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Tax Reckoner

Income Distribution & Capital Gain Taxation in the hands of investors in Mutual Funds Schemes from 1st April 2025 to 31st March 2026

Taxability	Equity Schemes ⁵	Other Than Equity Schemes ⁵ (Including Specified Mutual Fund) ³
All assessee	As per applicable tax rates	As per applicable tax rates
Withholding of Tax (TDS)	Equity Schemes ⁴	Other Than Equity Schemes ⁴ (Including Specified Mutual Fund) ³
Resident	10%	10%
Non Resident	20%	20%

Capital Gains Taxability

Short Term Capital Gains	Equity schemes ⁹ (Units held - for < 12 months)	Other Than Equity Schemes	
		Specified Mutual Fund (Period of units held is irrelevant)	Specified Mutual Fund (Period of units held is irrelevant)
Resident Individuals/HUF/AOP/BOI	20%	As per slab rates	As per slab rates
Domestic Companies/Firms	20%	30%/25%/22%/15%	30%/25%/22%/15%
Non Resident	20%	As per slab rates	As per slab rates
FII	20%	30%	30%

Epsilon Money Mart Pvt. Ltd.

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CIN Number : U67190MH2022PTC377576 | **AMFI :** Registered Mutual Fund Distributor | **AMFI ARN No. :** 243441

IRDAI Registered Corporate Agent Reg No. : CA0866



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Short Term Capital Gains	Equity schemes ⁹ (Units held - for < 12 months)	Other Than Equity Schemes	
		Specified Mutual Fund (Period of units held is irrelevant)	Specified Mutual Fund (Period of units held is irrelevant)
Resident Individuals/HUF/AOP/BOI	20%	As per slab rates	As per slab rates
Domestic Companies/Firms	20%	30%/25%/22%/15%	30%/25%/22%/15%
Non Resident	20%	As per slab rates	As per slab rates
FII	20%	30%	30%

Notes:

1. The rates provided in the chart are on the basis of the Finance Act, 2025.
2. It is assumed that the units are held as capital assets by the investors.
3. "Specified Mutual Fund" means,-
 - (A) a Mutual Fund by whatever name called, which invests more than sixty-five per cent of its total proceeds in debt and money market instruments; or
 - (B) a fund which invests sixty-five per cent or more of its total proceeds in units of a fund referred to in (a)Provided that the percentage of investment in debt and money market instruments or in units of a fund, as the case may be, in respect of the Specified Mutual Fund, shall be computed with reference to the annual average of the daily closing figures. Provided this provision is applicable on any investment made on or after 1st April, 2023
194K of the Act provides that any person responsible for paying to a resident any income in respect of units of a Mutual Fund specified under clause (23D) of section 10. Mutual Fund shall at the time of credit of such income to the account of the payee or at the time of payment thereof by any mode, whichever is earlier, deduct income tax there on at the rate of 10%. Tax not deductible if income in respect of units of a Mutual Fund is below ₹ 10,000 in a financial year (Only for Resident Individual Investor)

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4. However, on account of practical difficulties involved due to unique nature of Mutual Fund investments and various schemes involved, Mutual Funds shall deduct TDS from each Income Distribution once it exceeds ₹ 9,000 threshold benefit on cumulative basis in a financial year (Consolidate on PAN basis). In case of total TDS exceeding the actual tax liability of any investor, he/she can claim refund while filing income tax return.

Mutual Fund investments are subject to market risks, read all scheme related documents carefully.

5. Dividend or income distribution by mutual fund on units is taxable in the hands of unit holders at the applicable rates from 1st April 2020 onwards.
6. Securities Transaction Tax (STT).

STT is levied on the value of taxable securities transactions as under:

Transaction	Rate	Payable by
Purchase of units of equity oriented mutual fund	Nil	Purchaser
Sale of units of equity oriented mutual fund (Delivery based)	0.001%	Seller
Sale of unit of an equity oriented fund where (a) the transaction of such sale is entered into in a recognised stock exchange and (b) the contract for sale of units is settled otherwise than by the actual delivery or transfer of such unit	0.025%	Seller
Mutual fund would also pay STT wherever applicable on the securities purchase/ sale		

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7. The provision of section 112 of the Act provides, long-term capital gain from transfer of other than equity oriented units (Other than Specified Mutual Fund) would be taxable @ 12.5% without giving effect to first & second proviso of section 48 i.e. without taking benefit of foreign currency fluctuation and indexation.
8. (a) In case of Non-Resident Investors tax on short term/long term capital gain will be deducted at the time of redemption of units. Further, section 196D of the Act provides that no withholding of tax applicable in case of Foreign Institutional Investor on capital gains arising from transfer of units.
(b) Non-Resident Investors shall be entitled for benefit of Double Taxation Avoidance Agreement (DTAA) which India has entered with the country of residence of the Non-Resident Investor, to avail benefit of DTAA following documents are required from Non-Resident Investor:
 - i) Tax Residency Certificate (TRC) from resident country
 - ii) Electronic Form 10F issued by Indian Income Tax Authority
 - iii) Self-declaration

