

Life



Line

VALUE PLUS

Insure and Ensure a Good Life

A Quarterly Newsletter of Value Plus Investment Advisors Pvt. Ltd. Vol. 3 Jan-March 2005



From the desk of the CEO



Dear Friends

The much awaited budget is out. The Finance Minister has not disappointed anybody. Right from the "Aam Admi" to the super achievers, the budget has tried to look into their needs and aspirations, at least in part.

On the investment front, the implication of the budget is that gradually, almost all future maturity returns on any investment instruments will be taxed, called the Exempt Exempt Tax (EET). This indeed is the international trend. Such a trend makes investing more complex and specialised, requiring highly experienced professionals to create a lucrative and secure portfolio. With the onset of this trend in India, we hope to be of service to a growing number of discerning investors with due diligence. For any assistance on investment and wealth management aspects, please feel free to call us **TOLL FREE 1600213000**. For your ready reference, we have included the budget highlights and its detailing in the enclosed BUDGET SPECIAL supplement.

Along with the heat, the exam fever will also be at its peak during this quarter. Let me wish grand success in exams to all appearing for the same.

With Best Regards

HP Shah
CEO,
Value Plus Investment Advisors Pvt Ltd.

H.P. SHAH'S UNIQUE CORPORATE TAX BOMB!!!!

Save upto Rs. 35 lacs on taxes without extra expense or effort!!!! **NOTHING ILLEGAL ABOUT IT!!!!** Call me in person: **9825026490**

NEW

TRIPLE BENEFIT OFFER*

- Save tax upto Rs. 3,300/- p.a. U/S 80CC (1)
- Get pension Rs. 15,874/-** p.a. as long as you live
- On demise get refund of Rs. 4,82,000/-.

WHAT'S MORE

Guaranteed addition of Rs. 10,000/- for first five years.

Risk cover Rs. 2,00,000/-

IDEAL FOR TODAY'S CIRCUMSTANCES

Trend of small family, making it compulsory for independent provision for old age.

High inflation rate

Drastic drop in interest rates.

SALIENT FEATURES

- On demise, nominee gets both - unit value and insurance amount, PLUS life long pension.
- Full term risk cover in case of normal/accidental death, even if premium is paid for only 3 years.
- Risk cover even if premium is outstanding for 6 months during first 3 years.
- Min. 3% guaranteed returns.
- Free 4 switch-overs.
- Additional premium can be paid for better growth.
- Critical illness/most major diseases covered, after which subsequent premiums are waived.
- Single premium or regular premium available.
- Investment exempt U/S 80CCC and 80C (05-06).

For details call TOLL-FREE 1600 213000

* Entry age 30 yrs. Pension starts at 50 yrs.

** As per present pension rates.

HOW WE CAN MAKE A DIFFERENCE

- * 25 years of experience
- * One of the biggest operators in W. India
- * Knowledge & know-how oriented solutions
- * Turnkey solutions for corporate, whole-family, Individuals, HNI, NRI, etc.

LIC rated the most trusted brand in service sector for second consecutive year by Eco. Times Brand Equity



Why give Power of Attorney?

It is very important for decision makers to award a Power of Attorney (PoA) to a trusted person, so that in case of major illness/hospitalisation/immobility/ long travel etc. his proxy can function in his place and avoid the disadvantages of status-quo caused by his absence. There are two types of PoA: General PoA whereby all powers in all respects of the rights and authority of the awardee are passed on to the awardee and Special PoA whereby only some specific powers are awarded. The awardee of PoA has to sign it in person in presence of a Notary along with the awardee. It is vital to check the last para pertaining to the amendment clause before signing a PoA. Any PoA is deemed null and void on demise of the awardee. Hence the proxy can not utilise his powers and rights awarded through the PoA after the awardee's death.

An Exclusive BUDGET SPECIAL supplement enclosed with this issue

JUST ANSWER THIS SIMPLE QUESTION:

Which is the world's biggest Insurance Company? And win a grand family dinner with Mr. HP Shah. E-mail your response to info@valueplusinv.com or post it TODAY. Winner will be selected from lucky draw of correct responses.



KEYMAN INSURANCE-THE NEW AGE NECESSITY

Keyman Insurance is fast emerging as a favourite of corporates. The Keyman concept recognises the vital importance of the key personnel in any company or organisation and takes care of all his life insurance needs with many add-on benefits. On the other hand, it offers the company an innovative tax planning mode and provides for sudden and sizeable expenses of taking care of the keyman's dues in the company on his demise. Such expenses, if left unplanned,

Can create unprecedented financial crisis on demise of the Keyman. This Plan is ideal for CMD / MD / Partners / Directors / Consultants, etc.

The reasons for Keyman Plan's popularity are:

- * It acknowledges the importance of human capital vis-a-vis material capital in a commercial venture and rewards the human assets with ample benefits.
- * The structure of returns on Keyman Plan takes into account all vital factors during the life of Keyman and offers comfortable income to dependents after his demise.
- * Keyman Plan can also be formulated to calculate and provide for cost of recruitment, training and grooming of a replacement of the deceased Keyman.
- * Investment under this Plan is 100% exempt from business income.
- * This Plan offers various formulae for innovative tax planning.

