



**ALL INDIA UNION BANK PENSIONERS AND RETIREES FEDERATION**  
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Dear Comrades,

7<sup>th</sup> November, 2016

### News of Interest 7<sup>th</sup> November

QUOTE OF THE DAY: "PROGRESS IS IMPOSSIBLE WITHOUT CHANGE, AND THOSE WHO CANNOT CHANGE THEIR MINDS CANNOT CHANGE ANYTHING." - GEORGE BERNARD SHAW

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BusinessLine:

#### 1. 'Corp Bank planning to shift head office to Bengaluru'

OUR BUREAU

Citizens of Mangaluru have expressed concern over the purported move of Corporation Bank to shift its major operations from the head office in Mangaluru to Bengaluru.

Addressing presspersons in Mangaluru on Saturday, JR Lobo, MLA (Member of Legislative Assembly) from Mangaluru South, said that the Mangaluru-based Corporation Bank is planning to shift its head office to Bengaluru.

Though five banks originated from coastal Karnataka, Canara Bank and Vijaya Bank shifted their head offices to Bengaluru long ago. Lobo said that most of the major operations of Syndicate Bank have been shifted from Manipal to Bengaluru. Now Corporation Bank is also thinking on the same lines, he said.

Opposing the proposed move, he said a delegation of citizens from Mangaluru, including trade and industry representatives and politicians, will meet the Union Finance Minister to discuss this issue. Parliamentarians and union ministers from the region will be requested to bring pressure on the Centre to stop this move, he said.

A memorandum to the Board, prepared by the Premises Division of the bank, was released to the media by the MLA at the press meet. Though the memorandum (which has been marked as 'strictly confidential') mentions about developing two properties in Bengaluru, there is no mention about shifting the head office to Bengaluru.

The memorandum proposes to develop an administrative building on a three-acre parcel of land at Bangalore Hardware Park Industrial Area at an estimated cost of around Rs.150 crore. There will be provisions for the cabins of chairman, managing director and executive directors in this proposed 850-seating capacity administrative building.

It also proposes to develop a staff training centre and IT unit and other offices on a five-acre parcel of land at Bangalore Hardware Park Industrial Area at an estimated cost of around Rs.200 crore.

Jeevan Saldanha, president of Kanara Chamber of Commerce and Industries (KCCI), said that at a time when a prominent tier-2 centre such as Mangaluru is being promoted as a smart city, the exit of a major bank from the city will send a wrong signal to the investors.

The bank's management did not respond to the queries on this subject.

## **2. How US elections impact Indian stock markets**

### [LOKESHWARRI SK](#)

Tomorrow is D-day, when people in the United States will vote for the 45th President of their country.

Financial market analysts note that a victory for Donald Trump will usher in a period of uncertainty in economic, social and foreign policies. Equity and currency markets have turned turbulent as the gap between the two candidates narrowed in opinion polls.

A further decline in stock prices is possible if Trump wins while a mild rally is expected if Hillary Clinton triumphs.

How will Indian equity and currency markets react to this event? We ran through the market moves following the US Presidential elections since 1992 to get the answer.

### **Strong short-term linkage**

An analysis of the change in Sensex and S&P 500 values, one week after the date of the Presidential election, shows a very high positive correlation of 0.97 between the two indices. This means that Indian equities will sink or swim with their US counterparts in the coming week.

The extent of fall or rise could vary. In 2012, when Barack Obama won a second term, the S&P 500 lost 3.78 per cent in the following week. The Sensex, too, fell, but by a much lower 1.05 per cent.

In 2004, when George Bush won a second term, the S&P 500 gained 3 per cent in the following week. The Sensex, too, gained 3 per cent in that period.

However the 2008 Presidential election during a bear market saw the S&P 500 and the Sensex declined by a sharp 10 and 7 per cent in the week that followed.

### **Medium-term divergence**

The correlation between the S&P 500 and the Sensex comes down to 0.56 on considering the movement of the indices in the month following the election. The Sensex and the S&P 500 moved in opposite direction in four out of the six elections held since 1992.

