

Personal Financial Management for AIS / CCS Officers



Presented by

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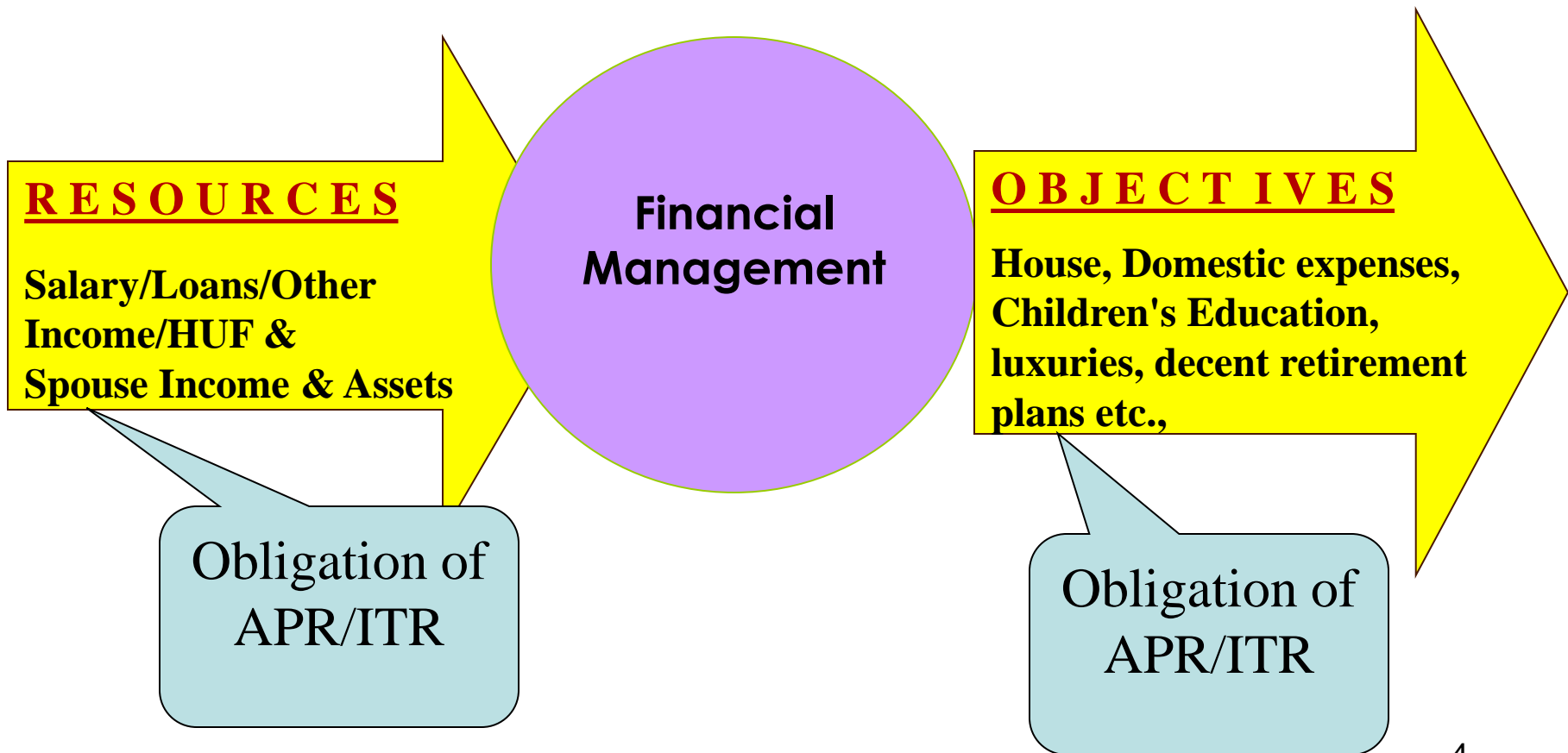
In This Session

- **Personal Financial Management**
- **Income & Expenditure**
- **Investment & Tax Planning**
- **CCS (Conduct) Rules, 1964 - 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**
- **PAN Card**

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

Financial Management Process



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 – essentiality, utility should rule decision
	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, Accident Riders
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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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

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

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 loosing advantage of the same.
- ◆ Advisable to include in APRs & also 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 early in Service.

