TAX RECKONER 2018-19

The rates are applicable for the Financial Year 2018-19 (AY 2019-20)

A. APPLICABLE INCOME TAX RATES - INVESTMENTS IN MUTUAL FUND SCHEMES

Tax Implications on Dividend received by Unitholders

	Resident Individual / HUF	Domestic Companies	NRI
Dividend			
Equity oriented schemes	Nil	Nil	Nil
Debt oriented schemes	Nil	Nil	Nil
Dividend Distribution Tax (Payable by the MF Scheme)$$$			
Equity oriented schemes*	10% + 12% Surcharge + 4% Cess	10% + 12% Surcharge + 4% Cess	10% + 12% Surcharge + 4% Cess
	=11.648%	=11.648%	=11.648%
Debt oriented schemes	25% + 12% Surcharge + 4% Cess	30% + 12% Surcharge + 4% Cess	25% + 12% Surcharge + 4% Cess
	=29.12%	=34.944%	=29.12%
Money Market and Liquid schemes	25% + 12% Surcharge + 4% Cess	30% + 12% Surcharge + 4% Cess	25% + 12% Surcharge + 4% Cess
	=29.12%	=34.944%	=29.12%

"Education cess" and "Secondary and Higher Education cess" is proposed to be discontinued. However, new cess called “Health and Education Cess” is proposed to be levied at 4% on aggregate of base tax and surcharge in the Finance Bill, 2018.

* The Finance Bill, 2018 has proposed to levy dividend distribution tax at the rate of 10% for any income distributed by an equity oriented fund

$$$The amount of income distributed to the unit holders of the mutual fund needs to be grossed up for the purpose of computing the DDT. Accordingly, the effective rate of DDT payable by the mutual fund will be higher than the rates stated in the above table by virtue of grossing-up.

Capital Gains Taxation

	Resident Individual/HUF	Domestic Companies	NRI
Long Term Capital Gains (Units of equity oriented funds held for more than 12 months and 36 months in case of other units)			
Equity Oriented Schemes* (Refer to note below)	10% without indexation + 10% / 15% Surcharge$ + 4% Cess	10% without indexation + 7% / 12% Surcharge$ + 4% Cess	10% without indexation + 10% / 15% Surcharge$ + 4% Cess
	= 11.44% or 11.96%	= 11.128% or 11.648%	= 11.44% or 11.96%
Other than Equity Oriented Schemes (listed)	20% with indexation + 10% / 15% Surcharge$ + 4% Cess	20% with indexation + Surcharge 7% / 12% as applicable $$ + 4% Cess	20% with indexation + 10% / 15% Surcharge$ + 4% Cess
	=22.88% or 23.92%	=22.256% or 23.296%	= 22.88% or 23.92%
Other than Equity Oriented Schemes (unlisted)	20% with indexation + 10% / 15% Surcharge$ + 4% Cess	20% with indexation + Surcharge 7% / 12% as applicable $$ + 4% Cess	10% without indexation + 10% / 15% Surcharge$ + 4% Cess
	= 22.88% or 23.92%	= 22.256% or 23.296%	= 11.44% or 11.96%

"Education cess" and "Secondary and Higher Education cess" is proposed to be discontinued. However, new cess called “Health and Education Cess” is proposed to be levied at 4% on aggregate of base tax and surcharge in the Finance Bill, 2018.

Note: The Finance Bill, 2018 has proposed that long term capital gains on transfer of equity shares or units of equity oriented funds shall be taxed at the rate of 10% on capital gains in excess of Rs. 1 lakh provided STT is paid at the time of transfer of such shares or units. In order to compute the capital gains arising on transfer of these shares or units of equity oriented funds, the cost of acquisition of such units shall be higher of the following –

- Actual cost of acquisition; and
- Lower of –
  - Fair market value as on 31 January 2018 (as per prescribed method); and
  - Full value of consideration received or accruing as result of transfer

Circumstances	Fair Market value
In case where capital asset is listed on recognized stock exchange	Highest price of capital asset quoted on such exchange on 31 January 2018
In case there is no trading in such asset on such exchange on 31 January 2018	Highest price of such asset on such exchange on a date immediately preceding 31 January 2018 when such asset was traded
In case where a unit is not listed on recognized stock exchange	Net asset value of such asset as on 31 January 2018

The concessional rate of 10% shall be applicable only if:

- In case of equity shares, STT is paid at the time of sale and at the time of acquisition of shares; and
- In case of unit of equity oriented fund, STT is paid at the time of sale

Benefits of deduction under chapter VI-A and rebate under section 87A shall not be available on such capital gains income.

