



FSIA E-circular dt March 02, 2011



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Future-ready



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BUDGET 2010-11



For the Fourth Consecutive Time in the history of Faridabad, we had an Instant and LIVE Budget Analysis, with a panel of Experts,

- We had Chartered Accountants from the Faridabad C.A. Branch of NIRC of Institute of Chartered Accountants of India, We also had the media, We had eminent Bankers, from Financial Institutions, including Mr Ajay Garg, Director of Corporation Bank. We had our own FSIA panel of Consultants. We had our own Mr Rajive Chawla, who later in the day was panel speaker and voice of SME at the CNBC, Zee Business TV Channel and many other TV channels
- And we had the dynamic businessmen of Faridabad..



 <p style="text-align: center;">Union Budget 2011</p>	 <p style="text-align: center;">Hon'ble Finance Minister's Presentation of Union Budget in the Parliament</p> 	<p style="text-align: center;"><i>It was Mr Pranab Mukherjee LIVE, via the Giant Television, in the Hotel Delite , before all the members of the FSIA.</i></p> <hr/> <p style="text-align: center;"><i>It was a successful event, As always</i></p>
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Dear Members,

The Budget 2011 came in, on 28th Feb as per schedule. And many more finer nuances have become apparent in the fine print. More will be discovered in the coming days. But till then, some big points → and our FSIA analysis on → How they effect you ?



So, let us start our review in two parts

Part 1	Major Highlights in this Budget 2010	
Part 2	Things you might have Missed	<p style="text-align: center;">Unknown, unseen, things, in the "Fine Print", Which Media does not discuss...</p>

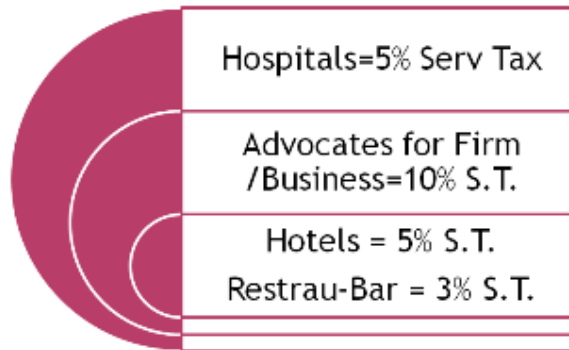
1. Excise Rates "No Change"
 - a. We all expected a change in rates
 - b. But thankfully, there is **No increase or Decrease**

2. Excise on Garments for "Local Sales"
 - a. New 130 products added at 1% only
 - b. Some more like Garments at 10%



3. **Service Tax:**

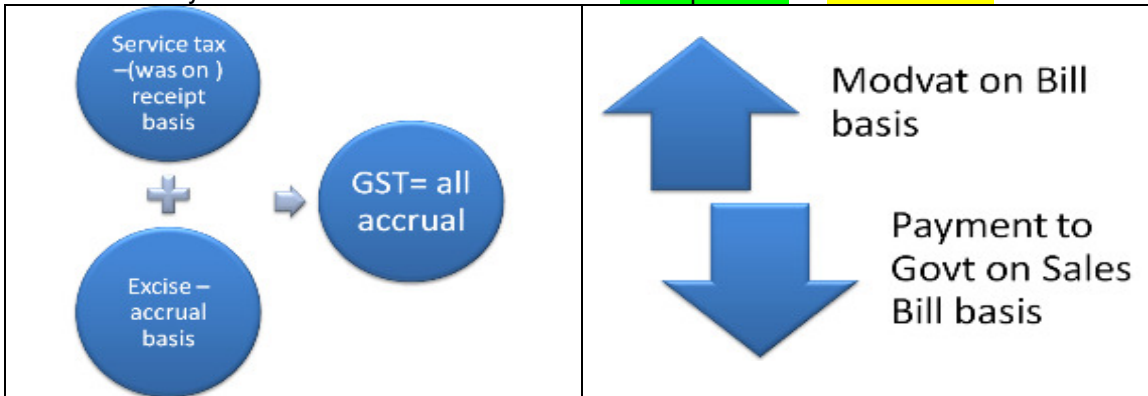
- a. No Rate Change.
- b. But, Many new services added / extended.



FSIA notes = All newspapers are saying this is bad, and against public. However we at FSIA also bring to your notice that now the benefit is that all of these get ready to embrace the GST. And they also get MODVAT of 100% of the service tax/excise paid on their inputs. So the actual effect on the provider will not be too much.

4. **Service tax big change**

- a. Payment of Service Tax Shifted from "Receipt Basis" to "Accrual Basis"



Cut off date is 1.4.2011 (as per Point of Taxation Rules 2011) Notification no 18/2011.ST
 What will happen to the bills already issued and not collected ??? = to be finalised

5. Service tax New change

- a. Look at this
 - i. When a CA bills you, he charges service tax
 - ii. When a CS bills you, he also charges you the service tax
 - iii. But when an Advocate bills you, he did not charge you service tax till now.
- b. No more
- c. From now,
 - i. As per the newly inserted clause no zzzzm, all business advice/ sales tax consultancy / excise consultancy / ESI-EPF consultancy / tribunal / appeal consultancy / by “any body” is included
- d. Tax rate = same 10%
- e. Modvat
 - i. if you are a excisable entity
 - You get full Modvat of this against your excise
 - ii. if you are a service provider entity
 - You get full Modvat of this against your service tax



6. Service tax Returns – Late Filing Penalty

- a. Till now the late fee (penalty) was only upto Rs 2000. Now the “Late filing fee limit” **increased 1000%** → to Rs 20000
- b. The rate of interest on delay now increased from to 18% p.a.



