TAX CHAT - Updates

Monthly Newsletter from SSJCO	Email: sunil@ssjco.in Website: www.ssjco.in
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Date: 24th January, 2022

Dear Madam / Sir,

Namaste!

The year gone by was a roller coaster one. It began well with cases in decline, but suddenly the second wave struck with extreme ferocity April onwards. Just as we were planning to open up almost all activities fully in the new year, this virus has other plans and we have to again slow down the speed of our activities. One of the major impact of this is that it has given rise to unemployment of many old timers causing them financial, health and emotional problems. There is only a limited class who is able to convert this challenge into opportunity. We need to look into this aspect and see what best we can contribute to help remedy this cause.

At this juncture we would like to complement our sincere team members as well as team members of our clients who all with the mutual cooperation ensured that all the compliances in direct taxes have been done within the extended timeline and the balance compliances are being done and will be completed within the extended due dates. The details of extended due dates is given in update section.

In this January 2022 edition of Tax Chat, we are attempting to summarize the direct tax updates in this month. Rishabh has put his thoughts in his Article titled "Managing Risk with Investing". Trust you will find this edition useful.

After 9 days we have another national festival. Ho'ble Finance Minister will present Budget 2022 on 01st February, 2022. Let us wait and watch - whats there for us…

We strongly believe that the New Year will be the beginning of the end of this stubborn virus and we will return back to our way of life as early as possible.

Happy Reading!
Stay Safe, Connected & Updated

With Regards,
Team – S S Jhunjhunwala & Co

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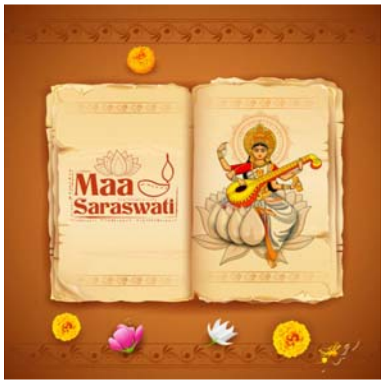


Maa Saraswati bless all of us
Happy Vasant Panchami – 5th Feb

Circulars, Notifications and Others:
(Compiled by: Ms Sonakshi Jhunjhunwala)

1. South Africa releases model legislation to introduce Advance Pricing Agreement Programme: News, dated 27th December, 2021:

In keeping with international developments, the South African Revenue Service (SARS) published a high-level model and drafted legislation for an advance pricing agreement (APA) unit and associated processes. The APA Program aims to provide clarity and certainty to the taxpayers of their obligations. The necessity of the APA unit is foundational in advancing SARS strategic agenda and restoring the organization to world-class status.

SARS will accept feedbacks on model APA at acollins@sars.gov.za until January 31, 2022, and it is believed that the feedbacks will enable further streamlining of the model. The release of the model and draft will facilitate the comprehensive engagement of all the affected parties and lay a groundwork for the APA Programme.

2. CBDT notifies Rule 2DD for computation of exempt income of specified fund u/s 10(23FF): Notification No. 138 of 2021, dated 27th December, 2021:

The Finance Act, 2021 has inserted a clause (23FF) to section 10 to provide that any income in the nature of capital gains, arising or received by a non-resident or a specified fund, which is on account of transfer of shares of a company resident in India, by the resultant fund or a specified fund shall be exempt from tax if:

(a) Such shares were transferred from the original fund to the resultant fund in relocation; and

(b) Capital gains on such shares were not chargeable to tax if that relocation had not taken place.

However, the exemption is available, to the extent, income attributable to units held by non-resident (not being a permanent establishment of a non-resident in India) in such manner as may be prescribed.

CBDT has notified Rule 2DD prescribing the method for computation of income exempt under section 10(23FF) in the hands of specified fund. The following is the formula to compute income exempt under section 10(23FF):

Exempt income = A * B/C, where

A= Capital gains arising from the transfer of shares of a company resident in India. However, such shares were received by the specified fund, being resultant fund, in relocation from the original fund or its wholly-owned special purpose vehicle. Furthermore, such capital gains would not be chargeable to tax if the relocation had not taken place;

B = Aggregate of daily 'assets under management of the specified fund which are held by non-resident unitholders (not being the permanent establishment of a non-resident in India), from the date of acquisition of the share of a company resident in India to the date of transfer of such share.

