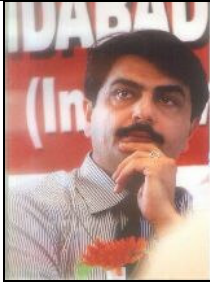


## *E-circular dt 1<sup>st</sup> June 2008*



Rajive Chawla  
President, FSIA



Sangeet Kr Gupta  
Hony Consultant, FSIA

Dear Members,

Topic no 1

**Big news for those in the industry –  
CST rate has now been reduced from 3% to 2% only.**

Members will recollect that the Finance Minister, Mr P Chidambram had announced this in his Budget Speech on 29<sup>th</sup> February 2008 . And everybody was expecting this change effective 1<sup>st</sup> April 2008. However , this could not materialize due to “no final decision” by the Joint committee of the State Finance Ministers and Union Finance Minister.

However , now that has been officially done.

**The copy of the notification is attached to this circular.**

So, the law is

“..... The rate of CST on inter-State sale of goods to registered dealers (against Form-C) shall now be the lower of 2 per cent and the rate of VAT or State Sales Tax applicable.....”

This reduction forms a part of the roadmap for phasing out CST completely by 31st March, 2010 in preparation of introducing Goods & Services Tax (GST), the roadmap for which is being worked out by the State Finance Ministers together with the Union Finance Ministry.

### **Who is affected ?**

All registered Dealers, who have to charge CST on their Sales.

So, instead of 3% , please charge 2% w.e.f. 1-6-2008

### **How to do this change in the ERP ?**

If you are using any ERP, like SAP™ , BAAN™, Finsys™ ERP, and so on, you must configure your ERP immediately, so that future sales are at the new correct Rate.

If you are still doing it manually / old invoicing packages etc, then inform your staff accordingly.

### **What if, you made some shipment on 1<sup>st</sup> or 2<sup>nd</sup> June and charged tax at old rate of 3% ?**

In that case, either give a credit note to the customer. And make appropriate changes in your books

### **What is the Rate – with C-Form ?**

If the customer is giving the C-Form, only then the rate is reduced to 2%.

### **What is the Central Sales Tax Rate in case without C-Form ?**

Once again, If the customer is giving the C-Form, only then the rate is reduced to 2%.

Otherwise, you shall continue at the local VAT Rate. ( that is 4% or 12.5% etc, as applicable).

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## **Benefits of this Change**

### **What is the Effect on Purchases ?**

1. When you purchase something from outside your state ( example, in your factory is in Faridabad, and you buy from Delhi, or vice versa), you cannot claim VAT for the CST. So, the cost add-on is generally 3% currently. This is your cost, you have to bear.
2. Now, in new regime, this CST will be 2% only.
3. So, the cost goes down.
4. And of a yearly Purchase of say, Rs 10 crores – your CST was Rs. 30 Lakhs. Now it will be Rs. 20 Lakhs ---- Wow ! You just saved Rs. 10 lakhs..... your profit.

### **What is the Effect on Sales ?**

5. When you Sell something to somebody outside your state ( example, in your factory is in Faridabad, and you sell to somebody in Delhi / UP / Uttaranchal or vice versa), you had to add CST. And he could not claim VAT for the CST. So, a local vendor was better. And you lost the marketability margin by 3%.
6. Now, in new regime, this CST will be 2% only.
7. So, the cost difference goes down.
8. So, you are more competitive.

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## **Detailed Analysis and ERP issues in the Despatch, Purchase and Finance Departments**

|   |
|---|
| <h3><b>Effect on Purchase Side</b></h3> |
|---|

### **What is the Effect on Purchase Orders issued in the Past ?**

9. Most organized companies, give PO to their vendors.
10. PO also carry the rate of CST , if applicable
11. Now, a point of guard.

### **12. ERP Environment – with Automatic Vendor bill passing**

- a. Since, the CST rate has changed.
- b. We recommend that you either change the PO , and issue an amendment.
- c. If you do not do this, the voucher being passed in the ERP automatically, will carry the old CST Rate only ( as per the PO issued to the vendor in the ERP).

### 13. Manual / PO Typing / Non-integrated Environment – with Manual bill passing

- a. Inform your accounts department to pass the vendor bills accordingly.

#### Topic no 2

#### TDS Returns - Last date is 15<sup>th</sup> June

The last date of TDS returns is 15<sup>th</sup> June .

Last two weeks are left.

Please hurry up.

Avoid the last day rush ( and tensions , and problems )

#### Topic no 3

#### E-Payment for TDS & Advance Tax made compulsory. Banks have stopped taking cheques.

##### What is the Topic ?

All Companies who pay taxes as TDS or Advance Tax , (till now) usually pay by cheque/Cash. In future, they will have to pay by E-payment directly from the Bank Account E-payment facility. (Credit Card / Debit Card facility was planned but is not yet ready)

##### From When ?

With effect from 1-4-2008, it was going to be compulsory. But very few companies actually used this. This month, the FSIA members have reported that , Now the Banks have started refusing the “payment by cheque.”

