



E - NEWS LETTER



Tuticorin Branch of Southern India Regional Council of The Institute of Chartered Accountants of India
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Chairman's Writes:



Dear Friends,

Greetings!

It is a pleasure to speak to you every month through this column. We all long for a better life. Some of us want to build big industries, many of us want to be employed in large enterprises, and almost all of us want good infrastructure facilities in our nation to lead the better life. The list may be endless. One thing remains clear-for every value one reaps from development initiative, there is a corresponding degradation of the natural resources in which the development is derived from.

One question that everyone should ask themselves is this- can we have these developments while ensuring that there are enough resources for the future generation? Sustainable development is surely the way to go for any community that prides itself in taking care of the future generation's survival. What is sustainable development? In simple words, it is the form of development that will allow for development in the future. To be more precise, sustainable development is a way of providing for our needs while at the same time ensuring that the future generation's means to satisfy their needs are not hampered. This can be done by ensuring that the environmental resources are used sparingly.

In recent years we find many forests and green lands are destroyed for building apartments and roads. Though we need shelter and roads, a lot of care needs to be taken so that we do not solve a problem by creating a monster. Most of these settlements are created in environmentally prime areas such as the catchments, wetlands, and forests which play a very vital role in ecosystem balancing.

With large amounts of green house gases emitted in the form of industrial development, forests come in handy to absorb the excess green house gases. But with these forests removed, it then follows the fact that there will be little surface areas for the absorption of the excess carbon emissions. This is a recipe for trouble as is seen by the climate change phenomena.

Wealth distribution in India is fairly uneven with nearly 10% of the income groups earning 33% of the income. Our national leaders would not have certainly dreamt of a prosperous India with so many disparities. Issues like Corporate Social Responsibility

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(CSR) should not be merely an agenda in the Annual Report. Due consideration should be given to all the pros and cons of any development initiative so as to prevent a scenario of development at the expense of sustainability.

We are celebrating our 63rd Independence day this month. The words of Shri Jawaharlal Nehru keeps ringing aloud in my ears...

“Long years ago we made a tryst with destiny and now the time comes when we will redeem our pledge, not wholly or in full measure, but very substantially. At the stroke of the midnight hour, when the world sleeps, India will awake to life and freedom. A moment comment, which comes but rarely in history, when we step out from the old to the new, when an age ends and when the soul of a nation, long suppressed, finds utterance... We end today a period of ill fortune, and India discovers herself again.”

Development is good, but that which prevents the future generation’s wellbeing is not development at all. It is a call, therefore, to embrace sustainable development as our pillar, to ensure though we want to make our lives better, we need to ensure that the future will also enjoy the same. Only when India has a sustainable development she will discover herself again!!! Let’s work towards a better future...

Vande Mataram!

With warm regards,

CA H.Raman

TAXATION in INDIA

India has a well developed tax structure with a three-tier federal structure, comprising the Union Government, the State Governments and the Urban/Rural Local Bodies. The power to levy taxes and duties is distributed among the three tiers of Governments, in accordance with the provisions of the Indian Constitution. The main taxes/duties that the Union Government is empowered to levy are Income Tax (except tax on agricultural income, which the State Governments can levy), Customs duties, Central Excise and Sales Tax and Service Tax. The principal taxes levied by the State Governments are Sales Tax (tax on intra-State sale of goods), Stamp Duty (duty on transfer of property), State Excise (duty on manufacture of alcohol), Land Revenue (levy on land used for agricultural/non-agricultural purposes), Duty on Entertainment and Tax on Professions & Callings. The Local Bodies are empowered to levy tax on properties (buildings, etc.), Octroi (tax on entry of goods for use/consumption within areas of the Local Bodies), Tax on Markets and Tax/User Charges for utilities like water supply, drainage, etc.

Since 1991 tax system in India has under gone a radical change, in line with liberal economic policy and WTO commitments of the country. Some of the changes are:

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- ❑ Reduction in customs and excise duties
- ❑ Lowering corporate Tax
- ❑ Widening of the tax base and toning up the tax administration

Direct Taxes

Personal Income Tax

Individual income slabs are 0%, 10%, 20%, 30% for annual incomes upto Rs 50,000, 50,000 - 60,000, 60,000 - 1,50,000 and above 1,50,000 respectively.

Corporate Income Tax

For domestic companies, this is levied @ 35% plus surcharge of 5%, where as for a foreign company (including branch/project offices), it is @ 40% plus surcharge of 5%. An Indian registered company, which is a subsidiary of a foreign company, is also considered an Indian company for this purpose.