Short Term Capital Gains (Units of equity oriented mutual fund schemes held for less than or equal to 12 months and 36 months in case of other units)			
Equity Oriented Schemes*	15% + 10% / 15% Surcharge[$] + 4% Cess	15% + Surcharge 7% / 12% as applicable[$$] + 4% Cess	15% + 10% / 15% Surcharge[$] + 4% Cess
	=17.16% or 17.94%	=16.692% or 17.472%	17.16% or 17.94%
Other than Equity Oriented Schemes	30%^+ 10% / 15% Surcharge[$] + 4% Cess	30**% + Surcharge 7% / 12% as applicable[$$] + 4% Cess	30%^+ 10% / 15% Surcharge[$] + 4% Cess
	= 34.32% or 35.88%	= 33.384% or 34.944%	=34.32% or 35.88%

"Education cess" and "Secondary and Higher Education cess" is proposed to be discontinued. However, new cess called "Health and Education Cess" is proposed to be levied at 4% on aggregate of base tax and surcharge in the Finance Bill, 2018.

**As per the Finance Bill, 2018 in case of domestic companies whose turnover or gross receipts does not exceed Rs. 250 crore during the financial year 2016-17, the applicable tax rate shall be 25%. Accordingly, in cases of such small domestic companies, the applicable tax rate on short-term capital gains shall be 27.82% or 29.12%.

Tax deducted at Source (Applicable only to NRI investors)		
	Short Term Capital Gains[$]	**Long Term Capital Gains[$]**
Equity Oriented Schemes	17.16% or 17.94%	11.44% or 11.96%
Other than Equity Oriented Schemes (Listed)	34.32% or 35.88%	22.88% or 23.92%[@]
Other than Equity Oriented Schemes (Unlisted)	34.32% or 35.88%	11.44% or 11.96%

"Education cess" and "Secondary and Higher Education cess" is proposed to be discontinued. However, new cess called "Health and Education Cess" is proposed to be levied at 4% on aggregate of base tax and surcharge in the Finance Bill, 2018.

*STT will be deducted on equity oriented schemes at the time of redemption and switch to the other schemes. Mutual Fund would also pay securities transaction tax wherever applicable on the securities sold.

[$] In case of individual / HUF unit holders, surcharge of 10% shall be levied where income exceeds Rs. 50 lakhs but is less than Rs. 1 crore and at the rate of 15% where their income exceeds Rs.1 crore.

[$$] Surcharge at the rate of 7% shall be levied for domestic corporate unit holders where the income exceeds Rs.1 crore but is less than Rs. 10 crore and at the rate of 12%, where income exceeds Rs. 10 crore.

^Assuming the investor falls into the highest tax bracket

[@]After providing for indexation

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 Income-tax Act, 1961 submission of tax residency certificate ("TRC") 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, if the prescribed information is not in TRC, in addition to the TRC, the non-resident may be required to provide a self-declaration in Form 10F or such other documents and information subsequently, as may be prescribed by the Indian Tax Authorities.

The provisions of section 206AA (higher withholding tax rate of 20%) shall not apply to non-residents *inter alia* in respect of payments on transfer of any capital asset if the non-resident receiver furnishes the following:

- Name, e-mail id, contact number
- Address in the country / territory of which the person is a resident
- Certificate of his being a resident of the country / territory (i.e. TRC) issued by the Government thereof
- Tax identification number / unique identification number in that country

Widened scope for obligation to obtain Permanent Account Number [PAN]
The Finance Bill, 2018 proposes that every person other than an individual who enters into a financial transaction aggregating to an amount of Rs. 2.5 lakhs or more in a financial year shall be required to obtain a PAN. It is also proposed that any individual who is a managing director, director, partner, trustee, author, founder, karta, chief executive officer, principal officer or officer bearer or any other person competent to act on behalf of the person whose financial transaction exceeds the threshold of Rs. 2.5 lakhs shall be required to obtain the PAN. This amendment is applicable from 1 April 2018.

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 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.

B. INCOME TAX RATES

(i) For Individual, Hindu Undivided Family, Association of Persons, Body of Individuals and Artificial juridical persons.

Taxable Income	Tax Rate (%)
Up to Rs. 250,000 (a) (b)	Nil
Rs. 250,001 to Rs. 500,000 (d)	5%
Rs. 500,001 to Rs. 1,000,000 (d)	20%
Rs. 1,000,001 and above (c) (d)	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) Surcharge@ 10% is applicable where income exceeds Rs. 50 lakhs but is less than Rs. 1 crore and at 15% where the income exceeds Rs. 1 crore; Marginal relief for such person is available

(d) The Education cess of 2% and Secondary and Higher education cess of 1% is proposed to be replaced by Health and Education cess of 4% by the Finance Bill, 2018.

