Addendum

This addendum set out changes to be made in the Statement of Additional Information (SAI) Of Tata Mutual Fund.

Effective Date: 6th October, 2019

Schedule A – Section VI - Tax & Legal & General Information – Taxation on investing in Mutual Fund has been updated as per Finance Act(No 2) , 2019 as given below.

VI. TAX & LEGAL & GENERAL INFORMATION

A. Taxation on Investing in Mutual Funds

Certain tax benefits as described below are available, under present taxation laws to the unitholders holding units of equity oriented mutual funds as well as units of debt funds (i.e. other than equity oriented funds) as an investment. The information set out below is included for general information purposes only and does not constitute legal or tax advice. In view of the individual nature of the tax consequences, each investor is advised to consult his or her own tax consultant with respect to specific tax implications arising out of their participation in the Scheme. Income Tax benefits to the mutual fund and to the unit holder is in accordance with the prevailing tax law as certified by the mutual funds tax consultant.

For this purpose, an equity oriented mutual fund is defined in Section 10(38) of the Income-tax Act, 1961 (the Act) to mean the Securities and Exchange Board of India (SEBI) registered fund where more than 65% of the investible funds are invested in equity shares of domestic companies. The percentage of equity shareholding of the fund shall be computed with reference to the annual average of the monthly averages of the opening and closing figures.

Tata Mutual Fund is a Mutual Fund registered with SEBI and hence the entire income of the Fund will be exempt from income-tax in accordance with the provisions of Section 10(23D) of the Act. The Fund is entitled to receive all income without any deduction of tax at source under the provisions of Section 196(iv), of the Act.

I. TAX TREATMENT OF INVESTMENTS IN EQUITY ORIENTED FUNDS

i. CONCESSIONAL RATE OF TAX TO THE MUTUAL FUND

Uptil Finance Act 2017, the equity oriented Fund is not required to pay any Dividend Distribution Tax u/s 115R of the Act in respect of the income, if any, distributed by it to its unitholders.

It is enacted in Finance Act, 2018 i.e. from 1st April, 2017 that equity oriented fund would be required to withhold 10% tax on distribution of income to its unit holders.

Further, it is enacted by Finance Act, 2019, that no additional income tax shall be chargeable in respect of income distributed by Specified Mutual Fund (Mutual Fund specified under clause (23D) of section 10, is located in any International Financial Services Centre and all the units are held by non-residents) on or after 1st September, 2019 out of, its income derived from transactions made on a recognised stock exchange located in any International Financial Services Centre and where the consideration is paid or payable in convertible foreign exchange

ii. TAX BENEFITS TO THE UNITHOLDERS

1. Income Tax

As per Section 10(35) of the Act, any income other than capital gain received in respect of units of a mutual fund specified under Section 10(23D) of the Act will be exempt from income-tax in the hands of the unitholders.

2. Capital Gains Tax

a. Long Term Capital Gains on Transfer of Units

Under the existing provisions of Section 10(38) of the Act, long term capital gains arising on transfer of units of equity oriented funds are exempt from income tax in the hands of unit holders, provided Securities Transaction Tax (STT) is charged by the Mutual Fund on the said redemption/buy back of the units. As per the Finance Act, 2018, the exemption available under section 10(38) has been

withdrawn by prospectively inserting section 112A in the Act. Accordingly, long term capital gains arising from transfer of such units/ securities exceeding INR 1,00,000 would be taxable at 10% plus applicable surcharge and cess under section 112A with effect from 1st April 2018. Further, the enhanced surcharge (of 25% and 37%) as levied on income arising from the transfer of equity share/unit referred to in section 112A in Finance Act, 2019, has been withdrawn by the Govt. of India vide its press release as on 24th August.2019 and further confirmed vide Taxation Laws (Amendment) Ordinance, 2019.

No indexation benefit would be available in respect of such long term capital gains. However, gains made upto 31st January 2018 will be grandfathered. To give effect to the grandfathered provisions, the cost of acquisition will be deemed to be higher of:

a. Actual cost of acquisition; and

b. Lower of-

- ✓ Fair market value (i.e. the highest price quoted on a recognized stock exchange on or near 31st January 2018 in case of listed asset or net asset value in case of unlisted units); and
- ✓ Full value of consideration received or accruing as a result of the transfer.

b. Short Term Capital Gains on Transfer Of Units

Section 111A provides that short-term capital gains arising on transfer of units of equity oriented funds are chargeable to income tax at a concessional rate of 15% plus applicable surcharge, health & education cess as applicable, provided STT is charged on such transaction.

