



I-CAN FINANCIAL SOLUTIONS

I-CAN COMMUNIQUÉ

JULY 2019



MONTHLY NEWSLETTER – JULY 2019

Sensex : Down 0.8%	
Nifty : Down 1.1%	
Best performing sector: Power (4.2%)	Worst performing sector: Media (-7.5%)
Best performing Global index: Argentina's MerVal (23.1%)	Worst performing Global index: Madrid General (0.25%)
Indian Rupee: 1%	Gold (India): 1.8%

The Indian equity markets saw weakness in the month of June. The headline indices fell by around 1% while the mid and small cap indices fell more sharply by 2% and 4% respectively. Foreign institutional investors (FIIs) were net buyers in the equity and bond markets – their net inflows being Rs 2,595.5 crore and Rs 8,319.3 crore respectively. Foreign institutional investors (FIIs) bought the highest amount of Indian shares (Rs 87,641.8 crore) in the January-June period compared to the last 5 years. On the other hand, domestic institutional investors (DIIs) including mutual funds and insurance companies were net sellers to the tune of Rs. 7,791 crore in the same period.

The 10-year government bond fell from 7.03% to 6.88% - a positive for bond holders. The Reserve Bank of India (RBI) delivered its third consecutive repo rate cut under the new Governor Shaktikanta Das. The repo rate stands reduced by 25 basis points to 5.75%. The policy stance was shifted to 'accommodative'. The US Federal Reserve kept rates unchanged in the range of

2.25 to 2.5%. For the first time in more than 10 years it indicated the possibility of lowering rates in the near future.

The Nikkei India Service PMI declined to 49.6 in June, down from 50.2 in May. This is the first contraction seen since May 2018. The Manufacturing PMI fell to 52.1 in June, down from 52.7 in May. (A reading below 50 indicates contraction). Fitch reduced India's GDP growth forecast for FY20 to 6.6% from 6.8% due to a slowdown in agriculture and manufacturing. The index of industrial production (IIP) increased to 3.4% in April from 0.3% in March.

Retail inflation (measured by CPI) rose to 3.05% in May from 2.99% in April. Wholesale price-based inflation hit a 22-month low of 2.45% in May from 3.07% in April. This was due to falling food and fuel prices. With signs of a growth slowdown and inflation continuing to be within RBI's comfort zone a rate cut was a welcome move.

Indian rains covered half of the country by end of June. The progress of monsoons which were delayed, should help farmers speed up the sowing of crops.

India's current account deficit (CAD) narrowed to 0.7% of GDP in the quarter ending March 31, 2019 compared to the 2.7% reading in the previous quarter. The CAD for FY19 increased to 2.1% of GDP against 1.8% in the previous financial year. The fiscal deficit for May stood at Rs. 3.66 trillion which is 52% of the budgeted target for the current fiscal.

The NBFC crisis continues as the stressed companies continue to feel the strain on making their debt repayments in time. The rating downgrade of DHFL's commercial papers caused the NAVs of debt mutual funds which had exposure to the papers to dip. The company stated that it is making all the efforts to repay its debt obligations.

Reforms

- SEBI announced that it will take action against mutual funds if there are defaults in cases involving loans against shares to company promoters. The fund houses have also entered into 'standstill' agreements with promoters 'to not sell the shares for a certain period even when default had been triggered'. SEBI has banned such standstill agreements. The following investment rules have been laid out:
 - All liquid funds will hold at least 20% in liquid assets such as cash, government securities etc
 - Not more than 20% of the assets of a debt scheme will be invested in one sector
 - Debt and money market funds will be valued on a mark-to-market basis
 - Liquid and overnight funds will not be permitted to invest in short-term deposits, debt and money market instruments having structured obligations or credit enhancements
 - Upto 7 days exit load on liquid schemes
 - It is mandatory for mutual funds to invest only in listed non-convertible debentures (NCDs)
 - At least four-times security cover is mandatory for

investment by MF schemes in debt securities having credit enhancements backed by equities directly or indirectly.

