



I-CAN
COMMUNIQUÉ

JUNE
2021



MONTHLY NEWSLETTER – JUNE 2021

Sensex : Up 6.5%	
Nifty : Up 6.5%	
Best performing sector: PSU Bank (18.2%)	Worst performing sector: Telecom (0.3%)
Best performing Global index: MerVal (6.9%)	Worst performing Global index: Taiwan Weighted (-4%)
Indian Rupee: 2%	Gold (International): 7.7%

The Covid-19 cases in India have been declining steadily. From its peak of 4 lakh plus cases almost a month ago the daily case count reduced to around 1.5 lakh. This is the lowest number since April 9. Some of the states like Delhi, Himachal Pradesh and Madhya Pradesh eased restrictions while some others like Maharashtra, Kerala and Goa extended the lockdown/restrictions by a week to a fortnight. The central government announced that 12 crore Covid vaccine doses will be available in June'21 to help states and union territories speed up the inoculation drive.

The stock markets gave high returns last month. The headline indices were up by 6.5%. The S&P BSE Mid Cap and Small Cap indices continued their upward journey by clocking in gains of 7% and 9% respectively. The 10-year government bond yield fell marginally by 0.01 basis points from 6.03% to 6.02%.

Foreign institutional investors (FIIs) pulled out a net amount of Rs. 2,954.3 crore from equities and Rs. 1,706.5 crore from debt markets.

The Indian economy grew by 1.6% in the January-March'21 quarter. The annual GDP contraction for FY21 was better than estimates at -7.3%. Exceptional performance by the construction sector and better-than-expected growth in utilities majorly account for the better-than-expected growth figure.

GDP estimates for FY22 have been slashed lower by agencies:

Agency	Current Estimate	Previous Estimate
Nomura	10.8%	12.6%
Barclays	10%	11%
Goldman Sachs	9.9%	11.1%
OECD	9.9%	12.6%
Moody's	9.3%	13.7%
Care Ratings	9.2%	10.2%

The Manufacturing Purchasing Managers' Index (PMI) reached a 10-month low of 50.8 in May, lower from 55.5 in April. Barclays cut the growth forecast for FY22 from 10 to 9.2%. The Index of Industrial Production (IIP) grew at 22.4% in March on account of a very low base. In the corresponding period a year ago the IIP had shrunk by 18.7%.

Goods and services tax (GST) collection for April was Rs. 1.41 lakh crore, 14% higher than the previous month.

According to Nomura the weakening of business activity in India has bottomed out as momentum seems to have picked up after 11 weeks of declining trend. The Nomura Business Resumption Index (NIBRI) improved from 60.3 last week to 63.6 for the week ended May 30. The RBI Annual Report also highlighted that the macroeconomic costs of the second wave could be mainly limited to the first quarter of FY22 with possibility of some spillovers into July.

India's fiscal deficit for FY21 (as per provisional estimates) was 9.3% of GDP, lower than government's revised estimate of 9.5% in the February Budget. This year's April fiscal deficit was Rs. 78,700 crore – 72% lower than the same month last year – indicating a relatively less severe impact of the pandemic this year.

In its global trade update the United Nations Conference on Trade and Development (UNCTAD) said India, China and South Africa fared 'relatively better' than other major economies during the first quarter of 2021.

The wholesale price inflation surged to an eleven-month high of 10.49% in April from 7.39% in March. A low base and high commodity prices are the major reasons for this sharp increase. Retail price inflation eased to 4.29% in April from 5.52% in March.

RBI transferred Rs. 99,122 crore to the government as surplus in FY21. This is 73% higher than the previous fiscal and much higher than expected by the market.

Reforms

- RBI announced a term-liquidity facility of Rs. 50,000 crore to make it easier to access emergency health services. Under the liquidity scheme banks can support entities including vaccine

manufacturers, medical facilities, hospitals and patients.