C = Aggregate of daily total 'assets under management' of the specified fund, from the date of acquisition of the share of a company resident in India to the date of transfer of such share

Filing of Forms

The specified fund is required to file an annual statement of exempt income in the Form No. 10-II electronically under digital signature. This Form is to be filed on or before the due date of furnishing return of income.

The specified fund is also required to get the annual statement certified by a Chartered Accountant and file the certificate in Form No. 10-IJ electronically one month prior to the due date of filing of return of income.

3. CBDT notifies Faceless Appeal Scheme, 2021- CIT(A) is to allow request for personal hearing: Notification No. 139 of 2021, dated 28th December, 2021:

CBDT has notified the Faceless Appeal Scheme 2021 applicable w.e.f. 28th December, 2021. The new scheme has been notified in supersession of the earlier Faceless Appeal Scheme, 2020. The Board has brought several changes in the Faceless Appeal Scheme 2021, and some of the key changes are as under:

(a) RFAC removed; Cases will assign to Commissioner (Appeals)

The concept of Regional Faceless Appeal Centre (RFAC) has been removed under the new scheme. The National Faceless Appeal Centre (NFAC) shall assign the appeal for disposal to a Commissioner (Appeals) of a specific appeal unit. Earlier, the appeals were assigned to a specific appeal unit in any one RFAC.

(b) Compulsion on CIT (A) to grant personal hearing if requested

The new scheme has replaced the word 'may' with 'shall' with respect to allowing requests for a personal hearing. Thus, it would be mandatory for the Commissioner (Appeals) to grant a personal hearing if requested by the taxpayer during e-proceedings.

(c) No draft appeal order

In the previous scheme, the appeal unit was required to prepare a draft order. The said draft order was then sent to another Appeal Unit for review. This was used to be done in cases where the aggregate amount of tax, penalty, interest or fee, including surcharge and cess, payable in respect of disputed issues, exceeds the specified amount.

There is no concept of a draft order in the new appeal scheme. Commissioner (Appeals) has to prepare an appeal order and send to National Faceless Appeal Centre after signing the same digitally. Thereafter, the National Faceless Appeal Centre communicates such order to the Appellant.

4. CBDT provides one-time relaxation to verify e-filed returns; ITRs filed for AY 2020-21 can be verified by 28th February, 2022: Circular No. 21 of 2021, dated 28th December, 2021:

Verification of return is a crucial step to complete the process of filing of Income-tax return. After successfully filing the income tax return, a taxpayer must verify it within the time limit of 120 days. If a return is filed but not verified within such permitted time, it shall be deemed as an invalid return.

It came before the notice of CBDT that large number of electronically filed ITRs for the Assessment Year 2020-21 remained pending for want of receipt of a valid ITR-V Form or e-Verification.

Thus, CBDT has decided to provide one-time relaxation to verify ITR filed for Assessment Year 2020-21. The taxpayer has been permitted to verify all such returns either by sending a duly signed physical copy of ITR-V to CPC, Bengaluru through speed post or through EVC/OTP modes. Such verification process must be completed by 28.02.2022.

However, the relaxation shall not apply in those cases where the Income-tax Department has already taken recourse to any other measure as specified in the Act for ensuring filing of a tax return by the taxpayer concerned after declaring the return as non-est.

The Board has also issued directions that such returns shall be processed by 30.06.2022, and intimation of processing of such returns shall be sent as per the laid down procedure. In refund cases, the provision of section 244A (2) of the Act would apply while determining the interest on refund.

5. CBDT notifies Rule 16DD, Form 56FF for claiming deduction u/s 10A; Applicable retrospectively from 29th July, 2021: Notification No. 140 of 2021, dated 29th December, 2021:

CBDT has notified Rule 16DD by Income-tax (35th Amendment) Rules, 2021. Rule 16DD prescribes Form No. 56FF for furnishing of particulars along with the return of income for fulfilling the conditions of Section 10A(1B)(b) of the Act. The Rule comes into force from 29th July, 2021 and CBDT clarifies that since Rule 130 was brought into force from 29th July, 2021 where Rule 16DD and Form 56FF were inadvertently mentioned (now omitted), the retrospective effect is given to maintain continuity. It further clarifies that no person is being adversely affected by granting retrospective effect.

