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NEWSLETTER OCTOBER, 2017

45TH EDITION

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PARTNER'S MESSAGE

BEST SOURCE FOR A SMALL BUSINESS LOAN?

Most businessmen go through a phase where they look for start-up business loan or loan in small amount before deciding to take on bigger loan or expand aggressively. What are the options? Let us discuss.

Major sources of loans for a start-up are:

- Bank
- Non-banking Financial Company(NBFC)

1. **Bank could be:**

   - Private Banks such as Kotak Mahindra Bank, YES Bank etc.
   - Cooperative Bank such as Cosmos or Saraswat Bank etc.
   - Nationalised Bank such as Bank of Baroda, Bank of India etc.

   All Banks are registered under Reserve Bank of India. In case of Cooperative Societies, in addition to Reserve Bank of India, they are also registered under Banking Laws (Cooperative Societies Act,1965)

2. **Non-Banking Financial Company(NBFC):** NBFC's are not Banks but they are engaged in activities such as lending, providing loans, trading in financial market etc. NBFCs could be either Asset Companies or Loan Companies or Investment Companies. Examples are Sundaram Finance Co Ltd., Integrated Finance Ltd, etc. NBFCs are regulated under Companies Act, 2013 and not under Reserve Bank of India.

   - While NBFCs cannot accept deposits or issue cheques/drafts, banks can do so.
   - Credit Score Requirement: Banks may consider low credit score as a risky proposal. NBFCs offer small business loans to even those who have low credit scores.
   - NBFCs may offer unsecured business loan such as loans without securities or collaterals.
   - The probability of benefitting from Discounted Interest Rate is high in case one avails loan from the NBFC whereas in case of Banks, current borrowers may not benefit from the same.

- Attractive Interest Rate: Interest Rate Bench Mark is Marginal Cost of Lending(MCLR) where as NBFC uses Prime Lending Rate (PLR). This offers maximum freedom to NBFC who can vary their interest rates and offer lowest interest rates to borrowers since NBFCs are not registered under Reserve Bank of India.

- Loan Eligibility: Also when it comes to loan eligibility NBFCs approach is less stringent and thus attract maximum borrowers.
- Finance Requirement: Further Banks do not fund the entire finance requirement since they expect margin money or seed capital. This may not be so in case of NBFC.
- Paperwork: NBFC enjoy good market share mainly due to less paper work.

Conclusion: It is a good idea to pitch in with NBFC for small business loan.

- CA R. KUMAR

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UPDATES FOR THE MONTH

GST

1. CBEC via Notification No.28 /2017 – Central Tax dated 01st September, 2017 have waived the late fee payable under section 47 of the said Act, for all registered persons who failed to furnish the return in FORM GSTR-3B for the month of July 2017 by the due date. This is a big respite to taxpayers as over 36% could not filed GSTR 3B for July 2017 because of technical glitches on GSTN.

2. This is to inform that Maharashtra Govt has issued a Trade Circular No 43T Dated: 25/09/2017 in which following needs to be followed immediately, else provision of penalty of Rs. 10,000/- (For Non Display of GST TIN) and Rs. 25000/- (For Non Display of "Composition Taxable Person") can be levied in case of non-compliance.
   - **Display of GSTIN in bold on the name board.**
   - **In case of Composite dealer, they have to also mention as "Composition Taxable Person" in bold below GSTIN.**
   - **Issue of Proper Invoice as required by the law.**

GENERAL

1. From 30 Sept 2017, discontinuation of cheques of SBI five associate banks (already merged in April)
   - State Bank of Travancore,
   - State Bank of Patiala,
   - State Bank of Mysore,
   - State Bank of Bikaner & Jaipur,
   - State Bank of Hyderabad

     Be careful while accepting above bank's cheques as it will not get clearance.

     Only State Bank of India's cheques will be acceptable w.e.f. 1 Oct.2017.

