A REPORT ON THE SYMPOSIUM

'MAKE YOUR MONEY WORK FOR YOU'

Symposium organised by **CITIZENCREDIT COOPERATIVE BANK LTD.**
at St. Andrew's Auditorium, Bandra, on Tuesday, April 4, 2017.

Warmly welcomed by Mrs. Geeta Andrades, MD & CEO of CCCBL, the packed auditorium looked forward expectantly to the financial wisdom promised by the event's eminent speakers: Mr. Blaise Fernandes, SVP Edelweiss Finance and Director, Gateway House, Mr. Frank D'Souza, Senior Partner PwC India, Mr. Anthony Heredia, CEO, Baroda Pioneer Asset Management, and Mr. Arvind Pinto, former Chief Commissioner Income Tax and presently Senior Standing Counsel for the IT Department at the Bombay High Court. Mr. Pinto is also a Director with Citizencredit.

Mr. Anthony D'Souza, Chairperson, CCCBL, had the pleasant duty of introducing each speaker with a few choice words about their accomplishments and their topics.

Before they could commence, however, Mrs. Andrades presented the much appreciated good news about CCCBL's very healthy financial position as indicated by the unaudited accounts for the year ending March 2017, as also the fact that new licenses had been granted for six new branches in the current year. It is obvious that the economy is in the throes of a low interest regime for both deposits and loans and the prevailing interest is around 7%. Taking into account the many senior citizen depositors who would be affected by this, Citizencredit has decided to offer a Mutual Funds investment facility where the yield would be higher than the FD interest. Thanks are owed to the Regulator, Reserve Bank of India, for granting permission and while necessary formalities have been completed, the process of tying up with various firms is under way and the scheme should be ready to be rolled out in April, 2017.

On this auspicious note, the first speaker, **Mr. Blaise Fernandes**, was invited by Mr. Anthony D'souza, Chairperson, Citizencredit, to be the opening batsman and expound on the intriguing topic of NDA2 – Half Time. At the outset, Mr. Fernandes indicated that the opinions expressed were his own and not that of the Bank or any other organisation. That said, he led the audience through a thorough and exhaustive understanding of the present socio-political-economic situation in the country covering his topic under four main heads: the disappointments, the glass half full, half empty, a toast for work well done and some crystal ball gazing on what the future might hold. Since economics and politics are 'conjoined twins at birth' they go hand in hand the world over, and it is well to understand the impact on our lives and the generation to come.

Areas of concern: the lack of coordination between state and centre, even when the same Party is in power, the lack of progress in infrastructure, portfolio allocation and a very weak bench strength – why certain Senior Leaders with a good track record and vast experience were not accommodated in the Cabinet, failure to implement the land acquisition bill, pricing of commodities particularly in the agricultural sector, the need to dismantle the APMC, labour reforms which, if neglected, will continue to entangle industry in litigation due to antiquated laws.

In the next segment, Mr. Fernandes dealt with measures taken by the Government where the 'jury is still out' as to whether these are successes or failures. First up was the 'elephant in the room' – demonetization – which, in the perception of the common man, is one black eye for the poor but two black eyes for the guy with the black money! Hopefully, the tremendous amount of data generated by the exercise will be mined with integrity and help expand the tax base, which in turn will lead to measures that will plug loopholes that affect the economy. 'Make in India' cannot match China, for instance, in terms of production and delivery of regular commodities, but in the Defence Sector, where there is maximum spending on acquiring equipment from the world market, there is tremendous opportunity. This, however, would need skill-sets and building these should be a priority. Non Performing Assets could be considered the 'cobra in the room' as they are very poisonous for the economy. Administrative reforms, too, are extremely important and the Lok Pal bill which is all about transparency seems to have been placed on the back burner. A proper balance between the judiciary and legislature is one more aspect that needs to be looked at, as also big-ticket disinvestments.

While raising a toast for work well done, Mr. Fernandes commended the NDA 2 Government for reaching out across the aisle to the Opposition as this augurs for a good democratic working relationship and for pushing through important strategic legislation such as the Goods and Services Tax (GST) Bill. Some good progress has been seen with respect to the Bankruptcy Code and this will have a positive impact on PSU Banks; the fiscal deficit is being kept in check; socio-economic reforms affecting issues like open defecation are being tackled head-on; JAM (Jan DhanAadhar& Mobile) opened 250 million bank accounts and facilitated direct transfers to 'below poverty line' accounts so that the beneficiaries – especially in the backward States – actually received their dues which were earlier routed through middle-men. 50 million families in this BPL belt now receive LPG, which will have a positive impact all round. Foreign Policy has been a big success and the PM has ensured that India is on the table and not on the menu, allowing us to not only have our say but take a tough stand on policy decisions in the international forums. 'Rebalancing the neighbourhood' has resulted in good relations with strategic neighbours like Bangladesh, Sri Lanka, Nepal and terrorism on our Eastern borders has reduced considerably while connectivity has increased. Leveraging the NRI communities is another positive step particularly in the UK and USA where they have a voice when these countries take positions in international forums.