6. CBDT sets up National Faceless Appeal Centre, Appeal Units under Faceless Appeal Scheme, 2021: Office Order No. 3, dated 29th December, 2021:

CBDT, vide Office Order No. 3, sets up National Faceless Appeal Centre (NFAC) under Faceless Appeal Scheme, 2021. NFAC has its headquarters in Delhi and comprises PCCIT (NFAC), CIT (NFAC), Addl. CIT/JCIT (NFAC), DCIT/ACIT and two ITOs. Vide Office Order No. 4, CBDT sets up Appeal

Units across the country with 31 units in Delhi, 46 in Mumbai, 10 in Ahmedabad, 17 in Chennai and Puducherry, 9 in Hyderabad, 11 in Bengaluru and 22 in Kolkata.

7. CBDT issues guidelines for priority disposal of appeals by CIT(A)/AUs: Guidelines dated 29th December, 2021:

CBDT issues guidelines to address the request of priority/out of turn hearing of appeals by CIT (A)/Appeal Units. It provides that the request covering genuine and exceptional cases may be considered by PCCIT, NFAC and CCIT of Central Charges and International Taxation on the basis of recommendation of the jurisdictional PCITs. For this purpose, specifies the following situations wherein recommendation may be given:

(i) Cases with demand of more than Rs.1 Cr.,

(ii) Cases with original refund claim in excess of Rs.1 Lac,

(iii) Cases where direction for out of turn or priority hearing is passed by the Courts,

(iv) Cases where request is made by Senior/Super Senior Citizen, and

(v) Any other genuine hardship.

8. Due date for filing of audit reports and ITRs extended to 15th February, 2022 and 15th March, 2022 respectively: CBDT: Circular No. 1 of 2022, dated 11th January, 2022:

On consideration of difficulties reported by the taxpayers and other stakeholders due to COVID and in electronic filing of various reports of audit, CBDT has extended the due dates for filing income tax returns and various audit reports for the Assessment Year 2021-22.

The extended due date for filing various audit reports for the Previous Year 2020-21 is 15th February, 2022 and the extended due date for filing of ITRs is 15th March, 2022.

The attached table gives details of relaxation in compliances in filing reports and returns.

Table of relaxation in compliances in filing reports and returns:

CBDT Extends due date for filing of Income Tax Returns and various Reports of Audit for the A.Y. 2021-22

Sr. No	Particulars	Original due date	Extended due date as per Circular No. 9 of 2021 dated 20th May, 2021	Extended due date as per Circular No. 17 of 2021 dated 9th September, 2021	Now further extended due date as per Circular No. 1 of 2022 dated 11th January, 2022
1	Furnishing of Return of Income – non audit cases	31st July, 2021	30th September, 2021	31st December, 2021	31st December, 2021
2	Furnishing of Report of Audit	30th September, 2021	31st October, 2021	15th January, 2022	15th February, 2022
3	Furnishing of Report of Accountant – transfer pricing report u/s 92E of the Act	31st October, 2021	30th November, 2021	31st January, 2022	15th February, 2022
4	Furnishing of Return of Income – audit cases	31st October, 2021	30th November, 2021	15th February, 2022	15th March, 2022
5	Furnishing of Return of Income – audit cases	30th November, 2021	31st December, 2021	28th February, 2022	15th March, 2022
6	Furnishing of belated / revised Return of Income	31st December, 2021	31st January, 2022	31st March, 2022	31st March, 2022

Clarification:

Interest u/s 234A of the Act will continue where the self-assessment tax liability exceeds Rs. 1,00,000/-.

For this purposes, in case of an Individual Taxpayer, the tax resident of India, the tax paid by him as self-assessment tax, before the original due date will be deemed to be the advance tax.

9. **Switzerland will implement 15% Minimum Tax from 1st January, 2024: Swiss Presser, dated 13th January, 2022:**

The Federal Council of Switzerland has decided to implement the 15 per cent minimum tax rate for certain companies as agreed by the OECD and G20 member states by means of a constitutional amendment. The Government will pass a temporary ordinance to ensure that the 15 per cent tax comes into force on 01st January, 2024, and the law will be enacted subsequently.

On 08th October 2021, the major reform of the international tax system was finalized as the OECD will ensure that MNEs will be subject to a minimum 15% tax rate from 2023. 137 countries have agreed to a temporary enactment that would provide a minimum tax rate of 15% for corporations with a turnover of more than 750 million euros.

A minimum tax rate under Swiss law ensures that major corporations do not become embroiled in international disputes. Further, Switzerland should also not forego any tax revenues that it is entitled to.

