

E-circular dt December 05, 2009



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G. S. T. is coming closer

The White Paper by Govt of India is ready
Are you Ready ?

Hi members,

First a quick look at the Timelines for Dec 2009

Part 1 of today's Circular

This is the time to know the deadlines in the coming few weeks.

7 th December	TDS for Salaries, contractors and others
15 th December	Advance Tax for Income Tax : Companies Advance Tax for Income Tax : All others too
20 th December	EPF
21 st December	ESI



**Part 2 of today's Circular = Income Tax Liability/TDS of
yours Staff Directors' Salary**

This is also the time to know that now it is the time to ask your Directors, Staff, and senior workers, if they have done their NSC / LIC / Mutual Fund savings u/s. 80C or Medclaim u/s. 80D. Thus now, calculate their final Tax liability for the Financial year 2009-10. And Deduct the same in the salary of next 4 months (Dec 09 to March 2010).

Part 3 of Circular = Request for pending FSIA membership fee

Most of the members, have already paid their annual fee for the Financial year 2009-10. However our FSIA secretariat tells us that some of you are still to do that. We understand that some pre-occupations, and oversight might have prevented you at that time. We request you to get in touch with your accounts department and make it sure that your FSIA membership fee is duly paid(if not yet paid). In case you have already done this, please ignore this para. We thank all members for their co-operation.

Part 4 of Circular = Call for Collateral Free Loans .. Last 20 days

Over 40 Cases already lodged.

Around Rs. 10 crores of Loans Disbursed / in various stages of Disbursement.
Zero Collateral Loans, First Time in India via an Industrial Association.

This was a dream project and thanks to all involved, it worked

Infact last one month, after the FSIA+SIDBI seminar on energy saving at Hotel Quality Seva , Sector 37, Faridabad has been really hectic. There are over 25 new cases lodged with FSIA. So, the FSIA secretariat at Sector 24 Faridabad has just appointed two more additional workforce to handle the additional load.

So, if you are still "thinking" . Think Quick, contact FSIA secretariat at fsiaindia@gmail.com with cc at rajivchawlaindia@yahoo.com, and leave the rest to us.

**Good Balance Sheet + Will to Get the Loan + FSIA Teamwork =
Collateral Free Loan from SIDBI**

**No collateral, just give relevant papers , sign your guarantee papers
And get the loans.**

Part 5 of Circular= Call for TDS are correct rates please .

It has been brought to light that many companies are still deducting TDS at old rates. Please note that this year the TDS rates have been changed sharply, w e f 01. 10. 2009.

Copy of our past e-circular is attached
Please review and start doing TDS at lower rates.

Part 6 of Circular= Call for Your opinions on the GST White paper.

The Government of India has released the Summary of the core points it seeks to incorporate in the GST . These points have been placed in public domain for comments and opinions. We at FSIA are preparing our charter of demands and suggestions. Your opinions are solicited.

Come let us together help design the GST law of the future
Some main points are :

1. The Excise Cenvat has been a success
2. The State Sales tax conversion into VAT is also a success
3. Current Anomalies
 - a. But there are taxes which still are not Vat-able (non adjustable) like Luxury Tax, Entertainment Tax etc -- GST will bring in that too.
 - b. The Current **Sales Tax** (VAT or CST) **is calculated over and above the Basic + Excise + Cess + She Cess** → This means that there is double tax on the portion of Excise and cess. This CENVAT load needs to be removed.
 - c. Furthermore, the **Service Tax modvat is not allowed against the Sales Tax VAT** → This problem removed in GST
4. In the GST, both the cascading effects of CENVAT and service tax are removed with set-off, and a continuous chain of set-off from the original producer's point and service provider's point upto the retailer's level is established which reduces the burden of all cascading
5. This is the essence of GST, and this is why GST is not simply VAT plus service tax but an improvement over the previous system of VAT and disjointed service tax. However, for this GST to be introduced at the Statelevel, it is essential that the States should be given the power of levy of taxation of all services. This power of levy of service taxes has so long been only with the Centre.
6. A Constitutional Amendment will be made for giving this power also to the States. Moreover, with the introduction of GST, burden of Central Sales Tax (CST) will also be removed. The GST at the State-level is, therefore, justified for (a) additional power of levy of taxation of services for the States, (b) system of comprehensive set-off relief, including set-off for cascading burden of CENVAT and service taxes, (c) subsuming of several taxes in the GST and (d) removal of burden of CST. Because of the removal of cascading effect, the burden of tax under GST on goods will, in general, fall.

