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Faridabad Small Industries Association

The face of Modern Indian MSMEs

www.fsiindia.com

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Dear Members,

TDS time is here

If you are a Salaried employee, whether as Director in your own company, or a paid director, or the CEO, CFO, and upto the Quality Inspector and Production foreman, your TDS time is due. Your accountant, or your employer will be chasing you right now, for your LIC, PPF, NSC copies . . . else, he says he will deduct your TDS.

So, here is a quick look on TDS Salaries for our FSIA members

Quick Recap of last year budget (2011) →
“Reminding” so that the TDS calculations are proper

1. Income Tax Rates changed, Major reduction for all large tax payers

Slabs are

<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.

- a. 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)
- b. Please Note that, the Basic exemption limit for all categories were changed this year. And the new slab for “Very Senior citizens” was introduced from this year only.
- c. So, ?? Most of you save Good value in Income TAXES. Savings are at least 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 Medclaim, 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 Rs 5 lakhs (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 386 p.m..
 [That could be less than a cost of a family pizza in a PizzaHut !! or the 50% cost of a South Indian dinner at Sagar Ratna !!]

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

Quick Notes on the HRA

In most of the cases, staff does get a component as “House Rent Allowance(HRA)”

Calculation of HRA exemption is as under.

least of following three will be exempted

- HRA received
- 50% of salary in case of residential accommodation taken on rent is situated in Bombay ,Calcutta ,Delhi, or Madras (Chennai) and 40 % of salary in in any other case.
- Actual Rent paid in excess of 10 % of salary



Some other points to be noted are

Definition of Salary

Salary for this purpose mean

Basic salary

Dearness Allowance if terms of employment so provides.

commission based on a fixed percentage of turnover.

all other allowances and perquisites is to be excluded.

Other Notes for HRA only

- Salary related to period of rent should only be considered on due basis for HRA.
- Salary received in period as advance or arrear not related to calculation period should not be included for HRA.
- For calculating 40/50 % as per point 2 above place of residential accommodation is important ,not where the person is working. suppose your friend, Mr Anurag Dahiya has taken a house in Delhi on rent but has working in Faridabad, than he is eligible as per point 2 upto 50 % as house is situated in Delhi.
- The calculation should be done on separately(monthly) if salary or HRA has varies during the year.
- There will be ZERO HRA exemption if House rent paid is less than 10 % of salary.
- Again exemption is denied where an employee lives in his own house, or in a house for which he has not paid any rent.

Some FAQ's

FSIA member :Is it necessary to submit House rent paid **Receipts** to the employer,if yes,should the rent receipt include PAN of the Land lord.

Consultant:

Employer are liable to deduct TDS on salary and in present scenario of annexure less income tax return ,there is more responsibility on DDO to check and verify each and every exception and deduction that employees claim .DDOs is empowered under income tax act to get and verify proof to saving and hra receipt from employees. However CBDT has exempted the employees who are receiving HRA upto 3000 per month from submitting the proof to

DDO(Employer) though Income tax assessing officer can demand Rent receipt from employee getting HRA upto 3000 pm.

Note to FSIA employers/ Accounts Dept,

If at a later stage, during assessment, the receipt is asked for and is missing, you cannot prove the correctness of calculations, thenyou (the employer) **will be treated as assessee in default**, and all taxes will be paid by employer + interest + penalties

next

FSIA member Question :

Am I eligible for HRA exemption if I have Paid rent to my father ?.

Consultant Answer :

Yes, If you have actually paid the rent to your father and he is owner of the house, then you can claim the benefit .

next

FSIA member Question :

Am I eligible for HRA exemption if I have Paid rent to my wife/husband .?

Consultant Answer :

Answer is simple, but people make it tricky for themselves.

Simple answer is If you have actually paid the rent to your spouse you can claim the HRA exemption benefit.

complexity

But, problem comes when the house was not purchased out of her resources, but were actually yours. Remember, if you want HRA exemption in this case, house should not be purchased by your spouse from funds transferred by you without adequate consideration ,in that case you will be the deemed owner of the house and clubbing provisions will attract.

Our advice is that, we should avoid fake claim.

Tax rates are so low anyway.



Some notes on LIC payments

1. If somebody's due date is not yet "due"

- a. All Life insurance companies do know the year end pressure,
- b. and thus, allow any policy holder to pay in advance
- c. Similarly, all savings can be done in advance – pls note that already 10 months are over

2. Home Loan interest certificates

- a. Home loan are always paid in monthly instalments, and you always know the tentative total. Further, all banks provide "provisional certificate" for income tax purposes ,which mention the 10 month instalments already paid and also the "expected principal and expected interest for the year" .

