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Editorial

WE ALL ARE FORTUNATE

to witness the unfolding of India's growth story and one should make the most out of it

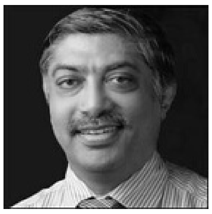
Mr. Deepak Bagla, Managing Director & CEO of Invest India, delivered a keynote address at the Treasury Leadership Forum 2023 in Mumbai. He spoke about India's future, the country's digitization change, and the most unprecedented transformation that we are facing in terms of both scale and pace. He also spoke about the story of start-ups in India which is about entrepreneurship, the new generation, and the ability to access unique opportunities.

Invest India is a team of 450 professionals aged an average of 29 years, who come from the Indian Institutes of Technology (IIT) and Indian Institutes of Management (IIM) with backgrounds in banking and finance. It is an investment promotion facilitation agency that helps investors looking for opportunities in India.

As Mr. Deepak Bagla rightly said, India is going through the most unprecedented transformation in the history of free world, both in terms of scale and pace of changes. Some of the astonishing stats that he quoted:

- *Out of $950 bn FDI received by India since 1947, $532 bn was received in just past 90 months, a global record.*
- *FDI received was from 162 countries and it came into 61 sectors in 31 states and union territories which is again a global record*
- *India (~$3.5tn) is now no. 5 in size of GDP - progressed from no. 10 in 2014 (2/3rd of GDP is driven by domestic demand)*
- *India is poised to overtake Germany to become the fourth largest economy by the end of this year or early next year*
- *India took 67 years to add first trillion $, 8 years to add next trillion, and just 5 years to add 3rd trillion $*
- *Largest human work force on earth with average age of population of 29 years; the country to remain youngest on the planet till 2070*

Definitely a lot of opportunities for each one of us to grab...



Piyush Desai - CEO

The most simple and basic definition of investing 'is to hold'. Buying and selling just because some stock is going up or down is anything but investing. I didn't get to where I am by flipping stocks.

Warren Buffett

Index

What are Target Maturity Funds?

Build your portfolio with Debt securities

Target maturity funds have gained a lot of popularity in recent times. Perhaps you're wondering what target maturity funds are and why they've become so popular lately.

Let us find out!

Target Maturity Funds are debt funds that share some characteristics of fixed deposits.

Just like other debt mutual funds, Target maturity funds invest in a basket of fixed-income securities such as Government bonds, State Development Loans, and bonds issued by PSUs & high-quality Corporates.

The difference is they are passively managed i.e. they track specific fixed-income indices and invest in line with the index. For example, IDFC CRISIL Gilt 2027 Index Fund which is a target maturity fund tracks the Crisil Gilt 2027 Index.

Similar to FDs, Target maturity indices have a pre-defined maturity date. The investments mature closer to this date, and your money gets credited back to your bank account post-maturity. And just like FDs, we can also get to know the ballpark expected returns of a target maturity fund at the time of investment.

Who should invest in this fund?

- Investors with long-term investment goals, which are in line with the maturity period of the scheme
- Investors looking for high liquidity in their investment portfolio
- Investors seeking tax-efficient reasonable returns
- Investors with a low-risk appetite for credit exposures and are seeking high-quality portfolio

Globally and locally, inflation may cool off soon and consequently rates may also peak out

Given the aggressive and frontloaded rate hikes, major central banks including RBI have slowed the quantum of rate hikes.

The US yield curve has been inverted (2yr -10yr spread) since July 2022 and over the last one month the US 10yr yield is trading below the lower bound of the Fed Funds rate.

The Indian Overnight Swaps curve is also inverted (1yr yield higher than 5yr). Last two CPI readings in India have been below market expectations and inflation maybe expected to soften further.

All this indicates that the market is expecting slowdown in growth and Inflation to fall over the course of the next one -two years and this bodes well for Fixed Income Investors.

Currently the entire yield curve in India is giving a positive real yield.