- SEBI asked listed companies to disclose in their compliance report on a semi-annual basis the loans and guarantees provided by them to promoters or entities controlled by them.
- The government is working on a plan to develop a cyclone resistant power distribution and transmission infrastructure so that electricity in coastal areas is not disrupted during extreme weather conditions.
- The government extended the emergency lending programme to airlines and hospitals until 30th September'21 or till guarantees for Rs 3 trillion are issued under the Emergency Credit Line Guarantee Scheme (ECLGS). Earlier the scheme was rolled out for sectors like textiles and auto components.
- RBI said that it will ensure a comfortable level of liquidity in the economy in the current financial year.
- SEBI doubled the overseas investment limit of alternative investment funds (AIFs) and venture capital funds to \$ 1,500 million.
- IRDAI allowed insurers to invest a portion of their investable funds in "Fund of funds" (FoFs).
- The government said that families of industrial workers enrolled with employee state insurance corporation (ESIC) who died due to the pandemic will get pension for 2 years.
- Prime Minister Narendra Modi announced that all children who lost both the parents/guardians due to Covid-19 will get support under the 'PM-CARES for Children' scheme. Such children will get a monthly stipend once they turn 18 and a fund of Rs. 10 lakh when they turn 23.

How are Mutual Fund investments taxed?



Mutual funds as investment vehicles have grown in popularity over the years. They not only offer higher returns due to professional management, but also have a favourable tax treatment. Mutual fund gains are taxable as follows:

A. For Equity-oriented funds (funds which invest a minimum of 65% in equity and equity-related instruments) subject to STT:

Tax Status of Investor	Capital gains tax		Dividend distribution tax	TDS on capital gains	TDS on income distributed under Dividend option
	Short term (< 1 Year)	Long term (≥ 1 Year)		Nil	10%
Resident individual / HUF / Domestic companies	15%	10%	At the applicable income tax slab rate	STCG: 15% LTCG: 10%	20%
NRIs					

Long term capital gains (LTCG) tax is exempted up to Rs. 1 lakh.

B. For other than Equity-oriented funds: It includes debt funds (liquid funds, money market funds, short duration funds, gilt funds etc), hybrid funds (with less than 65% exposure to equity), gold ETFs, Bond ETFs, Fund of Funds investing overseas and infrastructure debt funds.

Tax Status of Investor	Capital gains tax		Dividend distribution tax	TDS on capital gains	TDS on income distributed under Dividend option
	Short Term (<3 Years)	Long Term (≥ 3 Years)			
Resident individual/HUF	At the applicable tax rate	20%	At the applicable income tax slab rate	Nil	10%
Domestic companies/firms	15% / 22% / 25% / 30% (based on company's applicable tax rate)				
NRIs	At the applicable income tax slab rate	20%* (Listed units) 10%** (Unlisted units)	At the applicable income tax slab rate	STCG: 30% LTCG: 20%* (Listed units) 10%** (Unlisted units)	20%

*With indexation; **Without indexation

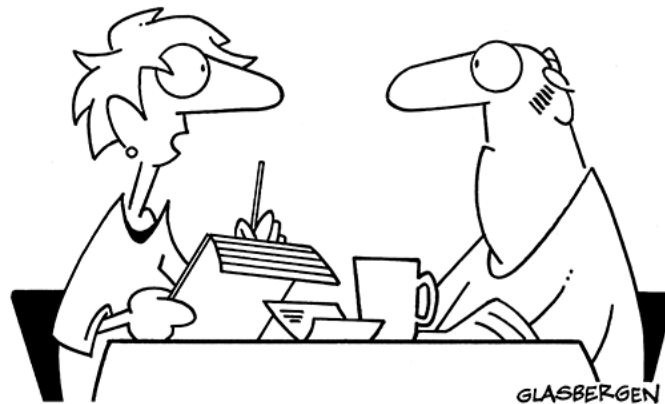
Tax and TDS are subject to surcharge and 4% health and education cess. No TDS is deductible if dividend income paid is less than Rs. 5,000 in a financial year.

Did you know?

Hinduism is the world's oldest religion with roots dating back almost 4,000 years.

Cartoon of the

Month



**“We used up all of our retirement money.
First our car retired, then our furnace
retired, then our dishwasher retired....”**

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