FOR MORE DETAILS & ASSISTANCE CALL US TOLL-FREE 1600 213000



CAN'T BANK ON THEM!!!!

Private banks in India have come and gone, leaving the common investor high and dry. In 1951 there were 566 private banks in India, in 1969 there were 82 and today there are just 26 of them left, out of which many are on their death-bed.

Wise Words

Life Insurance is a means of making your money work for you when you are through working for it.

Silly Bone

कुकर ने कहा कढ़ाई से
तु इतनी काली क्यों ?

कढ़ाई ने कहा
फिर भी तु सीटी बजाता है।

Useful web links:

<http://incometaxdelhi.nic.in/form>

[s/welcome1.htm](http://incometaxdelhi.nic.in/form/s/welcome1.htm): Many downloadable forms for filing income tax returns, statement of particulars for business or profession, forms for audit reports, etc. are available on this link.

<http://passport.nic.in>: You can download passport forms, visa forms, rules, affidavit forms, passport status and information on Tatkal passport scheme on this link.

http://epfindia.nic.in/downloads_forms.htm: Downloadable forms and details on claiming benefits under the EPF & EPS scheme, transfer of PF account and applications for financing a life insurance policy out of a provident fund account

VALUE PLUS offers great exciting features on its IT-Enabled interactive web site:

- * Client profiling & Info services
 - * Online Insurance counseling services
 - * LIC policy related calculators
 - * Information dissemination regarding Insurance and Investment
 - * Online LIC portfolio
 - * Exclusive feature-packed Member Services
 - * Exclusive News and expert views
 - * E-mail alerts of new policies/schemes
 - * e-greetings, Newsletter & many more
- Visit www.valueplusinv.com TODAY!!!

Q&A Column

HEMANT VYAS, BARODA: What are the three most vital considerations for long term investment?

LIFE LINE: Safety, sovereign guarantee and focus on specific future needs.

DHAIVAT DHOLAKIA, RAJKOT: What is the best feature of budget 05-06?

LIFE LINE: The budget is very innovative and has dared to explore new, creative areas of massive fund generation for growth and social causes WITHOUT pinching the "Aam Admi's" pocket. For example, it has provided for long-cherished tax reliefs and yet managed to create a huge fund bank of approx. Rs. 35,000 crores for primary education, primary health, employment generation, etc.

AYUSH NAIR, ANKLESHWAR: What kind of economic scenario will the next Indian generation inherit?

LIFE LINE: Barring some drastic unforeseen negative developments, India is destined to become a top Asian and Global economy by 2020. It would have attained the status of a developed nation by then. You can safely visualise today's developed world seeking education and career opportunities in India in future, which will be a 360 degree turn-around from today's situation. The economic growth will also trigger a sea change in socio-cultural structure and many established norms will be broken, to be replaced by radical new concepts.

Tax Rates - An Overview (%)

Particulars	Prop. Rate 06-07	Cur. Rate 05-06	Proposed		
			Others	Women below 65 yrs.	Sr. Citizens
Total income below Rs. 10 lacs					
Upto Rs. 50,000	Nil	Nil	Nil	Nil	Nil
Rs. 50,000-60,000	Nil	10.20%	Nil	Nil	Nil
Rs. 60,001-100,000	Nil	20.40%	Nil	Nil	Nil
Rs. 100,001-150,000	10.2%	20.40%	10.20%	10.20%*	Nil
Rs. 150,001-250,000	20.40%	30.60%	20.40%	20.40%	20.40%
Above Rs. 250,000	30.60%	30.60%	30.60%	30.60%	30.60%
LTCG on assets other than listed securities	20.40%	20.40%			
STCG on listed securities	10.20%	10.20%			
STCG on assets other than listed Securities	As per slab	As per slab		*125,000-150,000	
Total income above Rs. 10 lacs					
Upto Rs. 50,000	Nil	Nil	Nil	Nil	Nil
Rs. 50,000-60,000	Nil	11.22%	Nil	Nil	Nil
Rs. 60,001-100,000	Nil	22.44%	Nil	Nil	Nil
Rs. 100,001-150,000	11.22%	22.44%	11.22%	11.22%*	Nil
Rs. 150,001-250,000	22.44%	33.66%	22.44%	22.44%	22.44%
Above Rs. 250,000	33.66%	33.66%	33.66%	33.66%	33.66%
LTCG on assets other than listed securities	22.44%	22.44%			
STCG on listed securities	11.22%	11.22%			
STCG on assets other than listed Securities	As per Slab	As per Slab		*125,000-150,000	

Tax Rates - An Overview (Rs.)

