

Letter to Investors – Switch from Dividend Reinvestment to Growth Option

Dear Investor,

We at Kotak Mutual Fund are grateful to be a part of your wealth creation journey.

The Finance Ministry, in its budget for FY 2020-21, abolished Dividend Distribution Tax (DDT) on income distributed by mutual funds. Post the budget amendment abolishing DDT, dividends received from 1st April 2020 will be **taxed in the hands of the investor at marginal rate of tax**. In the earlier regime, the tax on dividend was paid by the mutual funds as DDT, and dividend therefore was received tax free in the hands of the investor.

The dividend reinvestment option opted by investors in the scheme now may invite income tax liability due to change in the rules.

In the dividend reinvestment option, the investors are not looking for regular cash flow. The growth option gives similar outcome as dividend reinvestment option. Now the investor will have to pay tax on the dividend declared & reinvested without receiving dividend in cash. This makes dividend reinvestment option less investment friendly compared to growth option.

We recommend you to consult your financial advisor / tax consultant for any further action. Do keep in mind the impact of capital gains tax while considering any switch of options

Please feel free to reach out to your advisor or you could reach us at **1800-222-626** for any further clarification.