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## BUDGET 2010-11

Yes it came out on 26<sup>th</sup> Feb 2010.



For the Third Consecutive Time in the history of Faridabad, we had an Instant and LIVE Budget Analysis, with a panel of Experts,

- We had Chartered Accountants from the Faridabad C.A. Branch of NIRC of Institute of Chartered Accountants of India,
  - We had the media
  - We had eminent Bankers, from Financial Institutions,
    - 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 Zee Business TV Channel and many other TV channels
  - And we had ..... the dynamic businessmen of Faridabad..



		<p><i>It was Mr Pranab Mukherjee LIVE, via the Giant Television, in the Hotel Delite , before all the members of the FSIA.</i></p> <hr/> <p><i>Truly a memorable event</i></p>

Dear Members,

The Budget 2010 came in, on 26<sup>th</sup> Feb . And 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

Part 1	Major Highlights in this Budget 2010	
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1. **Excise Rates increased**
  - a. From 8% to 10%
2. **Service Tax:** No Rate Change. Some new services added.
3. **Income Tax Rates changed, Major reduction for all large tax payers**

a. Basic Slabs

<b><u>Basic Rates</u></b>	<b><u>Rate</u></b>
Upto Rs. 1,60,000	Nil
Rs. 1.60 lac - Rs.5.00 lac	10%
Rs. 5.00 lac - Rs.8.00 lac	20%
Rs. 8.00 lac onwards	30%

**Surcharge** NIL

**Education Cess , & SHE cess** ( continues) 3% for all.



- b. Basic exemption limit (till which, you do not have to pay any tax). This remains the same.
- For normal people : Rs. 1,60,000
  - For women hiked to Rs 1,90,000
  - For Senior Citizens = Rs. 2,40,000
- c. So, ?? Most of you save Good value in Income TAXES □ Savings are upto Rs. 51500. per person ( saving on income of 8 lakh).



**Please observe** == effective Tax Rates, have become further, very very low

**Table 1 = Tax % has come down to very very low.**

Income	Savings - section 80C, 80CCF (suppose)	Net taxable income after 80C	Basic Tax	Cess, she cess	Total Income Tax	Effective Tax %
100,000	0	100,000	0	0	0	0.00%
200,000	50,000	150,000	0	0	0	0.00%
300,000	75,000	225,000	6,500	195	6,695	2.23%
500,000	100,000	400,000	24,000	720	24,720	4.94%
800,000	120,000	680,000	70,000	2,100	72,100	9.01%
1,000,000	120,000	880,000	118,000	3,540	121,540	12.15%

Note : We have “assumed” some savings in Section 80C, and new section 80CCF ( new infrastructure bonds ). Actual savings vary from person to person. And, please note, apart from this, you can take benefit of Medclaim, HRA, conveyance allowance, and perks etc also.

**Table 2 = TDS per month, has come down too, to pity amounts.**

Income per year	Tax required per month
100,000	0
200,000	0
300,000	558
500,000	2,060
800,000	6,008
1,000,000	10,128

Above Table 2 is based on the Table 1

Also, please see that a person who earns, say Rs. 42000 per month, has to pay TDS of just 2000 per month.

Similarly, for an Income of Rs. 20000 p.m. his tax could be nil.

And for **Income of 25000 p.m.** his TDS could be **just around Rs 500 per month**



**4. Small businesses – Tax Audit Requirements Limit →**

- a. Made easy → Now increased from 40 lakhs to Rs. Rs. 60 lakhs
- b. For businesses → from Rs 40 lakhs to Rs. Rs. 60 lakhs
- c. And for professionals → from Rs 10 lakhs to Rs. 15 lakhs
- d. Turnover less than Rs. 60 Lakhs → No audit requirement

**5. Small businesses – Deemed Profit provision, increased limits to Rs. 60 lakhs**

- a. Turnover less than Rs. 60 Lakhs → NOW, Pay Tax on just the Deemed Profit @ 8% of Turnover only
- b. **What ?**
  - i. **Big new Policy change .**
  - ii. **Extended for the first year ( wef 1.4.2010 )**
    - Earlier this scheme only for the Retail sector / Construction sector.
    - Now for all sectors , all businesses (except a small exception)

Case	Turnover	Effect
A	Less than Rs 60 Lakhs	Deemed income just 8% of the turnover. Pay tax on this.
B	Over Rs. 60 lakhs	Normal laws and normal rates.

**c. FSIA point**

- i. For the real small entrepreneurs and beginners, the government has made things really liberal.
  - Just say that you are a small business.
  - Compute “Deemed income” at just 8% of the turnover.
  - Pay tax on this.
  - Take 80C relief / 80 D / 80 CCF as per law.
  - Take partners salary , partners interest on capital relief too
  - No accounts required
  - No audit required
  - No accountant required
  - (( but do not forget the accounting and records requirements, under other laws, like VAT, Service Tax etc)
- ii. Good for our MSME members, and budding entrepreneurs.
- iii. But, do the FSIA want to be limited to this Rs. 60 Lakhs p.a. now ?  
NO.
  - We want to grow.
  - So, we at FSIA editorial board will relish if our every member unit of our Association and the Associate Industrial Associations , becomes big and remains big. Come on ! Grow and raise larger targets ....



- Meanwhile for the smaller units, this is a good welcome measure.

d. What does this amount to ?

