



Ministry of Finance

CBDT issues clarification on the applicability of TDS provisions on Mutual Fund dividend

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The Finance Bill, 2020 proposed to remove Dividend Distribution Tax (DDT) at the level of Company/ Mutual Fund and proposed to tax the same in the hands of share/unit holder. It was also proposed to levy TDS at the rate of 10% on the dividend/ income paid by the Company/Mutual Fund to its share/unit holder if the amount of such dividend/ income exceeds five thousand rupees in a Financial Year.

Queries have been received to the effect that whether under the proposed section 194K, the Mutual Fund would be required to deduct TDS also on the capital gains arising on redemption of units. It is hereby clarified that under the proposed section, a Mutual Fund shall be required to deduct TDS @ 10% only on dividend payment and no tax shall be required to be deducted by the Mutual Fund on income which is in the nature of capital gains. Necessary clarification, if required, shall be proposed in the relevant provision of the law.

RM/KMN

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