- SEBI has asked credit rating agencies to start disclosing the probability of default for the issuers they rate.
- The GST Council came up with stricter norms in order to prevent tax evasion and extended the tenure of the National Anti-Profiteering Authority (NAA) by 2 years to November 2021.
- The Special Economic Zones (Amendment) Bill, 2019 which seeks to allow trusts to set up units in special economic zones by amending the SEZ law was passed by Lok Sabha. It will now move to Rajya Sabha.
- The Union Cabinet approved a fresh bill banning the practice of instant triple talaq. It also cleared the Indian Medical Council (Amendment) Bill, 2019.
- The Employees' Provident Fund Organisation (EPFO) has barred its private sector asset management companies from investing the retirement corpus in group companies because of the experience of some cross investments in the past.
- According to Swiss National Bank data, money parked by Indian individuals and enterprises in Swiss banks, including through India-based branches, fell by around 6% in 2018 to 955 million Swiss francs (about Rs 6,757 crore) to hit its second-lowest level in over two decades.
- The government plans to do away with the requirement of minimum educational qualification for obtaining a driving licence to boost employment opportunities.

Union Budget: Highlights



The Finance Minister Ms. Nirmala Sitharaman unveiled the Budget on 5th July for financial year 2019-20. We believe that it was a decent Budget, in line with the government's focus on infrastructure development, rural welfare, increased transparency, Make in India push, Digital India and entrepreneurship. We have summarised the most important aspects of the Budget.

The government's vision is to grow India's GDP to \$5 trillion which will be driven by investments.

Macro-fiscal

- The fiscal deficit target for 2019-20 has been reduced to 3.3 from 3.4%.
- The disinvestment program target for FY20 is Rs 1.05 lakh crore. This seems ambitious as a part of it depends on finding a buyer for Air India.
- The government plans to raise a part of its gross borrowing programme in external markets in external currencies. This will help ease the pressure on domestic savings and interest rates.

Corporate Tax

- The corporate tax rate of 25% to be extended to companies with an annual turnover of Rs 400 crore. This will cover 99.3% of the companies.
- SEBI to mull increase in minimum public shareholding for listed entities from 25% to 35%
- A 5% TDS to be applied on contractual work or professional fees payments (for the purpose of business or profession) made by an individual or HUF if the annual payment made to the contractor or professional exceeds Rs. 50 lakh. There is no requirement to obtain TAN for deposit of such TDS. Only PAN is needed.
- A scheme of faceless e-assessment involving no human interface will be launched in a phased manner. Central cell will be the point of contact for the taxpayer.
- A TDS of 2% shall be levied on cash withdrawals exceeding Rs 1 crore in a year from a bank account. This is to encourage digital modes of payments.
- Buyback tax to be applied on buyback by listed companies post 5 July 2019
- Investment-linked income tax deduction likely to be introduced for mega-manufacturing plants set up in sunrise and advanced technology areas producing semi-conductor fabrication, solar photovoltaic cells, lithium storage batteries, computer servers, laptops, solar electric charging infrastructure.

Personal Tax

- For ease of taxpayers, PAN and Aadhaar will be made interchangeable, and taxpayers without PAN can file the tax returns quoting Aadhaar.
- In the case of an individual, an enhanced surcharge of 25% on taxable income exceeding Rs 2 crore till Rs 5 crore and 37% on taxable income exceeding Rs 5 crore.
- Additional income tax deduction of up to Rs 1.5 lakh will be available for loans taken by individuals from any financial institution for purchase of electric vehicles between 1 April 2019 and 31 March 2023. This amounts to a benefit of around 2.5 lakh over the loan period to the taxpayers who take loans to purchase electric vehicle.
- An additional income tax deduction up to Rs 1.5 lakh will be provided for purchase of first residential property if the property is purchased between 1 April 2019 and 31 March 2020 and the value of the property does not exceed Rs 45 lakh.
- Prefilled tax returns forms enumerating salary, bank interest, capital gain from securities and dividends, etc. will be made available for taxpayers.
- With a view to enable the pensioner to have more disposable funds, the exemption will now be increased for any payment from the NPS Trust to a taxpayer, from 40% to 60% of the total amount payable at the time of closure/opting out of the scheme
- New category of taxpayers are mandatorily required to file tax returns if during the previous year:
 - Expenditure incurred is more than Rs 2 lakh for foreign travel
 - Electricity expenditure more than Rs 1 lakh
 - Deposits in current account more than Rs 1 Crore
 - Satisfying other prescribed conditions

