TAX & LEGAL & GENERAL INFORMATION

The information given is only for general purpose and is based on the laws and practices currently in force in India and the Investors/Unit holders should be aware that the relevant fiscal rules or their interpretation may change. As is the case with any investment, there can be no guarantee that the tax position or the proposed tax position prevailing at the time of an investment in the Scheme will endure indefinitely. In view of the individual nature of tax consequences, each Investor / Unit holder is advised to consult his / her own professional tax advisor.

TAXATION ON INVESTING IN MUTUAL FUNDS

Tax Benefits to the Mutual Fund - Sahara Mutual Fund is a Mutual Fund registered with the SEBI and hence the entire income of the Mutual Fund will be exempt from income-tax in accordance with the provisions of section 10(23D) of the Income-tax Act, 1961 (the Act). The Mutual Fund will receive all income without any deduction of tax at source under the provisions of section 196(iv) of the Act.

Taxation on Investing In Equity Schemes of Mutual Fund

1) Tax On Income Distribution By The Mutual Fund (Applicable For All Unit Holders)

Income (other than income arising from transfer of units) received by unit holders in respect of the units of the Mutual Fund, is exempt from tax under section 10(35) of the Act. Income distribution, if any, made by the Mutual Fund to the unit holders attracts distribution tax under the provisions of section 115 R of the Act. Proviso (b) to section 115 R (2) of the Act provides exemption to equity oriented mutual funds from paying distribution tax on income distributed to unit holders.

2) Long-Term Capital Gains

Section 10(38) of the Act grants exemption to any income arising from the transfer of a long-term capital asset, being units of an equity oriented fund, held for a period of more than 12 months, provided the transaction giving rise to the capital gains, attracts Securities Transaction Tax (STT) and is made on or after October 1, 2004 i.e. the date on which Chapter VII of the Finance (No. 2) Act, 2004 has come into force.

The income by way of long-term capital gains of a company would be taken into account in computing the book profits and Minimum Alternate Tax payable, if any, under section 115JB of the Act (irrespective of whether or not it is exempt under section 10(38) of the Act).

3) Short-Term Capital Gains

Under section 111A, where the total income of an assessee includes any income chargeable under the head “Capital Gains”, arising from the transfer of a short-term capital asset, being a unit of an equity oriented fund held for a period not more than 12 months and (a) the transaction of sale of such unit is entered into on or after October 1, 2004, i.e. the date on which Chapter VII of the Finance (No. 2) Act, 2004 has come into force; and (b) such transaction is chargeable to STT under that Chapter, the tax payable by the assessee on such short-term capital gains is at the rate of 15 per cent.

In case of resident individuals and Hindu Undivided Families (‘HUFs’), where the total income as reduced by the short-term capital gains, is below the basic exemption limit, the short-term capital gains will be reduced to the extent of the shortfall and only the balance short-term capital gains will be subjected to the 15 per cent tax rate.

4) Foreign Institutional Investors

Long-term capital gains arising on sale/ transfer of equity oriented mutual fund units, held for a period of more than twelve months, would be exempt from income-tax.
Short-term capital gains arising on sale/ transfer of equity oriented mutual fund units would be taxed at 15 per cent

5) Securities Transaction Tax

Taxable Securities Transaction	**Rate**	**Payable By**
Purchase / Sale of equity shares	0.1%	Purchaser/ Seller
Sale of units of an equity oriented fund, (delivery based)	0.001%	Seller
Sale of equity shares, units of equity oriented mutual fund (non-delivery based)	0.025%	Seller
Sale of an option in securities	0.017%	Seller
Sale of an option in securities where option is exercised	0.125%	Purchaser
Sale of a futures in securities	0.010%	Seller
Sale of unit of an equity oriented fund to the Mutual Fund	0.001%	Seller

6) Dividend Stripping (All Unit holders)

As per section 94(7) of the Act, loss arising on sale of units, which are bought within 3 months prior to the record date (i.e. the date fixed by the Mutual Fund for the purposes of entitlement of the unit holders to receive dividend) and sold within 9 months after the record date, shall be ignored for the purpose of computing income chargeable to tax to the extent of exempt income received or receivable on such units.

7)(a) Tax Deduction At Source On Capital Gains

i. **Domestic unit holders:** No income-tax is deductible at source from income by way of capital gains under the provisions of the Act.

ii. **Foreign Institutional Investors :** Under section 196D of the Act, no deduction shall be made from any income by way of capital gains, in respect of transfer of units referred to in section 115AD of the Act.

iii. **Other Non-resident Unit holders:** In the case of a non-resident other than a company: No income tax is deductible on long-term capital gains arising on sale/transfer on units of equity oriented mutual funds exempt under section 10(38) of the Act.

Income tax is deductible on short-term capital gains arising on sale/ transfer of units of equity oriented mutual funds (as defined under above) at the rate of 15 per cent.

In the case of a foreign company: No income-tax is deductible on long-term capital gains arising on sale/ transfer on units of equity oriented mutual funds as defined under section 10(38) of the Act.

Income tax is deductible on short-term capital gains arising on sale/ transfer of units of equity oriented mutual funds (as defined above) at the rate of 15 per cent.

