



Azadi Ka Amrit Mahotsav Activity

“Sky High Symposium- 56 Virtual Program” conducted by Women & Young Members Excellence Committee of ICAI on 7th June 2023

The Institute of Chartered Accountants of India
(Set up by an Act of Parliament)

Women & Young Members Excellence Committee
Organises

SKY HIGH-SYMPOSIUM-56
Virtual Programme

- Amendments in Capital Gain applicable for AY 2023-24
- Wealth Management

for **Women & Young Members** Every **Wednesday**

07th June, 2023 | 04:00 PM to 06:00 PM

FEES NIL

Registration and participation link:
<https://live.icai.org/wymec/07062023/>

Questions related to the topic may be sent in advance at wymec@icai.in or LIVE at the time of Program itself at the same link

Welcome Address
CA. Priti Savla
Chairperson, WYMEC, SRSB & Vice Chairperson, VSB

Introductory Remarks
CA. Abhay Chhajed
Chairman, CCLEA&NPO & Vice Chairman, WYMEC & ASB

Speakers
CA. Zalak Parikh
CA. Anupama Sharma

Co-ordinators
CA. Paramveer Kaur
CA. Pranali Thakore
CA. Sheetal Sethi
CA. Chetna Saboo

As part of country wide Azadi ka Amrit Mahotsav initiatives, envisaged by Government of India, to commemorate and celebrate 75 years of India's Independence, the Women & Young Members Excellence Committee (WYMEC) of ICAI organized “Sky High Symposium- 56 Virtual Program” on 7th June 2023.

CA. Zalak Parikh and CA. Anupama Sharma were speakers of the said program. Coordinators for the day were CA. Paramveer Kaur, CA. Pranali Thakore, CA. Sheetal Sethi and CA. Chetna Saboo.



The program covered discussion on “Amendments in Capital Gain applicable for AY 2023-24”. Deliberations were made on Different Income Tax rates in force under the head Capital Gain, Amendments in Capital Gain applicable for AY 23-24, Cap on Surcharge on LTCG, Taxation of Virtual Digital Asset, Capital Gain on Goodwill, International Financial Services Centre (IFSC) related exemptions, etc.

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Amendments in Capital Gain applicable for AY 2023-24

S.N.	Particular
I	Cap on Surcharge on LTCG
II	Taxation of Virtual Digital Asset (VDA)
III	50C and 194-IA parity
IV	IFSC related exemptions
V	Capital gain on Goodwill (being part of Block of asset)
VI	Amendments relating to Bonus stripping & Dividend stripping

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Cap on Surcharge on LTCG

Before A.Y. 2023-24 :

Range on Net Income	Rate of Surcharge
> 50 Lac and < 1 Crore	10%
> 1 Crore and < 2 Crore	15%
> 2 Crore and < 5 Crore	25%
> 5 Crore	37%

From A.Y. 2023-24 - Surcharge on long term capital gains arising from transfer of any type of assets has been capped at 15%.

Range on Net Income	Rate of Surcharge on LTCG
> 50 Lac and < 1 Crore	10%

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Taxation of Virtual Digital Asset (VDA)

- As per the new clause 47A, a Virtual Digital Asset means
 - any information or code or number or token (not being Indian currency or any foreign currency), generated through cryptographic means or otherwise, by whatever name called,
 - providing a digital representation of value which is exchanged with or without consideration, with the promise or representation of having inherent value, or
 - functions as a store of value or a unit of account and includes its use in any financial transaction or investment, but not limited to, investment schemes and
 - can be transferred, stored or traded electronically. Non fungible token and; any other token of similar nature as the Central Govt. may notify are included in the definition.
- Income on transfer of Virtual Digital Asset is taxable under Section 115BHH @ flat rate of 30%.

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50C and 194-IA parity

Before amendment of this section by Finance Bill, 2022, TDS was required to be deducted on Sales consideration value of immovable property where Total Sales Consideration exceeds Rs.50 Lakhs.

Whereas U/s 43CA and 50C, Income is Chargeable to tax as Higher of

- Actual Sales consideration or
- Fair Market Value/Stamp Duty Value

In order to remove inconsistency, Section 194-IA has been amended to provide that "In case of transfer of an Immovable property other than agriculture land, TDS is to be deducted at the rate of one percent of such sum paid or credited to the resident or the stamp duty value, whichever is higher."

