

SYNOPSIS

115R. Tax on distributed income to unit holders

115S. Interest payable for non-payment of tax

115T. Unit trust of India or mutual fund to be an assessee in default

**115R. Tax on distributed income to unit holders**

(1) Notwithstanding anything contained in any other provisions of this Act and section 32 of the Unit Trust of India Act, 1963 (52 of 1963), any amount of income distributed to any person being an individual or a Hindu undivided family on or before the 31st day of March, 2002 by the Unit Trust of India to its unit-holders shall be chargeable to tax and the Unit Trust of India shall be liable to pay additional income-tax on such distributed income at the rate of ten per cent:

Provided that nothing contained in this sub-section shall apply in respect of any income distributed to a unit-holder of open-ended equity-oriented funds in respect of any distribution made from such fund for a period of three years commencing from the 1st day of April, 1999.

(2) Notwithstanding anything contained in any other provision of this Act, any amount of income distributed by the specified company or a Mutual Fund to its unit holders on or before the 31st day of March, 2020 shall be chargeable to tax and such specified company or Mutual Fund shall be liable to pay additional income-tax on such distributed income at the rate of –

(i) twenty-five per cent on income distributed to any person being an individual or a Hindu undivided family by a money market mutual fund or a liquid fund;

(ii) thirty per cent. on income distributed to any other person by a money market mutual fund or a liquid fund;

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(iii) ten per cent on income distributed to any person by an equity oriented fund;

(iv) twenty-five per cent on income distributed to any person being an individual or a Hindu undivided family by a fund other than a money market mutual fund or a liquid fund or an equity oriented fund; and

(v) thirty per cent on income distributed to any other person by a fund other than a money market mutual fund or a liquid fund or an equity oriented fund:

Provided that where any income is distributed by a mutual fund under an infrastructure debt fund scheme to a non-resident (not being a company) or a foreign company, the mutual fund shall be liable to pay additional income-tax at the rate of five per cent. on income so distributed:

Provided further that nothing contained in this sub-section shall apply in respect of any income distributed,—

(a) by the Administrator of the specified undertaking, to the unit holders; or

Provided also that no additional income-tax shall be chargeable in respect of any amount of income distributed on or after the 1st day of September, 2019 by a specified Mutual Fund, out of its income derived from transactions made on a recognised stock exchange located in any International Financial Services Centre and where the consideration for such transaction is paid or payable in convertible foreign exchange.

Explanation.--For the purposes of this sub-section,--

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(i) "administrator" and "specified company" shall have the meanings respectively assigned to them in the Explanation to clause (35) of section 10;

(ia) "convertible foreign exchange" means foreign exchange which is for the time being treated by the Reserve Bank of India as convertible foreign exchange for the purposes of the Foreign Exchange Management Act, 1999 (42 of 1999) and the rules made there under;

(ii) "infrastructure debt fund scheme" shall have the same meaning as assigned to it in clause (1) of regulation 49L of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 made under the Securities and Exchange Board of India Act, 1992(15 of 1992).

(iii) "International Financial Services Centre" shall have the meaning assigned to it in clause (q) of section 2 of the Special Economic Zones Act, 2005 (28 of 2005);

(iv) "recognised stock exchange" shall have the meaning assigned to it in clause (ii) of Explanation 1 to clause (5) of section 43;

(v) "specified Mutual Fund" means a Mutual Fund specified under clause (23D) of section 10--

(a) located in any International Financial Services Centre;

(b) of which all the units are held by non-residents;

(vi) "unit" means beneficial interest of an investor in the fund;

(2A) For the purposes of determining the additional income-tax payable in accordance with sub-section (2), the amount of distributed income referred therein shall be increased to such

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amount as would, after reduction of the additional income-tax on such increased amount at the rate specified in subsection (2), be equal to the amount of income distributed by the Mutual Fund.

(3) The person responsible for making payment of the income distributed by the Unit Trust of India or a Mutual Fund and the Unit Trust of India or the Mutual Fund, as the case may be, shall be liable to pay tax to the credit of the Central Government within fourteen days from the date of distribution or payment of such income, whichever is earlier.

(4) No deduction under any other provision of this Act shall be allowed to the Unit Trust of India or to a Mutual Fund in respect of the income which has been charged to tax under sub-section (1) or sub-section (2).

#### **115S. Interest payable for non-payment of tax**

Where the person responsible for making payment of the income distributed by the specified company as referred to in clause (h) of section 2 of the Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002 (58 of 2002) or a Mutual Fund and the specified company or the Mutual Fund, as the case may be, fails to pay the whole or any part of the tax referred to in sub-section (1) or sub-section (2) of section 115R, within the time allowed under sub-section (3) of that section, he or it shall be liable to pay simple interest at the rate of one per cent every month or part thereof on the amount of such tax for the period beginning on the date immediately after the last date on which such tax was payable and ending with the date on which the tax is actually paid.

#### **115T. Unit trust of India or mutual fund to be an assessee in default**

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If any person responsible for making payment of the income distributed by the specified company as referred to in clause (h) of section 2 of the Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002 (58 of 2002) or a Mutual Fund and the specified company or the Mutual Fund, as the case may be, does not pay tax, as is referred to in sub-section (1) or sub-section (2) of section 115R, then, he or it shall be deemed to be an assessee in default in respect of the amount of tax payable by him or it and all the provisions of this Act for the collection and recovery of income-tax shall apply.

Explanation: For the purposes of this Chapter, –

- (a) “Mutual Fund” means a Mutual Fund specified under clause (23D) of section 10;
- (b) "equity oriented fund" means a fund referred to in clause (a) of the Explanation to section 112A and the Unit Scheme, 1964 made by the Unit Trust of India;
- (c) “Unit Trust of India” means the Unit Trust of India established under the Unit Trust of India Act, 1963 (52 of 1963);
- (d) “money market mutual fund” means a money market mutual fund as defined in sub-clause (p) of clause 2 of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996;
- (e) “liquid fund” means a scheme or plan of a mutual fund which is classified by the Securities and Exchange Board of India as a liquid fund in accordance with the guidelines issued by it in this behalf under the Securities and Exchange Board of India Act, 1992 (15 of 1992) or regulations made thereunder.

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