Income	Prop. Rate 06-07	Current rate 05-06	For women	Sr. Citizens
1,00,000	Nil	Nil	Nil	Nil
1,25,000	2,550	14,280	Nil	Nil
1,50,000	5,100	19,380	2,550	Nil
1,75,000	10,200	27,030	7,650	5,100
2,00,000	15,300	34,680	12,750	10,200
2,25,000	20,400	42,330	17,850	15,300
2,50,000	25,500	49,980	22,950	20,400
2,75,000	33,150	57,630	30,600	28,050
3,00,000	40,800	65,280	38,250	35,700
4,00,000	71,400	95,880	68,850	66,300
5,00,000	1,02,000	1,26,480	99,450	96,900
8,50,000	2,09,100	2,33,580	2,06,550	2,06,550
10,00,000	2,55,000	3,07,428	2,52,450	2,52,450

General rates for Firms & Domestic Companies:

Partnership firm: Proposed rate 06-07: 33.66% as against current rate 05-06: 36.5925%. Same rate apply for Domestic companies.

Special tax rates for Firms and Domestic companies:

LTCG on assets other than listed securities: Proposed rate 06-07: 22.44% as against current rate 05-06: 20.91%.

STCG on listed securities: Proposed rate 06-07: 11.275% as against current rate 05-06: 10.455%.

STCG on assets other than listed securities: Proposed rate 06-07: 33.66% as against current rate 05-06: 36.5925%.

Personal Taxation

1. Standard deduction from salaries withdrawn. However, standard deduction from family pension is not withdrawn.
2. Replacement of section 88 by section 80C (for details contact us).
3. Deduction on education loan for higher education (Section 80E) - consolidated investment of Rs. 1 lac exempt.
Presently deduction is allowed to individuals on repayment of principal amount subject to maximum Rs. 40,000/- p.a. It is proposed to amend this section whereby no deduction shall be allowed on repayment of principal amount of such loan. Also, maximum limit of Rs. 40,000/- is also proposed to be dispensed with. So interest on loan for higher education will now be only available without limit.
4. Deduction on interest etc. (Section 80L)
This section allows deduction from gross total income of individuals or HUF of income by way of interest on govt. Securities, NSC, etc. Subject to limit of Rs. 12,000/-. Additional deduction of Rs. 3,000/- is also allowed on interest on govt. Securities. This section is proposed to be omitted and henceforth no such deductions will be available.

Corporate Taxation

1. Re-alignment of deduction in depreciation.
The general rate of depreciation on plant and machineries will be reduced from current 25% to 15%.
2. Rate of additional depreciation is increased from 15% to 20%. Therefore, new plant and machineries will now attract rate of depreciation of at least 35%. Rate of depreciation in subsequent years will be 15%.
3. U/S. 35 DDA deduction shall be available also in respect of payments made on VRS even after retirement. Such deduction will be admissible in 5 equal instalments beginning with the year in which the respective payments are made.
4. Credit for Minimum Alternate Tax (MAT)
It is proposed to re-introduce credit for MAT paid.
In a year, where 7.5% of the book profits (MAT) computed under 115 JB is more than the tax computed under the normal provisions (Normal Tax), then the tax is payable at 7.5% of book profits.
To the extent the MAT exceeds the Normal Tax the amount payable is carried forward to the subsequent assessment year. In any subsequent assessment year if normal tax exceeds the MAT then to the extent of such excess the MAT credit available is set off and tax payable is accordingly reduced.
The benefit of carry forward and set off is available for 5 assessment years immediately succeeding the AY for which the credit was first computed.

Taxation on Financial Instruments

1. Set-off of speculative losses.
Presently, U/S 73, speculative losses are allowed to be set off only against speculative income. If this loss can not be set off, then the same can be carried forward to the subsequent year. This right was available for 8 years immediately succeeding the year for which the loss was first computed. This period is proposed to be reduced to 4 years immediately succeeding the year for which the loss was first computed.
2. Fringe Benefit Tax (FBT)
It is proposed to levy additional tax on fringe benefits provided or deemed to have been provided by a person to its employees from FY 06-07. FBT is payable even by charitable trusts whose entire income is exempt u/s 11. Other entities liable to pay FBT are an individual or an HUF engaged in business or profession, a company, a firm, AOP, BOI, a local authority and every artificial juridical person. FBT is payable even by entities who do not employ manpower. Benefits taxed under FBT will not be included as income of the employee as perquisites. FBT paid under Chapter XII-H will not be allowed as deduction while computing profits and gains from business or profession. However, there are some exemptions : a) Gift given to employees on special occasions upto Rs. 5,000/- b) Medical reimbursement, transportation and canteen benefits given within purview of respective acts c) Payment made to the approved superannuation fund U/S 36 (1) (iv).

Possession of mobile phone removed from 1-by-6 scheme. Instead, a person incurring electricity bill exceeding Rs. 50,000 p.a. is liable to file I-T return

Service providers with turnover upto Rs. 4 lacs exempted from service tax

Banking Cash Transaction Tax (BCTT) of .1% introduced for cash withdrawal from banks exceeding Rs. 10,000/- per day.

By Finance (No.2) Act, 2004, the exemption granted to an individual on non-resident (external) account, non-resident account or not-ordinary resident account was to be withdrawn from April 1 2005. It is now proposed to restore these exemptions