Monthly Musings

February 2022

Know Your Taxes

A Guide to Tax Efficient MF Investing

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Message from Navneet

February - the shortest month of the year, is probably one of the most awaited ones for Indian corporates, and to an extent, even salaried individuals. The reason being that the month starts with a bang, with the Finance Minister presenting the Union Budget on 1st February every year. In the days and weeks leading up to the budget, there is always a sense of anticipation, apprehension, excitement and scepticism around the budget.

Mr. Navneet Munot,
MD & CEO, HDFC Asset
Management Company Limited

Different quarters of the economy have divergent expectations from the budget and in that sense, the task of the Finance Minister is quite an onerous one and certainly an unenviable one, to say the least. The task has been made even more challenging owing to the Covid-19 pandemic, which effectively means that the Government has to walk a tightrope and strike a fine balance between supporting growth and maintaining fiscal prudence. This year's budget has delivered exactly that. More importantly, continuity in policy, stability in taxation and consistency in strategic direction – which is often taken for granted – have been ensured in this year's budget.

It is certainly worth noting that despite the upcoming assembly elections in multiple States, the budget steered clear of any populist measures - thereby allaying any fears of an excessively expansive populist budget. In fact, the focus was steadfastly on priorities like reducing supply-side bottlenecks, tweaking import duties to make manufacturing more attractive, and providing impetus for localisation of Defence manufacturing. Most importantly, the endeavour to improve the quality of fiscal deficit continued as the budget focused on capex spend. From investors' standpoint, this progressive growth oriented budget augurs well for long term prospects of Indian economy and consequently, long term prospects of Indian equities.

Emphasis on green energy received a further boost as battery swapping policy was announced to encourage adoption of Electric vehicles. This could potentially be a game-changer as it will allow users to exchange a worn-out battery with a fully charged one for a fee. While there were no major tax changes, Government provided clarity on taxation of digital assets like cryptocurrencies, Non Fungible Tokens (NFTs) by introducing taxation of 30% on income from transfer of such assets. You can *click here to read our detailed note on the Union Budget.*

Speaking of taxation, it is that time of the year when tax planning is on everyone's mind. While one cannot avoid paying taxes, awareness about various aspects of taxation can help one to plan investments in a more tax efficient manner. Bearing this in mind, we have come up with a comprehensive guide to tax efficient Mutual Fund investing in our Cover Story for this month's Monthly Musings. Do give it a read and give your investments the edge of tax efficiency.

Happy Reading and Happy Investing!!!

MUTUAL FUND INVESTMENTS ARE SUBJECT TO MARKET RISKS, READ ALL SCHEME RELATED DOCUMENTS CAREFULLY.

Cover Story

Know Your Taxes - A Guide to Tax Efficient Mutual Fund Investing

The true return on any investment is what we earn after payment of taxes. Taxes play a crucial role while selecting investment products. Mutual funds offer a wide variety of products and tax efficiency enhances their charm.

In the last quarter of the financial year, tax planning is on everyone's mind as we look for options to save taxes. While there is a buzz about Section 80C of Income Tax Act 1961, we thought it is prudent to understand taxation in respect to Mutual Fund investments. Here we decode some hidden aspects of tax advantages available for investments in Mutual Funds.

1. So, first thing first, who pays the Tax? Is it Mutual Fund or Unit holders?

Since Mutual Funds are a pass through vehicle, one has to look at income at two levels:

- Income received / generated by the Mutual Fund scheme by way of dividend / interest received, etc or price changes in securities
- Income generated by Unit holders from Mutual Funds by way of NAV appreciation or Income Distribution cum Capital Withdrawal (erstwhile referred to as dividends on MF Units)

Since, Mutual Funds are registered with the Securities and Exchange Board of India and created as a Trust, the entire income earned by the Mutual Fund is exempt from Income tax in accordance with the provisions of Section 10(23D) of the Income Tax Act, 1961. However, the unit holders pay tax on income from Mutual Funds as per prevailing tax laws.

2. How do unit holders earn from Mutual Funds?

Income Distribution cum Capital Withdrawal (IDCW) Option

IDCW is declared subject to availability of distributable surplus in the Scheme, as computed in accordance with SEBI (Mutual Fund) Regulations. Remember, the NAV of the Scheme reduces to the extent of the amount distributed. IDCW received by unit holders is added to their taxable income and taxed at their respective income tax slab rates.

