

Dividend Taxation (in case of Income Distribution Cum Capital Withdrawal option)

	Resident Individual / HUF	Domestic Company	Non Resident Individuals
Dividend (All Schemes)	30% [^] + Surcharge as applicable& + 4% Cess = 42.744% or 39% or 35.88% or 34.32%	<ul style="list-style-type: none"> 30% + Surcharge as applicable& + 4% Cess = 34.944% or 33.384% 25%^{^^} + Surcharge as applicable& + 4% Cess = 29.120% or 27.820% 22%[@] + 10% Surcharge& + 4% Cess = 25.168% 15%[@] + 10% Surcharge& + 4% Cess = 17.16% 	20% + Surcharge as applicable& + 4% Cess = 28.496% or 26% or 23.92% or 22.88%
Tax Deducted at Source ! (All Schemes)	10% (if dividend income exceeds ₹ 10,000 in a tax year) !	10% (if dividend income exceeds ₹ 10,000 in a tax year) !	28.496% or 26% or 23.92% or 22.88%

Capital Gains Taxation

	Resident Individual/HUF	Domestic Company	Non Resident Individuals [*]
Long Term Capital Gains			
Equity oriented schemes^{**}/^{^^}	Units held for more than 12 months		
	12.5% ^{^^} without indexation + Surcharge as applicable& + 4% Cess = 14.95% or 14.30%	12.5% ^{^^} without indexation + Surcharge as applicable& + 4% Cess = 14.56% or 13.91% or 14.30%	12.5% ^{^^} without indexation and without foreign currency fluctuation benefits + Surcharge as applicable& + 4% Cess = 14.95% or 14.30%
Other than equity oriented schemes (other than specified mutual fund schemes!!)	Units held for more than 12 months for listed units and for more than 24 months for unlisted units		
	12.5% without indexation + Surcharge as applicable& + 4% Cess = 14.95% or 14.30%	12.5% without indexation + Surcharge as applicable& + 4% Cess = 14.56% or 13.91% or 14.30%	12.5% without indexation and without foreign currency fluctuation + Surcharge as applicable& + 4% Cess = 14.95% or 14.30%
Specified Mutual Fund Schemes!!	Deemed Short Term irrespective of holding period. The capital gain will be taxed basis rates as applicable for short term capital gain (applicable rates).		

	Resident Individual/HUF	Domestic Company	Non Resident Individuals [*]
Short Term Capital Gains			
Equity oriented schemes^{**}	Units held for 12 months or less		
	20%+ Surcharge as applicable& + 4% Cess = 23.92% or 22.88%	20% + Surcharge as applicable& + 4% Cess = 23.296% or 22.256% or 22.88%	20% + Surcharge as applicable& + 4% Cess = 23.92% or 22.88%
Other than equity oriented schemes (other than specified mutual fund schemes!!)	Units held for less than or equal 12 months for listed units and less than or equal to 24 months for unlisted units		
	30% [^] + Surcharge as applicable& + 4% Cess = 42.744% or 39% or 35.88% or 34.32%	30% + Surcharge as applicable& + 4% Cess 25% ^{^^} + Surcharge as applicable& + 4% Cess 22% [@] + 10% Surcharge& + 4% Cess 15% [@] + 10% Surcharge& + 4% Cess = 34.944% or 33.384% = 29.120% or 27.820% = 25.168% = 17.16%	30% [^] + Surcharge as applicable& + 4% Cess = 42.744% or 39% or 35.88% or 34.32%
Specified Mutual Fund Schemes !!	Deemed Short Term irrespective of holding period. The capital gain will be taxed basis rates as applicable for short term capital gain (applicable rates).		

+ Income distribution by mutual fund is technically not regarded as dividend

++ No deduction shall be allowed in respect of any interest expenditure incurred for earning dividend income or income from units of mutual funds as per section 93(2) of the ITA 2025.

^^ Long term capital gains arising from transfer of a long-term capital asset being an equity share in a company or a unit of an equity oriented fund or a unit of a business trust shall be taxed at 12.5% without indexation and without foreign currency fluctuation benefit. The aggregate of the above capital gains would be taxable for an amount exceeding one lakh twenty-five thousand rupees. The concessional rate of 12.5% shall be available only if securities transaction tax (STT) has been paid on both acquisition and transfer in case of equity shares and on transfer in case of units of equity-oriented mutual funds or units of business trust. Further, grandfathering benefit has been provided for long term capital gains upto January 31, 2018.

!! Specified mutual fund means: (a) Mutual fund which invests more than 65 per cent of its total proceeds in debt and money market instruments; or (b) a fund which invests 65 per cent or more of its total proceeds in units of a fund referred to in (a).

