

Taxation on Investments

CA Haridas Bhat

Types of Investments

- ▶ Long term Investments
 - The tax planning is essential
- ▶ Short Term investments
 - Liquidity
 - Risk Appetite.
- ▶ Tax Saving investments
 - Tax saving
 - Return on investments
- ▶ Business Investments

Long term investments

- ▶ Real estate/ Immovable property
- ▶ Shares
- ▶ Mutual funds
- ▶ Deposits
- ▶ Bonds and Debentures
- ▶ Gold and precious stones
- ▶ Work of Art, Antiques
- ▶ AIF, REITS

Short term investments

- ▶ Savings bank Account
- ▶ Bank deposits
- ▶ Other deposits bonds
- ▶ Shares
- ▶ Mutual funds
- ▶ Loans and advances

Tax Investments

- ▶ Small savings schemes, NSC Etc
- ▶ PPF
- ▶ LIC premiums - Endowment and cash back policies
- ▶ 54EC Bonds
- ▶ Housing Loans
- ▶ NPS
- ▶ Time deposits
- ▶ ELSS
- ▶ PF and Superannuation funds

Business investments

- ▶ Not covering in this session

The background features abstract geometric shapes in various shades of blue and teal. On the left, a solid blue trapezoidal shape points towards the center. On the right, a complex arrangement of overlapping, semi-transparent triangles and polygons in different shades of blue and teal creates a layered, dynamic effect. The central text is positioned between these two main graphic elements.

Taxation on Investments

Deposits

- ▶ Savings Bank Account
- ▶ Fixed Deposit
- ▶ Senior Citizen deposits
- ▶ Post Office Savings
- ▶ Kisan Vikas Patra
- ▶ RFC Account

Tax on Deposits

Particulars	FD	NRE Account	RFC Account
Lock In (yrs)	5	NA	NA
Annual Income Taxability	As per Slab (Exempt upto 50000 u/s 80TTB for SC)	Exempt for NR	Exempt for RNOR
Sale/Maturity/Redemption	NA	NA	NA
TDS	10%	NA	NA

Tax Saving Deposits

- ▶ National Saving Certificate
- ▶ Time Deposits
- ▶ PPF
- ▶ Sukanya Samrudhi Scheme
- ▶ National Pension System (NPS)
- ▶ PF
- ▶ 54EC Bonds

Tax on Tax Saving Deposits

Particulars	Tax Saver FD	NSC	SSSC	Sukanya SSA	Post Office Deposit	PF	PPF
Lock In (yrs)	5	5	5	21	5	5	15
Deduction	80C	80C	80C	80C	80C	80C	80C
Limit on Deduction	1,50,000	1,50,000	1,50,000	1,50,000	1,50,000	1,50,000	1,50,000
Annual Income Taxability	As per Slab (Exempt upto 50000 u/s 80TTB for SS)	Deduction u/s 80C, As per Slab upto 4 years	Exempt upto 50000 u/s 80TTB, As per Slab	NA	As per Slab > Rs. 3500/-	Interest on contribution < 2.5L pa (+2.5 L for employers contri) (7.5L Limit)	Exempt
Sale/Maturity/Redemption	NA	Deduction u/s 80C, As per Slab	NA	NA	NA	Taxable < 5 yrs, If deduction is claimed Exempt > 5 yrs	NA
TDS <small>Taxation on Investments by CA Haridas Bhat</small>	10%	NA	10% > 50000	NA	10%	11 NA	NA
				*EEE		*EEE	*EEE

Tax on NPS

Section	Description
80CCD (1)	Self-contribution of up to Rs. 1,50,000 can be claimed as part of the NPS tax deduction.
80CCD (2)	Contributions by the employer to NPS For government employees, the cap is at 14% of their salary For private employee cap is 10% of their salary (basic + dearness allowance)
80CCD (1B)	Self-contribution of up to Rs. 50,000 can be claimed as an NPS tax deduction under this section.
Withdrawals	
Partial	Exempt upto withdrawn of 25% of the self contribution
Purchase of Annuity	Exempt on purchase of annuity upon attaining the age of 60 or superannuation under section 80CCD(5). However, the subsequent income received from annuity is subject to tax under section 80CCD(3)
Lump Sum	Exempt upto 60% of accumulated pension wealth upon attaining the age of 60 or superannuation under section 10(12A). Full withdrawal by the nominee is Tax Free, Annualized by nominee is taxable