### **A short-term impact**

Another notable point is that the impact of the elections does not last long and the structural trend in the market tends to take over in Indian stock markets.

In November 2012, while the Sensex fell 1 per cent in the week following the election, it recovered to gain 3.56 per cent in the following month, helped by foreign investor buying.

Similarly after the 1996 election, Indian markets declined sharply in the following month, as the structural trend was down since 1994.

Foreign investment flows into India also do not appear to be influenced by these elections. Barring 2008, FII flows into the Indian equity market have been positive in the months in which US Presidents were elected.

### **Currency impact**

The dollar's position as the safe haven will stand it in good stead if there is a market crash following the election result. In 2012, when US equities fell, the dollar rallied 0.50 per cent in the week after the polls. The rupee declined 0.55 per cent in that period, hurt by a stronger dollar as well as the increased global risk aversion.

Similarly, in 2008, the S&P 500 fell 10.6 per cent in the week after the poll, the dollar rallied 2.8 per cent and the rupee declined 0.84 per cent. So, the rupee could be adversely impacted, at least in the short term, if Trump wins.

### **3. Your Taxes**

SANJIV CHAUDHARY

*I wish to open a PPF account in my name as well as my wife's name. My wife is a housewife. Can I invest Rs.1.5 lakh in each of the accounts from my income? What will be the total tax benefit? Will the income from my wife's PPF account be clubbed with mine?*

*Diwakar*

As per the Public Provident Fund rules, a maximum deposit of Rs.1.5 lakh can be made by a person in a PPF account in a particular financial year.

The limit is prescribed in respect of your own PPF account and any other account where you are the guardian (that is, in the case of minor children). Hence, you may invest Rs.1,50,000 each in your PPF account and your wife's PPF account.

As per the Act, you may claim the deduction in respect of contribution made towards your own PPF account as well as that towards the PPF accounts of your wife and minor children. However, the maximum deduction available shall be covered under the overall ceiling limit of Rs.1.5 lakh as applicable under Section 80C.

The interest income earned from your wife's PPF account shall be clubbed with your income. However, interest income from PPF account is exempt from tax and you would not be required to pay any taxes on such income.

*I wish to sell my gold jewellery and some coins to invest in the next tranche of the Sovereign Gold Bond Scheme. What will be the capital gains tax implications of this transaction?*

*Are there any exemptions? What will be the tax implications at the time of maturity/sale of the sovereign gold bond investment scheme?*

**R Gupta**

According to the provisions of the Income Tax Act, jewellery is considered as capital asset and any gain arising from the transfer of jewellery is subject to capital gains tax.

In case the jewellery is held by the taxpayer for a period of up to 36 months before sale/transfer, then it is a short-term capital asset and the gain, short-term capital gain. If the jewellery is held for more than 36 months before sale/ transfer, then it is treated as long-term capital asset and the gain, long-term capital gain.

The short-term capital gain from the sale of jewellery is taxed at the applicable slab rates for the individual without any indexation benefit for cost inflation. The long-term capital gain is taxed at 20 per cent (applicable rate for FY 2016-17) after indexation. No exemption is available in respect of investment of sale proceeds of jewellery in the Sovereign Gold Bond Scheme.

The capital gain arising on redemption of the bond on maturity is exempt from tax. However, in case the bond is sold before maturity, then the capital gain tax shall be applicable in the similar manner as discussed above in the case of sale of jewellery.

The interest income received on such gold bonds are taxable under the Act as per the slab rates.

*The writer is a practising chartered accountant. Send your queries to [taxtalk@thehindu.co.in](mailto:taxtalk@thehindu.co.in)*

Financial Express:

#### **4. Buying health insurance from a bank as its account holder, should you opt for it**

When you opened your bank account or went to the branch to transact business, you might have been offered a health insurance along with your account. Most banks have tie up with insurance companies to offer health insurance to their account-holders.

By: [Sarbajeet K Sen](#)

When you opened your bank account or went to the branch to transact business, you might have been offered a health insurance along with your account. Most banks have tie up with insurance companies to offer health insurance to their account-holders.