This may be a good opportunity to increase allocation to fixed income.

^Source: Bloomberg

Nifty Index G-Sec - Sep 2027*	Growth Option	Bank Deposits
	Individuals	Individuals
	With Indexation	
Amount of Investment (Rs.)	10,00,000	10,00,000
Post Expenses Yield (p.a)* (CAGR)	6.85%	8.00%
Tenor (in days)	1577	1577
Tenor (in years)	4.32	4.32
Amount at the end of investment period (Final Pre-Tax Maturity Amount)	*13,31,440*	*13,94,469*
Gain	3,31,440	3,94,469
Indexed Cost	12,76,282	NA
Indexed Gain/ (Loss)	55,159	NA
Tax Rate	23.30%	33.33%
Tax	12,850	1,31,477
Post Tax Gain	3,18,591	2,62,993
Total Amount Realised	13,18,591	12,62,993
Post Tax Annualised	7.37%	6.09%
Post Tax CAGR	6.61%	5.55%
Post Tax Absolute	31.86%	26.30%

CII	
2012-13	200
2013-14	220
2014-15	240
2015-16	254
2016-17	264
2017-18	272
2018-19	280
2019-20	289
2020-21	301
2021-22	317
2022-23	331
2023-24	348
2024-25	365
2025-26	383
2026-27	402
2027-28	422

Assumption: Cost Inflation Index (CII) for FY 2022-23 is 331. We have assumed 5% increase in the same for next financial years.

**Nifty Index G-Sec - Sep 2027 is shown for illustration purpose only; kindly contact us to know about various Target Maturity Funds / schemes available for investments.*

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Old personal tax regime vs new tax regime: Choosing made easy here

SYNOPSIS

If the aggregate amount of deductions and exemptions that you are eligible to claim under the old tax regime is more than the breakeven threshold that matches the income level, then you would be better off sticking to the old tax regime. Otherwise, it is better to move to the new tax regime.

To encourage adoption of the new tax regime, the government announced several changes in the Union Budget for 2023-24. The budget proposed to allow tax rebate on income up to ₹7 lakh under the new regime, compared to ₹5 lakh offered under both the old and new income tax regimes.

The government also proposed to reduce tax slabs to five from six, and hike the tax exemption limit from ₹2.5 lakh to ₹3 lakh. To encourage more assesses to switch to the new regime, the budget also proposed to introduce a ₹50,000 standard deduction, which was so far available only under the old regime.

The new tax slab rates that will be applicable from 2023-24 in the new tax regime are: up to ₹3 lakh -nil; from ₹3 lakh to ₹6 lakh – 5%; from ₹6 lakh to ₹9 lakh – 10%; from ₹9 lakh to ₹12 lakh – 15%; ₹12 lakh to ₹15 lakh – 20% and above ₹15 lakh – 30%.

When paying taxes under the new regime, one has to forego most of the deductions/exemptions including those under section 80C (maximum of ₹1.5 lakh) that can be claimed by investing in specified financial products, section 80D for health insurance premium paid; exemption for house rent allowance and leave travel allowance.

While the old tax regime allows deducting such amounts from the total income, the higher tax rates lead to higher tax liability. At present, there are fewer tax slabs under the old tax regime: There is no tax on income up to ₹2.5 lakh. Income of ₹2.5–5 lakh is taxed at 5% (with tax rebate), ₹5– 10 lakh at 20% and that above ₹10 lakh at 30%.

Choosing between the old and new tax regime depends on the total amount of deductions and exemptions each individual is availing in the old tax regime.

We tried to simplify this by reaching a breakeven amount for each income level (see image) for a salaried person aged below 60, which can be used to choose between the two tax regimes.

Breakeven threshold

To put it simply, if the aggregate amount of deductions and exemptions that you are eligible to claim under the old tax regime is more than the breakeven threshold that matches the income level, then you would be better off sticking to the old tax regime. Otherwise, it is beneficial to move to the new tax regime.

