Budget 2008 -
Yes it came out yesterday. Good … or Bad …… Time will tell.
Meanwhile, .
For the First Time in the history of Faridabad, we had an Instant and LIVE
Budget Analysis, with a panel of Experts, &
• We had eminent Bankers, from OBC and SBI,
• We had our own FSIA panel of Consultants.
• We had Chartered Accountants from the Faridabad C.A. Branch of NIRC or
  Institute of Chartered Accountants of India
• We had our own Rajiv Chawla ji, who has himself been the panel speaker in past years on CNBC, Aaj Tak, DoorDarshan, and so many news channels
  • We had members from the Industry
  • We had guests from the FISME and so on………..
• And we had ……. the dynamic businessmen of Faridabad.
Dear Members,

The Budget 2008 just came in today morning. The final finer nuances will be apparent when we will go through the fine print. But till then, some big points and our FSIA analysis on How they effect you?

1. **Big Drop in Excise** From 16% to 14%.
   a. So, all of you have to charge this new rate on all your shipments (excisable bills)
   b. Change your ERP / Invoicing software to charge the new Rate of Cess

<table>
<thead>
<tr>
<th></th>
<th>Basic</th>
<th>Ed. Cess</th>
<th>She.Cess</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Excise- Old</td>
<td>16.00%</td>
<td>0.32%</td>
<td>0.16%</td>
<td>16.48%</td>
</tr>
<tr>
<td>Excise- New</td>
<td>14.00%</td>
<td>0.28%</td>
<td>0.14%</td>
<td>14.42%</td>
</tr>
</tbody>
</table>
2. **From when are the Excise Rates Changing?**
   a. From tomorrow morning – first shipment 00.00 hours morning onwards.
   b. If you do not change, and if you charge excess - you will have to pay the excess charged also to the government.

3. **Bigger Drop in Excise on Small Cars, Motorcycles etc**
   a. So, go ahead, more boom time for auto industry.

4. **Change in Service tax rate = NIL**
   (but Basic Service Tax exemption Limit has been increased from Rs. 8 lakh to Rs. 10 lakh)

5. **I-T Rates slashed + Basic Exemption Limit Hiked.**
   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. 1,50,000
      ii. For women hiked to Rs. 1,80,000
      iii. For Senior Citizens = Rs. 2,25,000
   b. So, ?? All of you save HUGE in Income TAXES
   c. Savings are between Rs. 5000 to Rs. 50000. per person

<table>
<thead>
<tr>
<th>Basic Rates</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Upto Rs. 1,50,000</td>
<td>Nil</td>
</tr>
<tr>
<td>Rs. 1.50 lac - Rs.3.00 lac</td>
<td>10%</td>
</tr>
<tr>
<td>Rs. 3.00 lac - Rs.5.00 lac</td>
<td>20%</td>
</tr>
<tr>
<td>Rs. 5.00 lac onwards</td>
<td>30%</td>
</tr>
</tbody>
</table>

**Surcharge**

Those with taxable income upto Rs. 10 lakh   Nil
Those with taxable income above Rs. 10 lakh   10%.

**Education Cess, incl SHE cess**
3% for all.

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
And the Mediclaim u/s. 80D has become 15000 Normal + 15000 for mediclaim of parents, if you are paying that.
6. **Savings in Income Tax.** – Across the board, big Savings for everybody

