

[FSIA E-circular dt April 08, 2007](#)

<p>This is the First Fortnight of the New Financial Year 2007-08.</p> <p>Last year, has been an fabulous "Boom" in the Indian Economy.</p> <p>And also to the Industry of Faridabad and NCR-Delhi.</p>	 <p>FSIA wishes all Members a Prosperous & Profitable 2007-08</p>	 <p>Happy New Year!</p> <p>Financial Year 2007-08</p>
--	--	--

Dear Friends,

Some basic Sales Tax and TDS information for you.



1. CST rate reduced from 4% to 3% (w.e.f. 1-4-2007)

- a. All of you have to charge this new rate of CST on future Sale bills.
- b. **Do appropriate Changes in your ERP software to charge the new Sales Tax Rates.**
- c. From when ? → from 01-April-2007
- d. **Background**
 - i. The Govt had brought in VAT across India in last 3 years, It has brought in good results for the State Governments. Their VAT revenue rose by average 24% every year. (That is BIG).
 - ii. Now, the Government has reduced the CST in four steps (4 to 3 per cent from April 1, 2007, 3 to 2 from April 1, 2008, from 2 to 1 per cent with effect from April 1, 2009 and abolition on March 31, 2010).
- e. **Merits on Purchases side (cost side)**
 - i. 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 4%. This is your cost, you have to bear.
 - ii. Now, in new regime, this CST will be 3% only.
 - iii. So, the cost goes down.
 - iv. And of a yearly Purchase of say, Rs 10 crores – your CST was Rs. 40 Lakhs. Now it will be Rs. 30 Lakhs ---- Wow ! You just saved Rs. 10 lakhs..... your profit.

f. Merits on Sales side (Market penetration side)

- i. 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 4%.
- ii. Now, in new regime, this CST will be 3% only.
- iii. So, the cost difference goes down.
- iv. So, you are more competitive.

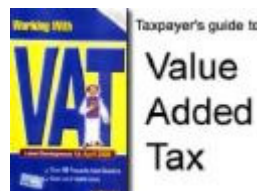
2. Change in Central Sales Tax rate , if done for “other than C Form”

- a. This is a good and hidden benefit, many of you have not noticed.
- b. Taxation Laws (Amendment) Act, 2007 , passed by the Govt and notified by the Govt on 29-3-2007 has said that :

i. “ The rate of CST on inter-State sale other than sale to registered dealers shall be the rate of VAT applicable in the State of the selling dealer.”

c. This is Great news.

- d. Earlier, if you sold goods worth Rs. 1 crore on Central Sale against Form C, and later the customer did not give the Form C → You were penalised. The Sales Tax Dept used to charge you 10% - 4% = 6% (Rs. 6,00,000) additional tax for non-filing of the C-Forms.



- e. Now that would be easier.
- f. Now, if VAT Rate of that commodity in Haryana is say, 4%. And suppose you are selling it to somebody in Noida @ 4% CST (against C Form). Now, even if he does not give you the C Form. You will not pay any more Tax. (The Govt says “ The rate of CST on inter-State sale other than sale to registered dealers shall be the rate of VAT applicable in the State of the selling dealer.” → So, effective CST shall remain 4% in that above case.
- g. That is a Good news indeed.

3. Change in Central Sales Tax rate , if done to Government

- a. The new Sales Tax law says :

i. “The rate of CST on inter-State sale to Government Departments shall also be the rate of VAT applicable in the State of the selling dealer. The facility of inter-State purchases by Government Departments against Form-D stands withdrawn.”

b. This is Good news again.

- c. Earlier position : When you sold goods to Government Departments like Defence, Railways, etc, you had to charge a lower rate of tax. And later get Form D from them.
- d. New position: With the law coming into force from April 1, all Government departments (does not include public sector undertakings) would have to fork out VAT at normal rates on their purchases from this date. The concessional tax regime hitherto available for government departments has been withdrawn.
- e. Hidden benefit : You do not have to run after them to get those “D-Forms”
- f. Work to do : Change your ERP software , master files accordingly.