The TDS rates would be applicable for non-resident investors as follows:

Short Term Capital Gains			Long term Capital Gains	
	Equity Schemes	Other than Equity schemes (Including specified mutual fund) ³	Equity Schemes	Other than Equity schemes (Excluding specified mutual fund) ³
Non-Resident	20%	30%	12.50%	12.50%
Foreign Company	20%	35%	12.50%	12.50%
FII	Nil	Nil	Nil	Nil

Note: TDS on capital gains from specified mutual funds will be deducted at applicable rates of tax.

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The above rates are excluding applicable Surcharge and Health & Education Cess and the same will be at the rates indicated at note no. 15.

- Section 206AA provide that the deductee is required to mandatorily furnish his PAN to the deductor failing which the deductor shall deduct tax at source at higher of the following rates:

- i) The rate prescribed in the Act;
- ii) At the rate in force i.e., the rate mentioned in the Finance Act; or
- iii) At the rate of 20%.

Relaxation to non-residents from deduction of tax at higher rate in the absence of PAN subject to providing specified information and documents.

- As per Rule 114B of the Income Tax Rules, 1962 quoting of PAN Is mandatory if investor invests more than ₹ 50,000 in mutual fund schemes in a financial year.

9. Some key definitions

Equity Oriented Fund means a fund setup under scheme of Mutual Fund specified under clause (23D) of section 10 of the Act.

(i) In a case where the fund invests in the unit of another Fund which is traded on recognised Stock Exchange -

(a) A minimum of 90% of the total proceeds of such fund is invested in other fund and,

(b) 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 and,

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(ii) In any other case, a minimum of 65% of the total proceeds of such fund is invested in Equity Shares of domestic companies listed on recognised stock exchange.

Provided that the percentage of Equity Share holding or unit held in respect of the fund, as the case may be, shall be computed with reference to the annual average of the monthly averages of the opening and closing figures

- HUF - Hindu Undivided Family, AOP - Association of Persons, BOI - Body of Individual, NRI - Non-Resident Indian, FII - Foreign Institutional Investor.

10. If total turnover/Gross Receipt of a company investor during FY 2023-24 does not exceeds ₹ 400 crore.
11. Long Term capital gain on equity oriented scheme is taxable @12.5% exceeding ₹ 1.25 Lakh p.a., provided that is subject to STT on transfer of units as per provisions of sections 112A of the Act. Further, Grandfathering benefit has been provided for long term capital gains up to January 31, 2018
12. Transfer of units under 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 Fund) Regulations, 1996 shall not be treated as transfer for capital gain purpose.
13. Transfer of units under consolidation of plans within mutual fund scheme in accordance with SEBI (Mutual Fund) Regulations, 1996 shall not be treated as transfer for capital gain purpose.

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14. The taxation laws (Amendment) Ordinance, 2019 introduced new section 115BAA and 115BAB. The section 115BAA provides that any domestic company, which is satisfying certain conditions as mentioned in the provision may opt for tax rate @22% from 01 April 2019 onwards. Whereas the section 115BAB provides that companies engaged in manufacturing business (set up and registered on or after 01 October 2019) which is satisfying certain conditions as mentioned in the provision may opt for tax rate @15%. Surcharge and Education Cess is applicable @10% and 4% respectively for both the section. Further, the domestic companies are subject to minimum alternate tax (except for those who opt for lower rate of tax of 22%/15%) not specified in above tax rates.

15. In addition to the above rate, there would be additional applicable surcharge, if any and Health & Education Cess at the rate of 4% on income tax and surcharge.

Surcharge applicable for FY 2025-26 : Equity Oriented Schemes

Assessee	If Income below J0.50 crore	If income exceeds J0.50 crore but less than J1 crore	If income exceeds J1crore but less than J2 crore	If income exceeds J2crore but less than J5 crore	If income exceeds J5crore but less than J10 crore	If income exceeds J10 crore
	Surcharge	Surcharge	Surcharge	Surcharge	Surcharge	Surcharge
Individual (including proprietor ships), Hindu Undivided Family (HUF), Association of Persons (AOP) and Body of Individual (BOI)	NIL	10%	15%	15%	15%	15%
Co-operative Society, Local Authority and Partnership Firms (including LLPs)	NIL	NIL	12%	12%	12%	12%
Indian Corporates	NIL	NIL	7%	7%	7%	12%
Foreign Companies	NIL	NIL	2%	2%	2%	5%

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Surcharge applicable for FY 2025-26 : Other Than Equity Schemes
(Including Specified Mutual Fund)

