







## E-circular dt 28-Feb-2007

	<p>GDP is up, Economic Growth is UP, Per Capita Income is Up <b>BUT</b> The stock market is down by 500 points</p> <p style="font-size: small;">Bombay Stock Exchange Limited</p>  <p style="font-size: x-small;">The edge is efficiency</p>	 <p style="font-size: x-small;">© BSEIndia.com</p>
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What happened ? Read on .....



		
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Dear Members,

The Budget 2007 just came in. Some big points : AND How they effect you ?



1. **Change in Excise** Due to increase in Education cess

	Basic	Cess	Total
Excise-old	16.00%	0.32%	16.32%
Excise –New	16.00%	0.48%	16.48%

- a. So, all of you have to charge this new rate on all your shipments ( excisable bills)
- b. Change your software to charge the new Rate of Cess
- c. From when ? → from tomorrow morning



## 2. Change in Service tax rate

- ( people were anticipating, that rate may rise from 12% to 14%.)
- However, it has not.
- No change prima facie
- But Increase in Education Cess has increased it anyway

### Service Tax Rates

	Basic	Cess	Total
Excise-old	12	0.24	12.24
Excise -New	12	0.36	12.36

- So, all of you have to charge this new rate of Service Tax on future Billing.
- Who is effected ? All --- your CA, your ISO-9000 consultant, your Architect, your builder, telephone bill, insurance payments, Bank, .... All services on which service tax was levied.
- Remember, Change your ERP software to charge the new Rate of Service Tax.
- From when ? → from Tomorrow morning → URGENT )



## 3. MAT extended to IT cos and also 100% EOU's

- If you have a EOU , making chemicals, or electronics, or castings, or autoparts, or garments, or furniture etc, and you thought it was fully tax free ..... now it has changed, => the income is tax free, but the MAT ( minimum alternate tax, is in) So, if you had a tax free profit of Rs. 1 crores, now you may the MAT of 10% +s/c +cess = 11.33% = Rs. 11,33,000 tax on that. ( that is a big loss to you)
- That is big, the Companies like Infosys, etc were paying hardly any tax, on the incomes they derived from the 10A, 10B incomes ( Export oriented businesses)
- So, they pay more tax. And the stock market does not like this. So the stock markets have shown a marked loss in these shares.



## 4. I-T exemption limit goes up by Rs. 10000 for all individuals etc

- a. This is the Basic amount of income, till which , you do not have to pay any tax. (This is the tax free limit ). Now this has been increased.
  - i. For normal people : Rs. 1,10,000
  - ii. For women hiked to Rs 1,45,000
  - iii. For Senior Citizens = Rs. 1,95,000
- b. So, ?? All of you save → minimum Rs. 1020 each.
- c. ( Thank God, for small mercies...!!!)

5. **Corporate Tax rate goes down for small companies and Firms → How ? Surcharge goes down from 10% to NIL from small companies and firm**

- a. All firms and companies with profits of less than Rs. 1 crores, will now pay NIL surcharge.
- b. So, effective tax rate goes down from approx 33% to 30%.
- c. Have a look at the chart below

Corporate Tax Rates

for firms and companies

	Basic rate	Surcharge	Cess	Total
		10%	2%	
Tax Rate – Old	30	3	0.66	33.66

**For small companies ( 95% of the FSIA members )**

	Basic rate	Surcharge	Cess	Total
		10%	3%	
Tax Rate – New	30	0	0.9	30.9

\*surcharge is NIL since, most of the general companies will fall in profit of less than Rs. 1 crore slab.

**For Large companies ( profit of more than Rs. 1 crores )**

	Basic rate	Surcharge	Cess	Total
		10%	3%	
Tax Rate – New	30	3	0.99	33.99

\*surcharge remains 10% since, Govt feels, if you are big, you can pay more ( !!! )  
Your rate increased from 33.66% to 33.99%

6. **Education Cess goes up from 2% to 3%**

- a. “1 per cent cess hike to fund higher education”
- b. Till now , everybody had 2% education cess
  - i. On excise
  - ii. On customs
  - iii. On income tax
  - iv. On TDS
  - v. On TCS

- c. So, now this 2% is increased to 3%.
- d. Result ? You pay more tax .
- e. Excise rises , Corporate tax rises, and TDS rises.



7. **Effect on TDS** of increase in Education cess and decrease in Surcharge

TDS-Individual

for individuals and HUF - old

	Basic rate	Surcharge	Cess	Total
		nil	2%	
TDS-contractor	2		0.04	2.04
TDS-professional	5		0.1	5.1
TCS – scrap	1		0.02	1.02

for individuals and HUF - New

	Basic rate	Surcharge	Cess	Total
		nil	3%	
TDS-contractor	2		0.06	2.06
TDS-professional	5		0.15	5.15
TCS – scrap	1		0.03	1.03

TDS-Firm/  
Company

for Firms and companies -  
OLD

	Basic rate	Surcharge	Cess	Total
		10%	2%	
TDS-contractor	2	0.2	0.04	2.24
TDS-professional	5	0.5	0.1	5.6
TCS - scrap	1	0.1	0.02	1.12

for Firms and companies -  
NEW

	Basic rate	Surcharge	Cess	Total
		NIL*	2%	
TDS-contractor	2		0.04	2.04
TDS-professional	5		0.1	5.1
TCS - scrap	1		0.02	1.02

\*surcharge is NIL since, most of the general contractors will fall in billing is less than Rs. 1 crore slab.

- a. So, all of you have to charge this new rate of TDS on future TDS deductions.
- b. Change your ERP software to charge the new Rate of TDS / TCS
- c. From when ? → from date of passing the budget ( it could be sometime in April to June 2007 → Later on, not now )



## 8. CST rate will be reduced from 4% to 3%

- a. The Govt had brought in VAT across India in last 3 years,
- b. It has brought in good results for the State Governments.
- c. Their VAT revenue rose by average 24% every year. ( That is BIG )
- d. Now, as per the promise, the Government has reduced the CST
- e. The promise was 4% to 2%.
- f. However, they have reduced it to 3% this year ( w.e.f. 1-4-2007 )
- g. Good anyway.
- h. 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.
- i. 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.

## 9. Other points

- a. Cash transactions upto Rs 50,000 exempted from levy – for individuals the limit for BCTT free limit rises from 25000 to 50000. No change for companies.

## 10. Dividend distribution tax to be 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%

11. **Customs is down** Peak customs rate to be reduced to 10% instead of 12.5%


- a. You get cheaper imports.  
b. Plastic component manufacturers, can look forward to reduction in the raw material prices( PP, LDPE, etc)



and Chidambram for these “measures”.

OPINION POLL		
	<p>The Faridabad Small Industries Association</p> <p>invites you</p> <p>to send your comments on the Budget 2007. ( reply to this mail)</p>	

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

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