WHAT ARE THE DIFFERENT TAXES APPLICABLE TO MUTUAL FUNDS?

When you invest through Mutual Funds, you can earn income as Dividends or Capital Gains. Also, where there is income, there is Income Tax. Moreover, since March is the month of (last minute) Tax planning, let's discuss the different Taxes that apply to your Mutual Fund investments.

a) Dividend Distribution Tax

Dividend Distribution Tax (DDT) is a Tax levied on Dividend-paying Mutual Funds. The Fund House deducts this Tax before they pay out the Dividend. That means you don't have to pay any extra Tax. Only your actual returns would reduce as a result of DDT.

DDT on non-Equity Funds:

25% (29.12% including surcharge and cess)

DDT on Equity Funds:

10% (11.648% including surcharge and cess)

b) Capital Gains Tax

The Capital Gains you earn on your Mutual Fund investments are taxed based on the holding period of your Mutual Fund units. That can either be short-term or long-term. Moreover, based on this timeframe, you have to either pay:

Short-Term Capital Gains Tax (STCG)

Long-Term Capital Gains Tax (LTCG)

Fund	Short-Term	Long-Term
Equity Funds	Less than 12 months	12 months or more
Balanced Funds	Less than 12 months	12 months or more
Debt Funds	Less than 36 months	36 months or more

That means, if you hold your Equity Funds for more than 12 months, you would have to pay LTCG Tax. On the other hand, LTCG Tax on Debt Funds is applicable only if you held your Funds for more than 36 months.

c) Securities Transaction Tax

Securities Transaction Tax (STT) is a Tax levied on the purchase and sale of securities that are listed on the Stock Exchanges. So, whenever you sell an Equity Fund or a Hybrid Equity Fund, you also have to pay STT. That gets deducted at the rate of 0.001% months.

*This content was created exclusively for UTI Swatantra. Visit http://www.utiswatantra.com for more information