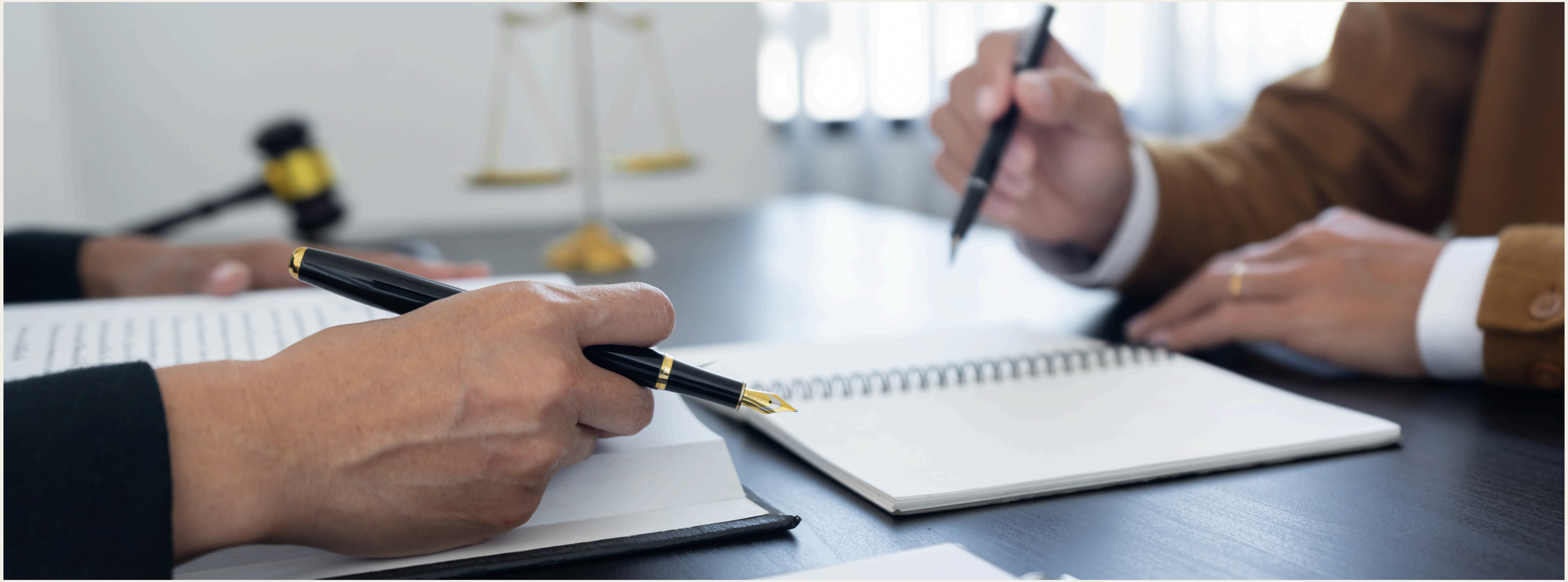
Delivering Your Right to Invest
with the Right Investments

Tax Implications

Indian Investors

Disclaimer

Please note, Kristal.AI is a wealth advisor and manager and is not qualified to offer tax related advise. You will need to seek services from a local Chartered Accountant or tax services provider to compute your total tax and filing.



KRISTAL

Global Investment Tax Rates

The tax rates for global investments by Indian residents vary depending on the asset class and holding period. Here's a concise overview of the key tax rates for different investment types:

Asset Class	Long-term Capital Gains Tax Rate	Short-term Capital Gains Tax Rate	Dividend Tax Rate
Global Stocks	12.5% (held > 24 months)	20% (held ≤ 24 months)	25% withholding tax (U.S. stocks)
Foreign Bonds	Ordinary income rate	Based on tax slab	20% on interest
International Mutual Funds	12.5% (held > 24 months)	As per investor tax slab	10% TDS if dividend > ₹5,000/yr

- Long-term capital gains on listed securities are taxed at 12.5% without indexation benefit for investments held over 24 months.
- Dividends from foreign companies are taxed at the investor's applicable income tax slab rate in India.

