

Important changes in Budget 2024

July 2024

The Honourable Finance Minister presented the Finance Bill, 2024 on July 23, 2024. Few major amendments were introduced with respect to Capital Gain taxation which has impacted the Mutual Fund industry.

Key amendments having immediate effect i.e. from 23 July 2024:

- Long term capital gain tax rate for all asset classes shall be 12.5%. Thus, tax rate has increased for listed equity securities, listed bonds and debentures and equity oriented mutual funds.
- Indexation has been withdrawn entirely on all assets.
- Increase in exemption from Long term capital gains on listed Equity securities and Equity oriented Mutual Funds from INR 1 lakh to INR 1.25 lakhs
- Change in Short Term Capital Gains tax rate for listed Equity securities and Equity oriented Mutual Funds from 15% to 20%
- Holding period for listed securities and equity oriented mutual funds shall be 12 months and holding period for all other unlisted assets shall be 24 months. Therefore, holding period for non-equity mutual funds (other than Specified Mutual Funds), has been reduced from 36 months to 24 months.
- Unlisted bonds and debentures have been brought under the ambit of section 50AA and hence shall be taxable at applicable slab rates irrespective of the holding period

Taxation of various categories of DSP Mutual Fund Schemes for FY 2024-25

Taxation Applicable For FY 2024-25 (01 April 2024 to 31 March 2025)							
DSP Mutual Fund Schemes	Investment Date	Redeemed between 01 April 2024 and 22 July 2024			Redeemed between 23 July 2024 and 31 March 2025		
		Holding Period for Long Term classification	LTCG Tax Rate	STCG Tax Rate	Holding Period for Long Term classification	LTCG Tax Rate	STCG Tax Rate
Equity Oriented Schemes • Equity Schemes • Equity Oriented Hybrid Schemes - Aggressive Hybrid, Dynamic Asset Allocation, Equity Savings & Arbitrage	Not Applicable	> 12 Months	10%*	15%	> 12 Months	12.50%*	20%
Specified Mutual Funds • Unlisted Debt Schemes • Conservative Hybrid • Overseas Fund of Funds • Gold Fund of Fund	Prior to 1 April 2023	> 36 Months	20% with indexation	Slab Rates	> 24 Months	12.50%	Slab Rates
	On or after 1 April 2023	Not Applicable	Not Applicable	Slab Rates	Not Applicable	Not Applicable	Slab Rates
Specified Mutual Funds • Listed Debt Schemes i.e. ETFs and FMPs • Gold & Silver ETFs	Prior to 1 April 2023	> 36 Months	20% with indexation	Slab Rates	> 12 Months	12.50%	Slab Rates
	On or after 1 April 2023	Not Applicable	Not Applicable	Slab Rates	Not Applicable	Not Applicable	Slab Rates
Other Schemes • Multi Asset Allocation	Not Applicable	> 36 Months	20% with indexation	Slab Rates	> 24 Months	12.50%	Slab Rates

* Exemption from Long term capital gains incurred on equity securities and equity oriented Mutual Fund has been increased from INR 1 lakh to INR 1.25 lakhs. The above rates are subject to applicable surcharge and health and education cess. There is no change in the same. Till 31 March 2025, the definition of Specified Mutual Fund includes Debt Schemes including Liquid ETFs, Conservative Hybrid, Overseas Fund of Funds, Commodity ETFs / Fund of Funds if acquired on or after 1 April 2023.

Key amendment effective from 1 April 2025:

Definition of Specified Mutual Fund u/s 50AA has been amended with effect from 1 April 2025.

Currently, Specified Mutual Funds are defined as Mutual Funds where up to 35% of its total proceeds are invested in the equity shares of domestic companies. This definition adversely impacted the Overseas as well as Commodity Fund of Fund schemes and Commodity ETFs. The same has been amended from 1 April 2025 to define Specified Mutual Funds as Mutual Funds which invest more than 65% of its total proceeds in debt and money market instruments or a Fund of Fund investing more than 65% of its total proceeds in a Specified Mutual Fund.

Accordingly, Fund of Funds (Overseas and Commodity) and Commodity ETFs (Gold / Silver) shall not be classified as Specified Mutual Funds with effect from 1 April 2025 and thus will enjoy LTCG tax @ 12.5% and revised holding period of 24 months and 12 months respectively.

Taxation of various categories of DSP Mutual Fund Schemes effective FY 2025-26

Taxation From FY 2025-26 Onwards (with effect from 01 April 2025)				
DSP Mutual Fund Schemes	Investment Date	Redeemed on or after 01 April 2025		
		Holding Period for Long Term classification	LTCG Tax Rate	STCG Tax Rate
Equity Oriented Schemes • Equity Schemes • Equity Oriented Hybrid Schemes – Aggressive Hybrid, Dynamic Asset Allocation, Equity Savings & Arbitrage	Not Applicable	> 12 Months	12.50%*	20%
Specified Mutual Funds • Unlisted Debt Schemes • Conservative Hybrid	Prior to 1 April 2023	> 24 Months	12.50%	Slab Rates
	On or after 1 April 2023	Not Applicable	Not Applicable	Slab Rates
Specified Mutual Funds • Listed Debt Schemes i.e. ETFs and FMPs	Prior to 1 April 2023	> 12 Months	12.50%	Slab Rates
	On or after 1 April 2023	Not Applicable	Not Applicable	Slab Rates
Other Schemes • Multi Asset Allocation • Overseas Fund of Funds • Gold Fund of Fund	Not Applicable	> 24 Months	12.50%	Slab Rates
Other ETFs • Gold & Silver ETFs	Not Applicable	> 12 Months	12.50%	Slab Rates

*Exemption from Long term capital gains on equity securities and equity oriented Mutual Funds up to INR 1.25 lakhs.

Data as of 23-Jul-2024. The above rates are subject to applicable surcharge and health and education cess. There is no change in the same. From FY 2025-26, the definition of Specified Mutual Fund shall exclude Overseas Fund of Funds, Commodity Fund of Funds and Commodity ETFs.

Change in taxation from FY 2025-26 for scheme categories highlighted in blue.

Annexure:

Impact on other Securities / Financial Assets

Financial Asset	Sold upto 22 July 2024			Sold on or after 23 July 2024		
	Holding Period for Long Term classification	LTCG Tax Rate	STCG Tax Rate	Holding Period for Long Term classification	LTCG Tax Rate	STCG Tax Rate
Listed Equity Shares	> 12 Months	10%*	15%	> 12 Months	12.50%*	20%
Listed Bonds / Debentures	> 12 Months	10%	Slab Rate	> 12 Months	12.50%	Slab Rate
Unlisted Debentures / Bonds	> 36 Months	20%	Slab Rate	Not Applicable (Deemed short term u/s 50AA)	Not Applicable	Slab Rate
Unlisted Equity Shares	> 24 Months	20% with indexation	Slab Rate	> 24 Months	12.50%	Slab Rate

* Exemption from Long term capital gains incurred on equity securities and equity oriented Mutual Fund has been increased from INR 1 lakh to INR 1.25 lakhs. The above rates are subject to applicable surcharge and health and education cess. There is no change in the same.

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For scheme specific risk factors, Asset Allocation details, load structure, investment objective and more details, please read the Scheme Information Document and Key Information Memorandum of the scheme available on ISC of AMC and also available on www.dspim.com.

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