##### For Whom ?

One = For all Companies, ( irrespective of turnover or income )

Two = For Non-Companies who are covered under Tax Audit. ( Sales are more than Rs. 40Lakhs per annum). For others it is still optional

##### What should I do if I want to pay from the Bank account ?

Option 1: Speak to your Bank – Today most of the banks do offer this facility ( SBI, PNB, SBOP, Corp, UBI etc, ) . Get this facility enabled. And use it for trial and be ready.

Option 2: If your bank / your branch does not give this facility yet → then Speak to a new Bank and open an account with that branch which gives this facility.

##### But ??? any hassles ? Any Risk ?

Yes, for the initial phase, you may have to get this E-payment facility from the bank. Keep the password safely.

Either delegate this password to your staff to pay your tax on your behalf on the internet ( and **Risk its being “remembered” and “misused”** .... Your this password can be used to clear all funds from your bank account / CC limit

.....

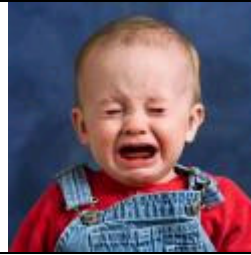
Danger ??→



Or,

**Learn Computers yourself.**

Pay this tax online from your bank to Government's bank account, yourself.



Will have to learn computers .....?

( Source : Press Release No.402/92/2006-MC (05 of 2008) Government of India / Ministry of Finance Department of Revenue, Central Board of Direct Taxes New Delhi dated the 23rd January 2008)

Topic no 4

**E-Payment for Excise**

Yes, same case as for income tax.

Some FSIA members have informed that they have received a notice from the Excise Department for non-compliance of the E-payment instructions.

So, contact your Excise Consulant, if required.

And change your payment method to E-payment.

Topic no 5

**New ESI Return – requires Chartered Accountant's signatures**

Please note, this law has changed.

And now you have to get your CA's attestation on the ESI Half Yearly Return.

**But what is the meaning ?**

This is not merely a "signatures".

This is a big responsibility on the CA + on you.

He ( and you) have to see that Wages and Salaries shown in your ESI return matches with your Audited Balance Sheet and Profit & Loss Account.

There is a lot of meaning in this.

We may have additional information on this, in our future circulars.

Meanwhile please contact your Labour laws consultant and your Chartered Accountant.

Please follow the law, both in its form and its spirits.