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DUE DATES FOR THE MONTH

07th October	TDS Payment for the month of September 2017.
10th October	Last date to file GSTR -1 for the month of July 2017.
15th October	PF and ESIC Payment for the month of September.
20th October	To pay GST liability for September and file self-declaration form i.e. GSTR-3B.
31st October	TDS Return for the quarter ending September 2017.
31st October	Due date for filing the return of income, tax audits and statutory audits.
31st October	Due date for filing GSTR -2 for the month of July 2017.
31st October	Due date for submission of GST TRAN-1.
31st October	PTRC payment and return for the month of September 2017.

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QUOTE OF THE MONTH

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ARTICLE OF THE COMMON INTEREST

HOW TO REDUCE CAR INSURANCE PREMIUM?

Car prices in India are increasing rapidly and so are maintenance charges. Along with them, car insurance premiums are also rising. For instance, IRDAI recently gave its nod for a hike in third party insurance premium by up to 40%.

Here we take a look at 10 things which will help you lower the car insurance premium:

1. Smart Drive:
This is a newly-introduced option in vehicle insurance, under which the insurance company provides a GPS device at a cost with viewing facility at the insurer's side. The insurer releases reward points based on the driving nature of the insured. These points can be redeemed while making payment for premium for renewing the policy next year.

2. Avoid additional fittings:
Your car insurance premium is generally computed at basic level coverage based on vehicle value, vehicle age, fuel type, etc. Any addition such as LPT fittings, CD player or ultrasound censor made would alter your car insurance premium. Any additional fitting which doesn't come as factory fitted attracts higher premium. Therefore, if you don't want the premium to go up, then you should avoid going for additional fittings.

3. Keep No Claim Bonus (NCB) Intact:
When you do not make a claim in a year, you are eligible for a no claim bonus in subsequent car insurance premiums. Many companies offer 30% to 50% deduction from premiums if you are not claiming for 3 to 5 years continuously. Even in case of small claims, avoid filing a claim so that you are entitled for a high NCB in the long run. Moreover, NCB follows the fortune of the owner and thus even when you sell your vehicle, you are entitled to transfer the same to the new vehicle purchased. In case you are not immediately buying any vehicle, the same can be reserved for 3 years. A No Claim Bonus enjoyed by a company-owned vehicle and entirely used by you can be transferred to you by obtaining specific declaration from the company that the vehicle was driven and used by you only.

