

## *E-Circular dt Monday, April 27, 2009*



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Hello Members,

Now some more latest informations :



**Income Tax Department**

Department of Revenue, Ministry of Finance, Government of India

"Purchase a Truck / Bus / Commercial Vehicle,  
get 50% Depreciation in First year itself

### ***Extension of benefit of enhanced depreciation***

***Press Release No. 402/92/2006-MC (10 of 2009), Dated 24-4-2009***

*The benefit of enhanced depreciation on commercial vehicles has been extended up to **30th Sept 2009**. Now, commercial vehicles acquired on or after 1st January 2009 and put to use before the 1st October 2009 will be eligible for **depreciation at the rate of 50 percent**. The Central Board of Direct Taxes have issued a notification vide S.O. 989(E) dated 21st April 2009 ([Notification No. 37/2009/F.No.142/01/2009-TPL](#)) to this effect, substituting the words "1st day of April 2009" with the words "1st day of October 2009".*

*Earlier, the benefit was made available for commercial vehicles acquired on or after 1st January 2009 and put to use before the 1st April 2009 vide a [notification dated 19th January 2009](#).*

### **Simple Meaning ?**

In the Current "recession", the Government is saying, go ahead, buy these vehicles. And I will give you a good discount on the purchase of these, from the tax you pay to me.

### **Who benefits ?**

All businessmen, who would like to purchase a new Tata-Ace, Tata 407, Mahindra Pickup, a staff bus, a mini-bus, any other "commercial" vehicle.

For a purchase of say Rs. 20 lakhs, you get 10 lakhs depreciation in taxation immediately. Leading to income tax reduction by about Rs. 3.40 lakhs

### **Should I buy now ?**

Recession is time to tighten belts. It is also time to grab, things available at real bargains. Today, the manufacturers have reduced prices, themselves. Discounts are also available, And with 50% immediate depreciation, it may be a good decision for you. ( Provided you will use this to reduce your current cartage cost / maintenance cost etc ).

## " Mandatory application of Cost Accounting Standards"

Just as ICAI's Accounting Standards are Compulsory. Similarly, the Cost Accounting standards ( CAS's) given by the ICWAI, have also been made compulsory.

The Council of the ICWAI at its 251st Meeting held on 12-13 February 2009 decided as below:

"RESOLVED THAT the following Cost Accounting Standards

CAS 1: Classifications of Costs

CAS 2: Capacity Determination

CAS 3: Overheads

CAS 4: Cost of Production for Captive Consumption

CAS 5: Determination of Average (Equalized) Cost of Transportation

CAS 6: Material Cost

shall be mandatory with effect from period commencing on or after 1st April 2010 for being applied for the preparation and certification of General Purpose Cost Accounting Statements.

In case the cost accountant is of the opinion that the aforesaid standards have not been complied with for the preparation of the Cost Statements, it shall be his duty to make a suitable disclosure/qualification in his audit report/certificate"

### **Note to FSIA members:**

As per the Companies Act, all companies, with turnovers over a particular limit, and in the prescribed industries ( like Auto components, Chemicals, Paints etc, are expected to keep cost records). And if they have to, then these CAS must be followed.

## " Service Tax on Commercial Property " Struck down by Delhi High Court ??

### **Notes for FSIA members**

In 2007, the Government had started imposing "Service tax on Renting of properties". Many FSIA members, had to charge this for the Factories, Showrooms etc. For the Excisable Factories the "Cenvat/Modvat" was available but for all others, it went as a additional "cost" (and quite a heavy cost)

Now, the case has been decided against the Government at Delhi High Court. However the Government may appeal to Supreme Court.

### **Source :**

*The Delhi High Court has struck down the levy of service tax on renting of immovable property as "unconstitutional", while deciding 26 writ petitions of different petitioners, by a combined order. The division bench of the Delhi High Court comprised of Mr. Justice Badar Durrez Ahmed and Mr. Justice Rajiv Shakdher observed that service tax shall not be levied on renting of immovable property.*

*Alishan Naqvee, Advocate, LexCounsel Law Offices, who represented his clients in two of the petitions disposed off today, tells that the category of "renting of immovable property service" was introduced by the Finance Act of 2007. This, in effect brought renting, letting, leasing, licensing or other similar arrangements of immovable property for use in the course of furtherance of business and commerce, within the service tax net with effect from June 1, 2007. This new levy severely impacted business models across India as most of the rent arrangements did not even stipulate it beforehand.*

The businesses across India opted to en masse challenge the constitutionality of levy of service tax on rent, on the primary grounds that renting does not involve any service, and the Central Government is not empowered to tax consideration for transfer of rights in immovable property, being a state subject as per the Constitution of India. Few High Courts, including the High Court of Mumbai, Delhi, Gujarat, Andhra Pradesh, Kolkata and Chennai reportedly granted interim reliefs to the petitioners from payment of service tax until final disposal of their matters. The stays were however granted subject to undertakings by the petitioners, mainly tenants, to deposit the service tax amount with the Government if the tax was ultimately held constitutional. The Delhi High Court however is the first High Court to deliver the final order in the matter that would have persuasive value for the other High Courts.

The detailed order of the Delhi High Court is expected to be available within the next couple of working days. One issue that needs to be seen is whether the Delhi High Court has expressly limited the applicability of its judgment to its territorial jurisdiction. Notably, while granting interim orders, the Delhi High Court had expressed that the stays would be operative within the territorial jurisdiction of the Court. Consequently, a number of petitioners, having operations in multiple states, were constrained to knock at the doors of the other High Courts.

To avoid multiplicity of litigation, the Union of India preferred a transfer petition to the Supreme Court of India seeking transfer of all writ petitions pending before different High Courts of India, to the Delhi High Court for single window adjudication.

It is open for the Government to prefer an appeal before the Supreme Court of India, challenging the decision of the Delhi High Court. The judgment however delivers great relief to the business by helping liquidity in the current times.

**For queries, suggestions and feedback , you can e-mail us at :**

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This shows the price movements of the Compound XYZ used as the input in the "Bill-of-Materials" in a Rubber Component Unit.

This Injection Moulding / Pressure Moulding/ Vacuum Moulding unit can review the Profitability of its Components based on the price of the Base raw Material



This Finsys Graph shows graphically the "**Funnel phenomenon**".

Out of 180 Enquiries, Quotes were sent to 126 only,

84 were bagged and till date of this report, 61 could be despatched.

Using your Finsys ERP, you can see Graphically, Which Direction(?) ...your company is moving to ?  
See Your Company Graphically.....

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