

Personal Financial Management for AIS / CCS Officers



Presented by

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In This Session

- **Personal Financial Management**
- **Income & Expenditure**
- **Investment & Tax Planning**
- **AIS / CCS (Conduct) Rules - Financial issues**
- **13(1)(e) Of Prevention of Corruption Act, 1988**
- **Annual Property Returns / IT Returns**
- **How to safeguard your hard earned money & **how you are being cheated** by Financial Institutions & others without your knowledge**
- **Personal Financial Folders**

Personal Financial Management

- Effective Utilization of available resources for attaining objectives.
- **Objectives**
 - Become financially comfortable and enjoy good living & enough savings for basic comforts, children's education
 - Retirement Planning
 - Decent financial goals and devote your life to honorable public service
 - All or combination of above

Why Personal Financial Planning?

- Need a financial plan because it's easier to spend than to save.
- Want a financial plan since it helps you achieve financial goals.
- Use financial planning, not only to make more money, but to safe guard money & achieve goals.
- **Control your finances or they will control you.**

Why Financial Planning?

Inflation

Future cost of important goals would be much higher than present

Changing Life Stages & Life Style Needs

Private Car, Manpower cost, Children's Education

Financial Planning

Traditional investments **not as attractive due to non consideration of Tax & Inflation effect**

Lack of Planning or Presumptive approach **is the biggest cause of financial stress**

Note – Inflation is the decrease of Purchase Power of Money.
If you expect inflation to be at 7%, the goods you can buy today for Rs. 5,084 will cost you Rs. 10,000 after 10 years

The process of Personal Financial Planning

- Financial planning is an ongoing process – it changes as your financial situation and position in life changes.
- Five basic steps to personal financial planning:
 - Evaluate your financial health
 - Define your financial goals
 - Develop a plan of action
 - Implement your plan
 - Review your progress, reevaluate, and revise your plan accordingly

Personal Financial Planning Process

Step 1 : Evaluate Your Financial Health

- Examine your current financial situation.
 - How much money do you make?
 - How much are you spending and what are you spending it on?
 - How wealthy are you?
- Assess your financial situation by careful record keeping.

Personal Financial Planning Process

Step 2 : Define Your Financial Goals

- Define your goals, like:
 - Accumulate wealth for retirement.
 - Provide funds for a child's school/college education.
 - Buy a new vehicle/household items/house.
- Over a period of time, goals change.

Personal Financial Planning Process

Step 3 : Develop a Plan of Action

- **Flexibility**
 - Plan for life changes and the unexpected.
- **Liquidity**
 - Immediate use of cash by quickly and easily converting an asset into Cash
- **Protection**
 - Prepare for the unexpected with proper insurance
- **Minimizing Taxes**
 - Keep more of what you earn by Tax Planning

Personal Financial Planning Process

Step 4 : Implement Your Plan

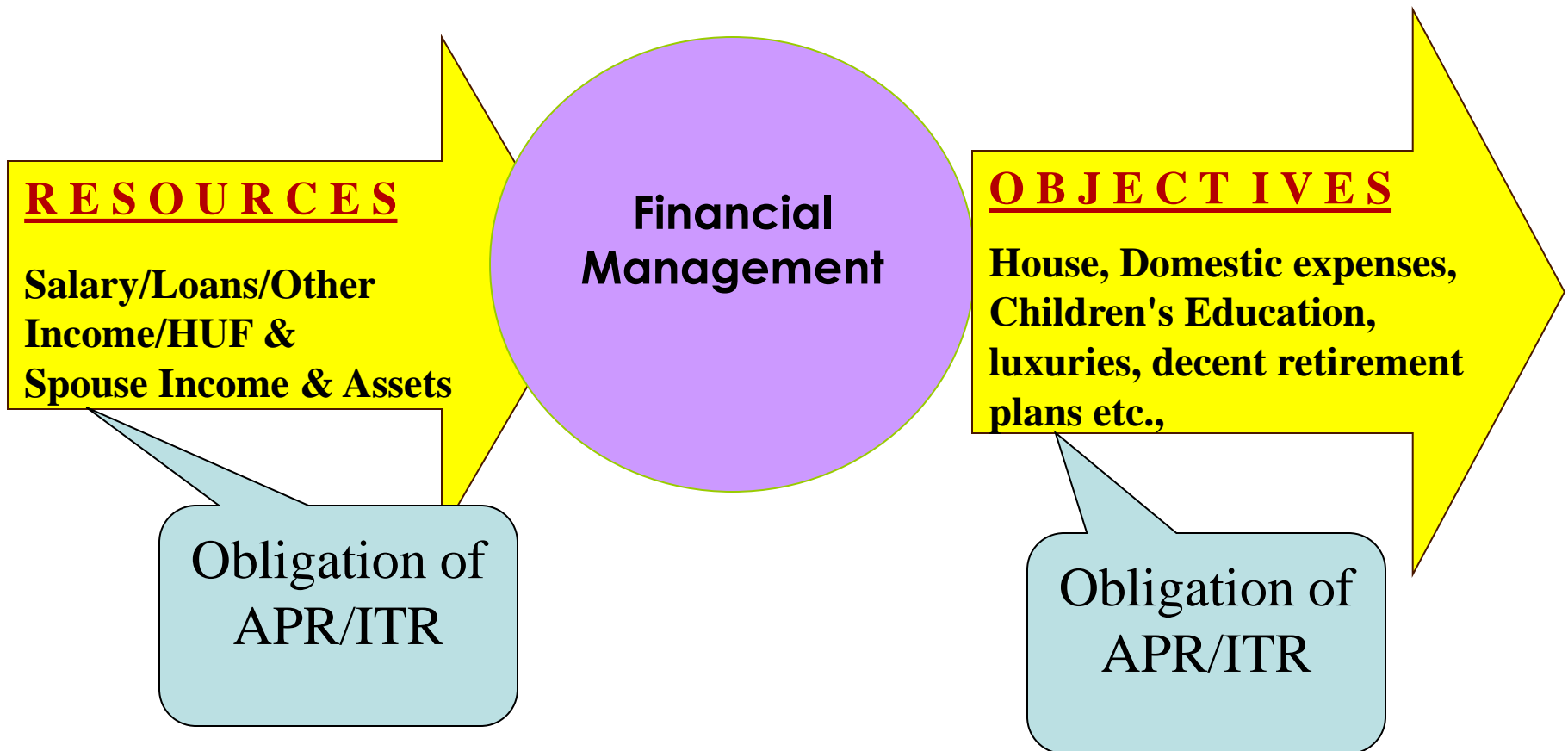
- Carefully and thoughtfully develop a financial plan, then stick to it.
- Your financial plan is not the goal - it is the tool used to achieve goals.
- Keep goals in mind and work towards them by readapting your plans