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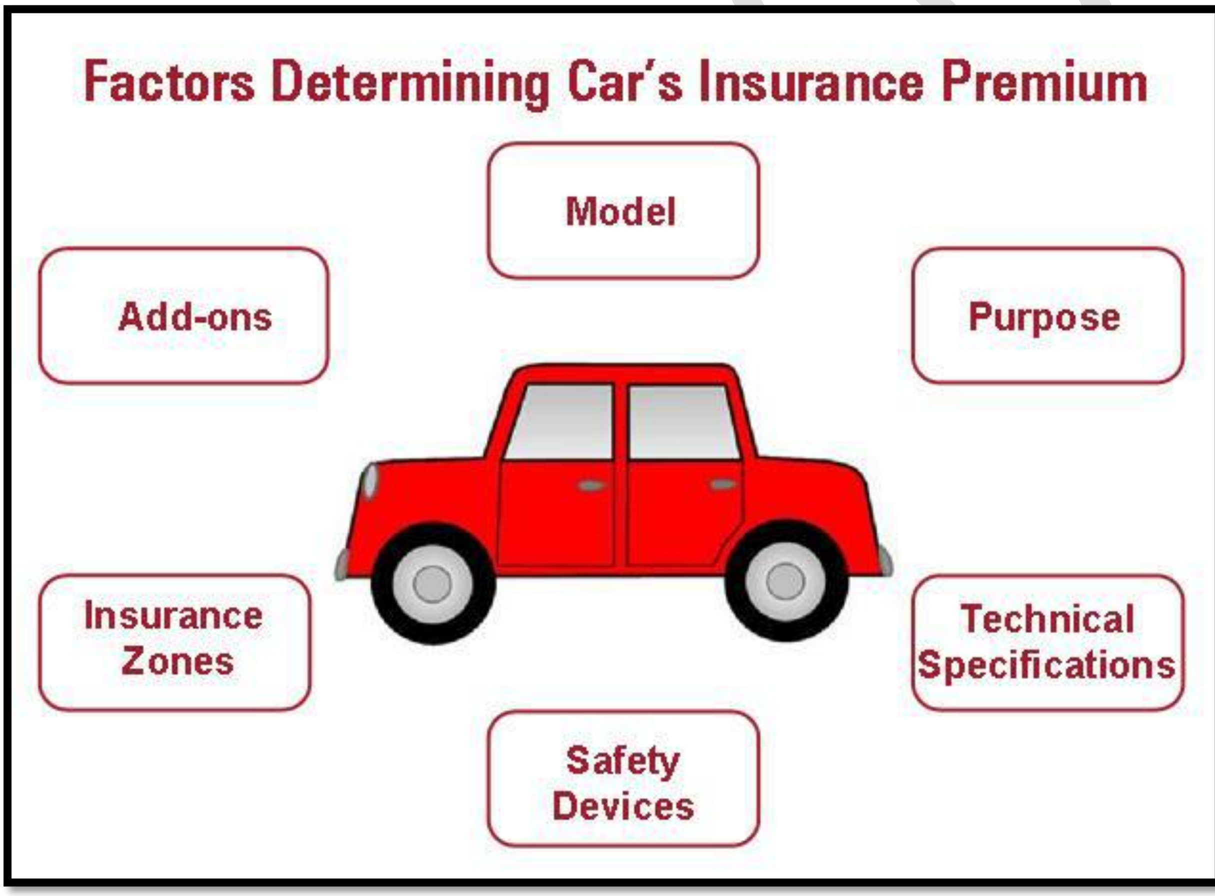
4. Go for NCB Protector:

Most of the general insurance companies offer this facility, under which the customer can pay a little more premium and avail this benefit. Under this option, the NCB can be protected even if there are claims during the policy period (restriction on number of claims applicable).

5. Seek quote from different insurance companies:

It makes sense to seek quote from at least 5 to 6 different insurance companies and compare the same in terms of benefit and premium to arrive at a conscious decision. The market is very competitive and so, you must also look at getting quotes on-line to have a better comparison. However, ensure that you get quotes for similar coverage.



6. Opt for voluntary deductibles:

If you want, you can opt out of small claims for minor damages. For this, a voluntary deductible discount is offered, which can go up to 35% of the premium for vehicle damage, subject to the voluntary deductible amount you choose. A deductible is a specified amount that the insured has to bear when he/she files a claim, following which the insurer pays the balance.

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7. Make and model of the car:
These days' insurers are keeping a close watch on the make and model of cars as each make and model has its own claim record. Therefore, premiums are also determined based on a model's claim experience. For example, some models may be more claim-prone because of their structure or usage. So, in such cases, insurers will also be less willing to give a higher discount. Thus, you can expect higher discounts for a make/model with favourable loss ratio than a model which meets with accidents on a regular basis or more frequently.

8. Avoid policy lapse:
Always try to avoid policy lapse. If your policy lapses, then insurance companies may disqualify the discounts and benefits you may receive at the time of renewing your policy in the future. Like you may lose your No Claim Bonus.

9. Profession of the insured:
Some insurance companies are offering discounts based on the profession of the insured (viz: doctors, teachers, lawyers etc.). For example, an office goer will usually use the vehicle only to commute between his office and home, whereas a sales person will use the vehicle for plying across the city. No wonder, one's occupation is also taken into account by insurance companies while determining the premium.

10. Safety features:
If your car is having safety and anti-theft features and devices like airbags, anti-lock brake, it would help you reduce the car insurance premium by 2-5%. It is, however, necessary to install an approved make, to claim the discount.

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SOCIAL MESSAGE

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KNOWLEDGE BANK

INVESTING IN MUTUAL FUNDS: SIP OR LUMP SUM

There are two primary ways of investing in a mutual fund — lump sum and SIP. A lump sum investment is a one-time investment while an SIP (systematic investment plan) is a recurring investment.