Provided that the percentage of investment in debt and money market instruments or in units of a fund shall be computed with reference to the annual average of the daily closing figures. Provided further that, "debt and money market instruments" shall include any securities, by whatever name called, classified or regulated as debt and money market instruments by the Securities and Exchange Board of India.

!! Deemed Short Term Capital Gains - Capital gains from transfer of units of "Specified Mutual Fund Schemes" acquired on or after 1st April 2023 are treated as deemed short term capital gains, taxable at applicable rates as provided above irrespective of the period of holding of such mutual fund units.

** STT will be deducted on equity-oriented scheme at the time of redemption/ switch to the other schemes/ sale of units. Mutual Fund would also pay securities transaction tax wherever applicable on the securities sold.

! Section 393(1), Table - Sr. No. 4(i) of Income-tax Act, 2025 (ITA 2025), provides for withholding tax of 10% on any income (excluding the income in the nature of capital gains) exceeding Rs. 10,000 in aggregate for the tax year in respect of units of mutual fund in case of residents [Section 194K of Income-tax Act, 1961 (ITA 1961)].

Short term/ long term capital gain tax will be deducted at the time of redemption of units in case of Non Resident Investors only. The withholding tax would be lower of 20% (plus applicable surcharge and cess) or the rate provided under the relevant tax treaty, subject to eligibility and compliance with applicable conditions.

& Surcharge applicable for Tax Year 2026-27

Assessee	If income below Rs. 0.50 Crore	If income exceeds Rs. 0.50 crore but less than Rs. 1 crore	If income exceeds Rs. 1 crore but less than Rs. 2 crores	If income exceeds Rs. 2 crores but less than Rs. 5 crores	If income exceeds Rs. 5 crores but less than Rs. 10 crores	If income exceeds Rs. 10 crores
Individual (including proprietor ships), Hindu Undivided Family (HUF), Association of Persons (AOP) and Body of Individual (BOI)	Nil	10%	15%	25%	37%	37%
Domestic Companies (other than companies opting to pay tax under section 200 and 201 of ITA 2025 (115BAA and 115BAB of ITA 1961)	Nil	Nil	7%	7%	7%	12%
Domestic Companies opting to pay tax under section 200 and 201 of ITA 2025 (115BAA and 115BAB of ITA 1961)	10%	10%	10%	10%	10%	10%
Foreign Companies	Nil	Nil	2%	2%	2%	5%

(continued on next page...)

Notes (contd...)

Where the total income includes any income by way of dividend⁺ or income chargeable under section 196, section 197 and section 198 of ITA 2025 (section 111A, 112 and 112A of ITA 1961), the rate of surcharge on the amount of income-tax computed in respect of that part of income shall not exceed 15%.

Further that in case of an association of persons consisting of only companies as its members, the rate of surcharge on the amount of income-tax shall not exceed 15%.

Where the taxpayer continues in default new tax regime, the surcharge rate shall not exceed 25%.

[^] Assuming the investor falls into highest tax bracket. ^{^^^} The Finance Act, 2026 provides that in case of domestic company, the rate of income-tax shall be 25% if its total turnover or gross receipts in the tax year 2024-25 does not exceed Rs. 400 crores. ^{@@} The corporate tax rates for domestic companies (not claiming specified incentives and deductions) at the rate of 22% under section 200 of ITA 2025 (section 115BAA of ITA 1961) and domestic manufacturing companies (not claiming specified incentives and deductions) set-up and registered on or after 1 October 2019 and manufacturing commenced on or before 31 March 2024 at the rate of 15% under section 201 of ITA 2025 (section 115BAB of ITA 1961). The tax computed in case of domestic companies whose income is chargeable to tax under section 200 or section 201 of ITA 2025 shall be increased by a surcharge at the rate of 10%.

Health and Education Cess shall be applicable at 4% on aggregate of base tax and surcharge.

Income-tax Act, 2025 provides for 2 options for computation of income and tax payable. New tax regime to be considered as default tax regime. Tax payers will be required to specifically opt for old tax regime.

