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PHD Thesis Proposal on the Absolute Beginner's Guide to Invest in Mutual Funds (100%) As Per New Tax Regimes

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ABSTRACT
In this research proposal, I will elaborate on what 100% mutual fund investment would mean under the latest Indian Income Tax (New Tax Regime). Taxation rules under old and new regimes are discussed and in some i have done calculation comparision among of old tax regime and new tax regime in addition to capital gains, dividend tax, slab rates, rebates u/s 87A. This study explores the value of financial literacy knowledge and investment decisions.

INTRODUCTION

MUTUAL FUNDS: A mutual fund is an investment vehicle that pools money from many investors to purchase a diversified portfolio of securities like stocks, bonds, money market instruments, or other assets.

They select and monitor the investments (stocks, bonds, etc.) according to the fund's objective, saving you the time and effort of doing it yourself.

There are many types of mutual funds (e.g., equity, debt, hybrid) designed to suit different financial goals, risk tolerances, and time horizons (short-term, long-term).

The mutual fund industry is regulated by government bodies (like the SEC in the US or SEBI in India), which mandate transparency in operations, disclosures, and pricing (NAV).

Open a Demat Account (Common in India/Asia): If you are in markets like India, you will also need a Demat (Dematerialized) account. This account electronically holds the shares you buy, similar to how a bank account holds cash. The brokerage firm often provides this in an integrated way.

Opening a Demat (Dematerialized) account is a relatively straightforward process, especially with most service providers offering a fully online, paperless option.

A Demat account is necessary if you want to buy, sell, or hold financial securities like shares, bonds, Government Securities, and mutual funds in electronic form.

Can we open a Joint Demat account for Mutual funds also:

- Up to how many persons: Generally maximum 3 persons.
- KYC: It is mandatory to get the Know Your Customer (KYC) done from all joint holders.
- Mode of Operating the Account: At the time of opening of the account, you have to specify the mode.
- Jointly Operated: All the holders have to sign/authorize every transaction. (Very secure).
- Either or Survivor: Any one of the holders can operate the account without any restriction during their

- Former or Survivor: It means only the primary/first holder signs/operates the account and the survivor(s) get the operating right(s) only on the death of the former.
- Taxation: For tax purposes (like capital gains), the liability usually falls on the primary/first holder, especially in the "Either or Survivor" mode, though all holders must account for their share of income.
- Bank Account: The linked bank account for transactions and redemptions often needs to be a joint bank account that includes the name of the primary Demat holder.

Note: You cannot convert an existing individual Demat account into a joint Demat account. The decision to open it jointly must be made at the time of account opening.

Here is a general step-by-step guide on how to open a Demat account, focusing on the common online process in India:

The Process to Open a Demat Account /Joint Demat Account Online:

1. Choose a Depository Participant (DP) / Broker

A Depository Participant (DP) is the intermediary (like a bank, financial institution, or stockbroker) that is registered with a Depository (NSDL or CDSL in India) and is authorized to open a Demat account for you.

Research and Select: Compare different DPs/Brokers based on:

Account opening charges (many are free).

Annual Maintenance Charges (AMC).

Brokerage and transaction charges.

The trading platform's features and ease of use.

Customer service and reputation.

2. Fill out the Online Application Form

Visit the DP/Broker's website or use their mobile app.

Click on the "Open Demat Account" or "Open Account" link.

You will typically be asked to enter basic details like your name, mobile number, and email ID, which will be verified via an OTP (One-Time Password).

3. Enter KYC (Know Your Customer) Details Enter your PAN (Permanent Account Number) and Date of Birth. This is an mandatory step.

Link your Adhaar card for e-KYC (electronic KYC) and e-Sign. For this your mobile number should be linked to your Aadhaar so that OTP can be sent to your mobile.

Enter the rest of the personal and financial details like Residential Address, Marital situation and Occupation.

4. Upload Documents

They will ask you to upload scanned copy / photo of the required documents. So be prepared with them.

Document Type	Mandatory Document	Acceptable Alternatives (Any One)
Identity Proof	PAN Card (Mandatory)	[illegible]
Address Proof	Aadhaar Card	[illegible]
Bank Account Proof	[illegible]	[illegible]
[illegible]		[illegible]
Photograph	[illegible]	
Signature	[illegible]	

5. In-Person Verification (IPV)

The online process often replaces physical IPV with a Video IPV (V-IPV).

You will be prompted to record a short video of yourself (and sometimes read out a code or statement) to verify your identity.

6. E-Sign the Documents
The application form will be digitally signed using an Aadhaar-based OTP (e-Sign). This completes the paperless process.
7. Account Activation
After you submit and e-sign, the DP/Broker will verify your details and documents.
Once approved (usually within 24-48 working hours for a fully online process), you will receive a welcome kit with your Demat Account Number (Client ID) and login credentials via email.
Step 3: Fund Your Account
Link Bank Account: Connect your personal bank account to your new brokerage/trading account.
Transfer Funds: Transfer the amount of money you want to invest from your bank account to your brokerage account. This cash balance is what you will use to purchase the shares.
Step 4: Place Your Trade
Search: Log in to your broker's trading platform (website or app) and search for the company by its name or stock ticker symbol (e.g., RELIANCE for Reliance Industries).
Enter Order Details: Specify how many shares you want to buy.
Choose an Order Type: This is a crucial detail for execution:
Market Order: Buy the shares immediately at the best available price right now. This is fast but the price might fluctuate slightly from what you see.
Limit Order: Set a specific maximum price you are willing to pay. The trade will only be executed if the share price drops to or below that limit. This gives you more control over the price.
Execute: Hit the "Buy" button and confirm the order.
Step 5: Order Execution and Settlement
Execution: Your broker sends the order to the stock exchange. If a seller is matched with your price and quantity, the trade is executed.
Settlement: The cash is debited from your trading account, and the shares are credited to your brokerage/Demat account. This process (known as settlement) typically takes a couple of business days (e.g., T+2 in many markets).