Gazing through the Crystal Ball, Mr. Fernandes hoped for certain reforms such as finding the right balance between the 4 Cs (CVO, CAG, CBI, the Courts) – while these are essential, eliminating the associated fear factor is equally necessary. The increasing use of social media, while a good thing, needs to be watched for misuse. Capacity building at the State, District, Panchayat and Taluka levels in Education, Healthcare and Administration is a deep seated need. Economic growth needs to be fostered by extension of the excellent credit schemes to Micro, Medium and Small Enterprises as against the current beneficiaries who are the rich and the industrialists, as also development of efficiently managed low cost housing. Foreign Direct Investment in the retail sector, given the spending capability of the growing middle-class incomes, would also impact the GDP positively.

In conclusion, Mr. Fernandes pointed out that a certain complacency seems to have set in owing to the popularity garnered by various welfare schemes. However, a welfare state will not give rise to the 10% growth rate that is needed to create employment for our youth. It is hoped that the election mandate for progress and economic development is executed as promised.

Next up, **Mr. Frank D'Souza**, deconstructed the Budget, indicating the various aspects which could or would impact both investors and economic growth and also explained the finer points. The Annual Budget, in India, is looked at as a big ticket event before and after its release because of the expected implications. The hallmark of a good tax law/financial budget in any country is consistency, dependability and the ability to foresee for future planning which in turn attracts investments and makes it easy for people to plan and carry out their businesses. This budget is, therefore, appreciated because there haven't been that many changes and there is direction for the way forward.

An interesting statistic was presented in that only 4% of the citizens of our country file returns and less than 2% actually pay tax. An urgent exercise, therefore, is how to bring those who are liable into the tax-paying bracket. The actual figure, according to studies, should stand at around 15 - 16%.

Mr. D'Souza then elaborated on the specific impact with respect to individual taxation, rates and surcharge, in different tax brackets. Overall there has been a marginal change or no change as far as average tax payers are concerned.

The Government is keen for employees to move away from Employee Provident Fund to the National Pension Scheme for various reasons which include the inability to maintain interest rates and the EEE regime. With the NPS, the Government would be able to tax the taxpayer at least once through the EET regime. Which means that while there would be exemption at investment and income, there would be taxation at maturity or withdrawal from the scheme, and this should be expected in future budgets. A benefit that has been extended is the parity of 20% exemption from income for both salaried employees as well as direct investors in the NPS.

Mr. D'Souza then went into the details of taxation on house property explaining the implications in detail and the measures that have been introduced to avoid abuse of the system. Additionally there have been amendments in terms of payments over and above certain amounts, for example rents above fifty thousand rupees require that 5% tax be deducted at source and deposited with the government while the balance is paid to the landlord. The intention is to bring into the tax bracket people who are earning the kind of income which enables them to spend these amounts.

Small entrepreneurs can rejoice because they will benefit under the new budget in terms of limit on income and taxation, especially if they have received all payments through banking channels only. This step also intends to move people in the direction of non-cash transactions. Mr. D'Souza went on to explain the implications and finer points involving corporate tax, start-ups, capital gains, securities transaction tax, selling at fair market value, maintenance of books, advance tax, to name just a few. An important positive change has been introduced in respect of long term gains, especially with respect to sale of property, the base rate and holding period. To shelter gains from long term assets, a wider array of bonds is now available to the taxpayer allowing them a better choice for parking their money.

A mild warning was indicated for late filing of returns because the earlier penalty which could be waived on consideration has now been converted to a fine for which no exemption can be sought.

A few more points to keep in mind: thanks to computerization, assessments will be speedier, and Aadhar is being made mandatory for filing returns and obtaining PAN.

A people friendly move is that radical changes are put out in the public domain for people to comment on and feedback is well received. What is needed but not seen in the budget is that litigation needs to be streamlined.