4. New TDS Rates are

TDS Contractors

	Basic rate	Surcharge	Cess	Total
		nil	3%	
Normal Rate (All categories)	2		0.06	2.06
	Basic rate	Surcharge	Cess	Total
		10%	3%	
Higher Rate (for Indl/HUF Contractor with bill to you for more than Rs. 10 Lac) (for Firm/Co. Contractor with bill to you for more than Rs. 1 crore)	2	0.2	0.066	2.266

TDS Professionals and TDS Commissions(1-4-07 to 31-5-2007)

	Basic rate	Surcharge	Cess	Total
Normal Rate (All categories)	5		0.15	5.15
Higher Rate (for Indl/HUF with bill more than Rs. 10 Lac) (for Firm/Co. with bill more than Rs. 1 crore)	5	0.5	0.165	5.665

TDS Professionals & TDS Commissions (1-6-07 to 31-3-2008)

	Basic rate	Surcharge	Cess	Total
Normal Rate (All categories)	10.00		0.30	10.30
Higher Rate (for Indl/HUF with bill more than Rs. 10 Lac) (for Firm/Co. with bill more than Rs. 1 crore)	10.00	1.00	0.33	11.33

TDS Rent - Land and Buildings

	Basic rate	Surcharge	Cess	Total
Individuals/HUF				
less than 10 lac	15.00		0.45	15.45
more than 10 lac	15.00	1.50	0.50	17.00

Firm/Company

	Basic rate	Surcharge	Cess	Total
less than 1 Cr	20.00		0.60	20.60
more than 1 Cr	20.00	2.00	0.66	22.66

TDS Rent - Plant and Machinery / Cars etc (April-May 07)

	Basic rate	Surcharge	Cess	Total
		10%	3%	
Individuals/HUF				
less than 10 lac	15.00		0.45	15.45
more than 10 lac	15.00	1.50	0.50	17.00

Firm/Company

	Basic rate	Surcharge	Cess	Total
		10%	3%	
less than 1 Cr	20.00		0.60	20.60
more than 1 Cr	20.00	2.00	0.66	22.66

TDS Rent - Plant and Machinery / Cars etc (Jun 07 – Mar 08)

	Basic rate	Surcharge	Cess	Total
Individuals/HUF				
less than 10 lac	10.00		0.30	10.30
more than 10 lac	10.00	1.00	0.33	11.33

Firm/Company

less than 1 Cr	10.00		0.30	10.30
more than 1 Cr	10.00	1.00	0.33	11.33

TDS - Salaries

Basic Exemption	0 to 110000	NIL	
First Slab	110000 to 150000		10%
Second Slab	150000 to 250000		20%
Third Slab	250000 upwards		30%

Education Cess to be added @ 3%.

Please Note, that the basic exemption for
Women = Rs. 145000 and
Senior Citizen = Rs. 195000

- So, all of you have to charge this new rate of TDS on future TDS deductions.
- Change your ERP software to charge the new Rate of TDS / TCS

5. Other points for TDS

- Government has started TDS on Interest on 8% Taxable RBI Bonds.(if x>10000p.a.)
- TDS exemption limit for Bank Interest has been raised to Rs. 10000 (from Rs. 5000)
- TDS exemption limit for normal company Interest is same at Rs. 5000.
- TDS rates have changed for almost all categories, so , please see the chart carefully.
- TDS Certificates in Form 16 and 16A have also changed.
- TCS rates have also changed.



6. **Dividend distribution tax has been** hiked to 15%
 - a. You get lesser (Net) dividend
 - b. And if you have funds locked in a group company, and you thought of paying the dividends to yourself. → now the tax expense will be even higher → at 15% + cess. = 15.45%

7. **Excise payment change : We at FSIA bring to you action point on the Excise front.**

If your Excise payment was more than Rs 50 lac last year. (approx on a sale of Rs. 10crores, total excise is 1.60crores, say 1.00 crores is out of RG-23 Modvat, and 0.60 cr is from PLA) → Then you have deposit the money via Electronic mode only. And No TR-6 will be filled up in future. **Go, take a electronic internet based payment username, password based account** from a bank like SBI, PNB, ICICI immediately.



