



Aarati Krishnan

After the Supreme Court asked the Employees Provident Fund Organisation (EPFO) to offer a higher pension option to its older members, there's been a flurry of articles and videos that give you a 'yes or no' answer to the question: Should I opt for pension on full pay? Here's the background.

With the EPF setting a new deadline of May 3 to opt in, some urge you to take this 'golden opportunity', while others warn you off. But in reality, the decision needs to vary based on one's personal financial situation.

#### HOW TO DECIDE

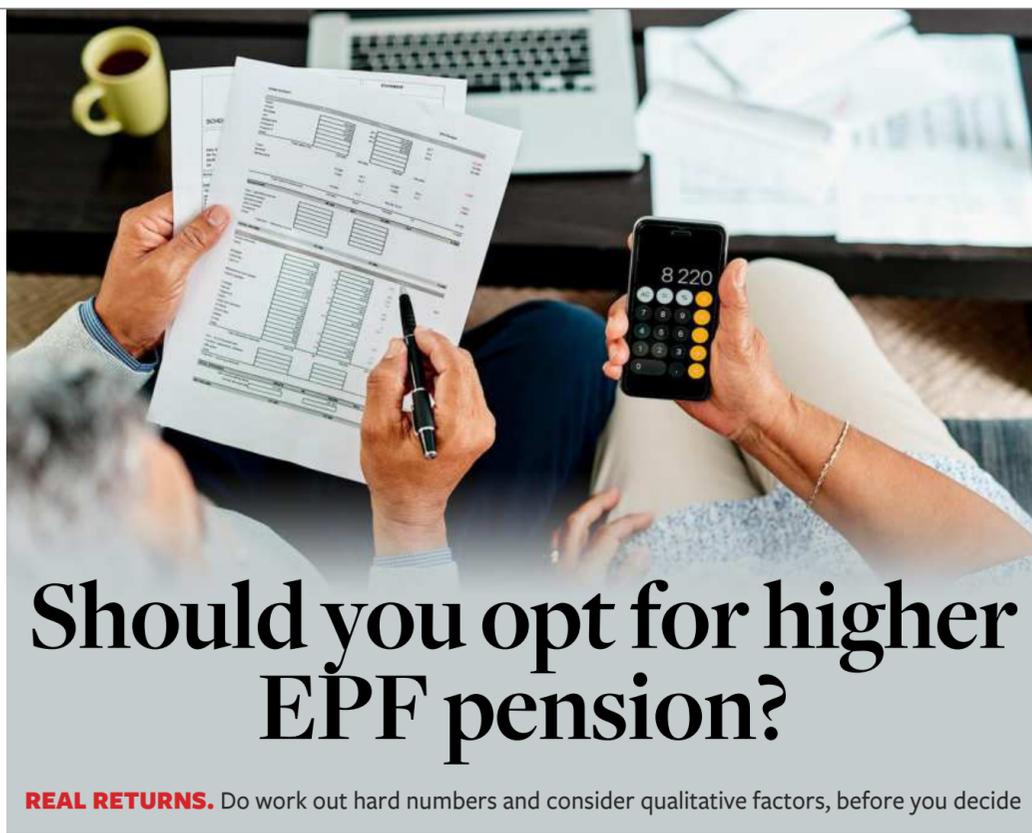
To make any investing decision, you need to know the returns you'll earn on the money you're committing. The pension decision is no different. Many folks seem to be under the impression that simply filling in a consent form before May 3 will entitle them to a free lifelong pension from the government. But there's a fairly large investment you need to make, to earn this pension.

EPFO rules and the SC ruling clearly state that, for guaranteed pension on his full basic pay, an employee needs to deposit 8.33 per cent of his past employer's contributions on full pay, into the EPS kitty. This is with the accrued interest. Therefore, if you to opt for higher pension, you should expect the EPF to dock a significant chunk of money from your accumulated EPF balances, with immediate effect. This transfer is irreversible and the money will not come back either to you, or your nominees. If you have some years left to retirement, 8.33 per cent of your future employer's contributions will also go into the EPS kitty.

Therefore, you need two bits of data to decide whether to opt for the pension on full pay - your likely pension and the EPF balances you will need to give up. These two metrics, which will vary individually, will decide if the scheme is financially worth your while. It would have been handy if the EPFO had provided you with these two numbers, but so far, it hasn't.

