

Steps to deepen capital market sought

RUN-UP TO THE

BUDGET

2024-25

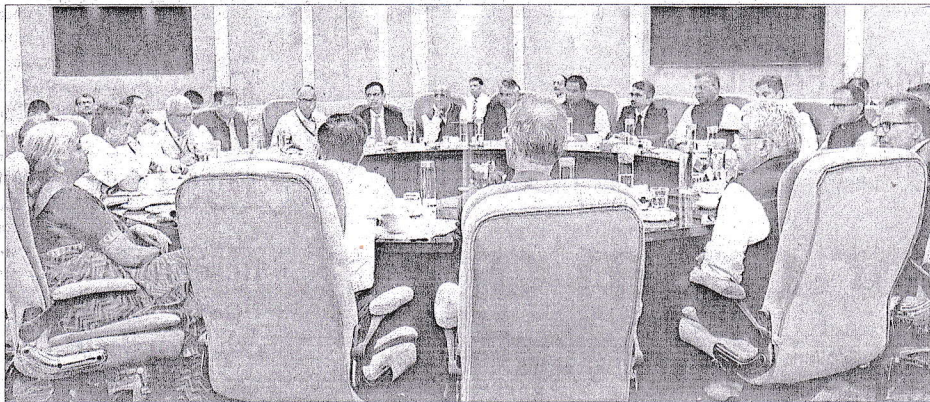
MF industry seeks govt nod to offer pension schemes

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FINANCIAL MARKET PARTICIPANTS on Thursday made a slew of suggestions to finance minister Nirmala Sitharaman in a pre-Budget interaction, with the overarching objective of deepening various segments of the capital market by reducing the excessive tax burden wherever it existed, using higher imposts to curb activities that could potentially unsettle the markets, and discouraging high-frequency trading by large players.

Among the key proposals were rationalisation of the capital gains tax structure aimed at minimising the arbitrage opportunities across various asset classes and higher securities transaction tax (STT) on high-frequency traders in the futures and options (F&O) market. According to sources, finance ministry officials "acknowledged" the need to protect retail investors from the high volatility of the F&O segment. Srinu Srinivasan, managing director, Kotak Alternate Asset Managers, said, "We suggested measures to mainstream AIF (alternate investment fund) investments and encourage and enable large domestic capital pools of insurance and pension funds to participate in the AIF industry to finance infrastructure, credit and start-ups."

Raman Aggarwal, director of the Finance Industry Development Council (FIDC), told *FE* that since the



Finance minister Nirmala Sitharaman chairs her second pre-Budget consultation with experts of financial and capital markets, in New Delhi on Thursday

Assocham seeks I-T rate tweak

INDUSTRY BODY ASSOCHAM'S tax council, in a pre-Budget meeting with revenue secretary Sanjay Malhotra, suggested tweaking the current personal income tax structure, extending the 15% corporate tax rate for new manufacturing units, and rationalisation of the capital gains tax structure, *FE* has learnt.

According to Atul Puri, managing partner, SW India, who attended the meeting, the matters discussed included adoption of a proactive approach on the implementation of Pillar-2 tax regime, simplification

of TDS and TCS provisions, and addressing practical challenges in processing of tax returns.

Earlier this week, *FE* had reported that the Centre is likely to announce the adoption of "Pillar-2" tax regime anchored by the Organisation for Economic Cooperation and Development (OECD) in the coming Budget, as part of the country's efforts to support and benefit from the global system combating tax avoidance.

The Assocham council said that to bolster investor confidence, ratio-

nalisation of the capital gains taxation regime is needed. Key suggestions included streamlining the holding period, ensuring uniformity in tax rates across various asset classes, and updating the index years for long-term capital gains, a source said.

"These proposed reforms are in line with the government's vision of establishing a robust, transparent, and investor-friendly tax regime," said Rakesh Nangia, managing partner, Nangia & Co.

— FE BUREAU

Reserve Bank of India (RBI) has harmonised the regulation for banks and non-banking financial companies (NBFCs) now, "we asked the FM to give us the benefits of recovery by tweaking SARFAESI rules and annulling TDS on every EMI." Some of the participants in the meeting suggested increasing the pace of divestment of low-floating PSU stocks, while all pitched for continued fiscal disci-

pline, people who attended the meeting said on condition of anonymity.

The Centre is reportedly considering various options to discourage retail participation in the F&O segment. The proposed steps include moving F&O from the head of 'business income' to 'speculative income' and/or also introducing a tax-deductible-at-source (TDS) in the upcoming Budget. Also, the sources

said the mutual fund industry recommended tweaking the regulatory framework to allow them to offer pension schemes. At present, mutual funds seek the flexibility to launch diversified schemes focused on retirement planning.

NBFC representatives recommended increase in allocation of funds to the Small Industries Development Bank of India (SIDBI), which