(ii) 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) on recognized stock exchange	Nil	Purchaser
Sale of units of equity oriented mutual fund (delivery based) on recognized stock exchange	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, where option is not exercised	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 unit of an equity oriented fund to the Mutual Fund	0.001%	Seller

(iii) Capital Gain

Sr. No	Particulars	Short Term Capital Gains Tax rates (a)	Long term Capital Gains tax rates (a)
I	Sale transactions of listed equity shares / units of an equity oriented scheme which attract STT	15%	10% without indexation***
II	Sale transaction of other listed units other than units mentioned above (without STT)		
	Individuals (resident and non-resident)	Progressive slab rates - as per B above	20% with indexation
	Firms including LLP (resident and non-resident)	30%	
	Resident Companies	30% / 25%	
	Overseas financial organisations specified in section 115AB	40% (Corporate) 30% (Non-corporate)	10% for units purchased in foreign currency[@@]
	FIIs	30%	10%[@@]
	Other Foreign Companies	40%	20% with indexation
	Local Authorities	30%	20% with indexation
	Co-operative Society Rates	Progressive Slab	
III	Sale transaction of un-listed units		
	Individuals (resident and non-resident)	Progressive slab rates - as per B above	20% with indexation / 10% without indexation **
	Firms including LLP (resident and non-resident)	30%	
	Resident Companies	30% / 25%	20% with indexation
	Overseas financial organisations specified in section 115AB	40% (Corporate) 30% (Non-corporate)	10% for units purchased in foreign currency[@@]
	FIIs	30%	10%[@@]
	Local Authorities	30%	20% with indexation
	Co-operative Society Rates	Progressive Slab	20% with indexation
	Any other non-resident	40%	10% without indexation**

**In case of Non-resident, long term capital gains arising from transfer of unlisted units will be taxable at the rate of 10% (plus surcharge and cess) without indexation.

***Kindly refer to Note on page 2

[@@]without indexation

These rates will further increase by applicable surcharge & health and education cess.

The base year for indexation purposes is shifted from 1 April 1981 to 1 April 2001. Further, cost of acquisition of a capital asset acquired before 1 April 2001 shall be allowed to be taken as fair market value as on 1 April 2001.

C. PERSONAL TAX SCENARIOS

Individuals other than below categories	Income levels (Rs.)		
	500,000	5,500,000	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
Effective Tax Savings	NA	NA	NA
Effective Tax Savings	NA	NA	NA
Additional Tax Burden	125	16,087	35,794
Additional Tax Burden	0.97%	0.97%	0.97%

Resident Senior Citizen (age of 60 years but below 80 years)	Income levels (Rs.)		
	500,000	5,500,000	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
Effective Tax Savings	NA	NA	NA
Effective Tax Savings	NA	NA	NA
Additional Tax Burden	100	16,060	35,765
Additional Tax Burden	0.97%	0.97%	0.97%

Resident Senior Citizen at the age of 80 years and above	Income levels (Rs.)		
	500,000	5,500,000	11,000,000
Tax in FY 2017-18	NIL	16,42,850	3,671,950
Tax in FY 2018-19	NIL	1,658,800	3,707,600
Effective Tax Savings	NA	NA	NA
Effective Tax Savings	NA	NA	NA
Additional Tax Burden	NA	15,950	35,650
Additional Tax Burden	NA	0.97%	0.97%

Marginal relief as applicable would be available.

Notes:

1. The tax rates mentioned above are those provided in the Income tax Act, 1961 and as amended by the Finance Bill, 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.
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, deductions available, rebates, the tax consequences thereon and the tax laws in force at the relevant point in time. Therefore, 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 Income-tax Act, 1961 submission of tax residency certificate ("TRC") 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 if the prescribed information is not in TRC, in addition to the TRC, the non-resident may be required to provide a self-declaration in Form 10F or such other documents and information subsequently, as may be prescribed by the Indian Tax Authorities
4. In terms of Chapter XA of the Act, General Anti Avoidance Rule (GAAR) may be invoked notwithstanding anything contained in the Act. Due to this, any arrangement entered into by a taxpayer may be declared to be impermissible avoidance arrangement, as defined in that Chapter and the consequence would be inter alia denial of tax benefit. This would also include denial of the benefit of the DTAA to an investor if the tax Authorities declares any arrangement to be an impermissible avoidance arrangement. The GAAR provisions are applicable with effect from the Financial Year 2017-18.

LIMITATION:

Our views expressed in the statement enclosed are based on the facts and assumptions indicated above. No assurance is given that the revenue authorities / courts will concur with the views expressed herein. Our views are based on the existing provisions of law and its interpretation, which are subject to change from time to time. We do not assume responsibility to update the views consequent to such changes. Reliance on the statement is on the express understanding that we do not assume responsibility towards the investors who may or may not invest in the Offer relying on the statement.

This statement has been prepared solely in connection with the Offer under the Regulations as amended.