

# MASTERCARE INSIGHT

for private circulation only

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## Taxation of Various Schemes

### DEBT :

#### Savings Account :

Interest up to Rs.10,000/- is tax exempted. This is all inclusive of multiple accounts, if any and including Post office savings Account. Over and above Rs.10000/- is taxed at marginal rate.

#### Fixed And Recurring Deposits :

Fully taxable at the marginal rate. TDS of 10% if interest in any financial year exceeds Rs.10000/- for bank Fixed Deposits and Rs.5000/- for other deposits.

15 H/15 G can be given.

#### Tax Saver Bank Deposits :

Interest is fully taxable. TDS of 10% if interest in any financial year exceeds Rs.10,000/-.

15G / 15 H can be given

Sec 80 C benefit upto Rs.1.5 lakhs is available.

#### Monthly Income Schemes, Time Deposits 1,2 & 3 years, and KVP in Post Office.

Fully taxable at the marginal rate. But NO TDS.

#### Senior Citizen Saving Scheme 2004 :

Fully Taxable at marginal rate. TDS of 10% if interest in any financial year exceeds Rs.10,000/-.

15 H can be given.

Sec. 80C benefit upto Rs.1.5 lakhs is available

#### National Saving Certificate :

Sec. 80 C benefit is available upto Rs.1.5 Lakhs. Interest taxable.

#### Post Office 5 Year Time Deposit :

Sec. 80C benefit upto Rs.1.5 lakhs is available. Interest taxable.

#### Public Provident Fund :

Interest Fully exempted from Tax.

Sec. 80 C benefit upto Rs.1.5 lakhs is available.

#### Tax Free bonds :

Interest from these bonds are fully exempted from Tax.

But if it is listed, it can be sold in recognized stock exchanges.

If it is sold within one year, the gain is to be added as income and taxed at marginal rate. If it is sold after one year 10% Long Term Capital Gain is payable.

#### Taxable Bonds (NCDs)

Interest from these bonds are fully taxable. But if it is listed, No TDS is applicable and hence 15 H/15 G is not required. If it is sold within one year thru recognized stock exchanges, the gain should be added as income and taxed at marginal rate. If it is sold after one year 10% Long Term Capital Gain is payable.

#### Capital Gain Bonds :

Interest is fully taxable and No TDS.

#### Debt Funds, MIP Funds and Balanced Funds with less than 65% equity exposure and Gold Funds

Short Term Capital Gain is applicable for redemption within three years and taxed at marginal rate.

Long Term Capital Gain is applicable for redemption after three years and taxed at 20% with Indexation.

**Dividend received :**

**Tax Free in the hands of the investors.**

**Dividend Distribution Tax :**

**Applicable for all dividends paid at 25% + 12% surcharge + 3% cess  
Total : 28.84%**

**Tax Deducted At Source : NIL for Individuals**

**Tax Deducted at Source for NRIs :**

**In case of Short Term Capital Gain - 35.535%**

**In case of Long Term Capital Gain - 23.69%**

**Direct Equity and Equity Mutual Funds , Balanced Funds and Arbitrage Funds with above 65% exposure to equity.**

**Short Term Capital Gain is applicable for sale/redemption within one year at 15% + 15% surcharge + 3% cess. Total 17.7675%**

**Long Term Capital Gain Tax : Nil**

**Dividend Distribution Tax : Nil**

**Tax Deducted at source : NIL for Individuals**

**Tax Deducted at source for NRIs :**

**Applicable for Short Term Capital Gain Tax at 15% + 15% surcharge + 3% cess. Total 17.7675%**

**Equity Link Savings Funds (ELSS) or Tax Saving Fund:**

**Sec. 80C rebate of Rs.1.5 lakhs is applicable.**

**As there is a lock-in, no short term capital gain is applicable.**

**Again Long Term Capital Gain is tax free.**

**Dividend Distribution Tax : Nil**

**Tax Deducted at source : Nil**

**Sovereign Gold Bonds :**

Interest is fully taxable. Individuals are exempted from capital gain tax on these bonds.

#### LIC Policies :

Maturity including bonus is tax free in case of LIC policies, subject to following exclusions :

1. Annuities and Pension received.
2. Sum received under an insurance policy issued on or after 1.4.2012, in respect of which the premium payable for any of the years of the policy term exceeds 10% of the minimum Sum assured.

#### Tax Deducted at source :

Amount payable to a resident under a life insurance policy (including bonus) which is not exempt under Sec. 10 (10D), shall be subject to deduction of tax at source at 1%, if the amount or the aggregate of such amounts exceeds Rs.1,00,000/- during a financial year.

#### National Pension Scheme :

On maturity at 60 years, 40% can be withdrawn tax free. 40% to be put in Annuity which is taxable. 20% % taxable unless opted for Annuity which is again taxable.

#### Personal Income Tax Structure :

| Taxable income                        | Tax Rates (%) |
|---------------------------------------|---------------|
| Upto Rs.2,50,000 (i) (ii)             | Nil           |
| Rs.2,50,001 to Rs.5,00,000 (iii) (iv) | 10%           |
| Rs.5,00,001 to Rs.10,00,000 (iv)      | 20%           |
| Rs.10,00,001 and above (iv) (v)       | 30%           |

(i) in the case of a resident individual of the age of 60 years or above but below 80 years, the basic exemption limit is Rs.3,00,000/-

ii) In case of a resident individual of age of 80 years or above, the basic exemption limit is Rs.5,00,000/-

iii) A rebate of lower of actual tax liability or Rs.5,000/- in case of individuals having total income of less than or equal to Rs.5,00,000/-.

iv) Education cess is applicable @ 3% on income tax plus surcharge.

v) Surcharge @ 15% is applicable on income exceeding Rs.1 Crore.

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Disclaimer : Though utmost care has been taken Mastercare is not responsible for any error or omissions.