Inviting the audience to be proactive toward 'Investing in Today's Times', **Mr. Anthony Heredia** shared his wealth of experience to educate and enthuse both existing and prospective investors. His advice covered the principles and guidelines of investing wisely, the risks involved and meeting financial goals, illustrated by some very practical examples.

Mr. Heredia urged everyone to take his advice to heart and act on it. For example, all investors need to keep certain principles in mind: one is to co-relate investments with a far-sighted financial goal and this will determine the nature of the investment. For example, a senior citizen may want to keep money sufficient for a medical emergency and the investment should match this goal. A young girl's financial goals could be higher education and whatever follows and her investments would therefore be different.

Making the right investment is only 10% of financial success and 90% of success is sticking to the right asset allocation, which in simple terms means a marriage between your financial goal and the investing instruments that exist. To achieve this, there is a simple rule of thumb: assume your notional age to be 100 years, then subtract your actual age from the notional. The resulting figure decides the proportion of investment in equity. This means that as your age goes up, the investment in equity should come down as your need for regular income takes precedence.

India and the world is now interlinked more than ever before which makes it tougher to predict market movements and makes individual judgments tough, unless investing is a full time profession. Even simple instruments like fixed deposits are no longer the investment they used to be. We are used to fixed returns but times are changing, and even the more traditional instruments like PPF will eventually offer more market-linked returns, which could mean lower rates of interest in time.

Mr. Heredia emphasised that returns are invariably linked to the underlying market and it is, therefore, imperative to understand and get comfortable with these changing dynamics as opposed to being anchored to fixed returns. With hard facts and figures on the screen he demolished the myths and presented reality with respect to hardnosed investing. And yes, there is a magic formula which requires patience: invest in equity for the long term as the risk reduces as long as the time frame is right. He also advocated investment via the SIP route in Mutual Funds that are diversified, after checking their type and portfolios, and stay with the larger players. The final bit of advice? Don't delay. Start early, invest regularly and give your investments time to grow.

There's no need to be terrified by Tax or so **Mr. Arvind Pinto** would have us believe. His very jovial discourse certainly added value to his words as he gently chided the fact that we are not a tax compliant country. And the majority who file returns are below the tax limit!

Mr. Pinto indicated that as honest citizens, we should file returns particularly if we are eligible for taxation. He advocated avoiding rather than evading tax and this can be done by planning one's income to save on taxes. Demonetisation, to a certain extent, revealed India's parallel economy and some of the initiatives in this budget will hopefully bring the money back into the system. These include disincentives for cash transactions. For example, all transactions over Rs. 2,00,000/- in cash will invite a penalty of the same amount. The penalty is on the person who receives the cash! All donations over Rs.2000/- can no longer be made in cash and will necessarily have to be executed via bank accounts. However, all payments to Government bodies can still be paid in cash.

Mr. Pinto corroborated much of the information given by the earlier speakers with respect to tax slabs and exemptions. He also had vital information for builders and those who are going in for redevelopment of their properties.

On the positive side, filing returns has been simplified for those with uncomplicated incomes. On the downside, there is a penalty for late filing which increases with the delay. Also, where cases could be re-opened for scrutiny after 6 years, the period has been extended to 10 years, and reasons for scrutiny do not have to be disclosed by the Tax authorities. Searches have been extended to include charitable purposes which means schools, colleges and churches can be included in an Income Tax Survey but only if the authorities have reasons to suspect tax evasion.

The provision for NPAs for Banks, including Cooperative Banks, has been enlarged which will be beneficial to the banks. Banks will now have cleaner balance sheets and indicate only actual credit and debit. A note of caution was sounded with respect to obtaining an Aadhar Card as this will be linked to the PAN card. If the Aadhar card is not linked, there is the distinct possibility of the PAN being deactivated. The procedure is simple and can be done online via the Income Tax website.

So what has the Budget done for the people? While increased surveillance is indicated, hopefully with expansion of the tax base, as we move to a more tax compliant society, the tax will be lowered. Disincentives for cash transactions will see a rise in banking transactions. While late filing is frowned upon, prompt returns will, in turn, bring in equally prompt refunds.

All the Speakers patiently answered questions from the audience.

The event proceeded seamlessly thanks to the coordination by Mr. Roger Pereira. The vote of thanks was given by Mr. Donald Creado, who summed up the each Speaker's key points. The resounding applause from the audience, as the Speakers were felicitated by Mrs. Geeta Andrades, MD & CEO, Citizencredit, was certainly indicative of their appreciation of a morning well spent in being well informed on how to make their money work.

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