AMFI Budget Feedback and Request for Modifications			
	Issue / Impact	**Proposal**	**Justification**
1.	**Retrospective implementation of change in capital gains tax.** • Investments made in schemes investing >65% in debt/ money market instruments (on or before 31st March 2023) • Investments made in schemes investing <65% in debt/ money market instruments (on or after 31st March 2023) • Investments in schemes investing >65% in equities (redemptions made on or after 22nd July 2024)	Reconsider the removal of indexation benefit from Debt Mutual Fund. Or Provide for holding cost of debt mutual fund to be indexed till July 23, 2024. As done in the past, we request grandfathering to be permitted for investments made in the respective categories of funds. For equities – Grandfathering clause is already applicable for changes introduced from 2018, we request to further grandfather for the interim period from 2018-2024. For Debt, we request grandfathering for investments made before 2023. For schemes investing >65% in debt instruments, request grandfathering to be granted for investments made up to 2024.	Debt Mutual Funds on long term average basis give returns in the range of 6%~8%. The removal of indexation benefit will have material impact on Debt Mutual Fund investors as explained below. It may be noted that the debt mutual fund investors are any way getting taxed at marginal rate since April 01, 2023 which has already hurt them significantly. Now, removal of indexation benefit for grandfathered investment before March 31, 2023 will hurt old investor also. We believe that applying the new tax rates on a retrospective basis can be detrimental to investor confidence and deter new investors from entering capital markets as well as the existing ones to make further investments in the capital markets through mutual funds as these investors had invested in the funds based on the tax rates prevalent at the time of their investments. Further, FPI's also get impacted by such sudden changes in taxation, especially if implemented on retrospective basis.

2.	**Amendment of Section 50AA of the Income Tax Act** • The revised definition of Specified Mutual Funds refers to: a) funds investing >65% in debt/ money market instruments or b) funds that invests >65% in units of funds referred in (a)	It is requested that the definition of Specified Mutual Funds be revised to: a) funds investing >65% in debt/ money market instruments or b) funds **that invests >90%** in units of funds referred in (a)	With the proposed definition, investors will lose out on long term capital gains applicability at a much lower threshold of debt/money market investments than envisaged under clause (a).
3.	**Amendment of Section 50AA of the Income Tax Act** • Amendment will be effective from April 1, 2026	It is request that the effective date of the amendment be revised to 'with immediate effect'.	The anomaly that was created by the wordings included in the last budget had adversely impacted the tax implication for investors in these funds and they have to be provided immediate relief. Continuing with the anomaly for another two years will only add to the investor woes and penalize them unfairly.
4.	**Re-instatement of Capital Gains Tax rates to earlier levels** • Short Term Capital Gains Tax has been increased from 15% to 20%, increasing tax liability by 30% • Long Term Capital Gains Tax has been increased from 10% to 12.5%, increasing tax liability by 25%	It is humbly submitted to re-instate the earlier capital gains taxation rates as the percentage of hike is large quantum.	Mutual Funds help in financialization of savings and directing them to productive assets like equity and fixed income that help in nation building. Increasing tax rates on both short term and long-term gains will deter common investors from choosing mutual funds. Less than 5 crore investors invest in mutual funds and the industry has been making consistent efforts to increase this number. Any change in taxation will hamper the efforts to move people from traditional savings to investments.

5.	**Reduction in STT for Arbitrage Funds and Equity Savings Funds** • STT has been increased in Futures from 0.0125% to 0.02%, for options it has been increased from 0.0625% to 0.1%.	We request that for Mutual Funds as an investor, the STT on Futures and Options should be reinstated to the earlier rates.	Arbitrage Funds and Equity Savings Funds mainly use Futures and Options for hedging as the underlying assets. The available arbitrage has now reduced due to increase in short term capital gain tax. Further, the increased STT on futures will add to the cost of these funds.
6.	**Request for tax concessions in Debt Mutual Funds** The Finance Act, 2023 introduced a new section 50AA, which states that the gains on "Specified Mutual Fund" shall be deemed as short-term capital gains, irrespective of period of holding and the same will be taxable at the applicable rates. Post amendment, Debt mutual fund is considered as short-term capital asset irrespective of holding period and will be taxed at applicable rates, whereas listed bonds the long term tax rate is 12.5% and the holding period is kept at 12 months for these securities to be qualified for long term tax.	It is requested that Capital gains on redemption of Units of Debt oriented mutual funds held for more than 1 year should be taxed at the rate of 12.5% , as applicable in respect of listed bonds.	India's equity market is well developed, liquid and robust. The resilience of the Indian market during the tumultuous past three years has surprised many experts worldwide. The consistent mutual funds flows into the markets played vital role in the development and resilience of the equity market. While the debt market continues to be underdeveloped, India's aspirations of becoming the third largest economy of the world by 2027 and a developed country by 2047 need to be backed by a liquid, deep and well-functioning debt market. Private sector investments cannot be leveraged without such a debt market. An active bond market could fulfil multiple purposes. Besides providing the borrowers with an alternative to bank credit, corporate bonds could lower

			the cost of long term finance. We need active participation by the retail investors in these markets which will not only help them in diversifying their investments but als help them in garnering inflation adjusted returns. It is against this backdrop, to encourage the retail investor participation in bond markets we request for an amendment to Finance Act, 2023 and consider the mutual fund units as "securities", with long-term capital tax rate thereon should be according to / in line with the capital gains tax on listed bonds. It is therefore logical and hence requested that capital gains on Units of Debt mutual funds held for more than 12 months should be taxed at the rate of 12.5% as applicable in respect of LTCG for listed bonds.