Global Fund Tax Implications

The tax implications for Indian investors in global ETFs or mutual funds vary based on the asset class and holding period. Here's a concise overview of the key tax rates:

Asset Class	Long-term Capital Gains Tax	Short-term Capital Gains Tax	Dividend Tax
Equity ETFs/Funds	10% above ₹1 lakh (held > 1 year)	15% (held ≤ 1 year)	Taxed at investor's slab rate
Debt ETFs/Funds	20% with indexation (held > 3 years)	As per investor's slab rate (held ≤ 3 years)	Taxed at investor's slab rate
Gold ETFs	20% with indexation (held > 3 years)	As per investor's slab rate (held ≤ 3 years)	Not applicable
International ETFs/Funds	20% with indexation (held > 3 years)	As per investor's slab rate (held ≤ 3 years)	Taxed at investor's slab rate

- For equity-oriented funds, long-term gains up to ₹1 lakh per year are tax-exempt.
- Dividends from all types of ETFs/funds are now taxed in the hands of investors at their applicable income tax slab rates.
- International ETFs/funds are treated similarly to non-equity funds for tax purposes in India.

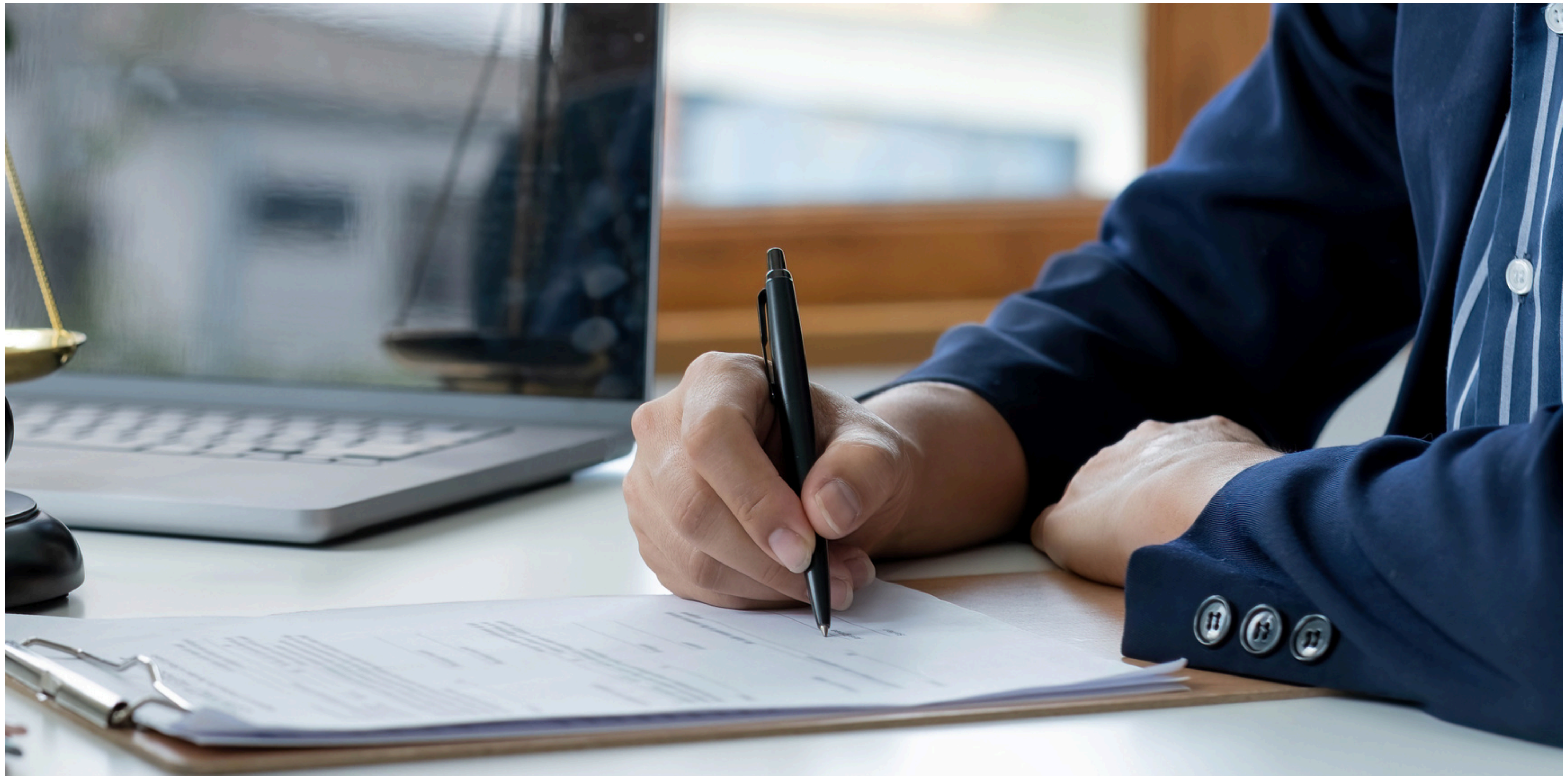
India-U.S. Tax Treaty Impact

The India-U.S. Double Taxation Avoidance Agreement (DTAA) significantly impacts dividend taxation for Indian residents investing in U.S. stocks.

- Under this treaty, dividends from U.S. companies are subject to a maximum 25% withholding tax in the U.S., while the entire gross amount is taxable in India as per the individual's income tax slab.

- To avoid double taxation, investors can claim a foreign tax credit for the U.S. withholding tax against their Indian tax liability by filing Form 67 with their income tax return.

- This mechanism ensures that Indian residents are not taxed twice on the same dividend income, effectively reducing their overall tax burden on U.S. investments.



UCITS Dividend Tax Implications for Indian investors

UCITS ETFs offer potential tax advantages for Indian investors compared to U.S.-domiciled funds. Dividends from UCITS ETFs are typically subject to lower withholding taxes, often around 15% instead of the 30% rate applied to U.S. ETFs.

For Indian residents, these dividends are then taxable in India at their applicable income tax slab rate. However, investors can claim a foreign tax credit for the withholding tax paid abroad to avoid double taxation.

It's important to note that some UCITS ETFs, particularly those domiciled in Ireland or Luxembourg, may offer even more favorable tax treatment, potentially reducing or eliminating dividend withholding taxes altogether.