Scenario to know about Mutual Fund and EMI investments:
Here, I conclude with a simple example, Take Meera and Nirvi are friends and they both belong to middle class family background only.she was well educated and Meera always wanted to do a secure job and it will be in a good package. As she expected she earned a good position in a good company. She started to buy House , Car, Iphones, Luxury items too in Emi schemes. she thought she acquired all the assets to showcase everyone.But in fact, what happened is she was stuck in a loop hole in the name of EMI's.basically, she don't have a enough money to buy all these but she bought.Emi option like a Liability to her not a Asset. Once you clear the full amount on House , Car, that time only you are able to take house documents otherwise, it will be with Banks or Finance corporation.
Coming to Nirvi, she was less educated compared to Meera, but she always wanted to earn money and to do it on her own. so, every month whatever the amount she got, she seperate a some amount for future safety purpose like in the form of Mutual funds, shares, bonds, Post office schemes, Gold,Oils, Pharmacy, Land etc.Literally, she is not spending single penny on waste items like House loan, cars, luxury phones etc. instead of this, she spends money on shares, mutual funds etc those are called Assets to her. That means, in future you will get interest on these and when it comes to maturity of bonds,

stocks she will get Maturity amt(Principal amount and Interest). Sometimes, whether you are interested in buying shares of a reputed company and you leave those shares in the long run , if the company gets enough profits, you will become rich.Nirvi has taken the right path to earn money and secure her future. If you are investing in Mutual funds, shares, stocks, etc it will create job opportunities for financial advisors in various companies.at the time of maturity,you have to pay some amount to the government in the name of tax, that will lead to increase our Country's economy.

Key Considerations Before Investing:
Credit Rating: This is an assessment of the issuer's creditworthiness and their ability to repay the debt. Agencies like S&P, Moody's, and Fitch assign ratings (e.g., AAA or Aaa is the highest and safest; anything below BBB- is considered "junk"). Always check the rating!
Yield to Maturity (YTM): This is the total return you can expect to receive if you hold the bond until maturity, taking into account the purchase price, coupon payments, and face value. It's often a better measure of return than just the coupon rate.
Maturity Date: Choose a maturity that aligns with your financial goals (e.g., short-term for cash needs, long-term for retirement planning).

Types of Mutual Funds:
Mutual funds are mainly classified into the following types depending on the assets they invest in:
1. Equity Fund Stocks (Shares of companies) :High Capital growth/appreciation over the long term.
2. Debt Funds Fixed-income securities :(bonds, money market instruments, treasury bills) Low to Medium Stable income generation and capital preservation.
3. Hybrid Funds: A mix of both stocks and debt instruments Medium Balance between growth and income preservation for moderate risk investors.
4. Money Market Funds: Short-term debt instruments Very Low Liquidity and capital preservation.

Based on Asset Class:
Equity Funds: Funds that invest predominantly in the stock market. Appropriate for those with a high risk tolerance level looking for long-term capital appreciation.
- Large Cap Funds: Invest predominantly in the 100 largest companies in terms of market capitalisation. Provides relatively stable returns.
- Mid Cap Funds: Invests in companies ranked 101st to 250th in terms of market capitalisation. Higher risk but potentially higher returns.
- Small Cap Funds: Invests in companies beyond the top 250 companies. Highest risk but potentially highest returns.
- Multi Cap Funds: By regulation, required to invest in large, mid and small cap segments with a minimum of 25% in each.
- Sectoral/ Thematic Funds: Invests in specific sectors of the economy such as technology, healthcare, infrastructure etc.
- Equity Linked Savings Schemes (ELSS): Provides tax benefits u/s 80C of Income Tax Act and have lock in period of 3 years.

How to find out Large Cap, Mid Cap, Small cap Funds:
large cap, mid cap, and small cap funds classification is made according to the market capitalization of the companies in which the fund is invested.
large cap, mid cap, and small cap funds classification is defined in India by Securities and Exchange Board of India (SEBI).

Category	Company Ranking (by Full Market Capitalization)	Fund Requirement (SEBI Mandate for Mutual Funds)
Large Cap	Companies ranked 1st to 100th	Minimum 80% of total assets must be invested in large cap companies.
Mid Cap	Companies ranked 101st to 250th	Minimum 65% of total assets must be invested in mid cap companies.
Small Cap	Companies ranked 251st onwards	Minimum 65% of total assets must be invested in small cap companies.

The list of large cap, mid cap and small cap companies is reviewed and updated on every large cap, mid cap and small cap companies is reviewed and updated on every six months (January and July) by Association of Mutual Funds in India (AMFI) and can be found from their website.

