



**THE INSTITUTE OF  
COST ACCOUNTANTS OF INDIA**  
(STATUTORY BODY UNDER AN ACT OF PARLIAMENT)  
**CMA BHAWAN**  
12, SUDDER STREET, KOLKATA – 700 016

Telephones: +91-33- 2252-1031/1034/1035  
+ 91-33-2252-1602/1492/1619  
+ 91-33- 2252-7143/7373/2204  
Fax :+91-33-2252-7993  
+91-33-2252-1026  
+91-33-2252-1723  
Website :www.icmai.in

## **DAILY NEWS DIGEST BY BFSI BOARD**

**25 March, 2023**

### **NO LTCG TAX BENEFITS ON DEBT FDS FROM APRIL 1: WHAT IT MEANS FOR INVESTORS:**

With the Lok Sabha passing the Finance Bill, 2023 with 64 official amendments on March 24, 2023, any gain (irrespective of the holding period) from debt funds and exchange-traded funds (ETFs), international funds, gold funds and certain categories of hybrid funds will now be taxed. In other words, long-term capital gains tax benefits, along with indexation benefits, are abolished. This comes into effect from April 1, 2023.

Currently, any capital gain on redemption of a debt fund held for three years or longer is treated as long-term capital gain and is taxed at a flat 20 percent with indexation benefit. Any capital gain on redemption before three years is treated as short-term capital gain and is taxed at an individual's income tax slab rate. This makes them an attractive post-tax option for long-term investors in the higher income tax brackets compared to fixed deposits (FDs) and bonds. Interest income from FDs and bonds is taxed at an individual's income tax slab rate. Following the latest change, this differentiation in debt fund taxation for a holding period of under three years, and of three years or longer years will no longer hold.

***(Moneycontrol)***

**STT ON SALE OF OPTIONS TO BE HIKED BY 25%:** After hours of confusion regarding the quantum of STT (securities transaction tax) hike on the sale of options, the Finance Ministry finally clarified that it will be hiked to Rs 6,250 on a turnover of Rs 1 crore. This indicates a 25 percent increase. Earlier, the levy was Rs 5,000. In the Finance Bill 2023, which was passed by Lok Sabha on March 24 morning, STT on the sale of options was hiked to Rs 2,100 on a turnover of Rs 1 crore against an earlier levy of Rs 1,700.

***(Moneycontrol)***

### **NSE TO ROLL BACK 6% TRANSACTION CHARGES ON EQUITY AND F&O TRADING FROM APRIL 1:**

The board of National Stock Exchange (NSE) on March 24 stated that it has decided to rolled back the 6 percent increase in transaction charges on equity cash and derivatives segment, with effect from April 1. In January 2021, the charges were increased by 6 percent partly, to augment the investor corpus in view of certain market exigencies due to broker defaults. "Further with objective to systematically augment the corpus of NSE IPFT, it was also decided to recalibrate the contribution to NSE IPFT from Rs 0.01 per crore to Rs 10 per crore in cash equities market segment and equity futures and Rs 0.01 per crore to Rs 50 per crore in equity options," the exchange said in a release. NSE IPFT is NSE's Investor Protection Fund Trust.

***(Moneycontrol)***



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### **GOVT EXTENDS RS 200 SUBSIDY ON LPG CYLINDER UNDER UJJWALA**

**SCHEME BY 1 YEAR:** The government on Friday extended the Rs 200 per LPG cylinder subsidy under the Pradhan Mantri Ujjwala Yojana (PMUY) by one year in the wake of high prices of petroleum products in the international market. The move will benefit 9.6 crore families. The Cabinet Committee on Economic Affairs has approved a subsidy of Rs 200 per 14.2 kg cylinder for up to 12 refills per year to be provided to the beneficiaries of PMUY.

*(Moneycontrol)*

### **CREDIT CARD PAYMENTS ON FOREIGN TOURS TO BE BROUGHT UNDER LRS TO ENSURE COMPLIANCE WITH TCS:**

Credit card payments for foreign travel will be brought under Reserve Bank's Liberalised Remittance Scheme (LRS) to ensure that such expenses do not escape TCS (Tax Collection at Source). While moving the Finance Bill 2023 for consideration and passage in the Lok Sabha on Friday, Finance Minister Nirmala Sitharaman said the Reserve Bank has been asked to look into ways to bring credit card payments on foreign tours under the LRS.