Insurance Products

- ▶ Annuities
- ▶ Money back Policies
- ▶ Endowment policies
- ▶ Unit Linked Insurance Plan (ULIP)

10(10D) Exemptions

- ▶ The Insurance proceeds are covered under 10(10D)

- ▶ However the following are not covered.
 1. Keyman policy receipts.
 2. Where the premium is not less than 10% of the sum assured for policies issued after 1/4/2012, 20% issued after 1/4/2003
 3. Unit Linked policies issued after 1/2/2021 for premium exceeding Rs. 2 lacs in aggregate.
 4. Ulip will be similar to Mutual fund if it is not covered U/s 10(10D)
 5. If the premium exceeds Rs.5 lacs for all policies issued after 1/4/2023 - Other than ULIP The taxation will be on the net receipts as Income from other sources

IN CASE OF DEATH IT IS EXEMPT IN ALL CIRCUMSTANCES.

Taxation on Investments by CA Haridas Bhat

Tax on Insurance Policies

Particulars	Annuities	Money Back Policies	Endowment Policy	ULIP
Lock In	As per Selection	As per Selection	As per Selection	As per Selection
Deduction	80C	80C	80C	80C
Limit on Deduction	1,50,000	1,50,000	1,50,000	1,50,000
Annual Income Taxability	As per Slab	NA	NA	NA
Sale/Maturity/Redemption	Exempt u/s 10(10A) < 1/3 of corpus at the time of vesting Annuity	Exempt: 10(10D) Long Term Capital Gains : 10%/20% or Other sources : As per Slab	Exempt: 10(10D) Long Term Capital Gains : 10%/20% or Other sources : As per Slab	Exempt: 10(10D) Long Term Capital Gains : 10%/20% or Other sources : As per Slab
TDS	NA	5% subject to conditions	5% subject to conditions	5% subject to conditions

Bonds

- ▶ Private Bonds
- ▶ Govt Bonds
- ▶ Commercial Paper
- ▶ Certificate of Deposit
- ▶ Public Deposits
- ▶ Sovereign Gold Bonds (SGBs) Indexable

Tax on Bonds

Particulars	Listed Bonds	Unlisted Bonds	SGB	Capital Gains Bonds
Lock In	NA	NA	8	5
Deduction	NA	NA	NA	54EC
Limit on Deduction	NA	NA	NA	50,00,000
Annual Income Taxability	As per Slab	As per Slab	As per Slab	As per Slab
Sale/Maturity/Redemption	STCG < 12 months - Slab Rate LTCG > 12 Months - 10% indexed/20%	STCG < 36 months - Slab Rate LTCG > 36 Months - 20%	STCG < 36 months - Slab Rate LTCG > 36 Months - 20% Exempt on Maturity	NA
TDS	NA	NA	NA	10%

Shares

- ▶ Listed
- ▶ Unlisted Shares
- ▶ Non Indian shares
- ▶ Buyback of shares With/ without stt
- ▶ Open offer to Purchase of shares by promoters

Tax on Bonds

Particulars	Listed Shares	UnListed Shares	Foreign Shares	Buy Back of Indian shares	Purchase of shares by promoters by Tender/Open Market
Annual Income Taxability	Dividend - Taxable as per Slab	Dividend - Taxable as per Slab	NA	NA	NA
Sale/Maturity/Redemption	STCG < 12 months - 15% LTCG > 12 Months - 10% > 1L Grandfathering/ Indexation	STCG < 24 months - Slab Rate LTCG > 24 Months - 20%/10% Indexation	STCG < 24 months - Slab Rate LTCG > 24 Months - 20%/10% Indexation	Exempt u/s 10(34A)	Exempt u/s 10(34A)
TDS	TDS on dividend > 5000 @ 10%	TDS on dividend > 5000 @ 10%	NA	NA	NA

Mutual Funds

- ▶ Debt Fund issued before 1/4/23
- ▶ Debt Fund after before 1/4/23 termed as Market linked debentures
- ▶ Equity Fund (more than 35% is invested in equity)
- ▶ Fixed Maturity Plans,
- ▶ Exchange Traded Funds
- ▶ 115UB - Investment Funds - Walk through Entity
- ▶ Alternate Investment Fund