Personal Financial Planning Process

Step 5 : Review Your Progress, Re-evaluate, and Revise Your Plan

- Review progress and be prepared to formulate a different plan.
- The last step in financial planning often returns to the first. No plan is fixed.
- Financial Goals are fantasy without a financial plan

Financial Management Flow



Personal Financial Management

- **Areas of endeavor (Resources)**
 - Financial Health
 - Spending wisely
 - Home and Other real estate
 - Insurance
 - Diversified Investment portfolio
 - Retirement and Estate Planning

Personal Financial Management

Financial Health	Managing Your Money
	Budget Process
	Short Term loans
	Long Term loans

Personal Financial Management

Spending Your Money Wisely	Food
	Clothing and Personal needs
	Car / computer / Mobile – <i>essentiality, utility should rule decision</i>
	Major Appliances and Other Large Expenditures
	Taxes : Income tax and Others
Home and Other Real Estate	Home: Rent or Purchase
	Other Real Estate

Personal Financial Management

Insurance Program	Car, Property, Health
	Life Insurance & medical insurance for family, Equity Linked policies
	Principles of Insurance – Nomination, <i>Accident Riders</i>
Diversified Investment Portfolio	Mutual Funds – Open end, Closed End Funds, Debt/Equity Funds
	The Stock Market - Primary & Secondary
	Bonds, Systematic Investment Plans
	Bank Savings- SB / Fixed / Flexi / Auto Swipe / Deposits

Personal Financial Management

Estate Planning	Wills and Trusts
	Nominations

Plan for Retirement Corpus needed	Consider Inflationary effect & choose suitable Asset – Reverse Mortgage
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General Terms & Concepts in Financial Planning

- ◆ Long / Short Term Returns
- ◆ Liquidity
- ◆ Risk Vs Reward
- ◆ Fixed & Floating Interest Rates
- ◆ Capital Appreciation, Ex. Real Estate, Gold, etc.
- ◆ Tax Planning
 - Loans to spouse, Interest, Repayment of loans
 - Tax Savings, FD's, Bonds, Shares (Exempt from LTCG taxes)
- ◆ Savings Bank Account **Vs Flexi Account / Auto Swipe**
- ◆ Inflation and Value of Money
- ◆ Nominations & their importance

HINDU UNDIVIDED FAMILY (HUF)

- ◆ All persons lineally descending from a common ancestor including their wives, sons and unmarried daughters.
- ◆ One Male Member essential to form a HUF.
- ◆ The proof of inheritance is essential.
- ◆ HUF is a separate taxable entity and basic IT exemption also available. **Many Officers are not aware and losing advantage of the same by paying higher Income Tax**
- ◆ Should include in APRs & also disclose in regular Income Tax Returns and file separate IT Return if HUF comes under Tax Bracket.
- ◆ *Agricultural Income – Tax Free ?*

Mutual Funds

- ◆ A mutual fund is generally a professionally managed pool of money from a group of Investors to be invested in Shares & Securities.
- ◆ A mutual fund manager invests your funds in securities, including stocks and bonds, money market instruments or some combination of these, based upon the fund's investment objectives.
- ◆ By investing in a mutual fund you can diversify & get professional investment support, thereby sharply reducing your risk. Mutual funds can be classified on the basis of structure.
 - **Open-Ended Scheme** sells and repurchases units at all times. When fund sells, investor buys and when the investor redeems, the fund repurchases the units. Buying or redeeming is at a price based on the NAV. (Net Asset Value)
 - **Close-Ended Schemes** are for a certain period of time, viz. 3 / 5 years and after the offer closes, investors are not allowed to buy or redeem units from the fund. Close-ended funds are listed on stock exchanges to enable investors to buy or sell units.
 - **Entry/ Exit Load** - A charge paid when an investor buys/sells a fund. There could be a load at the time of entry or exit, but rarely at both times.
 - **Expense Ratio** - The annual expenses of the funds, including the management fee, administrative cost, divided by the fund under management.