<table>
<thead>
<tr>
<th>Income</th>
<th>Net taxable income after 80C</th>
<th>Income Tax at old Rates</th>
<th>Income Tax at New Rates</th>
<th>Benefit from this budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>200,000</td>
<td>100,000</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>250,000</td>
<td>150,000</td>
<td>5,150</td>
<td>0</td>
<td>5,150</td>
</tr>
<tr>
<td>300,000</td>
<td>200,000</td>
<td>15,450</td>
<td>5,150</td>
<td>10,300</td>
</tr>
<tr>
<td>350,000</td>
<td>250,000</td>
<td>25,750</td>
<td>10,300</td>
<td>15,450</td>
</tr>
<tr>
<td>400,000</td>
<td>300,000</td>
<td>41,200</td>
<td>15,450</td>
<td>25,750</td>
</tr>
<tr>
<td>450,000</td>
<td>350,000</td>
<td>56,650</td>
<td>25,750</td>
<td>30,900</td>
</tr>
<tr>
<td>500,000</td>
<td>400,000</td>
<td>72,100</td>
<td>36,050</td>
<td>36,050</td>
</tr>
<tr>
<td>550,000</td>
<td>450,000</td>
<td>87,550</td>
<td>46,350</td>
<td>41,200</td>
</tr>
<tr>
<td>600,000</td>
<td>500,000</td>
<td>103,000</td>
<td>56,650</td>
<td>46,350</td>
</tr>
<tr>
<td>700,000</td>
<td>600,000</td>
<td>133,900</td>
<td>87,550</td>
<td>46,350</td>
</tr>
<tr>
<td>800,000</td>
<td>700,000</td>
<td>164,800</td>
<td>118,450</td>
<td>46,350</td>
</tr>
<tr>
<td>900,000</td>
<td>800,000</td>
<td>195,700</td>
<td>149,350</td>
<td>46,350</td>
</tr>
<tr>
<td>1,000,000</td>
<td>900,000</td>
<td>226,600</td>
<td>180,250</td>
<td>46,350</td>
</tr>
<tr>
<td>1,100,000</td>
<td>1,000,000</td>
<td>257,500</td>
<td>211,150</td>
<td>46,350</td>
</tr>
<tr>
<td>1,350,000</td>
<td>1,250,000</td>
<td>368,225</td>
<td>317,240</td>
<td>50,985</td>
</tr>
<tr>
<td>1,600,000</td>
<td>1,500,000</td>
<td>453,200</td>
<td>402,215</td>
<td>50,985</td>
</tr>
<tr>
<td>1,850,000</td>
<td>1,750,000</td>
<td>538,175</td>
<td>487,190</td>
<td>50,985</td>
</tr>
<tr>
<td>2,100,000</td>
<td>2,000,000</td>
<td>623,150</td>
<td>572,165</td>
<td>50,985</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Income</th>
<th>Net taxable income after 80C</th>
<th>Income Tax at New Rates</th>
<th>Effective tax %</th>
</tr>
</thead>
<tbody>
<tr>
<td>200,000</td>
<td>100,000</td>
<td>0</td>
<td>-</td>
</tr>
<tr>
<td>250,000</td>
<td>150,000</td>
<td>0</td>
<td>-</td>
</tr>
<tr>
<td>300,000</td>
<td>200,000</td>
<td>5,150</td>
<td>1.72%</td>
</tr>
<tr>
<td>500,000</td>
<td>400,000</td>
<td>36,050</td>
<td>7.21%</td>
</tr>
<tr>
<td>700,000</td>
<td>600,000</td>
<td>87,550</td>
<td>12.51%</td>
</tr>
<tr>
<td>1,000,000</td>
<td>900,000</td>
<td>180,250</td>
<td>18.03%</td>
</tr>
</tbody>
</table>

a. So, go ahead, .......... Pamper yourself with bigger salaries, 
b. The taxes are really low, like never before.
8. **Income Tax rate for companies and Firms ➔ No Change**

9. **CST rate will be reduced from 3% to 2%**
   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. Last year, they promised 3% to 2%.
   f. They have done this, they have reduced it to 3% this year
   
g. **When ? w.e.f. 1-4-2008**
   
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 2% only.
   iii. So, the cost goes down.
   iv. And of a yearly Purchase of say, Rs 10 crores – 2 years ago, your CST was Rs. 40 Lakhs. Last year it was Rs. 30 lakhs, and now, it will be Rs. 20 Lakhs ---- Wow! You just saved Rs. 10 lakhs more ........ 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 / Uttarakhand 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%.
   ii. Now, in new regime, this CST will be 2% only.
   iii. So, the cost difference goes down.
   iv. So, you are more competitive.

10. **Setting up of factory in backward areas of Himachal Pradesh and Uttarakhand**
   a. Now, that has lost Two more percent of advantage.
   b. Excise differential is down from 16% to 14%
   c. CST differential is down from 2% to 1% (You had CST of 3%, Uttarakhand or Himachal Pradesh had 1%)
   d. And remember, the cost of production is higher in Uttarakhand Pradesh etc.

11. **Banking Cash Transaction Tax**
   a. Banking Cash Transaction Tax (BCTT) being withdrawn with effect from April 1, 2009.
b. But it will continue, for time being, Fin year 2008-09.

12. **Customs is down**. Peak customs rate to be reduced to 10% instead of 12.5%
   a. Customs duty being reduced on steel melting scrap and aluminium scrap from 5 per cent to nil. ➔ You get cheaper imports.

A quick analysis of the apparent points of the Budget.

13. **Some other good points are**

   & General CENVAT rate on all goods reduced from 16 per cent to 14 per cent to give a stimulus to the manufacturing sector. **FSIA Comment ➔ Good for all**

   & Excise duty on all goods produced in the pharmaceutical sector reduced from 16 per cent to 8 per cent. **FSIA Comment ➔ Very Good for Pharma units in Faridabad, Delhi and Gurgaon. ( The cost differential between Uttaranchal/Himachal Pradesh and NCR has effectively been reduced to near Zero )**

   & Excise duty reduced on buses and their chassis from 16 per cent to 12 per cent. **FSIA Comment ➔ Good this way the organized sector becomes more competitive.**

   & Excise duty reduced on small cars from 16 per cent to 12 per cent and on hybrid cars from 24 per cent to the general revised rate of 14 per cent. **FSIA Comment ➔ Very Good for all – whether as consumer, employee, Director or manufacturer of auto components.**

   & Excise duty reduced on two wheelers and three wheelers from 16 per cent to 12 per cent. **FSIA Comment ➔ Very Good for all. Hero Honda, Bajaj and TVS were facing tough times, with sales diminishing/going flat. This should push it up.**

