I-CAN FINANCIAL SOLUTIONS

I-CAN COMMUNIQUÉ

AUGUST 2018

MONTHLY NEWSLETTER – AUGUST 2018

I-CAN FINANCIAL SOLUTIONS

Sensex : Up 6.2% Nifty : Up 6.0%	
Best performing sector: Energy (13.6%)	Worst performing sector: Media (-6.4%)
Best performing Global index: Bovespa (8.9%)	Worst performing Global index: Seoul Composite (-1.3%)
Indian Rupee: -0.1%	Gold price: -1.7%

The equity market in India picked up steam in the month of July. The headline indices soared by around 6% and touched lifetime high levels. However, the rally was fuelled primarily by a few select stocks. The S&P BSE Midcap index inched up by 3.6%. The foreign institutional investors (FIIs) pumped in Rs. 2,263.9 crore in equity markets and Rs. 48 crore in debt markets. The 10-year government bond yield reduced from 7.9% on 30th June to 7.77% on 31st July'18.

US and China seemed open to their third round of dialogue last month. The US approved lower tariff barriers on 1,660 items – most of which are made in China. However, the deadlock at the World Trade Organisation (WTO) table continues. The US is planning to share a list of trade issues with India to resolve the differences over bilateral trade.

PM Narendra Modi defeated a no-confidence vote in the Parliament. Modi was able to defeat the move which was initiated by the Opposition by a vote of 325 to 126.

There are some macroeconomic concerns which emerged last month. The International Monetary Fund (IMF) pared down India's growth projection for 2018-19 by 10 basis points to 7.3%, because of the adverse impact of higher crude oil prices and higher interest rates due to inflation. Overall foreign direct investment (FDI) inflows in India reached a 5-year low of 3% at $44.85 billion in 2017-18. FDI inflows in the service sector fell by 23% to $6.7 billion in 2017-18. The trade deficit in India rose to a 61-month high to $16.61 billion. Wholesale price inflation print was 5.77% in June, which was a substantial jump from 4.43% in May. Retail inflation came in at 5% in June, which was higher than 4.87% in May. Factory output measured by Index of Industrial Production (IIP) fell to 3.2% in May from 4.8% in April. The current account deficit is also likely to widen.

The manufacturing sector activity as measured by Nikkei Manufacturing PMI moderated in July falling to 52.3, down from 53.1 in June. July is the 12th consecutive month in which the figure remained above the 50-mark. The Nikkei Services PMI rose from 52.6 in June to 54.2 in July.

Reforms

- The government wants to make it easier to file returns for GST taxpayers. It has released the draft of the GST returns forms.
- The Defence Ministry approved important guidelines to implement an ambitious policy under which certain private firms will work in partnership with foreign entities to build military

platforms like submarines and fighter jets.

- A legislation is under works which will govern the e-commerce industry. It includes setting up of a national regulator, mandatory data localization and so on.
- The e-Way bill, which as of now gives only details of the value of goods being transported, may be packed with more data - for instance, on the vehicle's fitness, insurance paid and pollution under control certification.
- A bill in Lok Sabha was passed which provides quick resolution in cheque bounce cases.
- The Reserve Bank of India (RBI) has asked banks to mention the name of the buyer on the demand draft in order to prevent money laundering.
- The GST Council has cut tax rates on 191 goods that were in the 28% slab, leaving just 35 items, including AC, digital camera, video recorders, dishwashing machine and automobiles, in the highest tax bracket.
- The government plans to inject Rs 11,300 crore into 5 ailing PSU banks – Allahabad Bank, Corporation Bank, Indian Overseas Bank, Punjab National Bank and Andhra Bank.
- SEBI came out with a proposal that will require large corporates to raise 25% borrowings made in 2019-20 through the bond market. SEBI wants to reduce the dependence on banks and also is looking to deepen the bond markets.
- The Fugitive Economic Offenders Bill, 2018 was passed in the Lok Sabha. This will facilitate bringing back white collar criminals who have run away from the country to come back to India and face trial.
- The Special Investigation Team (SIT) on black money has recommended the central government to cap the cash holding limit at Rs 10 million instead of its earlier suggestion of Rs 2 million.
- Parliament has approved the bill to merge 6 subsidiary banks with the State Bank of India.
- The government has doubled the import duty on more than 50 textile products. This is likely to give a boost to the domestic textile industry.
- The government has increased the load carrying capacity of heavy vehicles (which includes trucks) by 20-25% which is as per global standards. This will lead to cost cutting on logistics.
- SEBI has suggested amendments for stricter governance of auditors and other third-party individuals hired for auditing listed companies.
- The central government might relax the eligibility norms for non banking finance companies (NBFCs) under MUDRA, in order to boost the uptake of loans under this scheme. Mudra is a scheme launched by the Prime Minister to provide loans to non-corporate, non-farm small/micro enterprises.
- The Telecom Commission approved the net neutrality rules, which implies that internet will remain open to everyone in the country.
- According to SEBI alternative investment funds (AIFs) cannot convert their existing open-ended schemes to close-ended ones and vice-versa.