Systematic Investment plan – Mutual Funds

This is a simple, disciplined strategy of investing your money in a mutual fund highly suited to start before 5 to 8 years of retirement.

- ◆ It is a long term strategy for accumulation of wealth. SIP investor gets good rate of returns compared to a one time investor.
- ◆ In an SIP a specific amount should be invested in regular intervals in a mutual fund for a specific period, which is very similar to a recurring deposit.
- ◆ It allows you to buy units of the fund each month, ignoring the volatility in the market. While your investment remains the same, more number of units can be bought in a declining market and less number of units in a rising market. Thus you automatically participate in the market swings once the option for SIP is made.
- ◆ SIP work on the principle of rupee cost averaging. It ensures averaging of rupee cost as consistent investment ensures that average cost per unit fits in the lower range of average market price.
- ◆ SIP generally starts at minimum amounts of Rs 1,000 per month and upper limit for using an electronic clearing service (ECS) is Rs 25,000 per instruction.
- ◆ **Latest trend is NAV Guarantee Schemes in Mutual Funds.**

AIS (Conduct) Rules, 1968 & CCS (Conduct) Rules, 1964

Financial Issues

Rules	Rule Number	
	AIS (Conduct) Rules, 1968	CCS (Conduct) Rules, 1964
Gift Vs Income Tax Act Definition	11	13
Disclosure of Business Interest	13	15
Investment, Borrowing, Lending	14	16
Insolvency and Habitual Indebtedness	15	17
Movable, Immovable & Valuable Property Annual Property Statements	16	18

All India Services (Conduct) Rules, 1968

Financial Issues

- Rule 11** - Gift Vs Income Tax Act definition
- Rule 13** - Disclosure of Business interest.
- Rule 14** - Investment, Borrowing, Lending
- Rule 15** - Insolvency and Habitual Indebtedness
- Rule 16** - Movable, Immovable & Valuable Property
Annual Property Statements

Rule 11 – Gift Vs Income Tax Act Definition

Acceptable only from

- Only close friends, near relatives having no official dealings

Occasion

- such as wedding, anniversaries, funerals and religious functions in conformity with the prevailing religious and social practice

Obligation

- Shall make a report to the Government if the value of such gift exceeds Rs. 25,000/-
- Member of the service shall not accept any gift without the sanction of the Government if the value of gift exceeds Rs. 5,000/- other than on above occasion.

As per Income Tax Act

- Gift accepted upto Rs. **50,000** non taxable from any one
- Gifts only from defined Close relatives are exempted and others taxable
- Not only monetary Gifts but also gifts received in kind are taxable

Rule 13 – Disclosure of Business Interest

Rule 13(1) (a)

An officer should not engage directly or indirectly in any trade or business,

Rule 13 (3)

Every member of the Service shall, if any member of his family is engaged in a trade or business, or owns or manages an insurance agency or commission agency, report that fact to the Government.

- Share in Ancestral Business Interest should also be reported

Rule 14 – Investment, Borrowing, Lending

Prohibitions

- No member or any member of his family Shall speculate in any stock, share or other investments, borrowings, lending's, Promoters / Lock-in quota of Shares
- Any lending, investment borrowing which is likely to embarrass or influence him in the discharge of his official duties

Explanation

- Member of his family means wife or husband, dependent children son/daughter, any dependent blood relative.
- Frequent purchase or sale or both, of Shares, Securities or Other Investments, generally on non delivery settlement basis is deemed to be speculation.

Exceptions

- Not applicable to occasional investment made through Stock-brokers or other persons duly authorized on license under the relevant law.

Rule 15 – Insolvency and Habitual Indebtedness

- Govt. Servant shall so manage his private affairs as to avoid habitual indebtedness or insolvency
- Govt. Servant is under obligation to report fact of any legal proceeding instituted for the recovery of debt due from him or for adjudging him as an insolvent

Burden of Proof

Burden of proving that the insolvency or indebtedness was result of circumstances which, with the exercise of ordinary diligence –

- Govt. Servant could not have foreseen
- Over which he has no control
- Had not proceeded from extravagant or dissipated habits

Shall be on the Govt. Servant

Rule 16 – Movable, Immovable & valuable property & APR

Submit a Return of his assets and liabilities in such form as may be prescribed by the Government giving the full particulars of following –

- The immovable property owned / inherited / acquired by him or in the name of any member of his family or in the name of any other person held by him on lease/mortgage either in his own name.
- Movable property, shares, debentures, postal cumulative time deposits and cash including bank deposits inherited by him or similarly owned, acquired or held by him;
- Debts and other liabilities incurred by him directly or indirectly
- In APR, movable items of worth less than 2 months' Basic pay can be clubbed and reflected.

Rule 16 – Movable, Immovable & valuable property & APR Contd...