Example: An investor holds 10,000 units in a Scheme and its NAV as on 31st December, 2021 is Rs 15. The Mutual Fund declares IDCW of Re 1 per unit. Post distribution of IDCW, the NAV drops to Rs. 14 (ie NAV on Dec 31, 2021 – IDCW per unit (Rs. 15 – Re. 1) on 1st January, 2022 assuming no change in market valuation of the Scheme the next day.

In case of IDCW, Mutual Fund is liable to deduct TDS (Tax Deducted at Source) @ 10% on income distributed (i.e. dividend), if the income exceeds Rs. 5,000. In this case the Mutual Fund will deduct 10% TDS on Rs. 5000 (Rs. 10000 – Rs. 5000). The unit holder will have to pay tax on the IDCW received at the respective income tax slab rate (after deducting the TDS amount).

Note: While paying tax on IDCW, unit holder needs to be aware of applicability of surcharge and cess The surcharge is calculated on the base tax and cess is calculated on base tax and surcharge. Tax implication is same for both IDCW Payout and Re-investment options.

Capital Gains from Growth Option

Growth Option is one without any periodic payouts and is meant for long-term capital appreciation. Capital Gain arising on sale of Mutual fund units is charged to tax under the head Capital Gains.

Income from capital gains is classified as:

- Short Term Capital Gains (STCG); and
- Long Term Capital Gains (LTCG)

The STCG and LTCG are taxed at different rates, which depends on type of Scheme and holding period.

3. How Mutual Funds are classified based on taxation?

Mutual Funds are classified into two categories based on taxation:

- Equity-oriented mutual fund schemes and
- Other than-Equity oriented mutual fund schemes

Equity-oriented mutual fund schemes

Simply put Equity-oriented mutual fund schemes are ones with at least 65% asset allocation towards equity Equity shares of domestic companies listed on a recognized stock exchange . If the unit holder has held the investment for more than 12 months, the gains from redeeming such investments will be classified as LTCG and for investments held for 12 months or less, the gains will be classified as STCG.

Other than Equity-oriented mutual fund schemes

Simply put other than Equity-oriented mutual fund schemes are ones not satisfying the above mentioned condition. If the unit holder has held the investment in such schemes for more than 36 months, the gains from sale of such investments will be classified as LTCG, and for investments held for 36 months or less, the gains will be classified as STCG.

4. What is the capital gain tax rate for Equity and Other than Equity oriented Mutual Fund Schemes?

When a Unit Holder redeems units of the mutual fund scheme, the difference in the selling price and purchase price will be called capital gain/(loss).

	STCG Tax	LTCG Tax
Equity Oriented Mutual Fund	@15%	@10%*
Other than equity oriented mutual Fund	As per the unit holder 's tax slab	@20% after indexation

*Tax at the rate of 10% (without indexation benefit) is levied on LTCG exceeding Rs. 1 lakh per annum provided transfer of such units is subject to securities transaction tax (STT).
Note: In addition to the above STCG and LTCG rate, surcharge and cess is applicable. The surcharge is calculated on the base tax and cess is calculated on base tax and surcharge.

For details on taxation related to capital gains, please click here.

5. Taxation on Capital Gains / Losses

In case of long term capital gain, unit holders can book capital gains up to Rs.1 lakh per annum, as the same is exempted under Income-tax Act 1961. This may be useful while doing a Systematic Withdrawal Plan (SWP) (refer Smart Choice section on SWP) and is tax efficient when compared to IDCW.

In case of capital loss and while setting off losses, unit holders need to keep following points in mind:

- Capital Loss whether short term or long term cannot be set off against any other head of income

- Long-term capital losses can be set-off against only long-term capital gains. You cannot set-off long-term capital losses against short-term capital gain.

- Short-term capital losses can be set-off against either short-term capital gains or long-term capital gains.

- Both short term and long term capital losses can be carried forward for eight years immediately succeeding the year in which the loss is incurred.

