

[TO BE PUBLISHED IN PART II, SECTION 3, SUB-SECTION (ii) OF THE GAZETTE OF INDIA, EXTRAORDINARY, DATED THE 18.12.2013]

Government of India

Ministry of Finance

Department of Revenue

Notification

New Delhi, the 18th December, 2013.

(Income-tax)

S.O. _3693 (E). – In exercise of the powers conferred by sub-section (1) of section 80CCG of the Income-tax Act, 1961 (43 of 1961), the Central Government hereby makes the following Scheme, namely:-

1. **Short title, commencement and application.** - (1) This Scheme may be called the Rajiv Gandhi Equity Savings Scheme, 2013.
 - (2) It shall come into force on the date of its publication in the Official Gazette.
 - (3) This Scheme shall apply for claiming deduction in the computation of total income of the assessment year relevant to a previous year beginning on or after the 1st day of April, 2013 on account of investment in eligible securities under sub-section (1) of section 80CCG of the Income-tax Act, 1961(43 of 1961).
2. **Objective of the Scheme.**-The objective of the Scheme is to encourage investment of savings of small investors in the domestic capital market.
3. **Definitions.** - In this Scheme, unless the context otherwise requires,-
 - (i) "Act" means the Income-tax Act, 1961 (43 of 1961);
 - (ii) "demat account" means an account opened with the depository participant in accordance with the guidelines laid down by the Securities and Exchange Board of India established under section 3 of the Securities and Exchange Board of India Act, 1992 (15 of 1992);
 - (iii) "depository" means a company as defined in clause (e) of sub-section (1) of section 2 of the Depositories Act, 1996 (22 of 1996);
 - (iv) "depository participant" means a participant as defined in clause (g) of sub-section (1) of section 2 of the Depositories Act, 1996 (22 of 1996);
 - (v) "eligible securities" means any of the following, namely :-
 - (a) equity shares, on the day of purchase, falling in the list of equity declared as "BSE-100" or "CNX-100" by the Bombay Stock Exchange or the National Stock Exchange, as the case may be;
 - (b) equity shares of public sector enterprises which are categorised as Maharatna, Navratna or Miniratna by the Central Government;
 - (c) Units of Exchange Traded Funds or Mutual Fund schemes or equity oriented funds, which have eligible securities specified in sub-clause (a) or sub-clause (b) as underlying securities, provided they are listed and traded on a stock exchange and settled through a depository mechanism;

- (d) Follow on Public Offer of sub-clauses (a) and (b);
- (e) New Fund Offers of sub-clause (c);
- (f) Initial Public Offer of a public sector undertaking wherein the Government shareholding is at least fifty-one per cent. which is scheduled for getting listed in the relevant previous year and whose annual turnover is not less than four thousand crore rupees during each of the preceding three years;
- (vi) "financial year" means a year commencing on the 1st day of April and ending on the 31st day of March;
- (vii) "Form" means the Form appended to the Scheme;
- (viii) "initial year" means-
 - (a) the financial year in which the investor designates his demat account as Rajiv Gandhi Equity Savings Scheme account and makes investment in the eligible securities for availing deduction under the Scheme; or
 - (b) the financial year in which the investor makes investment in eligible securities for availing deduction under the Scheme for the first time, if the investor does not make any investment in eligible securities in the financial year in which the account is so designated;
- (ix) "investment" means investment by an assessee in any of the eligible securities in accordance with the Scheme;
- (x) "new retail investor" means a resident individual,-
 - (a) who has not opened a demat account and has not made any transactions in the derivative segment before the date of opening of a demat account or the first day of the initial year, whichever is later:

Provided that an individual who is not the first account holder of an existing joint demat account shall be deemed to have not opened a demat account for the purposes of this Scheme; or

 - (b) who has opened a demat account but has not made any transactions in the equity segment or the derivative segment before the date he designates his existing demat account for the purpose of availing the benefit under the Scheme or the first day of the initial year, whichever is later;
- (xi) "Scheme" means the Rajiv Gandhi Equity Savings Scheme;
- (xii) words and expressions used and not defined in this Scheme but defined in the Act shall have the meanings respectively assigned to them in the Act.

4. Eligibility .- The deduction under the Scheme shall be available to a new retail investor who complies with the conditions of the Scheme and whose gross total income for the financial year in which the investment is made under the Scheme is less than or equal to twelve lakh rupees.