#### CALCULATING THE PENSION

According to EPFO rules, pension payable to a retiree is based on a standard formula: Pension = Average pensionable salary in the 60 months preceding retirement \* Pensionable service/70. After September 1, 2014, the 'pensionable salary' in this for-



# Should you opt for higher EPF pension?

**REAL RETURNS.** Do work out hard numbers and consider qualitative factors, before you decide

mula was capped at ₹15,000/month. So if you were earning more than this, the maximum pension that you could get was ₹6,428 per month (₹15,000\*30/70). But the SC ruling allows employees who were EPFO members from before September 1, 2014, and earning more than ₹15,000 to sign up for pension based on their actual pay. This gives eligible employees a chance to significantly increase their pensionable salary in the above formula.

'Pensionable salary' is the pay on which your employer is making PF contributions (usually basic pay plus DA). From your EPFO passbook, you can straightaway arrive at your current pensionable salary from the 'EPF wages'. But do note that your pension will be based on your average pensionable salary in the last five years leading up to retirement. Pensionable service (capped at 35 years) is the period for which you have been an EPF member, with your employer regularly contributing.

Based on the above, for an employee who earned basic pay of ₹1,00,000/month in the five years before retirement and worked for 30 years, the ballpark pension will be about ₹42,850 per month (₹100,000\*30/70).

#### TAKE NOTE

- Fairly large investment required to earn this pension amount
- Longer pensionable service and higher basic pay at an advantage
- Assess factors such as post retirement goals, reasonable longevity

But for someone earning ₹20,000/month with 10 year service (the minimum), the pension will be just ₹2,857. The longer your pensionable service and higher your basic pay, higher the pension. EPS also pays pension at 50 per cent to the spouse on the death of the pensioner.

#### EPF DEPOSIT

Calculating the deposit you need to make from your past EPF balances is a far trickier task. If you have your EPFO passbook for your entire service history, you can attempt this arduous exercise. You can apply 8.33 per cent of EPF wages to your employer's contributions over the years and deduct pension contributions already

made, to arrive at a ballpark number on the likely deposit. Hopefully, your company's HR department or EPFO can help you with the actual number before May 3.

Once you have this number, it becomes easier to gauge if EPS is a better deal for you than other deposit schemes available in the market for seniors. For instance, parking ₹25 lakh in the post office Seniors Citizens Savings Scheme (with a 5-year lock-in) will fetch you ₹16,667 per month at the current 8 per cent interest. Investing ₹25 lakh in LIC's annuity scheme Jeevan Akshay 7 (50 per cent pension to spouse) will fetch you monthly pension of about ₹16,800. Do note that SCSS refunds your principal after five years while LIC allows surrender. No such flexibility is available in the EPS where you permanently lose the principal deposited.

#### QUALITATIVE FACTORS

Making a decision with such large financial implications for your retirement cannot be a pure numbers game. So, before surrendering your hard-earned EPF balance to the government, you need to assess others factors seriously.

- Would you have a sufficient

sum left in your retirement kitty after the EPS deposit, to meet medical and caregiving expenses for you and dependant family members?

• Would you have enough to meet post-retirement financial goals like children's education and repay loans?

• Are you confident of reasonable longevity? Should something happen to you soon after retirement, your family would lose the lumpsum and receive only half the pension.

• As the EPS pension is fixed and will mean reduced purchasing power with inflation, would you have a sufficient corpus left over to supplement your pension with inflation-beating avenues?

• Can you actively manage your money using vehicles like mutual funds, to earn better returns than EPS?

• How much confidence do you have in the government and EPF to not change the pension formula or terms of this scheme over the years, if it turns unfavorable for the fisc?

If you have doubts on any of the above, it may be better to skip the full pay option on the EPS, and simply take home your accumulated EPF balances at retirement.

## TAX QUERY.

SANJIV CHAUDHARY

I had purchased a plot in Rajasthan in 1987 and the registered price was ₹10,000. If I sell it in 2023, how is the income tax on capital gains computed? Is there any way to avoid capital gains?

Ashwani Kumar Punj

We assume that the plot in Rajasthan is not rural agricultural land as per section 2(14) of the Income-tax Act, 1961. Hence, the transfer would classify as a transfer of capital asset subject to tax.

