

TA%WISE

A ready reckoner for applicable taxation rates

MUTUAL FUNDS TAX RECKONER 2025-26

The Income Tax/TDS rates are applicable for Financial Year (FY) 2025-26 as amended vide Finance Act, 2025

TAX ON INCOME DISTRIBUTION (IDCW OPTION)

Status of Investor	INCOME TAX RATE ^{\$}	TDS ^{\$#}
(A) Resident	Applicable Tax / Slab Rates ⁶	10% (if income distributed > Rs.10,000 during FY)
(B) Non-Resident	20%	20%

CAPITAL GAINS ON EQUITY ORIENTED MUTUAL FUNDS (STT PAID)^{1 & 2}

Type of Capital Gain	SHORT TERM CAPITAL GAINS (Section 111A)		LONG TERM CAPITAL GAINS (Section 112A)	
Period of Holding	Up to 12 months		More than 12 months	
Status of Investor	INCOME TAX RATE ^{\$}	TDS ^{\$#}	INCOME TAX RATE ^{\$}	TDS ^{\$#}
(A) Resident	20%	NIL	12.50% ³	NIL
(B) Non-Resident (other than FII)		20%		12.50%
(C) Foreign Institutional Investor (FII)		NIL		NIL

CAPITAL GAINS ON NON-EQUITY ORIENTED MUTUAL FUNDS

[I] FOR INVESTMENTS MADE ON OR AFTER APRIL 1, 2023

CONDITION – % of Debt Holding in MF	MORE THAN 65% ⁴		UP TO 65%			
	SHORT TERM CAPITAL GAINS		SHORT TERM CAPITAL GAINS		LONG TERM CAPITAL GAINS (Section 112)	
Period of Holding	Irrespective of Holding Period		Unlisted MF – Up to 24 months Listed MF – Up to 12 months		Unlisted MF – More than 24 months Listed MF – More than 12 months	
Status of Investor	INCOME TAX RATE ^{\$}	TDS ^{\$#}	INCOME TAX RATE ^{\$}	TDS ^{\$#}	INCOME TAX RATE ^{\$}	TDS ^{\$#}
(A) Resident	Applicable Tax / Slab Rates ⁶	NIL	Applicable Tax / Slab Rates ⁶	NIL	12.50% ⁵	NIL
(B) Non-Resident (other than FII)		30%		30%		12.50% ⁵
(C) Foreign Institutional Investor (FII)		30%		NIL		NIL

[II] FOR INVESTMENTS MADE ON OR BEFORE MARCH 31, 2023

Type of Capital Gain	SHORT TERM CAPITAL GAINS		LONG TERM CAPITAL GAINS (Section 112)	
Period of Holding	Unlisted MF – Up to 24 months Listed MF – Up to 12 months		Unlisted MF – More than 24 months Listed MF – More than 12 months	
Status of Investor	INCOME TAX RATE ^{\$}	TDS ^{\$#}	INCOME TAX RATE ^{\$}	TDS ^{\$#}
(A) Resident	Applicable Tax / Slab Rates ⁶	NIL	12.50% ⁵	NIL
(B) Non-Resident (other than FII)		30%		12.50% ⁵
(C) Foreign Institutional Investor (FII)		30%		NIL

- (1) Equity-Oriented Fund (EOF) refers to a scheme of a Mutual Fund wherein minimum of 65% of the total proceeds of such fund are invested in equity shares of domestic companies listed on a recognised stock exchange. A Fund of Fund (FOF) structure is treated as an EOF if a minimum of 90% of the total proceeds of such fund are invested in units of another fund which is a traded on a recognised stock exchange and 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. The equity holding is computed with reference to the annual average of the monthly averages of the opening and closing figures.
- (2) STT @ 0.001% is applicable on redemption of units of EOF.
- (3) Without Indexation & foreign exchange fluctuation benefit. LTCG on EOF are exempt from tax up to Rs.1,25,000 per year.
- (4) Specified Mutual Funds: As per Section 50AA of the Income-tax Act, 1961, investments in Specified Mutual Funds on or after April 1, 2023 shall be deemed to be short term capital assets irrespective of holding period. From 1st April 2025 onwards, a “Specified Mutual Fund” means: (a) a Mutual Fund by whatever name called, which invests more than 65% of its total proceeds in debt and money market instruments; or (b) a fund which invests 65% or more of its total proceeds in units of a fund referred to in (a). 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.
- (5) Without indexation and foreign exchange fluctuation benefit.
- (6) **Applicable Tax / Slab Rates:**

