



Union Budget FY 24-25: Key Mutual Fund Insights

July-2024

Mutual Fund Desk

Taxation: What's New?

Simplified Asset Classification and Taxation

1. Two Sets of Assets:

- Financial Assets
- Non-Financial Assets

2. Simplified Tax Slabs for Long-Term Investments:

- 12.5% with varying time frames
- Specific tax slab for income tax payees

3. Favorable Tax Rates For:

- Multi-Asset Investments
- Gold and Silver (transitioning from old to new taxation)

4. Unfavorable Tax Rates For:

- Real Estate
- Old Debt Mutual Funds (due to removal of indexation benefits)

5. Dividend Reinvestment Options:

- Current TDS provisions will be removed

New Tax Rules for Assets

Tax Rate for Resident or Non Residents			
(For Asset sold on or After 23 July 2024)			
Asset Class	Period of Holding	Long Term	Short Term
Listed India Securities (Excluding MFs)			
Equity Shares	> 12 Months	12.5%	20%
OFS Equity Shares	> 24 Months	12.5%	20%
Sales of Bonds / Debentures, ZCB (Exclude MLD)	> 12 Months	12.5%	20%
REIT / INVIT	> 12 Months	12.5%	20%
MLDs	No Period of Holding	Slab Rate	Slab Rate
Unlisted India Securities (Excluding MFs)			
Equity Shares	> 24 Months	12.5%	20%
Transfer /Bonds / Debentures/ ZCB/ MLD	No Period of Holding	Slab Rate	Slab Rate
REIT / INVIT	> 12 Months	12.5%	Slab Rate
Other Assets (Excluding MFs)			
Real Estate	> 24 Months	12.5%	Slab Rate
Gold / Art / Silver / Global investment / VCC	> 24 Months	12.5%	Slab Rate

New Tax Rules for Mutual Fund

Tax Rate for Resident or Non Residents			
(For Asset sold on or After 23 July 2024)			
Asset Class	Period of Holding	Long Term	Short Term
Equity Mutual Funds (>= 65 % Indian Equity)			
All Equity Category	> 12 Months	12.5%	20%
Arbitrage, Equity Saving, BAF, Aggressive Hybrid also be have this taxation			
Specified MF / Debt Oriented MF (>= 65% SEBI Regulated Debt or Money Market Fund)			
Purchase prior to 1 April 2023			
Sold Between 1 April 2024 to 22 July 2024	> 36 Months	20%	Slab Rate
Sold from 23 July 2024	> 24 Months	12.5%	Slab Rate
Other Mutual Funds - Gold, Silver, Debt FOF, International Funds			
Purchase prior to 1 April 2023			
Sold Between 1 April 2024 to 22 July 2024	> 36 Months	20%	Slab Rate
Sold from 23 July 2024	> 24 Months	12.5%	Slab Rate
Purchase post 1 April 2023			
Sold Between 1 April 2024 to 22 July 2024	No Period of Holding	Slab Rate	Slab Rate
Sold from 23 July 2024 to 31 March 2024	No Period of Holding	Slab Rate	Slab Rate
Sold from 1 April 2025	> 24 Months	12.5%	Slab Rate

Notes

- All rates are exclusive of surcharge and cess. The budget does not include changes to surcharge and cess.
- No indexation benefits are available on any capital gains except in certain situations.
- For any transfer of capital assets on or after April 1, 2024, and before July 23, 2024, the old tax rates will apply.
- Tax rates for non-residents are at par with residents.
- The definition of specific mutual funds will be amended from April 1, 2025.
- The capital gain exemption of Rs. 1,00,000 on the transfer of listed equity shares and equity-oriented mutual funds under section 112A has been increased to Rs. 1,25,000.

Taxation Trends: What You Need to Know

Impact on Investors:

Negative:

- Investors who have held debt funds for long-term goals, such as retirement or for over three years, will lose the benefits of indexation.

Positive:

Investors in the following categories will benefit:

- Global Funds
- Gold and Silver
- Debt Funds of Funds (FOFs)

Focus Areas for Investment Success

Investment Strategies by Risk Profile:

❖ Conservative Investors:

- Arbitrage Fund
- Equity Savings Scheme
- Multi-Asset Fund
- Gold/Silver ETF or FOF

❖ Moderate Risk Investors:

- Balanced Advantage Fund or Dynamic Fund
- Aggressive Equity Fund
- Index Fund
- Large & Midcap Funds
- Flexicap Funds

❖ Aggressive Risk Investors:

- Midcap Funds
- Smallcap Funds
- Multicap Funds
- Thematic Funds

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