In case of companies if income exceeds Rs. 1 crore but does not exceed Rs 10 crores, then the tax payable would be increased by a surcharge @ 7% in case of domestic companies and @ 2% in case of foreign companies and if income exceeds Rs 10 crore then surcharge @ 12% in case of domestic companies and @ 5% in case of foreign companies would be applicable.

In the case of Individuals, as per Finance Act, 2019, where taxable income of the individual exceeds Rs 50 lakhs but does not exceed Rs 1 crore, surcharge @ 10% would be applicable, where taxable income exceeds Rs 1 crore, surcharge @ 15% shall be applicable. In all cases, the tax payable [as increased by surcharge would be further increased by Health & Education Cess (4%)].

Further, Section 48 provides that no deduction shall be allowed in respect of STT paid for the purpose of computing Capital Gains.

iii. TAX DEDUCTION AT SOURCE

1. For Income in Respect Of Units

As per the proviso to Section 196A(1) of the Act, no tax shall be deducted at source from any income credited or paid to non-resident unitholders in respect of units of a mutual fund specified under Section 10(23D) of the Act. Similarly as per the provisions of erstwhile Section 194K of the Act, no tax should be withheld or deducted at source where any income is credited or paid by a mutual fund to resident unitholders.

However, as per the provisions of Section 196B of the Act, tax is required to be deducted at source at the rate of 10% plus applicable surcharge and cess (see note 1 below), in the case of any income in respect of units referred to in section 115AB payable to an overseas financial organisation (referred to as Offshore Fund).

2. For Capital Gain

(a) In respect of Resident Unit holders:

No tax is required to be deducted at source on capital gains arising to any resident unit holder (under erstwhile section 194K) vide circular no. 715 dated August 8, 1995 issued by the Central Board of Direct Taxes (CBDT).

(b) In respect of Non- Resident Unit holders:

As per the provisions of Section 195 read with section 196D(2) of the Act, tax is required to be deducted at source from the redemption proceeds paid to investors. This withholding is in addition to and independent of the securities transaction tax payable, if any, by the investor. Under Section 195 of the Act, tax shall be deducted at source in respect of capital gains as under:

Category of Investor	**Rate at which tax is deductible on short term capital gains (see note 1 below)**	**Rate at which tax is deductible on long term capital gains (see note 1 below)**
Foreign Companies	15%	10%
FIIs and FPI	NIL	NIL

Non-resident Indians (NRIs)	15%	10%
Other non-residents	15%	10%

Further, as per the provisions of Section 196B of the Act, tax is required to be deducted at source at the rate of 10% plus applicable surcharge and cess (see note 1 below), in the case of any income or long term capital gains arising from the transfer of unit of a SEBI registered mutual Fund payable to an Offshore Fund.

Note:

1. Surcharge Rates Applicable:

In case of foreign companies if income exceeds Rs.1 crore but does not exceed Rs 10 crores, then the tax payable would be increased by a surcharge of 2% and if income exceeds Rs 10 crores then surcharge of 5% would be levied. In all cases, the tax payable (as increased by surcharge) would be further increased by Health & Education Cess (4%).

In the case of Individuals, as per Finance Act, 2019, where taxable income of the individual exceeds Rs 50 lakhs but does not exceed Rs 1 crore, surcharge @ 10% would be applicable. where taxable income exceeds Rs 1 crore but does not exceed Rs 2 crore, surcharge @ 15% shall be applicable, where the taxable income exceeds Rs 2 crore but does not exceed Rs 5 crore, surcharge @ 25% shall be applicable and where the taxable income exceeds Rs 5 crore, surcharge @ 37% shall be applicable. The tax payable (as increased by surcharge) would be further increased by Health & Education Cess (4%). However, Govt. of India vide its press release dated 24th August, 2019 and Taxation Laws (Amendment) Ordinance, 2019, has withdrawn levy of enhanced surcharge income arising from the transfer of equity share/unit referred to in section 111A, 112A and 115AD by Finance Act, 2019 (i.e. where the taxable income exceeds Rs 2 crore but does not exceed Rs 5 crore, surcharge @ 25% and where the taxable income exceeds Rs 5 crore, surcharge @ 37%).

