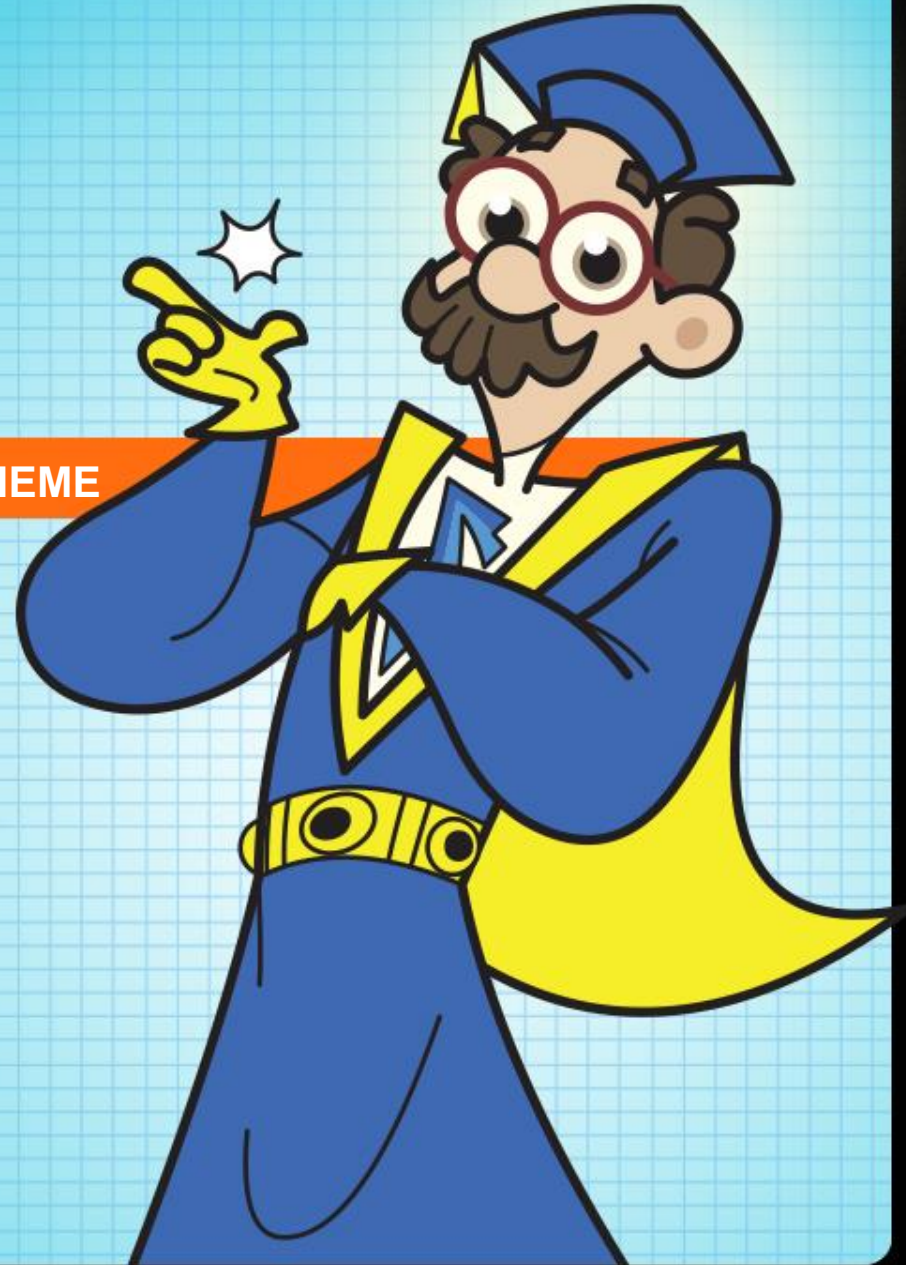


RAJIV GANDHI EQUITY SAVINGS SCHEME



vEcoSys

**Understanding
Rajiv Gandhi Equity Savings
Scheme (RGESS)**



RAJIV GANDHI EQUITY SAVINGS SCHEME (RGESS)



Rajiv Gandhi Equity Saving Scheme (RGESS) is a tax-saving instrument announced in the Finance Act, 2012 to attract new investors to the equity market.

