



throwing light

Finance Bill 2008 - Unplugged

How the Finance Bill 2008 affects you:

AS AN INDIVIDUAL TAX PAYER

- The minimum exemption limit from Income Tax for individuals increased. New slabs as under -
Rs. 150,000 – Rs. 300,000 10%
Rs. 300,001 – Rs. 500,000 20%
Rs. 500,001 onwards 30%

The minimum exemption limit for women will be Rs. 180,000 and for Senior Citizens will be Rs. 225,000. **SIGNIFICANT**

- An additional deduction u/s 80D for mediclaim will be available of upto Rs. 15,000 on premium paid for health of parents. If parents are senior citizens then an additional deduction of Rs. 20,000 will be available u/s 80D.
- A deduction u/s 80C will also be available for investment under Senior Citizens Savings Scheme and the 5 year Post Office Term Deposit Scheme.
- The due date for filing returns by companies and by firms requiring a tax audit and partners of such firms and their FBT returns has been preponed to 30th September. **SIGNIFICANT**

AS A CORPORATE TAX PAYER

- While computing Minimum Alternate Tax u/s 115JB, no deduction will be allowed for provision of deferred tax, surcharge, cess, dividend distribution tax and interest payable under the tax laws.
- If a Holding Company received a Dividend Distribution Tax (DDT) paid dividend from a subsidiary and it in turn declares a dividend to its shareholders, then it will not have to pay a DDT on the dividend so declared by it to the extent that DDT was paid by the subsidiary – provided the Holding Company is itself not a subsidiary of another company. **SIGNIFICANT**

AS AN EMPLOYER / EMPLOYEE

- Fringe Benefit Tax (FBT) not payable on prepaid electronic meal cards given to employees, expenditure on crèches, sponsoring employee sportsman and organizing sports events for employees and on guest house expenditure.

AS A BUSINESSMAN

- A deduction for preliminary expenses u/s 35D will be available to companies engaged in services as well – the restriction that it must be an industrial undertaking or industrial unit has been removed.
- If the aggregate of payments made in cash to a person during a single day exceeds Rs. 20,000 the same will be disallowed u/s 40A(3). Earlier a disallowance was done only if a single payment was more than Rs. 20,000.

AS A PROVIDER / RECEIVER OF SERVICES

- The threshold for exemption from levy for service tax increased to Rs. 10 lakhs from Rs. 8 lakhs **SIGNIFICANT**
- Service Tax leviable on buy and sale of foreign currency through Money changers, renting of space even if the entire property is not rented, renting of equipment and machinery, services rendered by software consulting engineers. **SIGNIFICANT**
- Penalty provisions made more stringent. Penalty of Rs. 200 per day of default for not getting Service Tax registration and not paying tax in time.
- An amnesty scheme has been launched wherein any service tax arrears of upto Rs. 25,000 can be settled between 1st July and 30th September 2008 at a discount.
- Option given to pay service tax in advance and adjust against future liability. Self adjustment of service tax now permitted upto Rs. 100,000.
- Works Contract Service Tax increased to 4% from 2%.

AS AN INVESTOR

- Where income from Securities Transactions is taxable as "Business Income", a deduction will be given of the Securities Transaction Tax (STT) paid from such income itself. Earlier, a rebate for STT was available against tax payable u/s 88E and that too only if there was a positive income from transactions. **SIGNIFICANT**
- Short Term Capital Gains on sale of listed securities or units where an STT is paid will be 15% (earlier 10%.) **SIGNIFICANT**
- Mentioning of the PAN will be made mandatory for all financial transactions subject to thresholds which will be notified.
- A Commodity Transaction Tax (CTT) on the same lines as STT has been introduced for transactions in commodities executed on Commodity Exchanges.

AS A DEDUCTOR OF TDS

- For TDS on payments made to Non Residents it will be required to now file a summary of the undertakings given to the bank alongwith CA certificates in a form which will be prescribed.

CAVEAT

The changes proposed by the Finance Bill 2008 will become binding law only after the Bill receives the President's assent. Most changes will apply to the accounting year commencing on 1st April 2008.

The above is merely a gist of the amendments proposed. We recommend that you seek professional advice before implementing them.