News Letter

Volume 1, January 2012 Issue

AT THE ONSET OF 2012,

WE WISH YOU AND YOUR FAMILY

A VERY HAPPY AND A PROSPEROUS NEW YEAR!

In our endeavor to continuously serve you better here is the first issue of 2012 News Letter capturing news and/or views that we feel could be relevant for our clients.

-Pooja Teli

INFRASTRUCTURE BONDS:

The concept of tax saving through investment in Infrastructure Bonds is not new. It was available under section 88 of the Income Tax Act till the year 2004-2005. However, Section 88 was scrapped by 2005-2006 union budget and so were the benefits of tax saving from Infrastructure bonds.

The 2010-11 Union Budget had proposed a new section 80CCF under the Income Tax Act of 1961 whereby an additional tax saving option *(over and above the existing deduction under sections 80C, 80CCC and 80CCD)* for financial year 2010-11 was available by way of investments in long term infrastructure bonds subject to a limit of Rs.20,000/-

The aforementioned provisions of Section 80CCF were amended in the Union Budget to allow this additional deduction for financial year 2011-12 as well.

Salient Features:

1. This option is available to **Individuals and HUF's only**.
2. Maximum amount of deduction is restricted to Rs.20,000/- of the amount paid or deposited by way of subscription for Long Term Infrastructure Bonds
3. Deduction is available over and above the existing limit of Rs.1, 00,000/- under section 80C, 80CCC and 80CCD *(Investment in instruments like ELSS Mutual Funds, Life Insurance, and Provident Fund etc).*
4. Permanent Account Number **(PAN**) of the applicants is **mandatorily** required.
5. **Minimum lock in period** of 5 years.
6. Exit from the infrastructure bond, after the lock in period, will be either through the secondary market or through buyback option as is specified by the issuer.
7. The infrastructure bonds could be pledged for loans from specified banks only after the lock in period.

As the financial year 2011-12 is coming to an end by March 2012 so is the time available to avail this tax benefit.

Under mentioned is a brief summary of issues that are currently open for subscription:

1. Rural Electrification Corporation Limited : REC Long Term Infra Bonds

2. L&T Infrastructure Finance Company Ltd: L& T Infra- Tax saving Bonds 2012A Series- Tranche 2

3. Infrastructure Development Finance Company Ltd: IDFC Long Term Infrastructure Bonds – Tranche 2

Particulars	REC				L&T INFRA		IDFC	
Options	**I**	**II**	**III**	**IV**	**I**	**II**	**I**	**II**
Interest Payment frequency	Cumulative	Annual	Cumulative	Annual	Cumulative	Annual	Cumulative	Annual
Coupon Rate (% p.a.)	8.95	8.95	9.15	9.15	8.70	8.70	8.70	8.70
Tenor (years)	10	10	15	15	10	10	10	10
Rating	AAA BY CRISIL,ICRA,CARE and Fitch(India)				AA+ by CARE and ICRA		AAA by ICRA and Fitch (India)	
Buyback option	At the end of 5 years + 1 day		At the end of 7 years + 1 day		5years/7 years from the deemed date of allotment		At the end of 5 years + 1 day from the deemed date of allotment	
Buyback Amount per bond (Rs.)	7,677	5,000	9,231	5,000	1,517.57 / 1,793.11 at the end of 5 / 7 years respectively.	1,000	7,590	5,000
Maturity Amount per bond (Rs.)	11,783	5,000	18,592	5,000	2,303.01	1,000	11,515	5,000
Face Value per bond (Rs.)	5,000	5,000	5,000	5,000	1,000	1,000	5,000	5,000
Issue closure date	10th February 2012				11th February 2012		25th February 2012	
Minimum Application	1 Bond				5 Bonds and in multiples of 1 Bond thereafter		2 Bonds and in multiples of 1 Bond thereafter	

***Please Note**: There are other issues from PTC India Financial Services; SREI Infrastructure Finance that are currently open in market however is absence of adequate details with us they are not captured in the aforementioned table.*

OTHER RELEVANT INFORMATION*:*

1. ***WITH EFFECT FROM 01.04.2012*** *RESERVE BANK OF INDIA (RBI)* as reduced the validity of cheques/ demand drafts/pay orders/banker's cheque from 6 months to 3 months.*(Vide Notification no : RBI/2011-12/251 DBOD.AML BC.No.47/14.01.001/2011-12 dated 04/11/2011)*

2. ***CLARIFICATION ON INTEREST RATES ON SMALL SAVING SCHEMES:*** *RESERVE BANK OF INDIA (RBI)* and the Ministry of Finance have clarified that interest rates on small saving schemes **expect PPF** will remain fixed throughout the scheme. This means that the rate of interest prevailing at the time of investment will remain fixed and unchanged till the maturity of the investment. Any revisions in the interest rates in the subsequent years will be applicable to investments made in the relevant year only *(Vide Notification no: RBI/2011-12/359 DGBA.CDD.No.-H-4836/15.02.001/2011-12 dated 20/01/2012)*