5. Opening or designating of demat account.- A new retail investor shall -

- (a) open a new demat account or designate his existing demat account for the purpose of availing the benefit under this Scheme;
- (b) submit a declaration in Form A to the depository participant who shall forward the same to the depository for verifying the status of the new retail investor;

- (c) furnish his permanent account number(PAN) while opening the demat account or designating the existing account as a Rajiv Gandhi Equity Savings Scheme eligible account, as the case may be.

6. Procedure for investment under the Scheme. - A new retail investor shall make investments under the Scheme in the following manner, namely:-

- (a) the new retail investor may invest in one or more financial years in a block of three consecutive financial years beginning with the initial year;
- (b) the new retail investor may make investment in eligible securities in one or more than one transaction during any financial year during the three consecutive financial years beginning with the initial year in which the deduction has to be claimed;
- (c) the new retail investor may make any amount of investment in the demat account but the amount eligible for deduction under the Scheme shall not exceed fifty thousand rupees in a financial year;
- (d) the new retail investor shall be eligible for the tax benefit under the Scheme only for three consecutive financial years beginning with the initial year, in respect of the investment made in each financial year;
- (e) if the new retail investor does not invest in any financial year following the initial year, he may invest in the subsequent financial year, within the three consecutive financial years beginning with the initial year, in accordance with the Scheme;
- (f) the eligible securities brought into the demat account, as declared or designated by the new retail investor shall be under a lock-in for a period of three years in accordance with the provisions of paragraph 7;
- (g) the eligible securities brought into the demat account, in respect of which the assessee is eligible for deduction under the Scheme, shall be under a fixed lock-in during the first year, as per the provisions of the paragraph 7, unless the new retail investor specifies otherwise, and for such specification, the new retail investor shall submit a declaration in Form B, either in electronic or physical form, to the depository participant indicating that such securities are not to be included within the above limit of investment;
- (h) the new retail investor shall be eligible for a deduction under sub-section (1) of section 80CCG of the Act in respect of the actual amount invested in eligible securities and in respect of which a declaration in Form B has not been made, subject to the maximum investment limit of fifty thousand rupees in a financial year;
- (i) the new retail investor who has claimed a deduction under sub- section (1) of section 80CCG of the Act in any assessment year shall not be allowed any deduction under the Scheme for the same investment for any other assessment year;

- (j) the new retail investor shall be permitted a grace period of seven trading days from the end of the financial year so that the eligible securities purchased on the last trading day of the financial year also get credited in the demat account and such securities shall be deemed to have been acquired in the financial year itself;
- (k) the new retail investor can make investments in securities other than the eligible securities covered under the Scheme and such investments shall not be subject to the conditions of the Scheme nor shall they be counted for availing the benefit under the Scheme;
- (l) the deduction claimed shall be withdrawn if the lock-in period requirements of the investment are not complied with or any other condition of the Scheme is contravened by the new retail investor.

7. Period of holding and other conditions. - (1) The period of holding of eligible securities invested in each financial year shall be three years to be counted in the manner hereafter provided.

- (2) The eligible securities shall be held for a period called the fixed lock-in period which shall commence from the date of purchase of such securities in the relevant financial year and end on the 31st day of March of the year immediately following the relevant financial year.
- (3) The new retail investor shall not be permitted to sell, pledge or hypothecate any eligible security during the fixed lock-in period.
- (4) The period of two years beginning immediately after the end of the fixed lock-in period shall be called the flexible lock-in period.
- (5) The new retail investor shall be permitted to trade the eligible securities after the completion of the fixed lock-in period subject to the following conditions, namely:-
 - (a) the new retail investor shall ensure that the demat account under the Scheme is compliant for a cumulative period of a minimum of two hundred and seventy days during each of the two years of the flexible lock-in period as laid down hereunder:-
 - (i) the value of the investment portfolio of the eligible securities referred to in sub-clauses (ii), (iii) and (iv) shall be exclusive of value of the investment portfolio of eligible securities which are in fixed lock-in for any financial year;
 - (ii) the demat account shall be considered compliant for the number of days for which the value of the investment portfolio of eligible securities, is equal to or higher than the corresponding investment claimed as eligible for the purposes of deduction under section 80CCG of the Act;
 - (iii) in case the value of investment portfolio in the demat account decreases due to decrease in the market rate of eligible

securities, then, notwithstanding the provisions of sub-clause (ii), -

- (A) the demat account shall be considered compliant from the first day of the flexible lock-in period to the day when any of the eligible securities are sold;
- (B) where the assessee sells the eligible securities mentioned in sub-clause (ii) from his demat account, and purchases eligible securities, the said demat account shall be compliant from the day on which the value of the investment portfolio in the account becomes -
 - (I) equal to the corresponding investment claimed as eligible for deduction under section 80CCG of the Act; or
 - (II) equal to the value of the investment portfolio under the Scheme, before such sale,

whichever is less;