A. For Individuals / HUF / AOP / BOI / Artificial Juridical Persons

DEFAULT – NEW TAX REGIME [Section 115BAC(1A)]		OPTIONAL – OLD TAX REGIME (with specified exemptions & deductions)	
TOTAL INCOME	TAX RATES [§]	TOTAL INCOME	TAX RATES [§]
Up to INR 4,00,000	NIL	Up to INR 2,50,000	NIL
INR 4,00,001 to INR 8,00,000	5%	INR 2,50,001 to INR 5,00,000	5%
INR 8,00,001 to INR 12,00,000	10%	INR 5,00,001 to INR 10,00,000	20%
INR 12,00,001 to INR 16,00,000	15%	INR 10,00,001 and above	30%
INR 16,00,001 to INR 20,00,000	20%		
INR 20,00,001 to INR 24,00,000	25%		
INR 24,00,001 and above	30%		

(i) Under the old tax regime, in the case of a resident individual of the age of 60 years or more but less than 80 years, the basic exemption limit is INR 300,000 and in the case of a resident individual of the age of 80 years or more, the basic exemption limit is INR 500,000

(ii) In cases where the taxable income, reduced by long term capital gains / short term capital gains, of a resident individual/HUF is below the basic exemption limit, the long-term capital gain / short-term capital gains will be reduced to the extent of this shortfall and only the balance is chargeable to income tax. The benefits of this provision are not available to non-resident individuals.

(iii) In case of a resident individual: (a) If opting to pay tax under the old tax regime, then rebate of up to Rs.12,500 is available if total income does not exceed Rs.5,00,000; (b) If total income is chargeable to tax under the default New Tax Regime u/s. 115BAC(1A), then rebate of up to Rs.60,000 is available if such total income does not exceed Rs.12,00,000. However, in case of point (b), such rebate is not available with respect to tax on incomes chargeable at special rates (such as tax on capital gains u/s. 111A / 112 / 112A).

B. For Domestic Companies

	If availing specified exemptions / deductions		Optional Regime (Without specified exemptions / deductions)	
	Turnover ≤ Rs. 400 Crore for FY 2023-24	Turnover > Rs.400 Crore	Section 115BAA	Section 115BAB
Basic Tax Rate [§]	25%	30%	22%	15%
Minimum Alternate Tax (MAT) [§]	15%	15%	Not Applicable	

§ Surcharge:

If taxpayer (Individual/HUF/AOP/BOI/AJP) opts for Old Tax Regime, then Surcharge to be levied on basic tax at:

- 37% where specified income exceeds Rs.5 crore;
- 25% where specified income exceeds Rs.2 crore but does not exceed Rs.5 crore;
- 15% where total income exceeds Rs.1 crore but does not exceed Rs.2 crore; and
- 10% where total income exceeds Rs.50 lakhs but does not exceed Rs.1 crore.

If taxpayer (Individual/HUF/AOP/BOI/AJP) pays tax as per default New Tax Regime u/s. 115BAC(1A), then maximum rate of Surcharge will be 25% where income exceeds Rs.2 crore.

‘Specified income’ refers to total income excluding dividend income on shares, STCG on EOF and LTCG on mutual fund units. Enhanced surcharge of 25% or 37%, as the case may be, will not apply in case of income by way of dividend or capital gains on securities covered under Section 111A (STCG on EOF), Section 112 (LTCG on non-EOF), Section 112A (LTCG on EOF) & Section 115AD (tax on income earned by FIIs).

In case of an AOP consisting of only companies as its members, the rate of surcharge shall not exceed 15%.

