

**SAVE TAX  
SAVE MONEY**



## From The Editor's Desk

Dear Reader,

As quoted by **Benjamin Franklin**, *"...nothing can be said to be certain, except death and taxes."* Multiple options, contradictory advice and a deadline that's approaching fast, many taxpayers find themselves in this situation at the beginning of the year when they have to make tax-saving investments. Tax efficiency is essential to maximise returns. Due to the complexities of both; investing and tax laws in place, many investors don't understand how to manage their portfolio to minimise their tax burden. Simply put, tax efficiency is a measure of how much of an investment's return is left over after taxes are paid. The more that an investment relies on investment income - rather than a change in its price - to generate a return, the less tax-efficient it is to the investor.

With the objective to encourage the flow of savings and to improve the depth of domestic capital markets & promote 'equity culture' in India, Rajiv Gandhi Equity Savings Scheme (RGESS), a tax saving scheme was announced in the Union Budget 2012-13 and further expanded vide Union Budget 2013-14. The scheme is named after the former Prime Minister of India Shri. Rajiv Gandhi.

Schemes similar to RGESS were earlier introduced in Belgium and France which had positive results. In France, the implementation of a similar scheme resulted in public participation in retail trade which increased from 7% to 17%. RGESS is designed exclusively for the first time individual investors in securities market, whose gross total income for the year is below a certain limit. That means, only first time investors will get the twin benefit of equity investing and tax exemption.

In 2013-14, the income ceiling of the beneficiaries was raised to ₹12 lakh from ₹10 lakh specified in 2012-13. The investor would get under Section 80CCG of the Income Tax Act, a 50% deduction of the amount invested during the year, upto a maximum investment of ₹50,000 per financial year, from his/her taxable income for that year, for three consecutive assessment years. For example, let us say, you invest ₹50,000 under RGESS, the amount eligible for tax deduction from your income will be ₹25,000. Alternatively, if you invest ₹40,000 under RGESS, the amount eligible for tax deduction will be ₹20,000. So you may save about ₹2,575, ₹5,150 for income tax slabs 10% and 20% respectively under this scheme. The scheme aims at widening the retail investor base in the Indian securities markets and also furthers the goal of financial stability and financial inclusion.

In this issue of Kaleidoscope, we will provide insights about RGESS & its benefits to investors.

Best Regards,

NSDL

# Click & Find: Rajiv Gandhi Equity Savings Scheme (RGESS)

## Background

Rajiv Gandhi Equity Savings Scheme (RGESS) is a tax saving scheme announced in the Union Budget 2012-13 and further expanded vide Union Budget 2013-14. The scheme is designed exclusively for the first time individual investors in securities market, whose gross total income for the year is below a certain limit. In 2013-14, the income ceiling of the beneficiaries was raised to ₹12 lakh from ₹10 lakh specified in 2012-13. The investor would get under Section 80CCG of the Income Tax Act, a 50% deduction of the amount invested during the year, upto a maximum investment of ₹50,000 per financial year, from his/her taxable income for that year, for three consecutive assessment years.

## Objective of the Scheme

As announced in the Union Budget 2012-13, the objective of the Scheme is to encourage the flow of savings and to improve the depth of domestic capital markets. This would help in promoting an 'equity culture' in India. The Scheme aims at widening the retail investor base in the Indian securities markets and also furthers the goal of financial stability and financial inclusion.

## Benefits under this Scheme

The investor would get 50% deduction of the amount invested during the year, upto a maximum investment of ₹50,000 per financial year, from his/her taxable income for that year, for three consecutive assessment years.

- ✓ It provides additional tax benefits over and above the present tax savings schemes under the Income Tax Act.
- ✓ Gains, arising of investments in RGESS, can be realized after a year. This is in contrast to all other tax saving instruments.
- ✓ Investments are allowed to be made in installments in the year in which the tax claims are filed.
- ✓ The benefits can be availed for three consecutive years.
- ✓ Dividend payments are tax free.
- ✓ This scheme has a long run benefit of educating the retail investment segment and thereby moving towards financial inclusivity in the country.
- ✓ Success of this scheme can lead to transfer of assets from traditional savings instruments such as bank deposits and FDs to the capital markets, leading to diversification in retail investor portfolio and also leading to more productive "capital formation" assets.