*(Economic Times)*

**GOVT HIKES RAW JUTE MSP BY RS 300 TO RS 5,050 PER QUINTAL:** The government on Friday increased the minimum support price of raw jute by Rs 300 to Rs 5,050 per quintal for 2023-24 season. The decision was taken at the Cabinet Committee on Economic Affairs (CCEA) meeting chaired by Prime Minister Narendra Modi. "The approval is based on recommendations of the Commission for Agricultural Costs and Prices (CACP),"

*(Economic Times)*

### **RBI APPROVES MERGER OF THREE L&T FINANCE HOLDINGS UNITS:**

L&T Finance Holdings Limited (LTFHL) on Friday said that the Reserve Bank of India has approved merger of its three subsidiary lending entities - L&T Finance Limited, L&T Infra Credit Limited and L&T Mutual Fund Trustee Limited- with itself. The 'no objection' for the scheme was accorded by the central bank vide a letter, the firm said in a regulatory filing.

*(Economic Times)*

### **CABINET HIKES DEARNESS ALLOWANCE (DA) BY 4% FOR CENTRAL GOVERNMENT EMPLOYEES, PENSIONERS:**

The Union Cabinet on Friday decided to increase the Dearness Allowance by four per cent to 42 per cent with effect from 01.01.2023 for central government employees and pensioners, said I&B minister Anurag Thakur in a press conference.

*(Economic Times)*



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**BANKERS EXPECT MORE TRACTION IN DEPOSIT INFLOWS:** The Centre's move to remove long-term tax benefits from debt mutual funds will take away the tax advantage such instruments used to enjoy over fixed deposits, and lead to a certain rise in deposit inflows, bankers said. In an amendment to the Finance Bill, 2023, the Centre said capital gains on investments in debt funds, which invest 35% or less in equity shares of domestic companies, will be taxed at an individual's tax slab from April 1. Currently, gains from all these mutual funds, which are held for more than three years, are taxed at a lower rate of 20% with indexation benefit, or 10% without indexation.

*(Financial Express)*

**FM TO MEET CHIEFS OF PSU BANKS AGAINST BACKDROP OF THE FAILURE OF FEW US BANKS:** Finance minister will meet managing directors of public sector banks (PSBs) on Saturday to review performance against the backdrop of the failure of a few banks in the US and the liquidity crisis faced by Credit Suisse. The meeting is going to take stock of the progress made by banks in achieving targets set for the various government schemes, including KCC, Stand-Up India, Mudra and ECLGS.

*(Financial Express)*

**CANARA BANK SELLS STAKE IN RUSSIAN JOINT VENTURE TO SBI FOR RS 121 CRORE:** Canara Bank on Thursday said it has sold its stake in Russian joint venture Commercial Indo Bank LLC (CIBL) to the other venture partner State Bank of India (SBI) for about Rs 121.29 crore. CIBL, incorporated in 2003, is a joint venture in Russia between SBI (60 per cent) and Canara Bank (40 per cent).

*(Financial Express)*

**ICRA REVISES OUTLOOK ON INFRA NBFCS TO 'POSITIVE' FROM 'STABLE':** ICRA has revised its outlook on infrastructure sector-oriented non-banking financial companies (NBFCs) to 'positive' from 'stable'. These entities include lenders like Power Finance Corporation, REC and Indian Railway Finance Corporation. The credit rating agency expects the loan book of these entities to rise by 10-12% in 2023-24 (April-March), aided by the government's push for infrastructure construction.

*(Financial Express)*

**INFLOWS INTO DEBT MFs COULD GO DOWN DRASTICALLY:** The government's decision to remove the tax arbitrage between bank fixed deposits could dampen flows into debt mutual funds. In addition, funds such as the Gold ETF, Gold ETF fund of fund, and any fund of funds that invest in other equity, debt or gold MFs that fall into the debt fund category for taxation purposes may also witness a decline in flows. "While trying to remove the tax



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arbitrage between FDs and debt funds, the tax change extends to innovative products offered by MFs which serve as a stepping stone for Indian investors' journey towards financialization.

