Rajiv Gandhi Equity Savings Scheme

RGESS is a new equity tax advantage savings scheme for equity investors in India, with the stated objective of "encouraging the savings of the small investors in the domestic capital markets.". It was approved by The Union Finance Minister, Shri. P. Chidambaram on September 21, 2012. It is exclusively for the first time retail investors in securities market. This Scheme would give tax benefits to new investors who invest up to Rs. 50,000 and whose annual income is below Rs. 12 lakh.

The Scheme not only encourages the flow of savings and improves the depth of domestic capital markets, but also aims to promote an 'equity culture' in India. This is also expected to widen the retail investor base in the Indian securities markets.

The maximum Investment permissible under the Scheme is Rs. 50,000 and the investor would get a 50% deduction of the amount invested from the taxable income for that year.

1. It provides additional tax benefits over and above the present tax savings schemes under the Income Tax Act.
2. Gains, arising of investments in RGESS, can be realized after a year. This is in contrast to all other tax saving instruments.
3. Investments are allowed to be made in installments in the year in which the tax claims are filed.
4. Dividend payments are tax free.
5. This scheme has a long run benefit of educating the retail investment segment and thereby moving towards financial inclusivity in the country.
6. Success of this scheme can lead to transfer of assets from traditional savings instruments such as bank deposits and FDs to the capital markets, leading to diversification in retail investor portfolio and also leading to more productive "capital formation" assets.

Eligibility:

The deduction under the Scheme will 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 12 lakh rupees.

The deduction under the Scheme shall be available to a new retail investor who:-

- is a resident of India
- has a gross total income for the financial year less than or equal to Rs. 12 Lakh
- complies with all the other conditions of the Scheme