



Levy of Stamp Duty on Mutual Fund Transactions

Pursuant to Notification No. S.O. 1226(E) and G.S.R. 226(E) dated March 30, 2020 issued by the Department of Revenue, Ministry of Finance, Government of India a stamp duty of 0.005% of the transaction value would be levied on allotment of Mutual Fund units including units allotted in Demat mode, with effect from Wednesday, July 1, 2020. These transactions include:

- SIP Trigger transactions including for past registrations
- Dividend Reinvestments (after deduction of TDS)
- Switches including switch-in from STP registrations (includes past registration)

For Illustration, refer below :

Particular	
Investment Amount (A)	50,000.00
Transaction Charges (B)	100.00
Net Amount (A-B)	49,900.00
Stamp Duty Computation *	2.49
Units will be created for	49,897.51

* In case of applicable transaction charge, computation of stamp duty would be on the net amount after deduction of transaction charges, in the above e.g. the computation would be $(49900/100.005)*.005\%$.

Impact of Stamp duty on MF units :

(Below illustration assuming 4% p.a. return for Liquid Fund only)

No. of Days	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
% Impact	1.83	0.91	0.61	0.46	0.37	0.30	0.26	0.23	0.20	0.18	0.17	0.15	0.14	0.13	0.12
No. of Days	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
% Impact	0.11	0.11	0.10	0.10	0.09	0.09	0.08	0.08	0.08	0.07	0.07	0.07	0.07	0.06	0.06

As can be seen in the table above, the impact reduces from ~1.83% in a single day to ~0.06% in 30 days. As the holding period of investments increases, the impact of the stamp duty reduces. For non-liquid fund investments, the impact may be even lower. The above table is for illustration purpose only. In view of individual nature of tax implications, unitholders are advised to consult their tax advisors.

Please note Stamp Duty will not be applicable for:

- Transfer from broker to investor account
- Physical to Demat conversion
- Unit movement on Transmission.