Assessee	If specified income* below J0.50 crore	If specified income* exceeds J 0.50 crore but less than J 1 crore	If specified income* exceeds J 1 crore	If specified income* exceeds J 2 crore but less than J 5 crore	If specified income* exceeds J 5 crore but less than J 10 crore	If specified income* exceeds J 10 crore
	Surcharge	Surcharge	Surcharge	Surcharge	Surcharge	Surcharge
Individual (including proprietor ships), Hindu Undivided Family (HUF), Association of Persons (AOP) and Body of Individual (BOI)	NIL	10%	15%	25%**	25%**	25%**
Co-operative Society, Local Authority and Partnership Firms (including LLPs)	NIL	NIL	12%	12%	12%	12%
Indian Corporates	NIL	NIL	7%	7%	7%	12%
Foreign Companies	NIL	NIL	2%	2%	2%	5%

*Specified Income mean income excluding the income by way of dividend, income under the provisions of section 111A, section 112 and section 112A of the Act

**Maximum rate of surcharge in case of long-term capital gain from sale/redemption will be @15% under

default new tax regime as prescribed by the provision of section 115BAC

**Maximum rate of surcharge in case of short-term capital gain from sale/redemption of specified mutual

fund will be @37% under old tax regime.

16. The Finance Act 2025 provides 2 options for computation of income and tax payable. The taxpayers need to select any of the following options at the time of filing of return of income.



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Option A:

Default personal tax regime as per the Finance Act, 2025

Total Income		Tax Rates
Up to ₹ 4,00,000	-	NIL
From ₹ 4,00,001 to ₹ 8,00,000	-	5%
From ₹ 8,00,001 to ₹ 12,00,000	-	10%
From ₹ 12,00,001 to ₹ 16,00,000	-	15%
From ₹ 16,00,001 to ₹ 20,00,000	-	20%
From ₹ 20,00,001 to ₹ 24,00,000	-	25%
From ₹ 24,00,001 and above	-	30%

Option A is a default option in which most of the deductions/exemptions under section 80C, 80D, etc. are to be foregone. The aforesaid regime is optional. Accordingly, Individual, Hindu Undivided Family and Association of Persons have the option to be taxed under either of the options. Where the assessee has business income then once option exercised for a previous year shall be valid for that previous year and all subsequent years. In case if assessee has other than the income from Business and Profession, assessee can choose between the options every year before filing of Income Tax Return

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Rates of Surcharge:

25%

on base tax where specified income exceeds
₹ 5 crore;

25%

where specified income exceeds **₹ 2 crore** but
does not exceed **₹ 5 crore**

15%

where total income exceeds **₹ 1 crore** but
does not exceed **₹ 2 crore;** and

10%

where total income exceeds **₹ 50 lakhs** but
does not exceed **₹ 1 crore**

(a) Health and Education Cess @ 4% on aggregate of base tax and surcharge.

(b) Individuals having total income not exceeding ₹ 12,00,000 can avail rebate of actual tax liability subject to maximum tax ₹ 60,000.

*Maximum surcharge will be 15% where income is in nature of dividend from shares and capital gain income as per provision of section 111A, 112, 112A of the Act.

*Maximum surcharge will be 15% where all the members of AOP's are companies only.

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Option B:

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

Total Income		Tax Rates
Up to ₹ 2,50,000 (a) (b)	-	NIL
₹ 2,50,001 to ₹ 5,00,000(d) (e)	-	5%
₹ 5,00,001 to ₹ 10,00,000(d)	-	20%
₹ 12,00,001 to ₹ 16,00,000	-	35%
₹ 10,00,001 and above(c)(d)	-	20%

- (a) In case of a resident individual of the age of 60 years or above but below 80 years, the basic exemption limit is ₹ 3,00,000.
- (b) In case of a resident individual of age of 80 years or above, the basic exemption limit is ₹ 5,00,000.
- (c) Rate of surcharge.

Rates of Surcharge:

37%

on base tax where specified income exceeds ₹ 5 crore; income exceeds ₹ 5 crore: on base tax where specified income

25%

where specified income exceeds ₹ 2 crore but does not exceed ₹ 5 crore 2 crore but does not exceed ₹ 5 crore

15%

where total income exceeds ₹ 1 crore where total income exceeds ₹ 1 crore

10%

where total income exceeds ₹ 50 lakhs but does not exceed ₹ 1 crore

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Specified income - Total income excluding income under the provisions of section 111A, 112 & 112A of the Act and dividend from shares.

Marginal relief for such person is available.

(d) Health and Education Cess @ 4% on aggregate of base tax and surcharge.

(e) Individuals having total income not exceeding ₹ 5,00,000 can avail rebate of lower of actual tax liability or ₹ 12,500.

Disclaimer:

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