## Investment options available under the Scheme & the "eligible securities" under RGESS

The investment options under RGESS will be limited to the following categories of securities\*:

### Listed Equity shares / units

- a. The top 100 stocks at NSE and BSE i.e., CNX-100 / BSE -100 (This does not mean that one has to trade through NSE or BSE only. If the securities constituting BSE 100 or CNX 100 are listed and traded in any new stock exchange that may come up on a later day, the same will be eligible for RGESS.)
- b. Equity shares of public sector enterprises which are categorized by the Government as Maharatna, Navaratna and Miniratna.
- c. Units of Exchange Traded Funds (ETFs) or Mutual Fund (MF) schemes with RGESS eligible securities as mentioned in (a) and / or (b) as underlying, provided they are listed and traded on a stock exchange and settled through a depository mechanism)
- d. Follow-on Public Offers (FPOs) of (a) and (b)
- e. New Fund Offers (NFOs) of (c) above

### Unlisted Equity shares

- f. Initial Public Offers (IPOs) of PSUs, which are scheduled to get listed in the relevant financial year and where the government holding is at least 51% and whose annual turnover is not less than ₹4,000 crore for each of the immediate past three years.

(\*Investment criteria as applicable at the time of investment)

### Why RGESS Investments are limited to top 100 stocks?

The Scheme is designed for new investors who are venturing in the equity markets for the first time. The choice of investments have been restricted to the stocks included in BSE 100 or CNX 100 and to selected PSU stocks as they generally have shown relatively, higher liquidity, and there is adequate reporting and analysis available in the market. The range of 100 stocks also provides enough scope for diversification of investments.

# Get Started: Rajiv Gandhi Equity Savings Scheme (RGESS)

## Rajiv Gandhi Equity Savings Scheme (RGESS), 2013

With an objective to encourage flow of savings of the small investors in domestic capital market, the Government of India (GOI) announced a scheme named Rajiv Gandhi Equity Savings Scheme (RGESS) in the Union Budget 2012-13 and further expanded vide Union Budget 2013-14 (Notification dated December 18, 2013) to offer tax benefits to New Retail Investors.

### Who is eligible?

The Scheme is open for all New Retail Investors who have gross total income less than or equal to ₹12 lakh.

### Where to invest?

You can invest in eligible securities. Eligible securities considered for RGESS investment are:

- Equity shares of selected companies which include:
  - ✓ Companies falling in the list of CNX-100 of NSE or BSE-100.
  - ✓ Public sector enterprises categorized as Maharatna, Navratna or Miniratna by the Central Government.
  - ✓ FPOs of above mentioned RGESS compliant companies.
- Units of Mutual Fund (MF) schemes which are RGESS compliant.
- Units of Exchange Traded Funds (ETFs) which are RGESS compliant.
- NFOs of above mentioned RGESS compliant funds.
- IPOs of PSUs which are scheduled to get listed in the relevant financial year with RGESS eligible criteria.

### Lock-in period

- ✓ Lock-in period under RGESS is of three years which includes Fixed Lock-in period of one year and Flexible lock-in period of two years.
- ✓ Lock-In period shall commence from the date of purchase of such securities in the relevant financial year and end on the 31st day of March of the year immediately following the relevant financial year.
- ✓ Flexible lock-in period of two years shall commence immediately after the end of the fixed lock-in period
- ✓ During Fixed Lock-in period, eligible securities cannot be sold/ pledged. During Flexible lock-in period, eligible securities can be sold / pledged subject to certain conditions.
- ✓ The designated RGESS demat account will be converted into a regular or ordinary demat account at the end of the flexible lock-in period(s).

### For how many years I can avail of RGESS benefits?

RGESS benefits can be availed for three consecutive financial years, beginning with the financial year in which the investment under the Scheme was made for the first time by the investor.

### Investing in RGESS

- ✓ Open a new demat account with any DP of NSDL.
- ✓ If you already have a demat account and you are eligible, designate your demat account under RGESS.
- ✓ To designate your demat account under RGESS, submit a declaration in 'Form A' to your DP.
- ✓ Start investing.

### How to invest?

- ✓ **Secondary Market:** Approach any SEBI registered Stock Broker of your choice.
- ✓ **Mutual Funds:** Approach any Mutual Fund distributor or a SEBI registered Stock Broker. Ensure to provide your demat account details i.e., Demat Account Number and DP ID.
- ✓ **IPO / NFO of RGESS compliant companies/funds:** Investor must ensure to mention demat account details i.e., Demat Account Number and DP ID in the IPO / NFO application form.

## ✓ **New Retail Investors:** A New Retail Investor is one-

- Who is a resident individual (the benefit cannot be availed by HUF, corporate entities / trusts etc.)
- Who has not opened a Demat account and has also not done any trading in the derivative segment till RGESS account opening date or the first day of the initial year in which he brings in the RGESS eligible investment into the account, whichever is later.
- Who has opened a Demat account and has not made any transactions in equity and /or in the derivative segment till designating such account as RGESS or the first day of the initial year in which he brings in the RGESS eligible investment into the account, whichever is later.