Permissions

With previous knowledge of the Government

- Acquire / Dispose / Lease / Mortgage / Sale / Gift any immovable property by lease, mortgage, purchase, gift or otherwise, either in his own name or in the name of any member of his family;
- Previous sanction of the Government shall be obtained if any such transaction is with a person having official dealings with the member of the Service.
- Shall intimate the Government in respect of each transaction, whose value exceeds two months Basic Pay, within a month of the completion of such transaction.

Transactions of above nature outside India only with prior permissions

Rule 16 – Movable, Immovable & valuable property & APR

Movable property includes inter-alia the following property:

- Shares, Securities and Debentures, Jewellery, Insurance Policies the Annual Premium of which exceeds two months' basic pay received by the Member of the Service from the Government
- Loans advanced by or to such member of the Service, whether secured or not; (INCLUDING GUARANTEES)
- Prohibited from extending Guarantees for business loans
- Chit Fund Contributions-- prior intimation essential
- Motor cars, motor cycles, horses, or any other means of conveyance; and
- Refrigerators, radiograms and television sets.

CENTRAL CIVIL SERVICES (CONDUCT) RULES, 1964

Financial Issues

- Rule 13** – Gift Vs Income Tax Act Definition
- Rule 15** – Private Trade or Employment
- Rule 16** – Investment, Lending & Borrowing
- Rule 17** – Insolvency and Habitual Indebtedness
- Rule 18** – Movable, Immovable & Valuable Property
Annual property statements
Income Tax Returns

Rule 13– Gift Vs Income Tax Act Definition

Acceptable only from

- Only close friends, near relatives having no official dealings

Occasion

- such as wedding, anniversaries, funerals and religious functions in conformity with the prevailing religious and social practices

Obligation

- Shall make a report to the Government if the value of such gift exceeds Rs. 25,000 (for Group A), Rs. 15,000 (Group B), Rs. 7000 (Group C)
- Member of the Service shall not accept any gift without the sanction of the Government if the value of gift exceeds Rs. 1,500/- (Group A & B) or Rs. 500 (Group C & D) other than on above occasion.

As per Income Tax Act

- Gift accepted upto Rs. **50,000** non taxable from any one
- Gifts only from defined Close relatives are exempted and others taxable
- Not only monetary Gifts but also gifts received in kind are taxable

Rule 15 – Private Trade or Employment

Rule 15(1)(a) & (d)

An officer should not engage directly or indirectly in any trade or business, or canvass in support of any business of insurance agency, commission agency etc. owned or managed by any member of his family

Rule 15 (3)

Every member of the Service shall report to the Government, if any member of his family is engaged in a trade or business, or owns or manages an insurance agency or commission agency

Share in Ancestral Business Interest should also be reported

Rule 15 (4)

Govt. Servant not to accept any fee for any work done by him for any private or public body or any private person without the sanction of the prescribed authority

Rule 16 – Investment, Lending & Borrowing,

Prohibitions

- No Govt. Servant shall speculate in any stock/share/other investment

Exceptions

Not applicable to occasional investment made through Stock-brokers or other persons duly authorized or licensed under the relevant law.

Explanation

Frequent purchase or sale or both, of shares, securities or other investments, shall be deemed to be Speculation

- No Govt servant shall make or permit any member of his family or any person acting on his behalf to make, any investment which is likely to embarrass or influence him in the discharge of his official duties (*Govt's decision is final in deciding whether these fall under prohibitory clause*)
- No Govt. servant shall lend or borrow or deposit money, to or from or with, any person or firm or private limited company, with whom he is likely to have official dealings
- No Govt. servant shall lend money to any person at interest or in a manner whereby return in money or in kind is charged or paid

Rule 17 – Insolvency and Habitual Indebtedness

- Govt. Servant shall so manage his private affairs as to avoid habitual indebtedness or insolvency
- Govt. Servant is under obligation to report fact of any legal proceeding instituted for the recovery of debt due from him or for adjudging him as an insolvent

Burden of Proof

Burden of proving that the insolvency or indebtedness was result of circumstances which, with the exercise of ordinary diligence –

- Govt. Servant could not have foreseen
- Over which he has no control
- Had not proceeded from extravagant or dissipated habits

Shall be on the Govt. Servant

Rule 18 – Movable, Immovable & Valuable Property & APR

Submit a return of his assets and liabilities on his first appointment and annually in such form as may be prescribed by the Government giving the full particulars of following:

- the immovable property owned/inherited/acquired by him or in the name of any member of his family or in the name of any other person held by him on lease/mortgage either in his own name.
- Shares, debentures and cash including bank deposits inherited by him or similarly owned, acquired or held by him
- Other Movable property inherited by him or similarly owned, acquired or held by him;
- Debts and other liabilities incurred by him directly or indirectly

In APR, movable items of worth less than Rs. 10,000 can be clubbed and reflected.

- **Share in HUF Property should be suitably indicated**

Rule 18 – Movable, Immovable & valuable property & APR

Contd...

Permissions (With previous knowledge of the Government)

- Acquire/Dispose/lease/mortgage/sale/gift any immovable property by lease, mortgage, purchase, gift or otherwise, either in his own name or in the name of any member of his family;
- Previous sanction of the Government shall be obtained if any such transaction is with a person having official dealings with the member of the Service.

Intimation

- Shall intimate the Government in respect of each transaction, whose value exceeds two months of basic pay, within a month of the completion of such transaction.

