

What is the impact of stamp duty on fund purchases?

1. **Stamp Duty at a rate of 0.005% will be imposed on mutual fund** transactions from July 1, 2020. It is an absolute figure levied on the amount invested, irrespective of the amount 🖱
2. This will be applicable to one-time purchases, **systematic investment plans (SIPs), systematic transfer plans (STPs)**, and dividend reinvestment transactions. If you have current SIPs or STPs in place, the duty shall be levied going ahead.
3. For units under dividend reinvestment, stamp duty will be deducted from the dividend amount (less TDS if any) and **units will be created for the balance amount**
4. The stamp duty will apply to every single category of all mutual funds—**debt, hybrid, equity, index funds and ETFs**.
5. Let's say you buy **units of a fund worth Rs 1 lakh**. The stamp duty charged would be Rs 5. This would be deducted from the **amount invested and you will be allotted units for Rs 99,995 only**
6. The impact is not huge, but will be more apparent when it comes **to overnight and liquid funds, since by nature they are short-term holdings**. For example, the annualized impact depending on the holding period would be:
 - **1 day: 1.825%**
 - **10 days: 0.18%**
 - **20 days: 0.09%**
 - **30 days: 0.06%**
 - **60 days: 0.03%**
 - **180 days: 0.01%**
 - **270 days: 0.006759%**
 - **It is NOT applicable**

7. Redemption of units

8. Transfer of units from broker account to investor account as no consideration is involved

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