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Smart Money

Investment & Returns in the New Regime Era

Residents | NRIs | FY 2025-26

THE BIG SHIFT: 80C Tax-Saving Investments Are Losing Their Edge

New Regime (default from FY 2023-24) does NOT allow 80C/80D/HRA deductions. PPF, ELSS, LIC, NPS (80CCD1) give ZERO tax benefit.
Result: Choose investments for RETURNS, not tax saving. Only Employer NPS 80CCD(2) survives. Focus on post-tax returns & liquidity.

INVESTMENT COMPARISON — RETURNS, TAX & LIQUIDITY (RANKED BY RETURN)

Investment	Return (p.a.)	Lock-in	Tax on Returns	Liquidity	Risk
Equity (Direct / MF)	12-15% (long-term avg)	None	LTCG 12.5% >1.25L; STCG 20%	High	High
Index Fund / ETF (Nifty 50)	12-14% (10yr avg)	None	LTCG 12.5% >1.25L; STCG 20%	High	Moderate
NPS (Equity - Tier 1)	10-12%	Till 60	60% lump sum exempt; 40% annuity taxed	Very Low	Moderate
REITs / InvITs	8-12% (dividend + growth)	None	Dividend taxed at slab; CG as equity	High	Moderate
PPF	7.1% (tax-free)	15 years	EXEMPT (EEE) — interest + maturity tax-free	Low	Zero
Sukanya Samriddhi (SSY)	8.2% (tax-free)	Till 21 yrs	EXEMPT (EEE) — fully tax-free	Very Low	Zero
EPF (Employee PF)	8.25%	Till retirement	Exempt up to Rs.2.5L/yr contribution	Low	Zero
Debt Mutual Fund	7-9%	None	LTCG 12.5% (>24m); STCG slab	High	Low
Corporate Bonds / NCDs	8-10%	1-5 years	Interest taxed at slab rate	Low-Med	Low-Med
Bank FD	7-7.5%	Flexible	Interest taxed at slab rate (TDS 10%)	Medium	Zero
RBI Floating Rate Bond	8.05% (linked to NSC)	7 years	Interest taxed at slab rate	Very Low	Zero
Gold (Physical / SGB / ETF)	8-10% (10yr avg)	SGB: 8 yrs	SGB maturity: EXEMPT; Others: 12.5% LTCG	Med-High	Moderate
Sovereign Gold Bond	2.5% interest + gold price	8 yrs (5yr exit)	Maturity fully EXEMPT; interest at slab	Low	Low
Real Estate	6-10% (city dependent)	Years	LTCG 12.5% (no indexation); stamp duty extra	Very Low	Moderate
NPS Tier 2	8-10%	None	Taxed as per debt/equity ratio	High	Moderate

KEY INSIGHT: PPF (7.1% tax-free) = 10.1% pre-tax for 30% bracket. Sukanya (8.2% tax-free) = 11.7% pre-tax. Still king for risk-free.
Equity (12-15%) beats everything long-term — but only LTCG above Rs.1.25L is taxed at 12.5%. First Rs.1.25L/year is TAX-FREE.

HISTORICAL RETURNS — Rs.1 LAKH INVESTED (ACTUAL CAGR DATA)

Asset Class	5-Yr CAGR	10-Yr CAGR	15-Yr CAGR	20-Yr CAGR	25-Yr CAGR	Rs.1L becomes (20yr)
Nifty 50 (Large Cap)	~17%	~11.5%	~13.2%	~14.8%	~14-16%	Rs. 15.5L
Nifty Midcap 150	~19%	~16%	~16.5%	~16.5%	—	Rs. 21L
Nifty Smallcap 250	~18%	~14%	~14.3%	~14.3%	—	Rs. 15L
Sensex (BSE 30)	~16%	~11%	~13%	~15%	~14-16%	Rs. 16L
Equity Mutual Funds (avg)	~15-18%	~12-15%	~13-16%	~14-16%	—	Rs. 14-16L
Gold (24K, Rs./10gm)	~23%*	~11%	~12%	~15%	~11-12%	Rs. 16L
Silver	~33%*	~12%	~10%	~12%	—	Rs. 9.6L
PPF (Tax-Free EEE)	7.1%	~7.5%	~7.8%	~8%	~8.2%	Rs. 4.7L (tax-free)
Sukanya Samriddhi	8.2%	~8%	—	—	—	Rs. 4.8L (tax-free)
EPF	8.25%	~8.5%	~8.5%	~8.5%	~8.5%	Rs. 5.1L (mostly exempt)
Bank FD (SBI)	~6.5%	~6.5%	~7%	~7.3%	~7.5%	Rs. 4.1L (pre-tax)
RBI Floating Rate Bond	~7.5%	—	—	—	—	Rs. 4.2L
Debt Mutual Fund	~6-8%	~7-8%	~7.5%	~7.6%	—	Rs. 4.3L
Corporate Bonds/NCDs	~8-9%	~8-9%	~8.5%	~8-9%	—	Rs. 5.6L (pre-tax)
Real Estate (Urban Metro)	~5-8%	~7-10%	~8-11%	~7.8%	~8-11%	Rs. 4.5L (+ rental)
Real Estate (Mumbai Avg)	~6%	~8%	~10%	~11.5%	~11%	Rs. 8.9L (+ rental)
Farmland (Rural India)	~5-8%	~6-9%	~7-10%	~8-10%	—	Rs. 4.6-6.7L
Inflation (CPI)	~5.5%	~5.5%	~5.8%	~6%	~6.2%	Rs. 3.2L (purchasing power loss)