Govt. or prescribed authority having power to order Govt. Servant to furnish full and complete statement of such movable or immovable property held or acquired by him or on his behalf by any such member of his family together with means of acquiring them

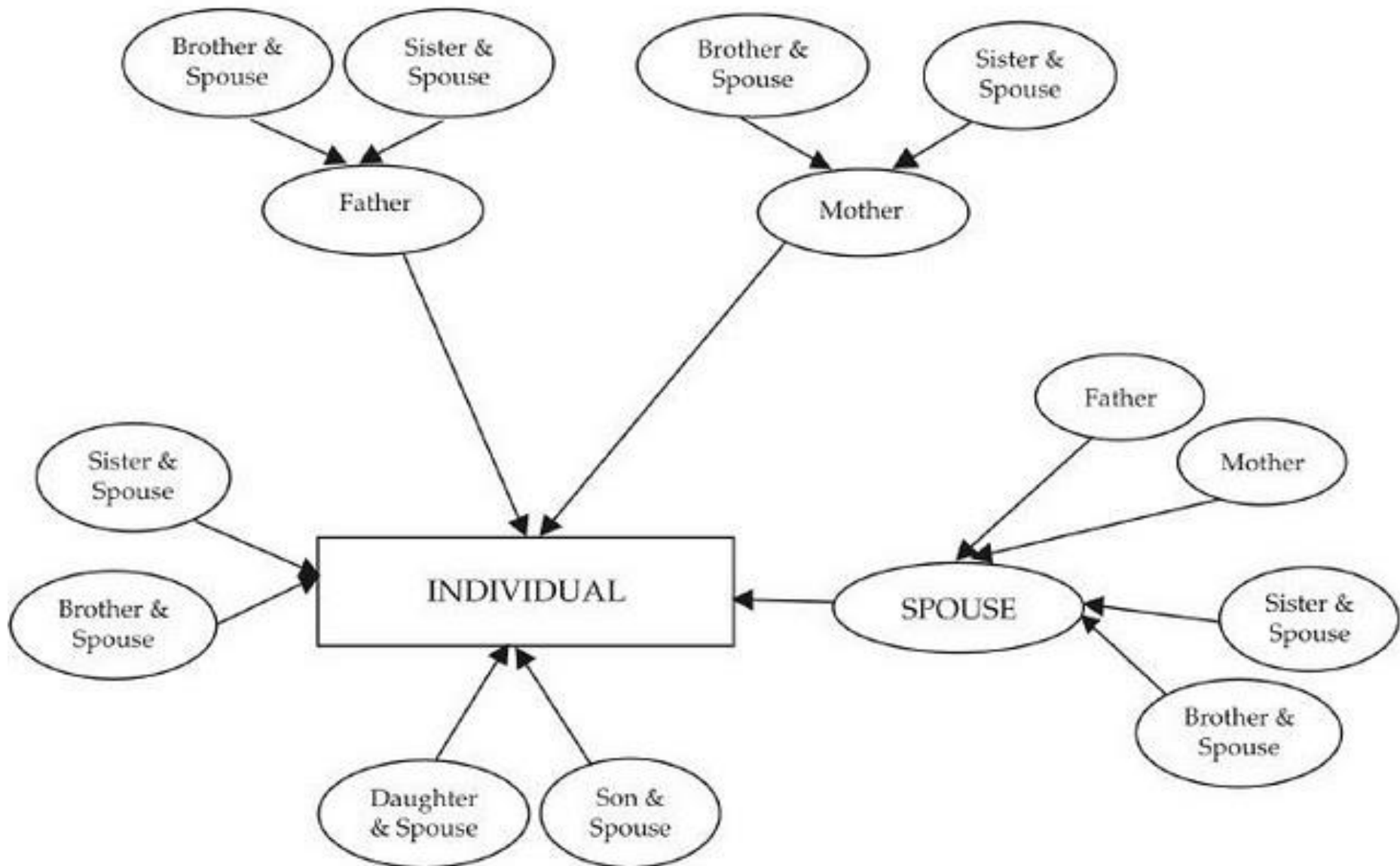
Transactions of above nature outside India can be entered into only with prior permissions

Rule 18 – Movable, Immovable & valuable property & APR

Movable property includes inter-alia the following property:

- shares, securities and debentures, jewellery, insurance policies the annual premium of which exceeds two months' basic pay received from the Government
- Loans advanced by or to Govt. Servant, whether secured or not;
- Motor cars, motor cycles, horses, or any other means of conveyance; and
- Refrigerators, radiograms and television sets.

Definition of Relatives under IT Act



Filing protocols as per **Lokpal & Lokayuktas Act, 2013**

- Govt. had notified Public Servants (*Furnishing of Information and Annual Return of Assets and the limits of Exemption of Assets in Filing Returns*) Rules, 2014 under Lokpal and Lokayuktas Act, 2013 on 14.7.2014
- Earlier AIS / CCS officers were filing Annual Returns of Property under AIS / CCS (Conduct) Rules
- Now the above rules mandates to file APR under new Act, even if filed as per earlier rules in force

APR Filing Protocols

Appendix – I - Annual Property Return to be filed at the time of First Induction into Service

Appendix – II - Separate Reporting Formats as under on First Appointment

Form – I - Details of Public Servant, Spouse & dependent Children

Form – II - Statement of Movable Property

Form – III - Statement of Immovable Property

Form – IV - Statement of Debts & Other Liabilities

APPENDIX - I

[Rule 3(1)]

Return of Assets and Liabilities on First Appointment or as on the 31st March, 20.....*

(Under Sec 44 of the Lokpal and Lokayuktas Act, 2013.)