7. GST will have two components – **CGST and SGST** (Central GST and State GST).
8. **Laws will be State Wise**, however will remain uniform as far as possible
9. VAT will now be called **Input Tax Credit (ITC)** , and will be mutually adjustable seamlessly.
10. **Cross utilization** of ITC between the Central GST and the State GST would not be allowed except in the case of inter-State supply of goods and services under the IGST model which is explained later.
11. **Refunds : Possible** in case of **Exports, Purchase of Capital Goods, Input Tax at higher rate and output at lower rate**
12. **The administration of the Central GST to the Centre and for State GST to the States would be given.** This would imply that the Centre and the States would have concurrent jurisdiction for the entire value chain and for all taxpayers on the basis of thresholds for goods and services prescribed for the States and the Centre. → [We at FSIA editorial team, feel strongly against it.](#) When you want the Excise, service tax and Vat clubbed into one, why not have one single department ? Why should the entrepreneur have to deal with two sets of people for one GST ??

13. **Threshold levels**

- a. **For State GST = Rs 10 Lakhs per annum**
 - i. Means below Rs 10 Lakhs of sales, no tax, you are exempt
- b. **For Central GST = Rs 150 Lakhs per annum**
 - i. Means below Rs 1.50 Crores of sales, no tax, you are exempt
- c. This is similar to the exemptions in Excise as of now. But much higher than the current thresholds in the case of Sales tax
- d. [We at FSIA editorial team, welcome this, but also opine that higher limit is preferable , if we want a stable regime for next 5 years.](#)

14. **Compounding Scheme**

- a. Composition/ Compounding Scheme for the purpose of GST should have an upper ceiling on gross annual turnover and a floor tax rate with respect to gross annual turnover. In particular, there would be a compounding cut-off at Rs. 50 lakh of gross annual turn over and a floor rate of 0.5% across the States.
- b. [We at FSIA editorial team, welcome this.](#)

15. **Returns ?**

- a. The taxpayer would need to submit periodical returns, in common format as far as possible, to both the Central GST authority and to the concerned State GST Authorities
- b. [FSIA editorial team, welcomes this.](#)

16. **New Registration number ?**

- a. Each taxpayer would be allotted a PAN-linked taxpayer identification number with a total of 13/15 digits. This would bring the GST PAN-linked

system in line with the prevailing PAN-based system for Income tax, facilitating data exchange and taxpayer compliance.

- b. [FSIA editorial team, → OK, PAN based is ok, but why one more registration ?? Why can't the existing Excise Registration number \(ECC number \) suffice ?](#)

17. **Which Taxes will be subsumed in this GST ?**

a. **Following Central taxes**

- (i) Central Excise Duty
- (ii) Additional Excise Duties
- (iii) The Excise Duty levied under the Medicinal and Toiletries Preparation Act
- (iv) Service Tax
- (v) Additional Customs Duty, commonly known as Countervailing Duty (CVD)
- (vi) Special Additional Duty of Customs - 4% (SAD)
- (vii) Surcharges, and
- (viii) Cesses.

b. **Following State taxes**

- (i) VAT / Sales tax
- (ii) Entertainment tax (unless it is levied by the local bodies).
- (iii) Luxury tax
- (iv) Taxes on lottery, betting and gambling.
- (v) State Cesses and Surcharges in so far as they relate to supply of goods and services.
- (vi) Entry tax not in lieu of Octroi.

- c. **Purchase tax**: This is “may be”, and “ may-not-be” category. Currently under discussion. FSIA requests your opinion

- d. **Tax on items containing Alcohol**: Remain outside GST. Sales Tax/VAT can be continued to be levied on alcoholic beverages as per the existing practice. (is it Cheers !!! or Boooo !! ??)

- e. **Tax on Tobacco products**: Tobacco products would be subjected to GST with ITC. Centre may be allowed to levy excise duty on tobacco products over and above GST without ITC.

- f. **Tax on Petroleum Products**: As far as petroleum products are concerned, it was decided that the basket of petroleum products, i.e. crude, motor spirit ATF) and HSD would be kept outside GST as is the prevailing practice in India. Sales Tax could continue to be levied by the States on these products with prevailing floor rate. Similarly, Centre could also continue its levies. A final view whether Natural Gas should be kept outside the GST will be taken after further deliberations.