*Gold & Silver 5-yr CAGR unusually high due to 2020-2025 rally (geopolitics, rate cuts, safe-haven demand). Long-term 10-20yr CAGR is more reliable benchmark.
Sources: NSE India, RBI, World Gold Council, NHB RESIDEX, FundsIndia, Morgan Stanley Research. Returns are approximate, pre-tax unless noted. Past performance ≠ future.

KEY TAKEAWAYS FROM 20 YEARS OF DATA:

1. Equity (Nifty/Sensex) wins long-term at 14-16% CAGR — Rs.1L becomes Rs.15-16L in 20 years. But you must survive 30%+ crashes.
2. Gold surprised everyone with 15% 20-yr CAGR — nearly matching equity. But 2013-2018 was flat. Recent rally inflates 5-yr numbers.
3. PPF at 7-8% TAX-FREE = beats FD at 7% TAXABLE. After 30% tax, FD gives only ~5% real. PPF gives full 7.1%. EEE is unbeatable for safety.

INVESTMENT STRATEGY — OLD REGIME vs NEW REGIME

- OLD REGIME: Max out 80C (Rs.1.5L) → PPF + ELSS + NPS. Then 80D health insurance. Tax saving drives allocation. — Tax-first
- **NEW REGIME: 80C irrelevant → invest purely for returns. Only Employer NPS 80CCD(2) survives as deduction.** — Return-first
- **Recommended Allocation (New Regime, Age 30-40): 60% equity + 15% PPF/SSY + 10% debt/FD + 10% gold + 5% NPS** — Growth phase
- Recommended Allocation (New Regime, Age 50+): 30% equity + 25% PPF/FD + 20% debt MF + 15% gold + 10% annuity — Safety phase
- **EEE investments (PPF, SSY, EPF) are STILL excellent — no tax on interest or maturity, regardless of regime** — EEE = best
- **Employer NPS: Push employer to contribute 14% of Basic — tax-free in BOTH regimes. Best corporate perk.** — 14% Basic
- ELSS: No longer for tax saving in NR, but still best equity MF (3yr lock-in forces discipline, 12-15% returns) — Still good MF

NRI INVESTMENT IN INDIA — WHAT'S ALLOWED & WHAT'S NOT

Investment	NRI Allowed?	Account Type	Repatriable?	Tax in India
Equity / MF (Direct)	YES	NRE/NRO Demat	NRE: Yes, NRO: Limited	STCG 20% (111A); LTCG 12.5% >1.25L
Mutual Funds	YES (most AMCs)	NRE/NRO	NRE: Yes, NRO: Limited	Same as equity/debt CG rules
PPF	NO (new accounts banned)	Existing: till maturity	On maturity only	EXEMPT (EEE) — interest tax-free
Sukanya Samriddhi	NO	N/A	N/A	N/A
NPS	YES (if PAN + Aadhaar)	NRE/NRO	On withdrawal	Same as resident rules
Bank FD (NRE)	YES	NRE account	Fully repatriable	EXEMPT — interest tax-free in India
Bank FD (NRO)	YES	NRO account	Up to $1M/year (RBI)	30% TDS on interest (Sec 195)
Bank FD (FCNR)	YES	FCNR account	Fully repatriable	EXEMPT — no tax in India
Real Estate	YES (residential/commercial)	NRE/NRO/home loan	After TDS + Form 15CA/CB	LTCG 12.5%; STCG 30%
Government Bonds / RBI	NO (most schemes)	N/A	N/A	N/A
Sovereign Gold Bond	NO	N/A	N/A	N/A
Gold ETF / Gold MF	YES	NRE/NRO Demat	NRE: Yes	LTCG 12.5% (>24m)
Corporate Bonds / NCDs	YES (listed only)	NRE/NRO Demat	NRE: Yes	Interest: 20% TDS; CG: applicable rates
Portfolio Investment Scheme	YES (for equity trading)	PIS-linked NRE/NRO	NRE: Yes	Standard CG rates