1. Name of the Public servant in full.....
(in block letters)

2. (a) Present public position held
(Designation, name and address.....
of organisation)

- (b) Service to which belongs
(if applicable)

Declaration:

I hereby declare that the return enclosed namely, Forms I to IV are complete, true and correct to the best of my knowledge and belief, in respect of information due to be furnished by me under the provisions of section 44 of the Lokpal and Lokayuktas Act, 2013.

Date.....

Signature.....

* In case of first appointment please indicate date of appointment.

APPENDIX - I

[Rule 3(1)]

Continued...

Note 1. This return shall contain particulars of all assets and liabilities of the public servant either in his/her own name or in the name of any other person. The return should include details in respect of assets/liabilities of spouse and dependent children as provided in Section 44 (2) of the Lokpal and Lokayuktas Act, 2013.

(Section 44(2):A public servant shall, within a period of thirty days from the date on which he makes and subscribes an oath or affirmation to enter upon his office, furnish to the competent authority the information relating to—

- (a) the assets of which he, his spouse and his dependent children are, jointly or severally, owners or beneficiaries;
- (b) his liabilities and that of his spouse and his dependent children.)

Note 2. If a public servant is a member of Hindu Undivided Family with co-parcenary rights in the properties of the family either as a 'Karta' or as a member, he should indicate in the return in Form No. III the value of his share in such property and where it is not possible to indicate the exact value of such share, its approximate value. Suitable explanatory notes may be added wherever necessary.

Note 3. "dependent children" means sons and daughters who have no separate means of earning and are wholly dependent on the public servant for their livelihood. (Explanation below Section 44(3) of Lokpal and Lokayuktas Act, 2013).

APPENDIX-II
[Rule 3(1)]

FORM No. I

Details of Public Servant, His/ Her Spouse and Dependent Children

SL No.		Name	Public Position held, if any	Whether return being filed by him/her, separately
1	Self			
2	Spouse			
3	Dependent-1			
4	Dependent-2			
5.*	Dependent-3			

* Add more rows, if necessary.

Date.....

Signature.....

"FORM No. II

Statement of movable property on first appointment or as on the 31st March. 20...

(Use separate sheets for self, spouse and each dependent child.)

Name of public servant/spouse/dependent child:

SL No.	Description	Remarks, if any
(i)*	Cash and bank balance:	
(ii)**	Insurance (premium paid) :	
	Fixed /Recurring Deposit(s) :	
	Shares/Bonds :	
	Mutual Fund(s) :	
	Pension Scheme/Provident Fund	
	Other investments, if any :	
(iii)	Personal loans/advance given to any person or entity including firm, company, trust, etc. and other receivables from debtors and the amount (exceeding two months basic pay or Rupees one lakh, as the case may be):	
(iv)	Motor Vehicles (Details of Make, registration number, year of purchase and amount paid):	

Form No. II

Continued.....

(v)	<p>Jewellery [Give details of approximate weight (plus or minus 10 gms. in respect of gold and precious stones; plus or minus 100 gins in respect of silver).]</p> <p>Gold:</p> <p>Silver:</p> <p>Precious metals and precious stones:</p> <p>Composite items: (indicate approximate value)***</p>	
(vi)	<p>Any other assets [Give details of movable assets not covered in (i) to (v) above]</p> <p>(a) Furniture (b) Fixtures (c) Antiques (d) Paintings (e) Electronic equipments (f) Others</p> <p>[Indicate the details of an asset, only if the total current value of any particular asset in any particular category (e.g. furniture, fixtures, electronic equipments, etc.) exceeds two months' basic pay or Rs. 1.00 lakh, as the case may be.]</p>	

Date

Signature

* Details of deposits in the foreign Bank(s) to be given separately.

** Investments above Rs. 2 lakhs to be reported individually. Investments below Rs 2 lakhs may be reported together.

*** Value indicated in the first return need not be revised in subsequent returns as long as no new composite item had been acquired or no existing items had been disposed of, during the relevant year.";

FORM NO. III

Statement of immovable property on first appointment or as on the 31st March, 20....

(e.g. Lands, House, Shops, Other Buildings, etc.)

[Held by Public Servant, his/her spouse and dependent children]

Sl. No.	Description of property (Land/ House/ Flat/ Shop/ Industrial etc.)	Precise location (Name of District, Division Taluk and Village in which the property is situated and also its distinctive number, etc.)	Area of land case land and buildings)	Nature of land in case of landed property	Extent of interest	If not in name of public servant, state in whose name held and his/her relationship, if any to the public servant	Date of acquisition	How acquired (whether by purchase, mortgage, lease, inheritance, gift or otherwise) and name with details of person/persons from whom acquired (address and connection of the Government servant, if any, with the person/persons concerned) (Please see Note 1 below) and cost of acquisition.	Present value of the property (If exact value not known, approximate value may be indicated)	Total annual income from the property	Remarks
1	2	3	4	5	6	7	8	9	10	11	12

FORM NO. III

Statement of immovable property on first appointment or as on the 31st March, 20....