7) (b) Tax Treaty

Income-tax is required to be deducted at source from capital gains chargeable to tax under section 195 of the Act at the applicable rates. In the case of an assessee resident of a country with which a Double Taxation Avoidance Agreement ('DTAA') is in force, the tax should be withheld as per provisions in the Act or as per the provisions in the DTAA whichever is more beneficial to the non-resident holder. However, such a non-resident unit holder will be required to provide appropriate documents to the Fund, to be entitled to a beneficial rate under such DTAA.

As per Finance Act, 2012 a non-resident shall not be entitled to claim treaty benefits, unless the non-resident obtains a Tax Residency Certificate ('TRC') from their home country, containing such particulars as specified in notification no. 39/2012 dated September 17, 2012.

8) Exemptions From Long-Term Capital Gains

Deductions are available from Long-term Capital Gains arising on sale of Mutual Fund units, if the sale proceeds are invested in eligible avenues as per : Section 54 EC and Section 54F.

9) Other Benefits

Investments in Units of the Mutual Fund will rank as an eligible form of investment under Section 11 (5) of the Act read with Rule 17C of the Income-tax Rules, 1962, for Religious and Charitable Trusts.

10) Wealth-Tax

Units held under the respective Plans are not treated as assets within the meaning of section 2(ea) of the Wealth-tax Act, 1957 and are, therefore, not liable to wealth-tax.

11) Gift-Tax

The Gift –Tax Act, 1958 has been repealed since October 1, 1998. Gift of units of Mutual fund units would be subject to Income Tax in the hands of the donor. As per section 56(2)(vii), receipts of securities, fair market value of which exceeds fifty thousand rupees, without consideration or without adequate consideration is taxable as income in the hands of individuals / HUFs. (Subject to certain exemptions.)

TAXATION ON INVESTING IN DEBT SCHEMES OF MUTUAL FUND

1) Tax On Income Distribution By A Non-Equity Oriented Mutual Fund / Liquid Fund)

Income distribution, if any, made by a non-equity oriented mutual fund not being a Money Market Mutual Fund or a Liquid Fund will attract distribution tax under section 115R of the Act at the following rates:

i. In case income is distributed to individuals and HUFs : 28.325%
ii. In case of income distributed to persons other than individuals and HUFs :33.99%

2) Income distributed by the Mutual Fund (applicable to all unit holders)

Income (other than income arising from transfer of units) received by unit holders in respect of the units of the Mutual Fund, is exempt from tax under section 10(35) of the Act.

3) Tax On Capital Gains - Long-Term Capital Gains

Long-term capital gains in respect of units, held for a period of more than 12 months, will be chargeable to tax under section 112 of the Act, at the rate of 20 per cent and 10% without Indexation whichever is more beneficial for investor. In case of resident individuals and HUFs, where the total income as reduced by capital gains, is below the basic exemption limit, the long-term capital gains will be reduced to the extent of the shortfall and only the balance long-term capital gains will be subjected to the 20 per cent tax or the 10 per cent as the case may be.

4) Short-Term Capital Gains

Short-term capital gains in respect of units held for not more than 12 months is added to the total income of the assessee and taxed at the applicable slab rates specified by the Act.

5) Foreign Institutional Investors

Long-term capital gains arising on sale/ transfer of units, held for a period of more than twelve months, would be taxed at the rate of 10 per cent under Section 115AD of the Act. Such gains would be calculated without inflation index and currency fluctuations. Short-term capital gains arising on sale/ transfer of units would be taxed at 30 per cent.

6) Securities Transaction Tax

Securities Transaction Tax (STT) is not applicable in the case of non equity-oriented mutual fund Schemes.

7) Dividend Stripping

As per Section 94(7) of the Act, loss arising on sale of Units, which are bought within 3 months prior to the record date (i.e. the date fixed by the Mutual Fund for the purposes of entitlement of the Unit holders to receive the dividend) and sold within 9 months after the record date shall be ignored for the purpose of computing income chargeable to tax to the extent of exempt income received or receivable on such Units.

8) Tax Deduction at Source on Capital Gains

i. Domestic Unit holders: No income tax is deductible at source from income by way of capital gains under the provisions of the Act.
ii. Foreign Institutional Investors : Under Section 196D of the Act, no deduction shall be made from any income by way of capital gains, in respect of transfer of units referred to in Section 115AD of the Act.
iii. Other Non-resident Unit holders Income tax is deductible on short-term capital gains arising on sale/ transfer of units of equity oriented mutual funds (as defined under above) at the rate of 15 per cent.

In the case of a foreign company: No income-tax is deductible on long-term capital gains arising on sale/ transfer on units of equity oriented mutual funds as defined under section 10(38) of the Act.
Income tax is deductible on short-term capital gains arising on sale/ transfer of units of equity oriented mutual funds (as defined above) at the rate of 15 per cent.

9) Exemptions From Long-Term Capital Gains:

Deductions are available from Long-term Capital Gains arising on sale of Mutual Fund units, if the sale proceeds are invested in eligible avenues as per : Section 54 EC and Section 54F.

10) Other Benefits

Investments in Units of the Mutual Fund will rank as an eligible form of investment under Section 11 (5) of the Act read with Rule 17C of the Income-tax Rules, 1962, for Religious and Charitable Trusts.

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Units held under the respective Plans are not treated as assets within the meaning of section 2(ea) of the Wealth-tax Act, 1957 and are, therefore, not liable to wealth-tax.

12) Gift-Tax

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