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Feature	Large Cap Funds	Mid Cap Funds	Small Cap Funds
Stability/Risk	Relatively Low Risk	Moderate Risk	High Risk
Growth Potential	Moderate (Established companies, consistent returns)	High (Growing companies, potential for faster expansion)	Very High (Emerging companies, potential multi-baggers)
Volatility	Low (More resilient in market downturns)	Medium (More volatile than large caps)	Very High (Sharp ups and downs)
Investment Horizon	Medium to Long-Term	Long-Term	Very Long-Term (7+ years)

Based on Debt Funds: These funds invest in fixed income securities such as government bonds, corporate bonds and treasury bills. They are suited for those who are risk averse and desire regular income along with capital preservation. Some Aggressive Hybrid Funds: of the major types are:

- Liquid Funds: These invest in securities that mature in up to 91 days. Such funds offer high liquidity and low risk.
- Corporate Bond Funds: These primarily invest in debt securities issued by companies.
- Gilt Funds: Invests in government bonds. Very low risk in terms of credit risk.
- Dynamic Bond Funds: Portfolio duration is adjusted actively to benefit from rate.
- Hybrid Funds: These are funds that invest in both equity and debt instruments. They are ideal for those who want to hold both equity and debt.
- These funds have a equity allocation of 65-80%.
- Balanced Advantage Funds: These funds dynamically change their equity and debt allocation depending on the market.

Other Funds:
Index Funds: These are also passively managed funds. These invest in specific market indexes such as Nifty 50, Sensex, etc. They have low expense ratios.
Fund of Funds (FoFs): These invest in other mutual fund schemes.
Solution Based Schemes: These schemes are for specific financial goals such as retirement, child's education, etc. There is a lock-in period.

Based on Structure:
Open Ended Funds: This means that the scheme is open for subscription and redemption on all business days at the market NAV. There is high liquidity in these funds.

Close-ended Funds: These funds have an expiry date. They can be subscribed only during the New Fund Offer (NFO) period. These are listed on the stock exchange. You can exit through the market before maturity.

Risks in Mutual Funds:
These mutual funds follow the rules made by SEBI and investors investment decision will be protected. it was not insured or governed by any government. Important disclaimer: Mutual fund investments are subject to market risks, read all the scheme related documents carefully.

Key risks:
Market Risk: The value of securities in the portfolio can be influenced by economic conditions, political events, or other broad market conditions.
Interest Rate Risk: The value of a bond will change when there is a change in the interest rate. A rise in interest rate will decrease the value of debt funds.
Credit Risk: The risk that a bond issuer may default on their interest or principal payments, impacting debt funds.
Liquidity Risk: The fund might find it difficult to sell some securities quickly without affecting their price.
Concentration Risk: If a fund is concentrated in a specific sector or a small number of stocks, its performance is highly dependent on those limited investments.
Inflation Risk : The rate at which the general level of prices for goods and services is rising, and, consequently, the purchasing power of currency is falling.
Systematic risk : The unavoidable risk inherent to the entire market or market segment. It is caused by macroeconomic factors that affect all assets to some degree and cannot be eliminated through diversification. Measured by Beta

How to Invest in Mutual Funds for Beginners:
1. Define Financial Goals: Determine what you are saving for (e.g., retirement, house down payment, child's education) and your investment horizon (how long you can stay invested).
2. Determine Your Risk Tolerance: Understand how much risk you are comfortable taking. This will guide you toward suitable fund types (e.g., equity for high risk/long term, debt for low risk/short term).
3. Complete KYC (Know Your Customer): This is a mandatory one-time verification process.
4. Choose a Fund/Platform: You can invest directly with an Asset Management Company (AMC), through a broker, or via an online platform.

Choose an Investment Mode:
- SIP (Systematic Investment Plan): Invest a fixed amount at regular intervals (eg:monthly).
- Lump Some: Invest full amount in one go.
- Check Performance: Check how your fund is performing in relation to its benchmark index and your goal.

How to Choose a Mutual Fund:

Choosing the right mutual fund is very important in fulfilling your financial goals. While

Investment Goal and Time Horizon: Your money goal (buying a house, retirement, etc.) and time to achieve your goal.

- Risk Tolerance: How much risk you can take and how much risk you are willing to take. Your risk profile will help in deciding the allocation of equity and debt in your portfolio.
- Expense Ratio: This is the annual charge or fee that you pay to the AMC for managing the fund. Lower the expense ratio, higher will be your long term returns.
- Fund Manager's Experience and Record: The performance of the mutual fund scheme depends on the experience of the fund manager.
- Past Performance: Past performance of the mutual fund is not an indicator of future performance, but still it helps us to understand the performance of the fund in long term and how consistent it has.
- Mutual fund websites and portals can be broadly classified into a few categories based on their primary function:

1. Asset Management Company (AMC) Websites:

These are the official websites of the companies that manage the mutual fund schemes.

Function: They allow you to directly invest in their own schemes (often in the 'Direct' plan, which has a lower expense ratio), provide scheme-specific details (NAV, fact sheets, portfolios), and offer investor services like statement downloads and calculators.

Examples of Indian AMCs:

- HDFC Mutual Fund
- SBI Mutual Fund
- Nippon India Mutual Fund
- ICICI Prudential Mutual Fund
- Bandhan Mutual Fund
- Kotak Mutual Fund
- UTI Mutual Fund
- Franklin Templeton India
- LIC Mutual Fund
- Tata Mutual Fund
- Edelweiss Mutual Fund
- Quant Mutual Fund

2. Online Investment Platforms / Distributors (Execution & Aggregation):

These platforms allow you to invest in the schemes of multiple different AMCs from a single account. They can offer both Direct and Regular plans.

Function: A single platform for transaction, tracking, and portfolio management across various fund houses. They often provide tools, research, and advisory services.

Examples (India):

Stock Brokerage Platforms: Major brokers often have a dedicated mutual fund investment section (e.g., Zerodha Coin, Groww, Upstox, etc.).

