I-CAN FINANCIAL SOLUTIONS

I-CAN COMMUNIQUÉ

FEBRUARY 2018

MONTHLY NEWSLETTER – FEBRUARY 2018

Sensex : Up 5.6% Nifty : Up 4.7%	
Best performing sector: Bankex (7.4%)	Worst performing sector: Auto (-3%)
Best performing Global index: Bovespa (11.1%)	Worst performing Global index: Nikkei 225 (1.5%)
Indian Rupee: 0.45%	Gold price: 3.3%

January 2018 marked a cheerful beginning to the new year with the headline Indian equity indices soaring up by around ~5%. The net inflows in the equity and debt market by foreign institutional investors (FIIs) was Rs 13,781.46 crore and Rs. 8,522.92 crore respectively. The 10-year government bond yield went up by 10 basis points to 7.43%.

All eyes were set on the Union Budget slated to be announced on 1st February. The Economic Survey was released in January. According to the Survey, the Indian GDP is expected to grow at 6.75% in FY18 and 7-7.5% in the next financial year. The survey also revealed that the indirect taxpayer base increased by more than 50% after the implementation of GST. Indian GDP is expected to grow at 7.4% in 2018 as against China's 6.8%, according to International Monetary Fund (IMF). If this happens, it will be the fastest growing economy in the world.

India showed improvement in some global surveys. The World Economic Forum (WEF) has ranked India at 30th position on a global manufacturing index - below China's 5th place but above other BRICS peers, Brazil, Russia and South Africa. As per a report by New World Wealth, India ranks 6th in the list of wealthiest nations with total wealth of $ 8,230 billion, while the United States is the wealthiest country in the world as the total wealth held in 2017 amounted to $ 64,584 billion. India was ranked at the 62nd place by the World Economic Forum among emerging economies on an Inclusive Development Index, much below China's 26th position and Pakistan's 47th.

Index of Industrial Production (IIP), after slowing for two consecutive months, grew by a healthy 8.4% in November. Consumer Price Index (CPI)-based inflation rate for December rose to 5.21%, compared to 4.88% in November. Wholesale price index (WPI)-based inflation unexpectedly slowed to 3.58% in December from 3.93% in the previous month. The Nikkei Services Business Activity Index rose to 50.9 in the month from 48.5 in November, showing marginal improvement. Nikkei India Manufacturing Purchasing Manager's Index (PMI) rose to 54.7 in December 2017 from 52.6 in November on the back of robust improvement in the sector since December 2012.

The participation of retail investors in domestic mutual funds continues to be very strong. Inflow through the systematic investment plan

(SIP) route have hit an all-time high of Rs 62.22 billion in December. Put together, the overall SIP inflow in 2017 stood at Rs 595 billion. It is worth noting that about 85% of SIP inflow are into equity-oriented schemes. Money raised by new offers in the equity segment of the mutual fund industry hit a 10-year high of Rs 223.33 billion in 2017.

Reforms

• The insurance regulator IRDAI will facilitate data availability to consultants to undertake a quantitative impact study (QIS) for implementation of a risk-based capital (RBC) regime.

• Rating agency CRISIL has revised its outlook on 18 public sector banks (PSBs) from “negative” to “stable” due to the government’s announcement of bank-wise capital infusion and reform plans. The government will infuse Rs 88,000 crore in ailing public sector banks with a set of performance metrics.

• Payments Banks and Small Finance Banks are now allowed to sell Atal Pension Yojana (APY).

• The government is considering a plan to raise the equity investment limit for the Employees' Provident Fund Organisation (EPFO) to 25% from 15%.

• The government on Friday announced the names of nine more cities that will receive the Centre’s funds under the Smart Cities Mission. These are Silvassa (Dadra and Nagar Haveli), Erode (Tamil Nadu), Bihar Sharif (Bihar), Itanagar (Arunachal Pradesh), Kavaratti (Lakshadweep), Diu (Daman and Diu), Moradabad, Bareilly and Saharanpur (all Uttar Pradesh).

• A high-powered committee chaired by Finance Minister Arun Jaitley will look into the issues affecting stuck shipping projects worth up to Rs 20,000 crore.

• The Singapore revenue authority has asked all banks to share details of Indian account holders to pass it on to New Delhi under a double taxation-avoidance agreement (DTAA). Unaccounted income stashed in Singapore banks will be scrutinized by Indian authorities.

• In an attempt to provide a big push to affordable housing ahead of the next elections, land available with 6 loss-making central public sector enterprises has been identified to give momentum to Prime Minister Narendra Modi's initiative of affordable housing.

• Companies will now have to go for joint audits in case a foreign investor insists on having an international auditor, a move that will provide a boost to Indian audit entities.

• AMFI said that mutual funds will soon trade in the commodity derivatives, a move that will deepen the market.

