I-CAN MONTHLY NEWSLETTER

NOVEMBER 2016

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Market Update

Sensex : Up 0.23% Nifty : Up 0.23%	
Best performing sector: Oil & Gas (8.1%)	Worst performing sector: Tech (-2.2%)
Best performing Global index: Brazilian Bovespa (10.2%)	Worst performing Global index: Nasdaq (-2.3%)
Indian Rupee: -0.25%	Gold price: -2.93%

Foreign Institutional Investors (FIIs) pulled out Rs. 430 crore from the equity markets and Rs. 599 crore in the debt in October. The headline indices were almost flat although the month started on a cheerful note owing to the 25 basis point rate cut in the maiden monetary policy review by the Monetary Policy Committee. Inflation cooling has been a major reason for the accommodative stance. Retail inflation eased sharply to 4.31% in September, the slowest in more than a year. Wholesale inflation was the lowest in a quarter at 3.57%. As it was the festive month of Diwali there was some cheer on the exports front. Goods exports posted an increase of 4.62% in September to $22.88 billion

However, there are still no clear indications of a strong recovery in the Indian economy. The quarterly earning numbers have been tepid in terms of growth. Also if one goes by the Index of Industrial Production (IIP) numbers of the first 5 months of this fiscal, it is the lowest in the last 10 years. In its latest market strategy report, brokerage firm CLSA has said that its analysis of over 40 high frequency indicators shows that a recovery in Indian economy is not yet visible. This has not deterred investors from being bullish on India. The long term outlook on the Indian markets continues to be encouraging and the current scenario is seen as offering a good investment opportunity.

At time when concerns over weakening health of the global economy are weighing on equity markets the world over, Citi India has projected BSE benchmark Sensex to hit the 30,000 mark by March 2017. Religare Broking expects Nifty to test 10,200 mark in the next one year, which implies 18 per cent upside from current levels. According to John Woods, chief investment officer for Asia-Pacific at Credit Suisse Private Banking Sensex could touch 30,500 points in 2017. Even a report published by UBS highlights that FIIs remain overweight on Indian markets.

Reforms:

- September 30 was the last day of the government's Income Declaration Scheme (IDS). The declaration amount had crossed Rs 65,000 crore by end of the last day. This implies a tax amount of Rs 30,000 crore for the government.
- RBI decided to allow FDI up to 100% in other financial services. 'Other financial

services' will include activities which are regulated by any financial sector regulator.

- The Securities and Exchange Board of India (SEBI) plans to tighten regulations for credit rating agencies by ensuring that rating processes are insulated from business decisions.
- The Cabinet approved a 2% hike in dearness allowance (DA) for Central government employees with effect from July 1, 2016 to compensate for the rise in prices.
- The government has started an exercise to overhaul the system of collecting key statistics on inflation, industrial production, consumption and employment to restore the credibility of official economic data, which took a severe beating after a new series of national accounts was released last year. Five committees have been set up for this.
- The Finance Ministry has set an outer limit of February 9 for presenting Union Budget 2017-18.
- The government has managed to garner Rs 21,000 crore through stake sales and buybacks in April-September this year, the highest-ever first half disinvestment revenue for any year.
- Almost 1 crore train passengers have opted for the rail insurance scheme, which was announced on September 1, within the first 30 days of its launch, according to IRCTC.
- SEBI proposed to ban unauthorised trading tips through SMSes, WhatsApp, Twitter, Facebook and other social media platforms, as also games, competitions and leagues relating to securities market. implementation of the new tax regime.
- According to a new SEBI proposal, mutual fund distributors will no longer be allowed to provide incidental or basic investment advice on any mutual fund schemes they sell, unless they register separately with SEBI as investment advisers as well. They will be given three years to become advisers and until then, will have to refer to themselves as only "mutual fund distributors" and not as "wealth/financial advisers".

The world's five largest emerging economies, which together account for 30% of the world's economic output, committed themselves to reviving global growth by using a combination of monetary, fiscal and structural tools at the eighth Brics summit in Goa. On the global front, an IMF report warned of rising medium-term risks and said global financial stability will now depend on how well financial institutions adapt to the new era of low growth and low interest rates.

Five Things One Should Know About NPS Before Investing

Before one invests their money into the New Pension System, one should know about the tax benefits offered by the scheme and the tax treatment of income.

Tax Benefits

There are three ways to claim tax deduction by investing in NPS. Firstly, the contributions made up to Rs 1.5 lakh a year are eligible for tax deduction. If one's employer has introduced NPS or if one has to invest in NPS on their own, then the amount that one will be contributing to the scheme will be eligible for deduction under Sec 80CCD (1). This deduction comes under the overall deduction available under Sec 80CCE. Secondly, a further deduction is available under Sec 80CCD (2). Under this, if one's employer puts up to 10 per cent of one's basic salary in the NPS, that amount will be eligible for tax deduction.