Tax on Mutual Funds

Particulars	Debt Mutual Fund	Equity Mutual Fund	FMP Mutual Fund	ETF Equity	ETF (Gold, Debt)
Lock In	NA	NA	Variable	NA	NA
Annual Income Taxability	Dividend - Taxable as per Slab	Dividend - Taxable as per Slab	Dividend - Taxable as per Slab	Dividend - Taxable as per Slab	Dividend - Taxable as per Slab
Sale/Maturity/Redemption	STCG < 36 months - 15% LTCG > 36 Months - As per Slab	STCG < 12 months - 15% LTCG > 12 Months - 10% > 1L Grandfathering/Indexation	STCG < 36 months - 15% LTCG > 36 Months - As per Slab	STCG < 12 months - 15% LTCG > 12 Months - 10% > 1L Grandfathering/Indexation	STCG < 36 months - Slab Rate LTCG > 36 Months - 20%/10% Indexation
TDS	TDS on dividend > 5000 @ 10%	TDS on dividend > 5000 @ 10%	TDS on dividend > 5000 @ 10%	TDS on dividend > 5000 @ 10%	TDS on dividend > 5000 @ 10%

Commodities

- ▶ Gold
 - ▶ Other precious Metals
 - ▶ Other precious stones
-
- ▶ **Work of Art**
 - ▶ **Virtual Digital Asset. Cryptocurrencies**

Tax on Commodities

Particulars	Crypto/ Virtual Currencies	Investment Fund/ AIF	Hedge Fund	VC	Gold (Physical, Digital)	Commodities	Work of Art
Annual Income Taxability	NA	Exempt if tax is already paid by fund	Exempt if tax is already paid by fund	Taxable in the hands of investor	NA	NA	NA
Sale/Maturity/R edemption	30%	Exempt if tax is already paid by fund	Exempt if tax is already paid by fund	Taxable in the hands of investor	STCG < 36 months - Slab Rate LTCG > 36 Months - 20%/10% Indexation	STCG < 12 months - 15% LTCG > 12 Months - 10% > 1L Grandfatherin g/Indexation	STCG < 36 months - Slab Rate LTCG > 36 Months - 20%/10% Indexation
TDS	NA	NA	NA	NA	NA	NA	NA

Real Estate

- ▶ Residential - 54 and 54F
- ▶ Commercial - 54F, Block
- ▶ Redevelopment
- ▶ 45(2) Conversion of Investment into Stock in trade
- ▶ PAA, Compensation, Hardship Allowance, Rent, Extra Area, Extra FSI.
- ▶ 54EC Bonds
- ▶ CGS Account
- ▶ Real-estate investment trusts (REITs)

Tax on Commodities

Particulars	Immovable Property	Re-developement	CGAS Account	REITs
Lock In	5	NA	NA	
Deduction	54/54F	NA	Yes	
Limit on Dedcution	Rs. 10 Crores w.e.f. A.Y. 24-25	NA	NA	
Annual Income Taxability	NA	NA	Interest Income as per Slab	
Sale/Maturity/Redemption	STCG < 24 months - Slab Rate LTCG > 24 Months - 20%/10% Indexation	Corpus, PAA - Exempt, Hardsip Allowance, Extra Area, FSI Rent - Taxable As per Slab	NA	
TDS	1%	NA	10%	



DISCLAIMER

- ▶ The discussions and interpretations set forth in this material are based on the laws prevailing as on the date of presentation. If there is a change, including a change having a retrospective effect, in the statutory laws, the discussions and comments expressed in this material would necessarily have to be re-evaluated in light of the changes. We do not have responsibility of updating this note.
- ▶ This material is giving only general guidelines covering general situations our answer may differ on specific situation. Before taking any decision the users are required to obtain the opinion of the firm or their respective Consultant. Neither the firm nor any partner/employee is responsible for any action taken on the basis of this material.
- ▶ This material is not binding and acceptance of it including any subsequent and resultant planning or action will be at their own sole discretion and risk, without recourse.
- ▶ This material and comments mentioned there in are based on our understanding and interpretation of the legislations, and are not binding on any regulators, court and there can be no assurance that the regulators or court will not take a position, contrary to our opinion and comments.
- ▶ This material is the Copyright of GMJ.

*Thank
you*

Compiled by **CA Haridas Bhat**