Depreciation and interest deductions:

Depreciation rates

Assets	Rates (%)
Buildings	5-100
Plant and Machinery	25-100
Furniture and Fittings	15
Vehicles (Other than for commercial use)	20
Pollution Control Equipment	80
Energy Saving Devices	80
Ships	25
Intangible assets	25

Withholding Tax for NRIs and Foreign Companies:

Withholding Tax Rates for payments made to Non-Residents are determined by the Finance Act passed by the Parliament for various years. The current rates are:

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1. Interest - 20% of Gross Amount
2. Dividends - 10%
3. Royalties - 20%
4. Technical Services - 20%
5. Any other Services - Individuals - 30% of net income

Companies/Corporates - 40% of net income

The above rates are general and in respect of the countries with which India does not have a Double Taxation Avoidance Agreement (DTAA).

Double Taxation Relief:

India has entered into DTAA with 65 countries including countries like U.S.A., U.K., Japan, France, Germany, etc. These agreements provides for relief from the double taxation in respect of incomes by providing exemption and also by providing credits for taxes paid in one of the countries. These treaties are based on the general principles laid down in the model draft of the Organisation for Economic Cooperation and Development (OECD) with suitable modifications as agreed to by the other contracting countries. In case of countries with which India has double taxation avoidance agreements, the tax rates are determined by such agreements and are indicated for various countries as under:

Country	Dividends %	Interest %	Royalties %
Australia	15	15	15
Austria	20	20	30
Bangladesh	15	10	10
Belarus	15	10	15
Belgium	15	15	20
Brazil	15	15	15
Bulgaria	15	15	20
Canada	25	15	15
China	10	10	10

Cyprus	15	10	15
Czechoslovakia	20	15	30
Czech Republic	10	10	10
Denmark	20	15	20
Egypt	20	20	30
Finland	15	10	20
France	10	15	10/20
Germany	10	10	10
Greece	20	20	30
Hungary	15	15	30
Indonesia	15	10	15
Israel	10	10	10
Italy	20	15	20
Japan	15	15	20
Jordan	10	10	20
Kazakhstan	10	10	10
Kenya	15	15	20
Korea	20	15	15
Kyrgyzstan	10	10	15
Libya	20	20	30
Malaysia	20	20	30
Malta	15	10	15
Mauritius	15	20	15

Mongolia	15	15	15
Morocco	10	10	10
Namibia	10	10	10
Nepal	15	15	15
Netherlands	10	10	10
New Zealand	15	10	10
Norway	15	15	30
Oman	12.5	10	15
Philippines	20	15	15
Poland	15	15	22.5
Portugal	15	10	10
Qatar	10	10	10
Romania	20	15	22.5
Russian Federation	10	10	10
Singapore	15	15	15
South Africa	10	10	10
Spain	15	15	20
Sri Lanka	15	10	10
Sweden	10	10	10
Switzerland	15	15	20
Syria	0	7.5	10
Tanzania	15	12.5	20
Thailand	20	20	15

Trinidad and Tobago	10	10	10
Turkey	15	15	15
Turkmenistan	10	10	10
United Arab Emirates	15	12.5	10
United Kingdom	15	15	15
United States	20	15	15
Uzbekistan	15	15	15
Vietnam	10	10	10
Zambia	15	10	10
Non treaty countries	0	20	20

General Tax Incentives for Industries:

- ❑ 100% deduction of profits and gains for ten years is available in respect of the following:
- ❑ Any enterprise carrying on the business of developing, maintaining and operating infrastructure facilities viz., roads, highways, bridges, airports, ports, rail systems, industrial towns, inland waterways, water supply projects, water treatment systems, irrigation projects, sanitation and sewage projects, solid waste management systems.
- ❑ Undertakings engaged in generation or generation and distribution, transmission or distribution of power, which commence these activities before 31.3.2006.
- ❑ Any company engaged in scientific and industrial research and development activities, approved by the prescribed authority, before 31.3.2003.
- ❑ Any undertaking which develops, operates, maintains an Industrial Park or Special Economic Zone before 31.3.2006.
- ❑ Notified Industrial Undertakings set up in the North Eastern region including seven north-eastern states and the state of Sikkim.
- ❑ Undertakings developing and building housing projects approved by the local authority before 31.3.2001 and which are completed before 31.3.2003.
- ❑ 100% deduction for seven years for undertakings producing or refining mineral oil.