A lump sum investment is generally considered when the investor has a big corpus to invest. This could be money received after retirement or from the sale of a house or from an inheritance or it might just be the case that you have accumulated money in your bank account and wish to invest it now. There can be many reasons to consider a lump sum investment, but an SIP is generally recommended. This is more so in the case of investments in an equity mutual fund.

When investing in an equity fund, an SIP has the following benefits over a lump sum investment:

- **No worry of catching a market peak:** If you invest a big amount at a market high and the markets crash after you have invested, you will lose out on a major portion of your investment. With an SIP, your money is spread over time and only some parts of your entire investment will be at a peak, which will allow you not only limit losses but also invest at a low, with the next SIP installments.

- **Rupee cost averaging:** An SIP allows you to invest at different levels of the market. When the market is expensive, you will buy fewer units as compared to when the markets are cheap. This averages out your cost of acquisition and increases your gains.

- **Build the habit of investing:** Mutual fund investments are most beneficial when you invest consistently and stay invested for the long-term. Investing should become a part of your monthly financial routine. You earn an income every month, you pay rent or home loan EMIs every month, you budget your expenses on a monthly basis, which is also how you should invest every month too. An SIP helps you inculcate the habit of investing.

These are the three primary benefits that SIPs have over lump sum investments, especially in equity mutual funds or balanced mutual funds. SIP investments can also earn higher long-term returns as compared to lump sum investments. You can still invest a lump sum amount in a debt fund, but SIPs are the way to go when it comes to investing in equity funds.

So, the question that now arises is–How should you invest in mutual funds if you have a big corpus in hand? Let's suppose you have ₹10 lakhs in your bank account that you wish to invest in mutual funds for the long-term. You should surely not put the entire amount in equity funds in one-go. There are two approaches that you can take to invest this amount:

WHAT YOU SHOULD KNOW

You should invest in a fund depending on the period for which you want to make the investment. Here are some examples.

Investing duration	Fund type	Altervatives*
<1 month	Liquid fund	Savings bank account**
Between 1 and 9 months	Ultra short-term bond fund	Bank fixed deposit
6 months to 2 years***	Short-term bond fund	Bank fixed deposit or fixed maturity plans
> 2 years	Long-term bond funds	Bank fixed deposit or fixed maturity plans

*Consider alternatives if returns or interest rates are favourable; **For retail investors, savings bank account is preferable to liquid funds
***Conservative investors can stay invested in ultra short-term bond funds till a year

Start a monthly SIP of an amount that you are comfortable with. This could be ₹10,000, ₹20,000 or ₹50,000. Let the money stay in your bank account till all of it gets invested systematically in the equity mutual funds you have chosen.

Invest the entire amount via lump sum in a debt mutual fund. This could be a short-term debt fund or a liquid fund. Then, start a systematic transfer plan (STP) from the debt fund to an equity fund. This way, your corpus will earn higher returns than it would from a savings bank account and also allow you to invest systematically in an equity fund.

If you consider the second option of starting an STP from a debt fund to an equity fund, you should also keep in mind the tax considerations. Gains made from debt fund are subject to capital gains tax. Short-term gains are added to your taxable income while long-term gains are taxed at 20% after indexation. Every STP installment will be considered as redemption from the debt fund and taxed accordingly. But despite the tax, the debt fund investments will generate higher returns than a bank account, especially if the STP to an equity fund runs for a long period of time. Investors who don't want to complicate things can opt for the first option. But either way, a lump sum in an equity fund should be avoided.

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Liquid v/s ultra-short-term funds

What are ultra-short term funds?
Ultra-short-term funds are a category of debt funds that invest in commercial paper, treasury bills, certificate of deposit and corporate paper with average maturity of more than 91 days. Typically, the portfolio invests in a basket of securities that mature in a week to 18 months.