- ◆ 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.**

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

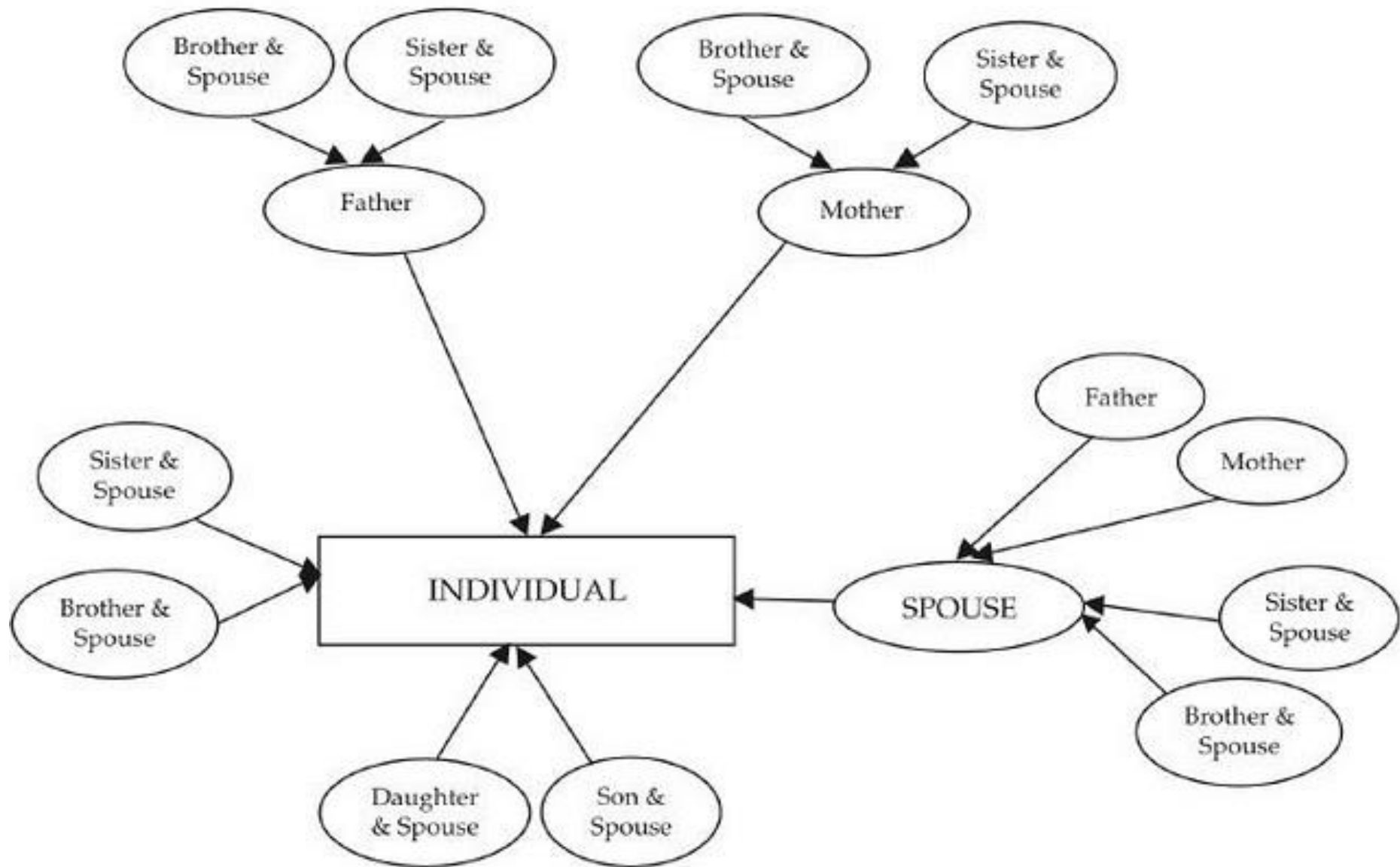
Obligation

- Shall make a report to the Government if the value of such gift exceeds Rs. 7,000 (for Group A), Rs.4000 (Group B), Rs.2000 (Group C) & Rs.1000 (Group D)
- 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
- [List of Relatives](#)

Definition of Relatives under IT Act



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.10000 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 Rs. 20,000 (for Group A & B) or Rs.15000 (Group C & D) or 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 Rs.10000 or 1/6th of total annual emoluments received from the Government, whichever is less,
- 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.

APRs should be submitted with status as on 31st December.