6. What is Indexation and how it works?

Inflation, which reflects increase in prices, reduces our purchasing power over a period of time. In other words, the capital gains earned by an investor needs to be reduced by the amount of inflation. Indexation benefit is applicable while calculating capital gains on other than equity-oriented mutual funds.

Indexation is increasing the cost of acquisition by Cost Inflation Index (CII), which is notified by Ministry of Finance annually.

Indexed cost of acquisition is calculated as Cost of acquisition *(CII in the year of sale / CII in the year of purchase)

Example: Suppose Rakesh invests Rs. 100,000 in debt scheme i.e. “other than equity mutual funds scheme” on 1st July 2018 and redeems his investment for Rs. 125,000 on 1st December 2021. Rakesh has held the investment for more than 3 years so his gain is categorised LTCG and his indexed cost of acquisition will be ~Rs. 113,214 (100,000 *317/280). His taxable income will be ~Rs. 11,786 (125,000-113,214) and not Rs. 25,000 (125,000 - 100,000) because of indexation for computation of capital gain at applicable rates. Therefore, the incidence of tax is lower most of the time in assets held for longer than three years.

*Note: Cost of Inflation index FY 2018-19 is 280 and FY 2021-22 is 317.

7. Making the most of Indexation benefit – four indexation?

For the amount invested in ‘other than equity oriented mutual fund scheme’ in January 2022 (FY 2021-22) and redeemed in April 2025 (FY 2025-26) the investor is eligible to take four indexation benefits over 5 financial years viz. 2021-22, 2022-23, 2023-24, 2024-25 and 2025-26.

Assuming investment is for 1168 days, let us consider the below three scenarios of different per annum return:

Particulars	Fixed Deposits			Taxation on Other than Equity Oriented Mutual Fund Scheme (with Indexation)		
Amount Invested (in Rs.)	100,000			100,000		
Interest Rate / Returns p.a. (%)	6%	7%	8%	6%	7%	8%
Gross value at Maturity (in Rs.)	120,498	124,173	127,925	120,498	124,173	127,925
Indexed Cost of Acquisition (in Rs.)#	NA	NA	NA	116,986	116,986	116,986
Capital Gains/Interest on investments (in Rs.)	20,498	24,173	27,925	3,512	7,187	10,939
Applicable Tax Rate (%)^	31.20%$	31.20%	31.20%	20.80%#	20.80%	20.80%
Taxable Income (in Rs.)	20,498	24,173	27,925	3,512	7,187	10,939
Tax Liability (in Rs.)	6,395	7,542	8,713	730	1,495	2,275
Post Tax value at Maturity (in Rs.)	114,102	116,631	119,213	119,767	122,678	125,650
Post Tax Gain (in Rs.)	14,102	16,631	19,213	19,767	22,678	25,650
Post Tax Gain (CAGR %)	**4.21%**	**4.93%**	**5.65%**	**5.80%**	**6.60%**	**7.40%**

#Indexed Cost of acquisition is computed assuming an inflation rate of 4% p.a.
^The tax rate based on the current tax slabs for Individuals/HUFs with income more than Rs. 10 lakh but less than Rs. 50 Lakh.
$30% + 0% surcharge + 4% cess = 31.20%
#20% + 0% surcharge + 4% cess = 20.80%

Disclaimer: This is a hypothetical illustration to explain the concept of four indexations and its benefits and actual figures would vary. The features of Fixed Deposits and FMPs are not comparable. The comparison is limited to tax efficiency, which is subject to changes in prevailing tax laws.

8. Do Mutual Funds help in saving tax?

ELSS or Equity Linked Savings Scheme is a type of mutual fund scheme which helps unit holders in saving tax on investments made up to Rs. 1.5 Lakh in a Financial Year (along with the other prescribed investments) under Section 80C of the Income-tax Act, 1961. This reduces the taxable income and therefore their tax liability.

Investing in ELSS is just like investing in any other equity oriented mutual fund scheme with additional benefit of tax savings. Also, these schemes come with a lock-in period of just 3 years (lowest lock-in period among other taxing saving instruments, under Section 80C of the Income Tax Act, 1961)

Click here to view a comparison of ELSS Vs other tax-saving instruments covered under Section 80C of the Income Tax Act, 1961.