Surcharge for companies to be levied on basic tax:

- Domestic Company: 12% where income exceeds Rs.10 crore and 7% where income exceeds Rs.1 crore but less than Rs.10 crore. If a domestic company opts for concessional tax regime u/s. 115BAA/115BAB: then flat rate of 10% on basic tax
- Non-resident Company: 5% where income exceeds Rs.10 crore and 2% where income exceeds Rs.1 crore but less than Rs.10 crore

Cess: Health & Education Cess @ 4% is applicable on aggregate of basic tax & surcharge

Tax Deduction at Source (TDS) or Withholding Tax:

The Mutual Fund will pay/deduct taxes as per the applicable tax laws on the relevant date considering the provisions of the Income-tax Act, 1961 read with the Income-tax Rules, 1962 and any circulars or notifications or directives or instructions issued thereunder. Please note that grant of DTAA benefit, if any, is subject to fulfilment of stipulated conditions under the provisions of the Income-tax Act, 1961 and the relevant DTAA as well as interpretation of relevant Article of such DTAA.

TDS on Income Distributions (IDCW Option):

- In case of non-resident investors (other than FII): As per provisions of Section 196A, TDS is applicable on any income in respect of units of a Mutual Fund at lower of 20% or rate of income-tax provided in the relevant DTAA (read with CBDT Circular no. 3/2022 dated 3rd February 2022), provided such investor furnishes valid Tax Residency Certificate (TRC) for concerned FY.
- In case of FII: As per provisions of Section 196D, TDS is applicable at lower of 20% or rate of income-tax provided in the relevant DTAA (read with CBDT Circular no. 3/2022 dated 3rd February 2022), provided such investor furnishes valid Tax Residency Certificate (TRC) for concerned FY.

TDS on Capital Gains: Tax will be deducted on Short-term/Long-term capital gains at the tax rates (plus applicable Surcharge and Health and Education Cess) specified in the Finance Act 2025 at the time of redemption of units in case of Non-Resident investors (other than FIIs) only.

TDS at higher rates: In case PAN is not furnished or PAN is inoperative, then TDS as per Section 206AA of the Income-tax Act, 1961 would apply (higher of specified rate or rates in force or 20%), subject to Rule 37BC of the Income-tax Rules, 1962.

- (7) The tax rates above are based on the Income Tax Act, 1961 as amended by the Finance Act, 2025.
- (8) The above tax rates are based on the assumption that the units are held by the investors as capital assets and not as stock in trade.
- (9) Transfer of units upon consolidation 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 Funds) Regulations, 1996 is exempt from capital gains. Transfer of units upon consolidation of plans within mutual fund schemes in accordance with SEBI (Mutual Funds) Regulations, 1996 is exempt from capital gains.
- (10) Under the provisions of the Income-tax Act, 1961, every person who has been allotted a PAN on or after July 1, 2017 and is eligible to obtain Aadhaar Number, is required to link his PAN with Aadhaar. From July 1, 2023, the PAN of taxpayers who have failed to link PAN with Aadhaar, as required, shall become inoperative and the consequences during the period that PAN remains inoperative will be as follows:
 - (i) no refund shall be made against such PANs;
 - (ii) interest shall not be payable on such refund for the period during which PAN remains inoperative; and
 - (iii) TDS and TCS shall be deducted /collected at higher rate, as provided in the Income-tax Act, 1961.

The PAN can be made operative again in 30 days, upon linking of PAN with Aadhaar after payment of fee of Rs.1,000.

Disclaimer: The above overview is not exhaustive or comprehensive and is not intended to be a substitute for professional advice. The above information is provided for only general information purposes and does not constitute tax or legal advice. In view of the individual nature of tax benefits, each investor is advised to consult with his/ her tax consultant with respect to the specific direct tax implications arising out of their transactions. The investor alone shall be fully responsible and/or liable for any decision/action taken on the basis of this document. The information contained herein is not intended as an offer or solicitation for the purchase and sales of any schemes of SBI Mutual Fund.