So, from A.Y. 2023-24 onwards, TDS on Purchase of Immovable property U/s 194-IA will be deducted at 1% of higher of

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Capital gain on Goodwill (being part of Block of asset)

- Finance Act, 2011 carried out amendment in relation to Depreciation on Goodwill in Section 50 by inserting proviso to clause(2), thereby removing Goodwill from block of intangible asset
- Consequential amendment with regard to taxability of the same goodwill is introduced by Finance Bill 2022, thereby amending Section 50 of the Income-tax Act relating to special provision for computation of capital gains in case of depreciable assets.
- Accordingly, any reduction of goodwill of a business or profession from the block of intangible assets shall be deemed to be a transfer and will be taxed at Short Term Capital gain.
- This amendment was applicable retrospectively from 1st April, 2020 and accordingly, apply in relation to the assessment year 2021-2022 and subsequent assessment years.

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Amendments relating to Bonus stripping & Dividend Stripping

- The existing **94(7) of the Income Tax Act** kept a check on the Dividend Stripping transactions in the case of mutual fund units. Under Budget 2022, Section 94(7) was amended with effect from 1st April 2023. As per the amendment, this provisions are now applicable to units of business trusts such as Infrastructure, Investment Trust (InvIT), Real Estate Investment Trust (REIT), and Alternate Investment Fund (AIF) too.
- The existing **94(8) of the Income Tax Act** kept a check on the Bonus Stripping transactions in the case of mutual fund units. Under Budget 2022, Section 94(8) was amended with effect from 1st April 2023. As per the amendment, the word "units" shall be substituted by the word "securities and units". Thus, this section now applies to both units of mutual funds and equity shares too. Also with amendment in definition of Units, this provisions are now applicable to units of business trusts such as Infrastructure, Investment Trust (InvIT), Real Estate Investment Trust (REIT), and Alternate Investment Fund (AIF) too.

The program also covered Session on “Wealth Management”. Topics discussed were Wealth Preservation rules, Protect against Inflation, Asset Class Overview, Timing the Equity Market, Indian Equity Markets, Time

Frame of Equity, Debt, Wealth Optimization, Understanding Performance & Volatility of Asset Classes, etc.

Wealth Preservation Rule 1 - Protect against Inflation

Equity has the potential to beat inflation in the long run

Income generating assets. Eg. REITs (asset is real estate which is also an inflation hedge)

100% performance in real estate returns from 2005-2022

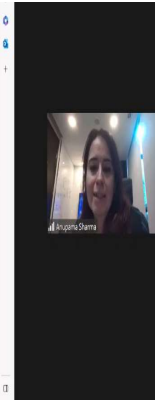
PERFORMANCE VS INFLATION PERIODS

PERFORMANCE VS INFLATION PERIODS

100% have historically failed to outperform over the entire stock market period

View: Average monthly return for the 2005-2022 US REIT S&P 500 REIT was 1% 21% for India, about 12% for India

Asset Class	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	
Large Cap	10%	15%	18%	12%	10%	12%	15%	18%	15%	12%	10%	12%	15%	18%	15%	12%	10%	12%	15%
Midcap	12%	18%	22%	15%	12%	15%	18%	22%	18%	15%	12%	15%	18%	22%	18%	15%	12%	15%	18%
Smallcap	15%	22%	28%	20%	15%	18%	22%	28%	22%	18%	15%	18%	22%	28%	22%	18%	15%	18%	22%