3. Special Rs 20000 infrastructure bonds

- Note, like last year, everybody can get an additional Rs 20000 deduction u/s80CCF
- But for this you have to invest specially in those special infrastructural bonds
- Example REC infrastructure bonds etc

Here are the bond issues that we are aware of.


S.No.	Name of the issuer	Expected Time Frame
1	REC	December 19 th 2011 – February 10 th 2012
2	IDFC	January 11 th 2012 – February 25 th 2012
3	Srei Infrastructure Finance	December 31 st 2011 – January 31 st 2012
4	IFCI	November 30 th 2011 – February 08 th 2012

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Message from FSIA

Most of the employees know most of above. Yet, we see irritating emails and phones happening every year. So, I would request you to educate all staff members in your company too, especially who joined this year, or were too busy to take action till now.

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

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For queries, suggestions and feedback , you can e-mail us at : FSIA office / Sangeet Gupta

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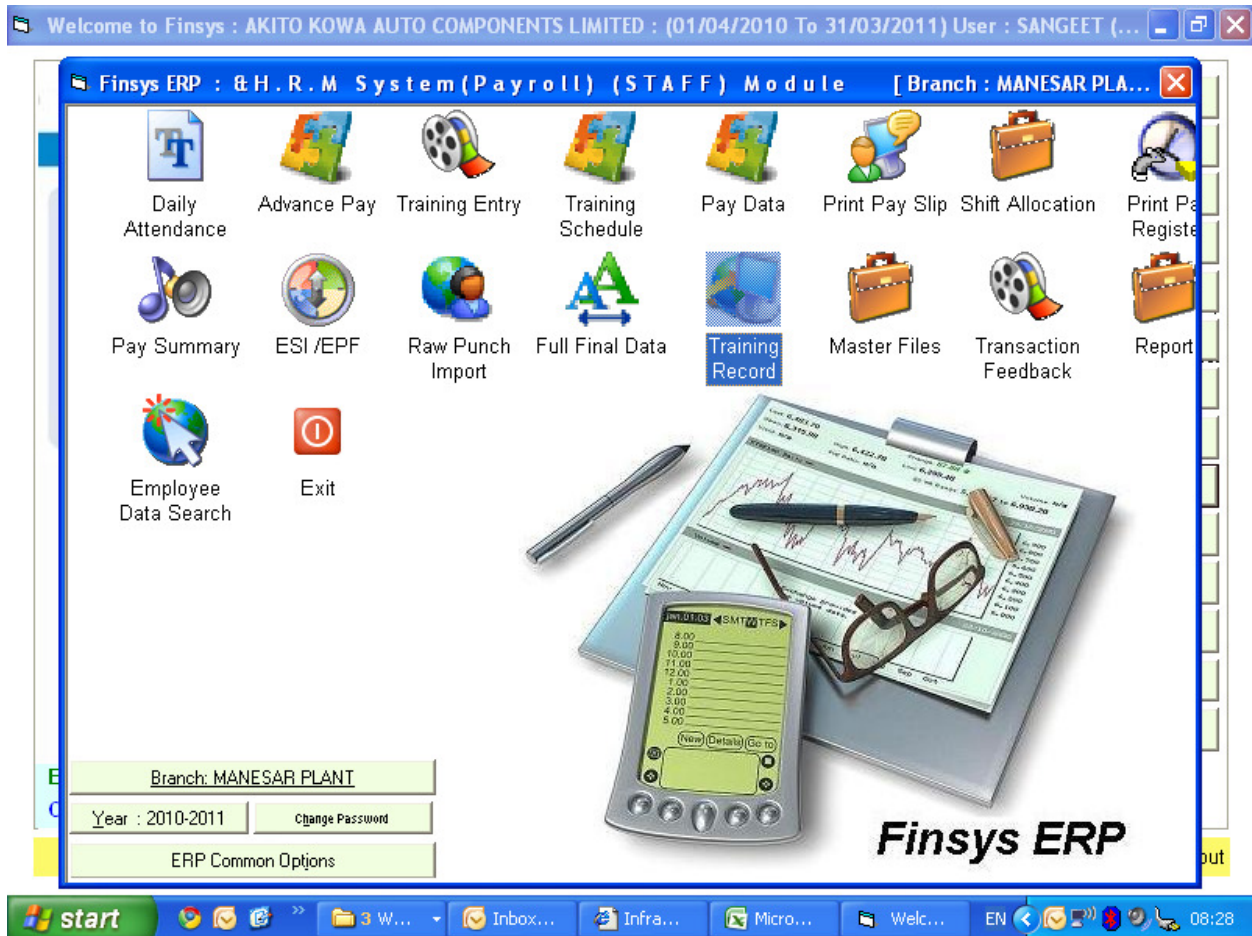
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Advt

One screen from the Finsys ERP

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