I-CAN COMMUNIQUÉ

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MONTHLY NEWSLETTER – NOVEMBER 2021

Sensex : Up 0.3% Nifty : Up 0.3%	
Best performing sector: Auto (6.6%)	Worst performing sector: FMCG (-5.5%)
Best performing Global index: MerVal (8.0%)	Worst performing Global index: Bovespa (-6.7%)
Indian Rupee: -0.9%	Gold (International): 1.6%

Indian economy is on the path to recovery as the festive season began last month and the Covid-19 cases also continued to be on a decline. Active Covid-19 cases in India touched a 247-day low of 12,830 on 31 October. The daily increase in infections has been below 20,000 for the last 23 consecutive days as October ended. Indian think tank NCAER said that most sectors are about to touch their pre-pandemic levels and move beyond them. As per PHD Chamber of Commerce and Industry (PHDCCI), the Indian economy is likely to register a strong growth in the coming quarters. Out of the 12 lead economic and business indicators tracked by the chamber, 9 have shown improvement.

The headline indices Nifty 50 and S&P BSE Sensex were almost flat with a growth of 0.3% last month. The S&P BSE Mid and Small Cap indices were also flattish with a growth of 0.1% and -0.35% respectively. The 10-year government bond yield was marginally up from 6.215% to 6.223%. Foreign institutional investors (FIIs) were net sellers in both equity and bond markets. The net amount sold in stock markets was Rs. 13,549.7 crore and in bond markets was Rs. 1,557.7 crore.

ICRA expects the Indian economy to grow at 7.7% in the September quarter. The International Monetary Fund (IMF) kept the GDP growth forecast for FY22 unchanged at 9.5%. The GDP outlook for FY23 is 8.5%. FICCI marginally raised the FY22 growth projection from 9% to 9.1% estimated earlier. UBS Securities expects the Indian economy to grow by 9.5% in FY22. Fitch Ratings, on the other hand, slashed India's growth forecast to 8.7% from the previous June estimate of 10% for FY22. Fitch stated that the second Covid wave delayed rather than derail economic growth.

Moody's upgraded its outlook on the Government of India to 'stable' from 'negative' as it expects economic recovery. Morgan Stanley Research indicated that consumption recovery in India will improve from early 2022.

GST collection shot up by 23% year-on-year in September'21 and reached Rs. 1.17 trillion. The Index of Industrial Production (IIP) rose by 11.9% in August on a low base effect. The figure for the same month last year was -7.1%.

India's wholesale price index (WPI) based inflation eased to 10.66% in September'21 from

11.39% in August’21. The consumer price index (CPI) based inflation also eased to 4.35% in September’21 from 5.3% in the previous month. This was mainly on account of cooling food prices. CPI inflation is the lowest since April’21.

India’s Manufacturing Purchasing Managers’ Index (PMI) continued improving from 53.7 in September’21 to 55.9 in October’21. This is the fastest uptick in the last 7 months. The Services PMI number moved up to a decade-and-a-half high level of 58.4 in October’21. The figure in the previous month was 55.2. A reading above 50 indicates expansion.

The G20 Bloc which includes countries like China, Brazil, India, Germany and the US conducted talks after 2 years with climate change, economy and COVID as the main focus areas.

Reforms

- SEBI published norms that pave the way for silver or silver-related instruments to be included in mutual fund schemes of asset management companies (AMCs).
- Prime Minister Narendra Modi said that India plans to add around 1 lakh kilometers of road network to expand the national highways to around 2 lakh km in the next four years. The PM Gati Shakti project, which is pegged at a cost of ₹100 lakh crore, aims to set up a multi-nodal connectivity to various economic zones, a centralised portal to unite the infrastructural initiatives planned and initiated by as many as 16 central ministries and departments.
- SEBI allowed foreign portfolio investors (FPIs) to write off debt securities that they are unable to sell. This is to be applicable to only those FPIs that intend to surrender their registration.
- India will be spending $ 316 billion (around Rs. 23 lakh crore) in the 10-year period upto 2030 towards de-carbonisation, according to Bank of America Securities. This is over and above $ 84 billion already spent since the nation joined the Paris Climate Accord in 2015.
- SEBI introduced simpler norms for processing service requests of investors by registrar and transfer agents (RTAs).
- More than 1 billion vaccination doses were administered in the country by 21 October. Around 75% of the above-18 population were vaccinated with the first dose and over 31% people with both doses.
- A semiconductor design-linked incentive policy is in the works, through which the government aims to promote domestic manufacturing and attract global electronic chip companies to India.

Real Estate Taxation

Real estate forms a significant portion of Indian households' assets. It is important that when buying/selling a property one keeps the tax implications in mind otherwise the tax liability could be huge.

When you sell a property the profit made is known as capital gains. The seller needs to pay taxes on capital gains incurred. There are two types of capital gains:

Short Term Capital Gain: If you sell a real estate asset within 2 years from the date of purchase, it is treated as short-term capital gain (STCG). The tax rate applicable on the profit is as per the income tax slab of the seller.

STCG = Sale Price – Purchase Price – Cost of improvement (if any) – Expenses incurred specifically for the sale of the asset

Long Term Capital Gain: If you sell a real estate asset after 2 years from the date of purchase, it is treated as long-term capital gain (LTCG). Tax on LTCG is 20.8% with indexation benefit. Indexation basically adjusts the cost of acquisition of an asset as per the inflation index. It increases the cost assumed and hence reduces the tax liability.

LTCG = Sale Price – Indexed Purchase Price – Indexed Cost of improvement (if any) – Expenses incurred specifically for the sale of the asset – Exemptions (if any) under section 54, 54F, 54EC

If you use the sales proceeds to buy a house property you pay tax only on the balance amount left after buying a new house:

i. Buy a house within 1 year before the date of transfer or 2 years after that
ii. Construct a house within 3 years after the date of transfer

Section 54EC: If you do not wish to purchase a new property you can save on LTCG tax by investing in any of the following bonds – bonds issued by the National Highway Authority of India (NHAI) or Rural Electrification Corporation (REC). These can be redeemed after 3 years and must not be sold before this period. A 6-month window is available to invest in these bonds from the date of sale. A maximum of Rs. 50 lakh can be invested in a financial year in these bonds.

Did you know?

France is the world's most popular tourist destination

Cartoon of the Month

"You'll be impressed with the creative use of space. It's a 200-square-foot condo with 9 bedrooms, 5 bathrooms, and an indoor swimming pool!"

Top Personal Finance News – October 2021

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2) Smart tips to help you control festive spending: Click here
3) How to setup UPI autopay for your recurring payments: Click here
4) Do you have to report cryptocurrency investments as foreign assets in your income tax return?: Click here
5) How NRIs stuck due to pandemic will be taxed in India for FY 2020-21: Click here
6) What is Pin Money and how does a woman save taxes on the same: Click here
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18) How to get same day's NAV in mutual funds: Click here
19) How to register yourself on the new income tax portal for filing ITR: Click here
20) Things to check before buying a deferred annuity plan: Click here