Provided that an individual who is not the first account holder of an existing joint demat account shall be deemed to have not opened a demat account for the purposes of this scheme and will be considered as new retail investors for the purpose of opening of a fresh RGESS account, if otherwise eligible.

## ✓ **Initial Year:** Initial Year means-

- The financial year in which the investor designates his demat account as RGESS account and makes investment in the eligible securities for availing deduction under the Scheme; or
- The financial year in which the investor makes investment in eligible securities for availing deduction under the Scheme for the first time, if the investor does not make any investment in eligible securities in the financial year in which the account is so designated.

## Blog

### Tax Benefits in India

By Karishma S. Goel,  
SK Somaiya College of Arts, Science & Commerce

A tax benefit is an allowable deduction on a tax return intended to reduce a taxpayer's burden while typically supporting certain types of commercial activity. A tax benefit allows some type of adjustment benefiting a taxpayer's tax liability.

ELSS (Equity Linked Savings Scheme) funds are one of the best avenues to save tax under Section 80C. This is because along with the tax deduction, the investor also gets the potential upside of investing in the equity markets. Also, no tax is levied on the long-term capital gains from these funds. Moreover, compared to other tax saving options, ELSS has the shortest lock-in period of three years. Main advantage of ELSS is its short lock-in period. Maturity period of NSC is 6 years and PPF is 15 years. Since it is an equity linked scheme earning potential is high. Investor can opt for dividend option and get some gains during the lock-in period. Investor can opt for Systematic Investment Plan



#### Tax Advantage

Particulars	Without ELSS/ 80C Tax Saving Investment	With ELSS / 80C Tax Saving Investment
Gross Total Income	₹7,50,000	₹7,50,000
Exemption Under Section 80C	Nil	₹1,50,000
Total Income	₹7,50,000	₹6,00,000
Tax on Total Income	₹80,000	₹50,000
Tax saved on Investment	Nil	₹30,000

In the aforementioned table, you can see that with investment in ELSS as a tax saving option, an investor not only saves tax of approx. ₹30,000/- on his gross total income but also nurtures his investment portfolio in the long run.

# Do's & Don'ts for dealing in Securities in Capital Market

Do's	Don'ts
Transact only through Stock Exchanges.	Given the benefits of trading on stock exchange it is advisable to avoid off-market transactions.
Deal only through SEBI registered intermediaries.	Don't deal with unregistered intermediaries.
Complete all the required formalities of opening an account properly (Client registration, Client agreement forms etc).	Don't fall prey to promises of unrealistic returns.
Ask for and sign "Know Your Client Agreement".	Don't invest on the basis of hearsay and rumors; verify before investment.
Read and properly understand the risks associated with investing in securities / derivatives before undertaking transactions.	Don't forget to take note of risks involved in the investment.
Assess the risk – return profile of the investment as well as the liquidity and safety aspects before making your investment decision.	Don't be misled by rumours circulating in the market.
Ask all relevant questions and clear your doubts with your broker before transacting.	Don't be influenced into buying into fundamentally unsound companies (penny stocks) based on sudden spurts in trading volumes or prices or non authentic favorable looking articles / stories.
Invest based on sound reasoning after taking into account all publicly available information and on fundamentals.	Don't follow the herd or play on momentum - it could turn against you.
Give clear and unambiguous instructions to your broker / sub-broker / Depository Participant.	Don't be misled by so called hot tips.
Be vigilant in your transactions.	Don't try to time the market.
Insist on a contract note for your transaction.	Don't hesitate to approach the proper authorities for redressal of your doubts / grievances.
Verify all details in contract note, immediately on receipt.	Don't leave signed blank Delivery Instruction Slips of your demat account lying around carelessly or with anyone.
Crosscheck details of your trade with details as available on the exchange website.	Do not sign blank Delivery Instruction Slips(DIS) and keep them with Depository Participant(DP) or broker to save time. Remember your carelessness can be your peril.
Scrutinize minutely both the transaction and the holding Statements that you receive from your Depository / Depository Participant.	Do not follow investment advice from news channel experts – do your own research.
Keep copies of all your investment documentation.	Do not invest under peer pressure.
Handle Delivery Instruction Slips (DIS) Book issued by DP's carefully.	
Insist that the DIS numbers are pre-printed and your account number (client id) be pre stamped.	
Incase you are not transacting frequently, make use of the freezing facilities provided for your demat account.	
Pay the margins required to be paid in the time prescribed.	
Deliver the shares in case of sale or pay the money in case of purchase within the time prescribed.	
Participate and vote in general meetings either personally or through proxy / use e-Voting.	
Be aware of your rights and responsibilities.	
Incase of complaints approach the right authorities for redressal in a timely manner.	
In case physical deliveries are received, check them as per the Good/ Bad delivery guidelines issued by SEBI.	
Transfer of ownership of physical shares should be executed by a valid, duly completed and stamped transfer deed	
Educate other investors (Friends, Family etc.) about these Do's	

