

TA%WISE

A ready reckoner for applicable taxation rates

MUTUAL FUNDS TAX RECKONER 2026-27

The Income Tax/TDS rates are applicable for the Tax Year 2026-27 as amended vide Finance Act, 2026

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

Sr. No.	Asset Class	Period of Holding to qualify as Long Term	Tax Rate for Long Term Capital Gains \$ #	Period of Holding to qualify as Short Term	Tax rate for Short Term Capital Gains \$ #
1	Equity-Oriented Funds ^{(1) & (2)} <i>(minimum 65% is invested in listed equity shares of domestic companies)</i>	More than 12 months	12.50% ⁽³⁾ (exempt up to Rs.1.25 lakh p.a.)	Up to 12 months	20%
2	Equity-Oriented Fund-of-Funds ^{(1) & (2)} <i>(minimum 90% is invested in domestic equity ETFs)</i>	More than 12 months	12.50% ⁽³⁾ (exempt up to Rs.1.25 lakh p.a.)	Up to 12 months	20%
3	Specified Mutual Funds ⁽⁴⁾ <i>[more than 65% is invested in Debt and Money Market Instruments (or) Fund-of-Fund structure wherein 65% (or) more is invested in such debt-oriented fund]</i>				
	(i) If purchased prior to 1st April 2023	<u>If Listed:</u> more than 12 months <u>If Unlisted:</u> More than 24 months	12.50% ⁽⁵⁾	<u>If Listed:</u> Up to 12 months <u>If Unlisted:</u> Up to 24 months	Applicable Tax/ Slab Rates ⁽⁶⁾ <i>(except for FII: 30%)</i>
	(ii) If purchased on/after 1st April 2023 <i>(Irrespective of period of holding)</i>	NA	NA	NA	Applicable Tax/ Slab Rates ⁽⁶⁾ <i>(except for FII: 30%)</i>
4	Other Funds <i>(Investment in listed equity shares of domestic companies is less than 65% <u>and</u> Investment in debt & money market instruments in less than 65%)</i>				
	Examples: Multi-Asset Allocation Funds, Gold/Silver ETF or Fund-of-Funds, International Equity ETF or Fund-of-Funds	<u>If Listed:</u> more than 12 months <u>If Unlisted:</u> more than 24 months	12.50% ⁽⁵⁾	<u>If Listed:</u> Up to 12 months <u>If Unlisted:</u> Up to 24 months	Applicable Tax/ Slab Rates ⁽⁶⁾ <i>(except for FII: 30%)</i>

(FII refers to SEBI-registered Foreign Institutional Investors)

(1) 'Equity-Oriented Fund' 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 Equity-Oriented Fund 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) Securities Transaction Tax (STT) at the rate of 0.001% is applicable on redemption of units of Equity-Oriented Funds.

(3) Subject to payment of STT on transfer of units and long-term capital gains are computed without indexation & foreign exchange fluctuation benefit. Long Term Capital Gains on Equity-Oriented Funds are exempt from tax up to Rs.1,25,000 per year.

(4) Specified Mutual Funds: As per Section 76 of the Income-tax Act, 2025, capital gains arising on transfer or redemption or maturity of Specified Mutual Funds acquired on or after 1st April 2023 shall be treated as short term capital gains irrespective of holding period. 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) Long-term capital gains are computed without indexation and foreign exchange fluctuation benefit.

(6) Applicable Tax / Slab Rates:

A. For Individuals, Hindu Undivided Family (HUF), Association of Persons (AOP), Body of Individuals (BOI) and Artificial Juridical Persons (AJP)

**DEFAULT – NEW TAX REGIME
[Section 202]**

TOTAL INCOME	TAX RATES ^{\$}
Up to INR 4,00,000	NIL
INR 4,00,001 to INR 8,00,000	5%
INR 8,00,001 to INR 12,00,000	10%
INR 12,00,001 to INR 16,00,000	15%
INR 16,00,001 to INR 20,00,000	20%
INR 20,00,001 to INR 24,00,000	25%
Above INR 24,00,000	30%

**OPTIONAL – OLD TAX REGIME
(with specified exemptions & deductions)**

TOTAL INCOME	TAX RATES ^{\$}
Up to INR 2,50,000	NIL
INR 2,50,001 to INR 5,00,000	5%
INR 5,00,001 to INR 10,00,000	20%
Above INR 10,00,000	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 gains / short-term

capital gains will be reduced to the extent of this shortfall and only the balance is chargeable to income-tax. The benefit of this provision is not available to non-resident individual/HUF.

(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. 202, then rebate of up to Rs.60,000 is available if such total income does not exceed Rs.12,00,000. However, such rebate is not available with respect to tax on incomes chargeable at special rates.

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 200 or Section 201
Basic Tax Rate [§]	25%	30%	22% **
Minimum Alternate Tax (MAT) [§]	14%	14%	Not Applicable

(**) As per Section 201, tax rate of 15% is applicable for new manufacturing domestic companies on income derived from or incidental to manufacturing or production of an article or thing and 22% is applicable on other incomes

C. For Foreign Companies – 35%

D. For Firms or Limited Liability Partnerships (LLP) – 30%

(§) Income-tax rates provided above are to be increased by surcharge and Health & Education Cess.

Surcharge:

If taxpayer (being an 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. 202, 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 Equity-Oriented Funds 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 196 (STCG on Equity-Oriented Funds), Section 197 (LTCG on non-Equity-Oriented Funds), Section 198 (LTCG on Equity-Oriented Funds) & Section 210 (tax on income earned by Foreign Institutional Investors).

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. 200/201: 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

Surcharge for firms / LLP to be levied on basic tax: 12% where income exceeds Rs.1 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, 2025 read with the Income-tax Rules, 2026 and any circulars or notifications or directives or instructions issued thereunder. Please note that grant of benefits, if any, under a Double Tax Avoidance Agreement (DTAA) is subject to fulfilment of stipulated conditions under the provisions of the Income-tax Act, 2025 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 393 of the Income-tax Act, 2025, 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 tax year along with Form 41 and other relevant documents.
- In case of FII: As per provisions of Section 393 of the Income-tax Act, 2025, 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 tax year along with Form 41 and other relevant documents .

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 2026 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 397 of the Income-tax Act, 2025 would apply (higher of specified rate or rates in force or 20%), subject to Rule 217 of the Income-tax Rules, 2026.

- (7)** The tax rates above are based on the Income-tax Act, 2025 as amended by the Finance Act, 2026.
- (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, 2025, every person who has been allotted a PAN and is eligible to obtain Aadhaar Number is required to link his PAN with Aadhaar. 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, 2025.The PAN can be made operative again upon linking of PAN with Aadhaar after payment of applicable fee.

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.