



**FSIA E-circular dt. 28-Feb-13
(Union Budget 2013)**

Faridabad Small Industries Association

The face of Modern Indian MSMEs

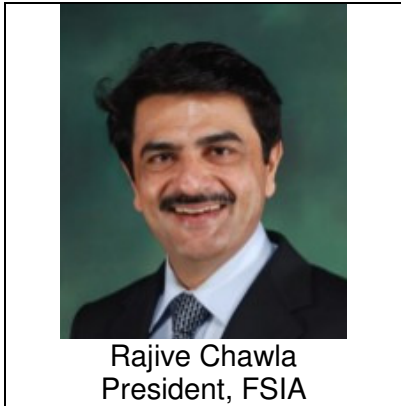
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Rajive Chawla
President, FSIA



Sangeet Kr Gupta
Hon. Consultant, FSIA

Dear FSIA Members,

BUDGET 2013-14



For the Sixth Consecutive year, we had an Instant and LIVE Budget Analysis, with a panel of Experts, We had Chartered Accountants , Bankers, Financial Institutions, PSU, Ministry of MSME. 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..

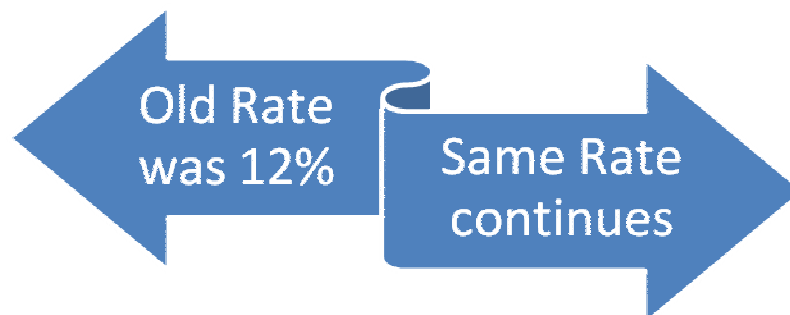
Dear Members,

The Budget 2013 came in, as usual on 28th Feb. Good LIVE discussions were done at Hotel Delite in front of a large gathering. Now, 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

1. Special 30% Bonus (Additional Deduction) for employing more “Blue Collar Workers” in your Factory (Section 80JJAA)
 - a. If your factory has more than 100 workers, and you employ additional workers in any year (Minimum increase required = 10%)
 - b. Then you get 30% extra Deduction. (Whatever extra wages you pay)
 - c. And you get this for next 3 years.
 - d. “Contractor employees” are not covered here.
 - e. Government incentives factories to employ more people, “formally” and “directly”
 - f. Those of you who can use this, do use.
2. Excise Rates and Service Tax = both “No Change”
 - a. We all expected a change in rates. But thankfully, it was “ No Change”





3. Corporate Tax Rate (For Partnerships and Companies)

- a. Very nominal change, And that too only for companies with Profit more than Rs 10 Crores. A Quick reference chart is as under (All figures in Percentages)

	Below 1 crores of Profit	Between Rs 1 Cr to Rs 10 Cr of Profit	above Rs 10 crores of Profit
Basic Rate	30	30	30
Surcharge 5% for over 1 cr , and 10% for Profits over Rs 10 Cr	-	1.5	3
Subtotal	30	31.5	33
Cess 3%	0.9	0.945	0.99
Effective Tax Rate	30.9	32.445	33.99

4. Income Tax Rates are “same”, Small reduction for “small” Tax payers

- a. Basic Slabs

<u>Basic Rates</u>	<u>Rate</u>
Upto Rs. 2,00,000	Nil
Rs. 2.00 lac - Rs.5.00 lac	10%
Rs. 5.00 lac - Rs.10.00 lac	20%
Rs. 10.00 lac onwards	30%

Surcharge

Profits below Rs 1 Crores	Nil
Profits over Rs 1 Crores	10%

Education Cess , & SHE cess 3% for all.