How are ultra-short-term funds different from liquid funds?
Liquid funds are meant for investors looking to invest for very short time periods -from as low as a day to three months. They hold a liquid portfolio of debt instruments, and as per regulations, the average maturity of the instruments does not exceed 91 days. Interest accrues on the securities held, and there is no volatility, except in rare circumstances. Ultra-short-term (UST) funds also earn accrual income the instruments they hold. However, they have longer maturity than liquid funds. They also hold instruments whose prices can fluctuate on a daily basis. Hence, they are slightly volatile when compared to liquid funds over the short term of 1-2 months. The longer average maturity for UST funds means that you need to hold them between 1 month and a year.

Is there any exit load in an ultra-short-term fund?
Most fund houses do not levy an exit load in such funds. However, at times certain fund houses do levy a small exit load of 0.25-0.5 per cent for a time period of 1 week to 6 months.

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DID YOU KNOW??????

PROVISIONS GOVERNING ELIGIBILITY OF ITC [SECTION 16 OF THE CGST ACT, 2017]

1. **General Entitlement**

Section 16 of the CGST Act provides that, every registered person-

- shall be entitled to take ITC charged on any supply of goods or services or both to him;
- which are used/ intended to be used in the course or furtherance of his business;
- and the said amount shall be credited to the electronic credit ledger of such person, subject to fulfilment of prescribed conditions and within the time specified.

➢ **Section 49 i.e. Payment of tax of the CGST Act, 2017**
Levy Creditable against [Section 49(5)]

- SGST/ UTGST**:** First SGST/ UTGST, then IGST
- CGST**:** First CGST, then IGST
- IGST: First IGST, second CGST, then SGST/ UTGST

➢ **CGST cannot be used against SGST or vice versa.**

➢ **Certain persons not eligible to take ITC are:**

- non-registered taxable person,
- supplier under composition scheme or those exclusively engaged in making exempt or non-taxable supplies,
- agriculturist
- government or any local authority making specified supplies.

2. **Entitlement of ITC– Satisfaction of cumulative conditions**

Further, Section 16(2) beginning with a non-obstante clause over-riding the general entitlement of ITC provides that no registered taxable person shall be entitled to ITC in respect of any supply of goods and/or services to him unless:

(a) he is in possession of a tax invoice issued by supplier of goods or services or debit note or an invoice issued by the registered supplier of goods or services to an unregistered dealer or an ISD invoice or bill of entry;

(b) he has received the goods and/or services.

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- An explanation to Section 16(2)(b) of the CGST Act creates a deeming fiction where the goods are delivered by the supplier to a recipient or any other person on the direction of such taxable person, whether:
  - acting as an agent or otherwise, before or during movement of goods, either by way of transfer of documents of title to goods or otherwise, that such goods have been received by such taxable person.

- This provision is of significance in case of bill to-
- Ship to model;

(c) subject to the provisions of Section 41 (Provisional acceptance of ITC), tax charged in respect of such supply has actually been paid to the account of the appropriate Government, either in cash or through utilization of ITC admissible in respect of the said supply; and

(d) he has furnished the return under Section 39.