## 1. What is RGESS?

Rajiv Gandhi Equity Savings Scheme (RGESS), is a tax saving scheme announced in the Union Budget 2012-13 and further expanded vide Union Budget 2013-14. The scheme is designed exclusively for the first time individual investors in securities market, whose gross total income for the year is below a certain limit. In 2013-14, the income ceiling of the beneficiaries was raised to ₹12 lakh from ₹10 lakh specified in 2012-13. The investor would get under Section 80CCG of the Income Tax Act, a 50% deduction of the amount invested during the year, upto a maximum investment of ₹50,000 per financial year, from his/her taxable income for that year, for three consecutive assessment years.



## 2. What is the legal provision for RGESS?

A new section 80CCG in the Income tax Act, 1961 on 'Deduction in respect of investment under an equity savings scheme' was introduced vide Finance Act, 2012 and amended vide Finance Act, 2013, to give tax benefits to 'New Retail Investors' whose gross annual income is less than or equal to ₹12 Lakhs, for investments in 'Eligible Securities' up to ₹50,000 in a single financial year, for three consecutive assessment years.

## 3. Would first time investors not lose money in the equity market? Would it be too dangerous for them to invest in it?

The investors in the RGESS run the risk of losing money in the equity market, like any other investor in the securities market. The Scheme does not provide any guarantee of assured returns. Therefore, investors under RGESS are advised to do due diligence before making any investments in the equity market.

However, while designing the scheme, safeguards like, restricting the investments to select large cap stocks, lock-in period with enough flexibility to take benefits of the positive market movements etc. have been provided to protect the interests of the first time investors. To give the benefit of diversification and consequent risk minimization, investments into Exchange Traded Funds (ETFs) or Mutual funds, set up as per the criteria laid down in the Scheme, are also allowed under the Scheme.

## 4. We already have an Equity Linked Savings Scheme (ELSS)? Why do we need RGESS?

ELSS and RGESS are entirely different schemes: They pertain to different asset classes with ELSS offering passive investment avenues. ELSS is meant for indirect participation in the stock market, whereas RGESS aims at encouraging direct participation in the stock market. The operational differences are given below:

Operational differences	
ELSS	RGESS
Investments are to be strictly in mutual funds	Investments are to be made directly in listed equity or into units of mutual funds and ETFs designated under RGESS scheme
100% deduction (upto ₹1,50,000) is allowed under ELSS	Only 50% deduction of the investment made (upto max. of ₹25,000 in any one year) is allowed under RGESS.
ELSS benefits can be availed by an investor every year	RGESS benefits are limited to the new investors and can be availed for only 3 consecutive years
The ELSS benefit is coming under Section 80C of the IT Act which has an aggregate limit of ₹1,50,000 for all such eligible instruments like LIC policy, PPF etc.	RGESS deduction is available under Section 80CCG. This is a separate investment limit exclusively for RGESS, over and above the Section 80C Limit of ₹1.5 lakh
Lock-in period of 3 years	Lock-in period of 3-years. However, trading allowed after one-year, subject to conditions.
Since investments are in mutual funds, it is perceived to be less risky	Since investments are in equity, risk is perceived to be higher

## 5. What are the benefits / highlights of RGESS compared to other tax saving schemes?

The following are the benefits of RGESS:

- ✓ The allowed tax deduction u/s 80CCG will be over and above the ₹1.5 Lakh limit permitted under Section 80C of the Income Tax (IT) Act, making it attractive for new investors.
- ✓ Further, the Dividend income is tax free even if the company is liable to dividend distribution tax.
- ✓ Investor is free to trade / churn the portfolio after the fixed lock-in period, subject to certain conditions.
- ✓ Gains arising out of higher market valuation of RGESS eligible securities can be realized after a year viz: fixed lock-in period. Provisions exist to protect the investor from general declines in the market to a certain extent. This is in contrast to all other tax saving instruments.
- ✓ Facility for pledging stocks after the fixed lock-in period.
- ✓ For investments upto ₹50,000 in your sole RGESS demat account, if you opt for Basic Service Demat Account, annual maintenance charges for the demat account is zero and for investments upto ₹2 lakh, it is stipulated at ₹100.
- ✓ The investments can be made in installments during the financial year in which tax deduction is claimed.



