unit holders exceeds Rs. 1 crore and surcharge at 10% is to be levied in case of Individual, HUF, AOP, BOI, Artificial juridical person being unit holders where income of such unit holders exceeds Rs 50 lakhs but does not exceed Rs. 1 crore.

@ - Surcharge at the rate of 7% is levied for domestic corporate unit holders where the income exceeds Rs. 1 crore but less than Rs. 10 crores and at the rate of 12% where income exceeds Rs 10 crores.

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

^ - Assuming the investor falls into highest tax bracket.

^^ - If total turnover or Gross receipts during the financial year 2016-17 does not exceed Rs. 250 crores.

- The base year for indexation purpose has been shifted from 1981 to 2001 to calculate the cost of acquisition or to take fair market value of the asset as on that date. Further, it provides that cost of acquisition of an asset acquired before 1 April 2001 shall be allowed to be taken as fair market value as on 1 April 2001.

Health and Education Cess shall be applicable at 4% instead of "Education Cess at the rate of 2% and Secondary and Higher Education Cess at 1%" on aggregate of base tax and surcharge.

Domestic companies may be subject to minimum alternate tax which is not specified in above tax rates.

Transfer of units upon consolidation of mutual fund schemes 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.

The cost of acquisition of the units in the consolidated plan / scheme shall be the cost of units in consolidating plan / scheme of mutual fund and period of holding of the units of consolidated plan / scheme shall include the period of holding for which the units in consolidating plan / scheme of mutual fund were held.

Relaxation has been provided to non-residents from deduction of tax at higher rate of 20% in the absence of PAN subject to them providing specified information and documents (like Tax Residency Certificate ("TRC"), Tax Identification Number ("TIN"), etc.)

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 the 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.

General Anti Avoidance Rule ('GAAR'): GAAR provisions are applicable w.e.f. 1 April, 2017. The objective is to deny tax benefits to an arrangement which has been entered into with the main purpose of obtaining tax benefits and which lacks commercial substance or creates rights and obligations which are not at arm's length principle or results in misuse of tax law provisions or is carried out by means or in a manner which are not ordinarily employed for bona fide purposes. The over-arching principal of GAAR provisions is "substance over form".

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1. Income Tax Rates

For Individuals, Hindu Undivided Family, Association of Persons, Body of Individuals and Artificial Juridical Persons

Total Income	Tax Rates
Up to Rs. 250,000 ^{(a)(b)}	NIL
Rs. 250,001 to Rs. 500,000 ^{(c)(d)}	5%
Rs. 500,001 to Rs. 1,000,000 ^(d)	20%
Rs. 1,000,001 and above ^{(d)(e)}	30%

- (a) In the case of a resident individual of the age of 60 years or above but below 80 years, the basic exemption limit is Rs. 300,000.
- (b) In case of a resident individual of age of 80 years or above, the basic exemption limit is Rs 500,000.
- (c) A rebate of lower of actual tax liability or Rs. 2,500 in case of resident individuals having total income of less than Rs. 350,000.
- (d) Health and Education cess is shall be applicable @ 4% on aggregate of base income tax plus surcharge.
- (e) Surcharge at the rate of 15% is applicable where income exceeds Rs. 1 crore and at the rate of 10% where income exceeds Rs. 50 lakhs but does not exceed Rs. 1 crore. Marginal relief for such person is available.
- (f) The Finance Act, 2018 provides to allow a standard deduction of upto Rs. 40,000 or the amount of salary received, whichever is less to the salaried taxpayers. Consequently, exemption in respect of Transport Allowance (except in case of differently abled persons) and reimbursement of medical expenses shall be withdrawn.

2. 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	0.1%	Purchaser/ Seller
Purchase of units of equity oriented mutual fund (delivery based)	Nil	Purchaser
Sale of units of equity oriented mutual fund (delivery based)	0.001%	Seller
Sale of equity shares, 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	0.010%	Seller
Sale of units of an equity oriented fund to the Mutual Fund	0.001%	Seller
Sale of unlisted equity shares under an offer for sale .	0.2%	Seller
Sale of units of business trust under an offer for sale	0.2%	Seller

3. Special rates for non-residents

- (1) The following incomes in the case of non-resident are taxed at special rates on gross basis:

Transaction	Rates ^(a)
Dividend ^(b)	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 ^(c)	10%
Interest income from a notified infrastructure debt fund, specified loan agreement, specified long-term bonds, rupee denominated bonds and business trust	5%
Interest on FCCB, FCEB / Dividend on GDRs ^(b)	10%

- (a) These rates will further/ increase by applicable surcharge and cess.
- (b) Other than dividends on which DDT has been paid.
- (c) 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 could be taxed at 40% (plus applicable surcharge and education cess) on net basis.