Infrastructure

- The Government plans to invest Rs 100 lakh crore in infrastructure sector over the next five years.
- There are plans to make India a hub for aircraft financing and leasing activities utilizing existing International Financial Service Centres and SEZs.
- Railway capex increased by 14% to Rs 1,034 billion
- The Government will come out with a policy to promote Maintenance, Repair and Overhaul (MRO) industry
- PPP model will be introduced to unleash faster development and delivery of passenger freight services. There is a proposal to increase more PPP initiative for metro-rail
- Around 1,25,000 km of road length will be upgraded over the next five years, with an estimated cost of Rs 80,250 crore.
- FPIs will be permitted to subscribe to listed debt securities issued by REITs and InvITs.
- In order to promote Make in India, basic customs duty is being increased on various items.

Financial Sector

- Statutory limit for foreign portfolio investment in a company to be increased from 24% to sectoral foreign investment limit (with an option given to the concerned corporates to limit it to a lower threshold).
- Public sector banks to be further provided Rs 70,000 crore capital to boost credit for a strong impetus to the economy
- Reduction in net owned fund requirement from Rs 5,000 crore to Rs 1,000 crore for units of foreign reinsurance company in IFSC
- Government to provide onetime six months' partial credit guarantee to public sector banks for first loss of up to 10% arising on purchase of high-rated pooled assets of financially sound NBFCs
- Regulation authority over the housing finance sector to move back to RBI from NHB
- Regulatory authority and supervision of RBI over NBFCs to be strengthened
- NRI Portfolio Investment Scheme to be merged with the Foreign Portfolio Investment Route to boost investment in Indian equities
- Action plan to deepen the market for long-term bonds, including deepening markets for corporate bond repos and credit default swaps, with specific focus on infrastructure sector

Welfare Schemes

- The Government of India has decided to extend the pension benefit to about 3 crore retail traders and small shopkeepers whose annual turnover is less than Rs 1.5 crore under a new Scheme namely Pradhan Mantri Karam Yogi Maandhan Scheme. Enrolment into the Scheme will be kept simple requiring only Aadhaar and a bank account and rest will be on self-declaration.
- In the second phase of Pradhan Mantri Awas Yojana – Gramin (PMAY-G) during 2019-20 to 2021-22, 1.95 crore houses are proposed to be provided to the eligible beneficiaries. These houses are also being provided with amenities like toilets, electricity and LPG connections.
- Through a focused Scheme – the Pradhan Mantri Matsya Sampada Yojana (PMMSY) – the Department of Fisheries will establish a robust fisheries management framework.
- Har Ghar Jal is the government's vision to work with states to ensure piped water supply to all rural households by 2024 under the Jal Jeevan Mission.

Customs Duty

- Increase in customs duty on split ACs from 10 to 20%, on optic fibre and cables from 10 to 15%, CCTV and IP cameras from 15 to 20% and on auto ancillaries by 5%. This has been done with a view to increase the incentive to make in India.
- Customs duty on silver increased from 10 to 12.5%
- Customs duty on stainless steel and alloy increased from 5 to 7.5%

Did you know?

There is more money loaded on Starbucks cards and the Starbucks mobile app than some banks have in deposits.

Cartoon of the Month



**“Here’s our new retirement plan –
at age 65, we’ll get divorced than marry
other people who planned better.”**

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