- (iv) credit of eligible securities in the demat account exceeding the compliance requirement as per sub-clauses (ii) and (iii) shall be considered as fresh investment of the financial year in which the investment is made and shall be eligible for deduction in accordance with sub-section (1) of section 80CCG of the Act in that financial year;
 - (b) the balance of the investment portfolio of eligible securities in the demat account, at any point of time during the flexible lock-in period, shall not be less than the amount corresponding to the value of the securities in the fixed lock-in.
- (6) The new retail investor's demat account created under the Scheme shall, on the expiry of the period of holding of the investment relevant to the last financial year for which the deduction has been claimed, be converted automatically into an ordinary demat account.
 - (7) For the purpose of valuation of investment during the flexible lock-in period, the closing price as on the previous day of the date of trading shall be considered.
 - (8) While making the initial investments upto fifty thousand rupees, the total cost of acquisition of eligible securities shall not include brokerage charges, securities transaction tax, stamp duty, service tax and any other tax, which may appear in the contract note.
 - (9) Where the investment of the new retail investor undergoes a change as a result of involuntary corporate actions including demerger of companies, amalgamation and such other actions, as may be notified under subparagraph (11), resulting in debit or credit of securities covered under the Scheme, the deduction claimed by such investor shall not be affected.
 - (10) In the case of voluntary corporate actions, including buy-back resulting only in debit of securities where new retail investor has the option to exercise his

choice, the same shall be considered as a sale transaction for the purpose of the Scheme.

- (11) The Securities and Exchange Board of India established under section 3 of the Securities and Exchange Board of India Act, 1992 (15 of 1992) shall notify the involuntary corporate actions referred to in sub-paragraph (9) for the purposes specified therein.

8. Effect of failure to fulfil conditions. - (1) If the new retail investor fails to fulfill any of the provisions of the Scheme, the deduction originally allowed to him under sub-section (1) of section 80CCG of the Act for any previous year, shall be deemed to be the income of the assessee of the previous year in which he fails to comply with the provisions of the Scheme and shall be liable to tax for the assessment year relevant to such previous year.

(2) Without prejudice to the provisions of sub-paragraph(1), where the demat account is not in compliance with the conditions laid down in paragraph 7 in respect of flexible lock-in period, the deduction originally allowed to the investor under section 80CCG shall be liable to tax in the following manner, namely:-

- (a) if the investment portfolio in flexible lock-in period corresponds to the investments made in only one assessment year, the deduction allowed to the investor under section 80CCG for such assessment year shall be liable to tax;
- (b) if the investment portfolio in flexible lock-in period corresponds to the investment made in two assessment years, and--
- (i) the value of investment portfolio of eligible securities in the demat account is equal to or more than the value of the investment portfolio of the eligible securities in respect of which the deduction was allowed for any one assessment year but is less than the aggregate value of the investment portfolio of the eligible securities in respect of which the deduction was allowed for the two assessment years for 270 days in the flexible lock-in period, the deduction allowed to the investor under section 80CCG for the other assessment year shall be liable to tax;
- (ii) is not covered by sub-clause (i), the aggregate deduction allowed to the investor under section 80CCG for both the years shall be liable to tax.

Explanation.-It is hereby clarified that in the case where the value of the investment portfolio of eligible securities is more than the corresponding value of such securities in respect of which deduction has been claimed in either of the two financial years, the deduction corresponding to the financial year in which the value of investment portfolio of eligible securities is less, shall be liable to tax.

(3) Where the deduction in respect of any amount as referred to in sub-paragraphs (1) and (2) has been charged to tax, the value of the investment portfolio of eligible securities for the purposes of compliance under paragraph 7 for the remaining period of flexible lock-in shall be equal to or higher than the value of the eligible securities in respect of which the deduction was originally claimed as reduced by the value of eligible securities in respect of which the deduction has been charged to tax.

