

Presented by

Sanjay Kadel

Chartered Accountant
B.com, ACA, DISA(ICA), DIRM(ICAI)

And Team

Rinku
Saravanan
Ajith
Anoop
Gopi

sanjaykadel@gmail.com

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The economy has moved decisively to a higher growth phase... Confident of achieving 9% growth... I believe that boldness pays. I also believe that trust will beget trust, moderation will beget revenues and fairness will beget compliance. Income tax payers have made out a persuasive case for some relief.

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1 ECONOMY

- Projected economic growth rate of 8.7%
- During FY 2007-08 GDP increased from Rs.37.90 Lakh Crores to estimated 42.83 Laksh Crores - An increase of 13% over last year.
- There is a slight slow down in exports growth - From 22.6% growth last year, the estimated growth is 21.6%
- Foreign currency assets have increased 1.5 times than last year - standing at whopping 281 Billion US Dollars.
- The growth in the services sector continued to be broad based. Among the subsectors of services, “transport and communication” has been the fastest growing with growth averaging 15.3 percent per annum during the Tenth Five Year Plan period followed by “construction”.
- The growth of “financial services” comprising banking, insurance and business services is at peak at 13.9 per cent in 2006-07.
- Overall inflation, as measured by the aggregate deflator for GDP MP, is projected to decline from 5.6 per cent in 2006-07 to 4.1 per cent in 2007-08.
- The consumer durable goods sector in particular has shown a distinct slowdown. This is linked to the hardening of interest rates and therefore to the conditions prevailing in the domestic credit sector. However, the picture with regard to forward-looking variables such as investment, particularly in the corporate sector, has been encouraging.





2 INCOME TAX

New Income Tax Slabs proposed in the Budget 2008

Income Slab (Rs.)	Tax (Rs.)		
	Women	Senior Citizen	Others
Upto 150000	Nil	Nil	Nil
150001 to 180000	Nil	Nil	10% of amount exceeding 150000
180001 to 225000	10% of amount exceeding 180000	Nil	10% of amount exceeding 180000
225001 to 300000	10% of amount exceeding 225000	10% of amount exceeding 225000	10% of amount exceeding 225000
300001 to 500000	20% of amount exceeding 300000	20% of amount exceeding 300000	20% of amount exceeding 300000
Above 500000	30% of amount exceeding 500000	30% of amount exceeding 500000	30% of amount exceeding 500000

- No Change in Corporate Income Tax rates
- No Change in Surcharge
- **New proposal for obedient children.**
Additional Deduction of Rs.15000 proposed u/s 80D on mediclaim insurance premium paid for parents.

- **FBT:**
Crèche facilities, sponsorship of an employee-sportsperson, organising sports events for employees and guest houses excluded from the purview of FBT.

- **Hotel Industry SOPs**
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.

- 80C deduction basket enlarged: payment under the Senior Citizens Savings Scheme Rules, 2004 and as five year time deposit in an account under the Post Office Time Deposit Rules, 1981 now eligible for deduction.



Special points of interest:

- ☺ Women assesseees enjoy exemption upto 180000 (Earlier - 145000)
- ☺ Senior Citizens enjoy exemption upto 225000 (Earlier - 195000)
- ☺ Others enjoy exemption upto 150000 (Earlier - 110000)



2 INCOME TAX continued...

- **FOR THOSE INTO STOCK MARKET.....**

Tax on Capital Gains

Rate of tax on Short Term Capital Gains arising from sale of securities suffering STT will be taxed at 15% instead of earlier rate of 10%. Short Term Capital Gains means - Gains arising from securities / shares held for not more than 12 months before the date of its transfer. However, Long Term Capital Gains on these are still exempt.

STT - STT paid to be treated like any other deductible expenditure against business income;

Levy of STT, in the case of options to be only on premium, where the option is not exercised; liability to be on the seller; where the option is exercised, levy to be on the settlement price and the liability on the buyer; no change in the present rates.

CTT - Commodities Transaction Tax (CTT) to be introduced on the same lines as STT on options and futures. See the end of document for further details.

CTT paid to be also treated like any other deductible expenditure against business income.

PAN requirement to be extended to all transactions in capital market.

- Banking Cash Transaction Tax (BCTT) being withdrawn with effect from April 1, 2009.
- Businessmen / Business women Beware: w.e.f. April 1, 2009, Where the assessee incurs any expenditure in respect of which, payment in a day to a person is made in cash or non-account-payee cheques or draft, exceeding 20,000, no deduction shall be allowed in respect of such expenditure.
- Law being amended to exclude entities carrying on regular trade, commerce or business or providing services in relation to any trade, commerce or business and earning incomes from claiming that their purposes also fall under "charitable purpose"; Genuine charitable organisations not to be affected in any way.
- 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.
- 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".
- Tax income arising from saplings or seedlings grown in a nursery exempted.
- Business of production of seeds and manufacture of agricultural implements added to the list of companies allowed weighted deduction of 150 per cent on any expenditure on in-house scientific research.
- Benefit of amortisation of certain preliminary expenses under Section 35D allowed to assesseees in the services sector.