In the case of Partnership Firms where taxable income exceeds Rs 1 crore, surcharge @ 12% would be applicable. The tax payable (as increased by surcharge) would be further increased by Health & Education Cess (4%).

2. Relief as per Double Taxation Avoidance Agreements:

As per circular no. 728 dated October 1995 by CBDT and section 90(2) of the Act, in the case of a remittance to a country with which a Double Taxation Avoidance Agreement ('DTAA') is in force, the tax should be deducted at the rate provided in the Finance Act of the relevant year or at the rate provided in DTAA whichever is more beneficial to the assesse. As per the Finance Act 2013, in order to claim the benefits under the DTAA, the assesse would have to provide a "certificate of his being resident" (commonly known as 'Tax Residency Certificate') from the government of the country in which he is a resident. In addition to the said certificate, the concerned non-resident is also required to provide certain information in Form 10F such as status, nationality, Tax Identification Number, period for which the assesse is a resident in the concerned country, address and a declaration that the certificate of him being a resident is obtained. If any information in Form 10F is already provided on the "certificate of residency, then the same need not be provided again in the form.

3. Higher tax to be withheld for non-furnishing of PAN by investor:

Further where the non-resident unit holder does not furnish his / its Permanent Account Number to the mutual fund, then tax will be withheld at the higher rate of 20% even if the relevant DTAA or the Act provide for a lower rate. However, with effect from 1 June 2016, this higher withholding tax rate of 20% may not apply for non-residents if the following details prescribed under Rule 37BC of the Income Tax Rules, 1962 (the Rules) are furnished by the non-resident recipient to the payer;

- Name, e-mail id, contact number;
- Address in the country or specified territory outside India of home country of the non-resident;
- Tax residency certificate (TRC)
- Tax Identification Number of the non-resident in the country or specified of his residence.

However, if the capital gain itself is not taxable under the relevant DTAA then higher withholding tax rate of 20% will not apply even if PAN is not available.

iv. SECURITIES TRANSACTION TAX

Securities Transaction Tax ("STT") is applicable on transactions of purchase or sale of units of an equity oriented fund entered into on a recognized stock exchange or on sale of units of equity oriented fund to the Fund. The STT rates as applicable are given in the following table:

Taxable securities transaction	Payable by	Rate (as a % of value of the transaction)
Purchase/ Sale of an equity share in a company where a) the transaction of such purchase is entered into in a recognized stock exchange; and b) the contract for the purchase of such share is settled by the actual delivery or transfer of such share	Purchaser/ Seller	0.1%
Purchase of a unit of an equity oriented fund, where a) the transaction of such purchase is entered into in a recognized stock exchange; and b) the contract for the purchase of such unit is settled by the actual delivery or transfer of such unit	Purchaser	NIL
Sale of a unit of an equity oriented fund, where a) the transaction of such sale is entered into in a recognized stock exchange; and b) the contract for the sale of such unit is settled by the actual delivery or transfer of such unit	Seller	0.001%
Sale of an equity share in a company or a unit of an equity oriented funds on non-delivery basis	Seller	0.025%
Sale of option in securities	Seller	0. 05 %
Sale of an option securities, where option is exercised	Purchaser	0.125%
Sale in a future in securities	Seller	0.01%
Sale of unit of an equity oriented fund to the Mutual Fund itself	Seller	0.001%

The Fund is responsible for collecting the STT from every person who sells the unit to it at the rate mentioned above. The STT collected by the Fund during any month will have to be deposited with the Central Government by the seventh day of the month immediately following the said month.

II. TAX TREATMENT OF INVESTMENTS IN OTHER THAN EQUITY ORIENTED (DEBT) FUNDS

i. INCOME DISTRIBUTION TAX PAYABLE BY MUTUAL FUND

On income distribution, if any, made by the Fund to its unitholders of *non-equity oriented fund*, income distribution tax will be payable under Section 115R of the Act at the following rates:

• At 25 percent (plus surcharge @ 12 percent and an additional surcharge by way of Health & Education Cess of 4 percent on the amount of tax plus surcharge) on income distributed to Individuals or HUFs by a Money Market Mutual Fund or a Liquid Fund.

