

Personal Finance

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● EQUITY INVESTMENTS

New LTCG tax reality: Book profits regularly at ₹1 lakh



Sanjiv Bajaj

Invest in mutual funds instead of buying and selling equity directly. This will help consolidate your portfolio. And book profits just as they hit the ₹1 lakh tax-free mark and reinvest them immediately to benefit from the power of compounding

THE RESTORATION OF long-term capital gains (LTCG) tax on equity income in Budget 2018 is a huge change. This would have a huge impact on the ease of investing in stocks and equity-oriented mutual

● YOUR QUERIES



Amit Maheshwari

Sale of agricultural land in rural areas not subject to capital gains tax

● My late father was gifted 51 bighas of agricultural land in 1955 and the value as per the deed is ₹5,000. My mother wishes to dispose part of the agricultural land for her treatment. How would we calculate the long-term capital gain on the sale of said land?

— H D Shingh

Since the gain in this case will be long-term, capital gains will be calculated by deducting expenses incurred exclusively for such transfer, indexed cost of acquisition (i.e. the cost adjusted for inflation) and indexed cost of improvement from the sale value. Also, since the property is purchased prior to 2001, the market value of this property as on April 1, 2001 shall be considered the cost and then shall be indexed.

Further, agricultural land in rural area is not subject to capital gains tax and it shall be considered rural agricultural land if it is outside the jurisdiction of a

municipality or cantonment board having population of up to 10,000 as per last census. If the population exceeds 10,000 but doesn't exceed one lakh, then the land should not lie within two kms of municipality. If the population exceeds one lakh but doesn't exceed 10 lakh, then it shall not be within six kilometers and if it exceeds 10 lakhs, then it shall not be within eight kilometers. However, if the land doesn't qualify as rural agricultural land, you can invest the amount in a residential house property, or specified bonds like that of NHAI and RECI, to save this from being taxed as capital gains.

● I am a share holder in a cooperative bank in Mumbai. Is dividend received by a share holder from a cooperative bank taxable in his hands?

— B L Velu

Dividend received from a domestic company is exempt u/s 10(34) of the Income Tax Act, 1961. Since a cooperative society is owned by its customers and thus cannot be referred as a domestic company, and also it is not required to pay dividend distribution tax on the dividends, dividend received from a cooperative bank will be taxable in the hands of the shareholder under the head "income from other sources".

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ILLUSTRATION: SHYAM

funds. People were investing in equity because of the robust returns delivered by the markets since the Modi government came to power in 2014.

As there was no LTCG tax on holding

the investment over a year, everything was very simple and this was bringing more and more retail investors into the market resulting in strong domestic flows into the market and bringing

stability and growth to the same.

Managing your gains

From February 1 onwards, selling stocks or equity mutual funds that you have held for the long-term will mean paying taxes on gains accrued since the market closing on January 31. If in a year, you realise more than ₹1 lakh of such gains, then 10% plus cess of that has to be paid as tax.

So far, so good. You might not like this tax or you may console yourself that it's at least a lot less than the 30% income tax slab you are on. If that's what you think, you may be getting ahead of yourself.

Now, this is where the challenge comes in. A simple investment so far has now become much more complex as you will now have to manage your returns, too. Suppose your gain for a year is ₹90,000 and you book the same, there's no tax. But if you wait another few months and it becomes ₹1,05,000 then you will have to pay ₹10,500 as a tax. So now as an investor, you and your financial advisor will have to be much sharper at following returns and flagging such situations.

Also, you will now need to consolidate your portfolio, if you are making many investments then it would become that much or more difficult to calculate your tax liabilities.

Here are some important points investors will have to keep in mind when investing in this new reality.

Consolidate, book profits

First and foremost, consolidate your portfolio and do not buy and sell frequently. Choose a few good stocks that will stand the test of time.

Invest in mutual funds instead of buying and selling equity directly. A mutual

fund investor can get the same returns but doesn't need to buy and sell individual stocks and thus has a much smaller number of transactions. You are not affected by the trading being done by the fund manager on your behalf in the fund as long as your holding period is over a year. Again, rather than having 20 to 30 funds in your portfolio restrict them to not more than 10 and consolidate your holdings.

Book profits regularly and this would take some understanding and work. Since ₹1 lakh of gains are tax-free, at the end of every year, you could sell investments that would generate that much returns and immediately buy them again. Although the saving is ₹10,000, as mentioned this would compound and can make a lot of difference if you do it over years with the power of compounding.