9. **Duties of Depository, etc.**-(1) The depository shall certify the new retail investor status of the assessee at the time of designating his demat account as demat account for the purpose of the Scheme.
- (2) The depository participant shall furnish an annual statement of the eligible securities invested in or traded through the demat account to the demat account holder.
10. **Furnishing of consolidated statement. - (1)** For every financial year, the depository shall provide a consolidated statement of details in the electronic format, as specified in Form C, on all the Rajiv Gandhi Equity Savings Scheme beneficiaries to the Director General of Income -tax (Systems) or any other person authorised by him, within a period of two months from the end of the relevant financial year.
- (2) If the depository, having furnished a consolidated statement under subparagraph(1), discovers any omission or any wrong particulars therein, it may furnish a revised statement at any time on or before the 31st day of December of the financial year immediately following the financial year for which the consolidated statement has been furnished.
11. **Form for furnishing reports. -** For the purposes of paragraph 10, the Director General of Income-tax (Systems) shall determine the procedures, formats and standards for furnishing of the report in electronic format in Form C by the depositories.
12. **Savings. -** A new retail investor who has invested in accordance with the Rajiv Gandhi Equity Savings Scheme, 2012 shall continue to be governed by the provisions of that Scheme to the extent it is not in contravention of the provisions of this Scheme and such investor shall also be eligible for the benefit of investment made in accordance with this Scheme for the financial years 2013-14 and 2014-15.
13. **Assessee to submit records. -** Assessee shall be liable to submit the relevant records to the income-tax authorities for verification as and when required.

[Notification No. 94/2013 F. No. 142/35/2012 -TPL)

Sd/-
(Raman Chopra)
Director (TPL-II)

Form A

[See paragraph 5(b)]

Declaration to be submitted by the investors to the depository participants for availing the benefits under the Rajiv Gandhi Equity Savings Scheme.

Name of the Investor:

(first holder)

Address of the investor:

PAN :

1. It is hereby certified that* ---

(a) I do not have a demat account and I have not traded in any derivatives.

(b) I have demat account No. _____ in _____ depository participant but I have not traded in any equity shares or derivatives in this account.

(c) I have a joint demat account No. _____ in _____ depository participant but I am not the first account holder.

2. I hereby declare that I have read and understood all the terms and conditions of the Rajiv Gandhi Equity Savings Scheme.

3. It is hereby verified that I am an eligible new retail investor for availing the benefits under the Rajiv Gandhi Equity Savings Scheme.

4. I undertake to abide by all the requirements and fulfill all obligations under the Scheme, and will comply with all the terms and conditions of the Scheme.

5. I undertake to inform the Depository Participant when my gross total income exceeds twelve lakh rupees in any of the subsequent financial years for which the benefit under the Rajiv Gandhi Equity Savings Scheme is proposed to be availed of.

6. I understand that, in case I fail to comply with any condition specified in the Scheme, the benefits availed thereunder will be withdrawn and the tax shall be payable by me accordingly.

Signature of the Investor

Place:

Date:

* Tick which ever is appropriate.

Form B

[See paragraph 6(g) and (h)]

Declaration to be submitted by the new retail investors to the depository participants for not availing the benefits under the Rajiv Gandhi Equity Savings Scheme.

To

Depository participant

Address

Name of the Investor:

(first holder)

Address of the Investor:

PAN :

It is hereby informed that I have designated my demat account No. _____ in _____ depository participant and following securities

(a)

(b)

(c)

(d)

credited in the aforesaid demat account on _____ are not to be included as investment for the purpose of the Rajiv Gandhi Equity Savings Scheme.

Signature of the Investor:

Place:

Date:

Form C

[See paragraphs 10 and 11]

Annual report to be submitted by the depository to the Income-tax Department in Electronic Format before 31st May.

(For 80 CCG benefits of Financial Year.....)

Name	PAN	DEMAT A/c No.	Date of opening A/c or date of designating a/c as RGESS	Detail of investments						Compliance Status				
				Year 1		Year 2		Year 3		Whether A/c eligible under the RGESS	Whether A/c compliant with RGESS in respect of fixed lock-in	Whether A/c compliant with RGESS in respect of 270 days period*	Amount chargeable to tax*	
				Amount invested and eligible for deduction in the first year #	Scrips under fixed lock-in during the relevant FY	Amount invested in the second year	Scrips under fixed lock-in during the relevant FY	Amount invested in the third year	Scrips under fixed lock-in during the relevant FY					

*The non-compliance, if any, is determined in accordance with paragraph 8 of the Scheme.

First year implies the financial year in which investments were made by the investor for the first time under section 80CCG.