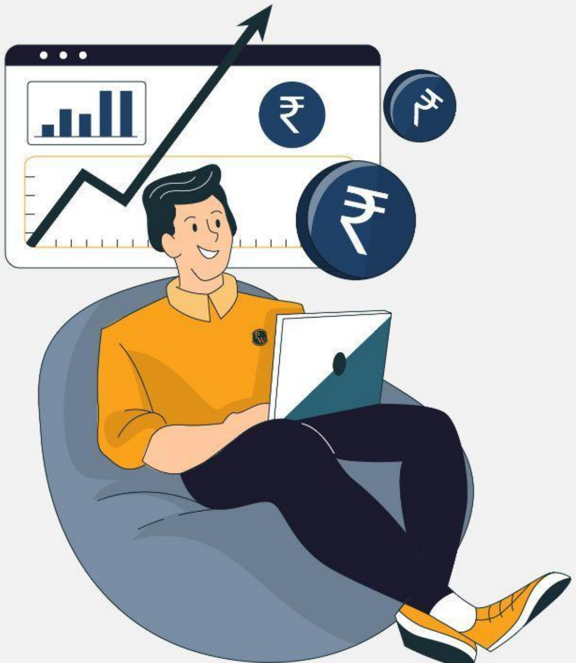
FINANCE

STOCK MARKET

DATA



Taxation

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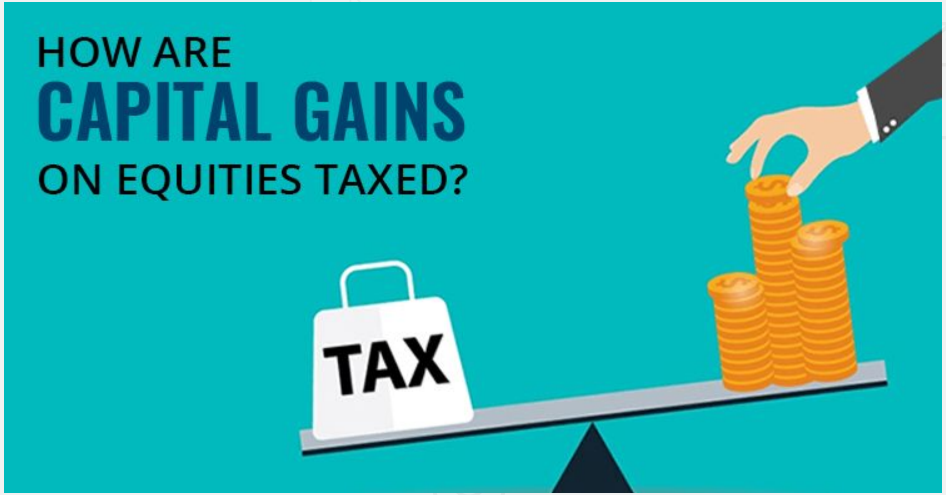
Tax on Capital Gains

❑ Capital Gain is the profit earned by selling shares at a price higher than purchase price. There are 2 types of Capital Gains:

LTCG:
- Shares are held for more then one year
- Tax rate – 10% in excess of ₹1L

STCG:
- Shares are held for less than one year
- Tax rate – 15%



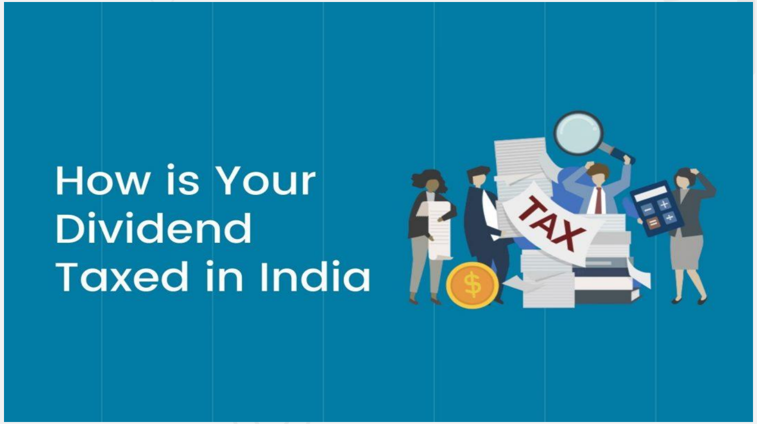
Tax on Dividends

- ❑ Dividend is that portion of profits which is distributed to shareholders
- ❑ Prior to April 2020, dividends were tax-free in hands of shareholders & companies were liable to pay Dividend Distribution Tax (DDT) @ 15%+ surcharge and cess
- ❑ Post Finance Act 2020, Onus of taxation shifted from to dividend receivers