How to save tax by making the most of Section 80C?

Indians can avail tax benefits under Section 80C of the Income Tax Act. By doing so, the tax outgo can be reduced. The maximum deduction that can be claimed from the total taxable income is Rs 1.5 lakh. An individual or a Hindu Undivided Family (HUF) can avail this.

The following investment options are eligible for claiming benefits under Section 80C:

1. Employee Provident Fund:

   The Employment Provident Fund (EPF) is a retirement benefit scheme available to all salaried employees. Both the employer and employee have to contribute equally (12% of basic salary) to the provident fund account of the employee. The employee can contribute a higher sum of money through voluntary contributions (VPF). The employee contributions qualify for deduction under Section 80C. The current interest rate is 8.55% per annum.

2. Public Provident Fund:

   A PPF account can be opened by resident individuals either in their own name or in the name of a minor child. It can be opened by both salaried and non-salaried individuals. The maturity period is 15 years, but can be extended by 5 years. The current interest rate is 7.6% per annum. The maximum investment limit is Rs 1.5 lakh.

3. Home loan (Principal Amount):

   Repaying a principal loan which might have been taken for the purchase or construction of a house. It is allowed only after the construction is complete and the completion certificate is awarded. The property should not be sold in 5 years from the time of taking possession. Doing so will add back the deduction to the income again in the year in which the property is sold. Stamp duty and registration charges and other expenses related directly to the transfer are also allowed as a deduction under Section 80C, subject to a maximum deduction amount of Rs. 1.5 lakhs. These expenses should be claimed in the same year in which they are incurred.

4. National Savings Certificate (NSC):

   The National Savings Certificate is a fixed income investment scheme that you can open with any post office. It has 2 maturity periods – 5 years and 10 years. Currently the interest rate is 7.6% annually. Banks and NBFCs accept NSC as a collateral or security for secured loans. Generally, one cannot exit the scheme early. However, they accept it in exceptional cases like the death of investor or with the court order. There is no maximum limit on the investment amount. However, the upper limit for Section 80C benefit is Rs 1.5 lakh.

5. Equity Linked Saving Scheme (ELSS)

   ELSS is an open-ended equity mutual fund that helps in claiming tax benefit upto Rs 1.5 lakh. The lock-in period is 3 years. Compared to the other options this investment gives the opportunity to compound the money at a higher growth rate because of the equity investment.

6. Sukanya Samriddhi Scheme

   Parents/guardians can open account in the name of a girl child till she attains the age of 10 years. Maximum of two accounts can be opened by natural or legal guardian for 2 different girls. Account can be opened at public sector banks and post offices. The rate of interest is 8.1% as of now. The girl child will be able to operate the account after the attainment of 10 years. The minimum amount that needs to be deposited on an annual basis is very low, i.e., Rs.250 per year. The girl child will receive the proceeds when the account matures. Up to 50% of the deposit amount can be prematurely withdrawn once the girl reaches the age of 18 years.