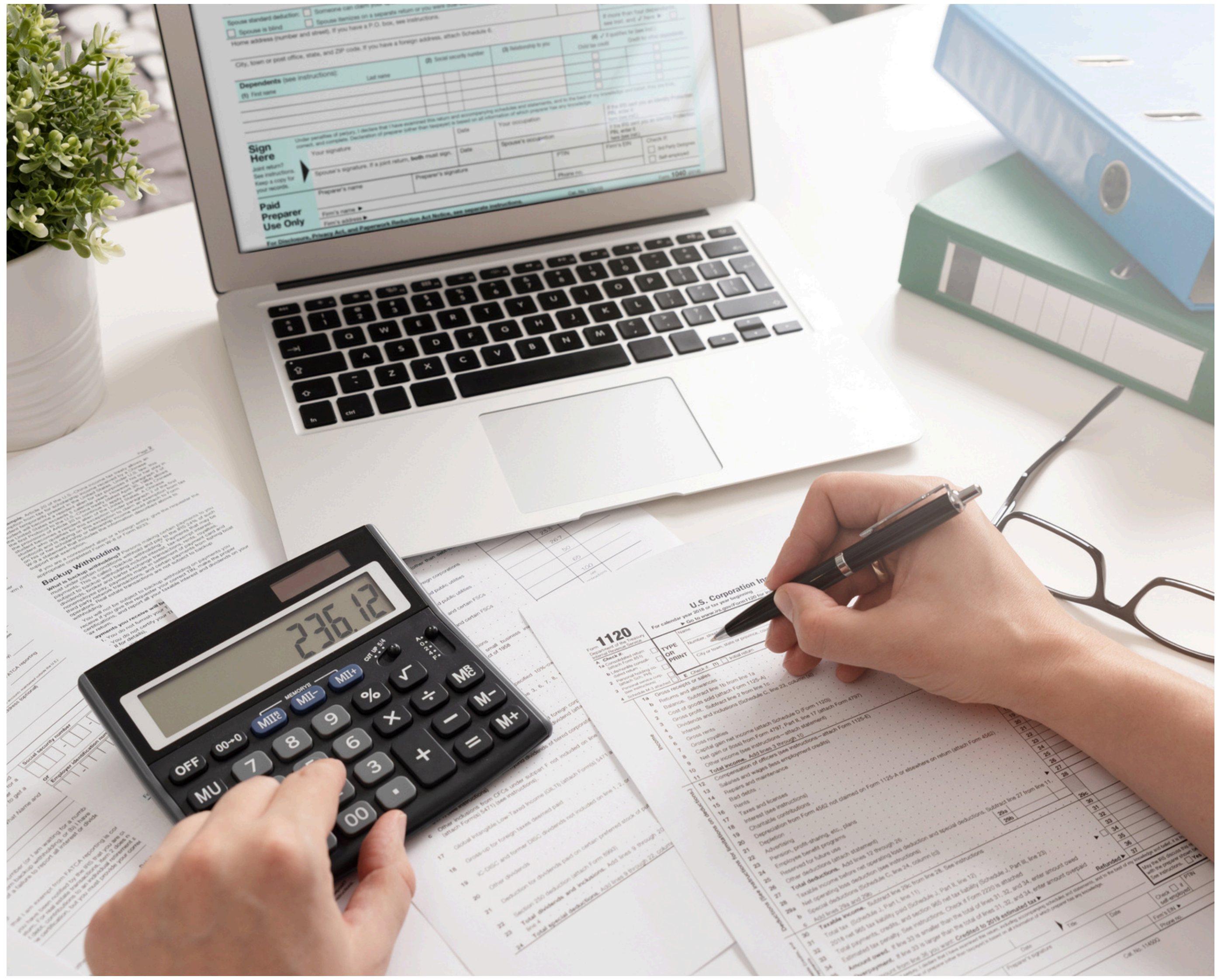
- UCITS ETFs generally have lower dividend withholding taxes than U.S. ETFs
- Indian investors are taxed on the gross dividend amount at their income tax slab rate
- Foreign tax credits can be claimed to offset taxes paid abroad
- Some UCITS ETFs may offer reduced or zero dividend withholding taxes, depending on their domicile

Taxation for Global VC/PE Funds

Investing in global venture capital (VC) and private equity (PE) funds has specific tax implications for Indian investors. These funds are typically structured as pass-through entities, meaning the income is taxed at the investor level rather than the fund level.

For Indian residents investing in such funds:

- Capital gains from VC/PE investments are generally taxed as per the holding period:
  - Long-term gains (held > 24 months) are taxed at 12.5% without indexation benefit
  - Short-term gains (held ≤ 24 months) are taxed at the investor's applicable income tax slab rate
- Dividend income from these funds is taxable at the investor's income tax slab rate
- Foreign tax credits can be claimed for taxes paid in the country where the fund is domiciled, subject to certain conditions and limitations



It's important to note that the tax treatment may vary depending on the fund's structure and domicile. Some jurisdictions offer more favorable tax regimes for VC/PE investments, which could potentially benefit Indian investors. However, recent developments suggest that Indian tax authorities are scrutinizing global PE funds more closely for potential misuse of tax treaties to evade capital gains tax.

Foreign Tax Credit Utilization

Foreign tax credits can be utilized by Indian residents to offset taxes paid on foreign investments against their domestic tax liability. To claim this credit, investors must file Form 67 along with their Income Tax Return (ITR) in India. The credit is limited to the amount of Indian tax payable on the foreign income or the actual foreign tax paid, whichever is lower. This mechanism helps prevent double taxation on global investment income. However, practical challenges may arise when converting foreign currency to INR for tax purposes, as the SBI TT buying rate on the last day of the month preceding the dividend declaration must be used.

KRISTAL

Get in touch with your Kristal Advisors for more insights.

support@kristal.ai