Example: Rajesh has a gross annual income of Rs. 1,200,000. He invests a total of Rs. 150,000 in ELSS schemes. Therefore, his taxable income is reduced to Rs. 1,050,000. Since Rajesh falls under the tax bracket of 30% as he has opted for old regime, he is able to save Rs. 46,800 (including cess @4% and excluding surcharge)*. This may be true for any other Section 80C option, however, ELSS schemes have potential to appreciate over time and generate real returns.

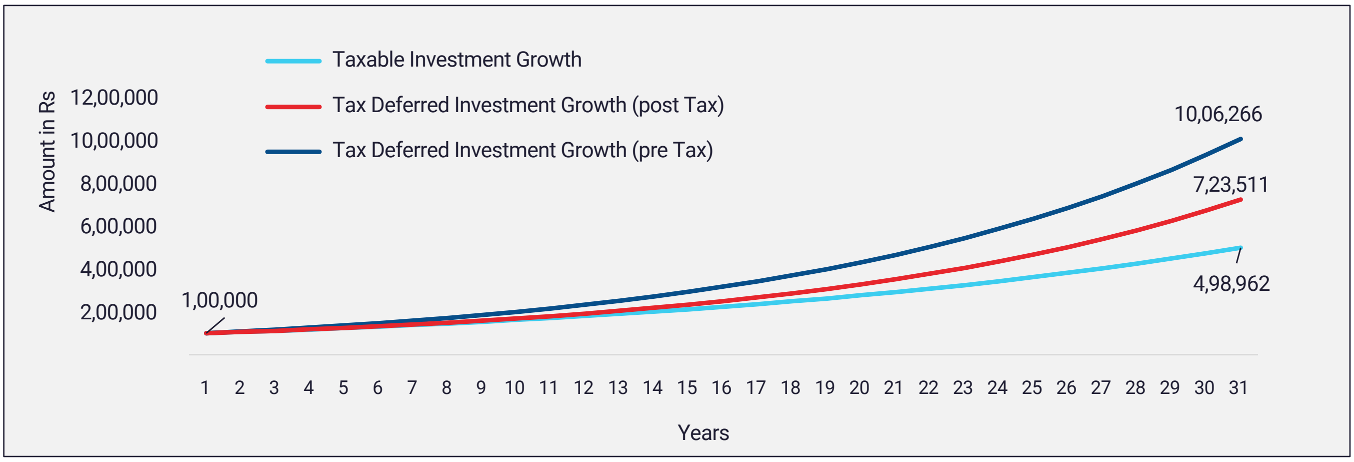
*The above example is for illustration purposes only Tax calculations shown above are as per income tax slabs for FY 2021-22 applicable for an individual assessee below the age of 60 with taxable income above Rs. 10 lakh but less than Rs. 50 lakh. The calculation is inclusive of cess.

9. Remember, you are in it for the compounding!

Tax planning, while is an important part of financial planning, is only an accompaniment in your overall objectives. The real reason to invest is to create wealth and let it compound over the long term. When we invest our money with Mutual Funds in the growth option, we tend to grow our investment tax-free as we pay tax only when we withdraw money by selling units. Tax-free compounding over long term may help you to generate more money on your investments.

The chart below explains a hypothetical illustration of power of tax deferral and the advantage such investments have over taxable investments over time. The chart assumes that Rs 100,000 investment compounding at 8% annually. The applicable tax rate of 31.20% would generate tax deferred investment return significantly greater than that of taxable investment.

After 30 years, as seen, the taxable investment grew to Rs. 498,962. The same investment would be valued at Rs 1,006,266 had the investor stayed put. Furthermore, if we pay the tax at the time of selling units, then post tax (assumed at 31.20%) amount would be at Rs. 723,511 which is 45% greater than taxable investment where we are paying tax every year.



Note: This is a hypothetical chart to explain the concept of tax deferral and actual figures would vary depending upon tax rates.

Disclaimer: The content presented herein is prepared keeping Individuals/HUFs in mind. Investors should be aware that the fiscal rules/ tax laws may change and there can be no guarantee that the current tax position may continue indefinitely. The document is given in summary and simplified form and does not purport to be a complete disclosure of every material fact of Income Tax Act, 1961. In view of individual nature of tax consequences, each unit holder is advised to consult his/her own professional tax advisors. HDFC Mutual Fund/ HDFCAMC is not guaranteeing returns on investments made in these scheme.