- b. Notes, there are no special limit for ladies, since last year.
 c. Basic exemption limit (till which, you do not have to pay any tax). This will be as follows :
- For Gents : Rs. 2,00,000
 - For Ladies : Rs. 2,00,000 (same as gents)
 - For Senior Citizens : Rs. 2,50,000 (60 yr to 80 yr)
 - For Very Senior Citizens : Rs. 5,00,000 (over 80 years)

5. Special “New Section 87A”

- a. A deduction will be allowed for Initial Tax upto Rs 2000, for tax payers who fall in the First slab of Rs 2 lakhs to Rs 5 lakhs.
 b. Meaning = if your income is between this limit, then you get this benefit, if not then no relief. This is targeted for 1.80 crore





assessee's who fall in this segment.

- c. Savings are upto Rs. 2060. per person for all people falling in this slab.
- d. In other words, they can “think” that their exemption limit is Rs. 2.20 lakhs.

Income per year	200000	220000	400000	500000	700000	900000	1000000	1200000
New Tax	0	2,000	20,000	30,000	70,000	110,000	130,000	190,000
Deduction u/s.87A		2,000	2,000	2,000	0	0	0	0
Net Tax due		0	18,000	28,000	70,000	110,000	130,000	190,000
Effective		0%	4.50%	5.60%	10.00%	12.22%	13.00%	15.83%

6. Digital Return for Wealth Tax

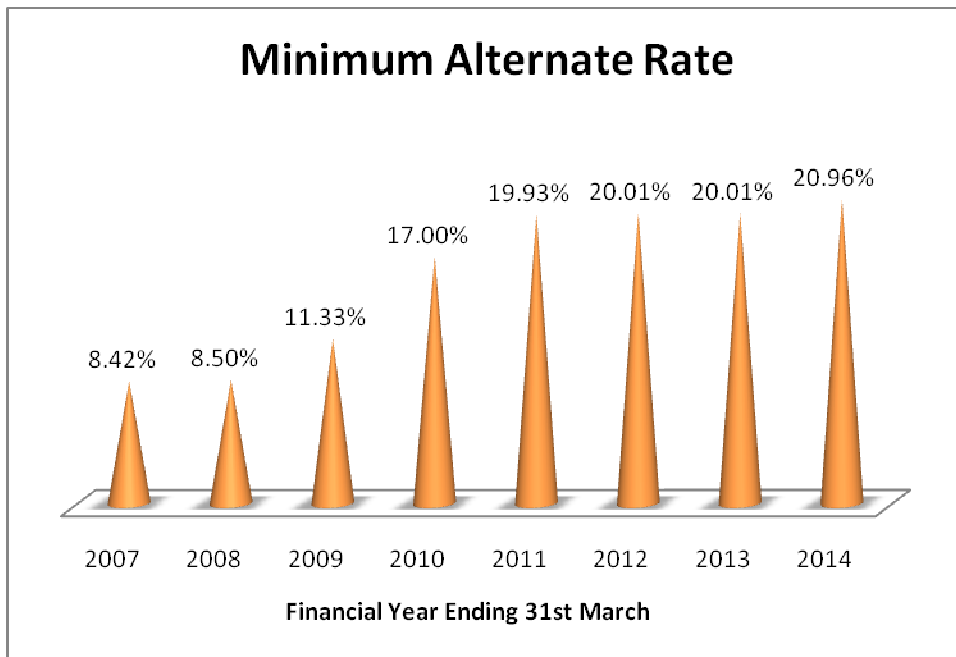
a. Till now Wealth Tax returns were “manual” only

7. Now CBDT has been authorized to make E>Returns compulsory, for certain category of assessee's. (example : Companies, and large tax payers etc)

8. MAT (Minimum Alternate Tax) – Section 115 JB and 115 JC

a. What is this ? – It was sometimes a grouse of salaried / business people. They said, that we pay tax, but super large companies don't pay tax. Similarly, due to exemptions, people with business in Baddi, Rudrapur, Nalagarh, Daman, Sikkim, don't pay tax. Slowly, the Government started the MAT / AMT. Now, they have increased it further (Nominally, for very large profit companies). Others no change.

b. Have a look !!