• At 30 percent (plus surcharge @ 12 percent and an additional surcharge by way of Health & Education Cess of 4 percent on the amount of tax plus surcharge) on income distributed to any other person by a Money Market Mutual Fund or a Liquid Fund.

• At 5 percent (plus surcharge @ 12 percent and an additional surcharge by way of Health & Education Cess of 4 percent on the amount of tax plus surcharge) on the income distributed by mutual fund to a non resident or to a foreign company under an infrastructure debt scheme.

• At 25 percent (plus surcharge @ 12 percent and an additional surcharge by way of Health & Education Cess of 4 percent on the amount of tax plus surcharge) on income distributed to individuals or HUFs by a fund other than a money market mutual fund or a liquid fund.

• At 30 percent (plus surcharge @ 12 percent and an additional surcharge by way of Health & Education Cess of 4 percent on the amount of tax plus surcharge) on income distributed by other funds to persons other than individuals and HUFs, for instance, corporates.

Further, it is enacted by Finance Act, 2019, that no additional income tax shall be made by Specified Mutual Fund (Mutual Fund specified under clause (23D) of section 10, is located in any International Financial Services Centre and all the units are held by non-residents) on or after 1st September, 2019 out of, its income derived from transactions made on a recognised stock exchange located in any International Financial Services Centre and consideration is paid or payable in convertible foreign exchange.

On income distribution, if any, made by the Fund to its unit holders of equity oriented fund, income distribution tax will be payable under Section 115R of the Act at 10 percent (plus surcharge @ 12 percent and an additional surcharge by way of Health& Education Cess of 4 percent on the amount of tax plus surcharge).

With effect from 1st October, 2014, as per the amendments made effective by the Finance (No. 2) Act, 2014, the amount on which the above tax rates apply needs to be grossed up.

ii. TAX BENEFITS TO THE UNITHOLDERS

1. Income Tax

As per Section 10(35) of the Income Tax Act, any income other than capital gain received in respect of units of a mutual fund specified under Section 10(23D) will be exempt from income-tax in the hands of the unitholders.

However, any income received from the units as referred in Section 115AB of the Act, would be taxed at the rate of 10% plus applicable surcharge and cess.

2. Long Term Capital Gains on Transfer of Units

Long-term capital gains on sale of units of Mutual Funds other than equity oriented funds are not exempt from income tax under Section 10(38) of the Act in the hands of unit holders. While computing the gains, in some cases, the benefit of indexation of cost of acquisition is available. In some cases, the investor has the option to pay tax on indexed gains or unindexed gains whichever is more beneficial. Further, Section 48 provides that no deduction shall be allowed in respect of STT paid for the purpose of computing Capital Gains. The provisions for taxation of long-term capital gains for different categories of assesse are explained hereunder:

Category of Investor	**Rate at which tax is payable (see note 1 and 2 below)**	**Whether benefit of indexation of cost is available?**
Resident unit holders	20% (see note 3 and 4 below)	Yes
Foreign Companies (listed schemes not sold on recognized stock exchange)	20%	Yes
Foreign Companies (unlisted schemes)	10%	No
NRIs (listed schemes not sold on recognized stock exchange)	20%	Yes
NRIs (unlisted schemes)	10%	No
NRIs (section 115E)	20% (for unspecified asset) 10% (for specified asset)	No (see note 5 below)
Overseas Financial Organisations (Section 115AB) and Foreign Institutional Investors, Foreign Portfolio Investors (115AD)	10% (see note 6 and 7 below)	No
Any other Non-residents (listed schemes not sold on recognized stock exchange)	20%	Yes
Any other Non-residents (unlisted schemes)	10%	No

Notes:

1. In case of companies, if income exceeds Rs. 1 crore but does not exceed Rs 10 crores, then the tax payable would be increased by a surcharge (@ 7 % in case of domestic companies and @ 2% in case of foreign companies) & if income exceeds Rs 10 crore then surcharge @ 12 % in case of domestic companies & @ 5% in case of foreign companies would be applicable. In all cases, the tax payable (as increased by surcharge in case of companies referred to above) would be further increased by Health & Education Cess (4%).