Budget 2022
What to Look for
9 days to go

10. **CBDT releases Excel based - Macro enabled template for online filing of Form 3CEB, with instructions to taxpayers to avoid rejections during processing: dated 13th January, 2022:**

CBDT has released Excel based - Macro enabled template for online filing of Form 3CEB, with instructions. The said template could be used for generating CSV file for online uploading of Form 3CEB along with detailed clause specific instructions for filling the particulars in the template. The instructions will facilitate seamless filling of particulars in the template and thus facilitate ease of filing. Taxpayers to ensure providing data as per the instructions to avoid rejections during processing. Instructions contain data points on field names under various clauses, with a need to indicate mandatory field by selecting 'Yes' or 'No' as well as restriction, if any, on the length of the characters to be used. Various Annexures to the clauses of the Form 3CEB are also provided along with separate Annexures containing relevant data like Country description with country code, Unit Name (gms, kilograms etc.), Amount Type (Paid/Payable Received/Receivable), List of method used for determining the arm's length price etc., which are to be populated from the drop down lists. Every new Form 3CEB is to be populated by downloading a fresh 'Excel Template'. The new instructions are to be read in conjunction with the set of instructions provided in the Form 3CEB instruction page.

11. CBDT notifies rules for computation of income of specified funds u/s 10(4D) and 115AD(1B): Notification No. 6 of 2022, dated 14th January, 2022:

The Finance Act, 2021 has amended section 10(4D) to provide an exemption in respect of any income accrued or arisen to or received to the investment division of offshore banking unit to the extent attributable to it and computed in the prescribed manner.

Further, a sub-section (1B) to section 115AD has been inserted to provide that the benefit of concessional tax rate under Section 115AD shall apply to the investment division of an offshore banking unit. The benefit shall be available to the extent of income attributable to the investment division of such banking units, referred to in section 10(4D) and calculated in the prescribed manner.

The Central Board of Direct Taxes (CBDT) has prescribed the computation mechanism prescribed under both the sections. The Board has notified Rule 21AJA and Rule 21AJAA prescribing manner for computation of income attributable to the investment division of an offshore banking unit.

12. CBDT notifies e-Advance Rulings Scheme, 2022; applicable w.e.f. 18th January, 2022: Notification No. 07 of 2022, dated 18th January, 2022:

The Central Board of Direct Taxes (CBDT) has notified e-advance rulings Scheme, 2022 applicable with effect from 18th January 2022. The Scheme shall apply to the applications of advance rulings made to the Board for Advance Ruling or applications of advance rulings transferred to such Board.

The CBDT shall devise a process to randomly allocate or transfer the applications for the advance ruling to the Board for Advance Rulings through an automated allocation system. The procedure for filing and processing the application has been laid down under the Scheme.

The applicant shall not be required to appear either personally or through an authorised representative before the Board for Advance Rulings or before the Secretary, ministerial staff, executive or consultant posted with the Board for Advance Rulings.

The proceedings before the Board for Advance Rulings shall not be open to the public. No person other than the applicant, his employee, the concerned officers of the Board for Advance Rulings, the Income-tax authority, or the authorised representatives shall remain present during such proceedings, even on video conferencing or video telephony.

An appeal against an order for advance ruling passed by the Board for Advance Rulings under this Scheme shall lie before the High Court.

13. CBDT notifies Rule to compute capital gains on sum received from ULIPs not exempt u/s 10(10D): Notification No. 8 of 2022, dated 18th January 2022:

The Finance Act, 2021 has inserted sub-section (1B) to section 45 to provide that when a person receives an amount under ULIP, to which exemption under Section 10(10D) does not apply on account of the fourth and fifth proviso thereof, any profits arising from such receipt shall be chargeable to tax under the head capital gains.

Further, the income taxable under head capital gains shall be calculated in such manner as may be prescribed by the board. The Central Board of Direct Taxes (CBDT) has notified Rule 8AD prescribing manner for computation of capital gains for the purpose of section 45(1B). The sum receipt from high premium ULIPs are treated as capital gain in the following manner:

1. Sum received from high premium ULIPs for first time

If the assessee has received the sum from high premium ULIPs for the first time then the capital gains shall be the amount received, including amount allocated by way of bonus, as reduced by the aggregate of premium paid during the term of such policy, till date of receipt of sum from ULIP.