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UNION BUDGET: 2018 – 2019

The much awaited Union Budget 2018 was presented and various tax proposals were laid by our finance minister Mr. Arun Jaitley on 1st February, 2018. On one hand it is said to have favoured the rural population whereas on the other hand it was not well perceived by the financial markets. The Union Budget resulted mixed reactions among the people of India, on one hand where our finance minister reintroduced standard deduction, gave senior citizens a few reasons to cheer, and increasing the home pay for the women joining the workforce and also proposed various contributions for the rural and agricultural population of India. On the other hand, the government took away the medical and travel allowances of the salaried class, introduced long term capital gains tax on equity (Stocks & Mutual Funds), and pegged the fiscal deficit to 3.5%.

Following are the takeaways from the Union Budget 2018:

For Individual Tax Payers:

Mr. Arun Jaitley left the income tax slabs unchanged in this union budget stating that the government had made many positive changes in the tax rates applicable to the individual tax payers.

For Agriculture & Rural:

The government introduced a series of measures in the Union Budget to aid farm productivity and agriculture, which further improves the prospects for rural income.

There has been a substantial push for the agricultural sector, the finance minister announced to set up an agriculture market fund of Rs. 2,000 crore. Further, focused infrastructure funds have been announced for the fisheries and animal husbandry sectors for financing infrastructure requirements. A corpus of Rs. 10,000 crore has been announced for fisheries, aquaculture and animal husbandry funds. A substantial increase in the minimum support price has historically aided rural consumption demand. Finance minister, Arun Jaitley announced a key policy measure that the MSP would be 1.5x of the cost of production, which has already been declared for the Rabi crops and would further be extended for kharif crops as well. The finance minister has also proposed to give facility of Kisan Credit Cards for the fishery and animal husbandry farmers in order to meet their working capital requirements.

For Education:

The finance minister has announced to set up 4 government medical colleges and hospitals by upgrading existing district hospitals. Two new planning or architecture schools are also to be set up by the government. The finance minister also proposed to increase the digital intensity in education - gradually move from blackboard to digital board. The government increased the education cess from 3% to 4% renaming it to health and education cess.

For Women:

The EPF contribution of new women workers is to be capped at 8% instead of 10% or 12% as the case may be, for the first 3 years. The proposed move will enhance their take home pay. Further for new employees coming under the EPFO would be provided 12% contribution from the government. The government also proposed to increase the loans to self-help groups to Rs 75,000 crore by March 2019 and the government also proposed to increase the target of providing free gas connection to 8 crore poor women.

For Senior Citizens

The existing deduction of upto Rs.10,000 for interest and savings accounts is proposed to be increased to Rs. 50,000 for senior citizens where the interest on any deposits including fixed deposits would also be able for deduction. The deduction for health insurance premium paid by or on behalf of senior citizens is proposed to be increased to be increased from Rs 30,000 to Rs 50,000. The deduction on medical expenditure for certain critical illness has been increased to Rs 1 lakh for senior citizens. The FM has proposed to increase the investment limit the pension scheme, Pradhanmantri Vaya Vandana Yojana (PMVVY), to Rs 15 lakh from the present Rs 7.5 lakh, which inturn is a good news for the senior citizens.

For Investors:

The government introduced the Long Term Capital Gains Tax on Listed Equity Shares and units of an equity oriented fund. In financial year 2018-19 if the profits earned on listed equity share and equity oriented mutual funds is in excess of rupees 1 lakh, it will be taxed at the rate of 10% without any indexation benefit. However, the gains up to 31st January 2018 will not attract the said tax to the extent of the fair market value as on 31 January 2018. The government has also proposed to introduce a dividend distribution tax on equity-oriented mutual funds at the rate of 10% percent, to provide a level field across growth oriented and dividend distributing schemes.

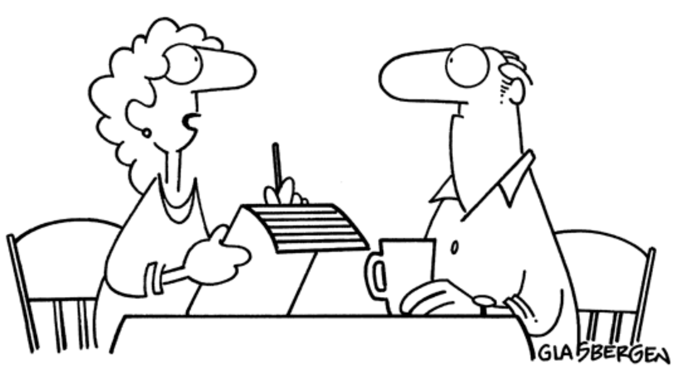
Conclusion

The finance minister introduced many other proposals in favor of the growth of Indian economy. The Union Budget 2018 was mainly focused rural and agriculture and health as well to improve the rural incomes ahead of general elections next year.

Did you know?

Australia has 10,685 beaches. You could visit a new beach every day for more than 29 years!

Cartoon of the Month



"We can afford to retire in 20 years, but only if our credit cards retire in 10 years."

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14) Stopping investments when equity markets fall : [Click here]

15) Exit or stay invested? Too-fast-too-soon gains put small investor in a spot : [Click here]

16) Life insurance claims are to be paid in 30 days : Click here

17) Banks are reducing charges for digital transactions : Click here

18) 31 March 2018: last day to file 2016-17 tax return : Click here