MUTUAL FUND INVESTMENTS ARE SUBJECT TO MARKET RISKS, READ ALL SCHEME RELATED DOCUMENTS CAREFULLY.

Grandfathering Clause

What is grandfathering clause?

A grandfathering clause is a provision in which an old rule continues to apply to some existing situations while a new rule will apply to all future cases. Those exempt from the new rule are said to have grandfather rights or acquired rights, or to have been grandfathered in.

In simple terms, grandfathering clause ensures that the tax levied on gains is prospective in nature and is levied from the date of levy of such tax. This is done to protect the interest of tax payers.

Grandfathering Clause w.r.t long-term capital gains

Long term capital gains (LTCG) on transfer of listed equity shares and equity oriented mutual fund schemes were exempt from tax until financial year 2017-18. The Finance Act, 2018 reintroduced tax on LTCG on sale of listed shares and equity-oriented mutual fund schemes w.e.f. 1st April 2018, i.e. FY 2018-19 with a **grandfathering clause.** As the LTCG was reintroduced on 1st February 2018, the CBDT allowed gains up to 31st January 2018 to be grandfathered i.e. tax will not be paid on gains accrued till 31st January 2018.

To get the benefit of grandfathering clause, investors/tax payers will have to ascertain the cost of acquisition of their investments on the basis of a formula covered in Section 55 of Income Tax Act, 1961 which will ensure that the gains up to 31st January 2018 are grandfathered or are exempt from tax.

Formula for Cost of Acquisition (COA)

The cost of acquisition is ascertained as below:

Value I- Fair Market Value (FMV) as of 31st January 2018 or the Actual Selling Price whichever is lower

Value II – Value I or Actual Purchase Price, whichever is higher

Long Term Capital Gain = Sales Value – Cost of Acquisition (as calculated above)

Tax Liability = 10% plus applicable surcharge and cess (LTCG – INR 1 lac[1])

Let us understand with an example:

Mr ABC made a lump-sum investment of Rs. 30 lakh in shares of a listed company in June 2010. Its FMV as on January 31, 2018 was Rs. 50 lakh. ABC redeems his entire investment in May 2019 for Rs.53 lakh netting a gain of Rs. 23 lakh. However, due to the grandfathering clause, Mr ABC's taxable gain would be only Rs. 3 lakh i.e. Rs. 53 lakh – Rs 50 lakh. (Rs. 1 lakh will be exempt and Rs. 2 lakhs will be taxable)

XYZ had made another lump-sum investment of Rs. 15 lakh in shares of another listed company in February 2015. The FMV of the investment on January 31, 2018 was Rs. 4 lakh, and he sold all these shares in June 2019 for a sum of Rs. 10 lakh. In this transaction, XYZ incurred a loss of Rs. 5 lakh (Rs. 10 lakh – Rs 15 lakh) calculated for tax purposes as per the above-mentioned formula. In this case, loss of Rs 5 lakh can be carried forward for eight years and can be set off against long term capital gains.

Thus, grandfathering clause ensures that the long term capital gains up to 31st January 2018 are not taxable.

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[1]LTCG up to INR 1,00,000 pa is exempt from tax

Smart Choices

Need tax-efficient regular income? Look no further than Systematic Withdrawal Plan!

When it comes to receiving regular income from investments, there are handful of options for an individual investor like interest from bank deposits, SWP (Systematic Withdrawal Plan) of mutual funds, etc. When it comes to tax efficiency, SWP reigns supreme.

Before we get into the details, it is pertinent to lay out certain facts. Interest from bank deposits is taxed in the hands of investors as per the applicable income tax slab. So is the dividend income from direct equity / mutual funds. The detail we need to stress upon here is that the entire cash flow received by the investor is subject to tax. The beauty with the 'Simple' SWP is that only the gain component of the cash flow is subject to tax. This is a major difference that substantially reduces the tax impact.

Let's look at an example.