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

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|--|---|--|
|  | <p><i>Sangeet Kumar Gupta</i><br/>FCA, ICWA, PGDMM, B.Com(Hons)<br/>Honorary Consultant,<br/>Faridabad Small Industries Association<br/>93126-08426<br/><a href="mailto:groupmlg@eth.net">groupmlg@eth.net</a><br/><b>Camp Off</b> : 63, Sector-15, Faridabad<br/><b>FSIA Off</b> : FSIA Park, Opp. Plot No.23,<br/>Sector- 24, Faridabad- 121005</p> |  |
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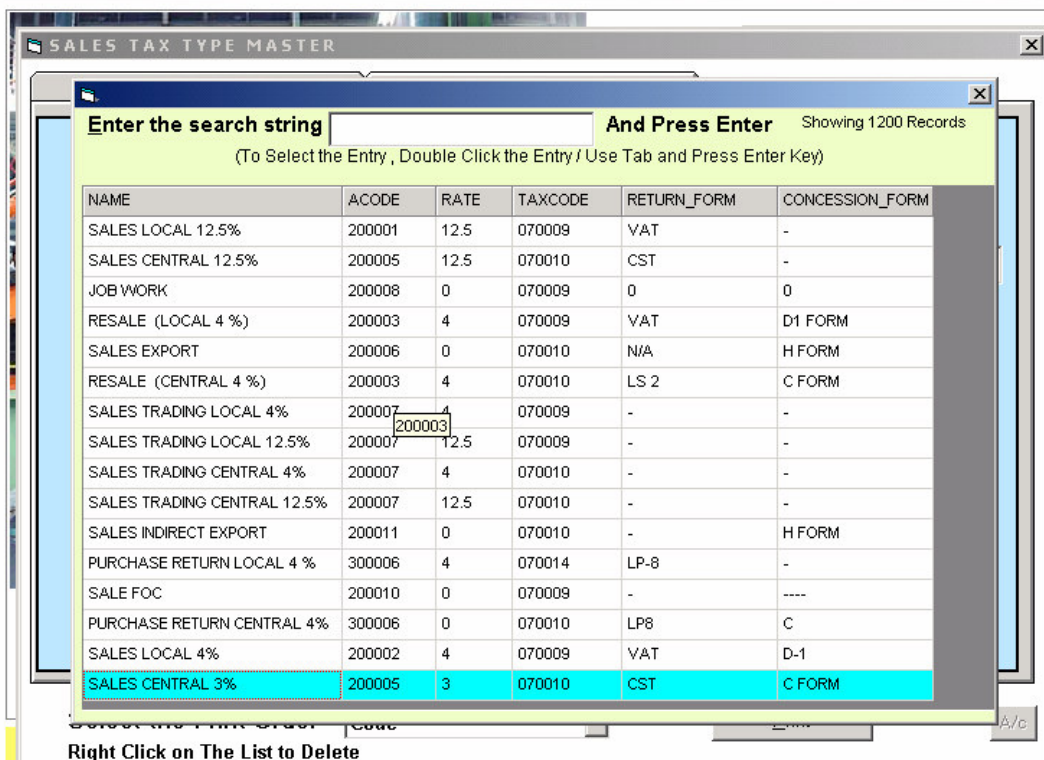
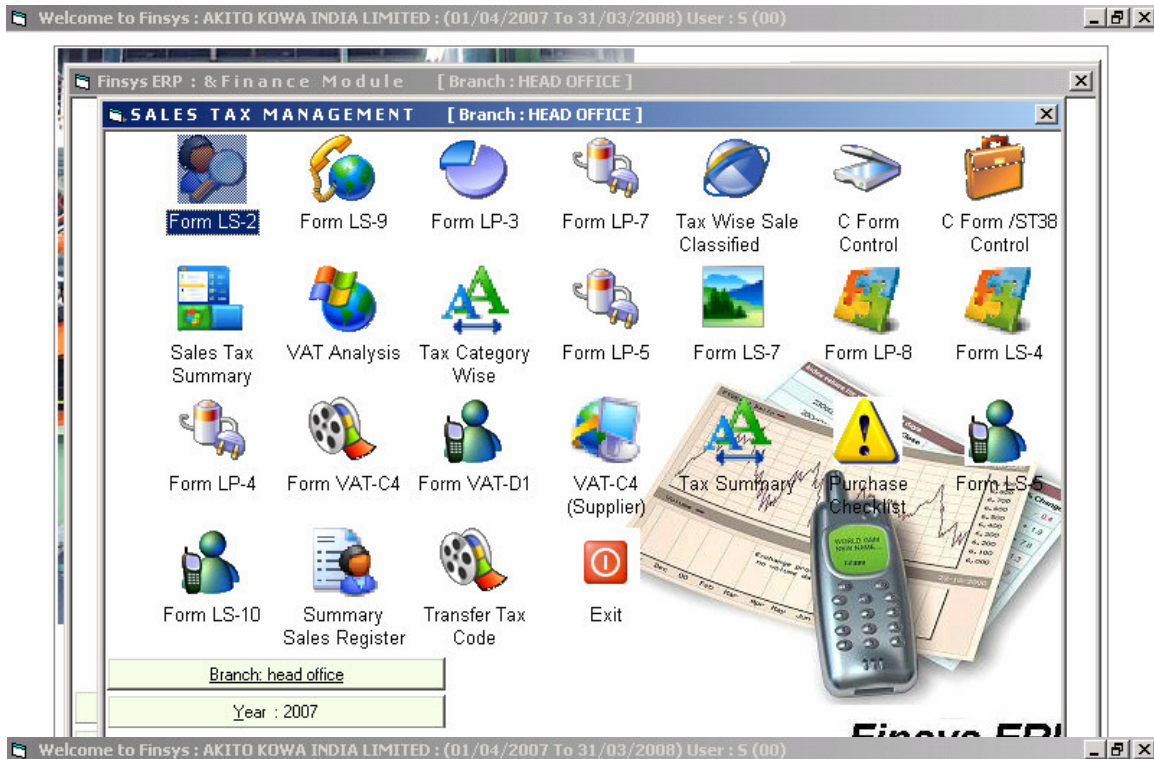
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**Advt.** : Many Successful businesses are controlling their Business operations, Accounts, Purchase, Sales, Complaints, Collections, Taxation, Production, ISO-9000/ ISO-14001 and TS-16949 systems on the Finsys ERP packages © MLG Infotech P Ltd 1992-2007.



Right Click on The List to Delete

**Note:** (please use the above Add/Edit Sales Tax Rates option to change the Central Sales Tax Rates in Finsys ERP)

For Trade Enquiries contact : Puneet Gupta 93500-18744, Dinesh Verma 9313136494, Deepak Sharma 9312359961 - MLG Infotech Pvt Ltd – the company that can give you both the full ERP and also modules, according to your need. ... And also implements it.