You must have wondered whether you should go for the offer? What are the benefits and disadvantages of buying a health policy along as a bank customer instead of looking for choices in the open market?

Experts believe buying insurance as part of deal as a bank customer should be avoided.

“People should not rely on health insurance policy from banks as they are limited and won’t be able to provide accurate cover. There are several benefits that you will not be able to get under a health policy offered by the banks. It is good to purchase the same from the health insurer directly as they will be able to provide better options at the flexible premium. By purchasing the same from the insurer the claim procedure will be much more easier as well,” says Naval Goel, founder and CEO, PolicyX.com.

Alok Bhatnagar, co-Founder and CEO, Easypolicy.com, agrees. “Generally banks sell one or two of their preferential products from select insurers. Selling from limited options will always be biased and will never be based on a customer’s specific needs. Above all, getting services from banks for insurance, especially post sales, has always been a grave concern for customers in India,” he said.

Bhatnagar said buying from banks may deny consumers the facility to choose the best-suited product. “It is better to compare various plans before one buys and since banks do not offer any comparison service, health insurance in particular should be avoided as some of the parameters like hospital network covered in the plan, amongst other factors, are very important to know before one finalizes a plan. The mix and match of one’s needs and the features of health plan being selected is of utmost importance while buying health insurance,” he said.

Naval Goel lists out the pros and cons of buying insurance as a bank customer:

Pros:

Covers cost of health check-up after three years of policy

Low rate of premiums

Covers pre-hospitalisation and post-hospitalisation expenses for first 30 days and 60 days, respectively. Covers ambulance charges up to Rs 1,000.

Cover maternity benefits (up to 5 per cent of sum insured) from the second year. The claim settlement is carried out directly between the customer and the insurer

Cons:

You have to have a savings account in a particular bank to avail the benefits

Chances of the tie-up breaking in future

Limits on renewable age

Most banks offer policies with a fixed sum assured. You cannot choose the sum assured that you want

Doesn't cover primary diagnostic, treatment charges etc.

## **5. Fixed or floating: Which one is better?**

Going for a fixed home loan rate makes sense if interest rates are likely to rise in the future.

By: [Saikat Neogi](#)

AFTER Reserve Bank of India reduced the repo rate by 25 basis points last month, banks and housing finance companies have started lowering their lending rates marginally. Taking the lead, State Bank of India has cut its home loan rate to the lowest level in six years to 9.1% (for women borrowers). Other major lenders such as ICICI Bank and HDFC, too, have reduced interest rates on their home loans by 15 basis points.

So, with interest rates falling and stable real estate prices for the last six months, should you opt for a housing loan with fixed rate of interest? Fixed home loan rates makes sense if interest rates are likely to rise in the future or if rates have stabilised at low single digit.

### **Fixed or floating**

Even in fixed rate, there are two types—one that stays constant throughout the loan tenure and the interest charged is higher. In the other type, banks review the fixed rate periodically and the rate of interest is slightly lower. Since home loan is for a longer tenure —20-25 years—a borrower must compare various parameters and then decide on the type of interest rate. If the borrower is looking at certainty and security, then he should opt for fixed rate home loan. However, it will come with a premium on interest rates and if rates dip further, he would have locked himself on to a higher rate.

### **Advantages of fixed rate**

If the objective is to protect oneself from interest rate fluctuations, fixed rate will make sense. If you are comfortable with the current EMI and expect higher income, then you can opt for fixed rate to avoid potential rate hikes. You can also opt for a part-fixed-part-floating-rate loan which will offset a part of the rise in interest rates. Fixed rates make sense if you do not want to prepay the home loan and service it a long time. The earlier you close the loan, less the interest outflow. If rates move up, the interest payout will also increase.