Independent Platforms: FundsIndia, MF Utility (MFU) - which is an industry initiative for direct transactions.

Bank Portals: Many banks (like ICICI Bank, HDFC Bank, SBI,etc.) offer mutual fund investment services to their customers.

3. Industry Bodies and Official Repositories:

These are non-commercial websites that serve as a central source of information or a common infrastructure.

Function: Provides official industry data, regulation details, investor education, and central KYC/transaction services.

Examples (India):

AMFI (Association of Mutual Funds in India): The official body of the mutual fund industry in India. .

AMFI stands for the Association of Mutual Funds in India. It is the non-profit, self-regulatory organization of the mutual fund industry in India, registered with the Securities and Exchange Board of India (SEBI).

Think of AMFI as the industry's official body responsible for defining and maintaining ethical and professional standards, and for promoting the growth and public awareness of mutual funds.

Key Roles and Functions of AMFI:

Category	Function/Activity	Description
Regulation & Standards	Self-Regulatory Body	Works under the overall guidance of SEBI to ensure all Asset Management Companies (AMCs) and other stakeholders follow a set of professional standards and an ethical Code of Conduct.
	Best Practices	Recommends and promotes best business practices and standardized operational guidelines across the industry to ensure uniformity and transparency.
Investor Protection	Distributor Certification	It issues the AMFI Registration Number (ARN) to mutual fund distributors and agents, and can take disciplinary action (including cancellation of ARN) for violations, thereby ensuring only qualified and compliant intermediaries operate.
	Grievance Redressal	Helps in ensuring a platform for investors to raise complaints against AMCs or distributors (though the final regulator is SEBI).
Industry Data & Information	Data Dissemination	Collects and publishes crucial industry data, including: Daily NAVs of all schemes, Assets Under Management (AUM) data by category and city, and monthly/quarterly industry reports. This data is vital for analysts and researchers.
Investor Awareness	Financial Literacy	Runs nationwide campaigns and programs to educate the public about the benefits and risks of mutual fund investing. The famous tagline "Mutual Funds Sahi Hai" is one of its most successful initiatives.
Liaison & Advocacy	Industry Representation	Acts as the primary representative body for the mutual fund industry, engaging in dialogue and advocacy with regulators like SEBI and the RBI, and the Government of India on policy matters.

Qualifications to get an AMFI Registration Number:

The AMFI Registration Number (ARN) is the mandatory unique identifier for any individual or entity to legally sell or distribute mutual fund products in India.

The qualifications and key requirements to get an ARN for an individual distributor are primarily centered on two core elements: Age and Certification/Knowledge.

1. Mandatory Certification: The NISM Exam

The single most critical qualification is successfully passing the mandatory certification exam specified by the National Institute of Securities Markets (NISM), which is an educational initiative of SEBI (the market regulator).

Requirement	Details
Exam Name	NISM-Series-V-A: Mutual Fund Distributors Certification Examination
Purpose	To ensure the distributor has a common minimum knowledge benchmark on mutual funds, their features, regulatory environment, and ethical practices.
Passing Criteria	You must score a minimum of 50% on the exam.
Validity	The NISM certificate is valid for three years. You must revalidate it (usually through a Continuing Professional Education or CPE program) before its expiry to maintain your ARN

Basic Qualification to get AMFI Registration Number:

The applicant must be 18 years old.There are no specific educational qualifications mandated by AMFI/NISM to appear for the exam or obtain the ARN. People from any educational background (including students) can apply.A Permanent Account Number (PAN) Card is mandatory for registration.The applicant must agree to abide by the Code of Conduct and rules laid down by AMFI and SEBI.

Note for Renewal:

After the initial three-year validity, to renew your ARN, you typically need to attend a Continuing Professional Education (CPE) program conducted by NISM, instead of re-taking the full exam. This is a shorter, specialized training to ensure your knowledge is up-to-date.

CAMS/KFintech: Registrar and Transfer Agents (RTAs) that maintain investor records for most AMCs. Their portals often allow you to download a consolidated account statement (CAS) for your holdings across multiple fund houses.
KFintech most commonly refers to KFin Technologies Limited, which is a leading technology-driven financial services platform, primarily based in India, that caters to the capital markets ecosystem.
CAMS/KFintech together hold >90% fund folios in India.
Here is a breakdown of what the company does:
Core Business: KFin Technologies is a major Registrar and Transfer Agent (RTA). In this role, they act as the intermediary that manages and maintains the records of investors for mutual funds, corporations, and other financial products.
Key Services:

- Mutual Fund Solutions (RTA Services): They provide services for Asset Management Companies (AMCs) and investors, including transaction processing (buy/sell), record-keeping, dividend processing, compliance, and investor support for mutual fund schemes. issuers manage their data, transactions, and investor records efficiently and compliantly.
- Corporate Registry (Issuer Solutions): They help their corporate clients (listed or unlisted) with their investor relations, share transfers, initial public offerings (IPO), bonds and other.
- National Pension System (NPS): They are one of the Central Recordkeeping Agencies (CRAs) of the NPS in India.
- Global Fund Solutions: They provide fund administration and asset servicing for world-wide asset managers, including Alternative Investment Funds (AIFs), Private Wealth Management, and pension funds. They are increasingly expanding into Southeast Asia.
- Technology-Driven: The company's taglines mentions that they are focused on using/finding technology and dealing via digital media to facilitate and improve processes as well as the feel of the experience for the investor / client.