***(Business Line)***

**IOB RAISES ₹1,000 CRORE THROUGH TIER 2 BONDS:** PSU lender Indian Overseas Bank has mobilised ₹1,000 crore through Tier II bonds. The Chennai-headquartered bank came up with Basel III compliant Tier II Series V Bonds issue with a base size of ₹200 crore and a green shoe option of ₹800 crore. The bidding was held on March 23 on the BSE Electronic Bidding Platform, according to a statement.

***(Business Line)***

**FinMin TO SET UP FINANCE SECRETARY-LED PANEL TO SUGGEST IMPROVEMENTS ON NPS FOR GOVT EMPLOYEES:** Amidst several States deciding to move back to old defined benefit-based pension system, the Centre has decided to constitute a committee headed by Finance Secretary TV Somanathan to suggest ways to make improvements to the National Pension System (NPS) for government employees.

***(Business Line)***



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## ***FINANCIAL TERMINOLOGY/CONCEPTS***

### **DEBT MUTUAL FUND**

- ❖ A debt fund is a mutual fund scheme that invests in fixed income instruments, such as Corporate and Government Bonds, corporate debt securities, and money market instruments etc. that offer capital appreciation. Debt funds are also referred to as Income Funds or Bond Funds.
- ❖ Debt funds are ideal for investors who want regular income, but are risk-averse. Debt funds are less volatile and, hence, are less risky than equity funds. If you have been saving in traditional fixed income products like Term Deposits, and looking for steady returns with low volatility, debt mutual funds could be a better option, as they help you achieve your financial goals in a more tax efficient manner and therefore earn better returns.
- ❖ Funds with higher average maturities tend to be more volatile in the short term since their objective is to deliver higher returns over the long term. Simply put, a fund with an average maturity of 5 years is definitely more volatile in the short term than a fund with an average maturity of say 9 months. That's because in the shorter term there is reasonable surety on the receipt of the coupon income.
- ❖ Now, the Centre's move to remove long-term tax benefits from debt mutual funds will take away the tax advantage such instruments used to enjoy over fixed deposits. In an amendment to the Finance Bill, 2023, the Centre said capital gains on investments in debt funds, which invest 35% or less in equity shares of domestic companies, will be taxed at an individual's tax slab from April 1. Currently, gains from all these mutual funds, which are held for more than three years, are taxed at a lower rate of 20% with indexation benefit, or 10% without indexation.



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### **RBI KEY RATES**

Repo Rate: 6.50%  
SDF: 6.25%  
MSF & Bank Rate: 6.75%  
CRR: 4.50%  
SLR: 18.00%  
Fixed Reverse Repo: 3.35%

### **FOREX (FBIL 1.30 PM)**

INR / 1 USD : 82.2378  
INR / 1 GBP : 100.9836  
INR / 1 EUR : 89.0624  
INR /100 JPY : 63.1300

### **EQUITY MARKET**

Sensex: 57527.10 (-398.18)  
NIFTY: 16945.00 (-131.90)  
Bnk NIFTY: 39395.35 (-221.55)

### **Courses conducted by BFSI Board**

- ❖ **Certificate Course on Concurrent Audit of Banks**
- ❖ **Certificate Course on Credit Management of Banks**
- ❖ **Certificate Course on Treasury and International Banking**
- ❖ **Certificate Course on Investment Management**
- ❖ **Certificate Course on General Insurance.**

**For details please visit BFSIB portal of the ICAI website**

### **Publications by BFSI Board**

- ❖ **Aide Memoire on Infrastructure Financing.**
- ❖ **Aide Memoire on lending to MSME Sector (including restructuring of MSME Credit ).**
- ❖ **Guidance Note on the Internal Audit of General Insurance Companies.**
- ❖ **BFSI Chronicle (quarterly issue of BFSIB)**

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### **TEAM BFSIB**

**Banking, Financial Services & Insurance Board  
The Institute of Cost Accountants of India**

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