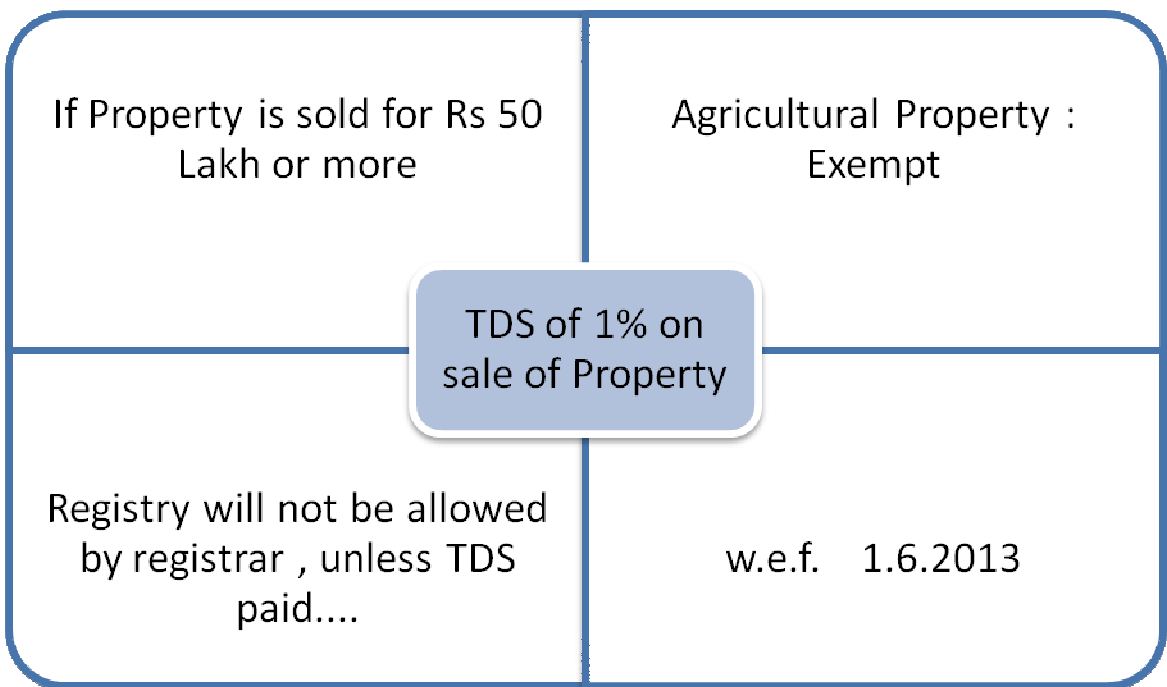


	Below 1 crores of Profit	Between Rs 1 Cr to Rs 10 Cr of Profit	above Rs 10 crores of Profit
Basic Rate	18.5	18.5	18.5
Surcharge 5% for over 1 cr , and 10% for Profits over Rs 10 Cr	-	0.925	1.85
Subtotal	30	19.425	20.35
Cess 3%	0.9	0.5828	0.6105
Effective Tax Rate	30.9	20.008	20.961
	Percent	Percent	Percent

9. TDS on Sale of Immovable Property (Section 194-IA)

Govt says, "This is a measure for black money management."

So, If you sell any property, your buyer will deduct a TDS of 1 percent



Yes, Faridabad, Gurgaon, Sonapat, Noida, Gaziabad, Loni etc are a part of the Delhi NCR This was initially proposed last year, but had to be taken back. Now this year re-proposed in a simplified form.

10. TDS – Threshold Limits (no change)

Sl. No. Section Nature of payment Threshold limit of



payment

(Rupees)

- 194B Winnings from lottery or crossword puzzle Rs 10,000
- 194BB Winnings from horse race Rs 5,000
- 194C Payment to contractors: - For a single transaction 30,000, - For aggregate of transactions, during financial year : Rs 75,000
- 194D Insurance commission Rs 20,000
- 194H Commission or Brokerage Rs 5,000
- 194-I Rent Rs 1,80,000
- 194J Fees for professional or technical services, Rs 30,000

TDS Rates = No Change

11. Tax Rate on Foreign Royalty / Technical Service Fee

- a. Rate increased from 10% to 25% (Subject to the lower rate, if any in the DTAA with that country). This is important, since many medium-small and large companies have some kind of technical collaboration and do pay some Royalty to some MNC.
- b. So, here beware, the TDS rate will also undergo a change for such cases.