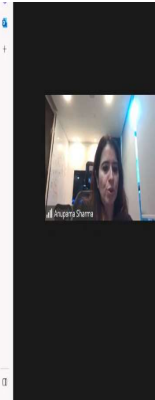


Asset Class Overview - Equity

Equity values in the short term can be affected by long term interest

PERFORMANCE VS INFLATION PERIODS

Feature	Equity Mutual Funds	Direct Private Equity	Publicly Traded Equity (Sensex/Nifty)
Investment Type	Invest in public & private listed equities	Invest in private listed companies or unlisted equities	Invest in a customized portfolio of equities
Investor Base	Retail and institutional investors	Institutional investors, high net worth individuals	Institutional investors, high net worth individuals
Investment Horizon	Typically, medium to long term	Medium to long term	Medium to long term
Liquidity	Open ended Mutual funds have high liquidity	Fixed on long term periods	Highly liquid
Investment Size	Small to large amounts can be invested	High net worth	High net worth
Overvaluation	Often overvalued due to market valuations	Consistent valuations to match private companies	Consistent valuations to match public companies
Risk Profile	Medium to high risk and return potential	High risk and return potential	Medium to high risk and return potential
Transparency	Disclose portfolio holdings regularly	Private business, often confidential	Customized reporting and transparency
Lock-up Period	Generally, no lock-up period	Typically, 1 to 3 years	Density, no lock-up period
Exit Strategy	Can be redeemed in a regular basis	Exit strategies may be limited or non-existent	Customizable exit strategies
Reporting and Regulation	Regular reporting and high transparency	Minimal and reporting may be confidential	Customized reporting and regulation
Risk Mitigation Strategies	Diversification and active management	Due diligence and risk management strategies	Customized risk management strategies



Timing the Equity market is tough, and missing the mark comes with consequences

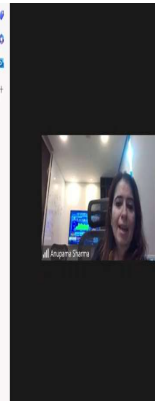
100% performance in real estate returns from 2005-2022

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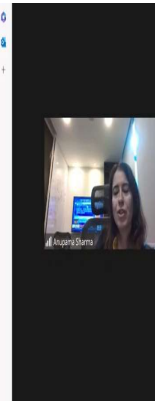
View: Average monthly return for the 2005-2022 US REIT S&P 500 REIT was 1% 21% for India, about 12% for India



Indian Equity Markets deliver decent returns post peak rate cycle

Period of Interest rate rise	Peak rate	Peak rate Date	Nifty CAGR from low rate to 10 peak rate	2yr Nifty CAGR from peak rate
2004-2005	11%	28-01-2014	22%	12%
2010-2014	8%	30-01-2016	4%	13%

• Nifty has delivered returns of 10-12% for next 2 years under both scenarios of peak interest rate cycles in India



Time Frame Matters - Equity

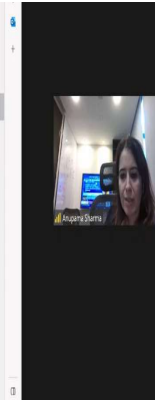
Longer the time frame, lower the odds of negative returns

Longer the time frame, higher the odds of better returns

Why 20% A Return of Returns in the long run (20%)

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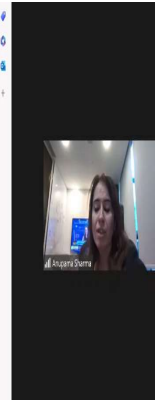
Why 20% A Return of Returns in the long run (20%)



Asset Class Overview - Debt

Inflation needs to erode returns from fixed income investments, leading to a real return gain when inflation is low

Feature	Debt Mutual Funds	Bonds
Investment Type	Invest primarily in fixed income securities	Fixed income securities issued by governments, corporations, or municipalities
Investor Base	Retail and institutional investors	Retail and institutional investors
Liquidity	Generally highly liquid	Varies depending on the bond
Investment Size	Variable, can accommodate small to large investments	Typically larger minimum investment due to subject to market interest rate
Duration	Variable and/or depending on the portfolio composition, ranging from the short term	Fixed, fixed maturity date or, structured bonds and interest rate swap
Overvaluation	Often overvalued due to market valuations	Individual bond prices are high fixed income security
Credit Risk	Exposure to credit risk of underlying securities	Credit risk associated with the issuer of the bond
Interest Generation	No Cash flow generation unless called for (callable bonds)	Generates income through regular interest payments in fixed cash flow (FDI, FD)
Repayment	Generally lower risk and return potential compared to equity investments	Fixed coupon payments and return of principal at maturity
Market Accessibility	Accessible to a wide range of investors	Accessible to a wide range of investors



The program concluded by giving Vote of Thanks to the Speakers and the participants.

Glimpses of the Virtual Program held on 7th June 2023