Overall, KFintech can be seen as a very important "backbone" service provider for financial markets.
They help fund managers and corporate issuers to manage data, transactions and investor data.
4. Financial News & Research Portals:
These are media and research websites dedicated to financial and investment news.
Function: Offer news, analysis, articles, fund performance reviews, star ratings, portfolio trackers, and comparison tools to help with research before investing.
Examples (India):

- Value Research Online
- Moneycontrol
- ETMutualFunds (The Economic Times)

Mutual funds do not technically pay "interest"
Mutual funds pay returns in the form of capital gains (increase in the Net Asset Value or NAV) and distributions (dividends).
Debt funds are directly affected by changes in prevailing interest rates, a concept known as Interest Rate Risk. When the interest rate rises, the price of existing bonds falls vice versa.
Equity funds are affected indirectly, primarily through the impact on corporate profits and market sentiment. When interest rates rise, borrowing costs also rise; it will lead to reduce corporate profits and vice versa.

When analyzing a mutual fund, you should not look for its "interest rate." Instead, you look at its Total Returns (which includes all interest, dividends, and capital gains).

Regulatory Framework: Who is SEBI

The mutual fund industry in India is governed by the Securities and Exchange Board of India.
Below are the important points related to the regulatory framework of mutual funds in India.
Categorization and Rationalization of Schemes: The SEBI has categorized the mutual fund schemes so that it becomes uniform and easy for investors to compare the schemes.
Disclosure Norms: The AMC has to disclose the details of the schemes to investors in the Scheme Information Document (SID) and Key Information Memorandum (KIM). Investors can take an informed decision while investing in schemes.
Risk-o-meter: All mutual fund schemes have to mandatorily display a "risk-o-meter" which highlights the risk associated with the fund.
Investor Grievance Redressal: SEBI has framed the guidelines and put a framework in place where investors can file a complaint and seek redressal.
Taxation of Mutual Fund Investments: Returns from mutual funds can be taxed in the form of capital gains and dividends.

Capital Gains Tax:

The tax on the profits from selling your mutual fund units depends on the type of fund and the holding period.

Individual for Mutual funds as per Old Tax regime :

It is primarily divided into two components: Capital Gains and Dividends. The classification and holding period are key factors.

1. Capital Gains Tax

This applies when you sell or redeem your mutual fund units. Gains are classified as Short-Term Capital Gains (STCG) or Long-Term Capital Gains (LTCG) based on the holding period.

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Note on Hybrid Funds: The tax treatment of Hybrid funds depends on their equity exposure (65% threshold) and follows the rules of either Equity or Debt funds.

2. Dividend

IncomeBefore the Union Budget 2020, the tax on dividends from mutual funds was very different from the current system:

Time Period	Tax Rule (Old Regime)
Before April 1, 2020 (FY 2019-20)	Dividend Distribution Tax (DDT): The Mutual Fund house paid a tax (DDT) on the income before distributing it to the investor. The dividend received by the investor was generally tax-exempt in the investor's hands, with a minor exception for very high-[illegible]
On/After April 1, 2020 (FY 2020-21 onwards)	DDT abolished: Dividend income is now fully taxable in the hands of the investor and is added to their total income, to be taxed as per their Income Tax Slab Rate (Old Regime slab rates apply if the investor opts for the old regime)

New Tax regimes for Individual in Mutual funds:

The "new tax regime" primarily refers to the alternative, simplified tax slab structure introduced under **Section 115BAC** for individuals. Crucially, the taxation of capital gains and dividends from mutual funds is generally the same under both the Old Tax Regime and the New Tax Regime.
The tax treatment of your mutual fund gains and dividends depends on the type of mutual fund (Equity-oriented or Non-Equity/Debt-oriented) and the holding period, not your choice of the Old or New Tax R-

egime.

1. Capital Gains Taxation:

This applies when you **sell your mutual fund units.**

2. Dividend Taxation

This applies to income you receive through the IDCW (Income Distribution cum Capital Withdrawal) or "Dividend" option.

Tax Rate: Dividend income from all types of mutual funds is added to your total income and taxed as per your applicable Income Tax Slab Rate (under either the Old or New Tax Regime).

TDS: The mutual fund house will deduct TDS (Tax Deducted at Source) at 10% if the dividend income exceeds ₹5,000 in a financial year (this threshold may be higher from a future financial year, but ₹5,000 is the current rule for the fund house to deduct). You can claim this TDS credit when filing your ITR.

Example 1: Mr. Raj(Salaried)

Other Taxable Income (Salary, Interest, etc.): 10,00,000$

LTCG from Equity MF (Holding > 12 months): 2,50,000$

Particulars	New Tax Regime (Default)	Old Tax Regime (Assumed No Deductions)
A. Computation of Net Taxable Income		
Gross Normal Income (Salary, etc.)	₹10,00,000	₹10,00,000
Less: Standard Deduction (Salaried)	₹75,000	₹50,000
Less: Chapter VI-A Deductions (80C, 80D, etc.)	Nil	Nil
Net Taxable Normal Income (A)	₹9,25,000	₹9,50,000
B. Tax on Normal Income (A)		
i. Up to ₹4,00,000	Nil @ 0% = ₹0	Up to ₹2,50,000 @ 0% = ₹0
ii. ₹4,00,001 to ₹8,00,000	₹4,00,000 @ 5% = ₹20,000	₹2,50,001 to ₹5,00,000 @ 5% = ₹12,500
iii. Above ₹8,00,000	₹1,25,000 @ 10% = ₹12,500	₹5,00,001 to ₹9,50,000 @ 20% = ₹90,000
Total Tax on Normal Income (B)	₹32,500	₹1,02,500
C. Tax on LTCG (₹2,50,000)		
Less: Exempt Threshold	(₹1,25,000)	(₹1,00,000)
Taxable LTCG	₹1,25,000	₹1,50,000
Tax Rate	12.50%	10%
Tax on LTCG (C)	₹15,625	₹15,000
D. Total Tax before Cess (B + C)	₹48,125	₹1,17,500
Add: Health & Education Cess @ 4%	₹1,925	₹4,700
Net Tax Liability	₹50,050	₹1,22,200

Example 2: Ms. Meera(Professional)

Other Taxable Income: 15,00,000$

Gain from Debt MF (Purchased after 01/04/2023):3,00,000$ (This is added to her OTI and taxed at slab rates).