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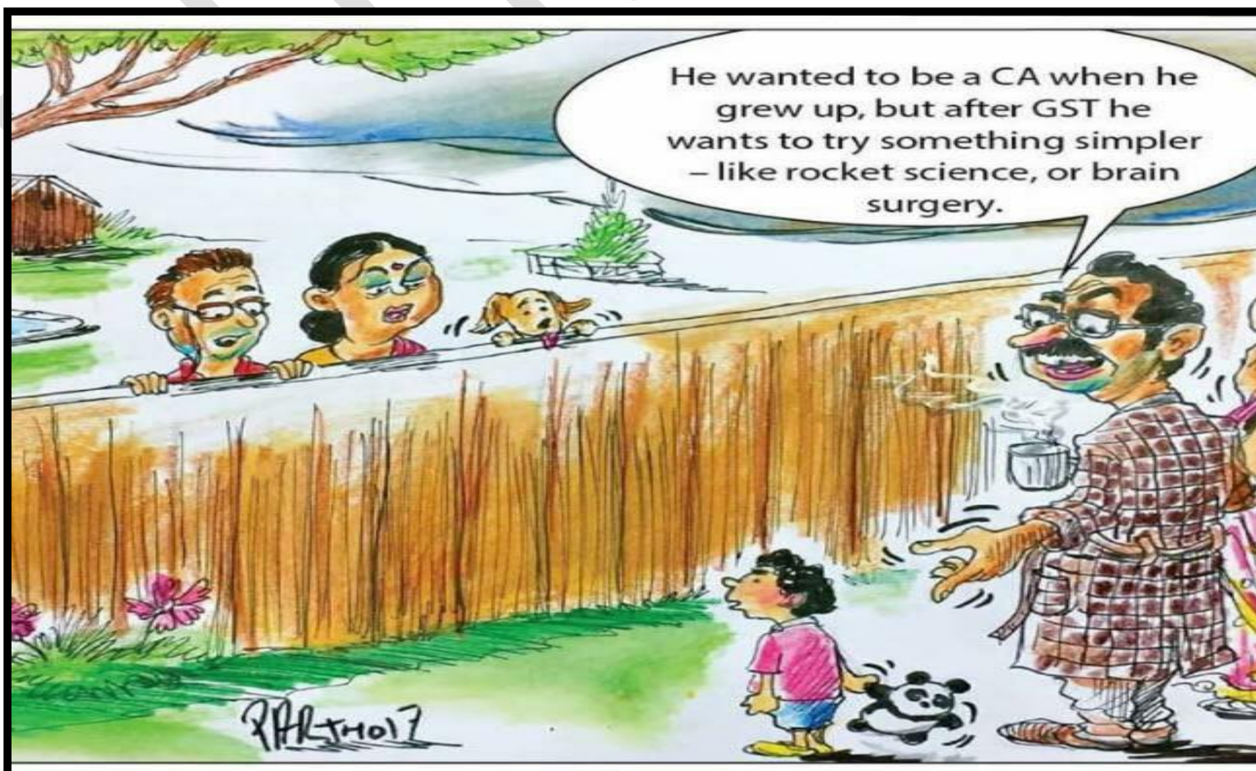
ON THE LIGHTER SIDE OF LIFE



EDITORS' CHOICE

HOW TO HANDLE EFFECTS OF INFLATION DURING PRE AND POST RETIREMENT?

We often hear from our parents and grandparents that they used to buy movie tickets for Rs. 5, milk for Rs. 25 few years back, which has doubled now. Have you ever thought why such change in price happens?

The answer is inflation.

❖ **You can't AVOID inflation**

For the price increase to qualify as inflation, the rise in price has to be a sustained one. With time, for every rupee you own, you'd be able to buy a smaller percentage of good or service. When inflation begins to march north, there tends to be a decline in the purchasing power of money. Let us consider inflation stands at 5% annually. Theoretically, bottle of water costing Rs. 20 today, would cost Rs. 21 in a year. It is possible to control inflation but not possible to stop or avoid inflation.

❖ **How can you handle Inflation?**

Inflation affects each person differently. As we progress in profitable positions in work, typically the amount we spend also begins to soar. While certain lifestyle changes are unavoidable with time, remember that every spending decision taken today can affect your finances of tomorrow. Read on to understand how we can combat the detrimental effects of inflation.

❖ **Handling Inflation during pre-retirement:**

Inflation can be best handled with the right investments.

- Avoid excess spending and invest a percentage from your increased salary. Evaluate your budget and earmark specific areas of expense. Try to forecast your expenditure and work towards minimum deviation from your planned income to expense ratio.
- Design a lifestyle that suits your requirement. Decide how much you want to spend on luxuries. As you inch closer to the retirement finish line, ensure that your luxury needs are at the minimum.
- Try and work towards an annual growth in income generation. Explore new opportunities and ventures to augment your income.