2. In the case of Individuals, as per Finance Act, 2019, where taxable income of the individual exceeds Rs 50 lakhs but does not exceed Rs 1 crore, surcharge @ 10% would be applicable, where taxable income exceeds Rs 1 crore but does not exceed Rs 2 crore, surcharge @ 15% shall be applicable, where the taxable income exceeds Rs 2 crore but does not exceed Rs 5 crore, surcharge @ 25% shall be applicable and where the taxable income exceeds Rs 5 crore, surcharge @ 37% shall be applicable. The tax payable [as increased by surcharge would be further increased by Health and Education Cess (4%)]. In the case of Partnership Firms where taxable income exceeds Rs 1 crore, surcharge @ 12% would be applicable. The tax payable (as increased by surcharge would be further increased by Health & Education Cess (4%). However, Govt. of India vide its press release dated 24th August, 2019 and Taxation Laws (Amendment) Ordinance, 2019, has withdrawn in case of individuals, an levy of enhanced surcharge income arising from the transfer of equity share/unit referred to in section 111A, 112A and 115AD by Finance Act, 2019 (i.e. where the taxable income exceeds Rs 2 crore but does not exceed Rs 5 crore, surcharge @ 25% and where the taxable income exceeds Rs 5 crore, surcharge @ 37%).

3. Long-term Capital Gains in respect of units of non equity oriented Mutual Funds held by resident unit holders for a period of more than 36 months will be chargeable under section 112 of the Act at the rate of 20% plus surcharge, as applicable and cess. Capital

gains would be computed after taking into account cost of acquisition as adjusted by Cost Inflation Index [With effect from financial year 2017-18, the base year for indexation would be 01.04.2001] notified by the Central Government and expenditure incurred wholly and exclusively in connection with such transfer.

4. In the case of Resident Individuals and HUFs, where taxable income as reduced by long term capital gains is below the exemption limit, the long term capital gains will be reduced to the extent of the shortfall and only the balance long term capital gains will be charged at the flat rate of 20% and Health & Education Cess.

5. Under the provisions of section 115E of the Act for non-resident Indians, income by way of long-term capital gains in respect of specified assets purchased in convertible foreign exchange as defined under the provisions of section 115C of the Act (which includes shares, debentures, deposits in an Indian Company and security issued by Central Government) is chargeable at the rate of 10% plus cess. Such long-term capital gains would be calculated without indexation of cost of acquisition. It may be possible for non-resident Indians to opt for computation of long term capital gains as per Section 112 where tax on listed schemes would be chargeable at 20% (after indexation) and on unlisted schemes would be chargeable at 10% (without indexation).

6. Under section 115AB of the Act, income earned by way of long-term capital gains in respect of units purchased in foreign currency held for a period of more than 12 months by Overseas Financial Organisation will be chargeable to tax at the rate of 10%, plus applicable surcharge and Health & education cess. The capital gain would be calculated without indexation of cost of acquisition.

7. Under the provisions of section 115AD of the Act, income by way of long-term capital gains in respect of securities (other than units referred to in section 115AB) of FPIs/FIIs will be chargeable at the rate of 10% plus surcharge, as may be applicable and cess. The capital gain would be calculated without indexation of cost of acquisition.

8. All non-resident investors such as Overseas Financial Organisations, FIIs, FPIs, NRIs, etc. are also eligible for claiming benefits under a Double Tax Avoidance Agreement / Treaty (DTAA) entered into by India with the country of which the concerned investor is a tax resident. As per circular no. 728 dated October 1995 by CBDT, in the case of a remittance to a country with which a DTAA is in force, the tax should be deducted at the rate provided in the Finance Act of the relevant year or at the rate provided in DTAA whichever is more beneficial to the assessee. As per the Finance Act 2013, in order to claim the benefits under the DTAA, the taxpayer would have to provide a “certificate of his being resident” (commonly known as Tax Residency Certificate) from the government of the country in which he is a resident. In addition to the said certificate, the concerned non-resident is also required to provide certain information in Form 10F such as status, nationality, Tax Identification Number, period for which the assessee is a resident in the concerned country, address and a declaration that the certificate of him being a resident is obtained. If any information in Form 10F is already provided on the “certificate of residency, the same need not be provided again the form. These provisions should to be read with the provisions of Tax Deduction at Source explained subsequently.