A capital asset, held by a taxpayer for more than 24 months immediately preceding the date of its transfer, is treated as a long-term capital asset and subject to tax at 20 per cent, excluding surcharge (if applicable) and cess.

This transaction would be eligible for a deduction of cost of acquisition and improvement on which indexation benefit would apply. Further, any expenses related to transfer of the plot may also be claimed as a deduction from the sale proceeds.

As per the Act, the cost of acquisition for the property held before April 1, 2001, will be;

1. Cost of acquisition or
2. FMV as on April 1, 2001, whichever is higher.

In case of transfer of long-term capital assets, indexed cost of acquisition and indexed cost of improvement shall be deducted from the full value of consideration. The base year for computation of



capital gains has been shifted from 1987 to 2001 with effect from Financial Year 2017-18. Thus, if any capital asset (acquired before April 1, 2001) is transferred, then assessee has an option to take its cost of acquisition as fair market value as on April 1, 2001. As the plot of land has been acquired prior to April 1, 2001, the individual may want to explore obtaining a Valuation Report of the plot as on April 1, 2001, for arriving at the cost of acquisition.

The individual may be eligible to avail benefits under sections 54, 54EC, 54EE under the Act by making investments in residential house property, investment in NHAI/REC bonds, investment in units of a specified fund. This would be subject to the prescribed conditions and thresholds.

The writer is a Partner with BDO India LLP  
Send your queries to [taxtalk@thehindu.co.in](mailto:taxtalk@thehindu.co.in)

## ALERTS.

### Income tax calculator goes live

A tax calculator is now live at the income tax department's website. It allows one to check old tax regime vis-à-vis new tax regime for Individual/HUF/AOP/BOI/Artificial Juridical Person (AJP) as per Section 115BAC, as per the official Twitter handle.

## businessline Classifieds

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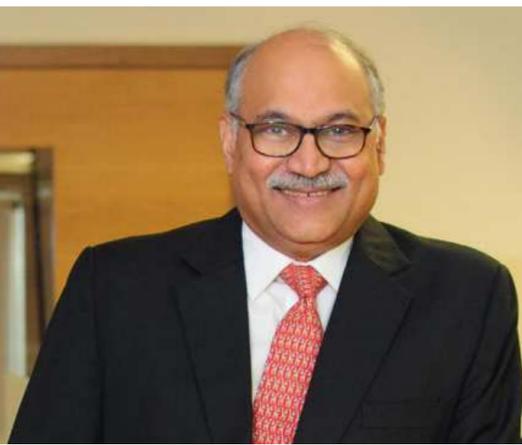
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# 'Investing is a field of passion'

**MONEY TALK.** Enam AMC CIO Jiten Doshi explains why investing is not a slave of time clock



Kumar Shankar Roy  
bl. research bureau

Just like any other youngster, Jiten Doshi, in his childhood, was inspired by his father's investing acumen. Years later, he got the opportunity to work with market doyens Vallabh Bhanshali and Nemish Shah, and made the most out of it. Today, as co-founder and CIO of Enam AMC, he oversees assets worth nearly ₹28,000 crore and is the guiding force behind ENAM India Core Equity Portfolio generating positive alpha in 16 out of 22 years. Excerpts from his chat with [bl.portfolio](http://bl.portfolio):

#### Did family have an effect on your investing interest?

It was fortuitous for me to be born in a business family that was astute in investing. The family had quite a few members actively engaged in investing — my father being the most astute among them. Growing up with such elders was constantly an inspiration, and the thought was always, "Why not look at investing as a full-time career?"

**What is it like, working with Vallabh Bhanshali and Nemish Shah?**  
I was lucky to have got oppor-

tunities to work with masters of the game early in my career. The good part was learning the art of investing, but there was a lot more to learn about business ethics, values, and timeless principles. They have had a huge influence on me not just to make me a better investor but also a better human being.

#### When did you start investing in the stock market?

I went into the business very early, just after I finished basic schooling. While studying in college I had already started exploring the stock markets with my little savings. Among my early day successes, I remember having bought Tata Finlay (rechristened thereafter as Tata Tea and now Tata Consumer & Beverages) — led by the core tenet that a business backed by the Tata brand with a large asset base was available below par value. That investment more than doubled in two years. This was instrumental in further strengthening my desire and conviction to explore investing as a career option.

