

## FSIA E-circular dt February 14, 2008



Dear Members,

### Important Income Tax Notes: for Fin year 2007-08 ( A Yr 2008-09)

#### 1. Corporate Tax rate

- a. Lower than last year.
- b. The Surcharge was reduced from 10% to NIL from small companies and firm. All firms and companies with profits of less than Rs. 1 crores, will now pay NIL surcharge.
- c. So, effective tax rate goes down from approx 33% to 30%.
- d. Have a look at the chart below

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

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

	Basic rate	Surcharge	Cess	Total
		10%	3%	
<b>Tax Rate – New</b>	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%	
<b>Tax Rate – New</b>	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%

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

- a. **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)
- b. 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)
- c. 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.

## 3. Individuals and HUF

- a. **I-T exemption limit has been increased by Rs. 10000 for all individuals etc**
- b. 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
- c. **So, ?? All of you save -> minimum Rs. 1020 each.**
- d. ( Thank God, for small mercies...!!!)
- e. Thus the quick notes on the Tax Rates and Slabs are

<u>Basic Rates</u>	<u>Rate</u>
Upto Rs. 1,10,000	Nil
Rs. 1.10 lac - Rs.1.50 lac	10%
Rs. 1.50 lac - Rs.2.50 lac	20%
Rs. 2.5 lac onwards	30%

### Surcharge

Those with taxable income upto Rs. 10 lakh	Nil
Those with taxable income above Rs. 10 lakh	10%.
<b><u>Education Cess , incl SHE cess</u></b>	3% for all.

### Basic Exemption Limits

for normal cases	Rs. 1.10 lac
for Ladies	Rs. 1.45 lac
for Senior citizen	Rs. 1.95 lac

And this is the Net taxable income , after all section 80 C deductions  
You can invest upto Rs. 1 lac into Section 80 C investments

## 4. Individuals and HUF – other benefits

- a. **Savings and investments under 80 C** : same Rs, 1 Lakh limit of investment ( can be invested in LIC, ELSS, PPF, NSC, NABARD, special bank FD etc)

- b. **Mediclaime under 80D :**
    - i. Normal people : Increased from Rs. 10000 to Rs. 15000
    - ii. Senior Citizen: Increased from Rs. 15000 to Rs. 20000
5. **Wealth Tax** -
- a. Rate remains same at 1% , over and above the assets of Rs.15 lacs.
  - b. Please note – if your company has more than 10 cars, just check your calculations, you must be liable for Wealth Tax payments. And If you are not paying Wealth Tax, your company is not abiding by the law.
  - c. Property prices are “rising” fast in last few years. So, if you / your family have more than 2 properties , just check your calculations, you must be liable for Wealth Tax payments. And If you are not paying Wealth Tax, you are not abiding by the law.
  - d. If you want to “Plan” your Wealth Tax, then, please “plan” and take “Action” → No plan and no action, would be a invitation to the tax man to your door.
  - e. So, check up with your Accounts Dept / your Chartered Accountant / FSIA Help desk.
6. **Gift Tax** -
- a. As such, no gift tax is there
  - b. However, Total of all gifts received by a person from non-relatives, beyond the exemption of Rs. 50000 / year, will be added in income and taxed at normal rates - 10% - 20% - 30% etc.
  - c. Some Gifts like gifts from relatives are tax free.
7. **Interest deduction for Self Occupied Property ( no change from last year )**
- a. This is currently now upto Rs. 1,50,000 per annum.
  - b. And, further, if you take the House and the Loan in Joint name of Self and spouse, then both of you can get the benefit of this limit
  - c. And interest deduction for Rented property is without limits. , i.e. any amount is allowed.
8. **Dividends are currently fully tax free.**
- a. If you are receiving some dividends from UTI, Mutual Funds, Companies then, these are 100% tax free for you as the receiver of money.
9. **Long Term Capital Gains on Shares are currently fully tax free.,**
- a. if they are via the Stock exchange and the necessary Securities Transaction tax is paid on them.
10. **Short Term Capital Gains on Shares are currently taxable at only 10%.**
- a. if they are via the Stock exchange and the necessary Securities Transaction tax is paid on the Sale transaction.

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

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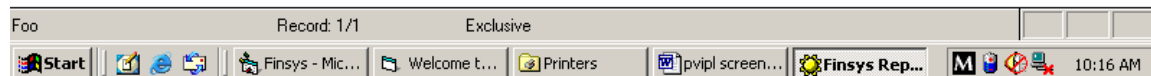
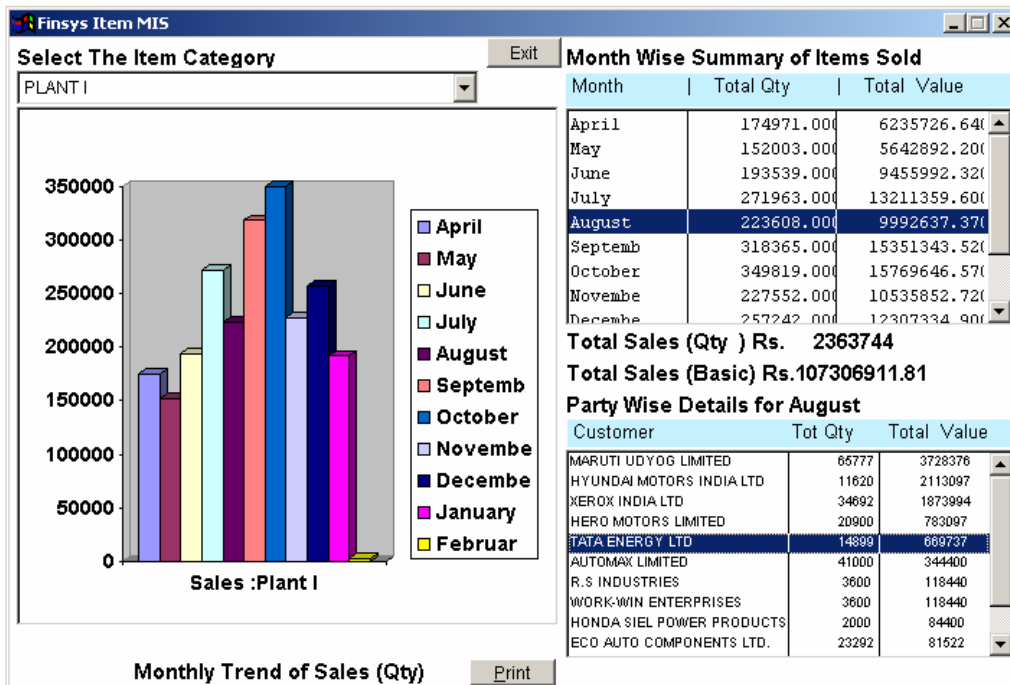
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