Particulars	Case 1 = without 80C	Case 2 = with 80C, 80CCF savings	Case 3 = Sale of 40 lakh	Case 4 = Sale of 36 lakh
Suppose, your Turnover The Deemed income =8% is	6,000,000	6,000,000	4,000,000	3,600,000
Less LIC, PPF etc savings	480,000	480,000	320,000	288,000
Net income	480,000	360,000	200,000	168,000
Tax due on above	32,000	20,000	4,000	800
Effective Tax as % of Sales	0.53%	0.33%	0.10%	0.02%

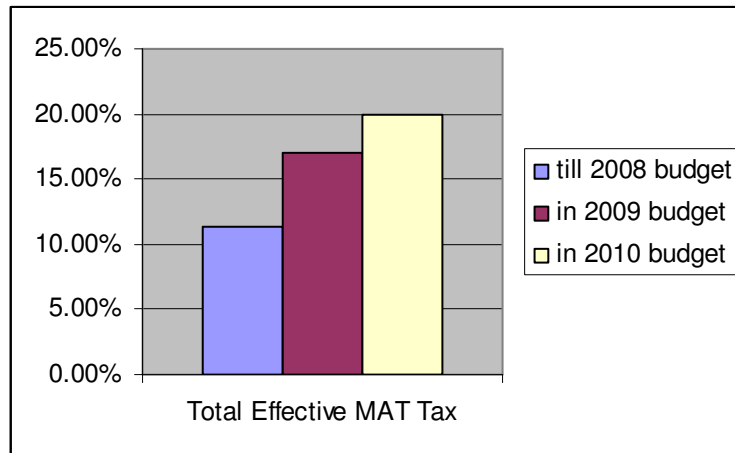
Astonishingly low  
Just pay Rs. 800 per year, and enjoy \* .....

So, that is the tax that you have to pay  
And you can further reduce this by going for Mediclaim etc  
Moreover no Advance tax is payable.  
You get credit of TDS also ( if any)  
(\*conditions apply)

## 6. MAT ( Minimum Alternate Tax ) – Section 115JB

- What ?** – The companies, who have book profits but don't pay income tax due to some deductions / exemptions, They have been forced to pay heavier taxes.
- Have a look !!**

MAT	till 2008 budget	in 2009 budget	in 2010 budget
Basic MAT Rate	10.00%	15.00%	18.00%
Surcharge	1.00%	1.50%	1.35%
Cess	0.33%	0.50%	0.58%
Total Effective MAT =	11.33%	17.00%	19.93%



- c. The increase has been tremendous and pretty sharp.
- d. Whom does this apply to ?
  - i. Many companies who set up plants in backward areas, like Himachal, Uttaranchal etc
  - ii. Many companies who had EOU units
- e. **FSIA editorial team :**
  - i. **Look , for a EOU unit with a profit of Rs. 1 crores**, now income tax payable shall increase from 11.33 lakhs ( in 2008-09) to Rs. 19.93 lakhs(in 2010-11) (about Rs. 8.60 lakhs extra ).



Part 2	Things you might have Missed	Unknown, unseen, things, in the "Fine Print", Which Media does not discuss...
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## 7. Major Changes in the TDS Basic Exemptions

With effect from 1<sup>st</sup> July 2010

Sl. No.	Section	Nature of payment	Existing threshold limit of payment (Rupees)	Proposed threshold limit of payment (Rupees)
1	194-I	Rent	1,20,000	1,80,000
2	194J	Fees for professional or technical services	20,000	30,000
3	194C	Payment to contractors	20,000 (for a single transaction)	30,000 (for a single transaction)
			50,000 (for aggregate of transactions during financial year)	75,000 (for aggregate of transactions during financial year)
4	194D	Insurance commission	5,000	20,000
5	194H	Commission or Brokerage	2,500	5,000

There are no further change in the TDS Rates  
Just to remind the members, the TDS Rates are now at basic rates. There is no surcharge or cess in the TDS Calculations

And one important reminder  
For all cases where TDS is required to be deducted, PAN is compulsory wef 1.4.2010.  
Else TDS at 20% shall be levied.

This applies to Non residents too.



Dr Girish Ahuja, Eminent CA  
and an authority on Direct Taxes  
at the Seminar conducted by ICAI, where  
Our President, Mr Rajive Chawla was  
the Guest on Honour, on 28.2.2010

## 8. Time for “payment of TDS” to Government increased

- a. Earlier, time available for deposit of TDS was
  - i. for TDS due for months of 1<sup>st</sup> April to 28<sup>th</sup> Feb = upto 31st March
  - ii. for TDS for March = upto due date u/s. 139 ( say 30<sup>th</sup> Sept)



- b. This led to huge hardship. If the auditor found some transaction where TDS was due , if he marked them for disallowance, immediately whole of the amount was “marked as disallowed” and huge Tax implications followed.
- c. **Relax. A big change has come in.**
  - i. Now, if any TDS was to be done, and not done, or
  - ii. Or TDS done but not deposited,
  - iii. it can be paid till the due date u/s. 139 → say 30th Sept
- d. A big worry is now over.
- e. Just deposit the TDS and be happy.
- f. Interest to be paid on this delay as under.

### 9. **Major Changes in the Interest payable on “Late TDS”**

- a. New feature
- b. Interest rate –
  - i. Pay interest at 1% p.m. from date it was deductible to date deducted
  - ii. And after Date deducted to Date pymt to Govt = 1.5% p.m. ( for using of Government’s money)
- c. Suppose, vendor’s bill was dated 30.6.2009. You forgot to deduct the TDS. Now in Sept 2010, Tax Auditors find this error. You pass a deduction entry on 31st March 2010. And deposit the TDS in Sept 2010.
- d. In this case,
  - i. You are late in deduction, pay 1% p.a. from 30.6.09 to 31.3.10
  - ii. From 1.4.2010 to Sept 2010 = 1.5% p.a.

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

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