At the breakeven amount, there would be no difference in the tax liability between the two tax systems.

For example, if your gross total income is ₹12 lakh per annum and tax-breaks amount of ₹3.5 lakh (see image), your tax liability under both the regimes would be same, which is ₹82,500. However, if the total tax-break amount is lower than ₹3.5 lakh, your tax liability under the new tax regime would be lower than in the old tax regime.

Old vs new tax regime: What to choose?

For salaried

Income level	Breakeven deductions* limit (including standard deduction)
Up to ₹5 lakh	nil tax under both regimes
₹6 lakh	1,00,000
₹7 lakh	2,00,000
₹8 lakh	2,12,500
₹9 lakh	2,62,500
₹10 lakh	3,00,000
₹11 lakh	3,25,000
₹12 lakh	3,50,000
₹13 lakh	3,62,500
₹14 lakh	3,75,000
₹15 lakh	4,08,333
₹15.5 lakh up to ₹5 crore	4,25,000

Deductions > breakeven → Old tax regime ✓

Deductions < breakeven → New tax regime ✓

For those earning from ₹15.5 lakh up to ₹5 crore, if the deductions and exemptions together are more than ₹4.25 lakh, the old tax regime is better. Else, the new tax regime scores well.

Beyond ₹5 crore: New tax regime is better#

*Deductions+ Exemptions

#Due to a lower surcharge rate of 25% applicable in new tax regime over 37% in the old tax regime

Note that the above breakeven limit includes the standard deduction of ₹50,000 which is now available for taxpayers under both the regimes.

The selection of the tax regime would be straightforward for those with a total income of up to ₹7.5 lakh per annum. Budget 2023 hiked the maximum rebate under 87A from ₹12500 to ₹25000 under the new tax regime. Thus, those with income up to ₹7.5 lakh will not have to pay any tax under the new regime.

The math is simple even for those with total income of ₹15.5 lakh and above. If the total of tax breaks is more than ₹4.25 lakh, the tax liability under the old tax regime would be lower. If deductions are lower than ₹4.25 lakh, the new regime would be better.

Having said that, the equation reverses for high-net-worth individuals with gross total income of more than ₹5 crore per annum. Budget 2023 slashed the surcharge rate applicable to this category of individuals from 37% to 25%. As a result, the marginal tax rate comes down to 39% from 42.7% (including surcharge and cess). But this is only for those in the new tax regime.

^Source: www.livemint.com

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Top Performing Tax Saving (ELSS) Mutual Funds

Top Performing Tax Saving (ELSS) Mutual Funds - As On: 25/02/2023

Scheme Name	Launch Date	AUM (Crore)	1 Year Return (%)	2 Year Return (%)	3 Year Return (%)	5 Year Return (%)	7 Year Return (%)	10 Year Return (%)
Bank of India Tax Advantage Fund	01-01-2013	679.27	7.16	11.09	17.55	12.15	17.01	15.73
HDFC Taxsaver Fund	31-03-1996	9858.71	17.40	15.93	17.04	8.60	14.22	13.01
IDFC Tax Advantage (ELSS) Fund	26-12-2008	4033.07	11.06	14.88	21.03	11.30	16.96	16.24
Kotak Tax Saver Fund	23-11-2005	3143.14	11.69	12.25	15.50	12.61	15.97	14.35
Parag Parikh Tax Saver Fund	26-07-2019	1045.89	12.97	17.00	22.06	–	–	–
PGIM India ELSS Tax Saver Fund	11-12-2015	448.37	9.29	13.34	18.62	11.76	15.01	–
Quant Tax Plan	08-03-2000	2692.01	12.26	21.57	32.96	19.40	22.40	20.82
Tata India Tax Savings Fund	13-10-2014	3111.73	10.22	9.25	14.24	10.39	15.15	15.44
Union Long Term Equity Fund	01-01-2013	567.81	9.18	11.38	17.06	11.98	13.82	12.46

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