Central Board of Excise and Customs केन्द्रीय उत्पाद एवं सीमा शुल्क बोर्ड



Economy

Income Tax

Customs

Excise

Service Tax

Others

3 **EXCISE AND CUSTOMS**

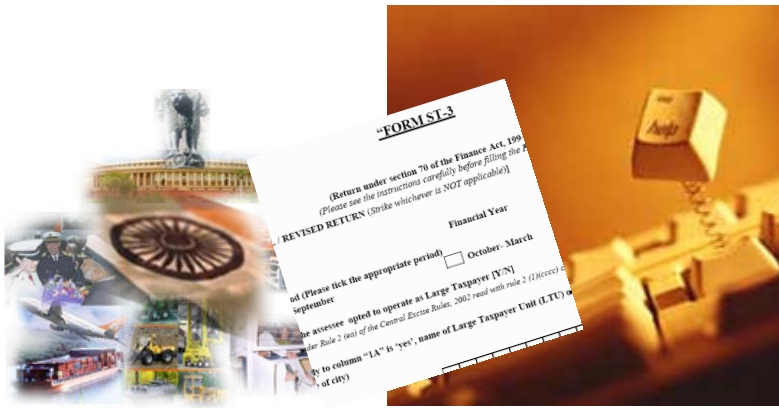
General CENVAT (Central Value Added Tax) rate on all goods reduced from 16 per cent to 14 per cent to give a stimulus to the manufacturing sector.

Changes in Excise Duties

<u>Products Description</u>	<u>Earlier Rate</u>	<u>New Rate</u>
All goods produced in Pharmaceutical sector	16	8
Buses and Chasis	16	12
Small Cars	16	12
Hybrid Cars	24	14
Two Wheelers and Three Wheelers	16	12
Paper, Paper board and articles made therefrom	12	8
Paper, Paper board and articles made therefrom— where clearances is less than 3500 MT	8	0
Writing, Printing and Packing Paper	12	8
Wireless Data Cards, Tea and Coffee mixes	16	0
Water purification devices, veneers, flush doors	16	8
Packaged Software	8	12

Changes in Customs Duties

<u>Products Description</u>	<u>Earlier Rate</u>	<u>New Rate</u>
Project Imports	7.5	5
Steel melting scrap, Aluminium scrap	5	0
Specified life saving drugs and drugs used to manu- facture life saving drugs	10	5
Vitamin Premixes,	30	20
Phosphoric Acid	7.5	5
Bactofuges (which increases shelf life of dairy prod- ucts)	7.5	0
Specified machinery for manufacturing sports goods	7.5	5



4 SERVICE TAX

- Four services brought under service tax net namely,
 1. asset management service provided under ULIP,
 2. services provided by stock/commodity exchanges and clearing houses;
 3. right to use goods, in cases where VAT is not payable; and
 4. 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.**

Renting of Immovable Property - Clarification:

For the removal of doubts, it is hereby declared that for the purposes of the clause “renting of immovable property” includes allowing or permitting the use of space in an immovable property, irrespective of the transfer of possession or control of the said immovable property

Like Income Tax Return Preparer scheme, Service tax return preparer scheme is proposed to be launched.

IT Software service:

Information technology software includes those for use in the course, or furtherance, of business or commerce, including,—

- (i) development of information technology software,
- (ii) study, analysis, design and programming of information technology software,
- (iii) adaptation, upgradation, enhancement, implementation and other similar services related to information technology software,
- (iv) providing advice, consultancy and assistance on matters related to information technology software, including conducting feasibility studies on implementation of a system, specifications for a database design, guidance and assistance during the startup phase of a new system, specifications to secure a database, advice on proprietary information technology software,
- (v) acquiring the right to use information technology software for commercial exploitation including right to reproduce, distribute and sell information technology software and right to use software components for the creation of and inclusion in other information technology software products,
- (vi) acquiring the right to use information technology software supplied electronically;



5 **OTHERS**

CST

- **Central Sales Tax rate being reduced from 3 per cent to 2 per cent from April 1, 2008.**
- **Roadmap for Goods and Service Tax being prepared for introduction of GST from April 1, 2010.**

Commodity Transaction Tax - Rates

Sl. No.	Taxable commodities transaction	Rate	Payable by
(1)	(2)	(3)	(4)
1.	Sale of an option in goods or an option in commodity derivative	0.017 per cent.	Seller
2.	Sale of an option in goods or an option in commodity derivative, where option is exercised	0.125 per cent.	Purchaser
3.	Sale of any other commodity derivative	0.017 per cent.	Seller

The value of a taxable commodities transaction specified under column (2) of the Table in section 99 shall, with reference to such transactions—

(a) against serial number 1, be the option premium;

(b) against serial number 2, be the settlement price of the option in goods or option in commodity derivative, as the case may be;

(c) against serial number 3, be the price at which the commodity derivative is sold.

- Agricultural credit poised to reach Rs. 2,40,000 crore by March, 2008.
- 11.4 crore children covered under Mid Day Meal Scheme, the largest school lunch programme in the world.
- Under National Rural Health Mission 8,756 primary health centres have been made 24x7 .
- 1,82,000 girls enrolled in residential schools under Kasturba Gandhi Balika Vidyalaya Scheme.



5 **OTHERS**

BUDGET ESTIMATES

- Plan Expenditure estimated at Rs.243,386 crore.
- Non-Plan Expenditure estimated at Rs.507,499 crore.
- Revenue deficit for 2007-08 to be 1.4 per cent (against a BE of 1.5 per cent) and the fiscal deficit to be 3.1 per cent (against a BE of 3.3 per cent); Revenue receipts of Central Government for 2008-09 projected at Rs.602, 935 crore and revenue expenditure at Rs.658,119 crore; Revenue deficit for 2008-09 estimated at Rs.55,184 crore, which amounts to 1.0 per cent of GDP; Fiscal deficit for 2008-09 estimated at Rs.133,287 crore which is 2.5 per cent of GDP; elimination of Revenue Deficit may need one more year; because of the conscious shift in expenditure in favour of health, education and the social sector.
- Thirteenth Finance Commission to be requested to revisit the roadmap for fiscal adjustment and suggest a suitably revised roadmap, after the obligations on account of the Sixth Central Pay Commission become clear.

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