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

	<p>Sangeet Kumar Gupta FCA, ICWA, PGDMM, B.Com(Hons) Honorary Consultant, Faridabad Small Industries Association 93126-08426 groupmlg@eth.net Camp Off : 63, Sector-15, Faridabad FSIA Off : FSIA Park, Opp. Plot No.23, Sector- 24, Faridabad- 121005</p>	
---	---	---

Subscription

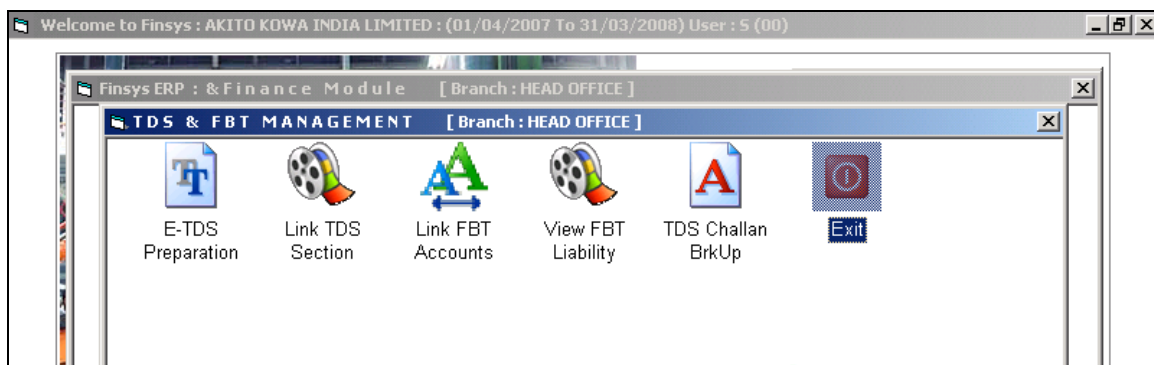
Please send your details, and request e-mail to groupmlg@eth.net