   & Excise duty to be reduced on paper, paper board and articles made therefrom manufactured out of non-conventional raw materials by units not having an attached bamboo/wood pulp making plant from 12 per cent to 8 per cent with a further reduction on clearances up to 3,500 MT from 8 per cent to nil. Excise duty on certain varieties of writing, printing and packing paper is to be reduced from 12 per cent to 8 per cent. **FSIA Comment ➔ Packing material can be better competitive**

   & Excise duty reduction from 16 per cent to 8 per cent on a few more items including water purification devices, .............specified packaging material and breakfast cereals. **FSIA Comment ➔ Very Good for “Kellogs”, and our own Faridabad’s Khemka Groups Munginn’s breakfast foods.**
Excise duty being increased on packaged software from 8 per cent to 12 per cent, bringing at par with customised software attracting a service tax of 12 per cent. **FSIA Comment ➔ Licenced Canned Software becomes costlier.**

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**Service tax**

- Four services brought under service tax net namely, asset management service provided under ULIP, services provided by stock/commodity exchanges and clearing houses; right to use goods, in cases where VAT is not payable; and customized software, to bring it on par with packaged software and other IT services.
- Threshold limit of exemption for small service providers increased from Rs.8 lakhs per year to Rs.10 lakh per year; about 65,000 small service providers go out of the tax net. **FSIA Comment ➔ Lot of Small service tax payers, go out of this net. Good for them**

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**Direct Taxes- other points**

- Senior Citizen Saving Scheme 2004 and the Post Office Time Deposit Account added to the basket of saving instruments under Section 80C of the Income Tax Act. **FSIA Comment ➔ Good for Senior Citizens, they earlier to choose between tax relief and higher interest, now they can have both.**
- Additional deduction of Rs.15,000 allowed under Section 80D to an individual paying medical insurance premium for his/her parent or parents. **FSIA Comment ➔ Good for Senior Citizens, now their children have one more reason to pay for their mediclaim. ( very good indirect benefit indeed )**
- Income Tax Act to be amended to provide that reverse mortgage would not amount to "transfer"; and the stream of revenue received by the senior citizen would not be "income". **FSIA Comment ➔ Fantastic. A New product ( in niche stages in India ). The ethos is that – many senior citizens etc have no current income stream, but they**
have a house/flat. This house is worth lakhs and crores. But they don’t want to sell it. Neither is “renting it” a good idea. Now, they can take a reverse mortgage loan. Where the Loan banker will pay them an amount of say, Rs. 50,000 per month, every month, till they die. After that the bank can pay the balance to heirs and take possession of that property.

Now the elderly, and other challenged people can use their house to pay for their cost of living, and live confidently and with pride. and all this remains tax-free

**FBT – Fringe Benefit Tax**

Creché facilities, sponsorship of an employee-sports person, organising sports events for employees and guest houses excluded from the purview of FBT.

FSIA Comment ➔ Good. A rebate comes your way. But only if you have such things. Most SSI’s don’t have these benefits. But Medium scale companies have all these. And this actually promotes all companies to do more on this front.

**Dividend Tax**

Parent company allowed to set off the dividend received from its subsidiary company against dividend distributed by the parent company; provided that the dividend received has suffered DDT and the parent company is not a subsidiary of another company.

FSIA Comment ➔ Good. Today, even in city like Faridabad, we have an organized business coming in. Where you have a holding company, which holds 100% shareholding of all group companies. Good professional paid-Directors manage each company. The holding company gets dividend. We as FSIA consultants, recently managed some such cases. This is good for all of them. No double tax, to that extent.

Insert a new sub-section (11C) in Section 80-IB to grant a five year tax holiday to hospitals located in any place outside the urban agglomerations especially in tier-2 and tier-3 towns; this window will be open for the period April 1, 2008 to March 31, 2013.

FSIA Comment ➔ Good. Open a new Hospital in Palwal district. Its income will be tax free. WOW

Five year holiday from income tax being granted to two, three or four star hotels established in specified districts having UNESCO-declared ‘World Heritage Sites’; the hotel should be constructed and start functioning during the period April 1, 2008 to March 31, 2013. FSIA Comment ➔ Good. Open a Hotel too.
Rate of tax on short term capital gains under Section 111A & Section 115AD increased to 15 per cent. FSIA Comment ➔ ?????????? More tax was never “good”. But can’t help anyway.

SSSTT paid to be treated like any other deductible expenditure against business income; FSIA Comment ➔ Till now, when you did regular stock market transactions, and showed it as your business ➔ you could treat the STT as your advance Tax. From next year you cannot. ( Your Loss ). But remember to that that benefit for the Financial year 2007-08.

From the Finer Print of the Budget booklet
Last date of income tax returns preponed from 31<sup>st</sup> October to 30<sup>th</sup> September

OPINION POLL

The Faridabad Small Industries Association invites you to send your comments on the Budget 2008. ( reply to this mail)

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

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This is the beginning of March 2008 → Time to change your Systems to a proper ERP.

**Finsys®© Team can serve you.**

Call us.

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 individual modules, according to your need. … And also implements it.