- Initial investment in growth plan of mutual fund scheme – Rs. 1,20,000
- Monthly cash flow – Rs. 800

HDFC MUTUAL FUND
BHAROSA APNO KA

Systematic Withdrawal Plan (SWP) for Tax efficient periodic income

(Amt in Rs.)

Date of SWP	NAVs	Cash flow	Units Withdrawn	Units Outstanding	Principal Component	Income Component	Value of Investment
(A)	(B)	(C)	(D) = (C) / (B)	(E) = Prev (E) + (D)	(F) = (D) * Start (B)	(G) = - (C) – (F)	(H) = (B) * (E)
01-Mar	71.22	1,20,000	1685	1,685			1,20,000
01-Apr	74.27	-800	-10.8	1,674	767	33	1,24,341
01-May	77.05	-800	-10.4	1,664	739	61	1,28,196
01-Jun	85.61	-800	-9.3	1,655	665	135	1,41,643
01-Jul	90.97	-800	-8.8	1,646	626	174	1,49,720
01-Aug	90.63	-800	-8.8	1,637	629	171	1,48,354
01-Sep	95.09	-800	-8.4	1,629	599	201	1,54,851
01-Oct	96.43	-800	-8.3	1,620	591	209	1,56,230
01-Nov	100.14	-800	-8	1,612	569	231	1,61,449
01-Dec	103.95	-800	-7.7	1,605	548	252	1,66,785
01-Jan	105.46	-800	-7.6	1,597	540	260	1,68,415
01-Feb	108.57	-800	-7.4	1,590	525	275	1,72,578
01-Mar	110.16	-800	-7.3	1,582	517	283	1,74,299

(Amt in Rs.)

SWP Value	Principal Returned	Taxable Income	Tax @ 15%	Tax as a % of SWP	Units Outstanding	Value of Investment
9,600	7,316	2,284	343	3.60%	1582	1,74,299

In the above example, since bulk of the money withdrawn is accounted for by the principal component, the cash flows are more tax-efficient. Isn't this a smart choice?

Disclaimer: The above table is for illustration purpose only to explain the concept of SWP and should not be construed as providing any kind of investment advice or as a substitute for any kind of financial planning. SWP withdrawal rate assumed at 8% p.a of the initial investment, which works out to monthly cash flow of Rs.800 in this case. Short Term Capital Gains Tax rate assumed at 15%. Calculation is based on notional NAVs. The result of the calculations generated in the above illustration may not be accurate. Calculations are based on assumptions provided above. Due to the personal nature of investments and financial planning, investors are advised to consult his/her financial advisor.

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Fund Focus

HDFC MUTUAL FUND
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HDFC Medium Term Debt Fund

HDFC Medium Term Debt Fund ("the Scheme") is an open ended medium term debt scheme investing in instruments such that the Macaulay Duration[#] of the portfolio is between 3 years and 4 years. The Scheme follows a duration management strategy by keeping a close watch on various domestic and global macro-economic variables.

The Scheme takes tactical controlled exposure to non-AAA securities considering factors like credit spreads, macro-economic factors etc. For instance, in the aftermath of the sharp spike in credit spreads in March March 2020, non AAA allocation was increased to ~51% of Net Assets (As of 31st March 2020). Subsequently, as credit spreads reduced, the non AAA allocation was reduced over time to ~30% as of 31st January 2022. At present (31st January 2022), the Scheme has exposure to Sovereign/ AAA & Equivalent securities/ Cash & Cash equivalent of ~70% of Net Assets, with ~30% of Net Assets being in Non-AAA securities. Out of the non-AAA component, the Scheme had ~25% exposure to AA/AA- securities and ~5 % exposure to AA+ securities.

The Scheme is ideal for those with an investment horizon of more than 12 months. However, suggested holding period is 3 years due to better tax efficiency, owing to indexation benefit and taxability at lower rate, as gains would be considered Long Term Capital Gains (taxed at 20% with indexation vs Taxation at slab rate for Short Term Capital Gains)[*].