9. With effect from 1st April, 2014, units held by all FIIs/FPIs would be classified as capital assets and accordingly, the gains/losses from the disposal of the said units would constitute capital gains/loss in their hands. These investors would not be considered to have business income as far as transactions in units are concerned.

Exemption from Long Term Capital Gains:

As per Finance Act, 2018 under Section 54EC (1) of the Act, taxable capital gains, arising on transfer of a long term capital asset being land or building or both, shall not be chargeable to tax to the extent such capital gains are invested in notified bonds by Central Government (redeemable after 3 years if investment is made on or after 1st April 2007 but before 1st April 2018 and redeemable after 5 years if investment is made on or after 1st April 2018) within six months from the date of the transfer of the said capital asset subject to an upper limit of Rs. 50 lakhs whether the said investment is made in the same year (of transfer) or the succeeding year.

With effect from 1 April 2016, as per new Section 54EE(1) of the Act, taxable capital gains, arising on transfer of a long term capital asset, shall not be chargeable to tax to the extent such capital gains are invested in long term specified assets within six months from the date of transfer of the said capital asset subject to an upper limit of Rs. 50 lakhs whether the said investment is made in the same year (of transfer) or the succeeding year. For the purpose of this section, “long term specified asset” means a unit or units, issued before the 1st day of April, 2019, of such fund as may be notified by the Central Government in this behalf.

Under Section 54F(1) of the Act, subject to the conditions specified therein, in the case of an individual or a HUF, capital gains (subject to the exemption of long-term capital gains provided for in section 10(38) of the Act, discussed elsewhere in this Statement) arising on transfer of a long term capital asset (not being a residential house) are not chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period in one residential house in India. To avail this deduction, the investor should not own more than one residential house in addition to the proposed new residential house for which deduction is sought to be claimed. If part of such net consideration is invested within the prescribed period in one residential house, then such gains would not be chargeable to tax on a proportionate basis. For this purpose, net consideration means full value of the consideration received or accruing as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer.

3. Short Term Capital Gains on Transfer of Units

Short term capital gains in respect of short term capital asset, other than equity shares in a company or equity oriented units or units of business trust held for a period of not more than 36 months is added to the total income. The tax rates provided below are subject

to relief available under the double taxation avoidance agreement entered into between the Government of India and country of residence of the foreign companies, non-resident Indians, FPIs and FIIs.

Individuals

Total income including short-term capital gains is chargeable to tax as per the relevant slab rates for individuals (including non-resident individuals). In the case of Individuals (including non-resident individuals), as per Finance Act, 2019, where taxable income exceeds Rs 50 lakhs but does not exceed Rs 1 crore, surcharge @ 10% would be applicable, where taxable income exceeds Rs 1 crore but does not exceed Rs 2 crore, surcharge @ 15% shall be applicable, where the taxable income exceeds Rs 2 crore but does not exceed Rs 5 crore, surcharge @ 25% shall be applicable and where the taxable income exceeds Rs 5 crore, surcharge @ 37% shall be applicable. The tax payable (as increased by surcharge referred to above) would be further increased by Health & Education Cess (4%).

Domestic Companies

In case of domestic companies, short term capital gain will be chargeable to tax at the applicable corporate tax rate (generally, 30%; tax rate of 25% would be applicable if total turnover or gross receipts during the financial year 2016-17 does not exceed Rs 250 crores). If the taxable income exceeds Rs. 1 crore but not more than Rs 10 crore, then the tax payable would be increased by a surcharge @ 7% and if income exceeds Rs 10 crore then surcharge @ 12% would be applicable. The tax payable (as increased by surcharge) would be further increased by Health & Education Cess (4%).

FIIs, FPIs

In case of FIIs and FPIs, short term capital gain will be chargeable to tax at the flat rate of 30%. The rate of surcharge would depend on the legal status of the FII/FPI. The tax payable (as increased by surcharge) would be further increased by Health & Education Cess (4%).