Calculation	Old Regime (Assumed ₹2.00 Lakh Deductions)	New Regime (Simplified)
1. Other Taxable Income (OTI)	₹15,00,000	₹15,00,000
2. STCG from Debt MF	₹3,00,000	₹3,00,000
3. Total Taxable Income (OTI + STCG)	₹18,00,000	₹18,00,000
4. Deductions/Standard Deduction	₹2,00,000 (Assumed 80C, 80D, etc.)	Nil
5. Net Taxable Income (3 - 4)	₹16,00,000	₹18,00,000
6. Tax on Net Taxable Income (Slab Rate)	Tax on ₹16,00,000 (30% Slab) = ₹2,92,500	Tax on ₹18,00,000 (30% Slab) = ₹2,40,000
7. Plus 4% Health & Education Cess	₹11,700	₹9,600
8. Final Tax Payable	₹3,04,200	₹2,49,600

Short-Term Capital Gains (STCG)Equity Mutual Funds
(investing in Indian equities) held for less than 12 months.
20%$(Increased from 15%$ post-Budget 2024 for transfers after July 23, 2024).87ARebate is generally not available against STCG under Section 111A.

Example 3: Mr. Vimal (Small Investor)
Other Taxable Income: 6,50,000$
STCG from Equity MF (Holding < 12 months): 50,000$

Particulars	Amount (₹)	Old Tax Regime	New Tax Regime (Default)
1. Other Taxable Income	6,50,000	6,50,000	6,50,000
2. STCG u/s 111A	50,000	50,000	50,000
3. Total Taxable Income (1+2)	7,00,000	7,00,000	7,00,000
—	—	—	—
4. Tax on Income (Excluding STCG)	6,50,000		
Up to Basic Exemption Limit	-	Nil (up to ₹2,50,000)	Nil (up to ₹4,00,000)
Next Slab Rate		5% on ₹2,50,000	5% on ₹2,50,000 (₹4L to ₹6.5L)
Tax on this portion		12,500	12,500
Remaining Income (Above ₹5,00,000)		20% on ₹1,50,000 (₹5L to ₹6.5L)	Not Applicable
Tax on this portion		30,000	Nil
Total Tax on Other Income (A)		42,500	12,500
5. Tax on STCG u/s 111A (B)	50,000	Flat 20% on ₹50,000 = 10,000	Flat 20% on ₹50,000 = 10,000
6. Gross Tax Liability (A+B)		52,500	22,500
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7. Less: Rebate u/s 87A		ailable. Total income ($7,00,000) exceeds the threshold of ₹5,00,000.	Available. Total income ($7,00,000) is below the threshold of ₹12,00,000.
Rebate Amount		Nil	Lower of Gross Tax Liability or ₹60,000. ₹22,500
8. Tax After Rebate		52,500	Nil
9. Add: Health & Education Cess (4%)		4% of ₹52,500 = 2,100	4% of ₹Nil = Nil
Total Tax Payable		₹54,600	₹Nil

Here, Vimal is a Small Investor, so Deductions are not allowed.

The Indian tax system currently offers two main regimes for individual taxpayers: the Old Tax Regime (with deductions and exemptions) and the New Tax Regime (with lower rates and very limited deductions).
The default regime is the New Tax Regime, but you can choose to opt for the Old Tax Regime.
Here are the income tax slab rates for the Financial Year 2024-25 (Assessment Year 2025-26):

1. New Tax Regime (Section 115BAC)

Net Taxable Income (₹)	Income Tax Rate
Up to ₹3,00,000	NIL
₹3,00,001 to ₹7,00,000	5%
₹7,00,001 to ₹10,00,000	10%
₹10,00,001 to ₹12,00,000	15%
₹12,00,001 to ₹15,00,000	20%
Above ₹15,00,000	30%

Key Benefits in the New Tax Regime:
Rebate u/s 87A: Taxpayers with a net taxable income up to ₹7,00,000 pay zero tax (due to a rebate of up to ₹25,000).
Standard Deduction: Salaried individuals and pensioners get a Standard Deduction of ₹50,000.
Family Pension Deduction: Deduction is available up to ₹15,000 or one-third of the pension, whichever is lower.
This regime is uniform for all individuals, regardless of age.