Indexation benefit is an important facet of investing in debt mutual funds from a long term horizon. An investor gets indexation benefit on Debt Mutual Funds, if the holding period is 3 years or longer. It helps to offset the impact of inflation from the returns, thereby reducing the tax outgo. More importantly, as investor gets indexation benefit for each financial year, covered partially or fully under the holding period; an investor could get benefit of 4 indexations, instead of 3, by investing in February or March and redeeming in the month of April - 3 years later. Investors may consider this aspect as well while investing in HDFC Medium Term Debt Fund, with an investment horizon of little more than 3 years, and ensure better tax efficiency.

Portfolio Statistics

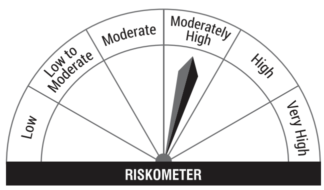
Average Maturity	3.99 Years
Macaulay Duration#	3.18 Years
Modified Duration	3.01 Years
Yield to Maturity%	6.52%^

As of 31st January 2021. For complete Portfolio details, refer to the Monthly Portfolios disclosed on the website of the Fund viz. www.hdfcfund.com. ^ YTM does not indicate returns of the Scheme

To conclude, HDFC Medium Term Debt Fund provides an optimal mix of Duration and Yield and presents a viable investment avenue for investors investing with an investment horizon of at least 12 months, and preferably, more than 3 years, to achieve better tax efficiency.

*As per prevailing tax laws. In view of the individual circumstances and risk profile, each investor is advised to consult his/ her professional advisor before making a decision to invest.

#Macaulay Duration (Duration) measures the price volatility of fixed income securities. It is often used in the comparison of interest rate risk between securities with different coupons and different maturities. It is defined as the weighted average time to cash flows of a bond where the weights are nothing but the present value of the cash flows themselves. It is expressed in years/days. The duration of a fixed income security is always shorter than its term to maturity, except in the case of zero coupon securities where they are the same.

Name of Scheme	This product is suitable for investors who are seeking*	Riskometer of the scheme#
HDFC Medium Term Debt Fund (An open ended medium term debt scheme investing in instruments such that the Macaulay Duration of the portfolio is between 3 years and 4 years)	• Income over medium term • To generate income / capital appreciation through investments in Debt and Money Market Instruments	 nvestors understand that their principal will be at moderately high risk
*Investors should consult their financial advisers, if in doubt about whether the product is suitable for them.		
#For latest Riskometer, investors may refer to the Monthly Portfolios disclosed on the website of the Fund viz.www.hdfcfund.com		

Potential Risk Class (Maximum risk the Scheme can take)			
Credit Risk → Interest Rate Risk ↓	Relatively Low (Class A)	Moderate (Class B)	Relatively High (Class C)
Relatively Low (Class I)			
Moderate (Class II)			
Relatively High (Class III)			**C-III**
C-III - A Scheme with Relatively High Interest Rate Risk and Relatively High Credit Risk.			

MUTUAL FUND INVESTMENTS ARE SUBJECT TO MARKET RISKS, READ ALL SCHEME RELATED DOCUMENTS CAREFULLY.

For disclaimers, refer page 20

Quiz Section

Answer the following question:

Q1. ELSS is mutual fund scheme which helps unit holders in saving tax on investments made up to ___________ under Section 80C of the Income-tax Act, 1961.

- (A) 2 lakhs per half of a Financial Year
- (B) INR 1.5 lakhs in a Financial Year
- (C) INR 1.5 lakhs per half Financial Year

Q2. Which of the following could be income from capital gains?

- (A) Interest Income
- (B) Dividend Income
- (C) Long Term Capital Gains

Q3. After the Distribution of IDCW, what is the Impact on the NAV?

- (A) NAV decreases
- (B) NAV increases
- (C) No Impact on NAV

Q4. Who pays Taxes on Income earned from Mutual Fund Investments?

- (A) Mutual Fund
- (B) Mutual Fund and Unit Holders
- (C) Unit Holders

Q5. Which of the Following has the Potential to outperform Others in the Long Run?