APR Filing Protocols

- Annual Property Return to be filed at the time of First Induction into Service
- Separate Reporting Formats given for
 - Return of Assets & Liabilities
 - Statement of Immovable Property on First Appointment
 - Statement of Liquid Assets
 - Statement of Movable Property
 - Statement of LIC Policies
 - Statement of Debts & Other Liabilities

APR & ITR

- **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

Statement of Immovable Property

Statement of immovable property possessed, acquired and disposed off by -----
-----, -----, -----or any other person on his behalf or by
any member of his family for the year ending -----.

1. Name of the Officer (in full) and
Service to which the officer belongs :
2. Present Post held :
3. Present pay :

(-----)

-----.

APR Format (Immovable property)

SI No	Description of property	Precise location (Dist/Taluk & Village property located	Area of land	Nature of Land	Extent of interest	If not in own name, in whose name held & relation
1	2	3	4	5	6	7

APR Format (Immovable Property)

Date of acquisition.	How acquired, give details	Value of property	Particulars of sanction of prescribed authority, if any	Total Annual Income from Property,	Remarks
1	2	3	4		6

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

RATES OF INCOME TAX

Income Slab (Rs.)	Current Tax Rates (2013-14)
Upto 2,00,000	Nil
2,00,000 to 5,00,000	10%
5,00,000 to 10,00,000	20% + 30,000
Above 10,00,000	30% + 1,30,000
Education Cess on Tax Liability (2%+1%) = 3%	

FINANCIAL MANAGEMENT

- **Personal Financial Management for an Group A Officer**
 - **A typical case is provided based on revised Scales of pay for a Mid Seniority Level (with a Saving of Rs.40000)**

Computation of Total Income

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

Income from Salary (A)

Gross salary	424680
Less : Professional Tax (wherever applicable)	<u>2400</u>
Income from Salary	422280

Any other Income (B)

Gross Total Income (A + B)	422280
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Less :Ded. U/s. 80C (GPF/Pension)	<u>40000</u>
Taxable Income	<u>382280</u>
INCOME TAX ON ABOVE	18228
Education Cess (3%)	<u>547</u>
Total Tax Payable	18775

FINANCIAL MANAGEMENT

- **The Officer has to pay the Tax of Rs. 18775 for the Financial Year 2013-14.**
- **To reduce the same, the following saving Schemes can be utilized for a further amount of Rs. 60,000 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.1,00,000, 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

Income from Salary (A)

Gross salary	424680
Less : Professional Tax (wherever applicable)	2400
Income from Salary	422280

Any other Income (B)

Gross Total Income (A + B)	422280
Less :Dedns. U/s. 80C (Savings)	100000
Taxable Income	322280
INCOME TAX ON ABOVE	12228
Education Cess (3%)	367
Total Tax Payable	12595

Health Insurance

- In addition to earlier deduction of Rs.1 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

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

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 -
 - 1 No. Colour Passport Size Photo
 - Photo Identity Proof
 - Address Proof
 - A Gazetted Officer's Certificate in Lieu of above Proof
 - Filling up of the Prescribed Form in **Black Ink Only** with Personal Details
 - Pay a Fees of Rs.96/-

Every officer must submit to the Pay Drawing Officer either savings details or give indication for deduction of suitable tax in a phased manner.

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
- 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

P. SHARATH KUMAR, LLB, CFE, CFAP, FCA.

Chartered Accountant

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ANNEXURE FORM

Statement of IMMOVABLE Property on First Appointment for the year

1. Name of officer (in full) and service to which the officer belongs.....
2. Present post held.....
3. Present pay

Housing & other Buildings				Lands			
1	2	3	4	5	6	7	8

Date.....

Signature.....

Inapplicable clause to be struck out.

*In case where it is not possible to assess the value accurately the approximate value in relation to present conditions may be indicated.

THE SCHEDULE

[See Rule 18 (1)]

Return of Assets and Liabilities on First Appointment on the 31st December, 20____.

1. Name of the Government servant in full.....

(in block letters)

2. Service to which he belongs.....

3. Total length of service upto date.....

(i) in non-gazetted rank.

(ii) in gazetted rank.

4. Present post held and place of posting.....

5. Total annual income from all sources during the Calendar year immediately proceeding the 1st day of January 19.

6. Declaration

I hereby declare that the return enclosed namely, Forms I to V are complete, true and correct as on.....to the best of my knowledge and belief, in respect of information due to be furnished by me under the provisions of sub-rule (1) of rule 18 of the Central Services (Conduct) Rules, 1964.

Date..... Signature.....