7. 5 Year Post Office Time Deposit

   The account can be opened by any individual at any branch of Indian Post Office. The maturity is after 5 years from the date of investment. The rate of interest currently is 7.7%. The minimum investment limit is Rs 200. There is no upper limit on the investment.

8. Unit Linked Insurance Plan (ULIP)

   A ULIP is a life insurance plan which combines investment and insurance. One part of the investment is used to provide risk cover and the other part is used to invest in the stock market. It is possible to make partial withdrawals after 5 years. An investor can invest an amount higher than Rs 1.5 lakh but deduction will be allowed only up to Rs 1.5 lakhs.

9. 5 Year Tax Saving Bank Fixed Deposit (FD)

   Resident individuals are eligible to open the account. Senior citizens above the age of 60 can also open this account. Its maturity period is 5 years. The minimum investment amount is Rs. 1,000. The interest income is taxable on maturity.

10. Senior Citizens Saving Scheme

    An individual aged 60 years or more is allowed to open the account. An individual of the age of 55 years or more but less than 60 years, who has retired under VRS (Voluntary Retirement Scheme) is also permitted to open account if he/she satisfies 2 conditions. First, the account is opened within 1 month of receipt of retirement benefits. Second, investment amount should not exceed the amount of retirement benefits. The maturity period is 5 years – which can be extended by 3 years after maturity. The current interest rate is 8.3%. The minimum investment is Rs. 1,000 and maximum investment limit is Rs 15 lakh. Interest income is taxable and taxes will be deducted at source if it is more than Rs 10,000 per annum.

11. Tax Saving Bonds

    The amount invested in bonds issued by infrastructure companies such as Infrastructure Development Finance Company and India Infrastructure Finance Company can be claimed for deduction under Section 80C.
    NABARD (National Bank for Agriculture and Rural Development) issues two types of bonds - NABARD Rural Bonds and Bhavishya Nirman Bonds. Investments made in NABARD Rural Bonds are eligible for tax deductions.

12. Other Expenses eligible under Section 80C:
    a. Life Insurance Premium: Individuals and HUF can invest. A minimum 3 years of premium needs to be paid before one can surrender the policy. The average life insurance policy return is 4.5-6%.
    b. Children's tuition fees: The tax deduction is allowed for upto two children only. The development fee/capitation fee is not included under this section. The condition is that the institute should be located in India.

Did you know?

1 in 3 children can use a tablet before they can speak, a survey found.

Cartoon of the Month

"I finally put something aside for my retirement. I put aside my plans to retire."

Top Personal Finance News – July 2018

1) Who can get Instant e-PAN and how?: Click here

2) LTCG taxability of stocks needs more clarity: Click here

3) Long-term mutual fund investors must review portfolio every year: Click here

4) Do you still hold physical share certificates? Watch out for these roadblocks in converting to demat: Click here

5) How mutual fund investors can benefit from rising interest rates: Click here

6) How to read your PF statement: Click here

7) How to verify your ITR filing for FY 2017-18 : Click here

8) Nomination doesn't override succession law: Click here

9) Here's how to pick a mutual fund from 14 new SEBI categories: Click here

10) Stocks vs gold vs bank FDs: How much you would have earned: Click here

11) Income Tax: Benefit of capital gains not available on commercial property: Click here

12) When do you need to update KYC details and how to do it: Click here

13) Life Insurance: Can you extend the period of a term plan? Here is the answer: Click here

14) How to pay tax on bitcoin gains: Click here

15) Avoid mutual fund mistakes by following these steps: Click here

16) Haven't filed I-T return yet? You could be losing out on these 10 benefits: Click here

17) Should SIPs be continued when returns are negative?: Click here

18) How to get income tax benefits from your life insurance cover: Click here

19) No penalty on late filing of ITR if your income doesn't cross this limit: Click here

20) For 'person resident in India', interest from NRE accounts is taxable: Click here