

# Budget 2024 decoded: Wealth managers now back global MFs

By Prashant Mahesh,

Published on: 26<sup>th</sup> July 2024



Mutual fund schemes that invest in overseas equities are back on wealth managers' radar after the government's proposal in the budget to ease long-term capital gains tax for these products. Wealth managers said with valuations of Indian equities considered rich, the timing is right for investors to diversify their portfolios across geographies.

Till the budget, if the international fund was held for less than three years, the gains were considered short-term. They were taxed at the investor's income tax slab rate. If the product was held beyond three years, it was considered long-term capital gains and taxed at 20%. Now, investors will pay long-term capital gains tax of 12.5%, for international funds held for more than 24 months. Investments held for less than 24 months will be considered short-term and taxed at the tax slab rate.

"After the recent budget changes in taxation, these funds have become even more attractive and are now on par with domestic equity funds in the long run, as both will have a 12.5% tax rate," said Radhika Gupta, MD at Edelweiss Mutual Fund.

Investors have avoided international funds due to higher taxation compared to domestic equity and RBI's limits for overall investments into overseas funds.

Financial planners recommend investors should hold 10-15% of their portfolios in international equities. Such investments should be staggered with the US and Chinese markets being the focus, they said.

"Since the US markets are trading at a premium to long-term averages, investors should allocate there using systematic investment plans (SIPs)," said Vishal Dhawan, founder, Plan Ahead Wealth Advisors. "They could allocate a small amount to China, another large economy, through a lump sum investment, given the cheap valuations there."

Dhawan recommends investors start an SIP in Motilal Oswal S&P 500 Index fund and a lump sum investment in Edelweiss Greater China Equity Offshore Fund.