Tax on Dividends: -

❖ **<u>Residents</u>**

- Professional Trader: Taxable under PGBP
- Non Professional Trade: Taxable under Income from other Sources (IFOS)



Tax on Mutual Funds & PMS

- A MF is an investment fund, managed by professionals, that pools money from various investors to purchase securities
- If NAV of MF changes from 100 to 120, then are we liable to pay tax? No, MF are taxed only when the investors sells the units & not when the value of NAV increase
- PMS is a professional financial services where skilled portfolio managers & stock marker professionals manage equity portfolio of investors
- Unlike MF, PMS manager sell/purchase the securities from the Investors A/c, & hence Investors are liable to pay taxes (LTCG/STCG)

Which is more tax-efficient?

Investing in mutual funds is more tax-efficient than investing in PMS.

	Hiya (In mutual funds)	Khushi (In PMS)
Intial investment (₹)	50,00,000	50,00,000
Pre-tax return (₹)	5,00,000	5,00,000
Tax paid (₹)	41,600	78,000*
Post-tax return (₹)	4,58,400	4,22,000

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*₹39,000 each for FY2021-22 and FY 2022-23.

Offset Capital Gain with Capital Losses

- Capital loss occur when purchase price is higher than sales price. There are 2 ways to offset capital losses:

1) LTCG can be used to offset STCL as well as LTCL
2) STCG can be used to offset only STCL

Property, Gold, Non-Equity Funds etc.,	Capital Loss & Set-off Rules
Short term Capital Losses (STCL)	Can be set off against Short Term Capital Gains (or) Long Term Capital Gains from any other Capital Asset.
Long Term Capital Losses (LTCL)	Can be set off against Long Term Capital Gains from any other Capital Asset.

Tax comparison with other income sources/assets

Source of Income	Taxation
Dividend	•Resident Indians ✔ Professional Traders – PGBP ✔ Non-Professional Traders – Capital Gains Head
Capital Gains on Shares	•LTCG – 10% in excess of ₹1L •STCG – 15%
Interest on Fixed Deposits	•Interest on FD's: - IFOS •Rate of tax will be the income tax slab rate applicable to the individual
Rent on Real Estate	•Rental income is added to an individual's overall income •Rate of tax will be the income tax slab rate applicable to the individual
Capital Gains on Real Estate	•LTCG (duration > 24 months): - 20% •STCG (duration < 24 months): - taxed at the tax slab rate applicable to the shareholder
Debt mutual funds	•LTCG (duration > 36 months): - 20% •STCG (duration < 36 months): - taxed at the tax rate applicable to the shareholder

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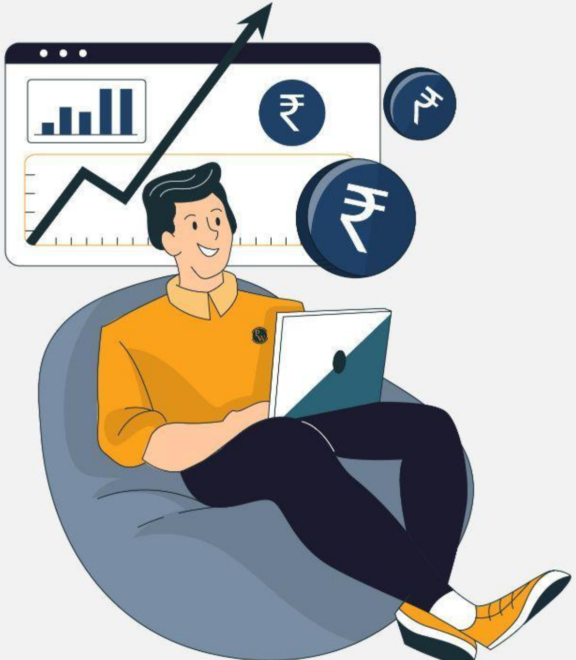

THANK YOU

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