It is exclusively for first time retail investors in the securities market. These investors are called “NEW INVESTORS”.



RAJIV GANDHI EQUITY SAVINGS SCHEME (RGESS)



But did you know that you may have invested in equity mutual funds earlier, but are still a “new investor” as far as RGESS is concerned?

Or you may hold physical shares but would still be considered as a first-time investor in equity markets.

Confused?

**Let's try and understand few
things about RGESS in the
next slide.**



RAJIV GANDHI EQUITY SAVINGS SCHEME (RGESS)

Who can invest in RGESS?	New retail investors with a gross total income of upto Rs. 12 lakh* can invest in RGESS.
How much can one invest to avail maximum tax benefits?	The maximum amount eligible for claiming benefit under RGESS is Rs. 50,000 over and above the Rs. 1,00,000 deduction available under section 80C. The deduction shall be allowed for three consecutive assessment years* beginning with the Assessment Year relevant to the previous year in which the listed equity shares or listed units of equity oriented funds were first acquired.
Tax Benefit	Deduction u/s 80 CCG, is available on 50% of the amount invested subject to maximum of Rs. 50,000. The benefit is in addition to deduction of maximum Rs. 1,00,000 available u/s Sec 80C. For example: If you invest Rs.50,000 under RGESS, the amount eligible for tax deduction from your income will be Rs.25,000.
Lock-in Period	3 years. Fixed lock-in during first year followed by a flexible lock-in for subsequent two years, subject to conditions.
Eligibility Criteria	<ul style="list-style-type: none"> • Resident Individual • Gross Annual Income < =Rs. 12 lakh • Never opened a Demat Account or existing Demat Account but has not made any transactions in Equity • Never traded in the Equity or Derivatives segment • 2nd & 3rd holder of an account can open a new account as 1st holder
Eligible Securities	<ul style="list-style-type: none"> • Stocks that are part of 'CNX-100' (by NSE) or 'BSE-100' (by BSE) • Equity shares of public sector enterprise that are categorized as Maharatna, Navratna or Miniratna • Units of Eligible Exchange Traded Funds (ETFs) or Mutual Funds • Eligible Follow-on Public Offers (FPOs) & New Fund Offers (NFOs) • Initial Public Offerings (IPOs) of eligible Public Sector Units (PSUs) <p>Note: You can avail RGESS benefits only on listed securities.</p>

*According to Finance Act 2013

**Let us understand this better
by using four different
scenarios.**



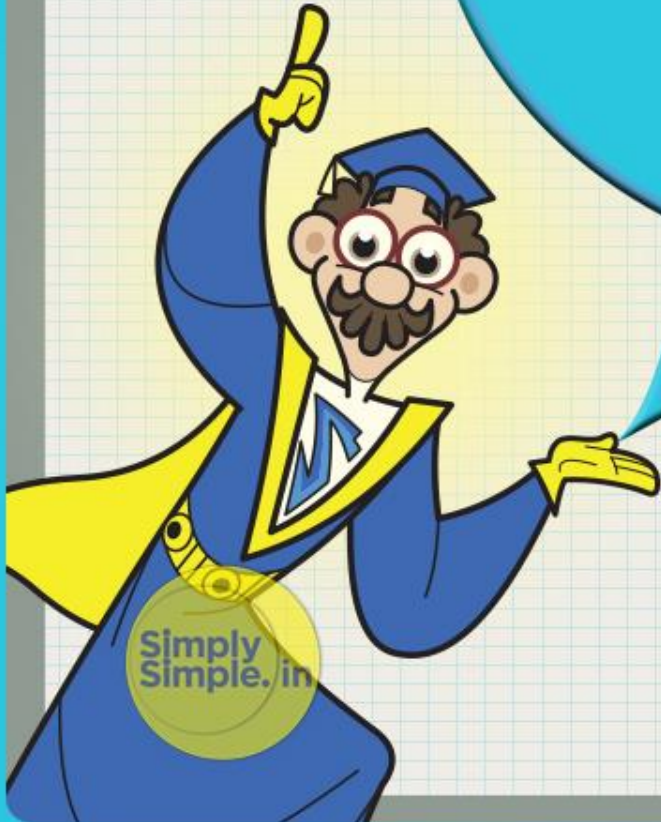
RAJIV GANDHI EQUITY SAVINGS SCHEME (RGESS)