2. Sum received from high premium ULIPs for second time and subsequently

If any sum received from high premium ULIPs isn't the sum received for first time, then the capital gains shall be the amount which is received by assessee, including amount allocated by bonus, as reduced by:

(a) Amount which already considered as capital gains in any previous year; and

(b) Amount of premium paid during the term of such policy, till date of receipt of sum from ULIP. However, the premiums which are already considered while computing capital gains in Point 1 shall not be taken into consideration.

14. CBDT amends Securities Transaction Tax Rules to include insurance Cos: Notification No. 9 of 2022, dated 18th January, 2022:

The Finance Act, 2021 has amended the Finance (No 2) Act, 2004 to make security transaction tax (STT) applicable on maturity or partial withdrawal with respect to a unit-linked insurance policy issued by the insurance company on or after the 01-02-2021, to which exemption under section 10(10D) does not apply on account of the applicability of the fourth and fifth proviso.

Consequent to amendment, the Central Government has notified the Securities Transaction Tax (1st Amendment), Rules, 2022 to amend the Securities Transaction Tax (STT) Rules, 2004.

A new Rule 5A has been inserted to specify that the managing director or a whole-time director is responsible for collecting and paying STT in the case of the Insurance Company. Further, The Govt. has also notified Form no. 2A for filing of return of Taxable Securities Transactions for Insurance Company.

Further, the return in Form No. 2A shall be furnished by the managing director or a whole-time director, duly authorised by the Board of Directors of such company on this behalf.

15. CBDT issues clarifications on applicability of Sec. 10(10D) exemption on sum received from ULIPs: Circular No. 2 of 2022, dated 19th January, 2022:

Section 10(10D) provides an exemption for any sum received under ULIP, including the sum allocated by way of bonus on such policy. However, if the premium is paid in excess of the limits prescribed, no exemption will be provided under this section except in case of the policyholder's death.

Besides restricting the exemption under Section 10(10D) for payment of excess premium, the Finance Act, 2021 has inserted Fourth and Fifth Proviso to Section 10(10D). The Fourth Proviso provides that no exemption shall be available for a policy acquired on or after 01-02-2021 if the premium paid in any year during the tenure of the ULIP exceeds Rs. 2,50,000 (single policy).

The Fifth Proviso provides that if the person has more than one policy acquired on or after 01-02-2021, and the premium payable for each policy during any year does not exceed Rs. 2.5 lakhs, the exemption would be allowed only in respect of those policies whose aggregate premium is within Rs. 2,50,000.

In order to remove any difficulty which arises while giving effect to the provisions of said provisos, the CBDT has issued guidelines with the previous approval of the Central Government. The CBDT has issued the following clarifications:

Condition 1: In prior years, the assessee has not received sum from any eligible ULIP or if sum is received, but assessee didn't claim any exemption on such sum. In this case, the exemption under section 10(10D) shall be available in the following manner:

(a) If consideration is received from one eligible ULIP, the exemption shall be available to assessee only if the premium payable on such eligible ULIP doesn't exceed Rs. 2,50,000.

(b) If consideration is received from more than one eligible ULIPs and the aggregate of the amount of premium payable on such eligible ULIPs exceeds Rs 2,50,000 for any previous year during the term of such ULIPs. In that case, the exemption shall be available only for those ULIPs where the aggregate of the amount of the premium payable does not exceed Rs 2,50,000.

Condition 2: In prior years, the assessee has received sum from any eligible ULIP (old ULIP) and claimed exemption under section 10(10D). In this case, the exemption under section 10(10D) shall be available in the following manner:

(a) If consideration is received from one or more than one eligible ULIPs, the exemption shall be available only if the aggregate amount of premium payable on such eligible ULIPs and old ULIPs does not exceed Rs 2,50,000 for any of the previous year during the term of such eligible ULIPs.

(b) If the aggregate of premium payable on eligible ULIPs and old ULIPs exceeds Rs. 2,50,000, the exemption shall be available only for those eligible ULIPs where the aggregate amount of premium along with the aggregate amount of premium of old ULIPs does not exceed Rs 2,50,000 for any of the previous year during the term of any of such eligible ULIPs.