for Discontinuation of this E-mail

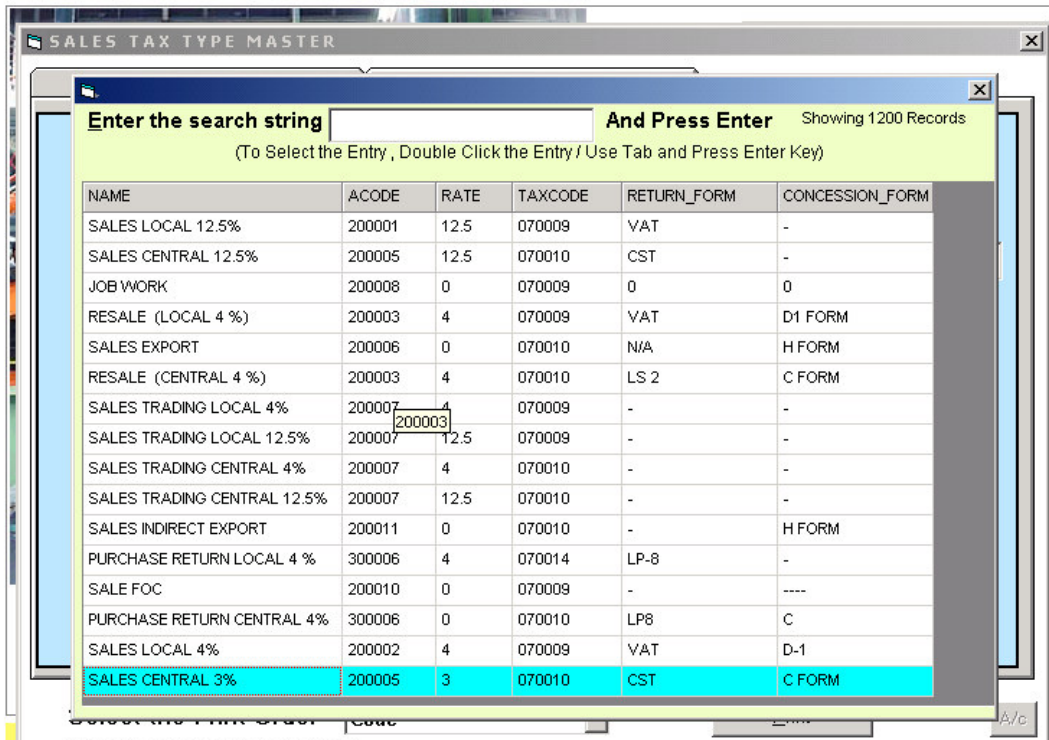
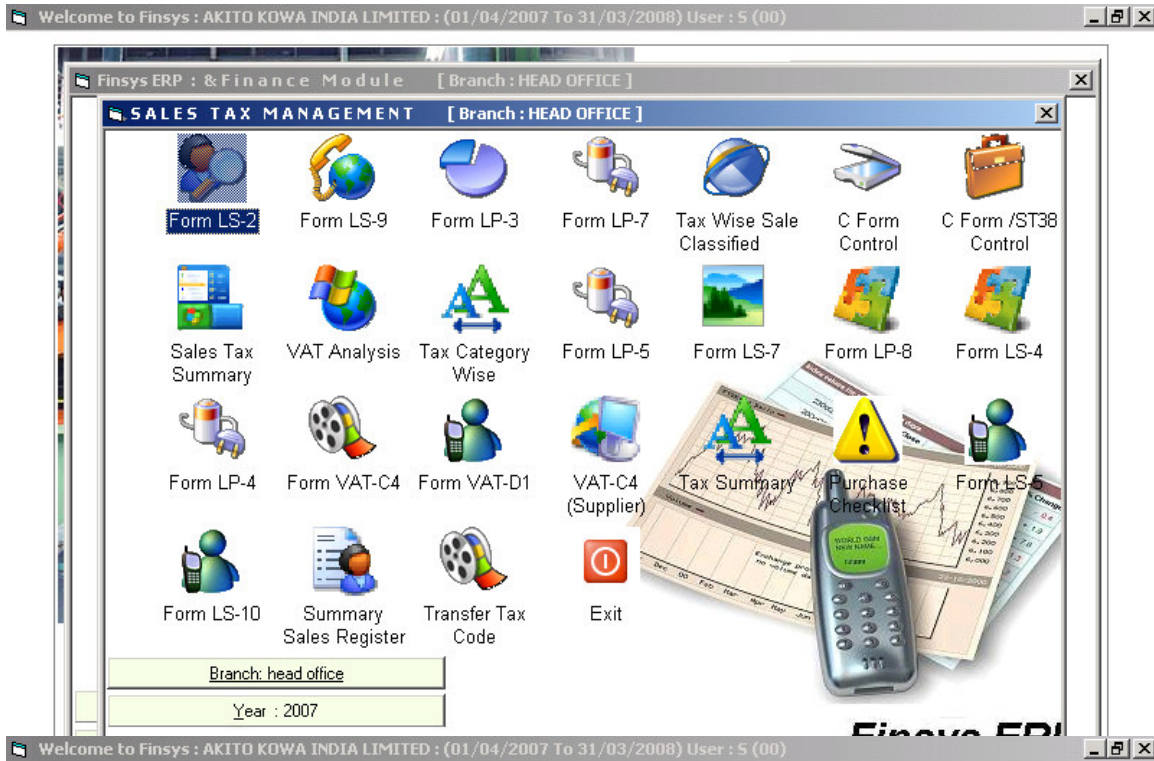
To discontinue receipt of e-mails from the author, please reply mentioning "Discontinue" in the Subject.

Notes & disclaimer

For private circulation. Intended for recipient only. This is only for personal information of the members. Based on information & interpretations available as on April 08, 2007 Please contact your Consultant / Chartered Accountant / counsel for his final opinion, if deemed fit.



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.