Use a good wealth manager or a firm as those with a robust technology platform will be able to give you the capital gains and loss statement. Making a mistake here can cost you big. Also, with a consolidated portfolio, the most important thing is you need help in fund picking and if the wealth management company has a good research team they can help you pick the winners which would give you more than the returns you require to compensate for charges you are paying to them over going direct, which are 0.5-0.6% of the portfolio.

There may be other side effects of this tax, which would only come out as the fine print is read and further details come out. So, it is important to be cautious and keep an eye on more information.

The author is vice-chairman & managing director, Bajaj Capital

ON MARKET VOLATILITY

Jayant Manglik, president, Religare Broking

We believe one should remain cautious with so much volatility in the market due to global sentiments and implementation of long-term capital gains tax in the Union Budget.

● BUDGET ANALYSIS



Rakesh Jain

Insurance industry sees growth opportunities in Budget proposals



ILLUSTRATION: SHYAM

IT WAS HEARTENING to see the finance minister announce a slew of measures in the Union Budget in the direction of making India a healthier and secure nation.

The measures undertaken and proposed to be undertaken by the government sounded like music to the ears of millions of beneficiary citizens and was a delight for the health insurance industry that has been seeing gross under-penetration.

National Health Protection Scheme

The flagship scheme of National Health Protection Scheme that will bring 10 crore families under the umbrella of a ₹5-lakh health cover is slated to be the biggest initiative by any government. The insurance cover of ₹5 lakh could provide citizens a taste of how insurance products can protect their earnings and could lead them to reduce risks to safeguard other assets such as home and vehicle. However, the success of the scheme would depend on efficient management of logistics, including hassle-free claims administration. A commitment of funds from the government in the future would ensure continuity of cover for billions of individuals in the country.

The deduction under Section 80D, which includes amount paid towards health insurance premium for covering senior citizens has been increased from ₹30,000 to ₹50,000 which would help increase penetration of health insurance.

Supporting social fabric

The Pradhan Mantri Fasal Bima Yojana (crop insurance) and Jan Suraksha Yojana (accident insurance) announced in earlier Budgets have supported the social and financial structure of the country and driven away the malices of under-penetration of insurance, especially from rural India. But the increase in incidences of natural calamities has left our physical assets of home vulnerable. We are hopeful that future Budgets would focus on home insurance as an important piece of transferring the risk. There is a further need to cover farmers' assets such as homesteads, cattle, etc., which will protect them holistically

Growth opportunity

UDAN scheme, which aims to connect 56 unserved airports and NABH Nirman project proposing expansion of airport capacity to handle a billion trips a year are likely to boost domestic air travel. More than 18,000 kilometers of railway network expansion and 5,000 kilometres of gauge conversion to broad gauge would improve rail connectivity for passengers. The Bharatmala Pariyojana to provide connectivity to interior and backward areas by developing 35,000 km-plus roads at an estimated cost of ₹5,35,000 crore is positive for the insurance sector, given the opportunity to insure such projects. Infrastructure enhancement apart, development of 10 prominent destinations and 100 Adarsh monuments would woo visitors across the nation. The general insurance armory has several treasures which would assist the government in strengthening its nation-building capacity through partnership and standalone projects. Together the worries of both the government and the citizens can be transferred to the insurers, thus pushing the development agenda of the country forward.

The writer is CEO, Reliance General Insurance

Start-ups

● METTL

Measuring up

The online skills assessment platform offers tools to test candidates for their tech skills, along with psychometric and aptitude tests to determine if they are the right hire

BANASREE PURKAYASTHA

OVER THE YEARS, online assessments have become an integral part of recruitment solutions in several organisations across multiple industries. Mettl, a Gurugao-based online assessment firm, has been established with an aim to raise the bar around skill assessments and capitalise on the underlying demand for recruiting and learning and development (L&D) solutions in the Indian corporate sector. The vision behind it was simple: To bring a technological and scientific revolution into the recruitment and L&D practices of both Indian as well as global companies.

Mettl's online skill assessment platform facilitates advanced computer-based assessments for conducting high stake tests online and is used by many technology-driven universities, corporations and certification bodies across the world. Organisations such as Accenture, Capgemini, Wipro, SAP, KPIT, Syntel, Tally, Here

Maps, NIIT, Cognizant, Samsung, Nasscom, L&T, Mahindra Comviva, MakeMyTrip, Yatra, Amity University, ISB, UPES have been using Mettl's online assessment solutions for some time now.