NRI KEY RULES:
NRE a/c: Foreign income deposited, fully repatriable, interest TAX-FREE | NRO a/c: Indian income (rent, dividends), repatriation up to $1M/yr
FCNR: Foreign currency FD, fully repatriable, interest TAX-FREE | PIS: RBI permission for equity trading via designated bank

NRI TDS RATES & REPATRIATION RULES

- **FD Interest (NRO): TDS @ 30% + surcharge + 4% cess. DTAA may reduce (e.g., India-UAE: 12.5%)** — 30% + SC + cess
- Dividend Income: TDS @ 20% + SC + cess. DTAA rate typically 10-15% — 20% + SC + cess
- Property Sale (LTCG): TDS @ 12.5% + SC (cap 15%) + 4% cess on full sale price — ~14.3%
- Property Sale (STCG): TDS @ 30% + SC + 4% cess on full sale price — ~35%
- Mutual Fund Redemption: TDS as per CG type — AMC deducts before payout — At source
- Rent Income (NRO): TDS @ 30% by tenant. NRI can apply for lower TDS certificate (Form 13) — 30%
- **Repatriation: NRO balance up to $1M/year after TDS + CA Certificate (Form 15CA/15CB required)** — 15CA + 15CB
- **DTAA Benefit: Provide Tax Residency Certificate (TRC) + Form 10F to get lower treaty rates** — TRC + Form 10F
- **Form 13 (Sec 197): Apply for lower/NIL TDS certificate if actual tax < TDS rate — especially for property** — Lower TDS

TOP INVESTMENT PICKS — RESIDENTS & NRIs

01 Residents — Growth (Age 25-40)
Nifty 50 Index Fund (60%) + PPF (15%) + Flexi-cap MF (15%) + SGB (10%). Employer NPS if available.

02 Residents — Balanced (Age 40-55)
Balanced Advantage Fund (30%) + PPF (20%) + FD/Debt MF (20%) + Equity MF (20%) + Gold (10%)

03 Residents — Conservative (Age 55+)
SCSS/POMIS (30%) + Bank FD (25%) + PPF (15%) + Debt MF (15%) + Dividend stocks (15%)

04 NRI — Equity Focused
Nifty 50 ETF via NRE Demat (40%) + NRE FD (25%) + Flexi-cap MF (20%) + Gold ETF (15%). Tax-free NRE interest.

05 NRI — Safety First
NRE FD (40%) + FCNR FD (25%) + Debt MF (20%) + NPS (15%). Fully repatriable, interest tax-free.

06 NRI — Real Estate
Rental property (NRO income, 30% TDS) + Home loan available. Repatriation via 15CA/CB. LTCG 12.5% on sale.

7 SMART INVESTMENT RULES FOR THE NEW REGIME ERA

01 Invest for returns, not tax saving
New Regime killed 80C relevance. PPF is still great — but because of 7.1% TAX-FREE return, not 80C.

02 Employer NPS is the only corporate tax hack
14% of Basic, tax-free in both regimes. If your employer offers it, maximize it immediately.

03 Rs.1.25L LTCG is tax-free every year
Harvest equity gains annually up to Rs.1.25L. Sell and rebuy — reset cost base, zero tax.

04 NRE FD = best risk-free for NRIs
7-7.5% interest, fully tax-free in India, fully repatriable. No TDS. No ITR required if only NRE income.

05 SGB maturity = fully tax-free
Sovereign Gold Bond held to maturity (8yr): capital gains fully exempt. Better than physical gold.

06 File ITR even with zero tax
Carry forward losses, claim refund on excess TDS, build financial trail for loans & visa.

07 Get CA advice before big moves