- (A) Equity-Linked Savings Schemes
- (B) Fixed Deposit
- (C) Public Provident Fund

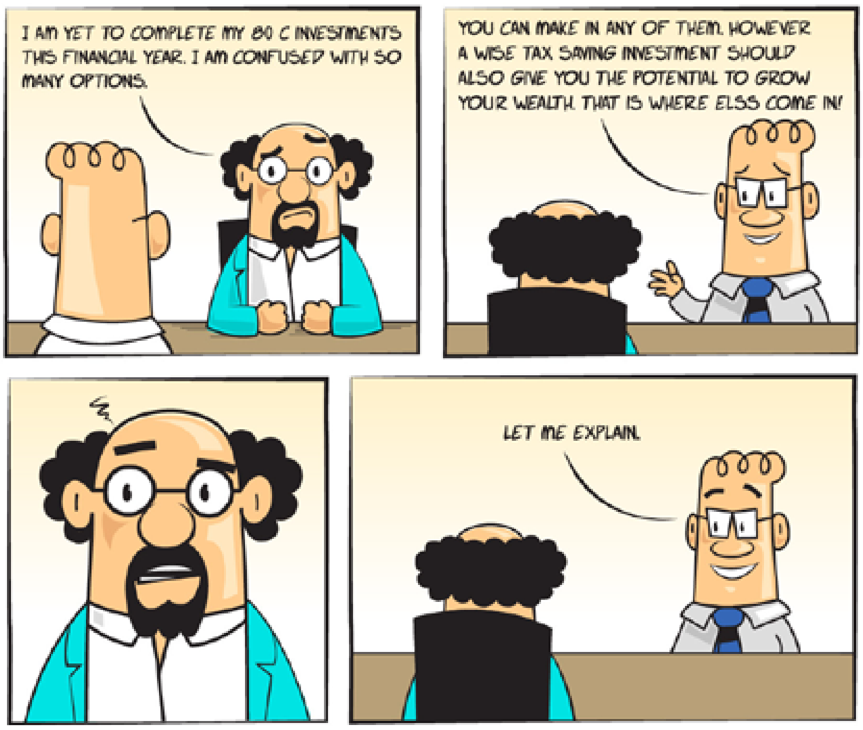
Q6. Which Asset Class receives Indexation Benefit?

- (A) Equity-oriented Mutual Funds
- (B) Fixed Deposit
- (C) Other than Equity-oriented Mutual Funds

Solutions: 1=B, 2=C, 3=A, 4=C, 5=A, 6=C

Tête-à-Tête

HDFC MUTUAL FUND
BHAROSA APNO KA



TAX SAVING IS IMPORTANT, BUT GROWTH OF YOUR WEALTH IS EVEN MORE IMPORTANT

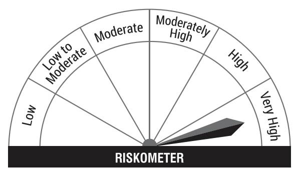
Towards the end of every financial year, many investors race against time to make their investment under Section 80 C, a great way to reduce overall tax liability of up to Rs. 46,800* per annum, by investing up to Rs. 150,000 in a financial year.

Tax saving is a key, but you can make the most of this situation by investing in ELSS (Equity Linked Savings Schemes of mutual funds). ELSS brings the best of both words, tax savings, as well as the power of compounding your wealth through equities. An ELSS comes with a three year lock-in which is the lowest among all tax saving options under Section 80 C.

Click Here *to invest in HDFC TaxSaver, an open-ended Equity Linked Saving Scheme with a statutory lock-in of 3 years and tax benefit.*

*Calculated as per income tax slabs for FY 2022-23 applicable for an individual assessee below the age of 60 with taxable income above Rs. 10 lakh but less than Rs 50 lakh. The calculation is inclusive of cess. The same is for illustration purposes only. Investors should be aware that the fiscal rules/ tax laws may change and there can be no guarantee that the current tax position may continue indefinitely.

Views expressed herein involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied herein. HDFC Mutual Fund/AMC is not indicating or guaranteeing returns on any investments. Readers should seek professional advice before taking any investment related decisions and alone shall be responsible.

Name of Scheme	This product is suitable for investors who are seeking*	Riskometer of the scheme#
HDFC TaxSaver (An open ended equity linked savings scheme with a statutory lock in of 3 years and tax benefit)	• To generate long-term capital appreciation / income • Investments predominanly of equity & equity related instruments	 Investors understand that their principal will be at very high risk

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