16. The Central Government hereby notifies following entity as eligible under section 10(46) of the Income Tax Act, 1961:

Sl. No	*Name of the Entity*	*Notification No. and date*	*Period for which income is notified as exempt*
1	Bureau of Indian Standards (BIS) (PAN:AAATB0431G)	Notification S.O. 1(E) [No. 142/2021/F.NO. 300196/4/2021-ITA-I], dated 31st December, 2021	Notification shall apply for Assessment Years 2021-22, 2022-23, 2023-24, 2024-25 and 2025-26.
2	Regional Air Connectivity Fund Trust (PAN AADTR1130P)	Notification S.O. 73(E) [NO. 1/2022/F. NO. 300196/28/2019-ITA-I], dated 6th January, 2022	Notification shall apply from 1-6-2020 to 31-3-2021 for the financial year 2020-21 and shall apply with respect to the financial years 2021-22, 2022-23, 2023-24 and 2024-25
3	International Financial Services Centres Authority, Gandhinagar, Gujarat (PAN AAAGI0596L)	Notification S.O. 145(E) [NO. 3 /2022/F. NO. 300196/11/2021-ITA-I], dated 11th January, 2022	Notification shall apply for financial years 2020-2021, 2021-2022, 2022-2023, 2023-2024 and 2024-2025.
4	Assam Electricity Regulatory Commission (PAN:AAAJA1243K)	Notification S.O. 193(E) [No. 5/2022/ F. No. 30019613/2021-ITA-I], dated 13th January, 2022	Notification shall apply financial years 2021-2022, 2022-2023, 2023-2024, 2024-2025 and 2025-2026.

The terms and conditions have been prescribed.

ARTICLE:

Managing Risk with Investing

(by CA Rishabh Adukia)

Every investor has a different level of risk appetite. Some don't even worry if their portfolio nosedives by 25-30% while others worry even if their portfolio is down just half a percent. The first set of investors is likely made up of experienced investors while the second category of investors has a low level of risk tolerance.

The moot question is How should such investors with low risk appetite or tolerance invest their money? Should they restrict their money to instruments which offer only a fixed single digit return with no uncertainties? Whether post tax sub 5% returns are good enough to meet your lifestyle for the n number of years ahead of us and beat inflation?

Risk is absolutely fundamental to investing; no discussion of returns or performance is meaningful without at least some mention of the risk involved. The trouble for new investors, though, is figuring out just where risk really lies and what the differences are between low risk and high risk. There is even a risk to investing money in debt instruments and the risk pertains to not growing money to beat inflation i.e. the money may not be sufficient before a person dies.

Risk-taking ability and Risk Appetite/Tolerance

Risk-taking ability depends on age, net worth, cash flows, financial goals, family situation, etc. For instance, Harry and Marry need Rs 1 crore for retirement. At the time of retirement, Harry has a net worth of Rs 1 crore while Marry has a net worth of Rs 10 crores. Risk-taking ability for Marry is clearly higher than Harry. Even if Marry loses some money, he still has money for a comfortable retirement. No such luxury for Harry. Everything else being the same, your risk-taking ability for the long term goals is higher than the risk-taking ability for the long term goals. In the short term, volatility is risk. On the other hand, over the long term, volatility can even be your friend.

Risk tolerance is more about your behavior if the markets move adversely. By the way, investors with low risk tolerance need not be risk averse in general. It is not that they do not make risky investments or do not take risky decisions. Just that they struggle to cope with volatility in equity prices. Let's consider a few examples :-

Real estate prices are volatile too. However, since we do not see the market value of property change every minute, we are fine holding real estate for the long term. More importantly, there is a conviction that real estate prices always go up (which may not be correct). Whatever the reason, it helps you hold on to your real estate (a volatile asset) for long term and ignore volatility. I interact with many entrepreneurs and professionals (non-salaried). Though they are already on a riskier path compared to a salaried individual who gets a fixed salary for their livelihood, not all of them are comfortable when it comes to volatility with investments. Had something gone wrong with their business, they at least could have done something about it. With market investments, firstly, it is not easy to figure out what went wrong. After all, it was the same a few days, weeks or months back. Even if you do, there is little you can do about it. Someone else runs that business and stock markets can be irrational. Hence risk tolerance varies amongst people.

Let us figure out what investors with low-risk tolerance for equity investments can do. Here are a few ideas.

1. **If you cannot digest market volatility, you can still participate in equity markets by buying insurance/protection for your portfolio.**

While one may have to forgo greater return potential that equity markets offer, **avoiding equities altogether is not an option in today's time.** One needs to construct portfolio in a manner where capital can be completely protected and still money be made by participating in equity markets.

It may really hard to achieve your goals if you don't invest in equity markets. Parents of many of us never invested in equity markets and had to ensure that their savings are growing at much higher rate and had to even make compromises on their lifestyle to match their growing needs. The interest rates were very high, north of 10% which really helped them too to grow their savings efficiently.