### **Disadvantages of fixed rate**

Borrowers have to pay higher rate for fixed rate home loan as compared with floating rate loan. As the tenure of the loan is long, if interest rate falls, the borrower of fixed rate will lose out and continue to repay the same amount. If you plan to close the loan in 5-7 years, then avoid fixed rate. If you have opted for a short duration loan, say 10 years, don't go for fixed rate. In fact, for short duration loans, the interest outflow is less as the loan advances in tenure. The EMI will increasingly repay principal outstanding.

### **Check with banks**

Check with the bank whether the fixed rate home loan is fixed for the entire tenure or only for a few years. Banks also offer the option of switching from fixed to floating for a fee. It makes sense to go for fixed home loan rate if the interest rate is in single digit or if the difference between floating and fixed rate is more than 1%. While most home loan borrowers go for floating rates, one must compare the rates, terms and conditions of various banks before finalising the loan.

## **6. Getting married? Get these must-have insurance covers**

Here are some must-have insurance products for you and your spouse.

By: [Adhil Shetty](#)

IF you are getting married now, it is quite possible that you and your spouse are young. Much of your working life lies ahead of you, and, therefore, you may have a long way to go before you create wealth and long-term securities for your family. Here are some must-have insurance products for you and your spouse. These will go a long way in making sure your family's savings are not damaged by the vagaries of life.

### **Life term insurance**

A term insurance plan is ideal for anyone with dependents. It's also very cheap. A term plan is a pure life insurance cover with no investment component. You can seek a cover worth 20 times your current annual income, and this should be enough to cover the long-term financial needs of your dependents.

A term cover should be bought by anybody with dependents—especially any dependent who may not be generating regular income and may encounter financial hardship in case of untimely demise of the primary earner.

### **Health plan**

As a youth getting married today, you may be in the prime of your health and may consider a health insurance as pointless expenditure. It is true that the odds are against you requiring hospitalisation or extensive treatment of any kind while you're young. However, disease and ill fortune may strike anyone at any time. Hospitalisation expenses are steep. Even a week-long stay at one may set you back by a few lakh rupees.

It's best to let your insurer cover this expense for you rather than dipping into your savings which may be meagre when you're young. It's not enough to rely on your employer-provided cover which will be taken away if you leave your job. To lower your premium costs, you can opt for a family floater plan with your spouse.

### **Critical plan**

Poor lifestyles, pollution, stress and occupational hazards mean that we're constantly at risk of falling prey to diseases such as diabetes and cancer. Treatment of such diseases is difficult, and so is raising money for prolonged treatment. To secure families going through such crises, it is advisable to avail a critical illness insurance plan which would provide the beneficiary a lump sum upon the diagnosis of a listed critical illness.

## Home insurance

Whether you live in your own home or in a rented one, you can buy a home insurance plan. If you own a house, you can cover not just the structure against fire and damages, but also the contents of the home. If you're a tenant, you can consider a cover for the contents of your home, especially if you have valuables such as jewellery.

If you have some of these covers already, you should consider updating your nomination and beneficiary details to reflect your newly acquired marital status.

*The writer is CEO, BankBazaar.com*

Business Standard:

## 7. FinMin asks banks, LIC to keep watch on Tata group developments

Life Insurance Corporation of India alone has an exposure of about Rs 37,500 crore to different Tata Group companies

Press Trust of India

Amid on-going boardroom battle at Tata Group, the finance ministry has asked financial institutions, including Life Insurance Corporation of India and banks, to keep a watch on developments to safeguard the interest of investors.

Since [LIC](#) as well as banks have invested depositors' money in various companies under Tata Sons, it is their duty to see that public money is not put at risk, finance ministry sources said.

Safeguarding depositors' interest is paramount, they said, adding that as investors, banks and financial institutions are keeping a close watch on various developments taking place post the ouster of [Cyrus Mistry](#) as chairman of Tata Sons.

Sources said that while there is no doubt that [Tata Group](#) is one of the largest and reputed industrial houses in the country, Standard Operating Procedure has to be followed in all the cases.

Life Insurance Corporation of India alone has an exposure of about Rs 37,500 crore to different [Tata Group](#) companies.