7. Prosecutions in Service tax – Made Stiff

- a. Now, if somebody is caught, stealing the service tax (in any form, sec 89), then, he shall be prosecuted. Imprisoned for between 1 year to 3 years.
- b. And this **imprisonment will not be less than 6 months**, except in case of just 4 exceptions, like age, first timer etc.
- c. So, beware.

8. Income Tax Rates changed, Small reduction for most Tax payers

- a. Basic Slabs

<u>Basic Rates</u>	<u>Rate</u>
Upto Rs. 1,80,000	Nil
Rs. 1.80 lac - Rs.5.00 lac	10%
Rs. 5.00 lac - Rs.8.00 lac	20%
Rs. 8.00 lac onwards	30%

Surcharge NIL
Education Cess , & SHE cess (continues) 3% for all.



b. Basic exemption limit (till which, you do not have to pay any tax). This will be as follows :

- i. For Gents : Rs. 1,80,000
- ii. For Ladies : Rs. 1,90,000
- iii. For Senior Citizens : Rs. 2,50,000 (60 yr to 80 yr)
- iv. For Very Senior Citizens : Rs. 5,00,000 (over 80 years)

c. So, ?? Most of you save a small value in Income TAXES = Savings are upto Rs. 2060. per person

Please observe == effective Tax Rates, have become further, very very low

Table 1 = Tax % has come down to very very low.

Income	Savings - section 80C, 80CCF (suppose)	Net taxable income after 80C	rate	Cess	Income Tax	Effective Tax %
100,000	0	100,000	0	0	0	0.00%
200,000	50,000	150,000	0	0	0	0.00%
300,000	75,000	225,000	4,500	135	4,635	1.55%
500,000	100,000	400,000	22,000	660	22,660	4.53%
800,000	120,000	680,000	68,000	2,040	70,040	8.76%
1,000,000	120,000	880,000	116,000	3,480	119,480	11.95%

Note : We have “assumed” some savings in Section 80C, and new section 80CCF (new infrastructure bonds). Actual savings vary from person to person. And, please note, apart from this, you can take benefit of Mediclaim, HRA, conveyance allowance, and perks etc also.

Table 2 = TDS per month, has come down too, to pity amounts.

Income	Tax reqd per month
100,000	0
200,000	0
300,000	386
500,000	1,888
800,000	5,837
1,000,000	9,957

Above Table 2 is based on the Table 1

Also, please see that a person who earns, say Rs. 42000 per month, has to pay TDS of just 1888 per month.

Similarly, for an Income of Rs. 25000 p.m. his tax could be just 380 p.m..

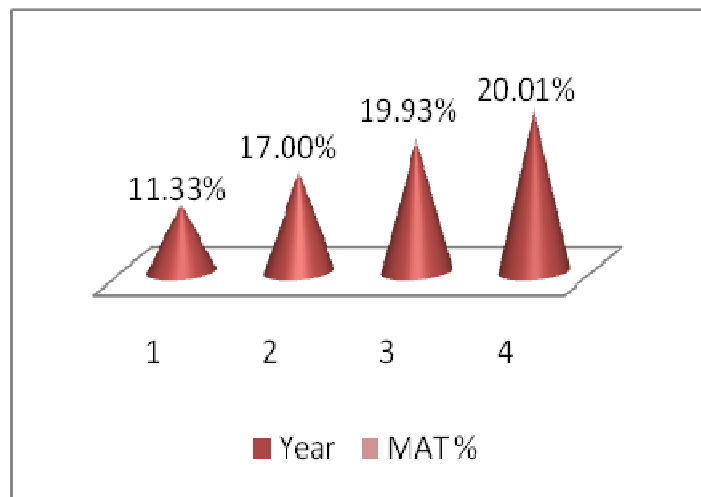
And for **Income of 20000 p.m.** his TDS could be **just around Rs NIL month**



9. MAT (Minimum Alternate Tax) – Section 115JB

- a. **What ?** – The companies, who have book profits but don't pay income tax due to some deductions / exemptions, They have been forced to pay heavier taxes.
- b. **Have a look !!**

MAT	till 2008 budget	in 2009 budget	in 2010 budget	in 2011 budget
Basic MAT Rate	10.00%	15.00%	18.00%	18.50%
Surcharge	1.00%	1.50%	1.35%	0.93%
Cess	0.33%	0.50%	0.58%	0.58%
Total Effective MAT Tax	11.33%	17.00%	19.93%	20.01%



- c. The increase has been tremendous and pretty sharp.
- d. Whom does this apply to ?
 - i. Many companies who set up plants in backward areas, like Himachal, Uttaranchal etc
 - ii. Many companies who had EOU units
 - iii. And also now, all the SEZ units too