## One Participant became operational in NSDL during December 2015

In December 2015, following Participant became operational in NSDL:

Sr. No.	Participant Name	City
1	Beeline Broking Limited (DP ID IN304123)	Ahmedabad

The above additions take the total number of operational Participants to 272 and the total number of DPM set-ups to 356.

## Subscription to **SPEED-e**

During December 2015, two more Participants have subscribed to the **SPEED-e** facility viz.,

- Stewart & Mackertich Wealth Management Limited (DP ID IN301629)
- Corporation Bank (DP ID IN302603)

Clients of the above mentioned Participants can now avail the facility of submitting various instructions through **SPEED-e** facility.

This takes the total number of Participants who have subscribed to **SPEED-e** to 182.

## Investor Education initiatives undertaken by NSDL

### Joint Awareness Programmes:

In order to reach out to investors that are spread across the country and to apprise them about the facilities available in NSDL depository system and the awareness on stock markets, NSDL conducted 31 Joint Awareness Programmes during December 2015 in association with Citizen Credit Co-operative Bank Limited, ICICI Securities Limited, Jhaveri Securities Limited, Kotak Securities Limited, Peerless Securities Limited, Action Financial Services (India) Ltd., SKP Securities Limited & Tracom Stock Brokers Private Limited. NSDL also conducted two Joint Awareness Programmes in association with Economic Times presenting Money Gurukul & a Joint Awareness programme in association with Integrated Enterprises (India) Limited, NSE & Nanayam Vikatan. These programmes were attended by more than 4,000 investors.

### Regional Investor Awareness Programme with SEBI & NSE:

In order to reach out to masses spread across the country and to apprise them about the facilities available in NSDL depository system, NSDL conducted four Joint Awareness Programmes with SEBI & NSE during December 2015 which was attended by more than 600 investors.

### Participation in events conducted by Institutions:

In December 2015, NSDL participated at various conferences like Indian Chamber of Commerce (ICC) Summit organized by ICC, Emerging Market Finance Conference – 2015 organized by Indira Gandhi Institute of Development Research (IGIDR) & Digital Dialogue Conference organised by Outlook Money.

NSDL also sponsored an event titled “Arth Puraskar” organized by Arth Sanket Newspaper. Further, NSDL also sponsored two events titled “Techfest 2016” organised by The Indian Institute of Technology Bombay & “Finova 2016” organised by SIES College of Commerce & Economics at Mumbai. Over 850 participants visited the NSDL stalls at both events. Various aspects on Depository related services were explained to these participants attending this event.



Mr. Prashant Vagal - NSDL addressing on  
“Banking the Unbanked: Strategizing the changing landscape”  
at Indian Chamber of Commerce (ICC) Summit organized by ICC.

## “Did You Know”

Direct Tax collection (mostly income tax) has increased by over 700% in the last 10 years. The tax collection has increased from ₹69,000 Crores to ₹5,58,965 Crore in the previous year Source - [www.simplifiedlaws.com](http://www.simplifiedlaws.com)

## “Quote of the month”

“Games are won by players who focus on the playing field - not by those whose eyes are glued to the scoreboard.”

- Warren Buffett

# Read and Win!

How should I invest in RGESS & what are the benefits of investing in it?

Send your replies providing your contact details  
(Name, address and contact no.) with the subject  
'Knowledge Wins Contest - January 2016' to [info@nsdl.co.in](mailto:info@nsdl.co.in)

#### Terms and Conditions

- NSDL shall be solely responsible for the execution and administration of this Contest.
- This Contest is only open to Indian Citizens. (NSDL employees are not allowed to participate in this contest.)
- All personal details submitted must be accurate and complete and are subject to proof upon request by NSDL.
- NSDL reserves the right, at any time, to verify the validity of entries and entrants and to disqualify any entry not submitted in accordance with these Terms or which tampers with the entry process.
- NSDL reserves the right to discontinue the contest at any given point of time without prior intimation.
- All prize drawings will be made on a strictly random basis and the decision made by NSDL will be final.

## KNOWLEDGE WINS Contest

Lucky 25  
Winners will  
Win Free  
Goodies



Your suggestions for newsletter are valuable to us.  
Send in your suggestions mentioning your  
contact details (contact name, address &  
contact number) with the subject  
"Suggestions for the newsletter"  
to [info@nsdl.co.in](mailto:info@nsdl.co.in)



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Investor Relationship Cell	NSDL Certification Program
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