- i. [FSIA editorial team, → Means no MODVAT on the taxes on Petrol, Deisel etc, OK ???](#)

18. GST Rates

- a. **GST rates for Goods** : The Empowered Committee has decided to adopt a two-rate structure –a lower rate for necessary items and goods of basic importance and a standard rate for goods in general. There will also be a special rate for precious metals and a list of exempted items.
- b. **GST Rates for Services** = For taxation of services, there may be a single rate for both CGST and SGST.
- c. **FSIA editorial team, → Looks ok. But hope they will keep it reasonable.**
- d. **Source:**
http://www.kpmg.be/dbfetch/52616e646f6d4956afdc414d780e2e4672a0f61b73aa111d1bc0bf17703933cd/20070626_pb_kpmg_-_corporate_tax_rate_survey_-_eng_final.pdf
- e. Let us know that, **indirect taxes in Europe are the highest** in the world. Value Added Tax (VAT) or Goods and Services Tax (GST) rates in the EU countries average 19.5 percent, compared with 17.7 percent in the OECD, 14.2 percent in Latin America and only 10.8 percent in Asia Pacific. The highest **indirect taxes in the world, over 25 percent, are found in Denmark, Norway and Sweden.**

19. Zero Rating of Exports :

- a. Exports would be zero-rated. Similar benefits may be given to Special Economic Zones (SEZs).
- b. However, such benefits will only be allowed to the processing zones of the SEZs. No benefit to the sales from an SEZ to Domestic Tariff Area (DTA) will be allowed.

20. GST on Imports :

- a. Yes will be levied.
- b. Yes, 100% Modvat will be available
- c. **FSIA → Good (currently, only partially available)**

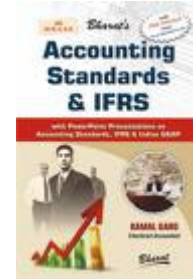
21. Advance Ruling Mechanism :

- a. Yes Available
- b. **FSIA → Good idea , like in Income Tax for Non Residents**
- c. **(Hope, will be available to normal ordinary Indians like you and me)**

What should FSIA SME member's do ?

1. Don't Take it lightly

- a. It is a REAL change.
- b. Study the new laws
- c. Study what is coming in ?
- d. Review where you are ?
- e. Review what changes you need in your ERP Softwares ?
- f. Take guidance of your Chartered Accountants and Management Consultants



We at FSIA are in your service.

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

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And for you to download, in case you don't get it by mail.

You may click at <http://www.finsys.co.in/Ecirculars.htm> , for the back issues of the FSIA E-circulars.

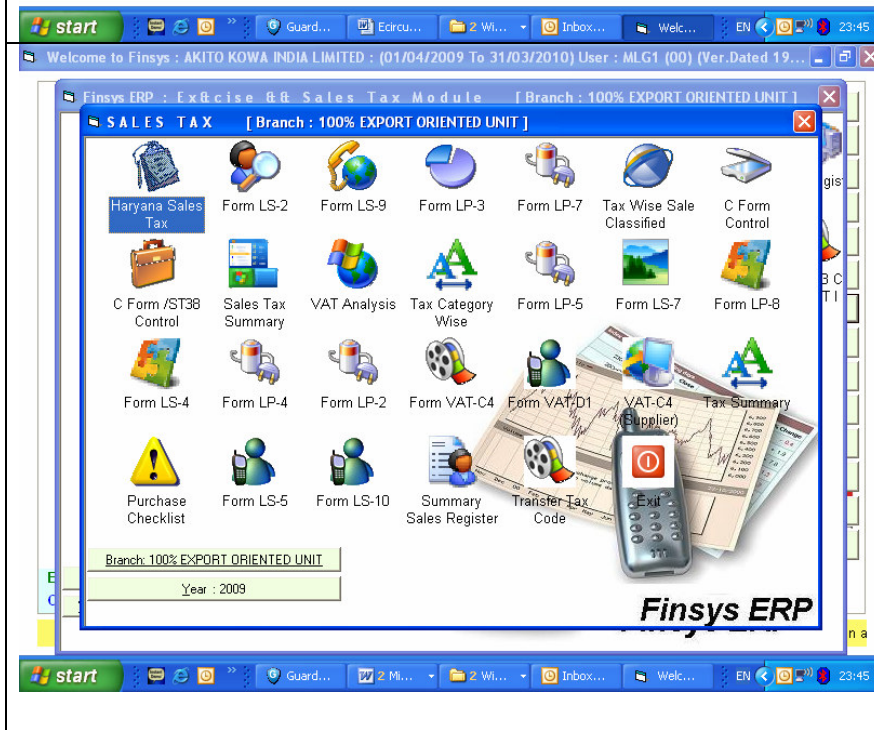
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