Other foreign companies

In case of foreign companies, short term capital gain will be chargeable to tax at the flat rate of 40%. If income exceeds Rs. 1 crore but not more than Rs 10 crore, then the tax payable would be increased by a surcharge @ 2% and if income exceeds Rs 10 crore then surcharge @ 5% would be applicable. The tax payable (as increased by surcharge) would be further increased by Health & Education Cess (4%).

iii. TAX DEDUCTION AT SOURCE

1. For Income in Respect of Units

As per the proviso to Section 196A(1) of the Act, no tax shall be deducted at source from any income credited or paid to non-resident unitholders in respect of units of a mutual fund specified under Section 10(23D) of the Act. Similarly as per the provisions of erstwhile Section 194K of the Act no tax should be withheld or deducted at source where any income is credited or paid by a mutual fund to a resident unitholders.

2. For Capital Gain

(a) In respect of Resident Unit holders:

No tax is required to be deducted at source on capital gains arising to any resident unit holder (under erstwhile section 194K) vide circular no. 715 dated August 8, 1995 issued by the Central Board for Direct Taxes (CBDT).

(b) In respect of Non- Resident Unit holders:

As per the provisions of Section 195 r.w.s. 196D(2) of the Act, tax is required to be deducted at source from the redemption proceeds paid to investors; this withholding is in addition to the securities transaction tax payable, if any, by the investor. Under Section 195 of the Act of the Act, tax shall be deducted at source in respect of capital gains as under:

Category of Investor	Rate at which tax is deductible on short term capital gains (see note 1 below)	Rate at which tax is deductible on long term capital gains (see note 1 below)
Foreign companies (listed schemes not sold on a recognized stock exchange)	40%	20%
Foreign companies (unlisted schemes)	40%	10%
FIIs and FPIs	NIL	NIL
Overseas Financial Organisation	30%	10%
Non-resident Indians (listed schemes not sold on a recognized stock exchange)	30%	20%

Non-resident Indians (unlisted schemes)	30%	10%
Any other non-residents (listed schemes not sold on a recognized stock exchange)	30%	20%
Any other non-residents (unlisted schemes)	30%	10%

Note:

1. Surcharge Rates Applicable:

In case of foreign companies if income exceeds Rs.1 crore but does not exceed Rs 10 crores, then the tax payable would be increased by a surcharge of 2% and if income exceeds Rs 10 crores then surcharge of 5% would be levied. In all cases, the tax payable (as increased by surcharge) would be further increased by Health & Education Cess (4%).

In the case of Individuals, as per Finance Act, 2019, where taxable income of the individual exceeds Rs 50 lakhs but does not exceed Rs 1 crore, surcharge @ 10% would be applicable, where taxable income exceeds Rs 1 crore but does not exceed Rs 2 crore, surcharge @ 15% shall be applicable, where the taxable income exceeds Rs 2 crore but does not exceed Rs 5 crore, surcharge @ 25% shall be applicable and where the taxable income exceeds Rs 5 crore, surcharge @ 37% shall be applicable.The tax payable (as increased by surcharge) would be further increased by Health & Education Cess (4%). However, Govt. of India vide its press release dated 24th August, 2019 and Taxation Laws (Amendment) Ordinance, 2019, has withdrawn an levy of enhanced surcharge income arising from the transfer of equity share/unit referred to in section 111A, 112A and 115AD by Finance Act, 2019 (i.e. where the taxable income exceeds Rs 2 crore but does not exceed Rs 5 crore, surcharge @ 25% and where the taxable income exceeds Rs 5 crore, surcharge @ 37%).

In the case of Partnership Firms where taxable income exceeds Rs 1 crore, surcharge @ 12% would be applicable. The tax payable (as increased by surcharge) would be further increased by Health & Education Cess (4%).

2. Relief as per Double Taxation Avoidance Agreements:

As per circular no. 728 dated October 1995 by CBDT, in the case of a remittance to a country with which a Double Taxation Avoidance Agreement (‘DTAA’) is in force, the tax should be deducted at the rate provided in the Finance Act of the relevant year or at the rate provided in DTAA whichever is more beneficial to the assesse. As per the Finance Act 2013, in order to claim the benefits under the DTAA, the assesse would have to provide a “certificate of his being resident” (commonly known as ‘Tax Residency Certificate’) from the government of the country in which he is a resident. In addition to the said certificate, the concerned non-resident is also required to provide certain information in Form 10F such as status, nationality, Tax Identification Number, period for which the assesse is a resident in the concerned country, address and a declaration that the certificate of him being a resident is obtained. If any information in Form 10F is already provided on the “certificate of residency, then the same need not be provided again in the form.