Let's say you want to accumulate Rs 1 crore for retirement in 20 years.

#1 You invest in a multi-asset portfolio (let's say just equity and debt) and expect to earn 10% post-tax on your investments. You need to invest about Rs 14,000 per month and you live with volatility.

At the same time, short term volatility is a lesser problem to a patient investor who is in the accumulation phase. For such an investor, the losses are only notional. To an investor who is withdrawing from the portfolio, market volatility translates to real risk of missing out on your goals (not having enough money or running out of money too early).

#2 Alternatively simply buy a protection on your portfolio and invest Rs 17,000 per month and shun all volatility. In this case, you will still reach your target in 20 years with a better peace of mind. So, you need to invest Rs 3,000 more and you are good. You don't have to worry about volatility.

Therefore, if you check your equity portfolio 5 times a day or you lose sleep when your equity oriented investments go down, buy protection and still enjoy benefits of equity markets.

2. **You invest only that portion of your assets into the equity market that you don't worry about.**

It could be 10/%20% or whatever you are comfortable with. Many of us think about lotteries in such a way albeit with much lesser amounts. The right percentage for you is one that you wouldn't worry about checking the value of equity investments for a couple of years. Or even if you do, you wouldn't have second thoughts about your allocation. You can even rebalance your portfolio at regular intervals to keep equity allocation within your comfort zone.

3. **You divide your investments into buckets.**

Let's say the money that you need over the next 5-10 years goes to fixed deposits. Anything longer, you consider some exposure to equities. Mathematically, there is not much difference between (2) and (3). However, in terms of investment behaviour, this may just be the right medicine. You won't be as much worried about market movements if you know that you won't need to touch these investments over the next 10 years. **This approach can be extremely useful during retirement.**

What should you do?

Whichever approach you use, stick with it. Don't try to be someone else.'

There is no dearth of retail investors whose risk tolerance automatically goes up when the markets are hitting new highs every day. Greed sets in. These investors never looked beyond bank fixed deposits/PPF/EPF in their lives. Suddenly, they think they can't go wrong with stocks. We all know the result for such investors. When they lose money, fear replaces greed. They panic and exit taking huge losses. Such investors either never come back or come back when the markets are again hitting new highs for the cycle to repeat.

As an investor, you can go through the most complex risk profiling questionnaire, you will get to know of your real risk tolerance only when you see deep red in your portfolio. Therefore, give yourself time to understand the kind of investor you really are. Unfortunately, even professionals can't help you there. They can't figure out before you figure out.

You may be a young investor or an old investor who is planning to invest in equities for the first time. **If you are new to equity investments, do not dive headlong. Start small. Make a small allocation.** As you learn more about your true risk tolerance, you can tweak your allocation.

The best portfolio for you is the one that lets you sleep peacefully at night.

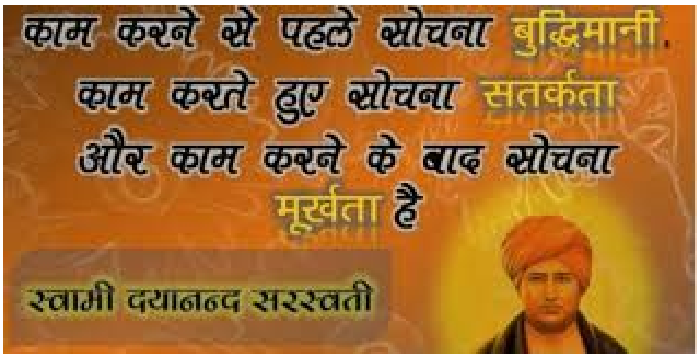
(The author Rishabh Adukia is a Chartered Accountant and qualified professional advising on wealth management to individuals, millennial's, emerging HNIs including others and can be reached on adukia.rishabh@gmail.com)

Action Points under Income Tax Act, 1961

For the Month of February 2022:

7th February	Deposit of Tax deducted/collected for the month of January 2022.
15th February (as extended)	Filing of audit report under section 44AB for the assessment year 2021-22 in the case of a corporate-assessee or non-corporate assessee (who was required to submit his/its return of income on October 31, 2021) and also furnishing the report for Transfer Pricing Regulations for the A.Y. 2021-22

(The due date for filing of audit report for Assessment Year 2021-22 has been extended vide Circular no. 17/2021, dated 09-09-2021)



26th February 2022

....STORY TO REMEMBER....