12. 50% Deduction on Investment in Equity (Section 80CCG)

This novel "Rajiv Gandhi Equity" scheme is to induce public to invest directly into Equity Shares. It started last year. So, if you did not take benefit of this, **DO THIS NOW** (for FY 12-13).

Law for FY 12-13

Invest upto Rs 50000. Get rebate of Rs 25000. Only Direct Equity Share investment allowed. Available to people with income upto Rs 10 Lakhs.

Law for FY 13-14

- Now, scheme allowed for 3 years. (Instead of only 1).
- Made Available for people of income upto Rs 12 Lakhs
- Allowed for Equity oriented Mutual Funds also.
- There is a lock-in of 3 years (no change in this condition)

13. Housing Loan Interest "Deduction" (Section 80EE) – Upto Rs 1 lakh

If you have no existing house, in own name.

Buy a new house, and House cost maximum of Rs 40 lakhs

And Loan is taken after 1-4-2013, and for maximum of Rs 25 Lakhs

Then, the interest will get you, deduction u/s 80EE.

This "temporary" scheme is for 1 year only.

For fresh investment into "First time house buyers"

No prior house in own name. Or if one of your family member does not have a flat in his/her name, and other conditions are met, then you might use this route.

14. Investment Allowance @ 15% for the New capital investments over Rs 100 Cr

If you or any company invests Rs 100 cr , or more in 2013 to 2015 , then it will get 15% additional investment allowance.

This is for Machinery only

Not for office

Not for software, or computers



Not for land or building etc

15. Service Tax Exemption withdrawn from

- a. Services by way of vehicle parking to general public.
- b. Services provided by a School / College / educational institution by way of renting of immovable property.
- c. Air Conditioned Restaurants (of all varieities)

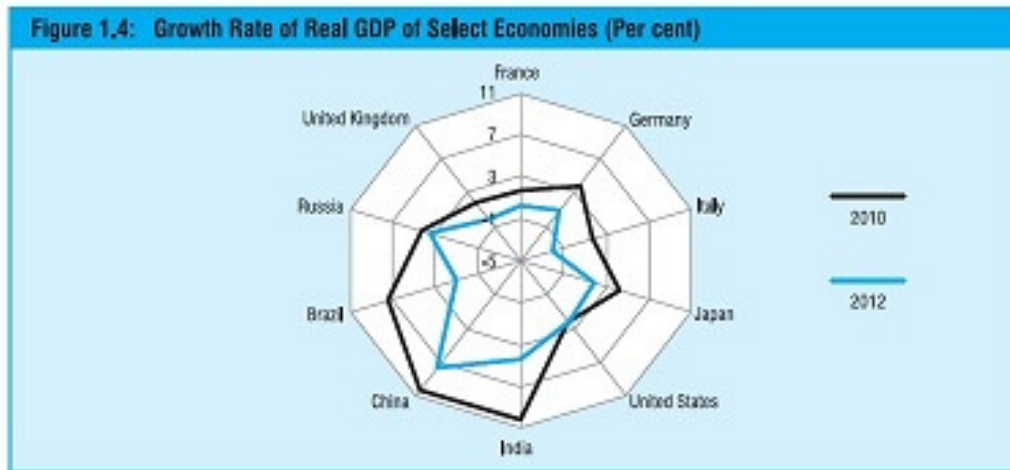
Final Message from the FSIA Team

Almost all economies in the world have slowed down in last 2 years.

Source : <http://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG>

China from 11% to 7% , Japan is in Negative 0.7% , UK is now around 0.8%, France 1.7%, India is around 6%. Now our Economy is integrated with the world. (External Transactions are 108% of our GDP). We cannot be immune from what is happening outside. But still much faster than that of USA, Europe or Japan. Yes, China is ahead of us. Time to tighten belts and work harder.

Economic Survey 2012-13



GDP Growth % (at Current Prices)

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

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