

NEWSLETTER

BUDGET SPECIAL

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“This Budget is an attempt to lay down a path in which growth and equity will reinforce each other and build a new India.”

- Extract from the Budget Speech of the Finance Minister Shri Pranab Mukherjee



TAX SLABS, RATES & DEDUCTIONS

Income Tax Slabs Raised

The Finance Act 2011 has marginally increased the Income Tax Slabs slightly in continuation of keeping mind the Direct Tax Code 2012. Though there has been no change in Tax Rates for Women Assesseees.

The new tax rates for Male Individuals & HUFs are:

Annual Income	Tax Rates
Upto 180,000	Nil
180,001 to 500,000	10%
500,001 to 800,000	20%
Above 800,000	30%

For Senior Citizen, the basic limit has been increased to Rs 2,50,000/-. However the basic exemption limit for Women remained the same which is Rs 190,000/-.

Also the educational cess @ 3% shall be further levied.

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Surcharge on Companies Reduced

The surcharge on Domestic Companies has been reduced to 5% from 7.50% and for Foreign Companies from 2.50% to 2%

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MAT on Companies Increased

The Minimum Alternate Tax on companies has been increased from 18% to 18.50%.

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Age of Senior Citizen reduced

A positive development for the benefit of Senior Citizen is that the age for being qualified as Senior Citizen has been reduced from 65 Years to 60 Years.

As a result any person attaining the age of 60 years or more in the previous year shall be qualified as a Senior Citizen.

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New Category of Very Senior Citizen

In addition to the benefits enjoyed by the Senior Citizen, the Government has introduced a new category called "Very Senior Citizen". Any person attains the age of 80 years or more during the previous year shall be termed as Very Senior Citizen.

The basic exemption limit for Very Senior Citizen has been set at Rs 5,00,000/-.

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Deduction u/s 80CCF of Rs 20,000/- to continue

The additional deduction of Rs 20,000/- against investment in specified Long Term Infrastructure Bonds which was introduced last year shall continue during this year. As a result the total deduction including in Sec 80C shall be Rs 1.20 Lakhs.

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OTHER IMPORTANT CHANGES

Minimum Alternate Tax (MAT) and Dividend Distribution Tax (DDT) applicable on SEZ

A drastic change has been brought by the Finance Minister in the field of taxation of SEZ. These SEZ were exempt from Income Tax including MAT and DDT till now and thus a number units were established SEZ to gain such exemption.

However the Finance Act 2011 has made MAT and DDP applicable on such SEZ units. As a results all SEZ shall be know subject to income tax through MAT and DDT. ◆◆◆

Investment Linked Deduction u/s 35AD extended

The investment linked deduction u/s 35 D has been extended from AY 2012-13 in respect of specified business which includes development of Housing Project under a scheme of affordable housing notified by CBDT and production of fertilizers in India.

Though there are certain conditions which needs to satisfied in order to claim such deduction. ◆◆◆

Limit on Charitable Purpose Activities further increased

The term “charitable purpose” is not treated as charitable purpose if its includes carrying on any activity in the nature of trade, business or commerce if the total receipts from such activity exceeds Rs 10 Lakhs.

The Finance Minister has enhanced this monetary limit to Rs 25 Lakhs. ◆◆◆

Alternate Minimum Tax for LLP

In the same line of Minimum Alternate Tax (MAT), the Finance Act 2011 has introduced Alternate Minimum Tax for LLPs (Limited Liability Partnerships).

The Rate of Alternate Minimum Tax is the same as that of MAT and the tax and income computation shall be on the same lines and procedures as that of MAT. ◆◆◆

PAN Mandatory for DIN and Digital Signature

The Ministry of Company Affairs have made it mandatory for PAN in order to apply for DIN No (Director Identification Number).

Also existing DIN shall have to gets its PAN registered with MCA otherwise the existing DIN will not be active.

Similarly it is now compulsory to have PAN No registered for Digital Signature while filing IT Returns ◆◆◆

New ITR Forms Notified

The Finance Ministry has notified new IT Forms for AY 2011-12. A new form “Form 4S Sugam” has been introduced for assessee claiming benefit u/s 44 ◆◆◆

SERVICE TAX

No change in Service Tax Rate

The Finance act 2011 has not changed the service tax rate of 10%. It was a welcome relief.



New Services within the ambit of Service Tax

The following new services has been introduced in this Finance Act

- AC Restaurants having liquor license
- Short Term Accommodations in hotels /guest houses/ clubs

The Finance Bill has also proposed to introduce Service Tax on Health Services by Hospitals and Clinics. However on account of public protest, the said proposal was dropped.



Extension of Scope of Existing Services

The Finance Ministry has extended the scope of Service Tax in respect of following existing services:

- Authorized Service Stations
- Commercial Training and Coaching Centre
- Clubs/Associations
- Legal Professionals
- Business Support Services
- Life Insurance Business
- Money Changing Services



Service Tax to be payable on Accrual Basis

A very and the most important change has been brought in this Finance Act. Till now, Service Tax was payable on Receipt Basis. Only when we have received the payment, then only the Service Tax was payable.

But from 1st April 2011, service tax shall be payable on accrual basis. As a result service tax shall be payable on due basis either when the invoice is issued or services are deemed to be provided, whichever is earlier.



No Service Tax Audit for Small Scale Sector

The Small Scale Sector which includes individuals and sole proprietors with a turnover upto Rs 60 Lakhs shall not be subject to Audit under the Service Tax Act.



Exemption in respect of Existing Services

The Finance Ministry has imposed certain limits and exemptions in respect of following existing services:

- Transport of Person by air service
- Exhibitor participation in exhibition held abroad
- Work Contract Services rendered in Port and specified areas