2. Old Tax Regime
The slab rates in this regime vary based on the age of the individual.
A. Individuals Below 60 Years of Age & NRIs

Net Taxable Income (₹)	Income Tax Rate
Up to ₹2,50,000	NIL
₹2,50,001 to ₹5,00,000	5%
₹5,00,001 to ₹10,00,000	20%
Above ₹10,00,000	30%

B. Senior Citizens (60 years to less than 80 years)

Net Taxable Income (₹)	Income Tax Rate
Up to ₹3,00,000	NIL
₹3,00,001 to ₹5,00,000	5%
₹5,00,001 to ₹10,00,000	20%
Above ₹10,00,000	30%

C. Super Senior Citizens (80 years and above)

Net Taxable Income (₹)	Income Tax Rate
Up to ₹5,00,000	NIL
₹5,00,001 to ₹10,00,000	20%
Above ₹10,00,000	30%

Key Feature of the Old Tax Regime:
Rebate u/s 87A: Taxpayers with a net taxable income up to ₹5,00,000 pay zero tax (due to a rebate of up to ₹12,500).
Deductions and Exemptions: This regime allows you to claim numerous popular deductions and exemptions like those under Section 80C (for investments), Section 80D (for medical insurance), HRA, interest on housing loan, Standard Deduction (₹50,000 for salaried), etc.

Additional Tax Components (Applicable to both regimes):
Health & Education Cess: An additional 4% is levied on the calculated income tax amount plus surcharge (if applicable).
Surcharge: An additional levy on income tax for high-income earners. The rates vary based on income level:
Above ₹50 lakh up to ₹1 crore: 10%
Above ₹1 crore up to ₹2 crore: 15%
Above ₹2 crore up to ₹5 crore: 25%
Above ₹5 crore: 37% (Note: In the new regime, the maximum surcharge is capped at 25% on tax on total income (excluding certain capital gains)).
Calculating **total taxable income** of Harsha as per **old regime** and **new regime**: take 8 lakh as annual income .
As per **New tax regime**, Calculation for Harsha (Gross Income 8 Lakhs)

Particulars	Calculation	Amount (₹)
Total Income		8,00,000
Less: Standard Deduction (if salaried/pensioner)	(Assuming Harsha is a salaried employee or pensioner)	-75,000
Net Taxable Income	(₹8,00,000 - ₹75,000)	7,25,000
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1. Tax on Net Taxable Income (₹7,25,000)		
Up to ₹3,00,000	Nil	0
₹3,00,001 to ₹7,00,000	5% on ₹4,00,000	20,000
₹7,00,001 to ₹10,00,000	10% on balance 25,000	2,500
Gross Tax Liability (A)		22,500
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2. Less: Rebate u/s 87A	Rebate is available since Net Taxable Income (₹7,25,000) is below the limit of ₹12,00,000.	
Rebate Amount	Lower of Gross Tax Liability (₹16,250) or ₹60,000	-16,250
Tax after Rebate (B)		0
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3. Add: Health and Education Cess	4% of Tax after Rebate (4% of ₹0)	0
Net Tax Payable		₹Nil

Conclusion: Under the New Tax Regime, since the Net Taxable Income ₹7,50,000 is more than the ₹7,00,000 rebate limit, Harsha is technically liable for tax, but the total tax payable is only ₹30,000 times 1.04 = ₹31,200. However, if the Net Taxable Income was exactly ₹7,00,000 (meaning gross income was ₹7,50,000, the tax payable would be Nil.
Old Tax Regime (Requires Deductions), calculation for Harsha (Gross Income 8 Lakhs)

The **Old Tax Regime** has higher tax rates but allows many popular deductions like 80C {₹1.5}Lakh limit), {80D}, HRA, and a {₹50,000} Standard Deduction.

Particulars	Amount (₹)
Gross Annual Income	8,00,000
Less: Standard Deduction	-50,000
Less: Deduction u/s 80C (e.g., PPF, EPF, ELSS)	(1,50,000)
Net Taxable Income (A)	6,00,000
Tax Calculation	
Tax on first ₹2,50,000	Nil
Tax on ₹2,50,001 to ₹5,00,000 (₹2,50,000 at 5%)	12,500
Tax on ₹5,00,001 to ₹6,00,000 (₹1,00,000 at 20%)	20,000
Gross Income Tax (B)	32,500
Less: Rebate u/s 87A (Taxable income ₹5,00,000 or less gets a rebate)	0
Net Income Tax (C)	32,500
Add: Health & Education Cess (4% of C)	1,300
Total Tax Liability	33,800

Harsha claims total deductions of ₹3,00,000} (e.g., max 80C}+ HRA + {80D}

Particulars	Amount (₹)
Gross Annual Income	8,00,000
Less: Standard Deduction	-50,000
Less: Other Deductions (80C, HRA, 80D, etc.)	(3,00,000)
Net Taxable Income (A)	4,50,000
Tax Calculation	
Tax on first ₹2,50,000	Nil
Tax on ₹2,50,001 to ₹4,50,000 (₹2,00,000 at 5%)	10,000
Gross Income Tax (B)	10,000
Less: Rebate u/s 87A (Max ₹12,500 for ₹5,00,000 or less)	-10,000
Net Income Tax (C)	0
Add: Health & Education Cess (4% of C)	0
Total Tax Liability	0

Which Regime is Better?

Regime	Assumptions	Net Taxable Income (₹)	Total Tax Liability (₹)
New Regime	Standard Deduction only (₹50,000)	7,50,000	31,200
Old Regime	₹2,00,000 in deductions (Std Ded + 80C)	6,00,000	33,800
Old Regime	₹3,50,000 in deductions (Std Ded + 80C + HRA, etc.)	4,50,000	0

Please do check the above New tax regime .

For Harsha, with an {₹8,00,000} income, the New Tax Regime is clearly a simpler and better choice if he makes minimal tax-saving investments/claims (less than {₹2,50,000} in total deductions).

If Harsha can claim high deductions and exemptions (Standard Deduction + HRA exemption + max 80C + other deductions) to bring his Net Taxable Income below {₹5,00,000}, then the Old Tax Regime will also result in ₹0 tax due to the Rebate u/s 87A.