INCOME TAX RATES (OPTION A)		a. 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. 300,000. b. In case of a resident individual of age of 80 years or above, the basic exemption limit is Rs 500,000. c. Rebate of lower of actual tax liability or Rs. 12,500 in case of resident individuals having total income not exceeding Rs. 5,00,000. d. Health and Education cess shall be applicable @ 4% on aggregate of base income tax plus surcharge. e. Surcharge for the purpose of TDS and advance tax as per First Schedule Part II and III of the Finance Act, 2026 for Individual, HUF, AOP, BOI, AJP (other than FPIs): i. Taxable income less than Rs. 50,00,000 – 0%. ii. Taxable income more than Rs. 50,00,000 upto Rs. 1,00,00,000 (including income by way of dividend ⁺ or capital gains on securities covered u/s 196, 197 and 198 of ITA 2025) (111A, 112 and 112A of ITA 1961) – 10% iii. Taxable income more than Rs. 1,00,00,000 upto Rs. 2,00,00,000 (including income by way of dividend ⁺ or capital gains on securities covered u/s 196, 197 and 198) – 15% iv. Taxable income more than Rs. 2,00,00,000 upto Rs. 5,00,00,000 (excluding income by way of dividend ⁺ or capital gains on securities covered u/s 196, 197 and 198) – 25% v. Taxable income more than Rs. 5,00,00,000 (excluding income by way of dividend ⁺ or capital gains on securities covered u/s 196, 197 and 198) – 37% vi. Taxable income more than Rs. 2,00,00,000 (including income by way of dividend ⁺ or capital gains on securities covered u/s 196, 197 and 198) but is not covered under iv and v above – 15%. Provided surcharge not to exceed 15% in case of income by way of dividend ⁺ or capital gains on securities covered u/s 196, 197 and 198 included in such total income. +Income distribution by mutual fund is technically not regarded as dividend	INCOME TAX RATES (OPTION B) - Default option		(a) New tax regime to be considered as default tax regime. Tax payers will be required to specifically opt for old tax regime (b) Section 202 of ITA 2025 (115BAC of ITA 1961) provides for lower tax rates under the new tax regime. Specific exemptions / deductions restricted to the following - i. Standard deduction of ₹ 75,000 ii. Family pension of ₹ 25,000 iii. Employer's contribution to NPS up to 14% iv. Contribution to Agnipath Corpus Fund under section 125(2) of ITA 2025 (80CCH(2) of ITA 1961) v. Deduction under section 146 of ITA 2025 (80JJAA of ITA 1961) (c) Rebate of lower of actual tax liability or Rs. 60,000 in case of resident individuals having total income not exceeding Rs. 12,00,000. Further, marginal relief, to the extent the income-tax payable on total income exceeds the total income above Rs. 12 lakhs. (d) New tax regime is the default tax regime. However, there is an option available to opt out of the default new tax regime and that option shall be exercised at the time of filing of return of income. The option for opting out of the default new tax regime shall be exercised for every tax year where the tax payer has no business income, and in other cases the option once exercised for a tax year shall be valid for that tax year and all subsequent tax years. (e) Tax payers having business income who have opted out of the default new tax regime can opt out only once and would not be eligible to exercise such an option again, unless the Individual ceases to have business income. (f) For Health and Education Cess and for Surcharge – refer note (d) and (e) of 'Option A'. However, under the default new tax regime, the maximum rate of surcharge shall be restricted to 25%.
Total Income	Tax Rates		Total Income	Tax Rates	
Up to ₹ 2,50,000 ^{(a) (b)}	Nil	Up to ₹ 4,00,000	Nil		
₹ 2,50,001 to ₹ 5,00,000 ^{(c) (d)}	5%	₹ 4,00,001 to ₹ 8,00,000	5%		
₹ 5,00,001 to ₹ 10,00,000 ^(d)	20%	₹ 8,00,001 to ₹ 12,00,000	10%		
₹ 10,00,001 and above ^{(d) (e)}	30%	₹ 12,00,001 to ₹ 16,00,000	15%		
		₹ 16,00,001 to ₹ 20,00,000	20%		
		₹ 20,00,001 to ₹ 24,00,000	25%		
		₹ 24,00,001 and above	30%		

- The tax rates mentioned above are those provided in the Income-tax Act, 2025 (erstwhile Income-tax Act, 1961) and amended as per the Finance Act, 2026 applicable for tax year 2026-27. The information given is as per Income-tax Act, 2025 and the amendments as per the Finance Act, 2026. In the event of any change, we do not assume any responsibility to update the tax rates consequent to such changes. The tax rates mentioned above may not be exhaustive rates applicable to all types of assessee/taxpayers.
- The tax rates mentioned above are only intended to provide general information and are neither designed nor intended to be a substitute for professional tax advice. Applicability of the tax rates would depend upon nature of the transaction, the tax consequences thereon and the tax laws in force at the relevant point in time. Neither HDFC Mutual Fund nor HDFC Asset Management Company Limited nor any person connected with it accepts any liability arising from the use of this information. Users are advised that before making any decision or taking any action that might affect their finances or business, they should take professional advice.
- A non-resident tax payer has an option to be governed by the provisions of the Income-tax Act, 2025 (erstwhile Income-tax Act, 1961) or the provisions of the relevant DTAA, whichever is more beneficial. As per the provisions of the Income-tax Act, 2025, submission of TRC along with Form No. 41 will be necessary for granting DTAA benefits to non-residents. A taxpayer claiming DTAA benefit shall furnish a TRC of his residence obtained by him from the Government of that country or specified territory. Further, in addition to the TRC, the non-resident may be required to provide such other documents and information subsequently, as may be prescribed by the Indian Tax Authorities.

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