

DID YOU KNOW

Equity can still be Tax-efficient despite the Long-Term Capital Gains (LTCG) Tax and Dividend Distribution Tax (DDT)

Introduction of DDT and LTCG Taxation of Dividend and LTCG on Equity came as a shock to many. But, despite these amendments, Equity can still be a Tax-efficient investment for various reasons:

▶ Winning the race

Compared to other Tax-saving instruments like 5-year Fixed Deposits (FDs), Equity may still have the upper hand in terms of Tax you pay. Here's how:



Tax slab	Income Tax Rate	Tax on LTCG	Tax on FD interest
Up to ₹1 lakh	0%	0%	0%
₹1 lakh - ₹2.5 lakh	0%	10%	0%
₹2.5 lakh - ₹5 lakh	5%	10%	5%
₹5 lakh - ₹10 lakh	20%	10%	20%
Above ₹10 lakh	30%	10%	30%

▶ The FD interest is taxed as per your slab rate; Equity is taxed at flat 10%

▶ Equity is Tax-efficient for those falling in the 20-30% bracket

▶ Equity has the potential to give higher returns than FDs. It, thus, has a higher potential to give greater post-Tax returns

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

SIP CORNER

How to calculate LTCG while investing through SIPs

You don't invest in a Mutual Fund in one go if you opt for the Systematic Investment Plan (SIP). You pay them monthly, quarterly, bi-annually or annually. So, each SIP payment will be considered a fresh investment.

Let's use an example to illustrate this point:

Investments	Start date	Sell date	Investment sold at
₹10,000 per month	January 1, 2016	March 15, 2017	₹500/unit

Just to refresh your memory,

Long Term Capital Gains (LTCG) Tax is 10% if Gains exceed ₹1 lakh

Short Term Capital Gains (STCG) Tax is 15%

SIP Month	MF buying value/unit	Units allotted	Gains/unit	Gains	Tax attracted
January	₹100	100	₹400	₹40,000	LTCG of 10%
February	₹102	98	₹398	₹39,004	
March	₹98	102	₹402	₹41,004	
April	₹95.24*	105	₹404.76	₹42,500*	STCG of 15%
May	₹105.26*	95	₹394.74	₹37,500*	

*Numbers rounded off

Tax liability:

Total LTCG	LTCG Tax
₹1,20,008	10% of ₹20,008 = ₹2,000.8

Total STCG	STCG Tax
₹80,000	15% of ₹80,000 = ₹12,000

Total Tax = ₹ 14,000.8



NPS CORNER

How Budget 2018 affects Taxation of NPS ?

Pre-budget:
Employees need not pay Tax when withdrawing up to 40% from NPS

Budget 2018 change:
Both employees and non-employee subscribers will get the above benefit

Impact:
Equal NPS withdrawal rules for salaried and non-salaried subscribers