(e.g. Lands, House, Shops, Other Buildings, etc.)

[Held by Public Servant, his/her spouse and dependent children]

Continued.....

Date.....

Signature.....

Note (1): For purpose of Column 9, the term "lease" would mean a lease of immovable property from year to year or for any term exceeding one year or reserving a yearly rent. Where, however, the lease of immovable property is obtained from a person having official dealings with the Government servant, such a lease should be shown in this Column irrespective of the term of the lease, whether it is short term or long term, and the periodicity of the payment of rent.

FORM No. IV
Statement of Debts and Other Liabilities on first appointment or as on 31st
March, 20.....

Details of Public Servant, his/ her spouse and dependent children

SL No.	Debtor (Self/ Spouse or Dependent children)	Name and address of Creditor	Nature of debt/ liability and amount	Remarks
1	2	3	4	5

Date

Signature

Note 1 : Individual items of loans not exceeding two months basic pay (where applicable) and Rs. 1.00 lakh in other cases need not be included.

Note 2 : The statement should include various loans and advances (exceeding the value in Note 1) taken from banks, companies, financial institutions, Central/State Government and from individuals."

Other Filing protocols

- These filings have to be done both at the time of joining service as well as Annually
- Separate APR formats are specified for
 - Liquid assets
 - Movable property
 - Provident fund & life insurance
 - Debts & other liabilities (*which are covered earlier*)

RATES OF TAX for Financial Year 2015-16

Income Slab (Rs.)	Current Tax Rates (2015-16)
Upto 2,50,000	Nil
2,50,000 to 5,00,000	10%
5,00,000 to 10,00,000	Rs.25,000 + 20% above Rs.5,00,000
Above 10,00,000	Rs.1,25,000 + 30% above Rs.10,00,000
Education Cess on Tax Liability (2%+1%) = 3%	

- ❖ **Basic Tax Exemption Limits (*other than above*)**
- ❖ **Senior Citizens (Age 60 years & above) – Rs. 3,00,000**
- ❖ **Super Senior Citizens (Age above 80 Years) – Rs. 5,00,000**

FINANCIAL MANAGEMENT

- **Personal Financial Management for an Officer**

- A typical case is provided based on Scales of pay for an Entry Level Officer (with a Saving of Rs.40,000)

Computation of Total Income

Name : XYZ
Status : Individual
PAN : ABCD E 1234 F

Income from Salary (A)

Gross salary	576000
Less : Professional Tax (wherever applicable)	<u>2400</u>
Income from Salary	573600

Any other Income (B)

NIL

Gross Total Income (A + B) **573600**

Less :Ded. U/s. 80C (GPF/Pension) 40000

Taxable Income 533600

INCOME TAX ON ABOVE 31720

Education Cess (3%) 952

Total Tax Payable **32672**

FINANCIAL MANAGEMENT

- **The Officer has to pay the Tax of Rs. 32672 for the Financial Year 2015-16.**
- **To reduce the same, the following saving Schemes can be utilized for a further amount of Rs. 1,10,000 U/s 80 C :-**
 - LIC
 - NSC
 - Pension Fund
 - Public Provident Fund, Addl. Contribution to GPF
 - Investment in Infrastructure Bonds
 - Housing Loan principle repayment / HL Deposit Scheme (NHB)
 - Payment of Tuition Fees for children
 - Other notified deposits/schemes

FINANCIAL MANAGEMENT

- Continuing the same example, if the Officer saves Rs.1,50,000, full benefit under Section 80C could be obtained. Following illustration shows the tax liability, if full saving is made

<u>Computation of Total Income</u>	Name	: XYZ
	Status	: Individual
	PAN	: ABCD E 1234 F

<u>Income from Salary (A)</u>		
Gross salary		576000
Less : Professional Tax (wherever applicable)		2400
Income from Salary		<u>573600</u>
Any other Income (B)		NIL
Gross Total Income (A + B)		573600
Less :Dedns. U/s. 80C (Savings)		<u>150000</u>
Taxable Income		<u>423600</u>
INCOME TAX ON ABOVE		17360
Less: Special Relief as Income below Rs.5 Lakhs		<u>2000</u>
		15360
Education Cess (3%)		<u>461</u>
Total Tax Payable		15821

Health Insurance / Accident Riders

- In addition to earlier deduction of Rs.1.50 Lakh, additional deduction upto Rs. 15000 per annum is allowable for premium paid on Health Insurance or Preventive Health Checkup (U/s. 80D)
- Coverage would be self, his family and also parents
- Where Family Members includes Senior Citizens (crossed age of 60), deduction is enhanced even upto Rs. 20000
- There is also a facility of Accidental Riders, wherein by paying little premium more, policy holders can avail substantially high coverage towards Accidental Insurance Coverage.