Note 1. This return shall contain particulars of all assets and liabilities of the Government servant either in his own name or in the name of any other person.

Note 2. If a Government servant is a member of Hindu Undivided Family with coparcenary rights in the properties of the family either as a 'Karta' or as a member, he should indicate in the return in Form No. I 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.

FORM NO. 1

Statement of IMMOVABLE property on first appointment as on the 31st December, 20__.

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

SI No.	Description of property	Precise location (Dist/Taluk & Village property located	Area of land	Nature of Land	Extent of interest	If not in own name, in whose name held & relation
1	2	3	4	5	6	7

FORM NO. 1 (Continued)

Statement of IMMOVABLE property on first appointment as on the 31st December, 20__.

Date of acquisition.	How acquired, give details	Value of property	Particulars of sanction of prescribed authority, if any	Total Annual Income from Property,	Remarks
1	2	3	4	5	6

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.

Note (2) In Column 10 should be shown -

- (a) where the property has been acquired by purchase, mortgage or lease, the price or premium paid for such acquisition;
- (b) where it has been acquired by lease, the total annual rent thereof also; and
- (c) where the acquisition is by inheritance, gift or exchange, the approximate value of the property so acquired.

FORM NO. II

Statement of LIQUID ASSETS on first appointment as on the 31st December, 20____.

- (1) Cash and Bank balance exceeding 3 months' emoluments.
- (2) Deposits, loans, advances and investments (such as shares, securities, debentures, etc.)

Sl No.	Description	Name & Address of Company, Bank etc.	Amount	If not in own name, name and address of person in whose name held and his/her relationship with the Government servant	Annual income derived	Remarks
1	2	3	4	5	6	7

Date.....

Signature.....

Note 1. In column 7, particulars regarding sanctions obtained or report made in respect of the various transactions may be given.

Note 2. The term "emoluments" means the pay and allowances received by the Government servant.

FORM NO. III

Statement of **MOVABLE** Property on first appointment as on the 31st December, 20____.

Sl. No.	Description of items	Price or value at the time of acquisition and/or the total payments made upto the date of return, as the case may be, in case of articles purchased on hire purchase or installment basis	If not in own name, name and address of the person in whose name and his/her relationship with the Government servant	How acquired with approximate date of acquisition	Remarks
1	2	3	4	5	6

Date.....

Signature.....

Note 1 : In this Form information may be given regarding items like (a) jewellery owned by him (total value); (b) silver and other precious metals and precious stones owned by him not forming part of jewellery (total value), (c) (i) Motor Cars (ii) Scooters/Motor Cycles; (iii) refrigerators/air-conditioners, (iv) radios/radiograms/television sets and any other articles, the value of which individually exceeds Rs. 1,000 (d) value of items of movable property individually worth less than Rs. 1,000 other than articles of daily use such as cloths, utensils, books, crockery, etc., added together as lumpsum.

Note 2 : In column 5, may be indicated whether the property was acquired by purchase, inheritance, gift or otherwise.

Note 3 : In column 6, particulars regarding sanction obtained or report made in respect of various transactions may be given.

FORM NO. IV

Statement of Provident Fund and Life Insurance Policy on First Appointment as on the 31st December, 20____.

S. No	Policy No. and date of policy	Name of Insurance Company	Sum insured date of maturity	Amount of annual premium	Type of Provident Funds /GPF / CPF, (Insurance Policies) account No.	Closing balance as last reported by the Audit/ Accounts Officer alongwith date of such balance	Contribution made subsequently	Total	Remarks (if there is dispute regarding closing balance the figures according to the Government servant should also be mentioned in this column)
1	2	3	4	5	6	7	8	9	10

Date.....

Signature.....

FORM NO. V

Statement of Debts and Other Liabilities on First Appointment as on the 31st December, 20____.

Sl. No.	Amount	Name and Address of Creditor	Date of Incurring Liability	Details of Transactions	Remarks
1	2	3	4	5	6

Date.....

Signature.....

Note 1. Individual items of loans not exceeding three months emoluments or Rs. 1,000 whichever is less, need not be included.

Note 2. In column 6, information regarding permission, if any, obtained from or report made to the competent authority may also be given.

Note 3. The term "emoluments" means pay and allowances received by the Government servant.

Note 4. The statement should also include various loans and advances available to Government servants like advance for purchase of conveyance, house building advance, etc. (other than advances of pay and travelling allowance), advance from the GP Fund and loans on Life Insurance Policies and fixed deposits.