**How did you start at Enam?**  
Excited by my early explorations and with a desire to work

#### PROFILE

With over 30 years of experience in the capital markets, Doshi steers the day-to-day operations of Enam AMC and all investment-related matters. He has served as an independent director on the board of various public companies.

with the masters, I managed to seek a meeting with Nemish Shah, with a very clear focus — to get to work with him. I met him in his office on March 1, 1992.

He was gracious enough to accommodate my request and took me under his wings right from that day.

Under him, I have learnt to analyse balance sheets, understand businesses and, most importantly, understand whether the management interest is aligned with its investors or not.

#### How does your typical day in office look?

Investing is a field of passion, not a slave of time clock. It is not a job; it is like penance (*Tapas*). One needs focus, commitment,

and ability to be in the flow.

You are thinking 24x7 on the next opportunity, next idea, and the next development that you are keen to embed in your understanding, conviction, and hence, your portfolios.

The day begins with reading business newspapers and ends with browsing of the business news before sleeping.

In between a productive day is where one meets companies, promoters, new set of investors, etc, where the focus is on learning something new in every engagement to harness our minds. Interspersed are deep discussions with team mates on thoughts, ideas, and views on what we learn collectively.

#### Some of your professional life's best and worst equity investments.

We were among the first few investors in the Kotak Bank story where we were convinced on the strength of the franchise, the business model, the management quality and prudence to navigate the transformation from a boutique NBFC to a universal bank.

in a right business will deliver outsized returns.

One of our monumental errors came from an exposure in Sun TV where we were sold on a great quality business with excellent financial numbers.

However, our error on judgement on the increasing question marks on the longevity of business, coupled with consistent indifference of the management towards concerns of minority shareholder value, resulted in holding on to a position that was undergoing a sustained de-rating.

#### What would be your words of advice to investors?

My advice to investors is to stay firmly committed to the equity markets through any uncertainty.

The India story has just begun its next phase of growth. Remain diligent and committed to invest in high-quality business through thick and thin.

Stay calm, patient and focus on long-term value creation. Make volatility your best friend and keep increasing your equity allocations.

Our ability to create sustainable long-term wealth will be subject to our own belief and conviction in the long-term potential of the India growth story.

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**NOTICE** is hereby given that the **Extra Ordinary General Meeting (EGM)** will be held at 11.00 a.m. on Tuesday, 28th March 2023, through video conferencing / Other Audio-Visual Means ("VC/OAVM").

In compliance with the Ministry of Corporate Affairs ("MCA") circulars and SEBI circulars, permitted convening the Extra Ordinary General Meeting ("EGM") through Video Conferencing ("VC") or Other Audio Visual Means ("OAVM"), without physical presence of the members at a common venue.

In compliance with the aforesaid MCA and SEBI Circulars, the notice of the EGM will be sent only through electronic mode to those Members whose email addresses are registered with the Company/ Depositories. The procedure for remote e-voting and e-Voting on the day of the EGM contains in the Notice. Members may note that the Notice calling the EGM will also be available on the Company's website [www.kotharis.in](http://www.kotharis.in), websites of the Stock Exchanges i.e. BSE Limited at [www.bseindia.com](http://www.bseindia.com), and on the website of CDSL at [www.evotingindia.com](http://www.evotingindia.com).

**Manner of registering / updating email address:**

1. For Physical shareholders - please provide necessary details like Folio No., Name of shareholder, scanned copy of the share certificate (front and back), PAN (self attested scanned copy of PAN card), AADHAR (self attested scanned copy of Aadhar Card) by email to [company/rti\\_email\\_id\\_viz:companysecretary@kotharis.in/yuvraj@integratedindia.in](mailto:company/rti_email_id_viz:companysecretary@kotharis.in/yuvraj@integratedindia.in)
2. For demat shareholders - Please update your email id & mobile no. with your respective depository Participant (DP).
3. For individual demat shareholders - Please update your email id & mobile no. with your respective depository Participant (DP) which is mandatory while e-Voting & joining virtual meetings through depository.

By order of the Board  
For Kothari industrial corporation limited  
Anil Kumar Padhial  
Company secretary and compliance officer

Place: Chennai  
Date: 04.03.2023

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