Section 13(1)(e) of PC Act, 1988

If he or *any person on his behalf*, is in possession or has, at any time during the period of his office, been in possession for which the public servant cannot satisfactorily account, of pecuniary resources or property *disproportionate* to his *known sources of income*

Intimated as per provisions of any law, rules or orders as applicable to officer

DISPROPORTIONATE ASSETS

DISPROPORTIONATE ASSETS

**KNOW SOURCES OF
INCOME**

Depicted in APR/ITR

***NOT
EQUAL
TO***

**ASSETS/
EXPENDITURE / LOSSES**

Depicted in APR/ITR

Known Sources of Income

- Attached to his office or post commonly known as remuneration or salary
- Income by itself, is classic and has a wide connotation including receipts like Interest free /Non repayable loans
- Every receipt would not partake into the character of income.
Ex. TRAVELLING ALLOWANCES

Other income (as intimated to Govt. from time to time & complied with respective Tax Laws)

- **On his property**
- **On his investments**
- **HUF INCOME / STREE DHAN**
- **Surplus in allowances is not to be treated as income**

Annual Property Return Filings

- **Precautions**

- Filing of Annual Property Returns promptly
 - Depicting correct data is essential after matching with the relevant Income Tax Returns
 - Giving full details of Savings effected till date and also any additions to immovable and movable assets should be mentioned
 - Share of HUF Income received if any should also be clearly mentioned both in IT Return, exemption claimed and APR should also reflect the same
 - **Please note that Legal Income and Known Source of Income as defined under PC Act are **NOT** the same**

Cheating in Gold - Hallmarking

- Many consumers in India are being cheated by jewellers, according to a survey conducted by the Bureau of Indian Standards (BIS).
- It is said that 88 per cent of the jewellery being sold showed between 28 and 37 per cent less purity than that was claimed.
- One of the market surveys of gold jewellers in eight metro cities of India, conducted by the Bureau of Indian Standards (BIS), had questioned the very basis on which gold jewellery is sold and bought in India.
- The results showed that 88 per cent of the jewellers surveyed didn't stick to the purity levels of gold articles sold by them.
- While buying golden ornaments, one should always look for third party authentication of gold quality, thus go for only hallmarked jewellery.
- In the survey conducted in Kolkata, Delhi, Chennai, Mumbai, Bangalore, Ahmedabad, Hyderabad and Jaipur, it was found that in Kolkata, Hyderabad and Jaipur, not even a single piece of jewellery purchased was found to be of 22-carat as claimed and charged.

Cheating in Gold - Hallmarking

- With most jewellers giving about 12.5 per cent less gold than quoted, they are estimated to have made a **phenomenal additional profit of Rs. 36,000** crores off the consumers in the last couple of years.
- To prevent jewellers from making huge profits cheating consumers by selling low-carat jewellery, the articles must be hallmarked.
- This can happen only through consumer education and awareness. At the same time, additional assaying and hallmarking facilities should be created to cater to jewellers in these areas. So, whenever you buy gold jewellery, go for a hallmarked piece.
- If, jewellers sell you jewellery made of say 16.5 carat gold, claiming it to be of 22 carat purity, you stand to lose as much as Rs 1000-1200 for every 10-gm of jewellery bought.
- A hallmarked product consists of the BIS mark, purity mark, the hallmarking centre logo, the mark of the jeweller and the year of making which is indicated by an alphabet.
- **Buying pure Gold or Biscuits / Gold Bonds is one of the best options.**

Financial Institution / Retail Frauds

(How you are being Cheated)

- **Frauds by Housing Loan Finance Companies**
 - Monthly compounding of Interest
 - Pre-payment Charges
 - Hidden Charges or wrong rate of interest application
 - Intentional late deposit of cheques
- **Frauds by Credit Card Companies**
 - Hidden Charges
 - Charging additional rate of interest than agreed upon
 - Multiple/Compound charges
 - Intentional late deposits of cheques
- **Frauds by Commercial/Nationalized/Private Sector Banks**
 - Charging adhoc sums
 - Charging additional expenses / collection charges
 - Wrong interest application than what is committed

ITRs & PAN

- PAN is essential under Income Tax Act.
- Failure to possess the same and drawing salary attracts **a penalty of Rs. 10,000 each, for both the Receiver & Pay Drawing Officer.**
 - The following are the details required for obtaining PAN Card -
 - 2 Colour Passport Size Photos (*original*)
 - Photo Identity Proof
 - Address Proof
 - Proof of Date of Birth
 - Filling up of the Prescribed Form in **Black Ink only** with Personal Details
 - Pay a Fees of Rs.105/-

Procedure is same for obtaining duplicate PAN Card, if lost

Personal Financial Folders

- Annual Property Returns
- Income Tax Return copies
- Approvals from Govt. - Purchase of Movable & Immovable Assets
- Bank & Credit Card Statements- FOR 3 YEARS
- Documentation relating to Gold & Silver etc. - Sources
- Other Investments, Shares, NSC's - Maturity wise
- Gift Deed Documents
- **Immovable Property Documents**
- Copies of Loan Documents

- **Spare two hours every month to monitor your financial status and review decisions**
- **Maintain personal financial folders to keep track of your investments including maturity details**
- **Do your home work because you have to take the exams, but of course you can avail tuitions**
- **Compare your APRs and Income Tax Returns because the due dates for both are different and file them regularly before due dates**
- **Don't go by presumptive approach that everything is alright**
- **Comply with Service Conduct Rules very strictly**
- **You are welcome to email me your personal queries**

Any Questions / Clarifications ??

THANK YOU

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Chartered Accountant

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