	Ajay	Vijay	Suresh	Ashok
Gross Total Income (Rs.)	7 Lakhs p.a	9 Lakhs p.a	13 Lakhs p.a	11 Lakhs p.a
Resident of India	Yes	Yes	Yes	No
Existing Investment Holdings	<ul style="list-style-type: none"> • Mutual Funds • Exchange Traded Funds (ETFs) • Equity shares in physical mode • Debenture / Bonds through demat account 	<ul style="list-style-type: none"> • Equity Shares in demat mode • Derivatives • Systematic Investment Plan (SIP) in Mutual Funds. 	<ul style="list-style-type: none"> • Equity-linked saving schemes (ELSS) of Mutual Fund • Fixed Deposits • Post Office Deposits 	No Investment
Demat Account	Yes. But as Joint Holder	Yes	No	Yes
Am I Eligible?	Yes. You qualify as a New Investor under RGESS as you fulfill all criteria.	No. As you already hold shares and derivatives in your demat account, you do not qualify as a new investor.	No. Since your gross annual income is above 12 lakhs, you do not qualify as a new investor.	No. Since you are a non-resident Indian, you do not qualify as a new investor under RGESS.



RAJIV GANDHI EQUITY SAVINGS SCHEME (RGESS)

So, how is RGESS different from ELSS schemes of Mutual Funds?



RAJIV GANDHI EQUITY SAVINGS SCHEME (RGESS)

ELSS and RGESS are entirely different schemes. ELSS is meant for indirect participation in the stock market, whereas RGESS aims to encourage direct participation in the stock market. The operational differences are given in the next slide.



RAJIV GANDHI EQUITY SAVINGS SCHEME (RGESS)

Operational Differences	
ELSS	RGESS
Investments are only in mutual funds	Investments are to be made directly in listed equity or a combination of equity, mutual funds, ETFs.
100% deduction (upto Rs. 1,00,000) is allowed under ELSS	Only 50% deduction (upto a max. of Rs. 25,000) is allowed under RGESS.
The ELSS benefit is coming under Section 80C of the IT Act which has an aggregate limit of Rs. 1,00,000 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
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 / ownership capital, risk is perceived to be higher
No income eligibility criteria. Demat account is not required	Income eligibility criteria – Gross annual income less than Rs 12 lakhs. Demat account is required



RAJIV GANDHI EQUITY SAVINGS SCHEME (RGESS)

What are Forms A and B?

Form A is what you need to fill and give your depository participant before you make your first RGESS investment. This form will certify that you are, indeed, a first-time investor and are eligible to invest in an RGESS.



RAJIV GANDHI EQUITY SAVINGS SCHEME (RGESS)

If you buy any RGESS-eligible security, within the overall investment limit of Rs.50,000, but don't want it to be counted as an RGESS investment, then you need to give form B. This would mean that you can sell this security anytime you want and not be subject to the lock-in of three years.

Needless to say you then do not get to avail of the tax benefits either.



RAJIV GANDHI EQUITY SAVINGS SCHEME (RGESS)

However, if you buy an RGESS-eligible security beyond your Rs. 50,000 limit, don't bother giving any form then it will automatically not be counted as RGESS-eligible.



RAJIV GANDHI EQUITY SAVINGS SCHEME (RGESS)



Hope you have understood
the nitty-gritty of RGESS.



Thinking of Investment

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**Mutual Fund investments are subject to market risks,
read all scheme related documents carefully.**