- ❑ 100% deduction from income for first five years and 30% (for persons other than companies: 25%) in subsequent five years is available in respect of the following:
- ❑ Company which starts providing telecommunication services whether basic or cellular including radio paging, domestic satellite service, network or trunking, broad band network and internet services before 31.3.2003.
- ❑ Industrial undertakings located in certain specified industrially backward states and districts.
- ❑ Undertakings which begin to operate cold chain facilities for agricultural produce before 31.3.2003.
- ❑ Undertakings engaged in the business of handling, storage, transportation of food grains.
- ❑ 50% deduction for a period of five years is available to undertakings engaged in the business of building, owning and operating multiplex theatres or convention centres constructed before 31.3.2005.
- ❑ Tax exemption of 100% on export profits for ten years upto F.Y. 2009-10, for new industries located in EHTPs and STPs and 100% Export Oriented Units. For units set up in Special Economic Zones (SEZs), 100% deduction of export income for first five years followed by 50% for next two years, even beyond 2009-10.
- ❑ Tax exemption of 100% of Export profits for ten years for new industries located in Integrated Infrastructure Development Centres or Industrial Growth Centres of the North Eastern Region.
- ❑ Deduction of 50% of export profits from the gross total income. The deduction would be restricted to 30% for financial year 2003-04 and no deduction is allowable subsequently.
- ❑ Deduction from the gross total income of 50% of foreign exchange earnings by hotels and tour operators. The deduction would be restricted to 30% for financial year 2003-04 and no deduction is allowable subsequently.
- ❑ 50% deduction of export income due to export of computer software or film software, television software, music software, from the gross total income. The deduction would be restricted to 30% for financial year 2003-04 and no deduction is allowable subsequently.
- ❑ Deduction in respect of certain inter-corporate dividends to the extent of dividend declared.
- ❑ Exemption of any income by way of dividend, interest or long term capital gains of an infrastructure capital fund or an infrastructure capital company from investment made by way of shares or long term finance in any enterprises carrying on the business of developing, maintaining and operating infrastructure facility.

Sales Tax

Central Sales Tax (CST)

CST is 4% on manufactured goods.

Local Sales Tax (LST)

Where a sale takes place within a state, LST would be levied. Such a tax would be governed by the relevant state tax legislation. This is normally up to 15%.

Excise Duty

Excise duty on most commodities ranges between 0 to 16%. Only on seven items duty is imposed at 32%, viz., motor cars, tyres, aerated soft drinks, air conditioners, polyesters filament yarn, pan masala and chewing tobacco. Duty is charged at 30% on petrol with additional excise duty at Rs. 7 per litre. The said rates are subject to exemptions and deductions thereon as may be notified from time to time. Central VAT (CENVAT) is applicable to practically all manufactured goods, so as to avoid cascading effect on duty.

Small Scale Sector is exempted from payment of excise duty from annual production upto Rs.10 million.

Customs Duty

The rates of basic duties vary from 0 to 30%.

Salient features are:

- ❑ Peak customs duty reduced from 220% (in 1991) to 30% (in 2002).
- ❑ The general project import duty (for new projects and substantial expansion of existing projects) reduced from 85% to 25%.
- ❑ Import duty under EPCG Scheme is 5%.
- ❑ R&D imports - 5% customs duty.
- ❑ Export made with imported inputs get concessions in form of duty drawback, duty entitlement pass book scheme and advance licence.
- ❑ Many type of industries such as 100% EOU and units in free trade zone get facility of zero import duty.
- ❑ An Authority for Advance Ruling for foreign investor

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How do you manage your time?

1. Always define your objectives as clearly as possible.

Do you know what marks a successful man from unsuccessful ones?? Successful man knows where he has to go. He has a desired destination and he draws a plan to achieve it. The point is that is you set your goals and objectives, you can plan your daily activities and can include them in your “to do” list. You might find yourself not doing any thing because your goals are not set. So plan your goals.

2. Analyse your use of time.

If you time and again probe yourself with questions like “What is the most important use of my time, right now?” it will help you to focus on ‘important tasks’. Further you should analyse how you use your time. You shall have to identify your time wasters and try to avoid wasting time on them. For eg, if you do a self analysys you may find out that you are wasting a lot of time on activities such as bathing, eating or over the telephone or just day dreaming.

3. You should have a plan.

You must have a strategy to win a battle. No battle or war can be won without any plan or strategy so how do you expect to acheive your goals without a plan. Most people know what they want but have no plan to achieve it except by sheer hard work. Your yearly plan should be reviewed daily and reset as your achievements are met. Successful people make lists constantly. It enables them to stay on top of priorities and enable them to remain flexible to changing priorities. This should be done for both personal and business goals.

4. Action plan analysis.

Problems will always occur, the value of a good plan is to identify them early and seek out solutions. Good time management enables you to measure the progress towards your goals because “What you can measure, you can control”. Always try to be proactive.

Time management (or self management) is not a hard subject to understand, but unless you are committed to build time management techniques into your daily routine you’ll only achieve partial (or no) results and then make comments such as “I tried time management once and it doesn’t work for me”. The lesson to learn is that the more time we spend planning our time and activities the more time we will have for those activities. By setting goals and eliminating time wasters and doing this everyday you may find you will have extra time in the week to spend on those people and activities most important to you.

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