MUDA

(Muda is a Japanese word meaning "futility; uselessness; wastefulness", and is a key concept in lean process thinking)

A hotel group had invited Mr. J from Japan to hold a workshop for its staff.

The staff were very skeptical - the hotel is doing excellent business, this person from Japan has no exposure to hotel industry - what exactly is he going to teach?

But everybody gathered as planned for the workshop in the conference hall sharp at 9 am.

Mr. J was introduced to them - a not so impressive personality, nor the English all that good; spoke as if he was first formulating each sentence in Japanese and then translating it into rather clumsy English.

"Good morning! Let's start work. I am told this is a workshop; but I see neither work nor shop.

So let's proceed where work is happening let's start with the first room on the first floor."

Mr. J, followed by the senior management, the participants, the video camera crew trouped out of the conference room and proceeded to the destination.

That happened to be the laundry room of the hotel.

Mr. J entered the room and stood at the window, "beautiful view!" he said.

The staff knew it; they need not invite a Japanese consultant to tell them this!

"A room with such a beautiful view is being wasted as a laundry room. Shift the laundry to the basement and convert this into a guest room."

Aa Haa! Now nobody had ever thought about that!

The manager said, "Yes, it can be done."

"Then let's do it," Mr. J said.

"Yes sir, I will make a note of this and we will include it in the report on the workshop that will be prepared." Said the Manager

"Excuse me, but there is nothing to note down in this. Let's just do it,

just now." Mr. J.

"Just now?" Manager

"Yes, decide on a room on the ground floor/basement and shift the stuff out of this room right away. It should take a couple of hours, right?" asked Mr. J.

"Yes." Manager.

"Let's come back here just before lunch. By then all this stuff will have got shifted out and the room must be ready with the carpets, furniture etc. and from today you can start earning the few thousand that you charge your customers for a night."

"Ok, Sir." The manager had no option.

The next destination was the pantry. The group entered. At the entrance were two huge sinks full of plates to be washed.

Mr. J removed his jacket and started washing the plates.

"Sir, Please, what are you doing?" the manager didn't know what to say and what to do.

"Why, I am washing the plates", Mr. J.

"But sir, there is staff here to do that." Manager Mr. J continued washing, "I think sink is for washing plates, there are stands here to keep the plates and the plates should go into the stands."

All the officials wondered - did they require a consultant to tell them this?

After finishing the job, Mr. J asked, "How many plates do you have?'

"Plenty, so that there should never be any shortage." answered the Manager.

Mr. J said, "We have a word in Japanese -'Muda'. Muda means delay, Muda means unnecessary spending. One lesson to be learned in this workshop is to avoid both. If you have plenty of plates, there will be delay in cleaning them up. The first step to correct this situation is to remove all the excess plates."

"Yes, we will say this in the report." Manager.

"No, wasting our time in writing the report is again an instance of 'Muda'.

We must pack the extra plates in a box right away and send these to whichever other section of the Hotel requires these. Throughout the workshop now we will find out where all we find this 'Muda' hidden."

And then at every spot and session, the staff eagerly awaited to find out Muda and learn how to avoid it.

On the last day, Mr. J told a story.

"A Japanese and an American, both fond of hunting, met in a jungle. They entered deep jungle and suddenly realized that they had run out of bullets.

Just then they heard a lion roaring. Both started running. But the Japanese took a short break to put on his sports shoes.

The American said, "What are you doing? We must first get to the car."

The Japanese responded, "No. I only have to ensure that I remain ahead of you."

All the participants engrossed in listening to the story, realized suddenly that the lion would stop after getting his victim!

"The lesson is: competition in today's world is so fierce, that it is important to stay ahead of other, even by just a couple of steps. And you have such a huge and naturally well-endowed country. If you remember to curtail your production expenditure and give the best quality always, you will be miles ahead as compared to so many other countries in the world.", concluded Mr. J.

It is never late to learn...let us take out all the MUDA OUT OF OUR LIVES.

This Tax Chat is prepared only for information of our clients and colleagues in the office. In this Tax Chat an attempt has been made to summarize various changes / development in Direct Tax Law during previous months.

The information is of a general nature and is not intended to address specific facts and circumstances. Specific guidance may be obtained before acting on the same.

If you need full text of circular, notification, press release, etc., we will be happy to provide the same on hearing from you. We have compiled the information from Taxmann and Taxsutra websites and mails.

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