3. Higher tax to be withheld for non-furnishing of PAN by investor:

Further where the non-resident unit holder does not furnish his / its Permanent Account Number to the mutual fund, then tax will be withheld at the higher rate of 20% even if the relevant DTAA or the Act provide for a lower rate. However, with effect from 1 June 2016, this higher withholding tax rate of 20% may not apply for non-residents, if the following details prescribed under Rule 37BC of the Income Tax Rules, 1962 (the Rules) are furnished by the non-resident recipient to the payer;

• Name, e-mail id, contact number;

• Address in the country or specified territory outside India of home country of the non-resident;

• Tax residency certificate (TRC)

• Tax Identification Number of the non-resident in the country or specified of his residence.

However, if the capital gain itself is not taxable under the relevant DTAA then higher withholding tax rate of 20% will not apply even if PAN is not available.

III. OTHER POINTS

i. Capital Losses

Losses under the head "Capital Gains" cannot be set-off against income under any head other than capital gains. Further within the head "Capital Gains", losses arising from the transfer of long-term capital assets cannot be adjusted against gains arising from the transfer of a short-term capital asset. However, losses arising from the transfer of short-term capital assets can be adjusted against gains arising from the transfer of either a long-term or a short-term capital asset.

Under Section 10(38) of the Act, long-term capital gains arising on sale of units of an equity oriented fund are exempt from Income Tax provided certain conditions are fulfilled. Conversely, losses arising from such type of transaction of sale of units of Equity Oriented Fund would not be eligible for set-off against taxable capital gains. However, as per the Finance Act, 2018, since long-term capital gains arising on sale of units of equity oriented fund would be taxable with effect from 1st April 2018, losses incurred post 1st April 2018 would be allowed to be set-off against taxable capital gains.

Unabsorbed loss under the head capital gains can be carried forward and set-off against the income under the head Capital Gains in subsequent eight assessment years, except that loss arising from transfer of long term capital assets cannot be set-off against gain arising from transfer of short term capital assets.

As per Section 94(7) of the Act, if any person buys or acquires units within a period of three months prior to the record date fixed for declaration of dividend or distribution of income and sells or transfers the same within a period of nine months from such record date, then losses arising from such sale to the extent of income received or receivable on such units, which are exempt under the Act, will be ignored for the purpose of computing his income chargeable to tax.

Further, Section 94(8) of the Act provides that, where additional units have been issued to any person without any payment on the basis of existing units held by such person then the loss on sale of original units shall be ignored for the purpose of computing income chargeable to tax, if the original units were acquired within three months prior to the record date fixed for receipt of bonus units and sold within nine months from such record date. However, the loss so ignored shall be considered as cost of acquisition of such additional units held on the date of sale by such person.

ii. Investments by Charitable and Religious Trusts

Units of a Fund Scheme referred to in clause 23D of section 10 of the Act constitute an eligible avenue for investment by charitable or religious trusts per rule 17C of the Rules, read with clause (xii) of sub-section (5) of Section 11 of the Act.

iii. Wealth Tax

Finance Act, 2015 has abolished the applicability of wealth tax with effect from 1st April 2015. Hence, the same will not be applicable.

iv. Gift Tax

The Gift-tax Act, 1958, has ceased to apply to gifts made on or after 1st October 1998. Gifts of Units, purchased under the Schemes, would therefore, be exempt from gift-tax. At the same time, with effect from 1st October, 2009, gift of units of mutual fund received by an Individual or an HUF from a person other than a relative as defined in Section 56 of the Act in excess of Rs. 50,000 per year will be considered as income in the hands of the recipient and the value of the gift would be added to the taxable income of the said person.

v. Deduction under section 80C [Applicable only for ELSS schemes currently (Tata India Tax Savings Fund)]

As per Section 80C of the Act, subject to the certain conditions, an individual/HUF is entitled to a deduction from Gross Total Income up to Rs. 1,50,000/- (along with other prescribed investments) for amounts invested in any units of a mutual fund notified under section 10(23D) of the Act, under any plan formulated in accordance with such scheme as the Central Government may notify.