"We have developed five proprietary tools which back 200+ ready-to-use assessments and question banks for 800+ skills across industries and job roles. The testing platform offers globally integrated local solutions for efficient test delivery over the internet and even helps conduct offline assessments in remote locations with no internet access, through smart devices," says Ketan Kapoor, CEO and co-founder, Mettl. Kapoor, along with Tonmoy Shingal, founded the firm with an initial capital of ₹8 lakh they pooled, following which they raised more funds from family and friends, amounting \$100,000. Subsequently, the company raised ₹1.6 crore from Blume Ventures and \$4 million from nine different investors during a funding round led by venture capital fund Kalaari Capital.

Mettl enables clients to conduct recruitment tests for candidates, assess their hard skills, and evaluate their soft skills through customised psychometric and aptitude tests to determine if they are the right hire. In addition, Mettl's online remote proctoring solution caters to two significant industries, education and recruiting. It allows companies and educational institutions to conduct examinations by transcending geographical limitations with live video monitoring to oversee candidates giving these tests. "We

The testing platform offers globally integrated local solutions for efficient test delivery over the internet and even helps conduct offline assessments in remote locations with no internet access, through smart devices.

—KETAN KAPOOR, CO-FOUNDER & CEO, METTL

also provide solutions to colleges, universities and companies for campus hiring. The Employability Test delivers precision in indicating job-role fitment for each candidate from our pre-assessed pool of freshers which consists of high performing talent," says Kapoor.

The platform has in-house content creation capabilities which customises and delivers assessments based on the client's requirements by understanding in detail, the technical and behavioural competencies which distinguish performance standards for each company. Mettl's focus on research to back its proprietary recruitment and assessment tools has paid off. It has been profitable for the past 10 quarters in its domestic and international operations, having registered exponential growth year-on-year at 120% CAGR growth over the past four years. "Our revenue model is per-assessment based in a B2B SaaS based format. Our revenues are also based on the number of tests a client wants us to conduct," says Kapoor.

● ZEBI DATA

Guarding Big Data

The start-up secures data elements such as land records and pension payments with blockchain-based solutions

BY MAHALAKSHMI

VISAKHAPATNAM-BASED ZEBI Data India recently launched its flagship product Zebi Chain, paving the way for an innovative blockchain-based security solution. The company specialises in providing blockchain-based Big Data solutions to governments and enterprises to leverage and protect their high value and sensitive data, thus eliminating data manipulation. Big Data refers to analysing large volumes of data, both structured and unstructured, that helps identify patterns, trends and associations while blockchain technology helps secure data and prevents hacking.

The two-year-old start-up, which has raised about ₹10 crore as seed funding, is upbeat on its proprietary security technology and has filed a patent as well.

Babu Munagala, Founder and CEO, Zebi Data

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"Our flagship products Zebi Chain and Zebi Data Gateway are developed by Zebi's architects from the ground up with data security and privacy compliance built into the platform. Across Zebi employees and inception team, there are over 15 IIT graduates," says founder and CEO Babu Munagala. "Our solution aims to secure high value and sensitive data elements such as land registry, employee and salary records, pension payments, education and other qualification documents and certificates." Zebi offers an array of products for data security that eliminates all the ambiguity associated with fake transaction, fake documents as blockchain based records are time stamped and any alteration made to it are also securely recorded. This data can be verified without any human intervention, therefore not leaving any scope for manipulation or copying of sensitive information by unscrupulous insiders or



external hackers, says Munagala.

"We have created a blockchain driven, first of a kind and holistic solution to make high value or sensitive data readily available for legitimate use, while protecting it against hacking or tampering and taking individual consent wherever appropriate. It comprises a satellite component Zebi Chain to provide immutability to critical records, coupled with a central hub called Zebi Data Gateway which enables secure and instant data exchange through Data as a Service (DaaS)," he says.

Incidentally, Zebi Chain was selected as the solution of choice by Andhra Pradesh Capital Region Development Authority (CRDA) to safeguard land assets. Chief minister of Andhra Pradesh, N Chandrababu Naidu launched Amaravati Blockchain Asset Management System (powered by Zebi Chain) as blockchain powered tamper-proof and immutable data security solution, for land records recently. Zebi is in talks with several state governments including Telangana and Maharashtra among others to deploy Big Data solutions for digitising land records. "We have a healthy pipeline of prospects across India. All Zebi Chain installations will be connected to Zebi Data Gateway to serve the data for authorised business purposes. As we add more customers, the value proposition of Zebi Data Gateway will enhance exponentially," he added.