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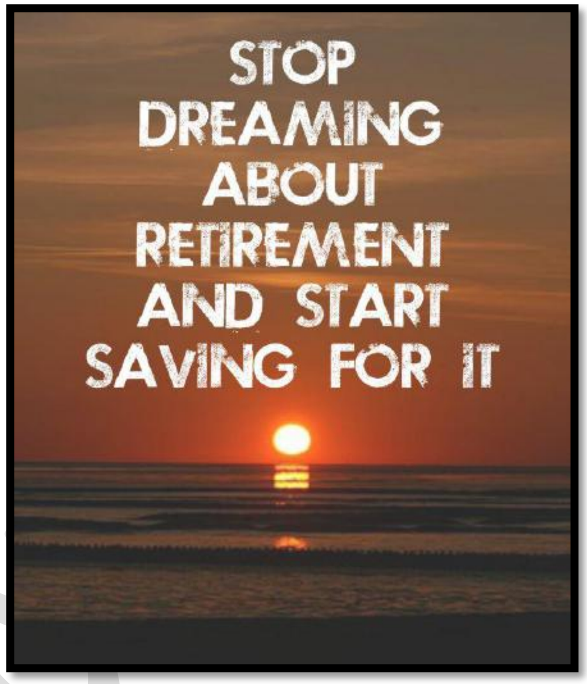
❖ **Pre-retirement investments and inflation:**

Remember that it is not enough if your investment makes sense; it also needs to make cents!

- Don't keep money stagnant in your safe. In fact, with time its value depreciates. What you can buy with Rs. 100 today will cost you Rs. 150 after 6 or 7 years.
- When you make an investment, ensure that the rate of return is higher than the inflation rate. The difference in inflation rate and investment return rate is your actual return on the sum invested.
- Inflation trends have a profound effect on how each portfolio needs to be structured. Allocate your assets based on your risk return expectations. Higher the risk, higher the returns. Embrace equities for long term.
- Proven Diversified Equity Funds: This investment option can churn good returns if you have a good appetite for risk, as the returns range an average 12-15%, which can suffice to beat inflationary trends.
- Focus on what return your investment will yield post tax and invest wisely.



- **"Inflation is the crabgrass in your savings.**" -Robert Orben. Failing to anticipate the effects of inflation on retirement finances can be a costly mistake. While it is important to keep investing after retirement too, the tolerance to risk also needs to be phased down.
- Plan for a fund that will sustain in your sunset years.
- The inflation rate needs to be factored while deciding on the corpus fund.
- You need regular income after retirement. This regular income need to increase year after year to take care of the inflation.
- Create a corpus that can provide regular income year after year.
- Create another corpus, that can help in providing additional regular income that can take care of inflation.
- What we need to understand is that the investment strategy after retirement is not to beat the inflation with investments; but to meet the inflation with investments.

Inflation is what every economy suffers from. It creeps on us with time. If not planned, it can sting us very hard. But as economists say, inflation is nothing to dread. Healthy rate of inflation has a positive impact of increasing consumption and keeps the capital in the economy flowing.

An Important Mantra:

Invest your money and don't lock it up only with safe investments. The money, safe in your 'safe' will not yield returns that can save you from inflation. For becoming a well-disciplined investor and achieving your financial goals, you need to focus on creating a financial plan.

EMPLOYEE OF THE MONTH

CHASE YOUR DREAMS

When you're little everything seems possible,
And you grow up thinking you will become
someone remarkable.

Picturing yourself as a superhero or a doctor,
Maybe even a star player, a firefighter, or
an actor.

Some grow up and their dreams start to
fade,
Because failure is what they're afraid.

When in reality you have to take a chance,
To make sure that your future advance.

So if you want to be somebody,
Do it, because you can become anybody.

Don't just sit there and let your dreams go to waste,
Because once that was the future that you chased.

Dream big as if nothing is unimaginable,
No matter what it is I promise you it's obtainable.

Once you succeed you should be grateful,
Because not everybody got the chance to have a life as fateful.

So never give up on a dream worth living,
Even if it takes a lifetime proceeding.

"Cause maybe one day you'll be in the hall of fame –
And the world's going to know your name."