- (2) Tax on non-resident sportsmen or sports association on specified income @ 20% plus applicable surcharge and education cess.

4. Capital Gains^(d)

Transaction	Short-term capital gains ^(a)	Long-term capital gains ^{(a)(b)}
Sale transactions of equity shares and unit of an equity oriented fund both of which attract STT.	15%	10%*
Sale transaction other than those mentioned above:		
Individuals (resident and non-residents)	Progressive slab rates	20% / 10% ^(c)
Partnerships (resident and non-residents)	30%	
Resident companies	30% ^(c) /25% ^(d)	
Overseas financial organizations specified in section 115AB	40% (corporate) 30% (non corporate)	10%
FII's	30%	10%
Other Foreign companies	40%	20% / 10% ^(c)
Local authority	30%	20% / 10%
Co-operative society rates	Progressive slab	

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- (a) These rates will further increase by applicable surcharge and cess.
- (b) Indexation benefit, as applicable.
- (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% tax (without benefit of indexation and foreign currency fluctuation).
- (d) The base year for indexation purpose has been shifted from 1981 to 2001 to calculate the cost of acquisition or to take fair market value of the asset as on that date.
- (e) This rate applies to companies other than companies engaged in manufacturing business who shall be taxed at lower rate subject to fulfillment of certain conditions.
- (f) If total turnover or gross receipts of the financial year 2016-17 does not exceed Rs. 250 crores.

5. **Dividend Income:** An additional tax of 10% (plus applicable surcharge & health and education cess) to all resident tax payers, excluding domestic companies and other specified entities on dividend income of more than Rs.10,00,000 p.a. received from a domestic company or companies.

Comparative tax liabilities at varying levels of income. Personal Tax scenarios (Amount in Rupees)

Individual	Income Level		
	500,000	55,00,000	11,000,000
Tax in FY 2017-18	12,875	1,657,013	3,686,756
Tax in FY 2018-19	13,000	1,673,100	3,722,550
Additional Tax Burden /(Savings)	125	16,087	35,794
Additional Tax Burden /(Savings)	0.971%	0.971%	0.971%

Resident senior citizen (age of 60 years but below 80 years)	Income Level		
	500,000	55,00,000	11,000,000
Tax in FY 2017-18	10,300	1,654,180	3,683,795
Tax in FY 2018-19	10,400	1,670,240	3,719,560
Additional Tax Burden / (Savings)	100	16,060	35,765
Additional Tax Burden / (Savings)	0.971%	0.971%	0.971%

Resident very senior citizen at the age of 80 years and above	Income Level		
	500,000	55,00,000	11,000,000
Tax in FY 2017-18	Nil	1,642,850	3,671,950
Tax in FY 2018-19	Nil	1,658,800	3,707,600
Additional Tax Burden / (Savings)	NA	15,950	35,650
Additional Tax Burden / (Savings)	NA	0.971%	0.971%

Marginal relief as applicable would be available

Notes:

1) The tax rates mentioned above are those provided in the Income tax Act, 1961 and amended as per Finance Act, 2018, applicable for the financial year 2018-19 relevant to assessment year 2019-20. In the event of any change, we do not assume any responsibility to update the tax rates consequent to such changes. The tax rates mentioned above may not be exhaustive rates applicable to all types of assessees /taxpayers.

2) The tax rates mentioned above are only intended to provide general information and are neither designed nor intended to be a substitute for professional tax advice. Applicability of the tax rates would depend upon nature of the transaction, the tax consequences thereon and the tax laws in force at the relevant point in time. Neither HDFC Mutual Fund nor HDFC Asset Management Company Limited nor any person connected with it accepts any liability arising from the use of this information. Users are advised that before making any decision or taking any action that might affect their finances or business, they should take professional advice.

3) A non-resident tax payer has an option to be governed by the provisions of the Income tax Act, 1961 or the provisions of the relevant DTAA, whichever is more beneficial. As per the provisions of the Income tax Act, 1961, submission of TRC along with Form No. 10F will be necessary for granting DTAA benefits to non-residents. A taxpayer claiming DTAA benefit shall furnish a TRC of his residence obtained by him from the Government of that country or specified territory. Further, in addition to the TRC, the non-resident may be required to provide such other documents and information subsequently, as may be prescribed by the Indian Tax Authorities.

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