10. SEZ Taxation : Bubble Burst

- a. Suddenly = MAT is yes (same 20.01%)
- b. Suddenly Dividend tax is also YES (15% + sc+ cess) = 16.22%
- c. **Look , for a SEZ unit with a profit of Rs. 1 crores**, now income tax payable shall increase from NIL lakhs (upto 2010-11) to Rs. 19.93 lakhs(in AY 2011-12)
- d. **Loss to Jaipur SEZ / Noida SEZ units**



- e. **Gain to IMT Faridabad . . .**
 - i. and all the Industrial sectors in Faridabad, Palwal, Noida, Manesar Gurgaon, and all normal locations.
 - ii. Idea= **Why go so far . . .when you are taxable anyway ??**

11. CST raised from 4% to 5% for all declared goods

- a. Section 15 of CST Act, 4% will be replace with 5%
- b. Example of items =

Almost all varieties of Iron and Steel like

- i. Ingots, slabs , rounds, rods, squares, angles, channels, tees,
 - ii. discs, rings, forgings and steel castings ;
 - iii. tool, alloy and special steels of any of the above categories ;
 - iv. steel melting scrap in all forms including steel skull, turnings and borings ;
 - v. steel tubes both welded and seamless, of all diameters and lengths,
- Applicable for all FSIA members**, who are either make Steel (Sales), or Steel components (their Purchase).

Almost all varieties of Man-made fabrics

Some varieties of petroleum products

12. Some “Non co-operative” countries will be “notified”

This is a measure for black money management.

- And, If you receive any funds from anybody in this country,
 - even if it is loan, it will **be treated as your income**
- If you pay anybody, you have to keep special records
 - Else, If you incur **any expense, it will be DISALLOWED**
- And you have to deduct the TDS
 - At **highest TDS rate of 30%**
 - Or rate notified, whichever is higher



The Effect = **If any Govt does not help → we can BAN them**

Logic : **The “Attractive pull” factor of these “dark hidden secret areas” goes down**

13. MAT is coming closer - for non corporates also

Law

- MAT = minimum alternate tax
- Example – if a company is running a unit in tax free area, its income is normally tax free. But due to MAT rules, that co will have to pay the tax of 20% . (at least)

Fact

- In india, apart from the company form, others don't have to pay the MAT
- But, in USA etc, individuals and firms also pay the MAT

The Change

- As a small beginning, the Govt has put the MAT of same 18.5% on the LLP also



- LLP are Limited liability Partnership firms

FSIA message

Note the language of section 115JC. This is exactly based on the language and tenor of the laws in USA. Infact even the MAT is now called AMT (Alternate Minimum Tax = This is the same nomenclature as used by the Government of USA).

Beware, in coming years, normal partnerships and even proprietorships may also be covered in MAT , as in USA.

For details, refer to our previous e circular on this subject. Click link below

http://www.finsys.co.in/ecirculars/073_FSIA_Ecircular_18th_Jan_2011_MAT_is_18percent+cess.pdf

See the Wikipedia site for this at http://en.wikipedia.org/wiki/Alternative_Minimum_Tax

see the Govt of USA – IRS dept website for this at <http://www.irs.gov/taxtopics/tc556.html>

Final Message from the FSIA Team

India is growing at 20.3% (GDP-Current prices).

We are a part of this growth Story. Come our Time is now.

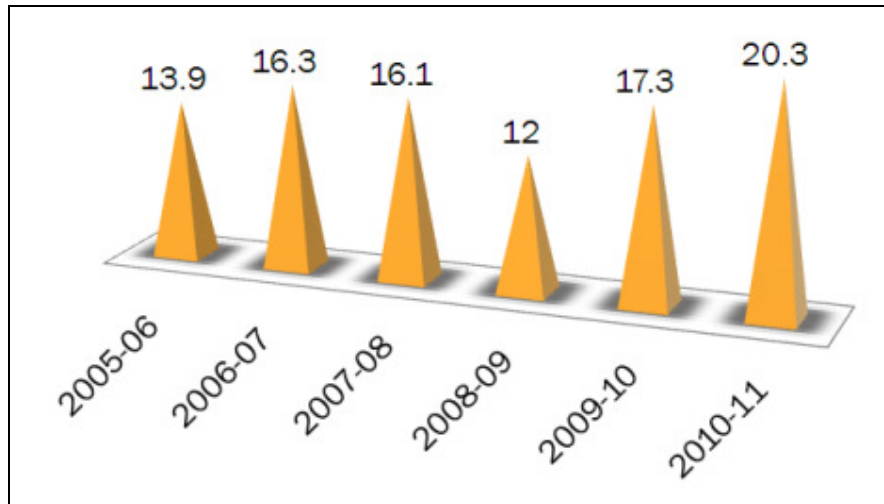
As somebody said at the C I I Meeting last month,

“It was always good to be born in India, But, mark my words

This is the **best time to be in India”.**

Source [Economic Survey 2011](#)

Govt of India. [Click here](#)



GDP Growth % (at Current Prices)

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



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