While [LIC](#) owns 3.2 per cent in TCS, which is the most profitable Tata firm, it owns 13.6 per cent in Tata Steel which is the most troubled group company now due to the lingering troubles at its British operations. At the same time, New India Assurance — another public sector insurance firm — owns 1.17 per cent in Tata Steel.

In Tata Power [LIC](#) owns 13.1 per cent stake, 7.13 per cent in Tata Motors, 8.8 per cent in Indian Hotels and 9.8 per cent in Tata Global Beverages.

Mistry was unceremoniously removed last month by the board of Tata Sons as its Chairman. Interim chairman [Ratan Tata](#) has met V K Sharma, the acting chairman of LIC.

Mistry has accused Tata Sons of cornering him into being a "lame-duck" chairman in the near four-year tenure and also hiding USD 18 billion of potential write-downs across five group firms, including Tata Motors and Tata Steel Europe.

He has also alleged potential financial issues at the various companies and violations of securities regulations.

His family firm Shapoorji Pallonji Group has 18.4 per cent in Tata Sons. As much as 66 per cent shares in Tata Sons are held by philanthropic trusts endowed by members of the Tata family.

## **8. Cheque deposit machines coming soon at Ayakar Seva Kendras**

### **The tax department will roll out several such initiatives, including expeditious refund in case the mismatch in TDS filing**

Press Trust of India

In order to make the department more taxpayer friendly, [Central Board of Direct Taxes](#) (CBDT) has decided to install [cheque](#) deposit machines at [Ayakar Seva Kendras](#) (ASKs) and launch a modified website to assist assesses to ascertain their tax liability.

As per the road map prepared by the CBDT, the tax department will roll out several such initiatives, including expeditious refund in case the mismatch in Tax Deducted at Source (TDS) filing is up to Rs 1 lakh, over 3-4 months.

Also, it is planning to increase the number of tax return preparers (TRP) to 50,000, from the current 5,000, and add 65 more ASKs this fiscal.

"We have planned for upgradation of ASKs over the next 3-4 months. It is proposed to introduce automatic chequedeposit machine to facilitate the tax payers by providing them [banking](#) facilities," a [revenue department](#) official told PTI, explaining the rationale behind the move.

The ASKs are single-window touchpoints for all communications and help taxpayers interact with officers for queries relating to income tax, including, permanent account number (PAN), filing tax returns or refunds.

"Currently, there are 297 ASKs in the country. This year, we will add 65 more to the 297 and they are all being upgraded as per the Bureau of Indian Standards (BIS) to provide quality service," the official said.

Besides, as part of further streamlining of taxpayer services, the department will start issuing refunds even if there are mismatches of up to Rs 1 lakh.

As part of the facilitation drive, the department has already started sending SMS alerts to as many as 2.5 crore salaried taxpayers informing them of their quarterly [TDS](#) deductions. It also plans to extend this SMS facility to another 4.4 crore non-salaried taxpayers.

There is more as the official said the department plans to launch a taxpayer friendly website with specific tools and apps to assist them in tax computation.

"We would soon launch an opinion survey of taxpayers covering all regions in India on how to improve our services, review our operation and also identify focus areas for future," the official added.

The tax department's drive comes after Prime Minister Narendra Modi's assurance to taxpayers that he will remove the fear of the taxman hounding them.

"Middle class, upper middle class used to be hassled with I-T officers, more than the police. I have to change this, I am working on it and will make the change happen," Modi had said in his Independence Day address to the nation.

The department is also planning to expand the Tax Return Preparer Scheme, under which TRPs are appointed and trained by the I-T department to assist assesses to file ITRs.

"Right now, there 5,000 active TRPs and we propose to expand it to 50,000 and they will be empanelled district-wise all over the country. This will enhance skill development and employment generation," the official said further.

Besides, the [revenue department](#) is exploring the option if these trained TRPs can be used for return filing under the new Goods and Services Tax (GST) regime, which is likely to kick in from April next year.

With kind regards,

Yours Comradely,



**(N. GOVINDRAJULU)**  
**GENERAL SECRETARY**