If one's basic salary is Rs 3 lakh a year, i.e. Rs 25,000 per month, then one can avail an additional deduction of Rs 30,000, i.e. 10 per cent of Rs 3 lakh. From this year, another additional deduction of up to Rs 50,000 is available under the new Sec 80CCD (1b). Any taxpayer who invests up to Rs 50,000 in the NPS can avail of this deduction, over and above the Rs 1.5 lakh saved under Section 80C.

Annuitiasation on Maturity

The NPS investments mature when the investor turns 60. If the corpus is less than Rs 2 lakh, the entire sum can be withdrawn and if the corpus is more, then the subscriber must put at least 40 per cent of the corpus into an annuity to get a monthly pension. The investor can choose any annuity option as well as the annuity provider.

Till now, the annuity had to be purchased as soon as the subscriber turned 60. But under the new rules, the investor can wait for up to three years to withdraw the corpus. This flexibility is important because if the investor has some portion of his corpus in stocks and the markets are down when he turns 60, he has the option to wait till the markets recover.

Taxation of Corpus

The maturity corpus is tax free for government employees but for the private sector, the subscribers have to pay some tax. If the individual has not received gratuity, up to 50 per cent of the total corpus received as commuted pension will be tax free. But if the individual has received gratuity, only 33 per cent of the corpus will be tax free.

If one's NPS corpus is Rs 1 crore, 40 per cent of this, or Rs 40 lakh, will go into buying an annuity. If one does not get gratuity, 50 per cent of the corpus, or Rs 50 lakh, will be tax free. The remaining Rs 10 lakh will be taxed as income at the normal rate applicable. Savvy investors can minimize the tax by staggering the withdrawals over 2-3 years.

Withdrawal Rules

NPS is a pension product and therefore, premature withdrawals before 60 were not allowed. Under the new rules, a subscriber who has contributed for at least 10 years will be allowed to withdraw up to 25 per cent of the contribution for specific purposes, including children's higher education or marriage, construction or purchase of first house and medical treatment of self, spouse, children or dependent parents. The medical treatment is only for 13 critical illnesses and life threatening injuries sustained in an accident.

An investor can withdraw three times during his tenure in the scheme but there should be a gap of at least five years between each withdrawal. However, this gap will not apply in case the withdrawal is for a medical treatment. Also, the curbs on withdrawals are only for tier I accounts. Investments in a tier II account, which can be opened only if one has a tier I account, can be withdrawn any time.

Investment Rules

Unlike the PPF, there is no ceiling on the amount one can invest in the NPS. However, there is a minimum Rs 6,000 that a subscriber must contribute in a year. There is also a 50 per cent ceiling on the allocation to equities. Till now, the equity portion of NPS funds for private sector employees was invested in Nifty stocks in the same proportion as their weight in the index.

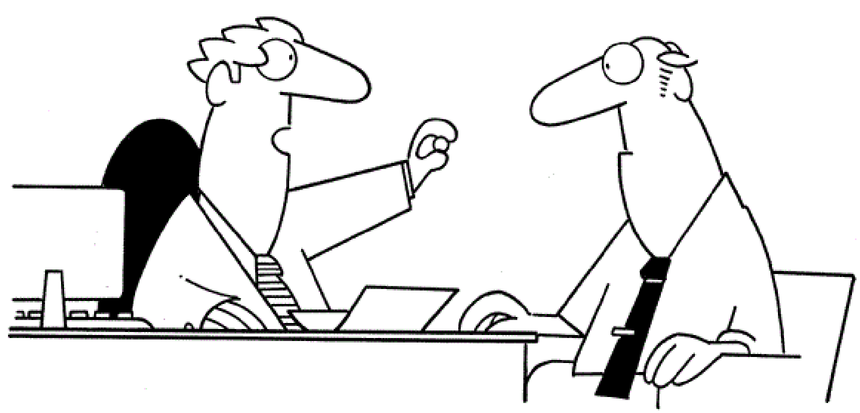
But now fund managers have been allowed to invest in a wider universe of stocks. They are also no longer required to mirror the index but are free to invest as per their reading of a stock's potential. Investors can choose from any of the seven pension fund managers but can switch only once in a year.

I-CAN FINANCIAL SOLUTIONS

Did you know?

Moon gets a makeover every 81,000 years

Cartoon of the Month



"If a stock goes sour and leaves a bad taste in your mouth, try one of these — they're InvestMints!"

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