- SHIVANI TAKAWALE

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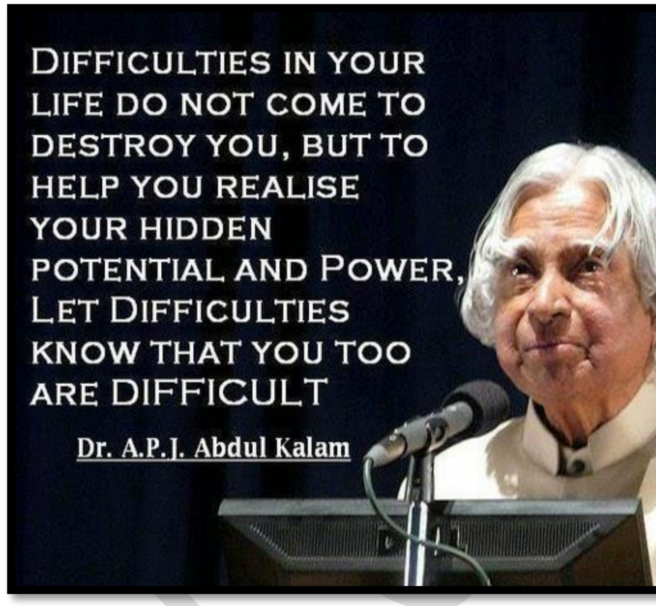
SELF INSPIRATIONAL OR MOTIVATIONAL ARTICLE



There were about 70 scientists working on a very hectic project. All of them were really frustrated due to the pressure of work and the demands of their boss but everyone was loyal to him and did not think of quitting the job.

One day, one scientist came to his boss and told him – "Sir, I have promised my children that I will take them to the exhibition going on in our township. So I want to leave the office at 5.30 pm". His boss replied "OK, You're permitted to leave the office early today". The scientist started working. He continued his work after lunch. As usual, he got involved to such an extent, that, he looked at his watch when he felt he was close to completion. The time was 8.30 p.m. Suddenly he remembered the promise he had given to his children.

He looked for his boss, he was not there. Having told him in the morning itself, he closed everything and left for home.
Deep within himself, he was feeling guilty for having disappointed his children. He reached home. Children were not there. His wife alone was sitting in the hall and reading magazines. The situation was explosive; any talk would boomerang on him. His wife asked him "Would you like to have coffee or shall I straight away serve dinner if you are hungry?"
The man replied "If you would like to have coffee, I too will have but what about Children ??" Wife replied "You don't know?? Your manager came here at 5.15 p.m. and has taken the children to the exhibition".

What had really happened was ….
The boss who granted him permission was observing him working seriously at 5.00 p.m. He thought to himself, this person will not leave the work, but if he has promised his children, they should enjoy the visit to exhibition. So he took the lead in taking them to exhibition. The boss does not have to do it every time, but once it is done, loyalty is established. That is why all the scientists at Thumba continued to work under their boss even though the stress was tremendous.
By the way, can you hazard a guess as to who the boss was?

He was none other than **Dr. APJ Abdul Kalam.**

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CONTACT INFORMATION

For further information, please contact

T D K & CO.

102, Lotus Heights,
15th Road, Opp. Gandhi Maidan,
Chembur,
Mumbai – 400 071
T: (91-22) 2528 1296
F: (91-22) 2529 3841

info@tdk.net.in
www.tdk.net.in

Branch Office at:

Pune Branch Office
A-15, Windmill Village,
61-75, Shiv-Shailam Developers,
Bhavdhan Budruk,
Pune - 411 021

Ahmedabad Branch Office

13, Dipavali,
Narayan Nagar Road,
Vishwakunj Cross Road,
Paldi, Ahmedabad – 380 007.

Vapi Branch Office

105, Sunrise Complex,
Behind Indian Bank,
Telephone Exchange Road,
GIDC Char Rasta,
Vapi – 396195.

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COMPILED & EDITED BY : DIVYA RAGHU
: SANKET SHAH
APPROVED BY : SHRADDHA MOTA