Dividend Taxation:

Dividends declared by mutual funds are added to your total income and taxed according to your applicable income tax slab. A Tax Deducted at Source (TDS) of 10% is levied by the AMC if the total dividend in a financial year exceeds ₹5,000.

To reiterate and confirm the key points:

Taxable in the Hands of the Investor: The dividend income is added to your total annual income under the head 'Income from Other Sources'.

Taxed as per Slab Rate: It is then taxed at the income tax slab rate applicable to you.

TDS Deduction: The Asset Management Company (AMC) is obligated to deduct Tax at Source (TDS) at a rate of 10% if the total dividend distributed to a resident individual investor exceeds ₹5,000 in a single financial year.

This system replaced the earlier Dividend Distribution Tax (DDT) regime, where the AMC paid the tax before distributing the dividend to investors, and the dividend was tax-free in the hands of the investor.

Let's take the **example** of a person named Meera:

Meera's Annual Income (from salary): ₹9,00,000

Her Income Tax Slab: 20% under Old tax regime.

Mutual Fund Dividend Received: She receives a dividend of ₹10,000 from Mutual Fund during the year.

This is how tax will be lifted from Meera, step by step.

Step 1: Does Mutual Fund Company Do?

As the dividend of ₹10,000 is more than ₹5,000, so Mutual fund company will deduct 10% TDS and rest amount they pay Meera.

TDS Amount = 10% of ₹10,000 = ₹1,000.

Amount deposited in Meera's bank account = ₹10,000 - ₹1,000 = ₹9,000.

Step 2: Meera calculates Her Taxes at Year-End

When Meera files her income tax return, she has to declare her dividend income.

Her salary income: ₹9,00,000

Her dividend income: ₹10,000 (She must declare the full amount, not the ₹9,000 she received)

Her Total Taxable Income = ₹9,00,000 + ₹10,000 = ₹9,10,000

Step 3: Calculating the Final Tax on the Dividend

Meera is in the 20% tax slab. So, the tax she actually owes on her dividend is:

Tax on dividend = 20% of ₹10,000 = ₹2,000

Step 4: The Final Adjustment

Total tax Meera owed on the dividend: ₹2,000

Tax already paid for her by the fund company (TDS): ₹1,000

Remaining tax Meera needs to pay: ₹2,000 - ₹1,000 = ₹1,000

This remaining ₹1,000 will be paid by Meera as part of her overall income tax payment for the year.

In short: Meera received ₹9,000 in his bank account, but his total tax on that dividend was ₹2,000. The first ₹1,000 was paid for her automatically, and she paid the other ₹1,000 himself at tax time.

Final Tip for Beginners If you are new to mutual funds:

Start Simple: Begin with an Index Fund (like Nifty 50 Index Fund) or a well-managed Flexi-cap Fund. These are diversified and relatively less complex.

Use SIP: Invest a fixed amount regularly through a Systematic Investment Plan (SIP) to benefit from Rupee-Cost Averaging.
Invest in a Direct Plan: Always choose the Direct Plan option to pay lower fees and maximize your returns.
Seek Advice: If you are still unsure, consult a certified financial advisor who can create a personalized portfolio for you.
The main requirement to invest in SBI Mutual Fund, or any other mutual fund in India, is to be KYC (Know Your Customer) compliant.
If you are a new investor, here are the **general documents and details** you will need:

Mandatory Documents for KYC:
PAN Card (Permanent Account Number): This is mandatory for all financial transactions, including mutual fund investments.
Aadhaar Card (or other Officially Valid Documents - OVD) for Proof of Identity and Address:
Aadhaar Card is the most common and is used for e-KYC (online KYC), which is often the fastest method.
Other acceptable OVDs for Proof of Identity and Proof of Address typically include:

- Passport
- Voter ID Card
- Driving License

Other Essential Details:
Bank Account Details:
A cancelled cheque (with your name pre-printed) or a recent bank statement/passbook copy showing your name, bank account number, and IFSC/MICR code. This is required for SIP debits, redemptions, and dividend payouts.
FATCA Declaration: You will need to fill out a Foreign Account Tax Compliance Act (FATCA) declaration, which requires you to state your tax residency details.
Nominee Details: Name, Date of Birth (especially if the nominee is a minor), and relationship to the investor.
Application Form: Either a physical application form (if investing offline) or completion of the online application process.

Important Notes:
Online Investment (Easiest Method): If you are an individual and wish to invest online, SBI Mutual Fund and many other platforms allow you to complete your KYC digitally using your PAN and Aadhaar number.
A successful Aadhaar-based e-KYC usually gets your status as 'KYC Validated', which allows you to invest freely.
CKYC (Central KYC): If you have already completed CKYC, you may not need to resubmit documents to different financial institutions. You would just need to provide your CKYC number.
Offline Investment: If you prefer the offline route, you would typically need to submit self-attested copies of your PAN card, Proof of Address, and a cancelled cheque along with the filled-out application

and KYC forms at an SBI Mutual Fund branch or a Point of Acceptance.

Conclusion

this research will map out the financial impact of a 100% mutual fund investment when the New Tax Regime is applied. By breaking down the rules for capital gains, dividends, and income slabs, the study will provide clear, easy-to-read calculations that show investors exactly where they save and where they lose under the new versus the old tax system. This work is essential because it gives individuals the practical knowledge—the financial literacy—they need to make smart investment decisions and ensure their money grows as efficiently as possible under the current tax laws."

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